

MARCOLIN

2022 ANNUAL REPORT

Marcolin Spa

Single Shareholder Company | Headquarters and Administrative Offices: Zona Industriale Villanova, 4 – 32013 Longarone (BL) – Italy | Share Capital: € 35.902.749,82 i.v. | Fiscal Code and Company Registration No.: BL 01774690273 | R.E.A. 64334 Belluno VAT No. 00298010257 | Phone +39 0437 777111 | www.marcolin.com

MARCOLIN



BALLY



GANT
EYEWEAR

GCDS

GUESS

HARLEY-DAVIDSON
EYEWEAR

KENNETH COLE

MARCIANO
GUESS

MAX&Co.

MaxMara



PUCCI

SKECHERS
eyewear

SPORTMAX

Timberland



TOM FORD

ZEGNA

HOUSE BRANDS

VIVA
eyewear

WEB
EYEWEAR

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GENERAL INFORMATION

COMPOSITION OF CORPORATE BODIES

Board of Directors ¹

Vittorio Levi	Chairman
Fabrizio Curci	Chief Executive Officer and General Manager
Antonio Abete	Director
Simone Cavalieri	Director
Jacopo Forloni	Director
Cirillo Coffen Marcolin	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Raffaele Roberto Vitale	Director
Severine de Wulf	Director

Board of Statutory Auditors ¹

David Reali	Chairman
Mario Cognigni	Statutory Auditor
Diego Rivetti	Statutory Auditor
Alessandro Maruffi	Alternate Auditor
Stefania Prandelli	Alternate Auditor

Financial Reporting Officer

Alessandro Matteini

Internal Audit Committee ²

Cirillo Coffen Marcolin	
Jacopo Forloni	Chairman
Vittorio Levi	Supervisor
	Supervisor

Supervisory Body ²

Federico Ormesani	
David Reali	Chairman
Gabriele Crisci	Supervisor
	Supervisor

Independent Auditors ³

PricewaterhouseCoopers SpA

1) Term of office ends on the date of the General Meeting called to approve the financial statements as at 31 December 2024 (pursuant to the General Meeting resolution of 28 April 2022).

2) Pursuant to the Board of Directors' appointment of 28 April 2022.

3) Term of office: 2022 - 2024 (pursuant to the General Meeting resolution of 28 April 2022).

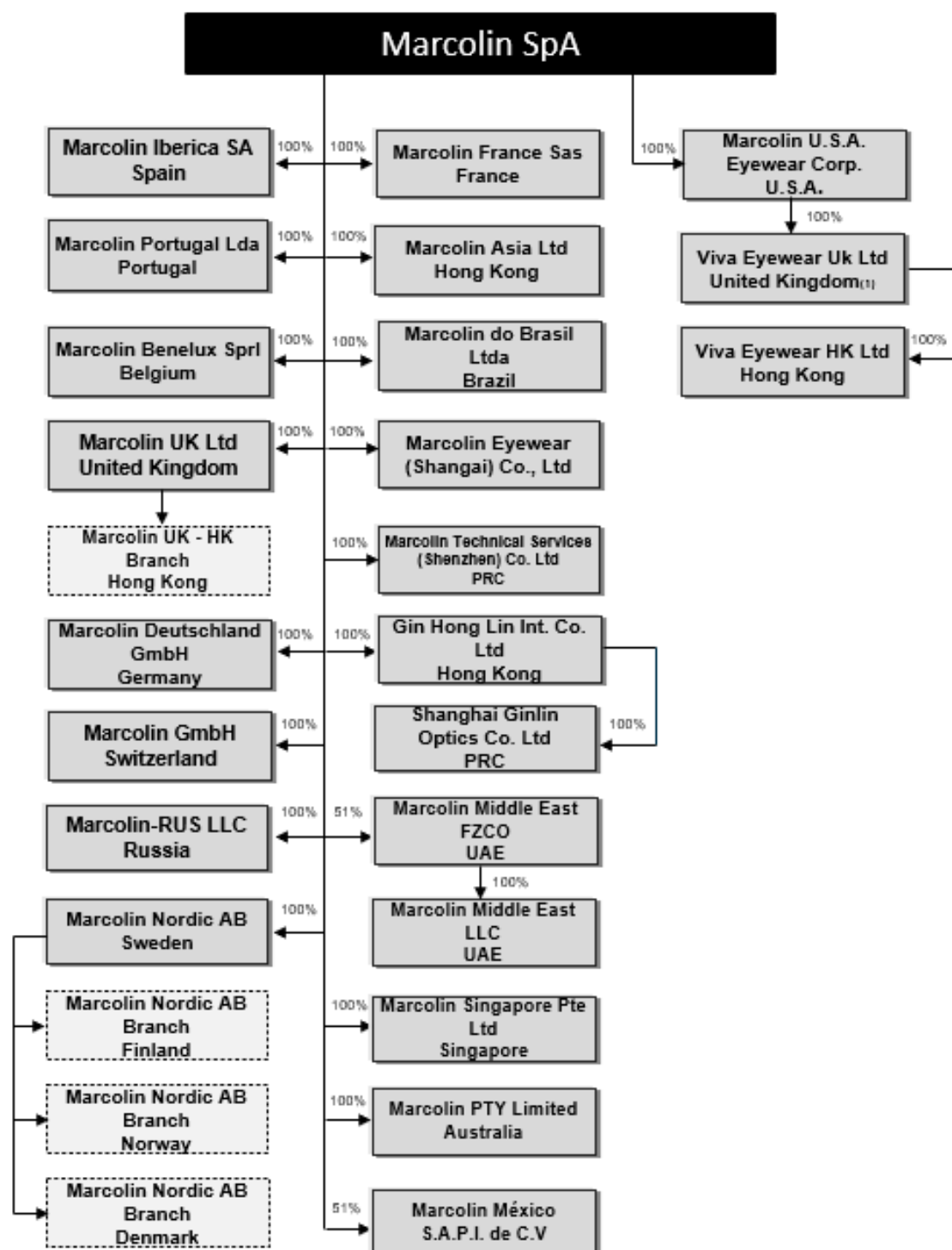
SHARE CAPITAL AND SHAREHOLDERS

The share capital of the Parent Company Marcolin SpA amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As at 31 December 2022, the share capital was 100% owned by the shareholder 3 Cime SpA, following the purchase and subsequent cancellation on 23 December 2021 of the shares previously held by the shareholder Vicuna Holding SpA, as part of the process of realising the investment in the joint venture with the LVMH Group Thélios SpA Group by the end of the 2021 financial year.

The Marcolin SpA shares held by the shareholder 3 Cime SpA are encumbered by liens established at the time of the issue of a bond loan on 27 May 2021, which is backed by collateral for the exact fulfilment of the pecuniary obligations undertaken towards the mass of bondholders covered by the loan, including a lien on the shares of the Issuer Marcolin SpA.

THE STRUCTURE OF THE MARCOLIN GROUP AS AT 31 DECEMBER 2022



1) Company in liquidation.

THE MARCOLIN GROUP

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

Thanks to the key acquisition of the Viva Group in 2013 and to the signing of new partnership agreements over the years (among others with LVMH, which concluded successfully at the end of 2021), Marcolin Group has become an eyewear business with a strong global presence in terms of its brand portfolio, products, geographic presence and markets.

In 2022, the Marcolin Group sold around 14 million glasses worldwide, achieving a net turnover of 547 million euro, with a total of 1,854 employees, plus a far-reaching and well-structured network of independent agents present in a network of direct branches and other distribution partners, reaching over 125 different countries. In recent years, the focus has been on developing the APAC region in particular, which plays a strategic role for the Group given the specific nature of the products offered and the propensity to purchase medium-high-end products from Asian countries. In this context, the reorganisation of the region led to the opening of a new affiliate in Shanghai in July 2021, which, when fully operational, will lead to an increase in the Group's organic growth in the local market, offering products developed specifically for the Chinese market, thanks to in-depth expertise in fitting and design processes and close collaboration with the country's major customers. Moreover, the APAC regional business centre was relocated to Singapore in 2022 as a strategic hub for the development of this business region in the near future.

In 2022, in the wake of the effects of the Covid-19 pandemic crisis, the Group continued to ensure the protection of its employees in terms of health and safety, adopting all the necessary and required hygiene protocols, as amended by various government regulations during the year, in its Italian plants and logistics centres around the world, as well as continuing to promote remote working solutions for office personnel.

On the financial front, the Group continued its projects to streamline and improve the management of working capital (focusing on all its main components such as trade receivables and trade payables and inventory management), and on profitability management, with positive effects on cash generation, some of which was used to rationalise the Group's financial sources, thanks to the partial, and in some cases, total repayment of smaller financial lines and the reduced use of commercial finance lines.

The Group's main source of financing as at 31 December 2022 was the non-subordinated, non-convertible, secured senior bond loan, issued in May 2021 in the amount of 350 million euro, together with a super senior revolving line of 46 million euro, which was undrawn as at 31 December 2022.

The economic and financial rigour that the Group had to adopt in order to cope with the constraints imposed by the Covid-19 pandemic has so far permeated its corporate culture, with virtuous actions such as cost containment, evaluation and support of the most strategic investments, efficiency of internal production capacity, optimisation of marketing expenditure, accurate monitoring of net working capital by minimising stock levels and accurate management of collections from customers and payments to suppliers.

In terms of licensing agreements, 2022 was characterised by the consolidation of key licensed brands through the extension of the relevant licensing agreement, such as Harley Davidson, which was extended to 2027, and Timberland which was extended to 2026.

Today Marcolin has a strong portfolio of licensed brands balanced between the *Luxury* and *Diffusion* sectors, for both men and women, with a good balance between eyeglasses and sunglasses.

The company is positioned in the *Luxury* sector with some of the most glamorous brands in the fashion system, including Tom Ford, Tod's, Ermenegildo Zegna, Pucci, Moncler, Barton Perreira, Bally, Max Mara and Sport Max, and in the *Diffusion* sector with the brands Guess, Guess by Marciano, GANT, Harley Davidson, Swarovski, Max&Co, Skechers, BMW, GCDS, Timberland, Kenneth Cole, Candie's and other brands specifically for the US market. The sports sector is represented by adidas Badge of Sport and adidas Originals while the proprietary brand is WEB EYEWEAR.

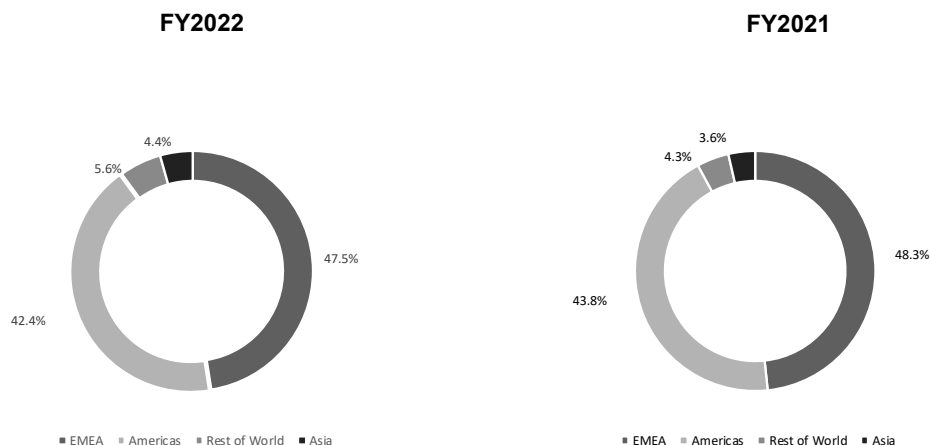
Geographically, the Group is present in all major countries across the world through direct affiliates, partnership agreements and exclusive distribution agreements with major players of the industry.

The macroeconomic indicators expected for 2023, such as the persistence of high inflation and the associated interest rate increases by central banks to reduce the inflationary burden, as well as geopolitical tensions stemming from the conflict in Ukraine, all point to a general climate of uncertainty that is still suffering from the effects of the pandemic crisis. It is therefore difficult to predict the results for the current year, which could be affected by macro-

economic trends outside the Group's control or industry trends. Despite a complex and uncertain macroeconomic scenario, the Group is determined to pursue its short- and medium-term strategies by continuing the measures taken in recent years in terms of commercial policy, industrial efficiency and prudent cost management.

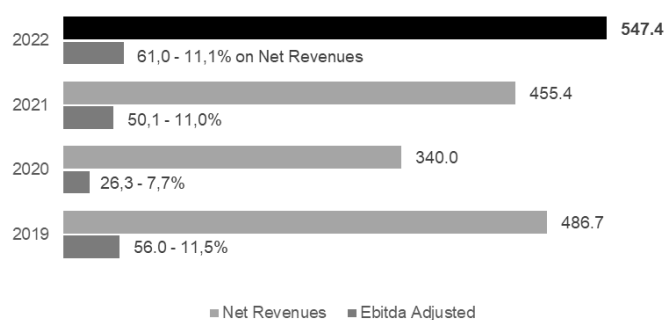
THE GROUP'S FINANCIAL HIGHLIGHTS

Turnover by geographical area

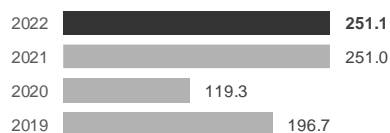


Turnover and Adjusted EBITDA (million euro)

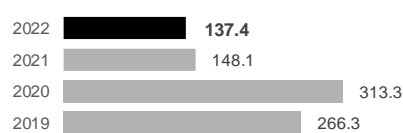
Adjusted EBITDA excludes extraordinary non-recurring costs.



Equity (million euro)



Net financial position (adjusted) (million euro)



Adjusted to exclude the loan granted by the parent, 3 Cime S.p.A., in FY 2020

ANNUAL FINANCIAL REPORT
OF THE GROUP
AS AT 31 DECEMBER 2022

ANNUAL FINANCIAL REPORT OF THE GROUP AS AT 31 DECEMBER 2022

In line with previous years, the Annual Financial Report as at 31 December 2022 (which includes the consolidated financial statements of Marcolin Group and the separate financial statements of Marcolin SpA) was prepared in accordance with the valuation and measurement criteria established by the IAS/IFRS international accounting standards adopted by the European Commission, in accordance with the procedure set out in Article 6 of Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the application of international accounting standards and the measures issued in implementation of Italian Legislative Decree no. 38/2005.

DIRECTOR'S COMMENTS ON PERFORMANCE

*Economic trends in the Italian eyewear industry*¹

According to Anfao - Associazione nazionale fabbricanti articoli ottici, with the gradual exit from the Covid-19 health emergency and the easing of related restrictions, global expectations are tending towards a more positive sentiment, despite a 2022 marked by very complex phenomena from a macroeconomic point of view. Three aspects dominated 2022 and continue to dominate the current scenario:

- the conflict in Ukraine, which is affecting the business sector, particularly in terms of supply chain disruptions, and a change in consumer confidence, which will alter spending habits and force companies to adopt new forecasting models to cope with market uncertainty;
- the significant rise in the cost of living, which tends to affect all countries in the world. In the US alone, it has almost quadrupled in the last two years, and in the UK it is at a 40-year high. According to the International Monetary Fund, global inflation is expected to peak at 9.5% before slowing to 4.1% by 2024;
- geopolitical tensions combined with concerns about the negative aspects of climate change are influencing consumer attitudes and behaviour in a very complex market, which in some cases is showing signs of recession.

Regarding the Italian eyewear sector, ANFAO states that the first eight months of 2022 were positive overall for the entire sector, with exports growing by more than 20% compared to the previous year. The analysis of exports per month shows that each month of 2022 had a higher total export value than 2019, the benchmark year before the negative impact of the Covid-19 pandemic.

With reference to geographical areas, the segment shows growth in all major target markets for Italian eyewear compared to 2021.

At the macroeconomic level, a number of trends that emerged in 2022 are expected to persist and continue to affect the global economy in 2023. Economic growth in the Eurozone and the United States is expected to be weaker in 2023 than in 2022. In China, the domestic economy and consumption are expected to grow compared to 2022 due to the easing of government restrictions to contain the Covid-19 pandemic. With regard to the global pandemic crisis, there is some optimism that the overall high level of vaccination of the population will mitigate the potential negative impact of new variants that may emerge in the near future. However, it is not possible to rule out the possibility of negative economic effects as a result of the pandemic containment measures adopted by individual countries.

The rise in inflation that characterised 2022, and the consequent impact of higher interest rates as a result of central banks' measures to curb price increases, will continue in 2023, affecting many sectors and companies. Maintaining high interest rates could create stability problems for some banks, as recently demonstrated by the crisis in some US banks, which could spread to other parts of the world.

Based on the information available at the time of writing, the tensions in the financial system that have affected some banks have no direct impact on the Group's financial structure.

Introduction

In this context, the Marcolin Group recorded an increase in turnover of 20.2%.

¹ Freely adapted from press releases by: 1) ANFAO - Associazione Nazionale Fabbricanti Articoli Ottici (Italian Association of Eyewear Product Manufacturers) - ANFAO 2022 Meeting - January/August 2022 eyewear data and 2) Moody's Global Macro Outlook 2023-24 (February 2023 update).

(13.3% at constant exchange rates), while the parent company recorded an increase of 18.7% (15.6% at constant exchange rates).

The principal transactions in which the Group is involved during 2022 are described in detail below.

Financial and corporate activities

The Group's debt structure did not change significantly during 2022. The main source of financing is a bond loan of 350 million euro together with a super senior revolving credit facility of 46.25 million euro, undrawn as at 31 December 2022. The generation of cash from the Group's operating activities enabled the repayment of approximately 14 million euro of minor financial payables (mainly commercial lines and other minor loans not yet due) during the year.

The bond loan was issued by Marcolin SpA on 27 May 2021 and is senior secured, non-convertible and non-subordinated, pursuant to Articles 2410 et seq. of the Italian Civil Code, at a fixed rate of 6.125% and maturing in November 2026, for an amount of 350 million euro. UniCredit SpA acted as "Security Agent" and The Law Debenture Trust Corporation p.l.c. as "Trustee". As part of the transaction, a super senior revolving credit facility (ssRCF) was also signed on 19 May 2021 for a maximum amount of 46.25 million euro, with a pool of banks consisting of Deutsche Bank Aktiengesellschaft, Banco BMP SpA, Credit Suisse AG (Milan Branch), Intesa Sanpaolo SpA and UniCredit SpA (the latter also acting as "Agent" and "Security Agent"), whose maturity was set within the limit of 6 months prior to the maturity of the new bond issue.

The bond loan is listed on the Euro MTF multilateral trading facility managed by the Luxembourg Stock Exchange (non-regulated EU market), with the result that the issue limits provided for in Article 2412, paragraphs 1 and 2 of the Italian Civil Code will not apply, and is offered for subscription in the United States solely to "qualified institutional buyers" pursuant to Rule 144A of the Securities Act of 1933 ("Securities Act") and in Italy and in other countries other than the United States in accordance with the provisions of Regulation S under the Securities Act and solely to qualified investors, with the exclusion of any placement with the general public and, in any event, exempt from EU and Italian rules on public offerings pursuant to Regulation (EU) 2017/1129 and Article 100 of Italian Legislative Decree no. 58 of 24 February 1998 and the relevant implementing rules contained in Article 35, paragraph 1, letter (d) of the CONSOB Regulation adopted by resolution 20307 of 15 February 2018 and in Article 34-ter, paragraph 1, letter (b) of the Regulation on issuers adopted by CONSOB by resolution no. 11971 of 14 May 1999.

The bond loan and the ssRCF loan are secured by the following collateral granted by the parent company 3 Cime SpA, by Marcolin SpA and by certain subsidiaries:

- (i) a first-degree lien on the shares of Marcolin SpA held by 3 Cime SpA;
- (ii) a pledge on the shares representing the entire share capital of Marcolin (UK) Limited, Marcolin France S.A.S., Marcolin (Deutschland) GmbH, Marcolin USA Eyewear Corp.;
- (iii) an assignment as security of receivables of Marcolin SpA arising from certain intra-group loans granted by the Company to certain companies controlled by it;
- (iv) a pledge on all significant assets of Marcolin USA Eyewear Corp.;
- (v) a special lien pursuant to Article 46 of Legislative Decree no. 385 of 1 September 1993 established by Marcolin SpA on certain assets.

In line with similar transactions entered into by the Group in previous years, the ssRCF loan agreement provides for compliance with certain financial covenants, in addition to the guarantees described above. Until 31 March 2022, there was a "minimum liquidity covenant", set at 10 million euro as the minimum level of cash including any available undrawn credit lines, to be calculated on a quarterly basis by Marcolin SpA. From 30 June 2022, it has been replaced by the "Total Net Leverage ratio covenant" (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. Since the ssRCF line was undrawn as at 31 December 2022, the relevant financial covenants were not activated.

In addition to these financial covenants, the agreement also includes, on a residual basis, certain disclosure requirements, other general commitments and certain restrictions on the carrying-out of certain investment and financing activities, commensurate with the amount available from certain baskets.

For further information, please refer to the Marcolin Group's website for the document called "Offering Memorandum" prepared at the same time as the issue of the bond in question.

In addition to the forms of financing mentioned above, as part of the liquidity support measures taken in 2020 to cope with the negative effects of the Covid-19 pandemic, it should be noted that 3 Cime SpA, the sole shareholder of Marcolin SpA, disbursed on 24 June 2020 a subordinated shareholder loan of 25 million euro with an original maturity of December 2025, which accrues interest repayable on maturity, and whose contractual structure allows it to be classified as an "equity credit". In the context of the refinancing operation that occurred in May 2021, the

maturity date of the aforementioned shareholders loan was changed, extending it to November 2027 and thus making it subject to the repayment of the bond.

At the end of December 2021, Marcolin SpA finalised the sale of the investment relationship in the Thélíos joint venture, which was also provided for in the same joint venture agreement originally signed in 2017 with partner LVMH Moët Hennessy Louis Vuitton SE (LVMH), in addition to the purchase of treasury shares equal to 10% of the shares in Marcolin SpA previously held by LVMH. The net take from this transaction amounted to 128 million euro; in accordance with the "asset sale covenant" in the bond loan agreement and the ssRCF agreement, this amount was reinvested in the Group's business in 2022.

With regard to the conflict between Russia and Ukraine, which began in February 2022, the Group has not yet been significantly affected by the negative effects of the conflict. The Group operates in Russia through a sales affiliate while in Eastern European countries it is active through independent third-party distributors. Overall, the turnover generated in these territories does not exceed 2% of total consolidated turnover in 2022 and represents less than 1% in terms of consolidated Total Assets. The Group initially suspended sales to the Russian subsidiary, but resumed them during 2022, initially through the sale of the house brand only, and subsequently through the resumption of sales of certain licensed brands, in mutual agreement with the licensing companies. At this stage, it is not possible to quantify any further impact from this event due to the high level of uncertainty and volatility in the ongoing conflict.

Organisational changes

In 2022, important reorganisations and replacements continued at the top management level of both the Parent Company and the affiliates, which had already taken place since the previous year, in order to strengthen the management team as part of the measures taken to pursue the Group's new strategic objectives, which are aimed at developing skills for a drive towards industrial and commercial efficiency, including through the digitalisation of processes. In this context, the marketing function was reorganised with the arrival of a new Group Brand Management Director and a Group Communication Director, who also took on the role of coordinating the ESG activities, as well as of new figures in the sales area with the appointment of a new President and General Manager of the American subsidiary and General Manager & Head of Sales of the APAC Region.

The key elements for achieving these objectives lie in the structuring of high quality standards in terms of processes, procedures and best practices in corporate governance and business risk management, which the Group has been pursuing since 2020, with important developments achieved in recent years. With regard to this last aspect, a number of improvements in risk management were implemented in 2022, including the extension and consolidation of an ERM (Enterprise Risk Management) aimed at identifying, assessing and managing the main business risks.

In the context described above, it is also important to note the definition and adoption of an internal control system, which consists of an organic and complete framework of administrative and accounting procedures that define the company's processes and activities that have a direct and/or indirect accounting impact on the financial statements and other financial disclosures. As part of these activities, the Regulation of the Financial Reporting Officer was approved, appointing, on a voluntary basis, CFO Alessandro Matteini as Financial Reporting Officer, which was followed by the internal approval of the "Internal Control Model on Financial Reporting" in compliance with Italian Law no. 262/2005, which the Group uses as a model for the management of internal control activities related to financial disclosures. In 2022, it was activated on the parent company Marcolin SpA and during 2023 it will continue to be activated on the affiliates, mainly the American and French affiliates.

In 2022, the company also continued to update and introduce new protocols in the Organisation and Management Model adopted pursuant to Italian Legislative Decree 231/2001 in order to adapt to new regulatory requirements or changes in the organisational structure. More specifically, the Model was supplemented with (i) the introduction of the protocol relating to the offences of fraud in competitions, abusive gambling or betting and gambling by means of forbidden equipment envisaged by Article 25-quaterdecies of Italian Legislative Decree no. 231/2001; (ii) the introduction of the protocol relating to crimes connected to non-cash payment instruments envisaged by Article 25-octies.1 of Italian Legislative Decree no. 231/2001.

Moreover, the process - started in 2021 - of assessing and updating all sections of the Model and its General Part was completed.

In 2022, the company received ISO 13485:2016 certification, which internationally regulates quality management systems in the medical device sector. ISO 13485:2016 aims to promote the global harmonisation of the requirements of the various international medical device standards and provides a presumption of conformity with the essential requirements of these important standards. The adoption of the ISO 13485 standard provides a

practical basis for manufacturers in dealing with medical device directives, regulations and responsibilities, while demonstrating a commitment to the safety and quality of the medical devices marketed to protect customers and end consumers of the product. Issued by DNV - a leading independent body and trust provider in risk assessment and risk management services, and a pioneer in the development of digital assurance solutions - the three-year certification was granted for the "design, manufacture and marketing of non-active ophthalmic medical devices, i.e. eyeglass frames and frames with blue block lenses". Marcolin is the first player in the industry - among manufacturers - to achieve this. This certification is part of a broader ESG plan developed by the Group, which has sustainability - economic, social and environmental - as one of the foundations of its development strategy. With regard to ESG, it should be noted that 2022 represents the first financial year for which the Group has voluntarily prepared its first Sustainability Report, drawn up in accordance with the GRI (Global Reporting Initiative) Sustainability Reporting Standards, which will be approved by the Board of Directors on 28 March 2023, and which will be mandatory, according to the current regulatory provisions (European Commission, CSRD Directive, Brussels, 21/04/2021) starting from 2025.

Finally, it should be noted how the Board of Directors assessed the adequacy of the organisational, administrative and accounting structure of the Company and its subsidiaries, also in the light of Article 2086 of the Italian Civil Code and Italian Legislative Decree no. 14 of 12 January 2019 (Code of Business Crisis and Insolvency), also in relation to the timely reporting of the company's crisis and loss of business continuity.

Product and licensing activities

As part of the actions to consolidate and develop the brand portfolio, the following activities were undertaken during 2022:

On 15 February 2022, WEB EYEWEAR and Alfa Romeo F1 Team ORLEN signed a multi-year partnership that, starting from 2022, saw them embark on a new adventure in the extraordinary Formula 1 World Championship. With this strategy, WEB EYEWEAR, the house brand of Marcolin since 2008, aims to expand its international coverage by enhancing its image with a new look and production characterised by cutting-edge techniques and materials of exceptional quality. This agreement is part of a wider project to review and update the elements of the marketing mix to reflect the brand's premium positioning and product quality.

On 10 May 2022, Marcolin and TBL Licensing LLC announced the early renewal of their licensing agreement for the design, manufacture and worldwide distribution of Timberland® brand sunglasses and eyeglass frames. The partnership, which began in 2003, has been extended for a further five years to December 2026, cementing the strong relationship between the two companies. As a demonstration of their long-term partnership, Marcolin and Timberland are united in their common commitment to promoting reforestation internationally through the Treedom web platform. In fact, as part of this global initiative, Marcolin has committed to planting more than 10,000 trees by 2023, in line with Timberland's long-term goal, which counts more than 12,000 trees planted to date.

On 15 November 2022, Marcolin SpA signed an agreement with The Estée Lauder Companies Inc. ("ELC") to enter into a long-term licensing relationship for TOM FORD eyewear. The agreement is a significant extension of the current licensing agreement with TOM FORD. The new agreement will grant a perpetual license to TOM FORD against payment by Marcolin of 250 million U.S. dollars, which will be owned by ELC upon payment. The transaction will be financed through the use of available cash and an increase in share capital by Marcolin's shareholders of at least 50 million euro. The new licensing agreement is subject to the completion of the purchase of TOM FORD by ELC, which is expected to occur in the first half of 2023.

On 11 January 2023, Marcolin and Harley-Davidson Motor Company announced the renewal of their licensing agreement for the design, manufacture and worldwide distribution of Harley-Davidson® branded eyeglass frames and sunglasses. The new agreement will now also cover Performance and Protective sunglasses, designed to be worn on motorbikes. The partnership, which began in 2013, has been extended for a further six years until December 2027.

Finally, after a long and successful partnership, in 2022 Marcolin and Swarovski have jointly decided to terminate the licensing agreement for the Swarovski-branded collections of sunglasses and eyeglass frames at the end of the first quarter of 2023. Under the terms of the contract, Marcolin will continue to sell Swarovski products from collections already produced until the end of September 2023.

Commercial actions

In 2022, the Group continued to develop its medium- to long-term initiatives aimed at further strengthening customer focus, growth and development of markets and channels, digitalisation of processes and platforms, and inventory optimisation.

As part of the CX Factor programme, which aims to transform the business model, organisation and customer experience, the new Vision to "Be and be recognised as the best partner in the eyewear industry" and Mission to "Create and add value to the eyewear industry by listening to our customers and making their lives easier, by constantly improving the quality of our products and services, by building long-term, strong and agile business relationships, and by always acting in a socially responsible manner" were defined.

This cross-functional project involves a profound cultural transformation of the Group, the redesign of customer-centric processes and digital acceleration. During the year, organisational preparation and training activities were initiated to create the necessary skills for the adoption of a customer-centric culture involving all functions and regions.

The enabler of this transformation is a global digital CRM platform from a major market leader capable of managing processes in an integrated manner throughout the customer life cycle from pre-sales to sales and after-sales, with the aim of increasing value for customers and the company. The development phases of the basic functionality of the Sales, Commerce, Marketing and Service modules were completed and an MVP was launched in Germany, in anticipation of the international rollout of the full release to all Group companies by the end of 2023.

As part of the strategic investment in platforms, the sales forecasting process continues to evolve into a fully integrated system to support markets and corporate functions. Moreover, a new customised application was implemented to manage the sales forecasts for new releases and their management process in the order collection phase of the sales campaign. Improved forecasting accuracy and order collection on availability increased commercial service levels and brought to further efficiencies in inventory control.

The M.O.R.E. programme, the Group's proprietary integrated category management and automated replenishment platform, continued to progress, with new point of sale activations in EMEA, the first customers in the Middle East and some of the best performance in terms of sell-out and customer service levels.

The Group is creating an international platform for commercial policy with the aim of being more consistent and competitive in a global market. After the harmonisation of policies on commercial terms and conditions for all customers and sales channels, in 2022 guidelines for more effective sales force management were redesigned, from the remuneration and incentive scheme to the sales process and the management of customer visits, to the configuration of the cases of sales personnel.

Finally, during the year, the APAC regional centre was relocated to Singapore as a strategic hub for the development of this Business Region. The first positive signs strengthening the region's growth ambitions were observed in the second half of 2022.

All these initiatives have both short and medium to long-term objectives and will further strengthen the Group's market position in the coming years.

Logistics and industrial actions

Marcolin is committed to improving the efficiency of its logistics and industrial organisation. Increasing product demand has further emphasised the need for efficiency in the Supply Chain network, which is increasingly called upon to meet flexibility requirements in order to rapidly respond to fluctuations in demand. In this context, the Group has launched a series of projects aimed at improving the efficiency of the entire supply chain, particularly the production of Made In Italy products and procurement planning in order to optimise inventory levels.

Lean production initiatives have been implemented for the "Made in Italy" production, starting with a "cost deployment" approach to identify the main inefficiencies, followed by a phase of reviewing and updating cycle times and redesigning the flow of the production cycle. Through this project, the Group was able to identify and pursue significant industrial efficiencies by reducing scrap and rework, significantly improving lead times and increasing the efficiency of all production facilities. This project also made it possible to increase the production output of Made in Italy products, including by reallocating industrial space and optimising production flows to increase daily productivity. In this context, the area dedicated to sample production has also been improved and made more

efficient, allowing more precise industrialisation steps to be taken and planned prior to mass production. This made the overall lead time more efficient, with savings expected in subsequent years.

Marcolin considers it essential to consolidate and develop its production capacity in Italy in order to benefit from the following factors:

- the reduction of dependence on external suppliers, which also makes it possible to reduce production lead-time, thus increasing the ability to seize market opportunities where they exist (improvement of time to market);
- the realignment of the Made-in/Made-out quota in line with the eyewear industry standards (and those of the main competitors);
- the expansion of the capacity to support the growth of Made in Italy products, which are increasingly perceived as value-added products by Italian and international customers;
- as an essential condition for managing the inflation risk in the Chinese sourcing market, the internalisation of production allows greater control of production factors, and not only from a cost effectiveness point of view.

In terms of logistics, major investments in automation were undertaken in the American hub in 2022, with the aim of streamlining the preparation and shipment of the distribution channel for independent opticians, as undertaken in the Italian hub during 2021. Automation, thanks to both horizontal and vertical transport solutions (between several warehouses) and thanks to pick-to-light solutions, has increased productivity by around 30% in the same space, allowing the group to develop new channels and logistics solutions to satisfy potential new markets.

The Group's logistics activities are currently concentrated in the following logistics hubs:

- the American hub, managed by Marcolin USA Eyewear Corp. (the only legal entity focused on distribution in the North American markets);
- the European hub, managed by the parent company Marcolin SpA, which, also through its affiliates, covers the entire European, Middle East and Africa, South America and APAC area;
- some secondary areas for goods stored at the affiliates in Brazil, Russia, Mexico, the Middle East and China, which were set up to respond more quickly and efficiently to customer requirements than centralised logistics management by the parent company.

INCOME STATEMENT HIGHLIGHTS

It should be noted that, where relevant, the main changes that occurred in the results during the period are described below in order to highlight the impact of the activities and, therefore, of the non-recurring costs, and to make the 2022 figures comparable with those of the previous year, thus providing evidence of "normalised" profitability for both years. In fact, the last few years were impacted by a series of projects and new consolidation, development and global reorganisation activities at all levels. These extraordinary actions had an impact on the various financial years, including 2022. This requires contextualising the results in the light of the "extraordinary nature" of certain elements.

The following table summarises the Group's key performance indicators:

Year (euro/000)	Net revenues	YOY	EBITDA	% of net revenues	EBIT	% of net revenues	Net profit / (loss) for the year	% of net revenues	ROS	ROI	ROE
2021	455.4	33.9%	39.2	8.6%	11.4	2.5%	152.8	33.6%	2.5%	2.7%	60.9%
2022	547.4	20.2%	53.3	9.7%	25.7	4.7%	(5.8)	(1.1)%	4.7%	6.2%	(2.3)%

EBITDA: earnings before interest and taxation (EBIT), depreciation and amortization

ROS: Return on sales = EBIT/Net sales

ROI: Return on investment = EBIT /Cost of the investment

ROE: Return on equity = Net result/ Net Equity

In 2022, net revenues amounted to 547.4 million euro, compared to 455.4 million euro in 2021.

Ebitda amounted to 53.3 million euro, or 9.7% of turnover (compared to EBITDA 2021 of 39.2 million euro, or 8.6% as a percentage of revenues). It should be noted that this indicator is calculated considering the effect of recognition of lease agreements in accordance with IFRS16.

EBIT amounted to 25.7 million euro or 4.7% of revenues (compared to the 2021 result of 11.4 million euro, or 2.5%).

The 2022 financial year was impacted at EBITDA level by non-recurring costs of 7.7 million euro compared to the amount recognised in the 2021 financial year of 10.9 million euro. In order to better understand the economic performance of the year, it is therefore necessary to neutralise these effects, which in 2022 consist mainly of charges resulting from reorganisation activities undertaken in several regions where the Group operates, charges related to the redefinition of contracts with certain brands and, finally, charges related to potential acquisitions and other extraordinary transactions.

Excluding the impact of the extraordinary charges described above, the adjusted Ebitda for 2022 is 61.0 million euro, or 11.1% of revenues, compared to a similar figure for 2021 of 50.1 million euro (or 11.0% of revenues), while the *adjusted* EBIT (operating profit) for 2022 is 33.4 million euro, or 6.1% of revenues, compared to a similar figure for 2021 of 22.3 million euro (4.9% of turnover).

A summary of the normalised (adjusted) key performance indicators, after filtering out the effect of non-recurring costs, is presented below:

Economic indicators - Adjusted (euro/000)	2022		2021	
	euro	% of net revenues	euro	% of net revenues
Ebitda adj	61,016	11.1%	50,138	11.0%
Operating income - Ebit adj	33,395	6.1%	22,384	4.9%

ANALYSIS OF TURNOVER

The consolidated financial statements as at 31 December 2022 show net revenues for the Group of 547.4 million euro, compared with 455.4 million euro in 2021. The increase in revenues of 92.0 million euro represents a percentage increase of 20.2%. The year-on-year change in turnover at constant exchange rates was positive by 13.3%^[1].

The Group continued to invest in supporting the brands and strengthening the sales organisation with a medium/long-term strategy, even in the most difficult markets, where it preferred to follow the trend in demand in the short term, avoiding saturating customers with products and favouring credit quality.

Sales by geographical area are broken down as follows:

Net Revenues by geographical area (euro/000)	2022		2021		Variations	
	euro	% of total	euro	% of total	euro	% of total
EMEA	260,140	47.5%	220,120	48.3%	40,020	18.2%
Americas	232,329	42.4%	199,286	43.8%	33,043	16.6%
Rest of World	30,916	5.6%	19,615	4.3%	11,301	57.6%
Asia	23,970	4.4%	16,352	3.6%	7,618	46.6%
Totale	547,355	100.0%	455,374	100.0%	91,981	20.2%

Net sales recorded an overall growth of 20.2% compared to the same period in 2021, completely overcoming the decline due to the pandemic (+12% vs. 2019). More specifically, there was a change in purchasing habits, particularly in the opticians' channel, with a greater penetration of the "eyeglasses" product and an orientation towards luxury brands.

