

MARCOLIN

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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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 Cavaliere	Director
Jacopo Forloni	Director
Cirillo Coffen Marcolin	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Raffaele Roberto Vitale	Director
Severine de Wulf	Director
Cristiano Agogliati ⁴	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

Control and Risk Committee ²

Cirillo Coffen Marcolin	Chairman
Jacopo Forloni	Supervisor
Vittorio Levi	Supervisor

Supervisory Body ²

Federico Ormesani	Chairman
David Reali	Supervisor
Gabriele Crisci	Supervisor

Independent Auditors ³

PricewaterhouseCoopers SpA

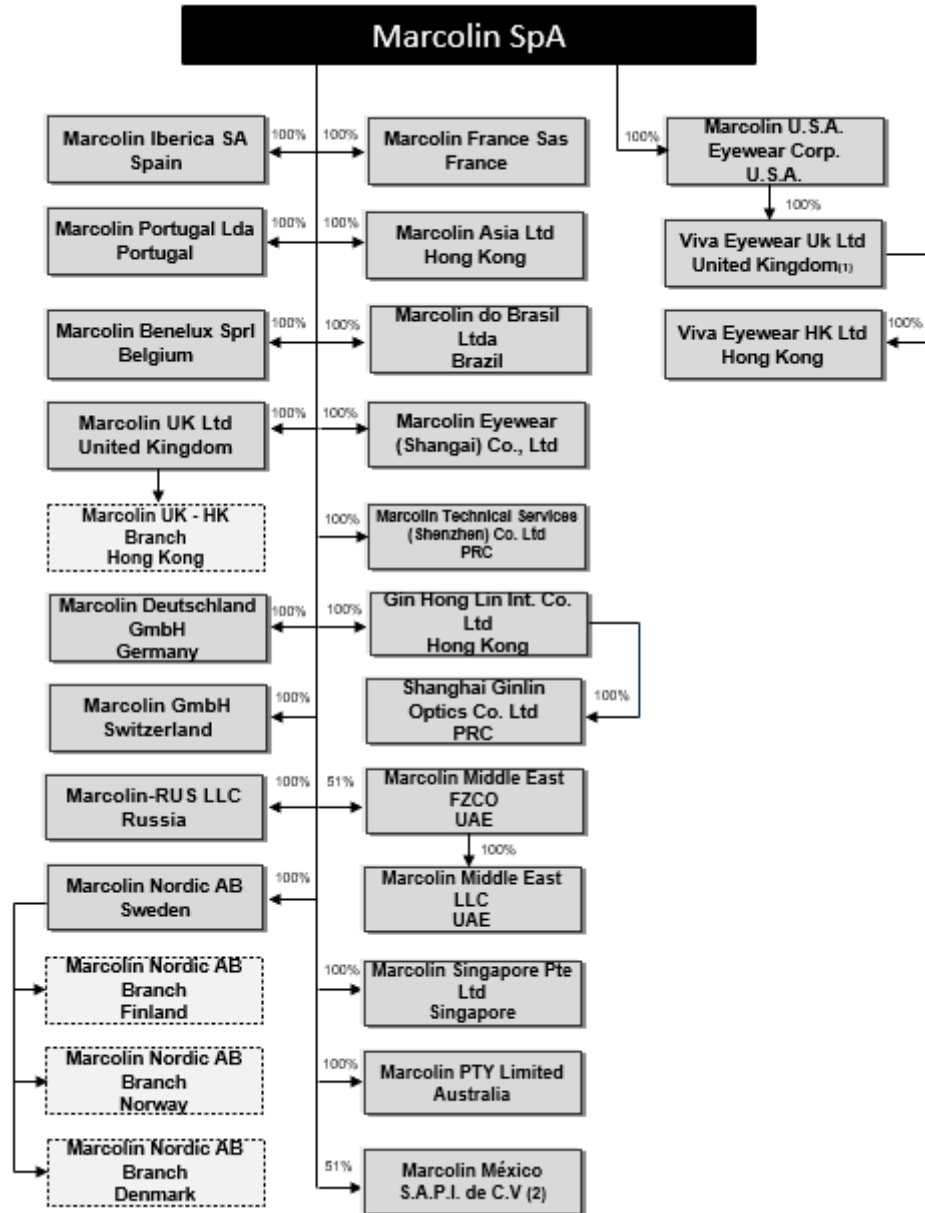
1) Term of office ends on the date of the General Meeting called to approve the financial statements as of 31 December 2024 (pursuant to the General Meeting resolution of 28 April 2022).

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).

4) Number of Directors has been redefined passing from 10 to 11 (pursuant to the Shareholders Meeting resolution of 19 April 2023) and Mr Cristiano Agogliati has been appointed. He will hold the office, together with other Directors, until the approval of the financial statements as of 31 December 2024.

MARCOLIN GROUP STRUCTURE



1) Company undergoing liquidation;

2) On July 5, 2023 Marcolin SpA purchased the non-controlling interests of Marcolin México, after the deal it owns 100% of the Mexican subsidiary.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	Notes	06/30/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	40,163	41,855
Intangible assets	1	271,785	43,195
Goodwill	1	291,627	293,359
Deferred tax assets	1	50,279	52,354
Other non-current assets	1	803	824
Non-current financial assets	1; 6	247	232
Total non-current assets		654,904	431,819
CURRENT ASSETS			
Inventories	2	101,399	106,615
Trade receivables	2	96,782	75,464
Other current assets	2	30,384	30,952
Current financial assets	2; 6	17	100
Cash and cash equivalents	2; 6	67,530	225,995
Total current assets		296,111	439,125
TOTAL ASSETS		951,015	870,944
EQUITY			
	3		
Share capital		35,902	35,902
Additional paid-in capital		170,304	170,304
Legal reserve		7,180	7,180
Other reserves		122,352	53,854
Retained earnings (losses)		(19,090)	(11,265)
Profit (loss) for the period		14,520	(7,825)
Group equity		331,169	248,151
Non controlling interests		2,915	2,901
TOTAL EQUITY		334,085	251,052
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	382,341	381,441
Non-current funds	4	7,151	6,469
Deferred tax liabilities	4	7,699	4,862
Other non-current liabilities	4	942	941
Total non-current liabilities		398,134	393,714
CURRENT LIABILITIES			
Trade payables	5	135,553	160,465
Current financial liabilities	5; 6	27,221	11,111
Current funds	5	20,800	20,988
Tax liabilities	5	9,274	8,130
Other current liabilities	5	25,946	25,483
Total current liabilities		218,795	226,178
TOTAL LIABILITIES		616,929	619,892
TOTAL LIABILITIES AND EQUITY		951,015	870,944

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	06/30/2023	%	06/30/2022	%
Net Revenues	7	308,679	100.0%	283,680	100.0%
Cost of sales	8	(116,588)	(37.8)%	(112,823)	(39.8)%
GROSS PROFIT		192,091	62.2%	170,857	60.2%
Distribution and marketing expenses	9	(132,977)	(43.1)%	(125,615)	(44.3)%
General and administrative expenses	10	(21,837)	(7.1)%	(22,124)	(7.8)%
Other operating income/(expenses)	11	1,382	0.4%	455	0.2%
OPERATING INCOME - EBIT		38,659	12.5%	23,573	8.3%
Financial income	13	4,698	1.5%	9,906	3.5%
Financial costs	13	(18,297)	(5.9)%	(20,881)	(7.4)%
PROFIT (LOSS) BEFORE TAXES		25,060	8.1%	12,597	4.4%
Income tax expense	14	(9,527)	(3.1)%	(3,769)	(1.3)%
NET PROFIT (LOSS) FOR THE PERIOD		15,533	5.0%	8,829	3.1%
Profit (loss) attributable to:					
- Owners of the parent		14,520	4.7%	7,829	2.8%
- Non-controlling interests		1,013	0.3%	998	0.4%