In EMEA, net revenues amounted to 260.1 million euro (+18.2% year-on-year). In this area, growth was recorded in all countries compared to the same period last year. This growth was driven by Germany, the UK and Spain for both Luxury and Diffusion brands.

The US ended 2022 with an increase in revenues of 16.6% at current exchange rates (4% at constant exchange rates), with the best growth in the Optical and Department Stores channel, mainly in the Luxury product segment. The Mexican and South American Region also performed well.

Sales in Asia increased 46.6% at current exchange rates and 33% at constant exchange rates over the year, benefiting from the recovery in consumption and the reorganisation of the entire APAC region undertaken by management. The main increases were recorded in Korea and other distributors in the APAC region. China was affected by restrictive government policies applied throughout most of the year to contain the Covid-19 pandemic.

With regard to the performance in the Rest of the World, there was an overall increase in turnover of 57.6% driven by sales in emerging countries with high growth potential for the Group and also by the recovery in tourism.

^[1] The exchange rates as at 31 December 2022 and average exchange rates for 2022 are described in the Notes to the Consolidated Financial Statements in the paragraph "Basis of consolidation".

ANALYSIS OF THE OTHER INCOME STATEMENT COMPONENTS

The key data of the consolidated income statement is as follows:

(euro/000)	2022		2021	
	euro	% of net revenues	euro	% of net revenues
Net revenues	547,355	100.0%	455,374	100.0%
Gross profit	319,032	58.3%	257,556	56.6%
Ebitda	53,312	9.7%	39,164	8.6%
Operating income - Ebit	25,692	4.7%	11,410	2.5%
Financial income and costs	(24,650)	(4.5)%	(21,393)	(4.7)%
(Loss)/Profit before taxes	1,042	0.2%	156,781	34.4%
Net (loss)/profit for the period	(5,796)	(1.1)%	152,801	33.6%

Economic indicators - Adjusted (euro/000)	2022		2021	
	euro	% of net revenues	euro	% of net revenues
Ebitda adj	61,016	11.1%	50,138	11.0%
Operating income - Ebit adj	33,395	6.1%	22,384	4.9%
(Loss)/Profit before taxes adj	8,746	1.6%	3,291	(5.8)%

A more detailed analysis of the data relating to the key performance indicators shows that the gross industrial result was 58.3% of turnover, up (as a percentage of net revenues) by approximately 1.7% compared to the previous year (56.6% recorded in 2021) due to both an improved commercial mix (brands and sales channels) and industrial and distribution efficiencies, despite the complex macroeconomic context, the effects of which included a general increase in transport costs on purchases and costs of industrial uses.

As indicated in the previous paragraphs, the level of EBITDA and EBIT for both the 2022 and 2021 financial years is affected by non-recurring events, which is why they have been normalised in order to show margins that exclude the impact of reorganisations that have taken place in several of the regions in which the Group operates, as well as charges related to the redefinition of contracts with certain brands and charges related to potential acquisitions and other extraordinary transactions. The pre-tax profit (loss) for the year was adjusted for the above-mentioned non-recurring costs.

In summary, normalised EBITDA of the effect of non-recurring costs (known as adjusted) for 2022 is 61.0 million euro, or 11.1% of turnover, and is compared to a similar figure for 2021 of 50.1 million euro (or 11% of net revenues). The adjusted EBIT for 2022 is 33.4 million euro, or 6.1% of revenues, and is compared to a similar figure for 2021 of 22.4 million euro (4.9% of turnover).

The item net finance income and costs, which amounts to 24.6 million euro in 2022 mainly includes the financial interest expense referred to the bond loan recognised in application of the IFRS according to the financial method of the amortised cost over the duration of the loan, other finance costs referred to other short and medium-long term loans and finally, residually, the financial component of the accounting of lease agreements in accordance with IFRS 16.

With regard to the Group's currency management, it should be noted that there is a natural hedging of the main currencies other than the euro with which the Group operates, mainly the US dollar, due to the similar amount of transactions in the same currency in purchases from suppliers and sales to customers; therefore, the operating result was not significantly impacted by the currency management trend. The positive impact of the exchange rate effect in 2022, totalling 2.5 million euro, was mainly due to the appreciation of the US dollar in 2022.

Income taxes² totalled 6.8 million euro compared to total expenses of 4.0 million euro for 2021. With reference to Marcolin SpA, the recognition of a tax consolidation expense of 0.5 million euro is to be noted, entirely attributable to the IRES debit of the Parent Company towards 3 Cime SpA by virtue of the tax consolidation agreement in place with the latter. With reference to the American affiliate, it should be noted that, in 2022, a change to the regulations

² On 31 March 2017, Marcolin SpA opted to renew the Italian tax consolidation regime for IRES purposes pursuant to Articles 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986 ("TUIR" (Consolidation Act on Income Taxes)) with the parent company 3 Cime SpA for the three-year period from 2017 to 2019. Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

governing the deductibility of financial interest expenses occurred such that the portion of temporarily non-deductible interest recognised as deferred tax assets had to be reduced by 2.6 million euro.

The net result was a total loss of 5.8 million euro and is compared to a net positive result of 152.8 million euro in 2021. 2021 was impacted by the realisation of the investment in the Joint Venture Thélíos SpA, which contributed an investment income of 166.8 million euro, given the difference between the amount received of 158 million euro and the value of the investment in Thélíos recognised in the consolidated financial statements using the equity method of -8.8 million euro at the date of the transaction.

STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position as at 31 December 2022 compared with the previous year is set forth below.

Net invested capital (euro/000)	12/31/2022	12/31/2021
Trade receivables	75,464	70,762
Inventories	106,615	103,307
Trade payables	(160,465)	(146,894)
Operating working capital	21,614	27,175
Other assets	30,952	30,093
Other liabilities	(39,416)	(34,371)
Net working capital	13,149	22,898
Non-current assets	53,177	53,065
Property, plant and equipment	41,855	43,506
Intangible assets	43,195	44,577
Goodwill	293,359	287,720
Fixed assets	431,587	428,868
Founds	(27,457)	(25,405)
Net invested capital	417,278	426,361
Current financial liabilities	11,111	22,100
Non-current financial liabilities	381,441	383,220
Gross financial indebtedness	392,553	405,320
Current financial assets and Cash and ca	(226,095)	(229,747)
Non-current financial assets	(232)	(238)
Net financial debt	166,226	175,335
Net equity	251,052	251,025

The following table shows details of the net financial indebtedness at the end of the year, compared to the corresponding figures at the end of 2021:

Net financial debt (euro/000)	12/31/2022	12/31/2021
Cash and cash equivalents	225,995	228,848
Current and non-current financial assets	332	1,137
Current financial liabilities	(11,111)	(21,426)
Current portion of non-current financial liabilities	-	(674)
Non-current financial liabilities	(381,441)	(383,220)
Net financial position	(166,226)	(175,335)
Loan from parent company 3 Cime S.p.A.	28,779	27,279
Net financial position Adjusted	(137,448)	(148,056)

The Group's net financial position is a negative 166.2 million euro and includes the loan of 28.8 million euro granted in June 2020 by the shareholder 3 Cime SpA as part of the activities aimed at providing financial support to the Group during the Covid-19 pandemic. Excluding this amount, which is considered an equity credit for the purposes of the financial exposure to banks, the Group's adjusted net financial position as at 31 December 2022 was 137.4 million euro, compared to 148.1 million euro at the end of 2021, a positive change of 10.6 million euro year-on-year.

The main components of the financial indebtedness are the bond loan with a notional amount of 350 million euro and short and medium/long-term loans granted by various banks (in this regard, most of these secondary credit lines were repaid during the year thanks to the generation of cash from operating activities). In addition, a Super Senior Revolving Facility for a maximum amount of 46.2 million euro was available and undrawn as at 31 December 2022.

The ratio of net financial position to equity as at 31 December 2022 is 0.66 (0.70 as at 31 December 2021). Excluding the effect of the loan from the parent company 3 Cime SpA, the ratio in question amounted to 0.54 as at 31 December 2022 (0.59 as at 31 December 2021).

The change in the net financial position during the year, positive by 10.6 million euro, is described in the following table:

Changes in net financial debt adj (euro/000)	12/31/2022	12/31/2021
Adjusted EBITDA	61,016	50,138
Increase / decrease in net working capital	(3,726)	47,091
Other operative adjustments	(495)	(923)
Net cash from / (used in) operating activities	56,795	96,306
(Purchase) of property, plant and equipment	(7,703)	(9,328)
Proceed from the sale of property, plant and equipment	34	39
(purchase) of intangible assets	(8,959)	(7,126)
Net (Investments)/disposal in investment in subsidiaries and associates	-	158,000
Net cash from / (used in) investing activities	(16,628)	141,585
Net interest (paid) / cash in	(23,354)	(18,381)
Free Cash Flow	16,813	219,510
Non-recurring items not included on Free Cash Flow	(7,704)	(10,974)
Loans from shareholders	1,500	1,500
Owns shares purchase and cancellation	-	(30,094)
Other financials items	-	(14,720)
Total change in net financial debt	10,609	165,222
Net financial debt as at December 31, 2020	(148,056)	(313,278)
Total change in net finance debt	10,609	165,222
Net financial debt as at December 31, 2021	(137,447)	(148,056)
<i>(*) Adj of Shareholders Loan 3 Cime SpA issued on June 2020. Both FY21 and FY21 figures are post IFRS16 effect</i>		

Among the main items that affected the net financial position for the year was the positive trend in cash flow from operating activities, which made a positive contribution of approximately 56.8 million euro, confirming the Group's good income management combined with an equally regulated management of working capital in all its components.

Investments were mainly in property, plant and equipment and intangible assets totalling 16.6 million euro, mainly referring to investments in new plants, machinery and equipment in the Parent Company's production and logistics plants, as well as amounts referring to the renewal and modernisation of the Group's information systems.

Net financial interest expense flow was impacted by finance costs related to the 350 million euro bond signed in May 2021, which accrues a fixed annual interest rate of 6.125%.

Finally, approximately 7.7 million euro of non-recurring costs were reported, as described in the comments on EBITDA in the previous paragraphs.

The composition of operating working capital, in comparison with the previous financial year, is detailed in the following table.

Net working capital	12/31/2022	12/31/2022
<i>(euro/000)</i>		
Inventories	106,615	103,307
Trade receivables	75,464	70,762
Trade payables	(160,465)	(146,894)
Total	21,614	27,175

With reference to the main items that make up operating working capital:

- with reference to net inventories, 2022 was characterised by a series of actions aimed at improving and increasing the efficiency of inventory management, as well as investments such as logistics automation systems and innovation in sales and demand planning processes. In particular, with reference to the area of demand planning, the company implemented a series of projects aimed at optimising flows between the commercial and the industrial and logistical parts; this has led to a significant improvement in the quality of inventory, with the direct consequence of a decrease in the gross amount - while guaranteeing the sustainability of the growth in sales volumes achieved in 2022 and expected in 2023 - together with the reduced need to cover the goods obsolescence risk through a special provision, which, under the same policy, affects the gross inventory as at 31 December 2022 by 24.2% compared to 30.9% in the previous year;
- the amount of net trade receivables increased by 4,702 thousand euro compared to the previous year, in the wake of the increase in Group revenues. The careful management of credit, as an integral part of sales and financial policies, enabled the Group to benefit from a steady improvement in the DSO ratio and at the same time significantly reduce past due positions;
- with reference to Trade payables, the balance as at 31 December 2022 showed an increase compared to the same period of the previous year, mainly due to the increase in the volume of goods procured. The balance also benefits from the constant and careful regulation in the choice of suppliers, trade and payment terms, together with a corporate culture spread throughout all departments aimed at efficient management of operating working capital.

Investments in property, plant and equipment, and intangible assets (excluding disposals) for the year totalled 16.6 million euro (of which 7.7 million euro for investments in property, plant and equipment and 8.9 million euro for investments in intangible assets), compared to 16.4 million euro (of which 9.3 million euro incurred for investments in property, plant and equipment and 7.1 million euro incurred for investments in intangible assets), incurred in 2021. The table below provides a breakdown of disbursements related to property, plant and equipment, and intangible assets:

Property, plant and equipment cash out	12/31/2022	12/31/2021
<i>(euro/000)</i>		
Land and buildings	247	798
Plant and machinery	2,129	3,108
Industrial equipment	2,178	715
Stand and commercial equipment	3,210	3,032
Hardware	611	431
Office furniture and furnishing	567	379
Other	1,424	1,693
Total	7,702	9,328

Intangible assets cash out <i>(euro/000)</i>	12/31/2022	12/31/2021
Software	3,222	3,266
Other	5,257	3,861
Total	8,959	7,126

The disbursements in property, plant and equipment in 2022 mainly concerned investments in new plant, machinery and commercial equipment in the production plants of the Parent Company and other Group companies, such as new pick-to-light automation solutions that improved productivity and logistical efficiency, as well as purchases in industrial areas aimed at increasing production capacity and reducing production lead times. Expenditure on investments in intangible assets referred mainly to purchases in software to improve and modernise the information systems from which the Group benefits and other costs for intangibles paid during the year.

As in the previous year, non-current assets include goodwill totalling 293.4 million euro, of which 186.2 million euro referring to the Parent Company, arising from the reverse merger with Cristallo SpA, and the remainder related to the goodwill recognised for the acquisition of Viva International in 2013 and the acquisition of Marcolin Middle East in 2017 as assets with an "indefinite life" and therefore not amortised. The change in this item compared to the previous year is exclusively attributable to translation differences of the US dollar component as a result of the change in this currency during the 2022 financial year.

This item was subject to an "impairment test", the assumptions and results of which are more fully described in the Notes to the Consolidated Financial Statements of the Marcolin Group.

Additional information and comments on the economic and financial results are reported in the Notes to the Consolidated Financial Statements.

ANNUAL FINANCIAL REPORT
OF MARCOLIN SPA
AS AT 31 DECEMBER 2022

ANNUAL FINANCIAL REPORT OF MARCOLIN SpA

As described in the Report on Operations dedicated to the Marcolin Group, it should be noted that in the remainder of the Report on Operations of Marcolin SpA comments will be provided net of the impact of non-recurring transactions, in order to provide comparability of the 2022 data with that of the previous year on a like-for-like basis, providing evidence of "normalised" profitability.

INCOME STATEMENT HIGHLIGHTS

The following table summarises the main economic indicators of Marcolin SpA:

Year (euro/000.000)	Net Revenues	YOY	EBITDA	% of net revenues	EBIT	% of net revenues	Net (loss)/profit	% of net revenues
2021	248.5	30.2%	16.1	6.5%	0.9	0.4%	106.9	43.0%
2022	295.1	18.7%	21.5	7.3%	8.3	2.8%	(3.2)	(1.1)%

In summary, with reference to the main economic and financial data, the following should be noted:

- net revenues of 295.1 million euro (248.5 million in 2021);
- EBITDA of 21.5 million euro, accounting for 7.3% of net revenues (16.1 million euro in 2021, or 6.5% of turnover);
- EBIT of 8.3 million euro, accounting for 2.8% of net revenues (0.9 million euro in 2021, or -0.4% of turnover);
- the net loss of for the year was 3.2 million euro (compared with a net profit of 106.9 million euro in 2021);
- the net financial position was a negative 138.3 million euro (compared to a negative value of 87.4 million euro as at 31 December 2021);
- the equity was 290.4 million euro, compared with 293.5 million euro at the end of 2021.

With regard to the economic results for 2022, the Parent Company reported an increase in turnover of 18.7% for the year (a total of 46.6 million euro in absolute terms). The positive performance in terms of turnover is the result of the positive trend in sales in the domestic and European market recorded in 2022 thanks to a change in purchasing habits, particularly in the optician channel, with a greater penetration of the "eyeglasses" product and an orientation towards brands in the Luxury segment.

A summary representation of the normalised (adjusted) key performance indicators, determined by filtering out the effect of non-recurring costs, is presented below:

Economic indicators - Adjusted (euro/000)	2022		2021	
	euro	% of net revenues	euro	% of net revenues
Ebitda adj	26,221	8.9%	21,007	8.5%
Operating income - Ebit adj	13,049	4.4%	5,808	2.3%
(Loss)/Profit before taxes adj	2,904	1.0%	(6,583)	(2.6)%

More specifically, in 2022, these non-recurring costs were mainly related to costs arising from the redefinition of contracts with certain brands and costs related to potential acquisitions and other extraordinary transactions.

In 2022, adjusted EBITDA amounted to 26.2 million euro, or 8.9% of net revenues (21.0 million euro in 2021, or 8.5% of turnover), while adjusted EBIT amounted to 13.0 million euro, or 4.4% of net revenues (5.8 million euro in 2021, or 2.3% of revenues).

ANALYSIS OF TURNOVER

The net sales revenues realised in the 2022 financial year amounted to 295.1 million euro, compared with 248.5 million euro in 2021, an increase of 46.6 million euro compared to the previous year (an 18.7% change in percentage terms). At constant exchange rates, the increase in turnover was 15.6%.

Turnover from third parties achieved by the Parent Company in 2022 amounted to 128.8 million euro, compared to 104.1 million euro achieved in 2021, an increase of 24.7 million euro, corresponding to 23.7%.

The following table shows the trend in total turnover of Marcolin SpA by geographical area:

Net Revenues by geographical area (euro/000)	2022		2021		Change	
	euro	% of total	euro	% of total	euro	%
EMEA	185,000	62.7%	160,790	64.7%	24,210	15.1%
Americas	64,285	21.8%	56,895	22.9%	7,390	13.0%
Rest of world	29,901	10.1%	20,396	8.2%	9,505	46.6%
Asia	15,933	5.4%	10,449	4.2%	5,484	52.5%
Total	295,120	100.0%	248,531	100.0%	46,589	18.7%

The Company continued to invest in supporting the brands and strengthening the sales organisation with a medium-term strategy, even in the most difficult markets, where it preferred to follow the trend in demand in the short term, avoiding saturating customers with products and favouring credit quality.

The result achieved in 2022 by Marcolin SpA in terms of net revenues, +18.7% compared to the previous year, is the result of a double effect due to both the increase in sales to the Group's commercial affiliates and the growth of the Key Accounts sales channel.

EMEA is the main market with the Company's total revenues accounting for 63% and a 15% growth over 2021, due to the strong performance of Key Accounts and Luxury Brands.

America grew by 13% mainly driven by good volumes generated on the distribution channel in Latin America.

The turnover achieved in Asia represents 5% of the total turnover of Marcolin SpA and increased by 52% compared to the financial year thanks to the reorganisation of the commercial corporate structure of the Chinese affiliates within the Group, together with the positive impact on the local economy of the easing of the anti-Covid-19 measures, combined with a recovery in demand for luxury goods.

With regard to the performance in the Rest of the World, there was an overall increase in turnover of 46.6% driven by sales in emerging countries with high growth potential for the Company and also by the recovery in tourism.

The main data relating to the Company's income statement is reported below.

Income statement (euro/000)	2022		2021	
	euro	% of net revenues	euro	% of net revenues
Net revenues	295,120	100.0%	248,531	100.0%
Gross profit	129,966	44.0%	99,269	39.9%
Ebitda	21,488	7.3%	16,136	6.5%
Operating income - Ebit	8,316	2.8%	937	0.4%
Financial income and costs	(13,161)	(4.5)%	(11,223)	-4.5%
(Loss)/Profit before taxes	(1,829)	(0.6)%	109,330	44.0%
Income tax expense	(1,401)	(0.5)%	(2,432)	-1.0%
Net (loss)/profit for the period	(3,231)	(1.1)%	106,898	43.0%

A detailed analysis of the data relating to the key performance indicators shows that the gross industrial result was 44.0% of turnover, up compared to the previous year (39.9%) due to both an improved commercial mix (brands and

sales channels) and industrial and distribution efficiencies, despite the complex macroeconomic context, the effects of which included a general increase in transport costs on purchases and costs of industrial uses.

The operating result was a positive 8.3 million euro (2.8% of revenues), compared with 0.9 million euro in the 2021 financial year (0.4% of revenues).

The item net finance income and costs amounted to 13.2 million euro in 2022 and was composed of opposing amounts. With reference to the cost components, the financial interest expense related to the bond loan, the reversal of the bond issue expenses, accounted for under IFRS according to the financial method of the amortised cost over the duration of the loan and, finally, other finance costs related to other short and medium/long-term loans (including intercompany loans) for a total value of these components of 26.5 million euro (up by approximately 1.0 million euro compared to the previous year).

Interest income totalled 6.0 million euro, mainly accrued on intercompany financial assets (substantially in line with the previous year).

Foreign currency management, which is also included in the balance of finance income and costs, contributed revenues totalling 7.3 million euro, compared to revenues of 8.2 million euro in 2021, mainly arising from the conversion of the intercompany loan receivable, the principal of which amounts to 35 million U.S. dollars, granted to the subsidiary Marcolin USA Eyewear Corp. as a result of the appreciation of the US dollar against the euro in 2021. It should be noted that at the beginning of November 2022, the Company approved another partial waiver of the repayment of this loan (after the waiver in 2019 for 60 million U.S. dollars) for a principal amount of 30 million U.S. dollars, in order to rebalance the equity-financial structure of the American subsidiary. The amount of the waived loan was recognised in the equity of Marcolin USA Eyewear Corp. as a capital reserve constituting an item of equity. The conditions, terms and clauses previously governed by the loan agreement and subsequent amendments are still in effect for the remainder of the financial receivable excluded from the waiver.

The change in the item finance income and costs, compared to the figure for the 2021 financial year, is impacted by a double effect of opposite sign, namely an increase in finance costs mainly linked to interests on the bond loan, offset by a positive effect linked to currency management. This change results in an overall increase in net finance costs of 1.9 million euro compared to 2021.

Income taxes³ amounted to total costs of 1.4 million euro compared to total costs of 2.4 million euro for the year 2021. They were mainly composed of costs of 0.5 million euro (compared to costs of 2.1 million euro in 2021) regarding the IRES tax loss incurred during the year and transferred to the tax consolidation. For 0.6 million euro related to taxes referring to the previous year (0.5 million euro in 2021). For the residual portion, the amount refers to the annual effect of deferred taxation.

Finally, the net loss for the year was 3.2 million euro, compared to the positive result of 106.9 million euro in 2021.

³ On 31 March 2017, Marcolin SpA opted to renew the Italian tax consolidation regime for IRES purposes pursuant to Articles 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986 ("TUIR" (Consolidation Act on Income Taxes)) with the parent company 3 Cime SpA for the three-year period from 2017 to 2019. Effective from 2017, Article 7-quater of Decree Law 193/2016 introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

STATEMENT OF FINANCIAL POSITION

The Parent Company's statement of financial position as at 31 December 2022 is presented in the table below, in comparison with the corresponding results of the previous financial year:

Net invested capital (euro/000)	12/31/2022	12/31/2021
Trade receivables	74,496	66,848
Inventories	61,045	55,075
Trade payables	(127,126)	(119,874)
Operating working capital	8,415	2,049
Other assets	15,930	13,361
Other liabilities	(18,083)	(15,514)
Net working capital	6,261	(105)
Non-current assets	12,832	12,798
Investments in subsidiaries and associates and other fin	184,389	140,337
Property, plant and equipment	25,579	26,918
Intangible assets	23,184	23,059
Goodwill	186,227	186,227
Fixed assets	432,211	389,338
Founds	(9,730)	(8,308)
Net invested capital	428,742	380,925
Current financial liabilities	34,756	22,910
Non-current financial liabilities	375,191	372,803
Gross financial indebtedness	409,948	395,713
Current financial assets and Cash and cash equivalents	(231,458)	(250,878)
Non-current financial assets	(40,196)	(57,415)
Net financial debt	138,293	87,420
Net equity	290,449	293,505

The net financial position as at 31 December 2022 is set forth below against the corresponding data of 2021:

Net financial debt (euro/000)	12/31/2022	12/31/2021
Cash and cash equivalents	199,450	213,425
Current and non-current financial assets	72,205	94,867
Current financial liabilities	(34,756)	(22,237)
Current portion of non-current financial liabilities	-	(674)
Non-current financial liabilities	(375,191)	(372,803)
Total net financial debt	(138,293)	(87,420)
Loans from shareholders	28,779	27,279
Total net financial debt adj	(109,515)	(60,142)

The Company's net financial position was a negative 138.3 million euro, compared to 87.4 million euro at the end of 2021, with a year-on-year decrease of 50.9 million euro.

The main components of the financial indebtedness are the bond loan with a notional amount of 350 million euro and short and medium/long-term loans granted by various banks. In addition, a Super Senior Revolving Facility for a maximum amount of 46.2 million euro was available and undrawn as at 31 December 2022. The current and non-current financial assets were composed of loans granted to Group companies, including the loan of 35 million U.S. dollars granted to the subsidiary Marcolin USA Eyewear Corp., in existence since the 2013 financial year and subject to partial repayment waivers in October 2019 for a principal amount of 60 million U.S. dollars and in November 2022 for a principal amount of 30 million U.S. dollars, as specified above. The waiver made in 2022 is the main reason for the change in the net financial position as at 31 December 2022 compared to the previous year's balance.

The ratio of adjusted net financial position to equity was 0.38 as at 31 December 2022 (compared to 0.20 as at 31 December 2021).

Year	Net financial debt	Net equity	Leverage (*)
(euro/000.000)			
2021	(60.1)	293.5	(20.5)%
2022	(109.5)	290.4	(37.7)%

(*) The Leverage is the debt to equity ratio

The composition of net working capital, in comparison with the previous financial year, is set forth in the following table:

Net working capital	12/31/2022	31/12/2021
(euro/000)		
Inventories	61,045	55,075
Trade receivables	74,496	66,848
Trade payables	(127,126)	(119,874)
Total Net working capital	8,415	2,049

With reference to the main items that make up the working capital, it should be noted that:

- The 2022 financial year was characterised by a series of actions aimed at improving and increasing the efficiency of inventory management, as well as investments such as logistics automation systems and innovation in sales and demand planning processes. In particular, with reference to the area of demand planning, the company implemented a number of projects aimed at optimising flows between the commercial and the industrial and logistical parts; this has led to a significant improvement in the quality of inventory, with the direct consequence of a decrease in the gross amount - while guaranteeing the sustainability of the growth in sales volumes achieved in 2022 and expected in 2023 - together with the reduced need to cover the goods obsolescence risk through a special provision, which, under the same policy, affects the gross inventory as at 31 December 2022 by 19.4% compared to 30.9% in the previous year.
- The increase in net trade receivables compared to the previous year is in line with the increase in the Company's revenues. The careful management of credit, as an integral part of sales and financial policies, enabled the Company to benefit from a steady improvement in the DSO ratio and at the same time significantly reduce past due positions.
- With reference to Trade payables, the balance as at 31 December 2022 showed an increase compared to the same period of the previous year, mainly due to the increase in the volume of goods procured. The balance also benefits from the constant and careful regulation in the choice of suppliers, trade and payment terms, together with a corporate culture spread throughout all departments aimed at efficient management of operating working capital.

Finally, it should be noted that the ratio of operating working capital to net turnover is 0.03 (0.01 in 2021). Slightly worse than the previous year, but a structural improvement compared to the historical trend due to the measures taken by management to optimise operating working capital.

As in the previous year, non-current assets include a Goodwill recognised already at the end of 2014 in the Parent Company of 186.2 million euro (as a result of the reverse merger with the parent company Cristallo SpA), as an asset with an "indefinite life", and consequently not amortised.

This item was subject to an impairment test, the assumptions and results of which are more fully described in the Notes to the Separate Financial Statements of Marcolin SpA.

The other non-current assets include deferred tax assets of 12.3 million euro, the increase of which compared to the previous year is explained in the Notes to the Financial Statements.

Investments stood at 184.4 million euro; the amount includes 4.9 million euro of write-downs of some investments. The balance increased by 44.9 million euro mainly due to the capital waiver of the portion of the loan with the US parent company for 30 million U.S. dollars and the increase in share capital carried out in 2022 in favour of the

subsidiary Marcolin Eyewear (Shanghai) Co., Ltd. of 14.5 million euro, as part of the Group's commercial and corporate reorganisation activities in the APAC region. Moreover, in 2022, an accrual was made to the provision for investment impairment of 0.9 million euro, recorded with reference to the subsidiary Gin Hong Lin International Co Ltd, which became necessary following the *impairment* process aimed at assessing the recoverable amount of the investment. This write-down was necessary to adjust the carrying amount of the investment to the recoverable amount of the subsidiary, following losses accrued by the subsidiary that partially eroded the company's equity, deemed by management to be non-recoverable in the light of the fact that the company is no longer operational, having ceased operations following the transfer of the commercial business in the Chinese market to the Group company, Marcolin Shanghai.

Investments in property, plant and equipment during the year mainly related to the purchase of equipment and plants for the Longarone (Belluno) production factories.
Investments in intangibles were mainly made to adapt and rationalise existing applications to support business processes.

INVESTMENTS IN SUBSIDIARIES

The following is a summary of the relevant economic results of the companies affiliated with the Group.

Marcolin France Sas

Marcolin France Sas, based in Paris, is wholly owned by the parent company Marcolin SpA. The company distributes Marcolin products in France, and in 2022 it achieved sales revenues of 37.8 million euro (35.4 million euro in 2021).

The result for the year 2022 ended with a profit of 1.0 million euro (a profit of 0.1 million euro in 2021).

Marcolin Iberica S.A.

Marcolin Iberica S.A., located in Barcelona, is wholly owned by Marcolin SpA

Operating in the distribution of Marcolin products in Spain and Andorra, it generated sales revenues of 16.6 million euro in 2022 (12.5 million euro in 2021).

The result for the year 2022 was a profit of 0.6 million euro (it essentially broke even in 2021).

Marcolin Portugal-Artigos de Optica Lda

Marcolin Portugal-Artigos de Optica Lda is located in Lisbon and is wholly owned by Marcolin SpA. In 2022, it produced sales revenues of 2.8 million euro (2.2 million euro in 2021). The result for the year 2022 was close to break-even (same result as in 2021).

Marcolin Deutschland GmbH

Marcolin Deutschland GmbH (wholly owned by Marcolin SpA), based in Cologne, distributor for the German market, produced sales revenues of 22.6 million euro in 2022 (18.1 million euro in 2021).

The 2022 financial year ended with a profit of 0.5 million euro (almost break-even in 2021).

Marcolin Schweiz GmbH

Marcolin Schweiz GmbH (wholly owned by Marcolin SpA), based in Muttentz, produced sales revenues of 2.3 million euro in the financial year (1.8 million euro in the previous year).

The result for the year 2022 was a positive 0.1 million euro (it essentially broke even in 2021).

Marcolin Benelux Sprl

Marcolin Benelux Sprl (Villers-Le-Bouillet), wholly owned by Marcolin SpA, produced sales revenues of 16.1 million euro in 2022 (13.2 million euro in 2021), achieved in Belgium, Luxembourg, and the Netherlands.

The result for the year 2022 ended with a profit of 0.5 million euro (a profit of 0.4 million euro in 2021).

Marcolin (UK) Ltd

Marcolin U.K. Ltd, based in London, wholly owned by Marcolin SpA, produced sales revenues of 15.0 million euro in 2022 (12.3 million euro in 2021), in the United Kingdom and Ireland. The result for the year 2022 was a positive 0.5 million euro (a negative 0.4 million euro for 2021). The profits refer exclusively to the only English legal entity, excluding the Hong Kong branch, described subsequently herein.

Viva Eyewear UK Ltd

The company is no longer operational and was put into liquidation in December 2019. It is wholly owned by Marcolin USA Eyewear Corp. The liquidation process was not yet completed as at 31 December 2022.

Marcolin USA Eyewear Corp.

Marcolin USA Eyewear Corp., wholly owned by Marcolin SpA and based in Somerville (New Jersey), is the Group's most important sales affiliate. Turnover is mainly achieved in the United States and Canada. In 2022, it produced revenues of 191 million euro, compared to 170 million euro in 2021, an increase of 12% compared to the previous year.

The result for the year 2022 was a negative 1.5 million euro (a negative 3.3 million euro for 2021).

Marcolin Do Brasil Ltda

Marcolin Do Brasil Ltda, based in Barueri, wholly owned by Marcolin SpA, produced sales revenues of 27.0 million euro in 2022 (20.8 million euro in 2021) in the Brazilian market.

The result for the year 2022 was a positive 0.9 million euro (a positive 3.2 million euro for 2021).

Marcolin Asia HK Ltd

The affiliate, based in Hong Kong, (wholly owned by Marcolin SpA), provides procurement services in Asia exclusively to the Group's affiliates. The 2022 financial essentially broke even, in line with the previous year.

Marcolin Technical Services Co. Ltd

This Company, wholly owned directly by Marcolin SpA, with its registered office in Shenzhen, Guangdong Province, in the Republic of China, monitors the production of Made In China products, performs quality control and checks production work in progress for the Group's Companies (Marcolin SpA, Marcolin USA Eyewear Corp. and Marcolin UK Hong Kong Branch). The result for 2022 (as well as for 2021) was essentially break-even.

Marcolin UK Ltd Hong Kong Branch

In 2022, Marcolin UK Ltd Hong Kong Branch (a branch of Marcolin UK Ltd) achieved a turnover of 31.4 million euro (18.7 million euro in 2021), and a positive result of 1.8 million euro (a positive 0.9 million euro in 2021). It is the Group's main sales company in the Far East.

Viva Eyewear HK Ltd

This company, wholly owned by Viva Eyewear UK Ltd, is not operational. It closed the 2022 financial year with a loss of 0.2 million euro (essentially break-even in the financial year 2021).

Marcolin-RUS LLC

The subsidiary company, set up in partnership with a local shareholder, Sover-M, an established and prestigious company operating in the eyewear business in Russia, is part of the commercial development process of the Marcolin Group in new markets. In December 2020, the parent company Marcolin SpA acquired the remaining shares from the local shareholder, therefore becoming the sole shareholder.

The company is active in the distribution of some of the brands in the Marcolin Group's portfolio, following the decision of some licensing companies to suspend their brand business on the Russian territory after the outbreak of the conflict between Russia and Ukraine in February 2022.

The company produced sales revenues of 9.2 million euro in 2022 (11.7 million euro in 2021) and a positive result for the year of 0.7 million euro (1.8 million euro in the 2021 financial year).

Marcolin Nordic AB

Marcolin Nordic AB (Stockholm), wholly owned by Marcolin SpA, produced sales revenues of 12.4 million euro in 2022 (11.8 million euro in 2021), achieved in the Nordic countries (Denmark, Finland, Norway, Iceland, and Sweden). During 2015, its structure was provided with branches to operate in the main Countries of interest in the region. The 2022 financial year ended with a profit of 0.5 million euro (the 2021 financial year ended with a profit of 0.2 million euro).

Ging Hong Lin International Co. Ltd and Shanghai Jinlin Optical Co. Ltd

With the aim of improving direct distribution in Mainland China, in the second half of 2014, the Marcolin Group set up a joint venture company with the Gin Hong Yu International Co. Ltd group, a well-known and respected operator in the Chinese eyewear market called Gin Hong Lin International Co. Ltd.

Operations were managed through Shanghai Jinlin Optical Co. Ltd, a company based in Shanghai and wholly owned by Gin Hong Lin International Co. Ltd.

In December 2020, Marcolin SpA acquired 50% of the remaining shares from shareholder Ginko, becoming the 100% parent company of the Hong Kong company. Subsequently, as part of the reorganisation and development activities in the Chinese market, in July 2021 Shanghai Jinlin Optical Co. Ltd sold its entire business to the Group company Marcolin Eyestyle Trading (Shanghai) Co. Ltd (formerly Eyestyle Trading (Shanghai) Co. Ltd). The two companies used to manage the joint venture are now no longer operational and will be put into liquidation in 2023.

Marcolin Eyewear (Shanghai) Co., Ltd.

Existing company under the name Eyestyle Trading (Shanghai) Co. Ltd used by the Group to assist the importing and distribution of products with certain brands to the respective boutiques in China.

As part of its reorganisation and development activities in the Chinese market, the company, in addition to acquiring the business previously run by Shanghai Jinlin Optical Co. Ltd, changed its name to Marcolin Eyewear (Shanghai) Co., Ltd., also changing its registered office and moving to the prestigious Jing'an District in Shanghai. In July 2022, Marcolin SpA also approved an increase in the company's share capital for a total of 14.5 million euro in order to provide the company with the necessary equity in order to pursue the Group's strategies in the Chinese market.

In 2022, the company produced sales revenues of 3.2 million euro (0.4 million euro in 2021) and a negative result for the year of 6.3 million euro (a negative 1.5 million euro in 2021), a performance that was affected by both internal company trends mainly related to the reorganisation of the local team, renegotiation of commercial terms with major customers and trends related to the setup of the new logistics flow, as well as the Covid-19 containment policies adopted by the People's Republic of China, which led to extended and prolonged lockdown situations for most of the 2022 financial year, with a direct impact on the company's operating business.

Marcolin Middle East FZCO

The company was set up in partnership with the Rivoli Group (one of the largest retailers in the Middle East) in May 2017. Based in Dubai in the United Arab Emirates, the company is 51% owned by Marcolin SpA and distributes eyewear collections under Marcolin's portfolio brands.

The company produced a turnover of 15.4 million euro in 2022 (11.9 million euro in 2021) and a positive result for the year of 2.5 million euro (1.4 million euro in 2021).

Marcolin Mexico SAPI de CV

The company, based in Naucalpan (Mexico), was founded in April 2018 in cooperation with a local partner, Moendi. It is 51%-owned by Marcolin SpA and its objective is to distribute luxury and life style-brand sunglasses and eyeglasses in Mexico. In 2022, the company closed the year with a turnover of 11.6 million euro (7.0 million euro in 2021) and a profit for the year of 1.6 million euro (compared to a loss for the year of 0.5 million in 2021).

Marcolin Singapore Pte Ltd

The company, based in Singapore, was founded in March 2019. It is wholly owned by Marcolin SpA and its mission is to distribute products in Singapore and Malaysia. During 2022, it underwent a strategic reorganisation, having been identified as a strategic business hub for the development of the APAC region in the near future.

In 2022, the company closed the year with a turnover of 1.1 million euro (0.5 million euro in 2021) and a loss of 0.7 million euro in 2021 (a loss of 0.4 million in 2021).

Marcolin Australia PTY Limited

The Sydney-based company, established in November 2019, is wholly owned by Marcolin SpA and aims to distribute its products in the Australian territory. The company ended the 2022 financial year with a turnover of 5.0 million euro (3.8 million euro in 2021) and a positive result of 0.1 million euro (essentially break-even in 2021).