(euro/000)	06/30/2023	06/30/2022
NET PROFIT (LOSS) FOR THE PERIOD	15,533	8,829
<i>Other items that will not subsequently be reclassified to profit or loss:</i>		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	-	-
<i>Other items that will be subsequently reclassified to profit or loss:</i>		
Change in foreign currency translation reserve	(1,821)	9,992
Change in exchange rate difference on quasi equity loan	(128)	4,755
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	(1,949)	14,747
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	13,584	23,576
Risultato complessivo attribuibile:		
- owners of the parent	12,460	22,481
- non-controlling interests	1,124	1,095

CONDENSED 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
				Shareholders deposit in s/capital	Translation reserve	Other	Actuarial gain / (loss) reserve	Retained earnings/ (losses)				
(euro/000)												
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 result	-	-	743	-	-	-	-	151,129	(151,873)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(682)	(682)
Other movements	-	-	-	-	-	-	-	-	-	-	-	-
- Period result	-	-	-	-	-	-	-	-	7,829	7,829	998	8,829
- Other components of comprehensive income	-	-	-	-	9,896	4,755	-	-	-	14,651	96	14,747
Total comprehensive income	-	-	-	-	9,896	4,755	-	-	7,829	22,480	1,095	23,576
June 30, 2022	35,902	170,304	7,180	46,108	15,977	71	(64)	(11,265)	7,829	272,043	1,875	273,919
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
Allocation of 2022 result	-	-	-	-	-	-	-	(7,825)	7,825	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(1,108)	(1,108)
Shareholders Capital increase	-	-	-	75,000	-	-	-	-	-	75,000	-	75,000
Non-controlling interests' put-call options	-	-	-	-	-	(4,453)	-	-	-	(4,453)	-	(4,453)
Other movements	-	-	-	-	-	-	-	-	-	-	-	-
- Period result	-	-	-	-	-	-	-	-	14,520	14,520	1,013	15,533
- Other components of comprehensive income	-	-	-	-	(1,932)	(119)	-	-	-	(2,051)	111	(1,940)
Total comprehensive income	-	-	-	-	(1,932)	(119)	-	-	14,520	12,469	1,124	13,593
June 30, 2023	35,902	170,304	7,180	121,108	6,502	(5,447)	190	(19,090)	14,520	331,169	2,917	334,085

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	06/30/2023	06/30/2022
OPERATING ACTIVITIES		
<i>Profit (loss) for the period</i>	15,533	8,829
Depreciation and amortization	11,633	12,489
Provisions	8,466	6,051
Income tax expense	9,527	3,769
Accrued interest expense	13,599	10,975
Adjustments to other non-cash items	(26)	(9)
<i>Cash generated by operations</i>	<i>58,732</i>	<i>42,104</i>
(Increase)/decrease in trade receivables	(21,559)	(23,433)
(Increase)/decrease in inventories	(2,241)	(12,713)
(Decrease)/increase in trade payables	(20,988)	17,558
<i>Cash generated by change in operating working capital</i>	<i>(44,788)</i>	<i>(18,588)</i>
(Increase) decrease in other assets	(4,552)	(1,112)
(Decrease)/increase in other liabilities	536	1,209
(Use) of current and non-current provisions	(122)	(28)
(Decrease)/increase in current tax liabilities	967	(463)
<i>Other elements in working capital</i>	<i>(3,171)</i>	<i>(394)</i>
Income taxes paid	(3,278)	(2,432)
Interest received	434	162
Interest paid	(11,845)	(11,590)
<i>Total cash generated by change in other items of net working capital</i>	<i>(17,861)</i>	<i>(14,255)</i>
<i>Net cash from /(used in) net working capital</i>	<i>(62,649)</i>	<i>(32,843)</i>
Net cash from /(used in) operating activities	(3,917)	9,261
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(2,593)	(2,571)
Disposal of property, plant and equipment	26	9
(Investments) in intangible assets	(233,674)	(4,508)
Net cash from /(used in) investing activities	(236,240)	(7,070)
FINANCING ACTIVITIES		
<i>Financial Assets</i>		
- Repayments	-	700
<i>Financial Loans from banks</i>		
- Proceeds	-	744
- (Repayments)	(338)	(1,350)
Principal elements of lease payments	(3,403)	(2,610)
Other current and non current financial liabilities	12,497	(13,392)
Dividends paid to minorities	(1,108)	(682)
Shareholders capital increase	75,000	
Net cash from /(used in) financing activities	82,648	(16,590)
Net increase/(decrease) in cash and cash equivalents	(157,510)	(14,399)
Effect of foreign exchange rate changes	(955)	2,984
Cash and cash equivalents at beginning of year	225,995	228,848
Cash and cash equivalents at June 30, 2023	67,530	217,433

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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

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, 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, since it 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 reorganization of the region led to the opening of a new affiliate in Shanghai in July 2021, which 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 center was relocated to Singapore in 2022 as a strategic hub for the development of this business region in the near future.

During 2023 Marcolin executed some extraordinary and long-lasting investments. On April 28, 2023 the Group closed a long-term license with The Estée Lauder Companies ("ELC") for TOM FORD eyewear. This represents a substantial extension of Marcolin's license with TOM FORD. The new license agreement is perpetual and provides for an upfront payment by Marcolin of usd 250 million to TOM FORD, which is now owned by ELC. This was funded by a combination of cash on balance sheet and a capital increase of euro 75 million by Marcolin's shareholders. The usd 250 million has been hedged by the Group through a deal contingent FX forward contract. On July 5, 2023 Marcolin Group completed the acquisition of its own subsidiary in México. The Group has been present in the market for 6 years through a joint venture. As part of its greater corporate strategy to enhance its presence in key markets, the Group acquired the remaining 49% of the shares of the joint venture. Marcolin México, located in México City, will continue to closely support local stakeholders, while further improving and quickening responses to clients' needs in a market with a strong growth potential.

On financial side, Marcolin continued its projects to streamline and improve the management of working capital (focusing on all its main components such as trade receivables, trade payables and inventory management) with positive effects on cash generation. The Group's main source of financing as of June 30, 2023 is 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 drawn for 15 million euro as of June 30, 2023 and partially reimbursed at the beginning of July 2023 for 7.5 million euro. The residual drawn portion is expected to be reimbursed along next months.

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, 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 actual macroeconomic indicators, 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 macroeconomic 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.

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Basis of operation

These interim condensed consolidated financial statements for the six months ended June 30, 2023 have been prepared on a going concern basis following IAS 34 "*Interim Financial Reporting*" which governs interim financial reporting. Directors verified the absence of any financial, business or other types of indicators that could signify issues about the Group's ability to meet its obligations in the foreseeable future and specifically in the next 12 months.

IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "IFRS"), given that the entity has prepared its financial statements compliant with IFRS for the previous fiscal year.

The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2022.

The interim condensed consolidated financial statements include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of change in equity, the condensed consolidated statement of cash flows, and the notes thereto.

Accounting policies

The accounting policies adopted for the preparation of the interim condensed consolidation financial statements for the six months ended June 30, 2023 are consistent with those used to prepare the annual consolidated financial statements as of December 31, 2022, except taxes on income which, in the interim periods, are accrued using tax rate that would be applicable to expected total annual profit or loss and except as regards the adoption of the new or revised IFRS or IFRIC as set out below.

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

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

The same financial statement format was used to prepare the annual consolidated financial statements as of December 31, 2022.

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

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after January 1, 2023

The following new standards and amendments became effective on January 1, 2023:

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.

The above amendments had no impact on the Group.

New accounting standards and interpretations approved by the European Union and effective for periods after June 30, 2023

The following new standards and amendments became effective after June 30, 2023:

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).

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).