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP AND THE COMPANY ARE EXPOSED

Risks related to the general economic conditions and the competitiveness of the sectors in which the Group and the Company operate

The economic and financial situation of the Marcolin Group and Marcolin SpA is influenced by various factors that make up the macroeconomic framework in the various countries in which they operate. In a highly volatile and complex macroeconomic environment, it is difficult to anticipate the size and duration of economic cycles and to forecast future demand trends in different countries. It cannot be ruled out that a significant fall in consumption, which could affect more than one market/product, could have a significant impact on the economic and financial situation of the Group and the Company, even though the diversification of markets and product/brand portfolios that characterises Marcolin is a strong factor in limiting this risk, compared with companies that are more concentrated on certain markets or sectors.

The good level of balance achieved by Marcolin since 2014 thanks to the acquisition of the Viva Group and also in more recent years with the other investments in new countries such as the Middle East, Mexico, China, Singapore, Australia and the acquisition of 100% of the company in China and Russia, in addition to the realisation in 2021 of the investment in Thélios SpA born in 2017 from the collaboration with the LVMH Group, in addition to broadening the development guidelines towards markets with higher growth rates than in Europe (*first and foremost* the American markets to which Viva was addressing a large part of its offer), it accelerated the path towards diversification of the distribution channels (balance between the "eyeglasses" and "sunglasses" segments, *Luxury* and *Diffusion* segments, men's and women's), helping to reduce the risk of possible contractions in sales volumes as a consequence of recessionary economic phenomena.

With reference to other factors of uncertainty that could negatively affect the Group's and Company's economic results, such as, for example, increases in energy prices, transport costs and fluctuations in raw material prices, it is deemed reasonable to believe that in the presence of these circumstances it is possible to reverse their effects on sales prices, limiting their impact on economic results and, consequently, on the Company's self-financing capacity.

Moreover, the Group and the Company believe that, in the event of a particularly significant decline in sales volumes and/or sales prices, they will be able to implement short-term measures to contain their cost structure in order to minimise the potential negative impact on their economic and financial situation.

With regard to the conflict between Russia and Ukraine, which began in February 2022, the Group has not yet been significantly affected by the negative effects of the conflict. The Group operates in Russia through a sales affiliate while in Eastern European countries it is active through independent third-party distributors. Overall, the turnover generated in these territories does not exceed 2% of total consolidated turnover in 2022 and represents less than 1% in terms of consolidated Total Assets. The Group initially suspended sales to the Russian subsidiary, but resumed them during the year, initially through the sale of the house brand only, and subsequently through the resumption of sales of certain licensed brands, in mutual agreement with the licensing companies. At this stage, it is not possible to quantify any further impact from this event due to the high level of uncertainty and volatility in the ongoing conflict.

Also from a credit perspective, the aforementioned conflict could pose a risk in terms of recoverability of trade receivables; this risk is mitigated by a precise risk management policy in relation to exposure to customers. The Company has adopted a Credit Management Department that implements all possible measures to manage the risk at the time of customer evaluation, shipment, and finally to ensure prompt recovery of non-performing trade receivables, closely monitoring new positions or those considered at risk, commercial credit lines and extensions granted, in agreement with the commercial departments.

Cash flow risk

Since the end of 2013, with the issue of the first bond, which was subsequently repaid by the issue of a new bond at the beginning of 2017, which in turn was repaid by the issue of a new bond in May 2021, the financing methods that Marcolin had used in the past, through the use of ordinary financial market requests, i.e. short or medium-term loans activated with leading market operators, often with bilateral agreements, have been completely changed.

In fact, the bond loans have placed the Group and the Company in a condition of relative stability, at least until the maturity of the last issue scheduled for the end of 2026.

In addition to the 2021 bond issue, a revolving credit line (known as Super Senior Revolving Credit Facility), was added, to be used to address timing mismatches between receipts and payments, or treasury needs due to the normal trend of ordinary operations, in the presence, for example, of ordinary investments.

This line, totalling 46.2 million euro (undrawn as at 31 December 2022), is considered sufficient to cover the ordinary financial needs of the Group and the Company.

Moreover, as at 31 December 2022 there were additional undrawn credit lines with primary market operators for a total of 9.5 million euro, referring to self-liquidating lines available for short-term treasury needs.

The Parent Company also had access to new bank loans as well as alternative forms of financing, such as leasing, factoring, and reverse factoring, to support investments in new projects and manage working capital.

Finally, on 24 June 2020, as part of the aforementioned liquidity support measures, 3 Cime SpA granted Marcolin SpA with a 25 million euro subordinated shareholder loan maturing originally in December 2025, subsequent to the repayment of the new bond loan, which will mature in November 2026, with interest at maturity and similar to a capital loan.

Both the bond loan and the ssRCF line together require compliance with certain financial covenants in addition to certain guarantees. Until 31 March 2022, there was a "*minimum liquidity covenant*", set at 10 million euro as the minimum level of cash including any available undrawn credit lines, to be calculated on a quarterly basis by Marcolin SpA. From 30 June 2022, it has been replaced by the "*Total Net Leverage ratio covenant*" (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to these financial covenants, the agreement also includes, on a residual basis, certain disclosure requirements, other general commitments and certain limitations on the carrying-out of some investment and financing activities, in relation to the amount present in the calculation of certain baskets. It should be noted that as at 31 December 2022, all covenants have been complied with and are expected to be complied with also for 2023 on the basis of the available financial budgets.

Although significant and sudden reductions in sales volumes could have a negative impact on the ability to generate cash from its operations, in the current circumstances the Group and the Company expect to maintain an adequate capacity to generate financial resources through ordinary operations.

Therefore, Marcolin Group believes that it can meet the needs arising from maturing financial debt and the investments envisaged in the approved plans, using cash flows from operations (self-financing for the year), available liquidity, the use of the revolving line mentioned above, the bank lines currently available, and funding through *leasing, factoring and reverse factoring*.

Risks related to fluctuations in exchange and interest rates

The Marcolin Group and Marcolin SpA operate in various markets throughout the world and are therefore exposed to risks related to fluctuations in foreign exchange rates and interest rates.

The exposure to exchange rate risks is due to the different geographical distribution of its production and commercial activities. In particular, the Group and the Company are mainly exposed to the fluctuation of the U.S. dollar with respect to supplies received from Asia and sales conducted in U.S. dollars, and, to a lesser extent, the Brazilian real, British pound, Hong Kong dollar, Russian rouble, and Canadian dollar.

The exchange rate risk is divided into risk from transactions in currencies other than the euro and risk from the translation of Financial Statements prepared in currencies other than the euro.

Transaction risk is generated by sales and costs incurred in currencies other than the euro, mainly the U.S. dollar for sales and procurement of goods from Asian suppliers. Although exchange rate fluctuations could affect the Group's economic results, we believe that the structure of revenues and expenses in foreign currencies allows the Group to maintain a natural hedge of the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of purchases in foreign currency.

In the past, the Group entered into contracts to hedge the exchange rate risk (forward currency purchase or sale transactions), which were no longer entered into starting from 2016, due to the natural hedge the Group benefits from as a result of the current currency structure of its income statement.

Translation risk arises because some consolidated revenues and expenses originate from Group companies whose functional currency differs from the euro. In the preparation of the Consolidated Financial Statements, assets and liabilities are translated at the closing exchange rate of the reporting date and expenses at the average exchange rate for the reporting period. This results in changes in the movement of the Translation Reserve, a component of the consolidated equity. The main companies of the Group whose functional currency differs from the euro are Marcolin USA Eyewear Corp., Marcolin UK Ltd (including the Hong King branch) and Marcolin do Brasil Ltda.

With reference to the risk of changes in interest rates, the Marcolin Group uses mainly fixed-rate financing, in particular with reference to the bond signed in 2021, which provides for a fixed interest rate of 6.125%.

Any further information related to risks and hedging instruments used by the Group in this respect is provided in the Notes to the financial statements.

The rise in inflation that characterised 2022, and the consequent impact of higher interest rates as a result of central banks' measures to curb price increases, will continue in 2023, affecting many sectors and companies. Maintaining high interest rates could create stability problems for some banks, as recently demonstrated by the crisis in some US banks, which could spread to other parts of the world.

Based on the information available at the time of writing, the tensions in the financial system that have affected some banks have no impact on the Group's financial structure.

Risks related to the ability to negotiate and maintain license agreements

The markets in which the Group and the Parent Company operate are highly competitive in terms of product quality, innovation and economic conditions.

Marcolin's success is partially due to its capacity to introduce products with innovative and constantly renewed designs, its continuous research into new materials and new productive processes, and its ability to adapt to consumers' changing tastes, anticipating changes in fashion trends and reacting to such shifts in a timely manner.

The Company has entered into multi-year licensing agreements that enable it to produce and distribute eyeglass frames and sunglasses under brands owned by third parties. If in the long-term the Group and the Company were unable to maintain or renew their licensing agreements at market conditions, or if they were unable to enter into new licensing agreements with other successful brands, the growth prospects and economic results of Marcolin Group and Marcolin SpA could be negatively impacted.

For this reason, the Group and the Company work constantly toward renewing existing licenses and procuring new licenses that will allow them to maintain their long-term prospects.

In 2021, these activities produced a positive response, as described in the Group's Report on Operations. Many actions were carried out successfully especially in terms of extending license durations.

Moreover, all existing licensing agreements provide for guaranteed minimum annual royalties in favour of the licensor, which should therefore be paid even in the event of a drop in the relative turnover below certain thresholds (known as "guaranteed minimums"), with possible negative effects on the Group's economic and financial results. The Group and the Company monitor these situations closely, in order to not prejudice the economic performance of the period as a result of situations of under-absorption of these fixed costs with respect to the revenue volumes achieved.

Risks related to relationships with suppliers

The Group and the Company also use third-party manufacturers and suppliers for the production and/or processing of some of their products.

The use of contract manufacturers and third-party suppliers involves additional risks, such as cancellation and/or termination of contracts, poor quality in the supplies and services provided and delays in delivery and fluctuations in the price of raw materials and their transport costs.

Delays or defects in products supplied by third parties, or the interruption or termination of existing contracts without having adequate alternative sources, could have a negative impact on the Group's business, results of operations and financial position.

Third-party manufacturers and suppliers, located mainly in Italy and Asia, are submitted to continuous checks by relevant company departments to verify compliance with adequate quality and service *standards*, also including those relating to delivery timing and methods, in the *trade-off* with correct prices with respect to the target margins. The Group and the Company carefully monitor this risk, maintaining constant control over procurement markets, also in order to identify alternative producers and suppliers in case of temporary or structural difficulties with the current suppliers.

With respect to procurement, the Group directly monitors the operations of Asian suppliers through specific subsidiaries, in terms of both quantity and quality (quality, reliability and service), also in light of the particular social and economic dynamics characterising the supply market.

Another factor that mitigates supplier risk is the plant in Longarone (in the Fortogna district), inaugurated in 2015, which has made it possible to double the production of Made In Italy goods compared to the previous year, thus reducing the dependence on third-party suppliers.

With regard to the risk related to the fluctuation of the prices of raw materials, energy and transport costs, the Company, as described above, believes that thanks to the diversification of suppliers and sales channels, it is able to mitigate this risk by reversing its effects on sales prices, and if there is a reduction in sales volumes, the Company believes it will be able to contain its structural costs in the short term in order to minimise the negative impact. Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include reduced dependence on external suppliers (both Italian and Asian), which allows for the shortening of manufacturing lead time and thus an increase in the ability to seize market opportunities (and improve the time to market), and the possibility of managing the inflation risk regarding the Chinese sourcing market, as production insourcing will result in greater control of production factors.

Risks related to the Covid-19 pandemic

The spread of the coronavirus was a complex and global emergency, unprecedented in the modern world, with implications of global significance at health, social, political, economic, and geopolitical levels. The new economic scenario threatened by the pandemic has focused management's strategy on strengthening the financial structure through recontracts with major suppliers, increasing the efficiency of the supply chain through the implementation of new projects, production and commercial development of brands, and general streamlining of business processes. The common denominator of all these projects is the drive for digitalisation, both in terms of processes and marketing developments.

In 2022, the situation related to the Covid-19 pandemic greatly improved, in North America and Western Europe, in particular, leading to the gradual abolition of the most restrictive health measures, despite further waves of infection occurring during the year, and to a sharp increase in the number of tourists after the lifting of travel restrictions.

In most countries in the Asia-Pacific region, pandemic control measures were gradually eased during 2022, which had a direct positive impact on consumer confidence and propensity to spend. In China, however, a stricter pandemic control policy was maintained, particularly until the beginning of December 2022, partially limiting the Group's activities in this region.

Overall, the pandemic had little or no impact on the main markets where the Group operates, with the exception of China.

Although the situation in most of the markets in which the Group operates has improved significantly compared with previous years, a degree of uncertainty remains, particularly in areas where governments have adopted also in 2022 more restrictive measures. For this reason, management has carefully assessed the impact of this uncertainty on the accounting estimates and thus also on the recoverability of the company's main assets, including the risk elements related to the potential impact of the Covid-19 pandemic in the forward-looking scenarios.

OTHER INFORMATION**Human resources**

At Marcolin, people are at the heart of our culture and strategy. The sense of belonging and the ability of each individual to bring a contribution of competence and passion are considered decisive aspects for the success of the Group.

In addition to confirming what has been positively implemented in recent years in terms of Flexible Benefit and Health Policy, in 2022 the company launched a series of initiatives that confirm the importance Marcolin attaches to the well-being of its employees and to the centrality of their growth within the company.

Following the trade union agreement of 2021, a Smart Working policy came into force, which allows access to smart working on a regular basis (where the job allows it) for up to three days per week, with the aim of promoting a work-life balance at the highest level, while at the same time safeguarding the values of relationships and collaboration within the company.

The Manufacturing Academy was created, an in-house training course dedicated to the key figures in the production process (CMS operators), thanks to which it is possible to include operators from all backgrounds who, given an aptitude and motivation, can undertake a process for specialised technicians.

This process is in addition to the existing Leadership Academy, a process dedicated to newly appointed managers and function managers (the leaders of tomorrow).

The performance review process was enriched with a comprehensive assessment tool for directors and managers, with the aim of raising awareness and providing more objective feedback to those involved, as it is the result of extensive and multilateral observation.

As at 31 December 2022, the Group had 1,854 employees (1,847 at the end of 2021), as shown in the table below. The table presents the employees in service as at 31 December 2022, excluding independent agents who work exclusively for the Group and the Company.

Employees Category	Final number		Average number	
	12/31/2022	12/31/2021	2022	2021
Managers	56	73	55	71
Staff	1029	1062	1,038	1,037
Manual workers	769	712	762	694
Total	1,854	1,847	1,855	1,802

As at 31 December 2022, the parent company Marcolin SpA had 981 employees (927 in 2021), in the following categories:

Employees Category	Final number		Average number	
	12/31/2022	12/31/2021	2022	2021
Managers	23	24	23	22
Staff	372	343	360	338
Manual workers	586	560	586	539
Total	981	927	969	899

The figures shown also include temporary workers employed to meet the peak demand. The increase is mainly due to the increase in the number of employees in the production and sales departments at the Longarone site.

Second-level collective bargaining agreements

In 2022, the company signed with the trade unions the renewal of the supplementary company contract. Inclusivity, family and psychological well-being, performance bonuses based on energy savings and quality levels play a key role. The focus on the environment, sustainability and the drive to reduce consumption with an energy-saving reward system is important. In this regard, filtered water dispensers and water bottles were introduced at Marcolin SpA's premises and distributed to all employees in order to reduce the use of plastic.

The main new elements of the agreement are summarised below:

- expansion of part-time working arrangements to 14% in a sector where women make up 70% of the workforce;
- Possibility of increasing part-time working hours from 20 to 30 or 35 hours per week;
- extension of working hours (7am - 4pm);
- introduction of 6-hour mini-shifts in the CMS area;
- up to 8 days of unpaid leave per year in the event of a child's illness or in the event of day hospital or hospitalisation up to the age of 13;
- introduction of re-employment processes after long term illness and when returning from maternity leave;
- the transport allowance was reconfirmed and updated;
- Increase in shift allowance by 5%;
- possibility for male and female employees to convert the PDR into flexible benefits with a 15% premium paid by the company.

Therefore, the new second level agreement introduces flexibility tools for working hours, while increasing the opportunities for leave for medical check-ups or childcare.

The space given to Human Resources development activities and continuous training policies, initiatives aimed at creating a virtuous working environment in which people can feel like protagonists, is once again emphasised.

Employee Welfare and Family Support Activities

As in previous years, the company's welfare programme, which allows employees to manage their own funds through an online portal where they can choose from a variety of services, was confirmed. The plan includes services related to education, sports, elderly/childcare, shopping vouchers and more. At the same time, it is possible to obtain reimbursement for medical and/or educational expenses.

Research and development

The Company continued to conduct research and development activities throughout 2022.

Research and development activities are carried out by the Parent Company, Marcolin SpA, through two divisions. The first division works closely with licensors to design new collections, hone style and research new materials for sunglasses and eyeglasses. The second division, which works closely with the first, oversees the subsequent development of collections and product manufacturing.

Intra-group and related-party transactions

Related-party transactions, including intra-group transactions, cannot be defined as either atypical or unusual, as they are part of the normal intercompany business activities.

Such transactions take place at market conditions, taking into account the nature of the goods sold and services provided.

Detailed information on related-party transactions is provided in the Notes to the Consolidated Financial Statements and in the Notes to the Separate Financial Statements of Marcolin SpA.

Treasury shares

On the reporting date of this annual financial report, the parent company Marcolin SpA did not own treasury shares or parent company shares, either directly or indirectly.

Personal data protection

Pursuant to the new European legislation, the General Data Protection Regulation ("GDPR") enacted on 25 May 2016 and effective from 25 May 2018, activities were implemented to evaluate the data protection systems of the Group companies subject to such legislation.

The activities found substantial compliance with the legislative requirements for the protection of the personal data processed by such companies, including the preparation of the Security Planning Document, which is constantly updated.

Branches

Marcolin SpA operates from its headquarters in Longarone and with qualified contract manufacturers.

The operational premises are as follows:

- its headquarters in Longarone (Belluno), in zona industriale Villanova no. 4 (registered office, executive offices and operations);
- a logistics centre and warehouse in Longarone (Belluno), in zona industriale Villanova no. 20 H;
- a manufacturing facility in Longarone (Belluno), via Fortogna 184/C (Fortogna district);
- a manufacturing facility in Quero Vas (Belluno), Zona Artigianale no. 1;
- venue used as a showroom and representative office in Milan, Corso Venezia, no. 50.
- a warehouse in Alpago (Belluno), Via dell'Artigianato 67.

The non-operational premises are as follows:

- the former Finitec premises in Zona Industriale Villanova S.N.C.;
- the premises in Domegge di Cadore (Belluno), Via Noai no. 31, Vallesella di Cadore district.

BUSINESS OUTLOOK
NOTICE OF GENERAL MEETING
PROPOSED RESOLUTION

BUSINESS OUTLOOK AND NEWS

The 2022 financial year confirmed how Marcolin is a high-performance and sound Group capable of tackling a complex historical period with vision and far-sightedness while consolidating its leadership position among the reference players at global level in a sector that is experiencing a moment of great dynamism and change.

The 2022 results provide a drive for all the company's components to raise the bar of expectations even higher for 2023, a year that promises to be just as challenging and full of important events, in which the Group will have to continue to prove that it is a modern, agile company, capable of reading economic trends and supporting a sector in which Italy is a leader.

Milan, 28 March 2023

for the Board of Directors

C.E.O.

Signed: Fabrizio Curci

NOTICE OF GENERAL MEETING

The Marcolin SpA Shareholders are hereby called to the General Meeting to be held at the Company's premises in Milan Corso Venezia 50, on 19 April 2023 at 11:00 a.m., at a first calling, and on 26 April 2023, at the same place and time, at a second calling, to discuss and resolve upon the following:

Agenda

- Approval of the Financial Statements as at 31 December 2022, Board of Directors' Report, Board of Statutory Auditors' Report, Independent Auditors' Report;
- Presentation of the Marcolin Group's Consolidated Financial Statements as at 31 December 2022 and related Reports;
- Resolutions thereon.

The right to attend the General Meeting, the right to proxies and the possibility to attend the General Meeting through electronic means of communication are regulated in Articles 14 and 15 of the Corporate By-Laws currently in effect.

Milan, 28 March 2023

for the Board of Directors

the Chairman
Signed: Vittorio Levi

PROPOSED RESOLUTION

Dear Shareholders,

The Financial Statements of Marcolin SpA submitted to you give a true and fair view of the Company's financial position, the results of the operations and of the cash flows for the year.

We therefore invite the shareholder of the Company, 3 Cime SpA, to approve, as proposed, the Financial Statements for the year ended 31 December 2022.

With reference to the result for the year, we propose to cover the loss carried forward of 3,230,569 euro by using the reserve for retained earnings.

Accordingly, after such allocation, the reserve for retained earnings/(losses) will have a positive balance of 157,530,260 euro.

Milan, 28 March 2023

for the Board of Directors

the Chairman

Signed: Vittorio Levi

CONSOLIDATED FINANCIAL
STATEMENTS AS AT 31 DECEMBER
2022 OF THE MARCOLIN GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	Note	12/31/2022	12/31/2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	41,855	43,506
Intangible assets	2	43,195	44,577
Goodwill	2	293,359	287,720
Investments in subsidiaries and associates	3	-	-
Deferred tax assets	4	52,354	52,223
Other non-current assets	5	824	842
Non-current financial assets	6	232	238
Total non-current assets		431,819	429,106
CURRENT ASSETS			
Inventories	7	106,615	103,307
Trade receivables	8	75,464	70,762
Other current assets	9	30,952	30,093
Current financial assets	10	100	899
Cash and cash equivalents	11	225,995	228,848
Total current assets		439,125	433,909
TOTAL ASSETS		870,944	863,015
EQUITY			
	12		
Share capital		35,902	35,903
Additional paid-in capital		170,304	170,304
Legal reserve		7,180	6,437
Other reserves		53,854	47,441
Retained earnings (losses)		(11,265)	(162,394)
Profit (loss) for the period		(7,825)	151,873
Group equity		248,151	249,564
Non controlling interests		2,901	1,463
TOTAL EQUITY		251,052	251,025
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	381,441	383,220
Non-current funds	14	6,469	7,107
Deferred tax liabilities	4	4,862	4,728
Other non-current liabilities	15	941	752
Total non-current liabilities		393,714	395,807
CURRENT LIABILITIES			
Trade payables	16	160,465	146,894
Current financial liabilities	17	11,111	22,100
Current funds	18	20,988	18,298
Tax liabilities	29	8,130	6,815
Other current liabilities	19	25,483	22,075
Total current liabilities		226,178	216,182
TOTAL LIABILITIES		619,892	611,989
TOTAL LIABILITIES AND EQUITY		870,945	863,015

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Note	2022	%	2021	%
Net revenues	21	547,355	100.0%	455,374	100.0%
Cost of sales	22	(228,323)	(41.7)%	(197,818)	(43.4)%
GROSS PROFIT		319,032	58.3%	257,556	56.6%
Distribution and marketing expenses	23	(245,835)	(44.9)%	(210,761)	(46.3)%
General and administrative expenses	24	(45,996)	(8.4)%	(36,839)	(8.1)%
Other operating income/(expenses)	26	(1,509)	(0.3)%	1,454	0.3%
OPERATING INCOME – EBIT		25,692	4.7%	11,410	2.5%
Profit/(loss) from associates	27	0	0.0%	166,764	36.6%
Financial income	28	14,580	2.7%	8,485	1.9%
Financial costs	28	(39,229)	(7.2)%	(29,878)	(6.6)%
PROFIT (LOSS) BEFORE TAXES		1,042	0.2%	156,781	34.4%
Income tax expense	29	(6,838)	(1.2)%	(3,980)	(0.9)%
NET PROFIT (LOSS) FOR THE PERIOD		(5,796)	(1.1)%	152,801	33.6%
Profit (loss) attributable to:					
- owners of the parent		(7,825)	(1.4)%	151,873	33.4%
- non-controlling interests		2,030	0.4%	928	0.2%

(euro/000)	2022	2021
NET PROFIT (LOSS) FOR THE PERIOD	(5,796)	152,801
<i>Other items that will be not subsequently reclassified to profit or loss:</i>		
Effect (actuarial gain/losses) on defined benefit plans, net of	254	(32)
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	254	(32)
<i>Other items that will be subsequently reclassified to profit or loss:</i>		
Change in foreign currency translation reserve	2,444	6,514
Change in exchange rate difference on quasi equity loan	3,809	3,409
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	6,252	9,923
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE	711	162,691
Profit (loss) attributable to:		
- owners of the parent	(1,410)	161,616
- non-controlling interests	2,121	1,076

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Legal Reserve	Other reserves					Profit (loss) for the period	Capital and reserves net total	Non-controlling interests in equity	Total equity
				S.holders deposit in s/capital	Translation reserve	Other	Actuarial gain / (loss) reserve	Retained earnings/ (losses)				
(euro/000)												
December 31, 2020	35,902	170,304	6,437	46,108	(285)	(8,093)	(32)	(75,322)	(56,824)	118,195	1,100	119,295
Allocation of 2020 loss	-	-	-	-	-	-	-	(56,824)	56,824	-	-	-
Dividends distribution	-	-	-	-	-	-	-	(154)	-	(154)	(714)	(868)
Acquisition and cancellation of treasury Stock	-	-	-	-	-	-	-	(30,094)	-	(30,094)	-	(30,094)
- Period result	-	-	-	-	-	-	-	-	151,873	151,873	928	152,801
- Other components of comprehensive income	-	-	-	-	6,366	3,409	(32)	-	-	9,743	148	9,891
Total comprehensive income	-	-	-	-	6,366	3,409	(32)	-	151,873	161,616	1,076	162,691
December 31, 2021	35,902	170,304	6,437	46,108	6,081	(4,684)	(64)	(162,394)	151,873	249,563	1,463	251,025
Allocation of 2021 gain	-	-	743	-	-	-	-	151,129	(151,873)	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(682)	(682)
- Period result	-	-	-	-	-	-	-	-	(7,825)	(7,825)	2,030	(5,796)
- Other components of comprehensive income	-	-	-	-	2,353	3,809	254	-	-	6,415	91	6,506
Total comprehensive income	-	-	-	-	2,353	3,809	254	-	(7,825)	(1,410)	2,121	711
December 31, 2022	35,902	170,304	7,180	46,108	8,434	(875)	190	(11,265)	(7,825)	248,153	2,901	251,052

CONSOLIDATED CASH FLOW STATEMENT

(euro/000)	Note	12/31/2022	12/31/2021
OPERATING ACTIVITIES			
Profit (loss) for the period		(5,796)	152,801
Depreciation and amortization	1.2	25,497	27,129
Provisions	14.18	17,009	9,030
Income tax expense	29	6,838	3,980
Accrued interest expense	28	24,650	21,393
Adjustments to other non-cash items		(34)	(166,804)
Cash generated by operations		68,164	47,529
(Increase) decrease of trade receivables	8	(4,217)	3,424
(Increase) decrease of inventory	7	(11,307)	(514)
(Decrease) increase of trade payables	16	11,798	44,181
Cash generated by change in operating working capital		(3,726)	47,091
(Increase) decrease in other assets	5.9	1,098	1,894
(Decrease)/increase in other liabilities	15.19	2,559	1,431
(Use) of current and non-current provisions	14.18	(660)	(996)
(Decrease)/increase in current tax liabilities	29	(3,150)	(3,311)
Adjustments to other non-cash items		0	(3)
Other elements in working capital		(153)	(985)
Income taxes paid		(3,271)	(1,473)
Interest received		262	567
Interest paid		(23,616)	(18,948)
Total cash generated by change in other items of net working capital		(26,779)	(20,838)
Net cash from /(used in) net working capital		(30,505)	26,253
Net cash from /(used in) operating activities		37,660	73,782
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	1	(7,703)	(9,328)
Disposal of property, plant and equipment	1	34	39
(Investments) in intangible assets	2	(8,959)	(7,126)
Disposal of intangible assets	2	7	0
Net (Investments)/disposal in investment in subsidiaries and associates	3	-	158,000
Net cash from /(used in) investing activities		(16,621)	141,585
FINANCING ACTIVITIES			
<i>Financial Assets</i>			
- (Proceeds)	6.10	-	(4,900)
- Repayments	6.10	800	14,641
<i>Financial Loans from banks</i>			
- Proceeds	13.17	-	350,000
- (Repayments)	13.17	(2,711)	(344,957)
Loans from shareholders	13.17	-	-
Principal elements of lease payments		(5,827)	(3,827)
Other current and non current financial liabilities	6,10,13,17	(14,490)	(15,118)
Transactions with non-controlling interests	Mov. in Equity	-	(30,094)
Share purchases from minority Shareholders		-	(3,634)
Dividends paid	Mov. in Equity	(682)	(714)
Net cash from /(used in) financing activities		(22,910)	(38,603)
Net increase/(decrease) in cash and cash equivalents		(1,871)	176,764
Effect of foreign exchange rate changes		(983)	(279)
Cash and cash equivalents at beginning of year		228,848	52,363
Cash and cash equivalents at end of year		225,995	228,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no express nominal value.

As at 31 December 2022, the share capital was wholly owned by 3 Cime SpA.

The Marcolin SpA shares owned by 3 Cime SpA are encumbered by liens stipulated when the bond loan was issued on 27 May 2021, secured by collateral for the same amount of the obligations assumed with the bondholders, including a lien on the shares of the Issuer, Marcolin.

General Information

The Notes to the Financial Statements set out below form an integral part of the Consolidated Financial Statements of the Marcolin Group and were prepared in accordance with the accounting documents updated to 31 December 2022.

For the purpose of providing exhaustive financial information, the Report on the Operations of Marcolin Group and Marcolin SpA has been prepared, containing additional information regarding the main events of the year, subsequent events, business outlook and other important financial and operational information regarding the business.

These Financial Statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, except for the measurement of financial assets and liabilities, which are required to be accounted for at fair value.

The Consolidated Financial Statements for the year ended 31 December 2022 include the Financial Statements of the parent company Marcolin SpA and its Subsidiaries.

Marcolin SpA is incorporated under Italian law, listed in the Companies Register of Belluno with no. 01774690273, and has shares that until 14 February 2013 were traded in Italy on the Mercato Telematico Azionario (electronic stock exchange), organised and managed by Borsa Italiana SpA. Marcolin S.p.A. is the Parent Company of Marcolin Group, which operates in Italy and abroad in the design, manufacturing and distribution of eyeglass frames and sunglasses, including by way of direct and indirect management of affiliates and partnerships located in major countries of interest worldwide, and through the management of qualified contract manufacturers.

The addresses of the locations from which the Parent Company's main operations are performed are listed in the Report on Operations, while the list of locations in which the subsidiaries and associated companies are located is provided below.

Company	Location	Address
Marcolin Asia HK Ltd	Hong Kong	Units 2903-2907, Tower 1, Metroplaza, Kwai Fong, Hong Kong
Marcolin Benelux Sprl	Villers-Le-Bouillet, Belgio	Rue Le Marais 14B
Marcolin do Brasil Ltda	Barueri - SP, Brasile	Av Tamboré, 1180 - 06460-000
Marcolin Deutschland GmbH	Colonia, Germania	Waidmarkt 11a
Marcolin France Sas	Parigi, Francia	45, rue Saint Sébastien
Marcolin GmbH	Muttenz, Svizzera	c./o Ageba Treuhand AG Hofackerstr. 3a 4132
Marcolin Iberica SA	Barcellona, Spagna	Juan De Austria, 116 - 4a Planta - 08018
Marcolin Nordic AB	Stoccolma, Svezia	Roslagsgatan 33
Marcolin Portugal Lda	Lisbona, Portogallo	Rua Jose Travassos, 15/B 1600-410
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	Regus Business Centre, Unit 2663 Anlian Centre, 4018 Jin Tian Road, Futian District,
Marcolin UK Ltd	London, UK	Ground Floor, 140 Old Street, London EC1V 9BJ.
Marcolin USA Eyewear Corp.	Somerville, Usa	Route 22 west, 3140 - 08876 NJ
Marcolin Singapore Pte Ltd	Singapore	8 Marina Boulevard, Unit 04-04, Tower 1, Marina Bay Financial Centre
Marcolin PTY Limited	Sidney, Australia	SUITE 3302, Level 33, 100 Miller Street
Marcolin-RUS LLC	Mosca, Russia	Building 1, 8 Bolshoy Chudov Pereulok
Marcolin Middle East FZCO	Dubai Airport Freezone, UAE	1, Sheikh Zayed Road, The H Dubai, Office Tower, Level 22, P.O. Box 121
Marcolin México S.A.P.I. de C.V.	Naucaplan de Juarez, México	Av.16 de Septiembre No.784 Col.Alce Blanco C.P.53370
Marcolin Eyewear (Shanghai) Co., Ltd.	Shanghai, PRC	Room 4603, Tower 2, Plaza 66, No.1266 Nanjing West Road, Jing'an District
Marcolin UK Ltd (HK Branch)	Hong Kong	Suites 2602-05, Tower 2, The Gateway, Harbour City, TST, Kowloon,
Gin Hong Lin international Co. Ltd	Hong Kong	Suites 2602-05, Tower 2, The Gateway, Harbour City, TST, Kowloon,

Reference currency

These Financial Statements are presented in the Parent Company's reference currency (euro). For the purpose of clarity, the amounts in the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Notes to the Financial Statements are presented in thousands of euro (unless specified otherwise). As a result of presenting the amounts in thousands of euro, immaterial differences in the totals may emerge due to rounding off.

Italian tax consolidation

The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 et seq. of 22 December 1986 ("TUIR"), which allows the determination of a corporate income tax (IRES) on a tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the parent company, 3 Cime SpA, which acts as the consolidating entity.

Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimise the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.

Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

The tax consolidation transactions are summarised below:

- in years with taxable income, the Company pays 3 Cime SpA the additional tax due by it to the tax authorities;
- in the event of negative taxable income (tax loss), the Company receives from 3 Cime SpA a payment corresponding to 100% of the tax savings realised, accounted for on an accrual basis;
- the amount is paid only when 3 Cime SpA actually uses the tax loss brought to the consolidation;
- if 3 Cime SpA and the Company do not renew the tax consolidation option, or if the requirements for the continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

Issuance

The Financial Statements were authorised for issue by the Board of Directors on 28 March 2023.

ACCOUNTING STANDARDS

Basis of preparation

The Financial Statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.

The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC), which, at the date of approval of the Financial Statements, had been authorised by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on 19 July 2002.

The accounting standards adopted to prepare the Financial Statements as at 31 December 2022 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

The Consolidated Financial Statements of the Marcolin Group for the year ended 31 December 2022, approved by the Company's Board of Directors on 28 March 2023, were prepared on a going concern basis. The Directors verified the absence of any financial, business or other types of indicators that could signify issues in regard to the Group's ability to meet its obligations in the foreseeable future, and specifically in the next 12 months.

A description of the ways in which the Group manages financial risks is contained in the section on "financial risk factors" in the Marcolin Group's Notes to the Financial Statements.

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after 1 January 2022

The following new standards and amendments became effective on 1 January 2022:

Amendments to IFRS 3 Business Combinations

Approved by the European Union on 28 June 2021 with Regulation no. 2021/1080

Amendments to IAS 16 Property, Plant and Equipment;

Approved by the European Union on 28 June 2021 with Regulation no. 2021/1080

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Approved by the European Union on 28 June 2021 with Regulation no. 2021/1080

Annual improvements to IFRSs 2018-2020.

The above amendments had no impact on the Group.

New accounting standards and interpretations approved by the European Union and effective for periods after 31 December 2022

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

Approved by the European Union on 8 September 2022, it will enter into force on 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Approved by the European Union on 11 August 2022, it will enter into force on 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17

Approved by the European Union on 19 November 2021, it will enter into force on 1 January 2023.

There are no other accounting standards endorsed by the European Union and effective from reporting periods after 31 December 2022 that are presumed to have a material effect for the Company in the next reporting period or in the foreseeable future.

New accounting standards and interpretations published by the IASB but not yet approved by the European Union

The following IFRSs, interpretations, amendments to existing standards and interpretations, or special provisions contained in the standards and interpretations approved by the IASB, not yet approved by the European Union as at the date of approval of this document, are set forth below:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date. Issued on 23 January 2020 and 15 July 2020, respectively.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. Issued on 22 September 2022, it will come into force on 1 January 2024

No accounting standards and/or interpretations mandatorily effective for annual periods beginning after 31 December 2022 were adopted earlier.

The Company is evaluating the effects of the application of the above new standards, which are currently not considered significant.

Financial statement format

The Consolidated Financial Statements consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and the related Notes. To provide for comparability, the previous period data was restated as necessary, with explanations given of the restatements.

The Company and the Group prepared the Financial Statements on the basis of the following accounting policies.

Statement of Financial Position

Assets and liabilities are classified separately as either current or non-current as envisaged by IAS 1.

An asset is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months from the end of the reporting period; or
- (d) it is cash or a cash equivalent.

All other assets are classified as non-current.

A liability is classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months from the end of the reporting period; or
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

As necessary, in accordance with IFRS 5, assets (and related liabilities) for which the book value will be recovered mainly through sale rather than continuing use are classified as "assets held for sale" and "liabilities relating to assets held for sale".

Income Statement

Costs are classified by function, stating separately the cost of goods sold, marketing and distribution expenses and administration expense, to provide readers with more meaningful and relevant information than the alternative classification of costs by nature, in view of the business sector.

In addition, it was decided to present two separate statements: the Income Statement and the Statement of Comprehensive Income.

Statement of Changes in Equity

The statement was prepared presenting items in individual columns with reconciliation of the opening and closing balances of each item forming equity.

Cash Flow Statement

Cash flows from operating activities are presented using the indirect method.

Based on this approach, the net profit for the year was adjusted to account for the effects of non-cash items on operating, investing and financing activities.

Scope and Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries.