Amendments to IAS 12 Income taxes: International Tax Reform – PillarTwo Model Rules (issued 23 May 2023).

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

At the date of preparation of the condensed consolidation interim financial statements, any new standards and interpretations had been issued by IASB but not yet endorsed by the EU.

Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company as of and for the year ended December 31, 2022.

Seasonality of operations

The operations of the Group are affected by seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net sales recorded in the first half of any given year are generally higher than in the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to vary from period on period, depending on the variability in the volumes and timing of sales and sunglasses.

Financial risk management

In the ordinary courses of the business the Group is exposed to a variety of financial risks including market risks (currency risk and interest risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all the information and notes on financial risk management required in the preparation of the annual consolidated financial statements.

Consolidated companies

The Marcolin Group's interim condensed consolidated financial statements for the six months ended June 30, 2023 reflect the consolidated companies at that date, i.e. Marcolin SpA (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

Companies list is set forth below:

Company	Currency	Share capital	Consolidation method	% ownership	
				Direct	Indirect
Marcolin Asia HK Ltd	HKD	1,539,785	Full consolidation	100.0%	
Marcolin Benelux Sprl	EUR	280,000	Full consolidation	100.0%	
Marcolin do Brasil Ltda	BRL	41,369,129	Full consolidation	100.0%	
Marcolin Deutschland GmbH	EUR	300,000	Full consolidation	100.0%	
Marcolin France Sas	EUR	1,054,452	Full consolidation	100.0%	
Marcolin GmbH	CHF	200,000	Full consolidation	100.0%	
Marcolin Iberica SA	EUR	487,481	Full consolidation	100.0%	
Marcolin Nordic AB	SEK	50,000	Full consolidation	100.0%	
Marcolin Portugal Lda	EUR	420,000	Full consolidation	100.0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	CNY	1,000,000	Full consolidation	100.0%	
Marcolin UK Ltd	GBP	3,572,718	Full consolidation	100.0%	
Marcolin USA Eyewear Corp.	USD	121,472,262	Full consolidation	100.0%	
Marcolin Singapore Pte Ltd	SGD	100,000	Full consolidation	100.0%	
Marcolin PTY Limited	AUD	50,000	Full consolidation	100.0%	
Marcolin-RUS LLC	RUB	305,520	Full consolidation	100.0%	
Marcolin Middle East FZCO	AED	100,000	Full consolidation	51.0%	
Marcolin México S.A.P.I. de C.V.	MXN	50,000	Full consolidation	51.0%	
Marcolin Eyewear (Shanghai) Co., Ltd.	CNY	103,000,000	Full consolidation	100.0%	
Marcolin UK Ltd (HK Branch)	HKD	-	Full consolidation	100.0%	
Gin Hong Lin International Co Ltd	HKD	25,433,653	Full consolidation	100.0%	
Shanghai Ginlin Optics Co Ltd	CNY	22,045,100	Full consolidation		100.0%

No changes in the scope of consolidation since December 31, 2022. On July 5, 2023 Marcolin SpA purchased the non-controlling interests of Marcolin México, after the deal Marcolin SpA owns 100% of the Mexican subsidiaries.

Italian tax consolidation

The Company acts as a consolidated entity in the Italian tax consolidation regime according to Article 117 et seq. of Presidential Decree n. 917, December 22, 1986 (Italian Tax Code or "TUIR") that allows the determination of a single corporate income tax (IRES) taxable base which is the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the ultimate parent company, 3 Cime SpA, which acts as the consolidating entity. Once the election for Italian tax consolidation is made, it cannot be revoked until three fiscal years have passed and, from 2017, the option for consolidated taxation is automatic renewal at the end of the three-year period.

The participation to the Italian tax consolidation regime enables each participant (including the Company) to optimize the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group or by transferring the tax credits to other group companies, which can offset such credits against their own taxes.

Tax consolidation transactions are summarized below:

- in years with taxable income, Company pays to 3 Cime SpA the additional tax due to the Italian tax authority;
- 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 realized, accounted on an accrual basis;
- the tax is paid only when 3 Cime SpA actually uses the tax loss carried to the tax consolidation regime;
- if 3 Cime SpA and the Company do not renew the tax consolidation option, or if the requirements for continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

Exchange rates

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to June 30, 2023 and January-to-June 2023, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		06/30/2023	06/30/2022	Change	2023	2022	Change
Dirham Emirati Arabi	AED	3.991	3.815	4.6%	3.969	4.015	(1.2)%
Australian Dollar	AUD	1.640	1.510	8.6%	1.599	1.520	5.2%
Brasilian Real	BRL	5.279	5.423	(2.7)%	5.483	5.556	(1.3)%
Swiss Franc	CHF	0.979	0.996	(1.7)%	0.986	1.032	(4.5)%
Renminbi	CNY	7.898	6.962	13.4%	7.489	7.082	5.7%
Danish Krone	DKK	7.447	7.439	0.1%	7.446	7.440	0.1%
English Pound	GBP	0.858	0.858	0.0%	0.876	0.842	4.0%
Hong Kong Dollar	HKD	8.516	8.149	4.5%	8.471	8.556	(1.0)%
Mexican Pesos	MXN	18.561	20.964	(11.5)%	19.646	22.165	(11.4)%
Norwegian krone	NOK	11.704	10.349	13.1%	11.320	9.982	13.4%
Ruble	RUB	95.105	54.791	73.6%	83.121	83.373	(0.3)%
Swedish Krone	SEK	11.806	10.730	10.0%	11.333	10.480	8.1%
USA Dollar	USD	1.087	1.039	4.6%	1.081	1.093	(1.2)%

ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Non-current assets

The composition of non-current assets is shown below:

Non-current assets (euro/000)	06/30/2023	12/31/2022	Increase/decrease	
			euro	%
Property, plant and equipment	40,163	41,855	(1,692)	(4.0)%
Intangible assets	271,785	43,195	228,589	100.0%
Goodwill	291,627	293,359	(1,733)	(0.6)%
Deferred tax assets	50,279	52,354	(2,074)	(4.0)%
Other non-current assets	803	824	(20)	(2.5)%
Non-current financial assets	247	232	15	6.5%
Total non-current assets	654,904	431,819	223,085	51.7%

Net value of non-current assets increased by euro 223,085 thousand from December 31, 2022. Such increase is mainly related to the accounting methodology, in accordance with IAS 38 and IAS 36, applied to the upfront payment executed by Marcolin of usd 250 million for the signature of a long-term license with The Estée Lauder Companies ("ELC") for TOM FORD eyewear. The intangible asset has an indefinite useful life.

The net value of the Right of Use booked in Property, plant and equipment, in accordance with IFRS16, is euro 11,314 thousand. The depreciation of right of use recognized as of June 30, 2023 in the income statement is euro 3,049 thousand.

Goodwill decrease by euro 1,733 thousand is only due to translation effect.

Deferred tax assets decrease by euro 2,074 thousand, and did not change significantly compared to December 31, 2022 in terms of their components.

Based on IAS 36 accounting principle (Impairment of assets), management evaluated Goodwill did not suffer any impairment losses, given no trigger events occurred since December 31, 2022, based on positive results of first semester 2023, in line with management expectations.

2. Current assets

The composition of current assets is shown below:

Current assets (euro/000)	06/30/2023	12/31/2022	Increase/decrease	
			euro	%
Inventories	101,399	106,615	(5,216)	(4.9)%
Trade receivables	96,782	75,464	21,318	28.2%
Other current assets	30,384	30,952	(568)	(1.8)%
Current financial assets	17	100	(83)	(83.1)%
Cash and bank balances	67,530	225,995	(158,465)	(70.1)%
Total current assets	296,111	439,125	(143,014)	(32.6)%

The total value of current assets decreased by euro 143,014 thousand from December 31, 2022, mainly as a result of the combined effect of the changes listed below.