Below is a list of the consolidated companies stating the consolidation method used:

Company	Currency	Share capital	Equity	Net profit / (loss) for the period	Consolidation method	% ownership	
						direct	indirect
Marcolin Asia HK Ltd	HKD	1,539,785	5,036,830	614,108	Full consolidation	100.0%	
Marcolin Benelux Sprl	EUR	280,000	824,113	505,658	Full consolidation	100.0%	
Marcolin do Brasil Ltda	BRL	41,369,129	57,586,889	4,674,374	Full consolidation	100.0%	
Marcolin Deutschland GmbH	EUR	300,000	2,416,760	530,236	Full consolidation	100.0%	
Marcolin France Sas	EUR	1,054,452	5,799,257	953,265	Full consolidation	100.0%	
Marcolin GmbH	CHF	200,000	268,023	82,011	Full consolidation	100.0%	
Marcolin Iberica SA	EUR	487,481	1,300,314	569,664	Full consolidation	100.0%	
Marcolin Nordic AB	SEK	50,000	8,773,510	5,113,306	Full consolidation	100.0%	
Marcolin Portugal Lda	EUR	420,000	157,971	67,290	Full consolidation	100.0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	CNY	1,000,000	3,618,402	443,372	Full consolidation	100.0%	
Marcolin UK Ltd	GBP	3,572,718	7,248,658	1,946,150	Full consolidation	100.0%	
Marcolin USA Eyewear Corp.	USD	121,472,262	110,844,046	(1,571,284)	Full consolidation	100.0%	
Marcolin Singapore Pte Ltd	SGD	100,000	(3,132,701)	(1,015,120)	Full consolidation	100.0%	
Marcolin PTY Limited	AUD	50,000	69,305	210,573	Full consolidation	100.0%	
Marcolin-RUS LLC	RUB	305,520	253,691,752	49,536,040	Full consolidation	100.0%	
Marcolin Middle East FZCO	AED	100,000	16,579,446	9,714,746	Full consolidation	51.0%	
Marcolin México S.A.P.I. de C.V.	MXN	50,000	35,993,291	34,535,346	Full consolidation	51.0%	
Marcolin Eyewear (Shanghai) Co., Ltd.	CNY	26,000,000	47,883,042	(44,758,766)	Full consolidation	100.0%	
Marcolin UK Ltd (HK Branch)	HKD	25,433,653	21,126,995	(8,133,504)	Full consolidation	100.0%	
Gin Hong Lin international Co. Ltd	CNY	22,045,100	11,048,246	(2,458,636)	Full consolidation		100.0%

The following changes took place among the companies in the scope of consolidation after 31 December 2021:

- in July 2022, Marcolin SpA completed a share capital increase in its subsidiary Marcolin Eyewear (Shanghai) Co., Ltd in the amount of 14.5 million euro;
- in November 2022, Marcolin SpA partially waived the financial receivable claimed from its US subsidiary Marcolin USA Eyewear Corp. in the amount of 30 million U.S. dollars, which was added to the equity of Marcolin USA Eyewear Corp. as a capital reserve.

During the 2022 financial year, no new companies were established, nor existing companies liquidated.

Basis of consolidation

The consolidation method adopted is as follows:

- the equity method is used to consolidate the companies in which the Group has more than 20% ownership ("associates") or over which the Group has significant influence even in another way; due to the use of the equity method, the carrying amount of the investee is aligned with the equity adjusted, as necessary, to reflect the adoption of the IFRS approved by the European Commission and includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realised by the associate after the acquisition date is recognised in the income statement, whereas the interest in changes in reserves after the acquisition date is recognised in the equity reserves. If the Group's interest in the losses of an associate is equal to or in excess of its interest in the associate itself, taking into account all unsecured receivables, the value of the associate is written off and the Group does not recognise additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealised profits and losses on transactions with associates are eliminated on the basis of the Group's interest therein;
- companies are consolidated on a line-by-line basis when the Group exercises control over them (subsidiaries), by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, whether directly or indirectly, the

company's financial and operating policies, obtaining the related benefits regardless of any equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is gained and are deconsolidated on the date from which such control ceases;

- the Financial Statements of the subsidiaries, associates and joint arrangements are incorporated using the accounting standards of the Parent Company; consolidation adjustments are made as necessary to create consistency between items influenced by the application of different accounting standards;
- on consolidation, balances and transactions between consolidated subsidiaries are eliminated in full, i.e., receivables and payables outstanding at the end of the period, expenses and income, finance costs and income. Significant profits and losses realised between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in products in stock originating from intercompany transactions are eliminated;
- any portions of equity and net income attributable to minority shareholders are stated separately as non-controlling interests under the consolidated equity;
- dividends distributed by fully consolidated companies are eliminated from the income statement, which incorporates the net profits or losses realised by such companies;
- Financial Statements presented in a different functional currency from that of the Parent Company are translated into euro by applying the current exchange rates in force on the reporting date to assets and liabilities, and the average exchange rates for the reporting period to revenues, costs, income and expenses. The related currency exchange differences are recognised in the changes in equity⁴.

The following table lists the exchange rates used for translation:

Currency	Symbol	Closing exchange rate			Average exchange rate		
		12/31/2022	12/31/2021	Change	2022	2021	Change
Dirham Emirati Arabi	AED	3.917	4.160	(5.8)%	3.867	4.344	(11.0)%
Australian Dollar	AUD	1.569	1.562	0.5%	1.517	1.575	(3.7)%
Brasilian Real	BRL	5.639	6.310	(10.6)%	5.440	6.378	(14.7)%
Canadian Dollar	CAD	1.444	1.439	0.3%	1.369	1.483	(7.6)%
Swiss Franc	CHF	0.985	1.033	(4.7)%	1.005	1.081	(7.1)%
Remimbi	CNY	7.358	7.195	2.3%	7.079	7.628	(7.2)%
Danish Krone	DKK	7.437	7.436	0.0%	7.440	7.437	0.0%
English Pound	GBP	0.887	0.840	5.6%	0.853	0.860	(0.8)%
Hong Kong Dollar	HKD	8.316	8.833	(5.9)%	8.245	9.193	(10.3)%
Japanese Yen	JPY	140.660	130.380	7.9%	138.027	129.877	6.3%
Mexican Pesos	MXN	20.856	23.144	(9.9)%	21.187	23.985	(11.7)%
Norwegian krone	NOK	10.514	9.989	5.3%	10.103	10.163	(0.6)%
Russian Rublo	RUB	76.706	85.300	(10.1)%	72.141	87.153	(17.2)%
Swedish Krone	SEK	11.122	10.250	8.5%	10.630	10.146	4.8%
USA Dollar	USD	1.067	1.133	(5.8)%	1.053	1.183	(11.0)%

Business combinations

The Group's business combinations are accounted for in accordance with the *purchase method* set out in IFRS 3, "Business Combinations".

The cost of an acquisition is the fair value, at the control transfer date, of assets acquired, liabilities assumed and equity instruments issued in exchange for the control of the acquired entity.

Based on the purchase method, the cost of the business combination is allocated to the identifiable acquired net assets, at the acquisition date, through the fair value measurement of the assets acquired and liabilities and contingent liabilities assumed, and goodwill is recognised to the extent of the excess of the business combination cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the initial accounting for a business combination can be determined only provisionally, adjustments to the values initially attributed are made within twelve months of the acquisition date. Non-controlling interests are recognised at the fair value of the net acquired assets.

⁴ Translation of foreign-currency financial statements

Financial statements presented in a different functional currency are translated into euro in accordance with IAS/IFRS as follows:

- assets and liabilities are translated at the current exchange rates in force on the reporting date;
- revenues, costs, income and expenses are translated at the average exchange rate for the reporting period, considered to be a reasonable approximation of the actual exchange rates of the dates of the transactions;
- currency exchange differences arising from translation of opening equity and the annual changes in equity are recognised in the "foreign currency translation reserve" under "other reserves".

When a business combination is achieved in stages with subsequent share purchases, each stage is measured separately based on the cost and fair value of the assets, liabilities and contingent liabilities at each transaction date to determine the amount of any difference.

If a subsequent acquisition enables the obtaining of control of an entity, the previously owned interest is restated based on the fair value of identifiable assets, liabilities and contingent liabilities, determined at the date on which control was obtained.

ACCOUNTING POLICIES

The most significant accounting policies adopted to prepare the consolidated Financial Statements are described below:

Property, plant and equipment (also "tangible assets")

Property, plant and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use, excluding land and buildings for which the deemed cost model was used on the transition date or business combination date based on the market value determined through an appraisal performed by an independent qualified appraiser.

They are stated net of depreciation, except for land, which is not depreciated, and net of any impairment losses.

Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in the income statement of the period in which they are incurred. Costs concerning the extension, renovation or upgrading of owned or leased assets are capitalised to the extent that they can be separately classified as an asset or part of an asset. The carrying amount is adjusted by depreciation using the straight-line method calculated on the basis of estimated useful life.

If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach.

Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.

Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalising them.

Under newly introduced IFRS 16, assets obtained under leases are accounted for as finance leases and classified as property, plant and equipment, the contra entry being the financial payable generated. A specific section in this Annual Report explains the effects of the application of the new accounting standard IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, using the depreciation rates listed below:

Category	Depreciation Rate
Land and Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.50%
Office furniture and furnishings	12%
Exhibition stands	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

Intangible assets

Intangible assets consist of controllable, non-monetary assets without physical substance that are clearly identifiable and able to generate future economic benefits. These assets are recognised at purchase and/or production cost, inclusive of directly attributable expenses to bring the asset to working condition for its intended use, net of accumulated amortisation (except for those assets with an indefinite useful life) and any impairment losses. Amortisation commences when the asset is available for use and is systematically distributed over the asset's useful life.

If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognised in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if

there had been no impairment loss and if the asset had been amortised, recognising the reversal of the impairment loss as income.

Goodwill

Goodwill is recognised at cost less any impairment losses.

Goodwill acquired in a business combination is represented by the excess of the cost of the combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is not amortised, but it is reviewed for impairment annually, and whenever events or circumstances give rise to the possibility of an impairment loss, the recoverable amount is reviewed in accordance with IAS 36 ("Impairment of Assets"). If the recoverable amount is less than its carrying amount, goodwill is reduced to its recoverable amount (see section on impairment losses on property, plant and equipment, and intangible assets). If goodwill has been allocated to a cash-generating unit that is partially disposed of, the goodwill associated with the unit disposed of is included in the determination of any gain or loss on disposal.

Trademarks and licenses

Trademarks and licenses are recognised at cost.

They have a finite useful life and are recognised at cost net of accumulated amortisation. Amortisation is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses over their remaining useful lives.

If, aside from amortisation, impairment should emerge, the asset is written down accordingly; if the reasons for the write-down should cease to exist in future financial years, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised.

Trademarks are amortised on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

Software

Software licenses acquired are capitalised on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortisation is calculated on a straight-line basis over their estimated useful lives (ranging from 3 to 5 years). Costs associated with software development and maintenance are recognised as costs in the period they are incurred.

The direct costs include the costs for the personnel to develop the software.

Research & development costs

Research and development costs for new products and/or processes are recognised as an expense as incurred unless they meet the conditions for capitalisation under IAS 38.

Other intangible assets

The intangible assets also include Renewal Fees paid in some cases to licensors for the renewal of licensing agreements.

Other intangible assets also include certain internal costs incurred by the Group to develop new eyewear models; the amortisation period, equal to the average life of a model on the market, commences when the related models are put on the market.

Impairment of property, plant and equipment, and intangible assets

IAS 36 requires impairment testing of tangible and intangible assets when there is any indication that those assets have suffered an impairment loss.

For intangible assets with an indefinite life, such as goodwill, testing for impairment is performed at least annually. The recoverable amount is determined by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater. Value in use is determined on the basis of the present value of estimated future cash flows from operating activities. For purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If an asset's recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount. This reduction is an impairment loss that is recognised as an expense immediately. If there are indications that an impairment loss should be reversed, the recoverable amount of the asset is recalculated and the carrying amount is increased to that new value. The increased carrying amount must not exceed the net carrying amount the asset would have had without any impairment loss.

An impairment loss with respect to goodwill may not be reversed.

Financial derivatives

Financial derivatives are recognised in accordance with IFRS 9. On the contract signing date, the derivatives are initially accounted for at fair value as financial assets when the fair value is positive or as financial liabilities when the fair value is negative. If hedge accounting cannot be applied, the changes in the fair value after initial recognition are recognised through profit or loss.

Fair value measurement

The Group measures financial instruments (derivatives) at their fair value at the end of each reporting period. Fair value

is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

- in the principal market for the asset or liability; or
- in absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Group. The fair value of an asset or liability is measured adopting assumptions that market participants would use to determine the price of the asset or liability, assuming that they act to best satisfy their economic interest. Fair value measurement of a non-financial asset considers a market participant's capacity to generate economic benefits from the highest and best use of the asset or from the sale to another participant that can obtain its highest and best use.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or stated in the financial statements are categorised into the following levels of the fair value hierarchy:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

The fair value measurement is categorised entirely in the same level of the fair value hierarchy of the lowest level input used for measurement. For recurring assets and liabilities, the Group determines whether there have been any transfers between levels of the fair value hierarchy and reviews the categorisation (based on the lowest level input that is significant to the fair value measurement in its entirety) at the end of each reporting period.

Inventories

Inventories are stated at the lower of average purchase or production cost and the corresponding estimated realisable value based on market prices. Estimated realisable value represents the estimated selling price in normal market conditions less all direct selling costs.

Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products. Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.

Production cost includes the cost of materials used, as defined above, and all directly and indirectly attributable manufacturing costs.

Obsolete and slow-moving inventories are written down to reflect their useful life or realisable value.

Trade and other receivables

Trade and other receivables are stated at amortised cost and are measured on the basis of the impairment model introduced by IFRS 9 (see paragraph on financial assets regarding the initial recognition). In accordance with this model, the Group measures receivables using a logic of expected losses, replacing the IAS 39 framework based on incurred losses. The Group has adopted the simplified approach for trade receivables, which, instead of recognising the periodic changes in credit risk, requires accounting for an expected credit loss ("ECL") calculated over the lifetime of the receivable ("lifetime ECL"). The amount of the receivables is shown in the Statement of Financial Position net of the related provisions for doubtful debts. Impairment losses calculated under IFRS 9 are recognised in the Consolidated Income Statement net of any positive effects relating to releases or reversals and are presented in the line for net write-downs of financial assets within the general and administrative expenses.

Financial assets – Loans and receivables

The Group's financial assets are classified on the basis of the business model adopted to manage them and their cash flows. The following categories were identified:

a. Financial assets measured at amortised cost

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is to hold assets to collect contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. They concern trade receivables, loans and other receivables. Loan and other receivables are included with current assets, except those whose contractual collection date is after twelve months from the reporting date, which are classified as non-current assets. The loan and other receivables are classified in the Statement of Financial Position as trade and other receivables. Except for trade receivables that do not contain a significant financing component, the loan and other receivables are initially recognised at their fair value adjusted by directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price (determined in accordance with IFRS 15 Revenue from Contracts with Customers). After initial recognition, the assets belonging to such category are measured at amortised cost, using the effective interest rate. The effects of such measurement are recognised in profit and loss. The assets are also subject to the impairment model described in the foregoing section on trade and other receivables.

b. Fair Value through Other Comprehensive Income ("FVOCI")

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is met both collecting contractual cash flows and selling these assets; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. The assets are initially recognised at their fair value adjusted by directly attributable transaction costs. The initial recognition is later updated and any changes in fair value are recognised in Other Comprehensive Income ("OCI"). As in the previous category, the assets are subject to the impairment model described in the section on trade and other receivables.

c. Fair Value through Profit and Loss ("FVPL")

Financial assets that do not fall within the preceding categories are classified in this residual category. They are mainly derivatives and equity instruments, both listed and not listed on financial markets, that the Company has irrevocably decided to classify as FVOCI upon initial recognition or in transitioning. The assets belonging to this category are classified as current assets or non-current assets according to when they are due, and they are stated at fair value at initial recognition. Investments in unconsolidated companies over which the Group does not have significant influence are included in this category and accounted for as investments. Related costs incurred at initial recognition of the asset are accounted for immediately in the Consolidated Income Statement. FVPL financial assets are subsequently measured at fair value. Profits and losses deriving from changes in fair value are recognised in the Consolidated Income Statement as they arise, within the net other income/(expenses). Purchases and sales of financial assets are accounted for on the settlement date. Financial assets are derecognised when the rights to receive cash flows deriving from the instrument are extinguished and the Group has transferred substantially all the risks and rewards of ownership and control of the asset. The fair value of financial instruments is based on the current price offered. If the market for a financial asset is not active (or the asset consists of unlisted securities), the Group determines fair value by using valuation techniques. The techniques include referring to advanced negotiations in progress, referring to securities having the same characteristics, analysis based on cash flows, and pricing models based on the use of market indicators and aligned, as much as possible, with the asset being measured. In the valuation process, the Group tends to use market information instead of internal information referring specifically to the nature of the business in which the Group operates.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at banks and other highly liquid short-term investments, i.e., with an original duration of up to three months, and are stated at the amounts actually on hand at the reporting date.

Assets held for sale and related liabilities

These items include non-current assets (or disposal groups of assets and liabilities) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognised at their net carrying amount or fair value less costs to sell, whichever is less.

If those assets (or disposal groups) should cease to be classified as assets held for sale, the amounts are not reclassified or presented for comparative purposes with the classification in the most recent Statement of Financial Position.

Equity

Share capital

Share capital consists of the subscribed and paid-up capital.

Direct issue costs of new share issues are classified as a direct reduction of equity after deferred taxes.

Treasury shares

Treasury shares are shown as a deduction of equity. The original cost of treasury shares and revenues arising on subsequent sale are recognised as changes in equity. The nominal value of the treasury shares owned is directly deducted from share capital, while the value exceeding the nominal value is used to reduce the treasury share reserve included in the retained earnings (losses) reserves.

Employee benefits

Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.

Defined benefit plans, such as that of the "fondo trattamento di fine rapporto" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial assumptions and is recognised on an accruals basis in line with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.

The severance indemnity and aforementioned pension fund benefits accrued in the year, determined by applying actuarial methodology, are recognised in the income statement with the personnel costs, whereas the notional interest cost is recognised in net finance income/(costs). Actuarial losses from changes in actuarial assumptions are recognised directly in the equity of the year they emerge, in accordance with Revised IAS 19.

On 1 January 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by 30 June 2007, how to allocate his or her accruing severance indemnities. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case, the company will pay the severance indemnity contributions into a treasury account held at the INPS).

Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from 30 June 2007, are considered a defined contribution plan, meaning the accounting treatment is similar to that in effect for all other contribution payments.

Provisions for risks and charges

Provisions for risks and charges consist of allowances for present obligations (either legal or constructive) toward third parties that arise from past events, the settlement of which will probably require an outflow of financial resources and the amount of which can be estimated reliably.

Provisions are stated at the discounted best estimate of the amount the company should pay to settle the obligation or to transfer it to third parties as at the reporting date.

Changes in estimates are reflected in the income statement of the period in which the change occurs.

Risks for which the emergence of a liability is merely possible are identified in the section relating to commitments and guarantees, without making any allowances for them.

Trade payables and other non-financial liabilities

This item refers to payables originating from the purchase of goods or services that have not been settled by the end of the reporting period. They are not usually covered by guarantees and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities

Borrowings (loans) are initially recognised at cost, corresponding to the fair value of the liability less their transaction costs.

They are subsequently measured at amortised cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognised in the income statement over the life of the loan, using the effective interest method. If there is a change in the anticipated cash flows and management is able to estimate them reliably, the value of borrowings is recalculated to reflect such changes.

Loans are classified among current liabilities if they mature in less than 12 months from the end of the reporting period and if the Group does not have an unconditional right to defer their payment for at least 12 months.

Loans are derecognised when they are paid off or when all risks and costs associated with them have been transferred to third parties.

Revenues and income

In accordance with the five-step model introduced by IFRS 15, the Company recognises revenue after having identified the contracts with its customers and the performance obligations in the contract (transfer of goods and/or services), having determined the amount of consideration to which it is entitled in exchange for satisfying each of the performance obligations, and having evaluated how the performance obligations were satisfied (at a point in time or over time). The Group recognises revenues only when all the following requirements (for identifying the contract(s) with the customer) have been met: a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations; therefore, an agreement exists that creates the rights and obligations regardless of the form of such agreement; b) the Group can identify each party's rights in relation to the goods or services to be transferred; c) the Group can identify the payment terms of the goods or services to be transferred; d) the contract has commercial substance; and e) it is probable that the Group will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. If the above criteria are not met, the related revenues are recognised when: (i) the Group has already transferred goods and/or services to the customer and all, or substantially all, of the promised consideration has been received and is non-refundable; or (ii) the contract is terminated and the consideration received is non-refundable.

If the above criteria are met, the sales revenues are recognised when the control of the good sold is transferred to the customer, or when the good is delivered to the customer under the terms of the contract and the customer acquires the full ability to direct the use of it and to obtain substantially all of the remaining benefits from it. When the sale contract provides for retrospective volume discounts, the Group estimates their effect and treats it as a variable component of the agreed consideration. The Group also estimates the effect of possible returns from customers. This effect is accounted for as a variable component of the contractual consideration with the contextual presentation of a refund liability among the short-term risk provisions and the corresponding return asset among other current assets in the Statement of Financial Position. The estimate is based on the right-of-return policies and practices adopted by the Group and past trends of sales returns. The variable components of the consideration (discounts and returns) are recognised in the Financial Statements only when it is highly probable that a significant adjustment to the amount of revenue recognised will not occur. No post-delivery obligations exist besides the product warranties, where required by local regulations; the warranties do not constitute a separate service and they are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset. Dividends are recognised when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

Cost of goods sold

The cost of goods sold includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing and expenses directly associated with production. It also includes the depreciation of buildings, plant and equipment, the amortisation of the intangible assets used in production and inventory impairment losses.

Royalties

The Group accounts for royalty expense on an accruals basis according to the substance of the agreements stipulated.

Other costs

The costs are recognised according to the relevance and matching principles.

Finance income and costs

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract. If not established by contract, interest is recognised using the effective interest method, i.e., using the interest rate that makes all inflows and outflows of a specific transaction financially equivalent.

Translation of foreign currency amounts

Transactions in currency other than the euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realised in the period are recognised in the Income Statement.

Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognising the entire amount of profit or loss arising on exchange as finance income and costs in the income statement.

Income taxes

Income taxes are stated in the Income Statement, except for those regarding items recognised directly in equity, for which the tax effect is also recognised directly in equity.

Deferred taxes are calculated on the temporary differences generated between the value of the assets and liabilities reported in the Financial Statements and the value attributed to those assets and liabilities for tax purposes.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, as necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reductions are reversed if the conditions causing them should cease to exist.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the assets are realised or the liabilities are settled, considering the tax rates in force and those that have been enacted or substantially enacted by the reporting date.

Other taxes not relating to income, such as property and equity taxes, are included in the operating items.

FINANCIAL RISK FACTORS

Financial risks

Financial risk management is an integral part of Marcolin Group's activities and is performed centrally by the Parent Company based on strategies to cover specific areas, i.e., through hedges of foreign exchange risks and risks deriving from fluctuations of interest rates.

The Group seeks to minimise the impact of such risks on its results, and in previous years some hedging instruments were used.

Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on sales to customers in U.S. dollars, they do not qualify for hedge accounting because they do not fully meet the strict requirements, including formal ones, of the applicable accounting standard.

Those contracts were no longer stipulated in 2022 due to the natural hedge from which the Group benefits as a result of the current structure of revenues and expenses in foreign currency.

Foreign exchange risk

The Financial Report provides details on Marcolin Group's and Marcolin SpA's foreign exchange risk.

With respect to transaction risk, according to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's Consolidated Financial Statements.

With reference to the exchange rate risk, on the basis of the sensitivity analysis carried out, it emerged that a possible appreciation of the U.S. dollar by 5% as at 31 December 2022 would have led to an increase in the Exchange Rate Reserve in equity of 5.5 million euro, while a depreciation of the U.S. dollar by 5% as at 31 December 2022 would have led to a decrease in the Exchange Rate Reserve in equity of 5.0 million euro.

Risks related to relationships with suppliers

The Group uses contract manufacturers and third-party suppliers to manufacture and/or process some of its products.

The use of contract manufacturers and third-party suppliers involves additional risks, such as cancellation and/or termination of contracts, poor quality in the supplies and services provided and delivery delays.

Delays or defects of products supplied by third parties, or the cancellation or termination of supplier contracts without having adequate alternative sourcing available, could have a negative impact on the Company's business operations, financial position and performance.

Third-party manufacturers and suppliers, located mainly in Italy and Asia, are submitted to continuous checks by relevant company departments to verify compliance with adequate quality and service standards, also including those relating to delivery timing and methods, in the trade-off with correct prices with respect to the target margins. The Company manages this risk by constantly monitoring the sourcing markets, also to identify alternative manufacturers and suppliers in case of temporary or structural difficulties with the current suppliers.

With respect to procurement, the Company directly monitors, with certain subsidiaries, the performance of the Asian suppliers, from a quantitative and qualitative point of view (quality, reliability and service), in light of the particular social and economic dynamics characterising that sourcing market.

Another factor that mitigates supplier risk is the new factory in Longarone (in the Fortogna district), inaugurated in 2015, which has allowed for a twofold increase in Made in Italy production, thereby reducing dependence on external supplies.

Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include reduced dependence on external suppliers (both Italian and Asian), which allows for the shortening of manufacturing lead time and thus an increase in the ability to seize market opportunities (and improve the time to market), and the possibility of managing the inflation risk regarding the Chinese sourcing market, as production insourcing will result in greater control of production factors.

It is worth noting that the Company does not depend to a significant extent on a limited number of suppliers and is not affected by the price trends of the raw materials needed in the various phases of the eyewear production.

Interest rate risk

The Financial Report provides details on Marcolin Group's and Marcolin SpA's interest rate risk.

The section on liquidity risk provides a quantitative analysis of the Group's exposure to cash flow risk relating to interest rates on loans.

Information on outstanding loans is provided subsequently in these notes.

Interest rate sensitivity analysis

A sensitivity analysis on the interest rate was carried out, assuming an upward shift of +25 basis points and a downward shift of -10 basis points in the Euribor/Swap Eur interest rate curve, published by Reuters for 31 December 2022. In this manner, the Group determined the impact that such changes would have on income and on equity.

The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.

The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.

For cash and cash equivalents, the average balance of the period was calculated using the carrying amounts at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.

According to the sensitivity analysis performed on the basis of the above criteria, the Group is exposed to interest rate risk on its expected cash flows. If interest rates were to rise by +25 basis points, income would increase by 453 thousand euro due to the higher incidence of finance income on current account balances compared to the increase in interest expenses with banks and third parties. If interest rates should fall by -10 basis points, income would decrease by 181 thousand euro.

Credit risk

The Group has no significant concentration of credit risk. Receivables are recognised net of the impairment calculated in accordance with IFRS 9. Guidelines have been implemented for managing customer credit, supervised by the designated business function (Credit Management), to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit ceilings (according to creditworthiness).

The trade receivables and other current assets excluding the returns provision are set forth below by the main areas in which the Group operates in order to evaluate the country risk. The section on accounting standards provides additional information thereon.

Trade receivables by geographical area and other current assets	12/31/2022	12/31/2021
<i>(euro/000)</i>		
Italy	23,812	26,919
Rest of Europe	19,370	16,311
North America	25,221	21,339
Rest of Word	28,638	26,311
Total	97,040	90,880

Trade receivables not past-due are set forth below, categorised by geographical area (IFRS 7):

Trade receivables not overdue by geographical area	12/31/2022	12/31/2021
<i>(euro/000)</i>		
Italy	11,221	13,381
Rest of Europe	15,440	12,149
North America	19,486	17,694
Rest of Word	21,620	23,537
Total	67,767	66,761

The following table shows the undisputed trade receivables due and past due (in an ageing analysis):

Ageing analysis of trade receivables not protested (euro/000)	Gross value	Provision	Net value
12/31/2021			
Not past due	66,327	(1,404)	64,923
Past due by less than 3 months	5,669	(1,129)	4,540
Past due by 3 to 6 months	811	(595)	216
Past due by more than 6 months	3,155	(2,542)	613
Total	75,962	(5,671)	70,292
12/31/2022			
Not past due	67,767	(1,502)	66,265
Past due by less than 3 months	7,544	(806)	6,738
Past due by 3 to 6 months	998	(43)	954
Past due by more than 6 months	6,566	(5,585)	981
Total	82,874	(7,936)	74,938

In some markets where the Group operates, receivables are regularly collected after the date stipulated by contract, without this necessarily indicating collection issues or financial difficulties. Consequently, there are trade receivable balances that were not considered impaired, even though they were past due.

The balance of these trade receivables is set forth in the table below by past-due category:

Trade receivables overdue but not impaired (euro/000)	12/31/2022	12/31/2021
Past due less than 3 months	6,738	4,540
Past due more than 3 months	1,935	829
Total	8,673	5,369

For the sake of exhaustive disclosure, an ageing analysis of disputed receivables and the related write-downs is set forth below:

Ageing analysis of protested trade receivables (euro/000)	Gross value	Provision	Net value
12/31/2021			
Past due by less than 12 months	1,315	(845)	470
Past due by more than 12 months	8,040	(8,040)	0
Total	9,355	(8,885)	470
12/31/2022			
Past due by less than 12 months	205	(38)	167
Past due by more than 12 months	8,253	(7,914)	339
Total	8,458	(7,953)	506

The changes in the provision for doubtful debts are set forth below:

Provision for doubtful debts (euro/000)	12/31/2022	12/31/2021
Opening amount	14,556	13,895
Provisions/Reversal on P&L	2,123	625
Use	(1,406)	(660)
Translation difference	616	696
Period end Total	15,889	14,556

In accordance with IFRS 9, the expected losses on trade receivables were estimated upon initial recognition of the receivable and over its lifetime (lifetime expected credit loss). As allowed by the standard, a matrix was used to

estimate the expected credit losses that took into account the geographical source of the receivable and the type of customer. The matrix considers different loss percentages according to the ageing category of the receivables. The expected loss percentage rises when the receivable seniority rises.

Liquidity risk

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines.

Due to the dynamic nature of its business, the Group has always preferred the flexibility of obtaining funding through the use of credit lines. As noted in the Report on Operations, since May 2021 the Parent Company has had a revolving credit facility (RCF) of a nominal value of 46.2 million euro available for short-term cash flow requirements. As part of the liquidity support measures, 3 Cime SpA, the majority shareholder of Marcolin SpA, disbursed on 24 June 2020 a 25 million euro subordinated shareholder loan maturing in December 2025, which accrues interest repayable at maturity. The loan is structured as equity credit. At present, based on its available sources of funding and credit facilities, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned. The Annual Financial Report of the Marcolin Group also discusses this subject.

Liquidity analysis

Liquidity analysis was performed on loans and trade payables. Borrowings were specified by time bracket for principal repayments and non-discounted interest. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.

None of the cash flows included in the table were discounted. They also consider the Group's financial position as at 31 December 2022.

(euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Loans and bonds (excluding capital lease)	5,611	-	373,497	7	372,570
Interest expenses on loans, bonds, leasing	21,902	43,349	27,003	4	6,545
Capital lease	5,501	6,433	1,292	212	13,438
Trade payables	160,465	-	-	-	160,465

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The financial instruments are shown by type in the following table (in comparison with the amounts of the prior year), in accordance with IFRS 7. The financial instruments were classified in accordance with IFRS 9 and IFRS 16.

Categories of financial assets (euro/000)	Trade receivables	Financial assets	Cash and cash equivalents
2022			
Loans and other financial receivables at amortized cost	75,464	332	225,995
Financial assets at fair value through P&L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	75,464	332	225,995

Categories of financial assets (euro/000)	Trade receivables	Financial assets	Cash and cash equivalents
2021			
Loans and other financial receivables at amortized cost	70,762	1,137	228,848
Financial assets at fair value through P&L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	70,762	1,137	228,848

Categories of financial liabilities (euro/000)	Trade payables	Financial liabilities	Bond
2022			
Financial liabilities at amortized cost	160,465	31,637	347,478
Lease financial liabilities	-	13,438	-
Total	160,465	45,075	347,478

Categories of financial liabilities (euro/000)	Trade payables	Financial liabilities	Bond
2021			
Financial liabilities at amortized cost	146,894	43,318	345,631
Lease financial liabilities	-	16,371	-
Total	146,894	59,688	345,631

FAIR VALUE MEASUREMENT HIERARCHY

Financial instruments measured at fair value are reported on the basis of the fair value hierarchy, described below:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

In 2022, the Company did not own any financial instruments measured at fair value.

USE OF ESTIMATES

The preparation of consolidated Financial Statements requires making estimates that could affect the carrying amount of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets (including goodwill), the useful lives of property, plant and equipment, the recoverability of receivables (including deferred tax assets), the valuation of inventories, and the recognition or measurement of provisions for risks and charges.

The estimates and assumptions are based on data that reflect currently available best information.

The estimates and assumptions that involve a significant risk of changes in the carrying amounts of assets and liabilities are described hereunder.

Goodwill

Pursuant to IAS 36, the Group performs impairment tests at least annually.

Recoverable amounts are calculated based on "value in use".

The calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs (business plan forecasts), the discount rate (WAAC) and the prospective growth rate to be applied to the forecast cash flows ("g" rate).

Impairment of non-current assets

When there is indication that the net carrying amount could exceed the recoverable amount, non-current assets are reviewed to determine whether they have suffered impairment losses, in accordance with the accounting standards adopted. The recoverable amount is analysed by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater.

If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market and based on the management's knowledge.

If indications of impairment should exist, the Group calculates the potential impairment using the valuation techniques it considers to be the most appropriate.

Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

Provision for doubtful debts

The provision for doubtful debts reflects management's estimates of future losses on trade receivables concerning end customers. The provision for doubtful debts is calculated in accordance with IFRS 9.

Returns provision and product warranty provision

The returns provision and product warranty provision reflect management's estimate of losses deriving from the customers' possibility under contract to return products sold. The product warranty provision gives the customer the possibility to return defective merchandise and receive in exchange an analogous (non-defective) product.

The returns provision is accounted for in accordance with IFRS 15, and the product warranty provision in accordance with IAS 37.

Provision for inventory impairment

The provision for inventory impairment reflects management's estimates regarding the losses expected by the Group, determined on the basis of past experience and both past and anticipated market trends.

Deferred tax assets

Recognition of deferred tax assets is based on expectations of profits in future years.

Estimates of future earnings used to recognise deferred tax assets are dependent on factors that may vary over time and significantly affect estimates of the assets in question.

ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

The comments and changes in the most significant items compared to the Consolidated Financial Statements as at 31 December 2022 are detailed below (unless otherwise specified, amounts are expressed in thousands of euros).

1. PROPERTY, PLANT AND EQUIPMENT

The composition of and annual changes in the item are set forth below:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction	Total
Net value at beginning of 2021	23,409	7,911	2,404	8,860	463	43,047
Increases	3,922	3,108	715	5,535	602	13,881
Decreases	(51)	(1)	(10)	(99)	(272)	(432)
Depreciation	(5,301)	(2,162)	(1,329)	(5,127)	-	(13,919)
Translation difference	683		37	195	20	936
Reclassification and other movements	200	-	21	40	(268)	(7)
Net value at end of 2021	22,862	8,856	1,839	9,404	546	43,506
Net value at beginning of 2022	22,862	8,856	1,839	9,404	546	43,506
Increases	2,319	2,129	2,178	5,812	34	12,472
Decreases	(27)	-	(58)	(53)	(326)	(464)
Depreciation	(5,483)	(2,242)	(1,131)	(5,461)	-	(14,318)
Translation difference	504		10	161	5	680
Reclassification and other movements	129	-	(15)	(134)	-	0
Net value at end of 2022	20,304	8,743	2,822	9,728	258	41,855

The 2022 capital expenditures totalled 12,472 thousand euro.

Nearly all the increases in "Land and buildings" are attributable to the effects deriving from the application of IFRS 16, mainly referring to the stipulation of commercial property leases; excluding these, the capital expenditures mainly regarded:

- plant and machinery purchases needed to renew existing production lines as well as the automation of the US logistics hub for 2,129 thousand euro;
- equipment purchases for 2,178 thousand euro;
- other purchases totalling 5,812 thousand euro, consisting primarily of computer hardware, office furniture and equipment, and sales-related furnishings;
- increases of 34 thousand euro referring to work in progress and advances.

Depreciation is 14,318 thousand euro and consists of:

- 4,010 thousand euro recognised in the components of the cost of goods sold;
- 9,501 thousand euro in distribution, sales and marketing costs;
- 0,807 thousand euro recognised in general and administrative expenses.

The gross value of property, plant and equipment and the related accumulated depreciation as at 31 December 2022 is shown in the table below:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction	Total 12/31/2022
Undepreciated value	49,930	31,645	25,473	37,451	258	144,757
Accumulated depreciation	(29,626)	(22,902)	(22,651)	(27,722)	-	(102,902)
Net value	20,304	8,743	2,822	9,728	258	41,855

The following table presents the amounts of the previous year:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction	Total 12/31/2021
Undepreciated value	47,482	29,716	23,530	33,814	546	135,087
Accumulated depreciation	(24,620)	(20,860)	(21,691)	(24,410)	-	(91,581)
Net value	22,862	8,856	1,839	9,404	546	43,506

The following table shows the net carrying amount as at 31 December 2022 of the rights of use recognised in accordance with IFRS 16 and included within the respective asset classes to which the right of use refers:

€/000	12/31/2022	12/31/2021
Land and buildings	9,387	11,038
Industrial and commercial equipment	329	513
Cars	1,722	2,113
Other tangibles fixed assets	289	75
Total Right-of-use assets	11,699	13,739

The following table lists the 2022 depreciation of the right-of-use assets:

€/000	2022
Land and buildings	4,147
Industrial and commercial equipment	232
Cars	1,487
Other tangibles fixed assets	71
Total depreciation of Right-of-use	5,989

2. INTANGIBLE ASSETS AND GOODWILL

The composition of and changes in this item are set forth below:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2021	6,781	4,745	18,649	13,087	43,263	280,277
Increases	3,266	-	9,078	957	13,301	-
Disposal	(11)	-	11	(363)	(364)	-
Amortization	(3,166)	(1,929)	(8,115)	-	(13,210)	-
Translation difference	186	175	694	532	1,587	7,443
Reclassification and other movements	13	-	-	(13)	-	-
Net value at end of 2021	7,068	2,990	20,318	14,201	44,577	287,720
Net value at beginning of 2022	7,068	2,990	20,318	14,201	44,577	287,720
Increases	3,222	-	5,257	-	8,479	-
Disposal	(2)	-	0	(3)	(5)	-
Amortization	(3,136)	(2,065)	(5,979)	-	(11,180)	-
Translation difference	146	124	525	528	1,323	5,640
Reclassification and other movements	642	-	13,619	(14,262)	(0)	-
Net value at end of 2022	7,940	1,050	33,742	464	43,195	293,359

During the year, investments of 8,479 thousand euro were made, related to Software of 3,222 thousand euro, mainly referred to the Parent Company for new management applications and their implementation, and other intangible assets.

Amortisation is 11,180 thousand euro and consists of:

- 9,896 thousand euro recognised in distribution expenses;
- 124 thousand euro recognised in manufacturing costs;
- 1,158 thousand euro recognised in general and administrative expenses.

The gross value and accumulated amortisation as at 31 December 2022 of intangible assets and goodwill are shown in the following table:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total 12/31/2022	Goodwill
Undepreciated value	42,367	20,220	85,227	464	148,278	293,359
Accumulated depreciation	(34,428)	(19,170)	(51,485)	-	(105,083)	-
Valore Netto	7,940	1,050	33,742	464	43,195	293,359

The following table presents the amounts of the previous year:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total 12/31/2021	Goodwill
Undepreciated value	38,569	19,484	65,713	14,201	137,967	287,720
Accumulated depreciation	(31,501)	(16,494)	(45,395)	-	(93,390)	-
Net value	7,068	2,990	20,318	14,201	44,577	287,720

The item Concessions, licenses and trademarks mainly includes the domestic brand WEB EYEWEAR. This asset, which was obtained in November 2008 for 1,800 thousand euro and whose purchase price was determined by an independent professional appraiser, is amortised over 18 years.

Impairment testing

Impairment testing, under IAS 36, is performed at least annually for intangible assets with an indefinite useful life, such as goodwill. Other intangible assets are tested whenever there are external or internal indications that they have suffered an impairment loss.

The total amount of Goodwill of 293,359 thousand euro recognised as at 31 December 2022 in the Group's consolidated financial statements was subject to an impairment test to assess the recoverability of its carrying amount at the date of preparation of these financial statements.

The Group is now managed as a single unit coordinated by the Parent Company using a centralised model. For this reason, goodwill was measured at a Group level.

The recoverable amount of the net invested capital including goodwill was estimated using Marcolin Group's value in use, assumed as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of Marcolin Group's continuing operation.

The following assumptions were made to determine value in use:

- the cash-generating unit (CGU) was identified as the entire Marcolin Group (cash flows from projected operating/financing activities of Marcolin SpA and all its Italian and foreign subsidiaries) because the Group's organisational structure uses a centralised model headed by Marcolin SpA;
- the main data sources used were: the draft Financial Statements as at 31 December 2022, the 2023 Budget and the 2024-2027 business plan⁵. The main assumptions governing the multi-year Business Plan concern:
 - (i) from a commercial point of view, the focus on continuous growth of the brands in the portfolio within which the leadership of Tom Ford in the luxury segment and Guess in the diffusion segment is continuously increasing (the list of brands managed by the Group is given below: Tom Ford, Tod's, Ermenegildo Zegna, Pucci, Moncler, Barton Perreira, Bally, Max Mara e Sport Max, Guess, Guess by Marciano, GANT, Harley Davidson, Swarovski, Max&Co, Skechers, BMW, GCDS, Timberland, Kenneth Cole, Candie's as well as other brands specifically dedicated to the US market. The sports segment is represented by adidas Badge of Sport and adidas Originals, while the proprietary brand WEB EYEWEAR); the significant rise of outdoor sports products thanks to the brands in the portfolio positioned in this market segment; the continued commercial expansion of the proprietary WEB EYEWEAR brand; the continued expansion of the E-commerce channel both directly and through third-party intermediaries and the completion of the implementation of the CRM system also at the Group's branches; commercial development of strategic regions such as US and APAC; the constant and successful renewal of license agreements as historically proven;
 - (ii) from the industrial and logistical point of view, increasing the efficiency of the entire supply chain, from the procurement channels of third-party suppliers to projects aimed at increasing internal production also through automation projects of industrial and logistical processes; efficiency in inventory management through new demand planning and product development processes;
- the terminal value was calculated using the 2027 EBITDA, assuming perpetual growth at a "g" rate. This rate was assumed to be 2.2%, prudentially considering the inflation projections for the countries in which Marcolin operates.
The resulting cash flow is adjusted to normalise the cash flow expected in perpetuity, according to the standard measurement practice;
- the cash flow discount rate (WAAC) is 10.8%, calculated in line with the Capital Asset Pricing Model (CAPM) commonly used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 3.6%, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 12.7%), weighted considering the source of the Group's main cash flows. Weighted Kd/Ke was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

On the basis of the analysis performed, it can be well concluded that the Goodwill recorded is not impaired, as the value in use is much higher than the carrying amount of the net invested capital as at 31 December 2022.

⁵ The impairment test document was approved by the Parent Company's Board of Directors on 28 March 2023. Management has prepared a five-year business plan (year 2023 in accordance with the Budget and progression of the Business Plan up to 2027) to present the business outlook, recognising the marketing and manufacturing strategies used.

Moreover, sensitivity analysis was performed on the Group's enterprise value, determined with the previously described methods, assuming:

- changes in WAAC;
- changes in the "g" rate.

In this case, a half-percentage point increase in WAAC would result in a 5% decrease in the enterprise value (given the same "g"), whereas a half-percentage point decrease in the "g" rate would result in a 4% decrease in the enterprise value (given the same WAAC). Neither case would result in an impairment loss.

Finally, a stress test was performed assuming higher capital expenditures than those budgeted and estimating possible cash outflows that the Group could incur to renew certain licenses upon their expiration.

Even this stress test confirmed that the coverage amounts remain positive, with broad safety margins.

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As at 31 December 2022, all Group companies were consolidated on a line-by-line basis. The Group has no investments in associates or other investments.

4. DEFERRED TAX ASSETS AND LIABILITIES

The net deferred tax assets as at 31 December 2022 are 47,492 thousand euro (47,495 thousand euro in 2021), the balance of 52,354 thousand euro in deferred tax assets and 4,862 thousand euro in deferred tax liabilities.

The value is mainly attributable to the Parent Company for 9,276 thousand euro (9,372 thousand euro in 2021), to the subsidiary Marcolin USA Eyewear Corp. for 28,096 thousand euro (28,905 in 2021), to the subsidiary Marcolin France Sas for 2,529 thousand euro (2,837 in 2021), Marcolin do Brasil Ltda for 2,090 thousand euro (2,145 in 2021) and Marcolin Eyewear (Shanghai) for 1,622 thousand euro (541 in 2021).

The amount refers to:

- 19,442 thousand euro in temporary differences generated between the value of the assets and liabilities reported in the Financial Statements and the value attributed to those assets and liabilities for tax purposes;
- 14,063 thousand euro in deferred tax assets recognised on tax losses;
- 13,987 thousand euro in deferred tax assets recognised on non-deductible interest expenses.

Recognition of deferred tax assets was made possible by the prospect of realising the assets due to the expectation of future taxable profits according to the strategic business plans prepared by the Group.

More information is provided in Note 29 on income taxes.

5. OTHER NON-CURRENT ASSETS

The balance as at 31 December 2022 is 824 thousand euro (compared to 842 thousand euro of the previous year). The item mainly includes commissions on the Parent Company's 46.2 million euro ssRCF line, which was undrawn as at 31 December 2022.

6. NON-CURRENT FINANCIAL ASSETS

This item, which as at 31 December 2022 amounted to 232 thousand euro (238 thousand euro in 2021), consisted mainly of security deposits related to commercial real estate lease agreements.

7. INVENTORIES

Inventories are detailed below:

Inventories (euro/000)	12/31/2022	12/31/2021
Finished goods	107,047	112,486
Raw material	18,812	18,472
Work in progress	14,745	18,520
Gross inventory	140,604	149,478
Inventory provision	(33,989)	(46,171)
Net inventory	106,615	103,307

The 2022 financial year was characterised by a series of actions aimed at improving and increasing the efficiency of inventory management, as well as investments such as logistics automation systems and innovation in sales and demand planning processes. In particular, with reference to the area of demand planning, the company implemented a series of projects aimed at optimising flows between the commercial and the industrial and logistical parts; this has led to a significant improvement in the quality of inventory, with the direct consequence of a decrease in the gross amount - while guaranteeing the sustainability of the growth in sales volumes achieved in 2022 and expected in 2023 - together with the reduced need to cover the goods obsolescence risk through a special provision, which, under the same policy, affects the gross inventory as at 31 December 2022 by 24.2% compared to 30.9% in the previous year.

8. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

Trade receivables (euro/000)	12/31/2022	12/31/2021
Gross trade receivables	91,353	85,318
Provision for bad debts	(15,889)	(14,556)
Net trade receivables	75,464	70,762

The amount of net trade receivables increased by 4,702 thousand euro compared to the previous year, in the wake of the increase in Group revenues. The careful management of credit, as an integral part of sales and financial policies, enabled the Group to benefit from a steady improvement in the DSO ratio and at the same time significantly reduce past due positions.

The amount of receivables recognised was not discounted, since all receivables are due within 12 months.

The provision for doubtful debts was calculated in accordance with IFRS 9. For further details, please refer to the paragraph "Financial Risk Factors" in this financial report.

9. OTHER CURRENT ASSETS

The composition of other current assets is shown below:

Other current assets (euro/000)	12/31/2022	12/31/2021
Tax credits	9,716	8,777
Prepaid expenses	9,694	9,985
Assets for rights to receive goods back	9,376	9,975
Other receivables	2,165	1,356
Total other current assets	30,952	30,093

This item, totalling 30,952 thousand euro (30,093 thousand euro in 2021), increased by 858 thousand euro compared to the previous year.

"Tax receivables" consist mainly of VAT and taxes paid on account.

Receivables from others is mainly composed of the receivable from the parent company 3 Cime SpA by virtue of the tax consolidation contract in force with this company. The balance of the receivable from 3 Cime SpA as at 31 December 2022 was 7,187 thousand euro compared to 8,184 thousand euro as at 31 December 2021.

The decrease in the receivable compared to the previous year is the result of the recognition of the VAT payables transferred to the tax consolidation as a result of the taxable income for IRES purposes recognised by Marcolin SpA in the financial year 2022 and adjustment of the taxes accrued in 2021 following the submission of the relevant tax return in 2022.

The item Returned goods recovery rights includes the estimated right to recover the products from the customer upon settlement of the liability for future refunds, which is recognised in this item in accordance with IFRS 15.

"Other assets" consists mainly of prepaid insurance premiums and other costs for projects relating to 2023.

10. CURRENT FINANCIAL ASSETS

This item, which amounted to 100 thousand euro as at 31 December 2022, consisted mainly of the unpaid portion of interest on a financial receivable granted by the Parent Company Marcolin SpA to a third party, which accrued interest at market rates and which will be repaid between 2013 and 2022. The balance as at 31 December 2021 amounted to 899 thousand euro.

11. CASH AND CASH EQUIVALENTS

This item represents the value of cash deposits and highly liquid financial instruments, i.e., those with a maturity of up to three months.

It decreased by 2.9 million euro in the period. This decrease is shown in the Consolidated Cash Flow Statement, which provides information on the 2022 changes in cash and cash equivalents.

12. EQUITY

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As at 31 December 2022, the share capital was wholly owned by 3 Cime SpA.

The share premium reserve was 170,304 thousand euro as at 31 December 2022, and the capital reserve account remained unchanged at 46,108 thousand euro.

The Legal Reserve, amounting to 7,180 thousand euro, has reached the limit required by Article 2430 of the Italian Civil Code.

The foreign currency translation reserve, equal to 8,434 thousand euro, refers to the translation into Euros of the financial statements of Group companies whose functional currency differs from the Euro. The increase in this reserve compared to the previous year of 2,353 thousand euro is mainly due to the appreciation of the U.S. dollar against the Euro as at 31 December 2022 by 6% compared to the same date of the previous year and of the Brazilian Reals by 11% over the same period of comparison.

The other reserves of -621 thousand euro include the 4,063 thousand euro foreign exchange difference on the intercompany loan denominated in U.S. dollars granted by Marcolin SpA to subsidiary Marcolin USA Eyewear Corp. On 18 November 2016, pursuant to a Board of Directors' meeting held on 27 October 2016 by Marcolin SpA, the intercompany loan's maturity date was terminated without providing for repayment of the loan in the foreseeable future. Therefore, in accordance with IAS 21, the loan to the American subsidiary is classified as a quasi-equity loan, so all the exchange differences associated with it are recognised in the consolidated Financial Statements in a specific equity reserve, like the exchange differences of Financial Statements denominated in foreign currency. At the end of October 2019, the company approved a partial waiver of the repayment of such loan with respect to a principal amount of 60 million U.S. dollars, to rebalance the American subsidiary's financial structure. The same transaction was carried out in November 2022, the amount waived on that date was 30 million U.S. dollars. In both transactions, the amount of the waived loan was recognised in the equity of Marcolin USA Eyewear Corp. as a capital reserve constituting an item of equity. The conditions, terms and clauses previously governed by the loan

agreement and subsequent amendments are still in effect for the remainder of the financial receivable excluded from the waiver, amounting to 35 million U.S. dollars as at 31 December 2022.

The same transaction was carried out in 2020, in accordance with IAS 21, for the 7,357 thousand euro loan to the Brazilian subsidiary, which is classified as a quasi-equity loan.

The actuarial reserve regards future employee benefits accounted for under IAS 19, corresponding to Marcolin SpA's provision for severance indemnities.

The reconciliation statement between the parent company Marcolin SpA's shareholders' equity and result for the period and the consolidated shareholders' equity and result for the period is summarised below:

(€/000)	Total Equity 12/31/2022	Period Result 2022	Total Equity 12/31/2021	Period Result 2021
Marcolin SpA	290,449	(3,231)	293,505	106,898
Consolidation adjustments:				
Equity of consolidated companies and allocation of their results	153,763	1,242	110,336	4551
Goodwill and other allocated surplus	(3,331)	-	(3,157)	-
Elimination of intra-Group dividends	-	(3,646)	-	(903)
Book value of consolidated shareholdings	(185,774)	-	(142,433)	-
Elimination of intra-Group income	(3,852)	(608)	(3,244)	1,882
Divestment in shareholdings in associate companies measured using the equity method	-	-	-	45,498
Other consolidation adjustments	(200)	447	(3,982)	(5,125)
Total consolidation adjustments	(39,395)	(2,565)	(42,480)	45,903
Total equity and result	251,054	(5,796)	251,025	152,801
Equity and result for the year attributable to minority interests	2,901	2,030	1,463	928
Group consolidated equity and result	248,154	(7,825)	249,562	151,873

The Statement of Changes in Equity provides more detailed information.

13. NON-CURRENT FINANCIAL LIABILITIES

This item, 381,441 thousand euro, was 383,220 thousand euro at the end of 2021; it has decreased by 1,778 thousand euro. The item consists primarily of the value of the bond loan subscribed on 27 May 2021 for 350 million⁶ euro. The notes issued, which mature in 2026, are classified as non-current financial liabilities, and the related payable is accounted for in accordance with IFRS 9 with the amortised cost method to defer the transaction costs pertaining to future periods and to recognise them with the effective interest rate method. With respect to this financing, costs totalling 7,094 thousand euro were deferred, including 1,057 thousand euro pertaining to 2022, for a total amount of 5,282 thousand euro in costs still deferred.

As part of the above-mentioned bond issue, on 19 May 2021, a super senior revolving credit facility (ssRCF), governed by English law, was also signed, for a maximum amount of 46,250,000.00 euro, whose pool of banks is made up of Deutsche Bank Aktiengesellschaft, Banco BMP SpA, Credit Suisse AG (Milan Branch), Intesa Sanpaolo SpA and UniCredit SpA (the latter also acting as "Agent" and "Security Agent"), whose maturity was set within the limit of 6 months prior to the maturity of the new bond loan. This revolving line was undrawn as at 31 December 2022. With respect to this financing, accounted for among the current financial liabilities, costs totalling 694

⁶On 27 May 2021, Marcolin SpA signed a guaranteed, non-convertible and non-subordinated senior bond loan, pursuant to articles 2410 et seq. of the Italian Civil Code, at a fixed rate of 6.125% and maturing in November 2026, for an amount of 350,000,000.00 euro, governed by the laws of the State of New York.

The key features are summarised below:

Recipients: The bonds may be offered and placed in: I) the United States exclusively to "qualified institutional buyers" pursuant to Rule 144A of the Securities Act of 1933 ("Securities Act"); II) Italy and in other countries other than the United States in accordance with the provisions of Regulation S under the Securities Act and exclusively to qualified investors, excluding any placement with the general public and in any case exempt from the regulations on Community and Italian public offerings pursuant to Regulation (EU) 2017/1129 and art. 100 of Legislative Decree no. 58 of 24 February 1998 and the relevant implementing rules contained in Article 35, paragraph 1, letter (d) of the CONSOB Regulation adopted by resolution 20307 of 15 February 2018 and in Article 34-ter, paragraph 1, letter (b) of the Regulation on issuers adopted by CONSOB by resolution no. 11971 of 14 May 1999;

Listing: on the Euro MTF multilateral trading facility managed by the Luxembourg Stock Exchange (non-regulated EU market), with the consequent disapplication of the issue limits provided for by Article 2412, paragraphs 1 and 2, of the Italian Civil Code;

Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.

Maturity date: 15 November 2026.

Interest rate: fixed rate of 6.125%.

Interest Payment Dates: 15 May, 15 November of each year, commencing on 15 May 2021 to the maturity date.

thousand euro were deferred, including 127 thousand euro pertaining to 2022, for a total amount of 491 thousand euro in costs still deferred.

This item also includes the value of the loan of 25 million euro disbursed by the shareholder 3 Cime SpA in 2020 including the interest accrued at the end of the reporting period for a total of 28.7 million euro.

For the sake of exhaustive disclosure, the net financial position is set forth below. More information is provided in the Financial Report.

Net financial debt	12/31/2022	12/31/2021
<i>(euro/000)</i>		
Cash and cash equivalents	225,995	228,848
Current and non-current financial assets	332	1,137
Current financial liabilities	(11,111)	(21,426)
Current portion of non-current financial liabilities	-	(674)
Non-current financial liabilities	(381,441)	(383,220)
Net financial position	(166,226)	(175,335)
Loan from parent company 3 Cime S.p.A.	28,779	27,279
Net financial position Adjusted	(137,448)	(148,056)

In addition to the commitments described subsequently (in Note 20) in regard to the revolving credit facility, commitments to meet financial covenants exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. As further specified in the report on operations, as from 30 June 2022, there is a "Total Net Leverage ratio covenant" (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to this financial covenant, the loan agreement also includes, on a residual basis, certain disclosure requirements, other general commitments and certain limitations on the performance of some investment and financing activities, commensurate with the amount present in the calculation of certain baskets. It should be noted that as at 31 December 2022, all covenants have been complied with and are expected to be complied with also for 2023 on the basis of the available financial budgets.

14. NON-CURRENT PROVISIONS

This item amounts to 6,470 thousand euro (7,107 thousand euro in 2021), showing a decrease of 637 thousand year-on-year.

The amounts of the long-term provisions and the relevant changes for the year and for the previous year are shown below:

Non-current funds	Provision for	Provision for agency	Other funds	Total
<i>(euro/000)</i>	severance employee	terminations		
	indemnities			
12/31/2020	3,463	1,160	2,140	6,763
Allowances	200	238	811	1,248
Use / reversal	(431)	(381)	(264)	(1,076)
Actuarial loss / (gain)	76	-	-	76
Translation difference	46	2	48	95
12/31/2021	3,354	1,018	2,735	7,107
Allowances	707	203	57	967
Use / reversal	(243)	(391)	(805)	(1,439)
Actuarial loss / (gain)	(252)	-	-	(252)
Translation difference	40	20	27	87
12/31/2022	3,606	849	2,014	6,470

Employee benefits consist of the employee severance indemnity provision ("TFR"), mainly referring to the Parent Company's Financial Statements for 1,933 thousand euro,⁷ which was measured with an actuarial calculation at the end of the year⁸.

The additional information required under Revised IAS 19 is provided hereunder:

- sensitivity analysis of each significant actuarial assumption at the end of the year, showing effects of changes in actuarial assumptions that are reasonably possible at that date, and in absolute terms:

Sensitivity analysis	DBO * to 31/12/2022
Turnover rate +1,00%	1,937
Turnover rate -1,00%	1,924
Inflation rate +0,25%	1,949
Inflation rate -0,25%	1,912
Actuarial rate +0,25%	1,902
Actuarial rate -0,25%	1,960

* Defined Benefit Obligation

- next year's service cost and average vesting period of the defined benefit obligation:

Next year service cost	
Next year service cost	-
Vesting period	6.83

- payments foreseen under the plan:

Years	Payments foreseen
1	230
2	154
3	221
4	230
5	104

The provision for agency termination principally presents the liability regarding severance indemnities with respect to agents and is calculated in accordance with the applicable regulations.

Finally, the provision for risks and charges presents the estimated amount, in a medium/long-term time horizon, of future obligations toward third parties for liabilities arising in previous periods.

15. OTHER NON-CURRENT LIABILITIES

At the end of the period, the amount of other non-current liabilities was 980 thousand euro (compared with 752 thousand euro in 2021). The change from the previous year is mainly due to non-trade payables due to Marcolin SpA, mainly due to the value of the deferred tax credit for the purchase of capital goods in 2022, which will be recovered in subsequent years based on the depreciation rates of the fixed assets on which this credit was calculated.

16. TRADE PAYABLES

The following table sets forth the trade payables by geographical area:

⁷ The provision consists of the benefits that accrued to employees until 31 December 2006, to be paid upon or subsequent to termination of employment: the TFR accruing from 1 January 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.

⁸ The parameters used for the actuarial calculation are: 1) mortality rate: Table RG 48 of the Public Accounting Office; 2) disability rates: INPS table by age and gender; 3) personnel turnover rates: 5%; 4) frequency of TFR payments: 2%; 5) discount/interest rate: 0.44%; 6) TFR growth rate: 2.8% for 2021, 2.1% for 2020; 7) inflation rate: 1.75% for 2021, 0.8% for 2020.

Trade payables by geographical area (euro/000)	12/31/2022	12/31/2021
Italy	47,826	46,762
Rest of Europe	19,202	19,066
North America	34,867	30,294
Rest of World	58,570	50,772
Total	160,465	146,894

With reference to Trade payables, the balance as at 31 December 2022 showed an increase compared to the same period of the previous year, mainly due to the increase in the volume of goods procured. The balance also benefits from the constant and careful regulation in the choice of suppliers, trade and payment terms, together with a corporate culture spread throughout all departments aimed at efficient management of operating working capital.

The recognised trade payables were not subject to discounting, as the amount is a reasonable representation of their fair value, in consideration of the fact that there are no payables due beyond the short term.

In compliance with the disclosure requirements of IFRS 7, it is reported that as at 31 December 2022, there were no past-due trade payables, excluding the accounts being disputed by the Company with suppliers, which are of immaterial amounts.

17. CURRENT FINANCIAL LIABILITIES

The current financial liabilities amount to 11,111 thousand euro (compared with the 22,100 thousand euro of 2021), down by 10,998 thousand euro year-on-year.

The main items making up the balance are described below:

- for a total of 298 thousand euro, the balance of short-term loans to the banking system, compared to a balance of 12,967 thousand euro as at 31 December 2021, a decrease attributable to repayments at maturity and also to early repayments due to available liquidity from operations;
- payables to other lenders of 5,899 thousand euro, mainly related to the accrued interest payable on the Bond (in 2021 equal to 3,860 thousand euro);
- short-term lease liabilities of 4,913 thousand euro regarding the application of IFRS 16. More information is provided in the description of the Group's accounting standards.

The following table presents the maturities of the financial payables, which are classified as either current financial liabilities or non-current financial liabilities.

Borrowings maturity (euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Credit lines used	2,870	-	-	-	2,870
Loans	298	-	-	-	298
Financial liabilities as under IFRS16 (*)	4,913	6,433	1,292	219	12,857
Other financiers	3,031	-	373,497	-	376,528
12/31/2022	11,111	6,433	374,789	219	392,552

As at 31 December 2022, there were no exchange rate hedging instruments in place.

18. CURRENT PROVISIONS

The table below presents the most significant changes of the year and of the previous year:

Current funds (euro/000)	Other funds	Returns Reserve	Warranty provision	Total Other funds
12/31/2020	233	11,574	2,233	14,041
Allowances	381	2,667	539	3,588
Use / reversal	(198)	259	(160)	(99)
Translation difference	4	685	80	769
12/31/2021	420	15,186	2,692	18,299
Allowances	825	5,629	929	7,383
Use / reversal	(78)	(4,337)	(769)	(5,184)
Translation difference	24	395	70	490
12/31/2022	1,192	16,873	2,923	20,987

The other current provisions amount to 20,987 thousand euro as at 31 December 2022.

The other provisions, totalling 1,192 thousand euro, refer to potential risks originating mainly from legal obligations. In accordance with IFRS 15, the returns provision and product warranty provision are recognised by reference to the future sales and/or qualitative returns expected to be received from customers based on the available contractual information and past statistics.

19. OTHER CURRENT LIABILITIES

Below are the details of the other current liabilities:

Other current liabilities (euro/000)	12/31/2022	12/31/2021
Payables to personnel	20,454	16,778
Payables to Social Security	3,669	4,062
Other liabilities	1,360	1,236
Totale	25,483	22,075

The other current liabilities consist primarily of amounts due to personnel and social security institutions.

The increase in amounts due to personnel is a direct consequence of a higher accrual of the component related to performance bonuses and other incentives, allocated on the basis of annual performance targets, which were not fully achieved in 2021.

20. COMMITMENTS AND GUARANTEES

Guarantees associated with the issue of the bond loan:

With a notarial deed dated 19 May 2021, the Board of Directors approved the issue of a non-convertible senior, secured bond loan with a total nominal value of 350 million euro.

The bonds are secured by collateral provided by the Company, its controlling shareholder 3 Cime SpA and certain of the Company's subsidiaries (as indicated below) for the exact performance of, inter alia, the obligations assumed by the Company towards the mass of the holders of the Bonds, consisting of:

- (i) a first-degree lien on the shares of Marcolin SpA held by 3 Cime SpA;
- (ii) a pledge on the shares representing the entire share capital of Marcolin (UK) Limited, Marcolin France S.A.S., Marcolin (Deutschland) GmbH, Marcolin USA Eyewear Corp.;
- (iii) an assignment as security of receivables of Marcolin SpA arising from certain intra-group loans granted by the Company to certain companies controlled by it;
- (iv) a pledge on all significant assets of Marcolin USA Eyewear Corp.;
- (v) a special lien pursuant to Article 46 of Legislative Decree no. 385 of 1 September 1993 established by Marcolin SpA on some of its movable assets.

For further information, please refer to the Marcolin Group's website for the document called "Offering Memorandum" prepared at the same time as the issue of the bond in question.

Licenses

The Group has contracts in effect to use trademarks owned by third parties for the production, promotion, advertising, sale and distribution of eyeglass frames and sunglasses. These contracts establish not only guaranteed minimums in terms of royalties, but also a commitment for advertising expenses. As at 31 December 2022, the total of these future commitments amounted to 515,537 thousand euro (346,474 thousand euro in 2021), of which 82,900 thousand euro are due within the next financial year. The increase in future commitments compared to the amount in the previous year is attributable to the extension of the legal term of the license relationship for certain trademarks, which is why a longer time span was considered.

Guaranteed minimum Royalties		
due	12/31/2022	12/31/2021
<i>(euro/000)</i>		
Within one year	82,900	75,875
In one to five years	352,499	204,362
After five years	80,138	66,237
Total	515,537	346,474

On 15 November 2022, Marcolin S.p.A. signed an agreement with Estée Lauder Companies Inc. ("ELC") to enter into a long-term licensing relationship for TOM FORD eyewear. The agreement is a significant extension of the current licensing agreement with TOM FORD. The new agreement will grant a perpetual license to TOM FORD against payment by Marcolin of 250 million U.S. dollars, which will be owned by ELC upon payment. The transaction will be financed through the use of available cash and an increase in share capital by Marcolin's shareholders of at least 50 million euro. The new licensing agreement is subject to the completion of the purchase of TOM FORD by ELC, which is expected to occur in the first half of 2023.

The Group also has guarantees for third parties of 4,765 thousand euro (3,320 thousand euro in 2021).

MARCOLIN GROUP CONSOLIDATED INCOME STATEMENT

The Group's Consolidated Income Statement results are presented in comparison with the 2021 results.

21. NET REVENUES

The following table sets forth the 2022 net sales revenues by geographical area:

Net Revenues by geographical area (euro/000)	2022		2021		Variations	
	euro	% of total	euro	% of total	euro	% of total
EMEA	260,140	47.5%	220,120	48.3%	40,020	18.2%
Americas	232,329	42.4%	199,286	43.8%	33,043	16.6%
Rest of World	30,916	5.6%	19,615	4.3%	11,301	57.6%
Asia	23,970	4.4%	16,352	3.6%	7,618	46.6%
Totale	547,355	100.0%	455,374	100.0%	91,981	20.2%

The net revenues of 2022 is 547,355 thousand euro, compared with 455,374 thousand euro in 2021. The Report on Operations provides a description of turnover by geographical area.

22. COST OF GOODS SOLD

The following table shows a detailed breakdown of the cost of goods sold:

Cost of sales (euro/000)	2022	% of net revenues	2021	% of net revenues
Cost of product	208,627	38.1%	177,567	39.0%
Cost of personnel	11,700	2.1%	11,887	2.6%
Amortization, depreciation and writedowns	3,580	0.7%	3,700	0.8%
Other costs	4,415	0.8%	4,665	1.0%
Total	228,323	41.7%	197,818	43.4%

The cost of goods sold amounted to 228,323 thousand euro compared to 197,818 thousand euro in 2021, an improvement on net sales by approximately 1.7% due to a better commercial mix (brands and sales channels) and industrial and distribution efficiencies, despite the complex macroeconomic context which, among its effects, also led to a general increase in transport costs on purchases as well as a general increase in the costs of industrial users.

The other expenses refer principally to purchasing charges (transport and customs) and business consulting services.

23. DISTRIBUTION AND MARKETING EXPENSES

Below is a detailed breakdown of the 2022 distribution and marketing expenses:

Distribution and marketing expenses (euro/000)	2022	% of net revenues	2021	% of net revenues
Cost of personnel	59,107	10.8%	53,413	11.7%
Commissions	31,159	5.7%	28,702	6.3%
Amortization, depreciation and writedowns	19,137	3.5%	19,216	4.2%
Royalties	62,635	11.4%	54,100	11.9%
Advertising and PR	43,593	8.0%	29,838	6.6%
Other costs	30,203	5.5%	25,493	5.6%
Total	245,835	44.9%	210,761	46.3%

This item, which amounted to 245,835 thousand euro, compared to 210,761 thousand euro in 2021, showed a significant improvement as a percentage of consolidated turnover, mainly due to the positive effect of both the better absorption of its fixed or semi-fixed component given by personnel costs and depreciation and amortisation, and the measures taken by management to disseminate a corporate culture aimed at limiting costs considered non-strategic.

With reference to advertising/PR costs, the growth is directly attributable to the resumption of ordinary activities typical of the pre-Covid-19 period, such as participation in events and trade fairs and other advertising and marketing activities in support of the brands in the portfolio, both for licensed and *house brands*.

Other costs mainly include commercial costs, including transport costs on sales, commercial expenses incurred for the sales network, services related to the sales area, rent payable, travel expenses, telephone and insurance costs and entertainment expenses, which overall remain at a similar level as a percentage of consolidated turnover, despite the inflationary pressure on many of the cost categories in this item and a general recovery in travel after the slowdown seen in previous years due to the restrictions resulting from the measures taken to contain the Covid-19 pandemic.

24. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	2022	% of net revenues	2021	% of net revenues
Cost of personnel	17,825	3.3%	15,394	3.4%
Writedown of receivables	2,123	0.4%	625	0.1%
Amortization, depreciation and writedowns	2,780	0.5%	4,213	0.9%
Other costs	23,268	4.3%	16,607	3.6%
Total	45,996	8.4%	36,839	8.1%

The general and administrative expenses amounted to 45,996 thousand euro in 2022, compared to 36,839 thousand euro in 2021. The significant increase in the provision for doubtful debts derives from an assessment by management to hedge through a special provision certain receivables in complex markets, such as China and Mexico, also due to economic trends of the country.

Other costs include the compensation of directors, statutory auditors, the independent auditors and other external professionals; general and administrative services, information technology expenses, general and administrative consulting services, telephone expenses, insurance costs, travel expenses, rent expense, rentals and other sundry expenses. The increase in the balance was also due to non-recurring activities, such as the increased use of consulting services in the APAC region, as part of the project to reorganise commercial and corporate activities in that region, as well as charges related to potential acquisitions and other extraordinary transactions.

25. EMPLOYEES

The 2022 end-of-period and average numbers of employees of the various Group companies (including the work force on temporary contracts) are broken down below in comparison with the previous year:

Employees Category	Final number		Average number	
	12/31/2022	12/31/2021	2022	2021
Managers	56	73	55	71
Staff	1029	1062	1,038	1,037
Manual workers	769	712	762	694
Total	1,854	1,847	1,855	1,802

26. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other operating income and expenses (euro/000)	2022	% of net revenues	2021	% of net revenues
Other income	1,170	0.2%	1,560	0.3%
Other expenses	(2,680)	(0.5%)	(106)	(0.0%)
Total	(1,509)	-0.3%	1,454	0.3%

The balance of this item shows a net expense of 1,509 thousand euro compared to a net income of 1,454 thousand euro in the previous year. The item also include various amounts recharged to third parties, contingent gains and losses and sundry compensation.

27. SHARE OF PROFITS/(LOSSES) OF ASSOCIATES

The company had no investments in associates during 2022, which is why the balance is zero. As an element of comparison for 2021, it should be noted that the item of 166,764 thousand euro corresponded to the effect of the deconsolidation of the investment in Thélios S.p.A., which was recognised in the consolidated financial statements using the equity method. On 23 December 2021, Marcolin and LVMH decided to terminate the investment relationship in the Joint Venture Thélios. This transaction, among others, resulted in income from investments recognised in this item as the differential between the amount received from the sale to the shareholder Vicuna Holding SpA of 49% of the shares in Thélios SpA, equal to 490,000 class B shares, at a price of 158 million euro and the value of the investment in Thélios which, at the date of the transaction, was equal to -8.8 million euro.

28. FINANCE INCOME AND COSTS

The details for finance income and costs are presented below:

Financial income and costs (euro/000)	2022	% of net revenues	2021	% of net revenues
Financial income	14,580	2.7%	8,485	1.9%
Financial costs	(39,229)	(7.2)%	(29,878)	(6.6)%
Total	(24,650)	(4.5)%	(21,393)	(4.7)%

The composition of finance income is shown below:

Financial income (euro/000)	2022	% of net revenues	2021	% of net revenues
Interest income and others	262	0.0%	567	0.1%
Gains on currency exchange	14,318	2.6%	7,917	1.7%
Total	14,580	2.7%	8,485	1.9%

The composition of finance costs is shown below:

Financial costs (euro/000)	2022	% of net revenues	2021	% of net revenues
Interest expense	(27,426)	(5.0)%	(26,564)	(5.8)%
Losses on currency exchange	(11,803)	(2.2)%	(3,314)	(0.7)%
Total	(39,229)	(7.2)%	(29,878)	(6.6)%

Finance income and costs result in net costs of 24,650 thousand euro, compared with net costs of 21,393 thousand euro for 2021.

The net finance costs are the balance between income of 14,580 thousand euro and costs of 39,229 thousand euro. The components are classifiable in two different categories: finance income and costs, and exchange differences.

The first component consists of:

- interest and other finance income of 262 thousand euro;

- interest expense of 27,426 thousand euro, consisting primarily of:
 - interest of 21,567 thousand euro servicing the bond notes issued by Marcolin SpA, paid half-yearly in May and November;
 - the reversal to the Income Statement of bond issuance transaction costs, accounted for under IFRS with the amortised cost method;
 - 4,800 thousand euro in net finance costs (3,448 thousand euro attributable to the parent company Marcolin SpA and 1,350 thousand euro to the other subsidiaries). During 2022, the Group increased the efficiency of its financial indebtedness structure, repaying, also in advance, financial payables to banks, as better described in paragraph "17. Current financial liabilities", the positive impact of which will be felt in 2023 in the form of lower interest expenses.

With respect to the component of gains and losses on currency exchange, the balance is a net gain of 2,515 thousand euro for 2022 and was mainly attributable to the revaluation effect of current accounts denominated in U.S. dollars due to the direct effect of the appreciation of this currency during the year. There were no currency hedges (on purchases and sales) in place as at 31 December 2022.

29. INCOME TAXES

The balance of this item amounted to costs of 6,838 thousand euro, including current taxes of 5,010 thousand euro, net deferred taxes of 678 thousand euro, tax consolidation costs of 530 thousand euro and taxes referring to the previous period of 619 thousand euro.

Income tax expense (euro/000)	2022	2021
Current taxes	(5,010)	(3,118)
Deferred taxes	(678)	1,989
Income/(Expenses) from Tax Consolidation	(530)	(2,146)
Taxes relating to prior year	(619)	(706)
Tota income tax expense	(6,837)	(3,981)

The current taxes of 5,010 thousand euro for 2022 are attributable to the companies (excluding the Parent Company) that reported positive taxable income, a significant improvement over the previous year. Concerning Marcolin SpA, tax consolidation cost of 530 thousand euro is recognised, referring entirely to the Parent Company's IRES credit due from 3 Cime SpA under the tax consolidation agreement with the parent company. Additional information is contained in the section on Italian tax consolidation at the beginning of these notes. On the other hand, deferred taxes mainly refer to foreign subsidiaries.

The current tax burden was determined on the basis of the taxable income of each company, taking into account the use of any accumulated tax losses and applying the tax rules and tax rates in force in each country.