Inventories keep decreasing, benefitting from management actions in order to gain efficiency on inventories level.

The increase in Trade receivables compared to December 31, 2022 is largely affected by business seasonality of sales. Group maintains great focus on cash collections. DSO index keeps maintaining lowest level ever experienced. Trade receivables are shown net of the provision for doubtful debts.

Other current assets mainly include VAT credit amount, prepaid expenses and right to receive goods back accounted in accordance with IFRS15.

Finally, the significant decrease in cash and bank balances is explained in Group's Consolidated Statement of Cash Flow Statement and it is largely affected by Tom Ford deal with ELC.

3. Equity

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

As of June 30, 2023, the share capital was wholly owned by 3 Cime SpA.

Share premium reserve is euro 170,304 thousand as of June 30, 2023. Shareholders deposit in share capital is euro 121,108 thousand and increased by 75 million euro after the Shareholders' capital increase executed on 28 April 2023 as part of the Tom Ford deal with ELC.

The legal reserve of euro 7,180 thousand has reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 6,502 thousand refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other reserves are some euro - 24,347 thousand and mainly include Retained losses from previous years and the future share purchase over non-controlling interest in Marcolin Mexico for Euro 4.5 million.

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

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities (euro/000)	06/30/2023	12/31/2022	Increase/decrease	
			euro	%
Non-current financial liabilities	382,341	381,441	900	0.2%
Non-current funds	7,151	6,469	682	10.5%
Deferred tax liabilities	7,699	4,862	2,837	58.4%
Other non-current liabilities	942	941	1	0.1%
Total non-current liabilities	398,134	393,714	4,420	1.1%

Non-current financial liabilities mainly include:

- i) the value of the non-convertible and non-subordinated senior bond loan issued on 27 May 2021 for a nominal amount of 350 million euro, at a fixed rate of 6.125%, with maturity date November 2026;
- ii) the value of the 25 million euro loan granted by the shareholder 3 Cime SpA in 2020, including accrued interest at the balance sheet date;
- iii) the amount of non-current financial lease liabilities recognized in accordance with IFRS16 for euro 7,485 thousand.

As far as the increase of Deferred tax liabilities compared to December 2022, it mainly refers to the recognition of deferred taxation over the amortization, from a tax perspective, of the \$250 million intangible asset related to TOM FORD deal.

5. Current liabilities

Current liabilities are set forth below:

Current liabilities (euro/000)	06/30/2023	12/31/2022	Increase/decrease	
			euro	%
Trade payables	135,553	160,465	(24,912)	(15.5)%
Current financial liabilities	27,221	11,111	16,110	100.0%
Current funds	20,800	20,988	(187)	(0.9)%
Tax liabilities and others	35,221	33,613	1,607	4.8%
Total current liabilities	218,795	226,178	(7,382)	(3.3)%

Trade payables as of June 30, 2023 amounted to euro 135,553 thousand and show a decrease of euro 24,912 thousand compared to December 2022. The decrease compared to previous year reflects the seasonality realignment on royalty payments. Net of this effect, the balance also benefits from a tight policy in the choice of

suppliers and payment terms negotiations, together with a corporate culture spread throughout all departments aimed at an efficient management of operating working capital.

Current financial liabilities mainly include i) the liability for a total of euro 4,871 thousand booked in accordance with the application of the accounting standard IFRS16, ii) payables to other lenders for euro 7,538 thousand which is mainly made up of the liability for future share purchase over non-controlling interest in Marcolin México S.A.P.I. de C.V for euro 4.5 million and iii) euro 15 million ssRCF, drawn in order to manage the extraordinary cash out for investments occurred during second quarter 2023, which is also a cash absorptive quarter, together with first quarter, in terms of working capital seasonality. At the beginning of July 2023, euro 7.5m ssRCF has been reimbursed. The residual portion will be reimbursed along next months.

Current funds amounted as of June 30, 2023 to euro 20.8 million and show an decrease of euro 0.187 million compared to December 2022. 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.