Income taxes for the year are reconciled with the theoretical tax burden in the following table:

Tax rate reconciliation (euro/000)	12/31/2022		12/31/2021	
Results before tax		1,042		156,781
Theoretical taxes	24.0%	(250)	24.0%	(37,627)
Impact of foreign tax rate different from italian tax rate	-37.1%	387	0.3%	(525)
IRAP and other	65.3%	(681)	0.1%	(226)
Higher taxes due to non-deductible costs	420.1%	(4,377)	2.9%	(4,564)
Lower taxes for non-taxable income	-125.7%	1,310	-25.3%	39,641
Taxes relating to prior year	79.6%	(829)	0.5%	(706)
Unrecognised deferred tax assets on tax losses	26.5%	(276)	0.1%	(153)
Use of accumulated tax losses unrecognised deferred tax assets in previous year	-16.4%	171	-0.1%	178
Impact of tax change rates and fiscal local laws	248.7%	(2,591)	0.2%	(379)
Activation of deferred tax assets unrecognised previous years	0.0%	-	-0.1%	208
Other	-28.8%	300	-0.1%	174
Total income / tax expense	656.2%	(6,838)	2.5%	(3,980)

With reference to the category "Higher Taxes for Non-Deductible Costs", the main component concerns the non-deductibility of financial interest expenses of Marcolin S.p.A., as provided for by the tax regulations (Article 96 of the TUIR), which provides for their deductibility up to the limit of interest income and, for the excess, 30% of ROL. On this portion of non-deductible interest expense, the Company has prudently recognised the related deferred tax assets only for the portion deemed reasonably recoverable. Moreover, with reference to the America affiliate, it should be noted that in 2022, a change to the regulations governing the deductibility of financial interest expenses occurred such that the portion of temporarily non-deductible interest recognised as deferred tax assets had to be reduced by 2.6 million euro, which was recognised in the category "Effect on deferred taxes due to change in tax rates".

Deferred taxes and the changes therein are presented in the following tables:

Deferred tax assets (euro/000)	Temporary differences 12/31/2022	Tax on temporary differences 12/31/2022	Temporary differences 12/31/2021	Tax on temporary differences 12/31/2021
Accumulated tax losses	57,097	14,063	54,466	13,444
Grants and compensation deductible on a cash basis	10,042	2,569	5,860	1,480
Non-deductible financial interest	53,060	13,987	50,057	10,993
Inventory provisions	23,876	6,212	40,604	10,581
Provision for return risks	2,781	796	1,483	476
Intangible assets subject to taxation	2,699	715	1,947	774
Taxed provision for doubtful debts	9,234	2,504	8,338	2,324
Unrealized currency exchange differences	4,451	1,257	2,283	1,154
Income from CFC	1,448	351	1,446	351
Non-deductible temporary amortization	4,492	795	1,471	490
Supplementary client indemnity provision	1,104	322	1,237	345
Other	11,518	3,517	6,087	6,002
Provisions for risks and charges	14,542	3,913	10,342	2,669
Intercompany profit	5,205	1,353	4,384	1,140
Total deferred tax assets	201,549	52,354	190,005	52,223

Deferred tax liabilities (euro/000)	Temporary differences 12/31/2022	Tax on temporary differences 12/31/2022	Temporary differences 12/31/2021	Tax on temporary differences 12/31/2021
Unrealized currency exchange differences	(10,970)	(2,662)	(10,752)	(2,625)
Property, plant and equipment and intangible assets	(4,724)	(1,265)	(1,855)	(507)
Other	(2,164)	(667)	(7,213)	(1,596)
Actuarial gain / losses on TFR under IAS	(399)	(96)	(76)	(0)
Dividends not collected	(718)	(172)	-	-
Total deferred tax liabilities	(18,975)	(4,862)	(19,897)	(4,728)
Total net DTA/DTL	182,574	47,492	170,108	47,495

The difference compared with the prior year in the balance of deferred tax assets and liabilities in the Statement of Financial Position, 3 thousand euro, diverges from the balance of 678 thousand euro shown in the Income Statement for the following reasons:

- Deferred tax recognition on amounts accounted for in equity totalling -1,622 thousand euro;
- Adjustment deriving from the translation into euro of the accounts of Group companies whose functional currency differs from the euro in the amount of 2,297 thousand euro.

The Group companies' tax losses are 2.5 million euro for which, out of prudence, deferred tax assets were not recognised. Based on the tax rates of the various companies involved, such deferred tax assets would amount to 0.6 million euro.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS AND SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The information with respect to atypical and unusual transactions and transactions with related parties is disclosed in this section.

Significant non-recurring events and transactions

Significant non-recurring events and transactions that impacted the Group's financial position, financial performance and cash flows in 2022 regard some non-recurring costs, described in detail in the Report on Operations.

Atypical and unusual transactions

There were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity in 2022 that could significantly impact the financial position, financial performance or cash flows of Marcolin SpA and the Group.

Transactions with related parties with and equity-accounted associates

In addition to the transactions between the consolidated companies, transactions took place during the year also with other related parties.

Related-party transactions were of a trade nature, conducted at market conditions, and regarded licensing agreements in particular.

The transactions and outstanding balances with respect to related parties as at 31 December 2022 are shown below, as required by IAS 24:

Company (euro/000)	Expenses	Revenues	Payables	Receivables	Type
Pai Partners Sas	-	-	50	-	Related party
Coffen Marcolin Family	415	-	32	0	Related party
3 Cime S.p.A.	1,500	395	28,779	7,672	Consolidating
Total	1,915	395	28,860	7,672	

The same table is set forth for 2021:

Company (euro/000)	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	60	-	125	-	Related party
Coffen Marcolin Family	662	-	277	0	Related party
3 Cime S.p.A.	1,500	-	27,279	8,184	Consolidating
Total	2,222	-	27,680	8,184	

All related-party transactions are carried out at market conditions.

The remuneration of the Group's Directors, Statutory Auditors and Key Management Personnel ("Others") is reported below:

	2022		2021	
	Board of Directors	Statutory Auditors	Board of Directors	Statutory Auditors
(euro/000)				
Base fee	200	100	185	100
Salaries and benefits	1,000	-	1,000	-
Total	1,200	100	1,185	100

During the year, other amounts were paid to the Board of Directors, as described in Note 24 on "general and administrative expenses".

Other information pursuant to Article 2427, point 16 bis of the Italian Civil Code

The following table presents the 2022 fees of the Independent Auditors, Pricewaterhouse Coopers SpA, for audit services performed by them and PwC network, as required under Article 2427, point 16 bis of the Italian Civil Code:

Audit and other services (euro/000)	Amount
Audit for Marcolin S.p.A.	177
Audit for other subsidiaries	173
Total	350

Government grants

The 2017 annual law for market and competition required disclosure in the notes to the Financial Statements of grants, subsidies, paid engagements and all financial benefits in general received from public entities and companies controlled by public entities (Law no. 124 of 4 August 2017 – Article 1, paragraphs 125 to 129 – hereinafter "Law 124/2017"). Mandatory disclosure is effective from 2019 regarding all financial benefits received from 1 January 2018. The 2022 information for Marcolin SpA, presented on a cash basis, is set out below.

Super-amortisation benefit

During the financial years 2015 to 2019, Marcolin SpA incurred costs for investments in new capital goods for which it benefited from "superammortamento", i.e., super-amortisation under Law 208/2015, Article 1, paragraph 91 and subsequent extensions. The related benefit was included in the tax return presented in 2022 in an amount of 334,243 euro.

Hyper-amortisation benefit

During the financial years 2018 to 2020, Marcolin SpA incurred costs for investments in new capital goods for which it benefited from "iperammortamento", i.e., hyper-amortisation under Law 232/2016, Article 1, paragraph 8 to 11 and subsequent extensions. The related benefit was included in the tax return presented in 2022 in an amount of 794,496 euro.

Tax credit for investments in capital goods

The 2021 Budget Law (Article 1, paragraphs 1051 - 1063 of Law 178/2020), as amended by the 2022 Budget Law (Article 1, paragraph 44 of Law 234/2021) recognises a tax credit for investments in new ordinary capital goods known as "Industry 4.0".

This tax credit applies to investments made from 1 January 2022 to 31 December 2022, or by 30 June 2023, provided that by 31 December 2022 the relevant purchase order has been formally accepted by the seller and an advance payment corresponding to at least 20% of the purchase price has been received. Marcolin SpA incurred eligible costs in 2022 that resulted in a tax credit of 380,551 euro.

Tax credit for electricity and gas

In 2022, Marcolin SpA, benefited from the tax credit in favour of companies other than energy-intensive companies (pursuant to Article 3 of Decree Law no. 21 of 21 March 2022) for the purchase of electricity for the second, third and fourth quarter of 2022 amounting to 240,535 euro and the tax credit in favour of companies other than those with a heavy consumption of natural gas (pursuant to Article 4 of Decree Law no. 21 of 21 March 2022) for the purchase of natural gas for the second, third and fourth quarter of 2022 amounting to 49,439 euro.

Credit for civil defence

In 2022, Marcolin SpA benefited from the tax credit for employers of civil defence volunteers (pursuant to Article 38 of Decree Law no. 189 of 17 October 2016) amounting to 1,908 euro.

Exemption from INPS contributions on new employees

In 2022, Marcolin used the following exemption from INPS contributions:

- Contribution for the recruitment of young people pursuant to Law 205/2017 as amended by Article 1 paragraph 10 of Law 160/2019 of 16,921.34 euro;

- Subsidy as part of the measure "Regulation for interprofessional funds for continuous training for the granting of State aid exempted under Regulation (EC) no. 651/2014 and under de minimis rules pursuant to Regulation (EC) no. 1407/2013" (aid measure no. SA 100284) of 14,916 euro.

Significant events occurring after the reporting period

Between 31 December 2022 and the date of approval of the Financial Statements, no events occurred that could have material effects on the financial results reported (IAS 10).

The business trend in the first few months of 2023 was positive. At the same time, the context of the current geopolitical tensions, mainly related to the conflict in Ukraine, does not allow to anticipate any negative impact related to this event, although it is understood that the Group does not have significant exposure to these territories, including Russia, whose turnover represents less than 2% of total consolidated turnover.

The persistence of high inflation rates and the consequent impact of higher interest rates as a result of the measures taken by central banks to curb price rises could pose stability problems for some banks, as recently demonstrated by the crisis in some US banks, which could spread to other parts of the world. Based on the information available at the time of writing, the tensions in the financial system that have affected some banks have no direct impact on the Group's financial structure.

No other significant events took place after the 2022 reporting period.

INDEPENDENT AUDITORS'
REPORT
ON THE CONSOLIDATED FINANCIAL

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH LEGISLATIVE DECREE NO. 39, ARTICLE 14 OF 27 JANUARY 2010



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholders of Marcolin SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Marcolin Group (the Group), which comprise the statement of financial position as of 31 December 2022, the income statement, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Marcolin SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Marcolin SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of



the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Marcolin SpA are responsible for preparing a report on operations of the Marcolin Group as of 31 December 2022, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Marcolin Group as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Marcolin Group as of 31 December 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 13 April 2023

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

FINANCIAL STATEMENTS OF MARCOLIN SPA

AS AT 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CHANGES IN EQUITY

CASH FLOW STATEMENT

STATEMENT OF FINANCIAL POSITION

(euro)	Notes	12/31/2022	12/31/2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	25,578,791	26,917,512
Intangible assets	2	23,183,755	23,059,426
Goodwill	2	186,226,529	186,226,529
Investments in subsidiaries and associates	3	184,389,494	140,336,608
Deferred tax assets	27	12,340,881	12,179,900
Other non-current assets	4	491,319	618,056
Non-current financial assets	5	40,196,222	57,415,076
Total non-current assets		472,406,991	446,753,107
CURRENT ASSETS			
Inventories	6	61,045,073	55,074,712
Trade receivables	7	74,495,645	66,848,000
Other current assets	8	15,929,891	13,360,689
Current financial assets	9	32,008,482	37,452,235
Cash and cash equivalents	10	199,449,693	213,425,328
Total current assets		382,928,786	386,160,964
TOTAL ASSETS		855,335,776	832,914,071
EQUITY			
	11		
Share capital		35,902,750	35,902,750
Additional paid-in capital		42,827,001	42,827,001
Legal reserve		7,180,550	6,437,117
Other reserves		47,008,488	46,833,650
Retained earnings (losses)		160,760,828	54,606,294
Profit (loss) for the period		(3,230,569)	106,897,967
TOTAL EQUITY		290,449,049	293,504,780
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	12	375,191,383	372,802,726
Non-current funds	13	3,669,464	5,109,470
Deferred tax liabilities	27	3,064,195	2,807,644
Other non-current liabilities	14	914,184	749,103
Total non-current liabilities		382,839,225	381,468,943
CURRENT LIABILITIES			
Trade payables	15	127,125,894	119,874,053
Current financial liabilities	16	34,756,218	22,910,144
Current funds	17	6,060,295	3,199,003
Tax liabilities	27	2,337,148	2,321,514
Other current liabilities	18	11,767,946	9,635,634
Total current liabilities		182,047,501	157,940,348
TOTAL LIABILITIES		564,886,727	539,409,291
TOTAL LIABILITIES AND EQUITY		855,335,776	832,914,071

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

(euro)	Notes	2022	%	2021	%
Net revenues	20	295,119,818	100.0%	248,530,803	100.0%
Cost of sales	21	(165,154,169)	(56.0)%	(149,261,730)	(60.1)%
GROSS PROFIT		129,965,649	44.0%	99,269,073	39.9%
Distribution and marketing expenses	22	(110,038,006)	(37.3)%	(91,996,830)	(37.0)%
General and administrative expenses	23	(20,024,317)	(6.8)%	(14,624,702)	(5.9)%
Other operating income/(expenses)	25	8,412,417	2.9%	8,289,310	3.3%
Other income	25	10,830,890	3.7%	8,323,796	3.3%
Other expenses	25	(2,418,473)	(0.8)%	(34,486)	(0.0)%
OPERATING INCOME – EBIT		8,315,743	2.8%	936,851	0.4%
Income/(expenses) from investments in subsidiaries	26	3,015,574	1.0%	119,615,702	48.1%
Financial income	27	22,099,572	7.5%	16,442,974	6.6%
Financial costs	27	(35,260,268)	(11.9)%	(27,665,726)	(11.1)%
PROFIT (LOSS) BEFORE TAXES		(1,829,379)	(0.6)%	109,329,801	44.0%
Income tax expense	28	(1,401,190)	(0.5)%	(2,431,834)	(1.0)%
NET PROFIT (LOSS) FOR THE PERIOD		(3,230,569)	(1.1)%	106,897,967	43.0%

(euro)	2022	2021
NET PROFIT (LOSS) FOR THE PERIOD	(3,230,569)	106,897,967
Other items that will be not subsequently reclassified to profit or loss:		
Effect (actuarial gain/losses) on defined benefit plans, net of taxes	174,838	(58,563)
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	174,838	(58,563)
Other items that will be subsequently reclassified to profit or loss:		
- Hedge accounting effect (cash flow hedge) of derivatives, net of fiscal effect	-	-
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(3,055,731)	106,839,404

STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Legal Reserve	Other reserves				Profit (loss) for the period	Total equity
				S.holders deposit in s/capital	Other	Actuarial gain / (loss) reserve	Retained earnings/ (losses)		
<i>(euro)</i>									
December 31, 2020	35,902,750	42,827,001	6,437,117	46,107,590	1,389,819	(605,196)	111,634,903	(26,934,948)	216,759,037
Allocation of 2020 loss	-	-	-	-	-	-	(26,934,948)	26,934,948	-
Owens shares purchase and cancellation	-	-	-	-	-	-	(30,093,661)	-	(30,093,661)
- <i>Period result</i>	-	-	-	-	-	-	-	106,897,967	106,897,967
- <i>Other components of comprehensive income</i>	-	-	-	-	-	(58,563)	-	-	(58,563)
Total comprehensive income	-	-	-	-	-	(58,563)	-	106,897,967	106,839,404
December 31, 2021	35,902,750	42,827,001	6,437,117	46,107,590	1,389,819	(663,759)	54,606,294	106,897,967	293,504,780
Allocation of 2021 profit	-	-	743,433	-	-	-	106,154,534	(106,897,967)	-
- <i>Period result</i>	-	-	-	-	-	-	-	(3,230,569)	(3,230,569)
- <i>Other components of comprehensive income</i>	-	-	-	-	-	174,838	-	-	174,838
Total comprehensive income	-	-	-	-	-	174,838	-	(3,230,569)	(3,055,731)
December 31, 2022	35,902,750	42,827,001	7,180,550	46,107,590	1,389,819	(488,921)	160,760,828	(3,230,569)	290,449,049

CASH FLOW STATEMENT

(euro)	Notes	12/31/2022	12/31/2021
OPERATING ACTIVITIES			
<i>Profit (loss) for the period</i>		(3,230,569)	106,897,967
Depreciation and amortization	1.2	12,896,956	15,432,922
Provisions	13.17	7,982,581	(457,626)
Income tax expense	27	1,401,190	2,294,834
Accrued interest expense	26	13,160,696	11,222,753
Adjustments to other non-cash items		(3,025,300)	(119,625,176)
<i>Cash generated by operations</i>		29,185,554	15,765,674
(Increase)/decrease in trade receivables	7	(6,742,071)	(15,810,120)
(Increase)/decrease in inventories	6	(12,276,485)	6,979,915
(Decrease)/increase in trade payables	15	7,251,841	34,192,424
<i>Cash generated by change in operating working capital</i>		(11,766,715)	25,362,219
(Increase) decrease in other assets	4.8	(2,416,647)	5,736,472
(Decrease)/increase in other liabilities	14.18	2,297,393	2,026,762
(Use) of current and non-current provisions	13.17	(550,000)	(779,000)
(Decrease)/increase in current tax liabilities	27	(587,640)	(5,053,772)
<i>Other elements in working capital</i>		(1,256,894)	1,930,462
Tax paid		(109,663)	-
Interest received		7,120,000	6,074,361
Interest paid		(22,914,000)	(18,454,000)
<i>Total cash generated by change in other items of net working capital</i>		(17,160,557)	(10,449,176)
<i>Net cash from /(used in) net working capital</i>		(28,927,272)	14,913,043
Net cash from /(used in) operating activities		258,282	30,678,717
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	1	(3,906,516)	(5,885,754)
Disposal of property, plant and equipment	1	9,726	9,778
(Investments) in intangible assets	2	(6,540,049)	(5,010,774)
Net (Investments)/disposal in investment in subsidiaries and associates	3	(4,059,000)	158,000,000
Net cash from /(used in) investing activities		(14,495,839)	147,113,250
FINANCING ACTIVITIES			
<i>Financial Assets</i>			
- (Proceeds)		(2,083,000)	(4,900,000)
- Repayments	5,9	2,241,000	35,946,000
<i>Financial Loans from banks</i>			
- Proceeds	12.16	-	350,000,000
- (Repayments)	12.16	(2,710,636)	(344,961,000)
Shareholders Loan	12.16		
Principal elements of lease payments		(1,169,305)	(1,100,682)
<i>Other current and non current financial liabilities</i>	5,9,12,16	2,988,862	(5,317,064)
Dividends cash in	11	2,695,000	831,000
Transactions with non-controlling interests		-	(3,634,000)
Changes on Reserves	Mov. In Equity	-	(58,000)
Owns shares purchase and cancellation	Mov. In Equity	-	(30,093,661)
Net cash from /(used in) financing activities		1,961,922	(3,287,407)
Net increase/(decrease) in cash and cash equivalents		(12,275,635)	174,504,560
Effect of foreign exchange rate changes		(1,700,000)	(279,000)
Cash and cash equivalents at beginning of year		213,425,328	39,199,777
Cash and cash equivalents at end of year		199,449,693	213,425,328

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF MARCOLIN SPA AS AT 31 DECEMBER 2022

Introduction

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no express nominal value.

As at 31 December 2022, the share capital was wholly owned by 3 Cime SpA.

The Marcolin SpA shares owned by 3 Cime SpA are encumbered by liens stipulated when the bond loan was issued on 27 May 2021, secured by collateral for the same amount of the obligations assumed with the bondholders, including a lien on the shares of the Issuer, Marcolin.

General Information

The Notes to the Financial Statements set out below form an integral part of the Separate Financial Statements of Marcolin SpA as at 31 December 2022, and were prepared on the basis of the accounting records updated to 31 December 2022.

For the purpose of providing exhaustive financial information, the Report on the Operations has been prepared, which contains additional information regarding the main events of the year, subsequent events, business outlook and other important financial and operational information of the business.

These Financial Statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, except for the measurement of financial assets and liabilities, which are required to be accounted for at fair value.

Marcolin SpA is incorporated under Italian law, listed in the Companies Register of Belluno with no. 01774690273, and has shares that until 14 February 2013 were traded in Italy on the Mercato Telematico Azionario (electronic stock exchange) organised and managed by Borsa Italiana SpA.

Marcolin SpA is the Parent Company of Marcolin Group, which operates in Italy and abroad in the design, manufacturing and distribution of eyeglass frames and sunglasses, including through direct and indirect management of business affiliates located in major countries of interest worldwide and qualified contract manufacturers.

The addresses of the locations from which the Company's main operations are performed are listed in the Report on Operations.

Pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code, we note that Marcolin SpA is not subject to management and coordination activities by any entity.

Finally, the Financial Statements were authorised for issue by the Board of Directors on 28 March 2023.

ACCOUNTING STANDARDS

Basis of preparation

The Financial Statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.

The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC), which, at the date of approval of the Financial Statements, had been authorised by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on 19 July 2002.

The accounting standards adopted to prepare the Financial Statements as at 31 December 2022 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

The Financial Statements of Marcolin SpA for the year ended 31 December 2022, approved by the Company's Board of Directors on 28 March 2023, were prepared on a going concern basis.

A description of the methods used by Marcolin SpA to manage financial risks can be found in the section on "financial risk factors" in the Company's Notes to the Financial Statements.

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after 1 January 2022

The following new standards and amendments became effective on 1 January 2022:

Amendments to IFRS 3 Business Combinations

Approved by the European Union on 28 June 2021 with Regulation no. 2021/1080

Amendments to IAS 16 Property, Plant and Equipment;

Approved by the European Union on 28 June 2021 with Regulation no. 2021/1080

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Approved by the European Union on 28 June 2021 with Regulation no. 2021/1080

Annual improvements to IFRSs 2018-2020.

The above amendments had no impact on the Company.

New accounting standards and interpretations approved by the European Union and effective for periods after 31 December 2022

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
Approved by the European Union on 8 September 2022, it will enter into force on 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Approved by the European Union on 11 August 2022, it will enter into force on 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17

Approved by the European Union on 19 November 2021, it will enter into force on 1 January 2023.

There are no other accounting standards endorsed by the European Union and effective from reporting periods after 31 December 2022 that are presumed to have a material effect for the Company in the next reporting period or in the foreseeable future.

New accounting standards and interpretations published by the IASB but not yet approved by the European Union

The following IFRSs, interpretations, amendments to existing standards and interpretations, or special provisions contained in the standards and interpretations approved by the IASB, not yet approved by the European Union as at the date of approval of this document, are set forth below:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date. Issued on 23 January 2020 and 15 July 2020, respectively.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. Issued on 22 September 2022, it will come into force on 1 January 2024

No accounting standards and/or interpretations mandatorily effective for annual periods beginning after 31 December 2022 were adopted earlier.

The Company is evaluating the effects of the application of the above new standards, which are currently not considered significant.

Financial statement format

The Company adopted the following formats for the Financial Statements.

In summary:

- in the Statement of Financial Position, current and non-current assets and current and non-current liabilities are classified separately. Current assets are those intended to be realised, sold or consumed in the Company's normal operating cycle; current liabilities are those expected to be settled either in the Company's normal operating cycle or within twelve months from the end of the reporting period;
- in the Income Statement, costs are classified by function;
- the Statement of Comprehensive Income is presented separately from the Income Statement, and the individual items are stated in compliance with Revised IAS 1;
- the indirect method is used for the Cash Flow Statement, with presentation of cash flows from operating, investing and financing activities;
- the Statement of Changes in Equity presents separately the profit/(loss) for the year and all revenues and expenses not recognised in profit or loss, but recognised directly in equity on the basis of specific IAS/IFRS accounting standards and presents separately transactions with Shareholders.

To provide for comparability, the previous period data was restated as necessary, with explanations given of the restatements.

The significant accounting policies adopted to prepare the Separate Financial Statements of Marcolin SpA are as follows:

Property, plant and equipment (also "tangible assets")

Property, plant and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use, excluding land and buildings for which the deemed cost model was used on the transition date or business combination date based on the market value determined through an appraisal performed by an independent qualified appraiser.

They are stated net of depreciation, except for land, which is not depreciated, and net of any impairment losses. Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in the income statement of the period in which they are incurred. Costs concerning the extension, renovation or upgrading of owned or leased assets are capitalised to the extent that they can be separately classified as an asset or part of an asset. The carrying amount is adjusted by depreciation using the straight-line method calculated on the basis of estimated useful life.

If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach.

Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.

Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalising them.

Under IFRS 16, assets obtained under leases are accounted for as finance leases and classified as property, plant and equipment, the contra entry being the financial payable generated. A specific section in this Annual Report explains the effects of IFRS 16 application.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, using the depreciation rates listed below:

Category	Depreciation Rate
Land and Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.50%
Office furniture and furnishings	12%
Exhibition stands	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

Intangible assets

Intangible assets consist of controllable, non-monetary assets without physical substance that are clearly identifiable and able to generate future economic benefits. These assets are recognised at purchase and/or production cost, inclusive of directly attributable expenses to bring the asset to working condition for its intended use, net of accumulated amortisation (except for those assets with an indefinite useful life) and any impairment losses. Amortisation commences when the asset is available for use and is systematically distributed over the asset's useful life.

If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognised in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised, recognising the reversal of the impairment loss as income.

Goodwill

Goodwill is recognised at cost less any impairment losses. Goodwill acquired in a business combination is represented by the excess of the cost of the combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is not amortised, but it is reviewed for impairment annually, and whenever events or circumstances give rise to the possibility of an impairment loss, the recoverable amount is reviewed in accordance with IAS 36 ("Impairment of Assets"). If the recoverable amount is less than its carrying amount, goodwill is reduced to its recoverable amount. If goodwill has been allocated to a cash-generating unit that is partially disposed of, the goodwill associated with the unit disposed of is included in the determination of any gain or loss on disposal.

Trademarks and licenses

Trademarks and licenses are recognised at cost. They have a finite useful life and are recognised at cost net of accumulated amortisation. Amortisation is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses over their remaining useful lives.

If, aside from amortisation, impairment should emerge, the asset is written down accordingly; if the reasons for the write-down should cease to exist in future financial years, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised.

Trademarks are amortised on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

Software

Software licenses acquired are capitalised on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortisation is calculated on a straight-line basis over their estimated useful lives (ranging from 3 to 5 years). Costs associated with software development and maintenance are recognised as costs in the period they are incurred.

The direct costs include the costs for the personnel to develop the software.

Research & development costs

Research and development costs for new products and/or processes are recognised as an expense as incurred unless they meet the conditions for capitalisation under IAS 38.

Other intangible assets

The intangible assets also include renewal fees paid in some cases to licensors for the renewal of licensing agreements.

Other intangible assets also include certain internal costs incurred by the Company to develop new eyewear models; the amortisation period, equal to the average life of a model on the market, commences when the related models are put on the market.

Impairment of property, plant and equipment, and intangible assets

IAS 36 requires impairment testing of tangible and intangible assets when there is any indication that those assets have suffered an impairment loss. For intangible assets with an indefinite life, such as goodwill, testing for impairment is performed at least annually. The recoverable amount is determined by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater. Value in use is determined on the basis of the present value of estimated future cash flows from operating activities. For purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If an asset's recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount. This reduction is an impairment loss that is recognised as an expense immediately. If there are indications that an impairment loss should be reversed, the recoverable amount of the asset is recalculated and the carrying amount is increased to that new value. The increased carrying amount must not exceed the net carrying amount the asset would have had without any impairment loss. An impairment loss with respect to goodwill may not be reversed.

Investments in subsidiaries and associates

Investments in subsidiaries, associates and joint ventures are valued at acquisition cost net of any impairment losses.

If the reasons for write-downs made no longer apply, the investments are revalued to the extent of such write-downs. The investments are tested for *impairment* when indications of impairment are detected. If there is evidence of a loss in value, an impairment loss is recognised in the income statement. If the Company's share in any losses of a subsidiary or associate exceeds the carrying amount of the investment, and the Company has the obligation or intention to cover such losses, the value of the investment is written off and the Company's portion of further losses is recognised as a provision under liabilities. If the loss in value is subsequently reversed or reduced, the impairment loss is likewise reversed up to an amount not exceeding cost. When significant influence over an associate or joint venture is lost, the Company measures and discloses the retained investment at its fair value. The difference between the carrying amount of the investment on the date on which the significant influence or common control is lost and the fair value of the retained investment and the consideration received is recognised in the Income Statement.

Financial derivatives

Financial derivatives are recognised in accordance with IFRS 9. On the contract signing date, the derivatives are initially accounted for at fair value as financial assets when the fair value is positive or as financial liabilities when the fair value is negative. If hedge accounting cannot be applied, the changes in the fair value after initial recognition are recognised through profit or loss.

Fair value measurement

The Company measures financial instruments (derivatives) at their fair values at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

- in the principal market for the asset or liability;
- or, in absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Company. The fair value of an asset or liability is measured adopting assumptions that market participants would use to determine the price of the asset or liability, assuming that they act to best satisfy their economic interest. Fair value measurement of a non-financial asset considers a market participant's capacity to generate economic benefits

from the highest and best use of the asset or from the sale to another participant that can obtain its highest and best use.

The Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or stated in the financial statements are categorised into the following levels of the fair value hierarchy:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

The fair value measurement is categorised entirely in the same level of the fair value hierarchy of the lowest level input used for measurement. For recurring assets and liabilities, the Company determines whether there have been any transfers between levels of the fair value hierarchy and reviews the categorisation (based on the lowest level input that is significant to the entire measurement) at the end of each reporting period.

Inventories

Inventories are stated at the lower of average purchase or production cost and the corresponding estimated realisable value based on market prices. Estimated realisable value represents the estimated selling price in normal market conditions less all direct selling costs.

Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products. Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.

Production cost includes the cost of materials used, as defined above, and all directly and indirectly attributable manufacturing costs.

Obsolete and slow-moving inventories are written down to reflect their useful life or realisable value.

Trade and other receivables

Trade and other receivables are stated at amortised cost and are measured on the basis of the impairment model introduced by IFRS 9 (see paragraph on financial assets regarding the initial recognition). In accordance with this model, the Company measures receivables using a logic of expected losses, replacing the IAS 39 framework based on incurred losses. The Company has adopted the simplified approach for trade receivables, which, instead of recognising the periodic changes in credit risk, requires accounting for an expected credit loss ("ECL") calculated over the lifetime of the receivable ("lifetime ECL"). The amount of the receivables is shown in the Statement of Financial Position net of the related provisions for doubtful debts. Impairment losses calculated under IFRS 9 are recognised in the Income Statement net of any positive effects relating to releases or reversals and are presented in the line for net write-downs of financial assets within the general and administrative expenses.

Financial assets – Loans and receivables

The financial assets are classified on the basis of the business model adopted to manage them and of their cash flows. The following categories were identified:

a. Financial assets measured at amortised cost

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is to hold assets to collect contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. They concern trade receivables, loans and other receivables. Loan and other receivables are included with current assets, except those whose contractual collection date is after twelve months from the reporting date, which are classified as non-current assets. The loan and other receivables are classified in the Statement of Financial Position as trade and other receivables. Except for trade receivables that do not contain a significant financing component, the loan and other receivables are initially recognised at their fair value adjusted by directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price (determined in accordance with IFRS 15 Revenue from Contracts with Customers). After initial recognition, the assets belonging to such category are measured at amortised cost, using the effective interest rate. The effects of such measurement are recognised in profit and loss. The assets are also subject to the impairment model described in the foregoing section on trade and other receivables.

b. Fair Value through Other Comprehensive Income ("FVOCI")

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is met both collecting contractual cash flows and selling these assets; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. The assets are initially recognised at their fair value adjusted by directly attributable transaction costs.

The initial recognition is later updated and any changes in fair value are recognised in Other Comprehensive Income ("OCI"). As in the previous category, the assets are subject to the impairment model described in the section on trade and other receivables.

c. Fair Value through Profit and Loss ("FVPL")

Financial assets that do not fall within the preceding categories are classified in this residual category. These are mainly derivatives and equity instruments, both listed and not listed on financial markets, that the Company has irrevocably decided to classify as FVOCI upon initial recognition or in transitioning. The assets belonging to this category are classified as current assets or non-current assets according to when they are due, and they are stated at fair value at initial recognition. Investments in unconsolidated companies over which the Company does not have significant influence are included in this category and accounted for as investments. Related costs incurred at initial recognition of the asset are accounted for immediately in the Income Statement. FVPL financial assets are subsequently measured at fair value. Profits and losses deriving from changes in fair value are recognised in the Income Statement as they arise, within the net other income/(expenses). Purchases and sales of financial assets are accounted for on the settlement date. Financial assets are derecognised when the rights to receive cash flows deriving from the instrument are extinguished and the Company has transferred substantially all the risks and rewards of ownership and control of the asset. The fair value of financial instruments is based on the current price offered. If the market for a financial asset is not active (or the asset consists of unlisted securities), the Company determines fair value by using valuation techniques. The techniques include referring to advanced negotiations in progress, referring to securities having the same characteristics, analysis based on cash flows, and pricing models based on the use of market indicators and aligned, as much as possible, with the asset being measured. In the valuation process, the Company tends to use market information instead of internal information referring specifically to the nature of the business in which the Company operates.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at banks and other highly liquid short-term investments, i.e., with an original duration of up to three months, and are stated at the amounts actually on hand at the reporting date.

Assets held for sale and related liabilities

These items include non-current assets (or disposal groups of assets and liabilities) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognised at their net carrying amount or fair value less costs to sell, whichever is less.

If these assets (or disposal groups) should cease to be classified as assets held for sale, the amounts are not reclassified or presented for comparative purposes with the classification in the most recent Statement of Financial Position.

Equity

Share capital

Share capital consists of the subscribed and paid-up capital.

Direct issue costs of new share issues are classified as a direct reduction of equity after deferred taxes.

Treasury shares

Treasury shares are shown as a deduction of equity. The original cost of treasury shares and revenues arising on subsequent sale are recognised as changes in equity.

The nominal value of the treasury shares owned is directly deducted from share capital, while the value exceeding the nominal value is used to reduce the treasury share reserve included in the retained earnings/(losses) reserves.

Employee benefits

Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.

Defined benefit plans, such as that of the "fondo trattamento di fine rapporto" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial assumptions and is recognised on an accruals basis in line with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.

The severance indemnity and aforementioned pension fund benefits accrued in the year, determined by applying actuarial methodology, are recognised in the income statement with the personnel costs, whereas the notional interest cost is recognised in net finance income/(costs). Actuarial losses from changes in actuarial assumptions are recognised directly in the equity of the year they emerge, in accordance with Revised IAS 19, effective from 1 January 2013.

On 1 January 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by 30 June 2007,

how to allocate his or her accruing severance indemnities. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case, the company will pay the severance indemnity contributions into a treasury account held at the INPS).

Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from 30 June 2007, are considered a defined contribution plan, meaning the accounting treatment is similar to that in effect for all other contribution payments.

Provisions for risks and charges

Provisions for risks and charges consist of allowances for present obligations (either legal or constructive) toward third parties that arise from past events, the settlement of which will probably require an outflow of financial resources and the amount of which can be estimated reliably.

Provisions are stated at the discounted best estimate of the amount the company should pay to settle the obligation or to transfer it to third parties as at the reporting date.

Changes in estimates are reflected in the income statement of the period in which the change occurs.

Risks for which the emergence of a liability is merely possible are identified in the section relating to commitments and guarantees, without making any allowances for them.

Trade payables and other non-financial liabilities

This item refers to payables originating from the purchase of goods or services that have not been settled by the end of the reporting period. They are not usually covered by guarantees and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities

Borrowings (loans) are initially recognised at cost, corresponding to the fair value of the liability less their transaction costs. They are subsequently measured at amortised cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognised in the income statement over the life of the loan, using the effective interest method. If there is a change in the anticipated cash flows and management is able to estimate them reliably, the value of borrowings is recalculated to reflect such changes.

Loans are classified among current liabilities if they mature in less than 12 months from the end of the reporting period and if the Company does not have an unconditional right to defer their payment for at least 12 months.

Loans are derecognised when they are paid off or when all risks and costs associated with them have been transferred to third parties.

Revenues and income

In accordance with the five-step model introduced by IFRS 15, the Company recognises revenue after identifying the contracts with its customers and the performance obligations in the contract (transfer of goods and/or services), determining the amount of consideration to which it is entitled in exchange for satisfying each of the performance obligations, and evaluating how the performance obligations were satisfied (at a point in time or over time). The Company recognises revenues only when all the following requirements have been met (requirements for identifying the contract(s) with the customer): a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations; therefore, an agreement exists that creates the rights and obligations regardless of the form of such agreement; b) the Company can identify each party's rights in relation to the goods or services to be transferred; c) the Company can identify the payment terms of the goods or services to be transferred; d) the contract has commercial substance; and e) it is probable that the Company will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. If the above criteria are not met, the related revenues are recognised when: (i) the Company has already transferred goods and/or services to the customer and all, or substantially all, of the promised consideration has been received and is non-refundable; or (ii) the contract is terminated and the consideration that the Company has received from the customer is non-refundable.

If the above criteria are met, the sales revenues are recognised when the control of the good sold is transferred to the customer, or when the good is delivered to the customer under the terms of the contract and the customer acquires the full ability to direct the use of it and obtain substantially all of the remaining benefits from it. When the sale contract provides for retrospective volume discounts, the Company estimates their effect and treats it as a variable component of the agreed consideration. The Company also estimates the effect of possible returns from customers. This effect is accounted for as a variable component of the contractual consideration with the contextual presentation of a refund liability among the short-term risk provisions and the corresponding return asset among other current assets in the Statement of Financial Position. The estimate is based on the right-of-return policies and practices adopted by the Company and past trends of sales returns. The variable components of the consideration (discounts and returns) are recognised in the Financial Statements only when it is highly probable that a significant adjustment to the amount of revenue recognised will not occur. No post-delivery obligations exist besides the product warranties, where required by local regulations; the warranties do not constitute a separate service and they are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset. Dividends are recognised when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

Cost of goods sold

The cost of goods sold includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing and expenses directly associated with production. It also includes the depreciation of buildings, plant and equipment, the amortisation of the intangible assets used in production and inventory impairment losses.

Royalties

The Company accounts for royalty expense on an accrual basis according to the substance of the agreements stipulated.

Other costs

The costs are recognised according to the relevance and matching principles.

Finance income and costs

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract. If not established by contract, interest is recognised using the effective interest method, i.e., using the interest rate that makes all inflows and outflows of a specific transaction financially equivalent.

Translation of foreign currency amounts

Transactions in currency other than the euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realised in the period are recognised in the Income Statement. Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognising the entire amount of profit or loss arising on exchange as finance income and costs in the income statement.

Income taxes

Income taxes are stated in the Income Statement, except for those regarding items recognised directly in equity, for which the tax effect is also recognised directly in equity.

Deferred taxes are calculated on the temporary differences generated between the value of the assets and liabilities reported in the Financial Statements and the value attributed to those assets and liabilities for tax purposes.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, as necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reductions are reversed if the conditions causing them should cease to exist.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the assets are realised or the liabilities are settled, considering the tax rates in force and those that have been enacted or substantially enacted by the reporting date.

Other taxes not relating to income, such as property and equity taxes, are included in the operating items.

Italian tax consolidation

The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 et seq. of 22 December 1986 ("TUIR"), which allows the determination of a corporate income tax (IRES) on a tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the parent company, 3 Cime SpA, which acts as the consolidating entity.

Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimise the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.

Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

The tax consolidation transactions are summarised below:

- in years with taxable income, the Company pays 3 Cime SpA the additional tax due by it to the tax authorities;
- in the event of negative taxable income (tax loss), the Company receives from 3 Cime SpA a payment corresponding to 100% of the tax savings realised, accounted for on an accrual basis;

- the amount is paid only when 3 Cime SpA actually uses the tax loss brought to the consolidation;
- if 3 Cime SpA and the Company do not renew the tax consolidation option, or if the requirements for the continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

FINANCIAL RISK FACTORS

Market and currency risks

Marcolin SpA operates in various markets throughout the world and is therefore exposed to risks associated with fluctuations of foreign exchange rates and interest rates.

The exposure to exchange rate risks is due to the different geographical distribution of its production and commercial activities. The Company is primarily exposed to fluctuations of the U.S. dollar on supplies received from Asia and on sales conducted in U.S. dollars, and to a lesser extent to fluctuations of the British pound sterling and Brazilian Reals.

Although fluctuations of foreign exchange rates could affect the Company's profit or loss, the structure of revenues and expenses in foreign currency is considered to enable the maintaining of a natural hedge against the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of costs in foreign currency.

In the past, the Company used currency hedges (foreign exchange forward contracts), which were no longer stipulated in 2016 due to the natural hedge from which the Company benefits as a result of the current structure of revenues and expenses in foreign currency.

With respect to transaction risk, according to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Company's separate Financial Statements, thanks to the previously described situation.

Interest rate risk

The Financial Report provides details on Marcolin SpA's interest rate risk.

The section on liquidity risk provides a quantitative analysis of the Company's exposure to cash flow risk relating to interest rates on loans.

Information on outstanding loans is provided subsequently in these notes.

Interest rate sensitivity analysis

A sensitivity analysis on the interest rate was carried out, assuming an upward shift of +25 basis points and a downward shift of -10 basis points in the Euribor/Swap Eur interest rate curve, published by Reuters for 31 December 2022. In this manner, the Company determined the impact that such changes would have had on the income statement and on equity.

The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.

The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.

For cash and cash equivalents, the average balance of the period was calculated using the carrying amounts at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.

The bond loan of 350 million euro signed in May 2021 was also excluded from the above analysis, as it has a fixed interest rate of 6.125%.

According to the sensitivity analysis performed on the basis of the above criteria, the Company is exposed to interest rate risk on its expected cash flows. If interest rates were to increase by +25 *basis points*, income would increase by 446 thousand euro due to higher incidence of finance income on intercompany loans and current account balances with respect to interest expense with banks and third parties.

If interest rates were to fall by -10 basis points, income would decrease by 179 thousand euro.

Credit risk

The Company does not have a significant concentration of credit risk. Receivables are recognised net of write-downs for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records.

Guidelines and internal policies have been implemented for managing customer credit, supervised by the designated business function (Credit Management), to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit exposure ceilings (according to creditworthiness).

The trade receivables and other current assets excluding the returns provision are set forth below by the main areas in which the Company operates in order to evaluate the country risk. The section on accounting standards provides additional information thereon.

Trade receivables by geographical area and other current assets (euro/000)	12/31/2022	12/31/2021
Italy	23,737	25,022
Rest of Europe	25,278	16,915
North America	19,739	11,522
Rest of World	18,512	25,151
Total	87,266	78,611

Trade receivables not past-due are set forth below, categorised by geographical area (IFRS 7):

Trade receivables not overdue by geographical area (euro/000)	12/31/2022	12/31/2021
Italy	11,221	13,272
Rest of Europe	17,332	15,035
North America	19,153	11,115
Rest of World	17,376	17,001
Total	65,083	56,424

In compliance with IFRS 7, the following table provides an ageing analysis of the undisputed trade receivables.

Ageing analysis of trade receivables not protested (euro/000)	Gross value	Provision	Net value
12/31/2021			
Not past due	56,424	(545)	56,969
Past due by less than 3 months	4,891	(831)	4,059
Past due by 3 to 6 months	536	0	536
Past due by more than 6 months	6,351	0	6,351
Total	68,202	(1,377)	67,916
12/31/2022			
Not past due	65,083	(465)	65,548
Past due by less than 3 months	3,777	(1,241)	5,018
Past due by 3 to 6 months	396	0	396
Past due by more than 6 months	6,930	0	6,930
Total	76,185	(1,706)	77,891

In some markets in which Marcolin SpA operates, receivables are regularly collected after the date stipulated by contract, without this necessarily indicating collection issues or financial difficulties.

Consequently, there are trade receivable balances that were not considered impaired, even though they were past due.

These trade receivables are set forth in the table below, by past-due category.

Trade receivables overdue but not impaired (euro/000)	12/31/2022	12/31/2021
Past due less than 3 months	619	948
Total	619	948

For the sake of exhaustive disclosure, an ageing analysis of disputed receivables and the related write-downs is set forth below.

Ageing analysis of trade receivables protested (euro/000)	Gross value	Provision	Net value
12/31/2021			
Past due by more than 12 months	2,105	(2,082)	23
Total	2,105	(2,082)	23
12/31/2022			
Past due by more than 12 months	1,711	(1,695)	16
Total	1,711	(1,695)	16

Some trade receivables are covered by the types of guarantees typically used for sales on international markets.

The changes in the provision for doubtful debts are set forth below:

Provision for doubtful debts (euro/000)	12/31/2022	12/31/2021
Opening amount	3,458	3,887
Provisions/Reversal on P&L	275	(234)
Use	(333)	(195)
Period end Total	3,401	3,458

In accordance with IFRS 9, the expected losses on trade receivables were estimated upon initial recognition of the receivable and over its lifetime (lifetime expected credit loss). As allowed by the standard, a matrix was used to estimate the expected credit losses that took into account the geographical source of the receivable and the type of customer. The matrix considers different loss percentages according to the ageing category of the receivables. The expected loss percentage rises when the receivable seniority rises.

Liquidity risk

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines.

Due to the dynamic nature of its business, the Company has always favoured the flexibility of obtaining funding through the use of credit lines. As noted in the Report on Operations, since May 2021, there is a revolving credit facility (RCF) of a nominal value of 46 million euro available for short-term cash flow requirements. As part of the liquidity support measures, 3 Cime SpA, the majority shareholder of Marcolin SpA, disbursed on 24 June 2020 a 25 million euro subordinated shareholder loan maturing in December 2025, which accrues interest repayable at maturity. The loan is structured as equity credit. At present, based on its available sources of funding and credit facilities, the Company considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned. See also the Annual Financial Report of Marcolin SpA.

Liquidity analysis

Liquidity analysis was performed on loans and trade payables. Borrowings were specified by time bracket for principal repayments and non-discounted interest. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.

None of the cash flows included in the following table were discounted.

<i>(euro/000)</i>	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Loans and bonds (excluding capital lease)	33,178	-	373,497	-	401,196
Interest expenses on loans, bonds, leasing	21,902	43,349	27,003	4	6,545
Capital lease	1,578	1,237	451	7	3,272
Trade payables	127,126	-	-	-	127,126

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments are reported by type in the following table (in comparison with the amounts of the previous year), in accordance with IFRS 7.

In 2020, the financial instruments were classified in accordance with IFRS 9 and IFRS 16.

Categories of financial assets (euro/000)	Trade receivables	Financial assets	Cash and cash equivalents
2022			
Loans and other financial receivables at amortized cost	74,496	72,205	199,450
Financial assets at fair value through P&L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	74,496	72,205	199,450

Categories of financial assets (euro/000)	Trade receivables	Financial assets	Cash and cash equivalents
2021			
Loans and other financial receivables at amortized cost	66,848	94,867	213,425
Financial assets at fair value through P&L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	66,848	94,867	213,425

Categories of financial liabilities (euro/000)	Trade payables	Financial liabilities	Bond
2022			
	-	-	-
	-	-	-
Financial liabilities at amortized cost	127,126	59,197	347,478
Lease financial liabilities	-	3,272	-
Total	127,126	62,470	347,478

Categories of financial liabilities (euro/000)	Trade payables	Financial liabilities	Bond
2021			
Financial liabilities at amortized cost	119,874	38,848	345,631
Lease financial liabilities	-	4,105	-
Total	119,874	42,952	345,631

FAIR VALUE MEASUREMENT HIERARCHY

Financial instruments measured at fair value are reported on the basis of the fair value hierarchy, described below:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

USE OF ESTIMATES

The preparation of Financial Statements requires management to make estimates that could affect the carrying amount of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets (including goodwill), the useful lives of tangible assets and any market values used to evaluate impairment, the value of investments in subsidiaries and associates, the recoverability of receivables (including deferred tax assets), the valuation of inventory and the recognition or measurement of provisions for risks and charges.

The estimates and assumptions are based on data that reflect currently available information.

Estimates and assumptions that involve a significant risk of changes in the carrying amounts of assets and liabilities are described hereunder.

Goodwill

Pursuant to IAS 36, the Company performs impairment tests at least annually.

Recoverable amounts are calculated based on "value in use".

The calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs (business plan forecasts), the discount rate (WAAC) and the prospective growth rate to be applied to the forecast cash flows ("g" rate).

Impairment of non-current assets

When there is indication that the net carrying amount exceeds the recoverable amount, non-current assets are reviewed to determine whether they have suffered an impairment loss, in accordance with the adopted accounting principles.

The recoverable amount is represented by the fair value less costs to sell, or value in use, whichever is greater. Recoverable amounts are calculated based on their value in use. Such calculations require using estimates of future performance, the discount rate and the prospective growth rate to be applied to the forecast cash flows.

If any such indication exists, management is required to perform subjective evaluations based on information available within the Company and on the market.

If indications of impairment should exist, the Company calculates the potential impairment using the valuation techniques it considers to be the most appropriate.

Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

Provision for doubtful debts

The provision for doubtful debts reflects management's estimates of future losses on trade receivables concerning end customers. The provision for doubtful debts is calculated in accordance with IFRS 9.

Returns provision and product warranty provision

The returns provision and product warranty provision reflect management's estimate of losses deriving from the customers' possibility under contract to return products sold. The product warranty provision gives the customer the possibility to return defective merchandise and receive an analogous (non-defective) product in exchange.

The returns provision is accounted for in accordance with IFRS 15, and the product warranty provision with IAS 37.

Provision for inventory impairment

The provision for inventory impairment reflects management's estimates regarding the losses expected by the Company, determined on the basis of past experience and both past and anticipated market trends.

Deferred tax assets

Recognition of deferred tax assets is based on expectations of profits in future years. Estimates of future earnings used to recognise deferred taxes are dependent on factors that may vary over time and significantly affect estimates of the taxes in question.

ANALYSIS OF MARCOLIN SPA STATEMENT OF FINANCIAL POSITION ITEMS

Comments and the most significant changes in the items compared with the separate Financial Statements as at 31 December 2022 are described in this section (the amounts are in thousands of Euros, unless specified otherwise).

1. PROPERTY, PLANT AND EQUIPMENT

The composition of and changes in the item for the past two years are set forth below:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial	Other PP&E	Assets under construction	Total
Net value at beginning of 2021	12,914	7,911	1,680	4,272	295	27,073
Increases	507	3,108	493	2,072	236	6,414
Decreases	(10)	(1)	(2)	33	(28)	(7)
Depreciation	(1,130)	(2,162)	(994)	(2,277)	-	(6,563)
Reclassification and other movements	-	-	86	182	(268)	-
Net value at end of 2021	12,281	8,856	1,262	4,282	235	26,917
Net value at beginning of 2022	12,281	8,856	1,262	4,282	235	26,917
Increases	518	1,993	465	2,229	34	5,238
Decreases	-	0	(0)	(21)	-	(22)
Depreciation	(1,046)	(2,242)	(839)	(2,427)	-	(6,554)
Reclassification and other movements	-	136	-	86	(223)	(0)
Net value at end of 2022	11,754	8,743	887	4,149	46	25,579

The annual capital expenditures totalled 5,238 thousand euro.

Mainly the increases in "Land and buildings" and "Other Assets" are attributable to the effects deriving from the application of IFRS 16, mostly referring to the signing of leases of commercial property and company cars; excluding these, the capital expenditures mainly regarded:

- plant and machinery purchases for 1,993 thousand euros, referring principally to the purchase of numerically controlled machining systems;
- industrial and commercial equipment for 465 thousand euro;
- hardware, office furniture and company cars, included in other tangible assets, for 2,229 thousand euro;

The gross value of property, plant and equipment and their accumulated depreciation as at 31 December 2022 are shown in the following table:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial	Other PP&E	Assets under construction	Total 12/31/2022
Undepreciated value	25,519	31,645	20,868	16,040	46	94,118
Accumulated depreciation	(13,765)	(22,902)	(19,981)	(11,891)	-	(68,539)
Net value	11,754	8,743	887	4,149	46	25,579

The following table presents the amounts of the previous year:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial	Other PP&E	Assets under construction	Total 12/31/2021
Undepreciated value	25,306	29,716	20,682	15,276	236	91,217
Accumulated depreciation	(13,025)	(20,860)	(19,420)	(10,994)	-	(64,299)
Net value	12,282	8,856	1,263	4,282	235	26,917

The following table shows the net carrying amount as at 31 December 2022 of the rights of use recognised in accordance with IFRS 16 and included within the respective asset classes to which the right of use refers:

€/000	12/31/2022	12/31/2021
Land and buildings	1,455	1,361
Industrial and commercial equipment	213	354
Cars	680	816
Other tangibles fixed assets	264	36
Total Right-of-use assets	2,612	2,566

The following table lists the depreciations as at 31 December 2022:

€/000	2022
Land and buildings	378
Industrial and commercial equipment	142
Cars	591
Other tangibles fixed assets	54
Total depreciation of Right-of-Use	1,164

The adoption of IFRS 16 and the effects thereof are explained in the specific section of this Annual Report.

2. INTANGIBLE ASSETS AND GOODWILL

The composition of - and changes in - this item are set forth below:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2021	4,370	2,055	10,511	6,888	23,830	186,227
Increases	2,469	-	5,166	350	7,979	-
Decreases	-	-	-	(89)	(89)	-
Amortization	(2,375)	(819)	(5,467)	-	(8,661)	-
Reclassification and other movements	13	-	-	(13)	-	-
Net value at end of 2021	4,477	1,236	10,209	7,137	23,059	186,227
Net value at beginning of 2022	4,477	1,236	10,209	7,137	23,059	186,227
Increases	3,183	-	3,284	-	6,467	-
Amortization	(2,190)	(818)	(3,335)	-	(6,343)	-
Reclassification and other movements	300	-	6,837	(7,137)	(0)	-
Net value at end of 2022	5,770	419	16,995	(0)	23,184	186,227

The intangible assets include mainly the amounts recognised as a result of the 2013 merger, particularly the goodwill of originally 189,722 thousand euro. In 2015, goodwill decreased by 3,496 thousand euro due to the transfer of the Asia Pacific business division to Marcolin UK Ltd.

This item was subject to an impairment test to assess the recoverability of its carrying amount at the date of preparation of these financial statements.

The recoverable amount of goodwill was estimated using the Group's value in use, taken as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows in a continuing operation.

The methods and sensitivity analysis used for the test results are described in the subsequent section on impairment testing.

In brief, the impairment test and sensitivity analysis results provided values consistent with the invested capital presented in the Financial Statements.

The sensitivity analyses did not reveal any shortages: it is therefore reasonable to conclude that the carrying amount of Goodwill in the Parent Company's financial statements is recoverable, as the test did not require any write-downs to be made in respect of the assets recognised as Goodwill in the financial statements of Marcolin SpA.

During the year, investments of 6,467 thousand euro were made (7,979 thousand in 2021), of which 3,183 thousand euro referring to Software, related to new management applications and their implementation, and other intangible assets.

The purchase cost and accumulated amortisation of the intangible assets deducted directly from the cost are shown in the following table:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Undepreciated value	25,888	7,437	51,820	-	85,145	186,227
Accumulated depreciation	(20,118)	(7,018)	(34,825)	-	(61,962)	-
Net value	5,770	419	16,995	0	23,184	186,227

The following table presents the amounts of the previous year:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and	Other	Intangible assets under formation and	Total	Goodwill
Undepreciated value	23,123	7,437	41,699	7,137	79,396	186,227
Accumulated depreciation	(18,646)	(6,201)	(31,490)	-	(56,337)	-
Net value	4,477	1,236	10,209	7,137	23,059	186,227

The item Concessions, licenses and trademarks mainly includes the domestic brand WEB EYEWEAR. This asset, which was obtained in November 2008 for 1,800 thousand euro and whose purchase price was determined by an independent professional appraiser, is amortised over 18 years.

Impairment testing

Impairment testing, under IAS 36, is performed at least annually for intangible assets with an indefinite useful life, such as goodwill. Other intangible assets are tested whenever there are external or internal indications that they have suffered an impairment loss.

The total amount of Goodwill of 293,359 thousand euro recognised as at 31 December 2022 in the Group's consolidated financial statements, of which 186,227 thousand euro related to the Parent Company, was subject to an impairment test to assess the appropriateness of its carrying amount at the date of preparation of these financial statements.

The Group is now managed as a single unit coordinated by the Parent Company using a centralised model. For this reason, goodwill was measured at a Group level.

The recoverable amount of the net invested capital including goodwill was estimated using Marcolin Group's value in use, assumed as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of Marcolin Group's continuing operation.

The following assumptions were made to determine value in use:

- the cash-generating unit (CGU) was identified as the entire Marcolin Group (cash flows from projected operating/financing activities of Marcolin SpA and all its Italian and foreign subsidiaries) because the Group's organisational structure uses a centralised model headed by Marcolin SpA;
 - the main data sources used were: the draft Financial Statements as at 31 December 2022, the 2023 Budget and the 2024-2027 business plan.⁹ The main assumptions governing the multi-year Business Plan concern:
 - (i) from a commercial point of view, the focus on continuous growth of the brands in the portfolio within which the leadership of Tom Ford in the luxury segment and Guess in the diffusion segment is continuously increasing (the list of brands managed by the Group is given below: Tom Ford, Tod's, Ermenegildo Zegna, PUGGI, Moncler, Barton Perreira, Bally, Max Mara e Sport Max, Guess, Guess by Marciano, GANT, Harley Davidson, Swarovski, Max&Co, Skechers, BMW, GCDS, Timberland, Kenneth Cole, Candie's as well as other brands specifically dedicated to the US market. The sports segment is represented by adidas Badge of Sport and adidas Originals, while the proprietary brand WEB EYEWEAR); the significant rise of outdoor sports products thanks to the brands in the portfolio positioned in this market segment; the continued commercial expansion of the proprietary WEB EYEWEAR brand; the continued expansion of the E-commerce channel both directly and through third-party intermediaries and the completion of the implementation of the CRM system also at the Group's branches; commercial development of strategic regions such as US and APAC; the constant and successful renewal of license agreements as historically proven;
 - (ii) from the industrial and logistical point of view, increasing the efficiency of the entire supply chain, from the procurement channels of third-party suppliers to projects aimed at increasing internal production also through automation projects of industrial and logistical processes; efficiency in inventory management through new demand planning and product development processes;
 - the terminal value was calculated using the 2027 EBITDA, assuming perpetual growth at a "g" rate. This rate was assumed to be 2.2%, prudentially considering the inflation projections for the countries in which Marcolin operates.
- The resulting cash flow is adjusted to normalise the cash flow expected in perpetuity, according to the standard measurement practice;

⁹ The impairment test document was approved by the Parent Company's Board of Directors on 28 March 2023. Management has prepared a five-year business plan (year 2023 in accordance with the Budget and progression of the Business Plan up to 2027) to present the business outlook, recognising the marketing and manufacturing strategies used.

- the cash flow discount rate (WAAC) is 10.8%, calculated in line with the Capital Asset Pricing Model (CAPM) commonly used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt ($K_d = 3.6\%$, after taxes); 2) the expected return on the risk capital invested in Marcolin ($K_e = 12.7\%$), weighted considering the source of the Group's main cash flows. Weighted K_d/K_e was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

On the basis of the analysis performed, it can be well concluded that the Goodwill recorded is not impaired, as the value in use is much higher than the carrying amount of the net invested capital as at 31 December 2022.

Moreover, sensitivity analysis was performed on the Group's enterprise value, determined with the previously described methods, assuming:

- changes in WAAC;
- changes in the "g" rate.

In this case, a half-percentage point increase in WAAC would result in a 5% decrease in the enterprise value (given the same "g"), whereas a half-percentage point decrease in the "g" rate would result in a 4% decrease in the enterprise value (given the same WAAC). Neither case would result in an impairment loss.

Finally, a stress test was performed assuming higher capital expenditures than those budgeted and estimating possible cash outflows that the Group could incur to renew certain licenses upon their expiration.

Even this stress test confirmed that the coverage amounts remain positive, with broad safety margins.

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in directly controlled subsidiaries and associates and their changes for the year are reported below:

Subsidiaries (euro/000)	12/31/2021	Subscription/disposal	Impairments	12/31/2022
Marcolin USA Eyewear Corp.	107,637	30,389	-	138,026
Marcolin UK Ltd	6,133	-	-	6,133
Marcolin do Brasil Ltda	13,164	-	-	13,164
Marcolin Iberica SA	3,268	-	-	3,268
Marcolin-RUS LLC	3,267	-	-	3,267
Marcolin Deutschland GmbH	1,161	-	-	1,161
Ging Hong Lin International Co Ltd	3,400	-	-	3,400
Marcolin Benelux Sprl	477	-	-	477
Marcolin Eyewear (Shanghai) Co., Ltd.	397	14,524	-	14,921
Marcolin GmbH	166	-	-	166
Marcolin Technical Services (Shenzhen) Co. Ltd	142	-	-	142
Marcolin Nordic AB	904	-	-	904
Marcolin France Sas	214	-	-	214
Marcolin Asia Ltd	176	-	-	176
Marcolin México S.A.P.I. de C.V.	2	-	-	2
Marcolin Singapore Pte Ltd	66	-	-	66
Marcolin Middle East FZCO	3,762	-	-	3,762
Marcolin Asia Ltd	28	-	-	28
Total	144,363	44,913	-	189,276
Provision for subsidiaries losses	(4,027)	-	(860)	(4,887)
Total	140,336	44,913	(860)	184,389

Investments in subsidiaries amounted to 184,389 thousand euro. The amount includes 4,887 thousand euro of write-downs on certain investments. Any negative differences between the carrying amount of some investments in subsidiaries and the respective equity are not considered to represent indications of impairment of the investment. Management has reached this conclusion in light of the impairment tests conducted on some investments, which show future profits based on the business plans of the companies concerned. The item investments increased by 44,913 thousand euro, compared to 2021, due to the capital waiver of the portion of the loan to the American subsidiary Marcolin USA Eyewear Corp. of 30 million U.S. dollars in November 2022 and the increase in share capital in favour of the Chinese subsidiary Marcolin Eyewear (Shanghai) Co., Ltd. of 14.5 million euro, in July 2022. Moreover, in 2022, an accrual was made to the provision for investment impairment of 860 thousand euro, recorded with reference to the subsidiary Gin Hong Lin International Co Ltd, which became necessary following the *impairment* process aimed at assessing the recoverable amount of the investment. This write-down was necessary to adjust the carrying amount of the investment to the recoverable amount of the subsidiary, following losses accrued by the

subsidiary that partially eroded the company's equity, deemed by management to be non-recoverable in the light of the fact that the company is no longer operational, having ceased operations following the transfer of the commercial business in the Chinese market to the Group company, Marcolin Shanghai.

4. OTHER NON-CURRENT ASSETS

Other non-current assets amounted to 491 thousand euro (compared to 618 thousand euro for 2021) and mainly related to prepaid expenses for amounts financially recognised in the financial year 2022 but whose economic competence will affect also future years and, for a residual part, to prepaid commissions related to the Senior Revolving Credit Facility for a maximum amount of 46.2 million euro, undrawn as at 31 December 2022.

5. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets were 40,196 thousand euro, compared with 57,415 thousand euro in 2021.

The balance of 2022 consists of the value of the receivable deriving from the loans granted to subsidiary Marcolin USA Eyewear Corp. of 35 million U.S. dollars, used by it to finance the acquisition of Viva Optique, Inc. on 3 December 2013, first reduced in October 2019 by 60 million U.S. dollars as a result of the partial repayment waiver, and further reduced in November 2022 by 30 million U.S. dollars due to a further partial waiver.

The difference from the balance of the prior year is attributable not only to the aforementioned waiver of 30 million U.S. dollars but also to the effect of translation at the 2022 year-end exchange rate of the aforementioned intercompany loan to Marcolin USA Eyewear Corp. denominated in U.S. dollars.

6. INVENTORIES

The composition of other current assets is shown below.

Inventories (euro/000)	12/31/2022	12/31/2021
Finished goods	45,883	45,165
Raw material	15,114	15,977
Work in progress	14,745	18,520
Gross inventory	75,741	79,663
Inventory provision	(14,696)	(24,588)
Net inventory	61,045	55,075

A comparison of inventory values shows an overall increase in net inventories of 5,970 thousand euro compared to the previous year.

This change was the result of a double effect of opposite sign, a decrease in gross inventories of 3,922 thousand euro and a decrease in the inventory impairment provision of 9,892 thousand euro.

The 2022 financial year was characterised by a series of actions aimed at improving and increasing the efficiency of inventory management, as well as investments such as logistics automation systems and innovation in sales and demand planning processes. In particular, with reference to the area of demand planning, the company implemented a number of projects aimed at optimising flows between the commercial and the industrial and logistical parts; this has led to a significant improvement in the quality of inventory, with the direct consequence of a decrease in the gross amount - while guaranteeing the sustainability of the growth in sales volumes achieved in 2022 and expected in 2023 - together with the reduced need to cover the goods obsolescence risk through a special provision, which, under the same policy, affects the gross inventory as at 31 December 2022 by 19.4% compared to 30.9% in the previous year.

The inventory impairment provision provides adequate coverage for obsolete and slow-moving inventory, taking into account the composition of and possibility to sell such inventory.

The Company continues to pursue efficient inventory management for the purposes of streamlining offered products by considerably reducing the number of models produced and accelerating the sales periods for some models.

In detail:

- the value of finished products increased by 717 thousand euro;
- the value of raw materials fell by 863 thousand euro;
- the value of work in progress decreased by 3,776 thousand euro.

7. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

Trade receivables (euro/000)	12/31/2022	12/31/2021
Gross trade receivables	77,897	70,307
Provision for bad debts	(3,401)	(3,459)
Net trade receivables	74,496	66,848

The amount of net trade receivables increased by 7,648 thousand euro compared to the previous year, in the wake of the increase in the revenues of the Company. The careful management of credit, as an integral part of sales and financial policies, enabled the Company to benefit from a steady improvement in the DSO ratio and at the same time significantly reduce past due positions.

The provision for doubtful debts is stated in accordance with IFRS 9.

The amount of receivables recognised was not discounted, since all receivables are due within 12 months.

The trade receivables due from directly and indirectly controlled subsidiaries are set forth below:

Receivables due from subsidiaries (euro/000)	12/31/2022	12/31/2021
Marcolin USA Eyewear Corp.	17,062	8,534
Gin Hon Lin Int. Co. Ltd	6,996	6,996
Marcolin UK Hong Kong Branch	6,851	3,496
Marcolin do Brasil Ltda	3,815	3,591
Marcolin France Sas	3,741	5,035
Marcolin UK Ltd	3,441	2,229
Marcolin Iberica SA	3,253	3,130
Marcolin Middle East FZCO	1,847	2,262
Marcolin Deutschland Gmbh	1,784	1,076
Marcolin PTY Limited Australia	1,710	1,730
Marcolin-RUS LLC	1,342	170
Marcolin Nordic AB Sweden	1,055	851
Marcolin Eyewear (Shanghai) Co., Ltd.	1,051	1,877
Marcolin Portugal Lda	1,039	825
Marcolin Benelux Sprl	969	618
Marcolin Singapore Pte Ltd	604	0
Marcolin México S.A.P.I. de C.V.	522	2,068
Marcolin Nordic AB Norway	321	472
Marcolin Nordic AB Denmark	244	780
Marcolin Nordic AB Finland	205	92
Marcolin Gmbh	188	655
Marcolin Asia Ltd	57	16
Total	58,096	46,506

8. OTHER CURRENT ASSETS

The composition of other current assets is shown below.

Other current assets (euro/000)	12/31/2022	12/31/2021
Tax credits	3,400	1,855
Prepaid expenses	774	771
Assets for rights to receive goods back	3,160	1,598
Other receivables	8,596	9,136
Total other current assets	15,930	13,361

This item, amounting to 15,930 thousand euro (13,361 thousand euro in 2021), increased by 2,569 thousand euro compared to the previous year and is divided into the following categories:

- tax receivables for 3,400 thousand euro (1,855 thousand euro in 2021), which mainly include the VAT receivable, whose change from the previous year is due to a different mix of purchases made by the Parent Company recorded in the last months of the year;
- prepaid expenses of 774 thousand euro (771 thousand euro in 2021), this item mainly includes amounts related to insurance premiums and other costs related to projects that will be incurred in 2023;
- other assets for returns from customers pursuant to the accounting standard IFRS 15 of 3,160 thousand euro (1,598 thousand euro in the previous year);
- other receivables of 8,596 thousand euro (9,136 thousand euro in 2021), consisting mainly of the amount due from 3 Cime SpA under the Italian tax consolidation agreement with that company; The balance of the receivable from 3 Cime SpA as at 31 December 2022 was 7,189 thousand euro compared to 8,184 thousand euro as at 31 December 2021. The decrease in the receivable compared to the previous year is the result of the recognition of the VAT payables transferred to the tax consolidation as a result of the taxable income for IRES purposes recognised by Marcolin SpA in the financial year 2022 and adjustment of the taxes accrued in 2021 following the submission of the relevant tax return in 2022. Further details of the change in the balance compared to 2021 are described in the specific paragraph on taxes in this document.

9. CURRENT FINANCIAL ASSETS

This item, 32,008 thousand euro (compared with 37,452 thousand euro as at 31 December 2021), consists primarily of 31,932 thousand euro due from Group companies. Marcolin SpA's main current financial assets from loans to subsidiaries and associates are listed below:

- 23,374 thousand euro due from Marcolin USA Eyewear Corp.;
- 5,022 thousand euro due to Marcolin UK Ltd;
- 1,711 thousand euro due from Marcolin México S.A.P.I. de C.V.;
- 896 thousand euro due from Marcolin Middle East FZCO;
- 348 thousand euro to Marcolin Eyewear (Shanghai) Co., Ltd;
- 285 thousand euro due to Viva Eyewear HK Ltd;
- 148 thousand euro due from Marcolin do Brasil Ltda.

The total amount is higher than that of the previous year by 5,444 thousand euro, primarily as a result of the performance of the intercompany cash pool account.

In accordance with Fourth Council Directive 78/660/EEC, Article 43, paragraph 1, no. 13, it is confirmed that, as at 31 December 2022, there were no loans to members of administrative, management or control bodies, nor any commitments undertaken for guarantees given to any members of administrative, management or control bodies, directors or statutory auditors.

10. CASH AND CASH EQUIVALENTS

This item, which amounts to 199,450 thousand euro, represents the value of cash deposits and highly liquid financial instruments, i.e., those with a maturity of up to three months.

Cash and cash equivalents decreased by 13,796 thousand euro from 31 December 2021. The increase is presented in the Cash Flow Statement, which provides information on the 2022 movements in cash and cash equivalents.

11. EQUITY

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As at 31 December 2022, the share capital was 100% owned by the shareholder 3 Cime SpA, following the purchase and subsequent cancellation on 23 December 2021 of the shares previously held by the shareholder Vicuna Holding SpA, as part of the process of realising the investment in the joint venture with the LVMH Group Thélios SpA.

The share premium reserve was 42,827 thousand euro as at 31 December 2021 and the capital reserve account remained unchanged at 46,108 thousand euro.

The Legal Reserve, amounting to 7,181 thousand euro, has reached the limit required by Article 2430 of the Italian Civil Code.

The actuarial reserve regards future employee benefits accounted for under IAS 19, corresponding to Marcolin SpA's provision for severance indemnities.

The retained earnings/losses contain the amount deriving from first-time adoption of IFRS 9 and IFRS 15. This reserve also changed in 2021 as a result of the purchase and subsequent cancellation of shares previously held by the shareholder Vicuna Holding S.p.A. In 2022, the reserve only changed due to the appropriation of the profit for the year 2021.

The Statement of Changes in Equity provides more detailed information.

The following table shows the breakdown of the Company's equity items as at 31 December 2022:

Item	Amount	Possible use	Available portion	Uses in previous three years	
				Loss coverage	Other
(euro/000)					
Share capital	35,903		-	-	-
Share premium reserve	42,827	A-B-C	42,827	-	-
Legal reserve	7,181	B	-	-	-
Other reserves	47,008		-	-	-
Retained earnings/(losses)	160,761	A-B-C	160,761	-	-
Period result	(3,231)		-	-	-
Net profit/(loss) for the period	290,449		203,588	-	-
Non-distributable portion under Civil Code Art. 2426, comma 1 n. 5 c.c.			-		
Non-distributable portion under Civil Code Art. 2426, comma 1 n. 8 bis, c.c.			952		
Non-distributable portion under Civil Code Art. 2431			(0)		
Distributable portion			202,635		
Restricted portion under TUIR Art. 109 paragraph 4/b			-		
Legend					
A - to increase share capital		B - to cover losses		C - to distribute to shareholders	
				D - others	

12. NON-CURRENT FINANCIAL LIABILITIES

The item, amounting to 375,191 thousand euro as at 31 December 2022, was composed of 373,497 thousand euro for the bond loan and the Shareholders' loan; the remaining 1,694 thousand euro referred to the financial liability arising from IFRS 16.

The net financial position is set forth below. Additional information is provided in the Report on Operations.

Net financial debt	12/31/2022	12/31/2021
<i>(euro/000)</i>		
Cash and cash equivalents	199,450	213,425
Current and non-current financial assets	72,205	94,867
Current financial liabilities	(34,756)	(22,237)
Current portion of non-current financial liabilities	-	(674)
Non-current financial liabilities	(375,191)	(372,803)
Total net financial debt	(138,293)	(87,420)
Loans from shareholders	28,779	27,279
Total net financial debt adj	(109,515)	(60,142)

The following table presents the maturities of the financial payables, which are classified as current liabilities and non-current liabilities.

Borrowings maturity (euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Credit lines used	2,891	-	-	-	2,891
Loans	275	-	-	-	275
Other financiers	587	-	373,497	-	374,084
Financial liabilities as under IFRS16	991	1,237	451	7	2,686
Intercompany	30,012	-	-	-	30,012
12/31/2022	34,756	1,237	373,948	7	409,948

In addition to the commitments described subsequently (in Note 20) for the revolving credit facility, commitments to meet financial covenants exist at a consolidated level for Marcolin SpA and its subsidiaries. As more fully specified in the Report on Operations, in the paragraph on actions in the financial area, until 31 March 2022 there was the "minimum liquidity covenant", set at 10 million euro as the minimum level of cash, including any undrawn available credit lines, to be calculated on a quarterly basis by Marcolin SpA. From 30 June 2022, it has been replaced by the "Total Net Leverage ratio covenant" (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to these financial covenants, the loan agreement also includes, on a residual basis, certain disclosure requirements, other general commitments and certain limitations on the performance of some investment and financing activities, commensurate with the amount present in the calculation of certain baskets. It should be noted that as at 31 December 2022, all covenants have been complied with and are expected to be complied with also for 2023 on the basis of the available financial budgets.

13. NON-CURRENT PROVISIONS

The composition of non-current provisions is shown below:

Non-current funds (euro/000)	Provision for severance employee	Provision for agency terminations	Other funds	Total
12/31/2020	2,669	937	1,518	5,123
Allowances	-	112	651	763
Use / reversal	(388)	(202)	(264)	(854)
Actuarial loss / (gain)	77	-	-	77
12/31/2021	2,357	847	1,905	5,110
Allowances	10	92	-	102
Use / reversal	(207)	(302)	(805)	(1,314)
Actuarial loss / (gain)	(228)	-	-	(228)
12/31/2022	1,932	637	1,100	3,670

Employee benefits consist of the employee severance indemnity provision ("TFR"). The provision of 1,993 thousand euro¹⁰ was measured with an actuarial calculation at the end of the year¹¹. The additional information required under Revised IAS 19 is provided hereunder:

- sensitivity analysis of each significant actuarial assumption at the end of the year, showing effects of changes in actuarial assumptions that are reasonably possible at that date, and in absolute terms:

Sensitivity analysis	DBO * to 31/12/2022
Turnover rate +1,00%	1,937
Turnover rate -1,00%	1,924
Inflation rate +0,25%	1,949
Inflation rate -0,25%	1,912
Actuarial rate +0,25%	1,902
Actuarial rate -0,25%	1,960

* Defined Benefit Obligation

¹⁰ The provision consists of the benefits that accrued to employees until 31 December 2006, to be paid upon or subsequent to termination of employment: the TFR accruing from 1 January 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.

¹¹ The parameters used for the actuarial calculation are: 1) mortality rate: Table RG 48 of the Public Accounting Office; 2) disability rates: INPS table by age and gender; 3) personnel turnover rates: 5%; 4) frequency of TFR payments: 2%; 5) discount/interest rate: -3.57%; 6) TFR growth rate: 3.23% for 2022, 2.1% for 2021; 7) inflation rate: 2.3% for 2022, 0.8% for 2021.

- next year's service cost and average vesting period of the defined benefit obligation:

Next year service cost	
Next year service cost	-
Vesting period	6.83

- payments foreseen under the plan:

Years	Payments foreseen
1	230
2	154
3	221
4	230
5	104

The provision for agency termination principally presents the liability regarding severance indemnities with respect to agents and is calculated in accordance with the applicable regulations.

Finally, the provision for risks and charges presents the estimated amount, in a medium/long-term time horizon, of future obligations toward third parties for liabilities arising in previous periods.

14. OTHER NON-CURRENT LIABILITIES

This item mainly represents the value of security deposits and of the deferred tax credit for the purchase of capital goods in 2022, which will be recovered in subsequent years based on the depreciation rates of the fixed assets on which this credit was calculated.

15. TRADE PAYABLES

The following table sets forth the trade payables by geographical area:

Trade payables by geographical area (euro/000)	12/31/2022	12/31/2021
Italy	47,006	45,457
Rest of Europe	21,553	24,370
North America	20,062	14,757
Rest of Word	38,505	35,290
Total	127,126	119,874

The balance of trade payables as at 31 December 2022 increased compared to the previous year due to the effect of the timing of the Parent Company's procurement from third party suppliers to meet the first quarters of the following year which, due to the seasonal nature of sales typical of the sector, see a higher volume of turnover compared to the other quarters of the year.

The trade payables were not subject to discounting; the amount is a reasonable representation of their fair value since there are no payables due after 12 months.

With regard to the disclosures required by IFRS 7, it should be noted that as at 31 December 2022, there were no overdue trade payables, with the exception of the positions subject to disputes initiated by the Company with suppliers.

16. CURRENT FINANCIAL LIABILITIES

The amount of 34,756 thousand euro consists of short-term bank loans (298 thousand euro), loans to other lenders (4,446 thousand euro) and other financial payables of 30,012 thousand euro due to subsidiaries within 12 months from the reporting date.

The main current financial liabilities with subsidiaries and associates are listed below:

- 10,464 thousand euro to Marcolin Eyewear (Shanghai) Co., Ltd;
- 5,591 thousand euro due to Marcolin UK - HK Branch;
- 5,426 thousand euro due to Marcolin UK Ltd;
- 3,037 thousand euro due to Marcolin France Sas;
- 2,426 thousand euro due to Marcolin Deutschland GMBH;
- 1,495 thousand euro due to Viva Eyewear UK Ltd;
- 934 thousand euro due to Marcolin Benelux;
- 636 thousand euro due to Marcolin Iberica SA.

17. CURRENT PROVISIONS

The table below presents the most significant changes in the current provisions of the past two years:

Current funds (euro/000)	Other funds	Returns reserve	Warranty provision	Total
12/31/2020	2,042	2,429	441	4,912
Allowances	2,000	390	-	2,390
Use / reversal	(4,027)	-	(76)	(4,103)
12/31/2021	15	2,819	365	3,199
Allowances	200	2,705	-	2,905
Use / reversal	-	-	(44)	(44)
12/31/2022	215	5,524	321	6,060

The value of Other provisions mainly includes the provision for risks of legal costs.

The returns provision and product warranty provision are disclosed in accordance with IFRS 15. Additional information is provided in the section on accounting standards. The change from the previous year is mainly due to the trend in sales of the Parent Company, both to third parties and to foreign affiliates.

18. OTHER CURRENT LIABILITIES

Other current liabilities amounted to 11,768 thousand euro as at 31 December 2022, compared to 9,636 thousand euro for the previous year. This item mainly includes amounts due to personnel and the related social security contributions. The increase in the portion of amounts due to personnel derives mainly from a lower use of the provision for holidays and leaves than in 2021, and there is also a higher provision for bonuses, such as MBO and performance bonuses, due to the achievement of annual targets.

19. COMMITMENTS AND GUARANTEES

Guarantees associated with the issue of the bond loan:

The "COMMITMENTS AND GUARANTEES" are described in Note 20 of the Notes to the Consolidated Financial Statements.

The Company also has guarantees for third parties of 4,765 thousand euro (3,320 thousand euro in 2021).

Licenses

The Company has contracts in effect to use trademarks owned by third parties for the production, promotion, advertising, sale and distribution of eyeglass frames and sunglasses. These contracts establish not only guaranteed minimums in terms of royalties, but also a commitment for advertising expenses. As at 31 December 2022, the total of these future commitments amounted to 309,743 thousand euro (156,011 thousand euro in 2021), of which 56,467 thousand euro are due within the next financial year. The increase in future commitments compared to the amount in the previous year is attributable to the extension of the legal term of the license relationship for certain trademarks, which is why a longer time span was considered.

Guaranteed minimum Royalties due (euro/000)	12/31/2022	12/31/2021
Within one year	56,467	56,778
In one to five years	220,476	99,233
Over five years	32,800	-
Total	309,743	156,011

On 15 November 2022, Marcolin S.p.A. signed an agreement with Estée Lauder Companies Inc. ("ELC") to enter into a long-term licensing relationship for TOM FORD eyewear. The agreement is a significant extension of the current licensing agreement with TOM FORD. The new agreement will grant a perpetual license to TOM FORD against payment by Marcolin of 250 million U.S. dollars, which will be owned by ELC upon payment. The transaction will be financed through the use of available cash and an increase in share capital by Marcolin's shareholders of at least 50 million euro. The new licensing agreement is subject to the completion of the purchase of TOM FORD by ELC, which is expected to occur in the first half of 2023.

INCOME STATEMENT

As described in the Report on Operations, the balances can include some non-recurring costs incurred for special initiatives undertaken or pursued during the year, such as extraordinary costs for employees who left the company, consulting services and services associated with the non-recurring transactions of the year.

The effects of those costs are described in the Report on Operations to take them into account for the purpose of determining normalised income for 2022, duly compared with 2021.

The Company's main income statement items and changes therein are described in this section.

20. NET REVENUES

The following table sets forth the 2022 net revenues by geographical area:

Net Revenues by geographical area (euro/000)	2022		2021		Change	
	euro	% of total	euro	% of total	euro	%
EMEA	185,000	62.7%	160,790	64.7%	24,210	15.1%
Americas	64,285	21.8%	56,895	22.9%	7,390	13.0%
Rest of world	29,901	10.1%	20,396	8.2%	9,505	46.6%
Asia	15,933	5.4%	10,449	4.2%	5,484	52.5%
Total	295,120	100.0%	248,531	100.0%	46,589	18.7%

The net sales revenues realised in the 2022 financial year amounted to 295,120 thousand euro, compared with 248,531 thousand euro in 2021, an increase of 46,589 thousand euro compared to the previous year (an 18.7% change in percentage terms).

The Report on Operations describes the 2022 trend in turnover.

21. COST OF GOODS SOLD

Below is a detailed breakdown of the cost of goods sold:

Cost of sales (euro/000)	2022	% of net revenues	2021	% of net revenues
Cost of product	144,892	49.1%	129,172	52.0%
Cost of personnel	9,630	3.3%	9,875	4.0%
Amortization, depreciation and writedowns	3,578	1.2%	3,697	1.5%
Other costs	7,054	2.4%	6,518	2.6%
Total	165,154	56.0%	149,262	60.1%

The cost of goods sold increased in absolute terms by 15,892 thousand euro and corresponded to 56.0% of turnover compared with 60.1% in 2021.

The other expenses refer principally to purchasing costs (transport and customs) and business consulting services.

22. DISTRIBUTION AND MARKETING EXPENSES

Below is a breakdown of the distribution and marketing expenses:

Distribution and marketing expenses (euro/000)	2022	% of net revenues	2021	% of net revenues
Cost of personnel	17,570	6.0%	15,375	6.2%
Commissions	3,632	1.2%	4,075	1.6%
Amortization, depreciation and writedowns	8,246	2.8%	10,688	4.3%
Royalties	39,016	13.2%	34,000	13.7%
Advertising and PR	34,355	11.6%	21,977	8.8%
Other costs	7,219	2.4%	5,882	2.4%
Total	110,038	37.3%	91,997	37.0%

Distribution and marketing expenses increased by 18,041 thousand euro (19.6%) from the previous year. As a percentage of net sales, they remained almost unchanged compared to 2021, at 37.3%.

The other expenses consist primarily of sales expenses, including transport costs, travel expenses, rent expense and entertainment expenses.

23. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	2022	% of net revenues	2021	% of net revenues
Cost of personnel	8,866	3.0%	7,769	3.1%
Writedown of receivables	274	0.1%	(235)	(0.1)%
Amortization, depreciation and writedowns	1,073	0.4%	1,048	0.4%
Other costs	9,811	3.3%	6,043	2.4%
Total	20,024	6.8%	14,625	5.9%

The value of this item increased by 5,400 thousand euro compared to the previous period and represents 6.8% of sales.

The other costs of 9,811 thousand euro (6,043 thousand euro last year) mainly comprise remuneration to directors, statutory auditors and the independent auditors, other general and administrative consulting services, EDP expenses and expenses related to the Parent Company's IT systems.

24. EMPLOYEES

The 2022 end-of-period and average numbers of employees (including the workforce on temporary contracts) are broken down below in comparison with the previous year:

Employees Category	Final number		Average number	
	12/31/2022	12/31/2021	2022	2021
Managers	23	24	23	22
Staff	372	343	360	338
Manual workers	586	560	586	539
Total	981	927	969	899

25. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other operating income and expenses (euro/000)	2022	% of net revenues	2021	% of net revenues
Other income	10,831	3.7%	8,324	3.3%
Other expenses	(2,418)	(0.8%)	(34)	(0.0%)
Total	8,412	2.9%	8,289	3.3%

The balance of this item shows a net income of 8,412 thousand euro, compared to a net income of 8,289 thousand euro in the previous year.

Other revenues mainly consisted of the item Recovery of advertising expenses, incurred by the Parent Company and recharged to Group companies of 9,608 thousand euro, compared to 7,536 thousand euro in 2021, the balance of which increased due to the direct effect of the higher investments in advertising activities made in 2022 compared to 2021.

Other expenses of 2022 include costs deriving from contractual renegotiation with suppliers.

26. INCOME AND EXPENSES FROM THE MANAGEMENT OF INVESTMENTS

This item, totalling 3,016 thousand euro, includes income from dividends distributed by certain Group companies for a total of 3,876 thousand euro, broken down as follows: 2,016 thousand euro from Marcolin-RUS LLC, 759 thousand euro from Marcolin Middle East FZCO, 700 thousand euro from Marcolin Ibérica S.A., and 400 thousand euro from Marcolin Benelux sprl.

Moreover, in 2022, an accrual was made to the provision for investment impairment of 860 thousand euro, recorded with reference to the subsidiary Gin Hong Lin International Co Ltd, which became necessary following the *impairment* process aimed at assessing the carrying amount of the investment in statement of financial position assets. This write-down was necessary to adjust the carrying amount of the investment compared to the recoverable amount of the subsidiary, following losses accrued by the subsidiary that partially eroded the company's equity, deemed by management to be non-recoverable in the light of the fact that the company is no longer operational, having ceased operations following the transfer of the commercial business in the Chinese market to the Group company, Marcolin Shanghai.

27. FINANCE INCOME AND COSTS

The finance income and costs are set forth below:

Financial income and costs (euro/000)	2022	% of net revenues	2021	% of net revenues
Financial income	22,100	7.5%	16,443	6.6%
Financial costs	(35,260)	(11.9%)	(27,666)	(11.1%)
Total	(13,161)	(4.5%)	(11,223)	(4.5%)

The composition of finance income and finance costs is shown below:

Financial income (euro/000)	2022	% of net revenues	2021	% of net revenues
Interest income from subsidiaries	5,921	2.0%	5,629	2.3%
Interest income and others	78	0.0%	445	0.2%
Gains on currency exchange	16,101	5.5%	10,369	4.2%
Total	22,100	7.5%	16,443	6.6%

Financial costs (euro/000)	2022	% of net revenues	2021	% of net revenues
Interest expense	(26,466)	(9.0)%	(25,476)	(10.3)%
Losses on currency exchange	(8,794)	(3.0)%	(2,190)	(0.9)%
Total	(35,260)	(11.9)%	(27,666)	(11.1)%

Finance income and costs result in net costs of 13,161 thousand euro, compared with net costs of 11,223 thousand euro for 2021.

The net finance costs are the balance between income of 22,100 thousand euro and costs of 35,260 thousand euro. The components are classifiable in two different categories: finance income and costs, and exchange differences.

The first component consists of:

- interest income of 5,921 thousand euro from Group companies referring to loans granted to such companies and 78 thousand euro from others;
- interest expense of 26,466 thousand euro, consisting primarily of:
 - interest of 21,567 thousand euro servicing the new bond loan issued by Marcolin SpA, paid half-yearly in May and November;
 - The reversal to the Income Statement of the issue costs of the new bond loan, accounted for under IFRS with the amortised cost method, in addition to the same residual component referring to the redemption of the previous bond loan extinguished in May 2021;
 - 3,843 thousand euro in net finance costs referring to interest expense with other lenders, actualisation differences and intercompany loans. During 2022, the Company increased the efficiency of its financial indebtedness structure, repaying, also in advance, financial payables to banks, the positive impact of which in terms of lower interest expense will appreciate in 2023.

With respect to the component of gains and losses on currency exchange, the balance is a net gain of 7,307 thousand euro for 2022, compared with a net gain of 8,178 thousand euro for the previous year.

The amount recognised in 2022 was affected by the adjustment to the year-end exchange rate of the financial receivable denominated in U.S. dollars outstanding between Marcolin SpA and Marcolin USA Eyewear Corp. amounting to 35 million U.S. dollars (impacted by the partial waiver of the repayment occurred in October 2019 for 60 million U.S. dollars and in November 2022 for an additional 30 million U.S. dollars), which generated an unrealised foreign exchange gain of 7.1 million euro as a result of the appreciation of the U.S. dollar against the euro by 5.8% in 2022.

The change in the balance of foreign exchange gains compared to the previous year also arose from the exchange rate adjustment of the aforementioned intercompany financial receivable, which had generated higher unrealised gains in 2021, as the appreciation of the U.S. dollar was more significant (equal to 7.7%) and the taxable base for the calculation was 65 million U.S. dollars, as the further partial waiver of the redemption occurred in November 2022.

There were no currency hedges (on purchases and sales) in place as at 31 December 2022.

28. INCOME TAXES

Current tax was determined by applying the tax rates in force to taxable income (profit for the year determined with the changes generated by the applicative tax rules).

The balance of this item amounted to 1,401 thousand euro, including tax consolidation costs of 530 thousand euro, current taxes of 276 thousand euro, net deferred taxes of -43 thousand euro and costs for taxes referring to the previous period of 552 thousand euro.

Income taxes (euro/000)	2022	2021
Current taxes	(276)	257
Deferred taxes	(43)	(30)
Gain/(Loss) from Tax Consolidation	(530)	(2,146)
Taxes relating to prior year	(552)	(513)
Total income taxes	(1,401)	(2,432)

The tax consolidation cost refers entirely to the Parent Company's IRES debit due from 3 Cime SpA under the tax consolidation agreement with the parent company, renewed automatically pursuant to the current regulations as specified in the section on Italian tax consolidation at the beginning of the Notes on the Separate Financial Statements.

Income taxes for the year are reconciled with the theoretical tax burden in the following table:

Tax rate reconciliation				
<i>(euro/000)</i>	%	12/31/2022	%	12/31/2021
Results before tax		(1,829)		109,330
Theoretical taxes	24.0%	439	24.0%	(26,239)
IRAP and other	14.8%	(271)	0.2%	218
Higher taxes due to non-deductible costs	111.8%	(2,045)	(3.6)%	(3,983)
Lower taxes for non-taxable income	(56.2)%	1,027	25.7%	28,085
Taxes relating to prior year	30.2%	(552)	(0.5)%	(513)
Total income tax expense	76.6%	(1,401)	(2.2)%	(2,432)

With reference to higher taxes for non-deductible costs, the main component concerns the non-deductibility of a portion of financial interest expenses, as provided for by the tax regulations (Article 96 of the TUIR), which provides for their deductibility up to the limit of interest income and, for the excess, 30% of ROL. On this portion of non-deductible interest expense, the Company has not prudently recognised the related deferred tax assets.

The deferred taxes and changes therein for the year are set forth below:

Deferred tax assets	Temporary differences 12/31/2022	%	Tax on temporary differences 12/31/2022	Temporary differences 12/31/2021	%	Tax on temporary differences 12/31/2021
<i>(euro/000)</i>						
Inventory provisions	9,517	24.0%	2,284	22,521	24,0%/27,9%	5,405
Grants and compensation deductible on a cash b	5,050	24.0%	1,212	2,945	24,0%/27,9%	707
Non-deductible financial interest	25,714	24.0%	6,171	16,027	24.0%	3,846
Unrealized currency exchange differences	2,550	24.0%	612	1,485	24.0%	356
Taxed provision for doubtful debts	1,525	24.0%	366	1,778	24.0%	427
Supplementary client indemnity provision	194	27.9%	54	274	27.9%	76
Provision for return risks	2,708	27.9%	756	1,585	27.9%	442
Provisions for risks and charges	215	27.9%	59	15	27.9%	4
Others	2,364	24,0%/27,9%	826	2,693	24,0%/27,9%	916
Total deferred tax assets	49,838		12,341	49,323		12,180

Deferred tax liabilities	Temporary differences 12/31/2022	%	Tax on temporary differences 12/31/2022	Temporary differences 12/31/2021	%	Tax on temporary differences 12/31/2021
<i>(euro/000)</i>						
Property, plant and equipment and intangible assets	(929)	27.9%	(259)	(1,177)	27.9%	(328)
Unrealized currency exchange differences	(10,570)	24.0%	(2,537)	(10,326)	24.0%	(2,478)
Dividends not collected	(718)	24.0%	(172)	-	24.0%	-
Actuarial gain / losses su TFR IAS	(394)	24.0%	(96)	(76)	24.0%	(0)
Total deferred tax liabilities	(12,612)		(3,064)	(11,579)		(2,807)

Total net DT/DTL	37,226		9,277	37,745		9,373
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The difference in the balance of deferred tax assets and liabilities presented in the Statement of Financial Position, 96 thousand euro, diverges from the balance of 43 thousand euro shown in the Income Statement for the following reasons:

- deferred tax recognition on amounts accounted for in equity totalling 55 thousand euro;
- adjustment of deferred taxation, recognised following an adjustment of taxes for the year 2021 after the presentation of the relative tax return in the year 2022, for a total of -2 thousand euro.

INCOME AND EXPENSES WITH SUBSIDIARIES AND ASSOCIATES

The intercompany transactions are mainly of a trade and/or financial nature and are conducted at market conditions.

Income and expenses with directly controlled subsidiaries are set forth below:

Company	Revenues for sales and services	Dividends	Other income	Financial income from non-current assets	Financial expenses for non-current liabilities	Cost of row, ancillary and consumable material and products	Cost of services	12/31/2022
<i>(euro/000)</i>								
Marcolin Eyewear (Shanghai) Co.	(1,315)	-	(8)	(14)	-	2,820	99	1,583
Marcolin (Deutschland) GmbH	(16,105)	-	(654)	(0)	38	1	112	(16,609)
Marcolin (UK) Ltd	(9,990)	-	(602)	(274)	147	-	292	(10,427)
Marcolin Asia Ltd.	(0)	-	(41)	-	-	1	992	951
Marcolin Benelux S.p.A.	(8,292)	(400)	(337)	(0)	18	9	174	(8,828)
Marcolin do Brasil Ltda	(11,051)	-	(842)	(294)	-	9	121	(12,059)
Marcolin France SAS	(23,477)	-	(2,219)	-	108	14	705	(24,870)
Marcolin GmbH	(1,220)	-	(140)	-	-	-	13	(1,347)
Marcolin Iberica S.A.	(10,945)	(700)	(962)	(4)	12	-	627	(11,972)
Marcolin Middle East FZCO	(8,647)	(759)	(10)	(36)	-	8	556	(8,888)
Marcolin Nordic AB Denmark	(1,823)	-	(77)	-	-	-	-	(1,900)
Marcolin Nordic AB Finland	(895)	-	(75)	-	-	-	-	(970)
Marcolin Nordic AB Norway	(1,249)	-	(221)	-	-	-	-	(1,471)
Marcolin Nordic AB Sweden	(4,343)	-	(273)	-	-	-	97	(4,519)
Marcolin Portugal Lda	(1,665)	-	(230)	(7)	0	-	20	(1,881)
Marcolin Technical Services (Shenzhen) Co.Ltd	-	-	-	-	-	-	613	613
Marcolin UK Hong Kong Branch	(11,849)	-	(2,398)	(55)	37	1,882	605	(11,778)
Marcolin Usa Eyewear Corp.	(45,800)	-	(14,249)	(5,095)	-	1,770	3,595	(59,779)
Marcolin-RUS LLC	(1,946)	(2,016)	-	-	-	-	-	(3,962)
Viva Eyewear HK Ltd	-	-	-	(5)	-	-	-	(5)
Viva Eyewear UK Ltd	-	-	-	-	25	-	-	25
Marcolin México S.A.P.I. de C.V.	(2,923)	-	(0)	(76)	-	-	247	(2,753)
Marcolin Singapore Pte. Ltd.	(314)	-	(121)	(47)	-	-	39	(442)
Shanghai Ginlin Optics Co. Ltd	-	-	-	-	-	-	-	-
Marcolin PTY Limited	(2,470)	-	(748)	(14)	-	-	57	(3,175)
Total	(166,321)	(3,876)	(24,207)	(5,921)	384	6,514	8,964	(184,462)

TRANSACTIONS WITH ASSOCIATES AND WITH OTHER RELATED PARTIES

Related-party transactions were of a trade nature, conducted at market conditions, and regarded licensing agreements in particular.

As at 31 December 2022, the following related party transactions, as required by IAS 24, were outstanding.

Company	Expenses	Revenues	Payables	Receivables	Type
<i>(euro/000)</i>					
Pai Partners Sas	-	-	50	-	Related party
Coffen Marcolin Family	415	-	32	0	Related party
3 Cime S.p.A.	1,500	395	28,779	7,672	Consolidating
Total	1,915	395	28,860	7,672	

The same table is set forth for 2021:

Company	Expenses	Revenues	Payables	Receivables	Type
<i>(euro/000)</i>					
Other related parties					
Pai Partners Sas	60	-	125	-	Related party
Coffen Marcolin Family	662	-	277	0	Related party
3 Cime S.p.A.	1,500	-	27,279	8,184	Consolidating
Total	2,222	-	27,680	8,184	

Relevant information on relations with Directors and Statutory Auditors is set out below (the table does not include Key Management Personnel as they also fall under the category of Directors of the Company).

<i>(euro/000)</i>	2022		2021	
	Board of Directors	Statutory Auditors	Board of Directors	Statutory Auditors
Base fee	200	100	185	100
Salaries and benefits	1,000	-	1,000	-
Total	1,200	100	1,185	100

Atypical and unusual transactions

In 2022, there were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Marcolin SpA.

Significant non-recurring events and transactions

The significant non-recurring events and transactions that impacted the Company's financial position, financial performance and cash flows in 2022 are described in the Report on Operations, in the description of the Income Statement highlights.

Government grants

The 2017 annual law for market and competition required disclosure in the notes to the Financial Statements of grants, subsidies, paid engagements and all financial benefits in general received from public entities and companies controlled by public entities (Law no. 124 of 4 August 2017 – Article 1, paragraphs 125 to 129 – hereinafter "Law 124/2017"). Mandatory disclosure is effective from 2019 regarding all financial benefits received from 1 January 2018. The 2022 information for Marcolin SpA, presented on a cash basis, is set out below.

Super-amortisation benefit

During the financial years 2015 to 2019, Marcolin SpA incurred costs for investments in new capital goods for which it benefited from "superammortamento", i.e., super-amortisation under Law 208/2015, Article 1, paragraph 91 and subsequent extensions. The related benefit was included in the tax return presented in 2022 in an amount of 334,243 euro.

Hyper-amortisation benefit

During the financial years 2018 to 2020, Marcolin SpA incurred costs for investments in new capital goods for which it benefited from "iperammortamento", i.e., hyper-amortisation under Law 232/2016, Article 1, paragraph 8 to 11 and subsequent extensions. The related benefit was included in the tax return presented in 2022 in an amount of 794,496 euro.

Tax credit for investments in capital goods

The 2021 Budget Law (Article 1, paragraphs 1051 - 1063 of Law 178/2020), as amended by the 2022 Budget Law (Article 1, paragraph 44 of Law 234/2021) recognises a tax credit for investments in new ordinary capital goods known as "Industry 4.0".

This tax credit applies to investments made from 1 January 2022 to 31 December 2022, or by 30 June 2023, provided that by 31 December 2022 the relevant purchase order has been formally accepted by the seller and an advance payment corresponding to at least 20% of the purchase price has been received. Marcolin SpA incurred eligible costs in 2022 that resulted in a tax credit of 380,551 euro.

Tax credit for electricity and gas

In 2022, Marcolin SpA, benefited from the tax credit in favour of companies other than energy-intensive companies (pursuant to Article 3 of Decree Law no. 21 of 21 March 2022) for the purchase of electricity for the second, third and fourth quarter of 2022 amounting to 240,535 euro and the tax credit in favour of companies other than those with a heavy consumption of natural gas (pursuant to Article 4 of Decree Law no. 21 of 21 March 2022) for the purchase of natural gas for the second, third and fourth quarter of 2022 amounting to 49,439 euro.

Credit for civil defence

In 2022, Marcolin SpA benefited from the tax credit for employers of civil defence volunteers (pursuant to Article 38 of Decree Law no. 189 of 17 October 2016) amounting to 1,908 euro.

Exemption from INPS contributions on new employees

In 2022, Marcolin used the following exemption from INPS contributions:

- Contribution for the recruitment of young people pursuant to Law 205/2017 as amended by Article 1 paragraph 10 of Law 160/2019 of 16,921.34 euro;
- Subsidy as part of the measure "Regulation for interprofessional funds for continuous training for the granting of State aid exempted under Regulation (EC) no. 651/2014 and under de minimis rules pursuant to Regulation (EC) no. 1407/2013" (aid measure no. SA 100284) of 14,916 euro.

Significant events occurring after the reporting period

With regard to the significant events that occurred after the reporting period, see the same paragraph in the notes to the Consolidated Financial Report.

INDEPENDENT AUDITORS'
REPORT
ON THE SEPARATE FINANCIAL
STATEMENTS

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholders of Marcolin SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Marcolin SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

Sede legale: Milano 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7783240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 071 2132311 - Bari 70122 Via Abate Cimma 72 Tel. 080 5640211 - Bergamo 24121 Largo Belotti 5 Tel. 035 229691 - Bologna 40126 Via Angelo Finelli 8 Tel. 051 6186211 - Brescia 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - Catania 95129 Corso Italia 302 Tel. 095 7532311 - Firenze 50121 Viale Gramsci 15 Tel. 055 2482811 - Genova 16121 Piazza Piccopietra 9 Tel. 010 29041 - Napoli 80121 Via dei Mille 16 Tel. 081 36181 - Padova 35138 Via Vicenza 4 Tel. 049 873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091 349737 - Parma 43121 Viale Tanara 20/A Tel. 0521 275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - Roma 00154 Largo Fochetti 29 Tel. 06 570251 - Torino 10122 Corso Palestro 10 Tel. 011 536771 - Trento 38122 Viale della Costituzione 33 Tel. 0461 237004 - Treviso 31100 Viale Felissent 90 Tel. 0422 606911 - Trieste 34125 Via Cesare Battisti 18 Tel. 040 3480781 - Udine 33100 Via Pascoile 43 Tel. 0432 25789 - Varese 21100 Via Albuzzi 43 Tel. 0332 285039 - Verona 37135 Via Francia 21/C Tel. 045 8263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Marcolin SpA are responsible for preparing a report on operations of the Company as of 31 December 2022, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Marcolin SpA as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Marcolin SpA as of 31 December 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 13 April 2023

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

REPORT BY THE
BOARD OF STATUTORY AUDITORS

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE GENERAL MEETING OF MARCOLIN SPA PURSUANT TO PARAGRAPH 2 OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the kind attention of the Company with Sole Shareholder

Ladies and Gentlemen,

The external audit of the accounts for each of the three years ending 31 December 2022, 2023 and 2024 has been assigned to PricewaterhouseCoopers S.p.A. (the “Independent Auditors”), pursuant to Article 14 of Italian Legislative Decree 39/2010 and Articles 2409-bis et seq. of the Italian Civil Code and in accordance with the reasoned proposal of this Board of Statutory Auditors.

The Board of Directors has provided us with the report on operations and draft Financial Statements for the year from 1 January 2022 to 31 December 2022, which shows a net loss of Euro 3,230,569, approved on 28 March 2023; on the same date, the Sole Shareholder formally notified the waiver of the conditions set forth in Article 2429 of the Italian Civil Code.

During the year ended on 31 December 2022, we performed the supervisory duties required by law, in observance of the provisions issued by Consob and also in accordance with the Board of Statutory Auditors' Code of Conduct recommended by the Italian Association of Certified Accountants.

Certain events of major importance, which characterised the 2022 financial year and of which adequate evidence has been presented in the financial statements, are reported:

- the consolidation of key licensed brands, through the extension of the relevant licensing agreement, but most importantly, the signing of an agreement with The Estée Lauder Companies Inc. on 15 November 2022 to enter into a permanent licensing relationship for the TOM FORD brand, against payment by Marcolin of USD 250 million; the transaction will be financed through the use of available cash, together with the injection of new resources through an increase in equity, provided by Marcolin's shareholders, amounting to at least Euro 50 million; this agreement is expected to be finalised by the end of the current first half of 2023;

- with reference to the continuation of the Russia-Ukraine conflict, which erupted on 24 February 2022, the Board of Directors points out in the Report on Operations that the Marcolin Group has no significant exposure to the Russian and Eastern European markets: the turnover generated in these territories does not exceed 2% of total consolidated turnover in 2022 and represents less than 1% in terms of consolidated Total Assets; the Group initially suspended sales to the Russian subsidiary, but resumed them during 2022, initially through the sale of the house brand only, and subsequently through the resumption of sales of certain licensed brands, in mutual agreement with the licensing companies.

In this context, with respect to our supervisory duties, we report that:

- we attended 6 (six) Board of Director meetings and verified the observance of the principles of fair management, laws and by-laws, and the correct use of the proxies assigned to the Directors;
- the Board of Statutory Auditors attended the General Meetings of Shareholders, which were held in observance of the law to pass appropriate resolutions;
- 8 (eight) meetings were held during the year to perform the statutory controls and to exchange information with the firm responsible for the external audit;
- we obtained the information necessary to perform our general supervisory function by constantly participating in Board of Director meetings and by meeting with management. We also obtained from the Directors, on a regular basis, information on the activities performed by the executive Directors in execution of the powers assigned to them, on the most significant business, financial and equity transactions, on related-party transactions including infra-group transactions, and on any atypical or unusual transactions, in accordance (as necessary) with Italian Legislative Decree 58/1998, Article 150, paragraph 1. This took place in keeping with the Company's specific corporate governance procedure to ensure that Directors and Statutory Auditors have at their disposal all information needed to ensure the correct fulfilment of their duties. Based on the information obtained, we verified that the main operations carried out by

the Company were consistent with the business purpose and with the law and by-laws, and we can confirm that those operations were not manifestly risky, hazardous, such as to compromise the integrity of the Company's net worth, or in contrast to the decisions taken at the General Meeting or in conflict of interest;

- during the Board of Director meetings, we were given periodic and timely information on the activity performed by the Company and the Subsidiaries, and on the most significant business, financial and equity transactions, and we verified that those transactions were consistent with the business purpose and with the law and by-laws, and were not manifestly risky, hazardous, such as to compromise the integrity of the Company's net worth, or in contrast to the decisions taken at the General Meeting or in conflict of interest;
- we followed and monitored the action, now at an advanced stage, to achieve the Company's Corporate Governance and Compliance structure, based on the system proposed by the Corporate Governance Code for Listed Companies, in compliance with international best practices; this includes, in particular: i) the extension and consolidation of an ERM (Enterprise Risk Management) aimed at identifying, assessing and managing the main business risks; ii) the approval of the Regulation of the Financial Reporting Officer and the "Internal Control Model on Financial Reporting" in compliance with Italian Law no. 262/2005, which the Group uses as a model for the management of internal control activities related to financial disclosures;
- during the year, we met regularly with the Independent Auditors and with other heads of functions: no matters worthy of note emerged from the meetings;
- we found no evidence of atypical or unusual transactions as defined in Consob Communication 6064293 of 28 July 2006;
- we verified that there are no routine intercompany or related-party transactions that are in conflict of the Company's interest or inconsistent; the intercompany and related-party transactions are described adequately by the Directors in the Report on Operations and in the

Notes to the Financial Statements; all such transactions were carried out at market conditions;

- the Company applied the principles regarding procedures that companies must adopt to ensure the necessary conditions of fairness in the process of carrying out transactions with related parties;
- we evaluated, for that falling within our competence, the adequacy of the Company's organisational structure, internal control system, administrative and accounting systems, and their reliability to accurately represent business matters, also in relation to the timely reporting of the Company's crisis and loss of business continuity and also in the light of Article 2086 of the Italian Civil Code and Italian Legislative Decree no. 14 of 12 January 2019, and, given the business activity and the size of the Company, we deem the organisation and systems to be adequate; in reaching this determination, the Board also availed itself of the results of the periodic meetings held with the Independent Auditors, for the reciprocal exchange of data and information;
- we verified the timely adoption of appropriate and adequate organisational measures and correct corporate behaviour guidelines to contain the impact of the pandemic, which also continued, in part, into the year in question;
- we checked the Company's observance of the law and by-laws;
- during the year, we did not make any reports to the Board of Directors pursuant to and for the purposes of Article 15 of Legislative Decree no. 118/2021 or pursuant to and for the purposes of Article 25-octies of Legislative Decree no. 14 of 12 January 2019 and no reports were received from qualified public creditors pursuant to Article 25-novies of Legislative Decree no. 14 of 12 January 2019 or pursuant to and for the purposes of Article 30-sexies of Legislative Decree no. 152 of 6 November 2021, converted by Law no. 233 of 29 December 2021, as amended.

We inspected and obtained information regarding the organisational and procedural activities

implemented by the Company and by its subsidiaries in accordance with Italian Legislative Decree 231/01 on the administrative liability of entities for the crimes contemplated by this legislation (and as subsequently amended): in this regard, the Company continued to update and introduce new protocols in the Organisation and Management Model adopted pursuant to Legislative Decree no. 231/2001 in order to adapt to new regulatory requirements or changes in the organisational structure. The Supervisory Body reported on the activity performed during the year ended 31 December 2022, without finding any wrongdoing or specific violations of the Company's and the subsidiaries' Organisational Model.

As noted, PricewaterhouseCoopers S.p.A. audited the Company's separate Financial Statements for the year ended 31 December 2022 and on today's date it submitted an unqualified opinion, stating that the Company's separate Financial Statements "give a true and fair view of the financial position of Marcolin S.p.A. as at 31 December 2022, and of its financial performance and its cash flows for the year then ended". The Independent Auditors also stated that the report on operations is consistent with the separate Financial Statements of the Company. The Board of Statutory Auditors performed its supervisory function with the full collaboration of the corporate boards and adequate documentation was always provided. No omissions, wrongdoing or irregularities were found.

We checked the accounting policies of the separate Financial Statements, upon which we agree that they correspond to the Italian Civil Code rules and are consistent with those applied in the previous year. Intangible assets were recognised and amortised with our consent, as necessary. Regarding the recognition of goodwill (186.2 million euro), it is noted that the value of this item was, as customary, subject to an impairment test. In this regard, the Board of Statutory Auditors underlines that the Explanatory Notes to the Financial Statements clarify that the impairment test, expressly approved by the Board of Directors at its meeting of 28 March 2023, is based on the 2024-2027 business plan and that the 2023 forecasts are those of the year's budget approved by the Board of Directors on 1 February 2023. The Company met with the independent auditors in regard to these assumptions of the Board of

Directors, and they agreed upon the reasonableness of such assumptions.

On 28 March 2023, the Board of Directors of MARCOLIN S.p.A. approved the draft consolidated Financial Statements of the MARCOLIN Group for the year ended 31 December 2022; those Financial Statements, drawn up according to IAS/IFRS, were also audited by PricewaterhouseCoopers S.p.A., which issued a clean opinion on the true and fair view of the financial position, results of operations and cash flows of the group.

The Independent Auditors stated that the report on operations is consistent with the consolidated Financial Statements of MARCOLIN S.p.A. As within our competence, we acknowledge that the Directors' report on the consolidated Financial Statements adequately describes the situation of the companies of the group, the financial and business matters, the subsequent events, the annual business performance and the business outlook for the current year.

We reviewed the report to verify compliance with Article 40 of Italian Legislative Decree 127/1991, the correct identification of the consolidated companies in accordance with the international accounting standards, and the information as per Article 39 of the same Decree.

Based on the controls performed, the Board of Statutory Auditors considers the report on operations to be correct and consistent with the consolidated Financial Statements.

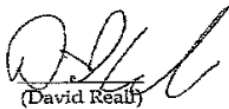
The Notes to the Financial Statements contain the information required by the international accounting standards, present the accounting principles and policies adopted, and present the consolidation methods, which correspond to those used for the previous year. Goodwill (293,4 million euro) was recognised in the same manner as for the separate Financial Statements.

No claims were made to the Board of Statutory Auditors under Article 2408 of the Italian Civil Code or of any other nature.

During the year, we issued the opinions requested of the Board of Statutory Auditors in accordance with the law.

In consideration of the foregoing - pursuant to the supervisory activity performed, and on the basis of the information exchanged with the Independent Auditors, we are in favour of the approval of the Financial Statements closed as at 31 December 2022 and we agree with the Board of Directors' proposal to cover the loss for the year of 3,230,569 euro through the partial use of the reserve for retained earnings, which, as a result, will show a balance of 157,530,260 euro.

April 13, 2023



(David Reali)



Dr. Mario Cognigni



Diego Rivetti

SUMMARY OF GENERAL MEETING
RESOLUTIONS

SUMMARY OF GENERAL MEETING RESOLUTIONS

The General Meeting of Shareholders, held at a first call on 19 April 2023, resolved to:

- approve Marcolin S.p.A.'s Financial Statements and Report on Operations as at 31 December 2022, and Marcolin Group's Consolidated Financial Statements as at 31 December 2022 and accompanying Report on Operations;
- to cover the loss carried forward of 3,230,569 euro by using the reserve for retained earnings.

Longarone, 19 April 2023

for the Board of Directors

the Chairman

Signed: Vittorio Levi

MARCOLIN
EYEWEAR