The increase in Tax liabilities and others are mainly due to VAT temporary effect and an increase on employees' liabilities such as wages not yet paid.

6. Net financial position

The net financial debt as of June 30, 2023 is set forth below in comparison with December 31, 2022:

Net financial debt (euro/000)	06/30/2023	12/31/2022	Increase / Decrease	
			euro	%
Cash and cash equivalents	67,530	225,995	(158,465)	(70.1)%
Current and non-current financial assets	264	332	(68)	(20.5)%
Current financial liabilities	(27,221)	(11,111)	(16,110)	145%
Non-current financial liabilities	(382,341)	(381,441)	(900)	0.2%
Net financial position	(341,769)	(166,226)	(175,543)	106%

The reported net financial debt is euro 341,769 thousand, compared to euro 166,226 thousand at December 31, 2022.

The main components of the Group's debt are the bond notes for a notional amount of euro 350 million, euro 29.1 million for the loan granted in June 2020 by the shareholder 3 Cime SpA as part of the activities aimed at providing financial support to the Group to support the critical issues arising from the Covid-19 pandemic, short and medium/long-term loans granted by various financial institutions. In addition, a *Super Senior Revolving Facility* for a maximum amount of euro 46.2 million was available and drawn for Euro 15 million as of June 30, 2023. At the beginning of July 2023, euro 7.5 million ssRCF has been reimbursed. The residual portion will be reimbursed along next months.

ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as of June 30, 2023 is summarized below against the results as of June 30, 2022.

The 2023 net sales to date are euro 308,679 thousand, compared to euro 283,680 thousand for the first six months of 2022.

The June 2023 Reported Ebitda is euro 50,698 thousand, compared to 36,917 thousand for the six months of 2022.

Consolidated income statement (euro/000)	06/30/2023		06/30/2022	
	euro	% of net revenues	euro	% of net revenues
Net revenues	308,679	100.0%	283,680	100%
Gross profit	192,091	62.2%	170,857	60.2%
Ebitda	50,698	16.4%	36,917	13%
Operating income - Ebit	38,659	12.5%	23,573	8.3%
Financial income and costs	(13,599)	(4.4)%	(10,975)	(3.9)%
Profit before taxes	25,060	8.1%	12,597	4.4%
Net profit/(loss) for the period	15,533	5.0%	8,829	3.1%

June 30, 2023 Ebitda is euro 51,239 thousand (16.6% of net sales), against the June 2022 Adjusted Ebitda of euro 40,549 thousand (14.3% of net sales).

Economic indicator - Adjusted (euro/000)	06/30/2023		06/30/2022	
	euro	% of net revenues	euro	% of net revenues
Ebitda Adjusted	51,239	16.6%	40,549	14.3%
Ebit Adjusted	39,200	12.7%	27,205	9.6%

7. Net Revenues

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

Net Revenues by geographical area (euro/000)	06/30/2023		06/30/2022		Increase (decrease)	
	Net Revenues	% on total	Net Revenues	% on total	Euro	%
EMEA	154,607	50.1%	142,224	50.1%	12,383	8.7%
Americas	117,445	38.0%	117,908	41.6%	(463)	(0.4)%
Rest of World	13,291	4.3%	13,193	4.7%	98	0.7%
Asia	23,337	7.6%	10,355	3.7%	12,981	125.4%
Total	308,679	100.0%	283,680	100.0%	24,998	8.8%

In the first six months of 2023 net sales are euro 308,679 thousand and increase of euro 24,998 thousand (8.8%) in comparison to the same period of 2022. At constant exchange rates net sales are euro 308,310 thousand, with an increase of euro 24,630 thousand (+8.7%) compared to previous period.

EMEA net revenues amounted to 154.6 million euro, increasing +8.7% compared to first half of 2022 (9% at constant exchange rates). In this area, growth was recorded almost in all Countries for both Luxury and Diffusion brands.

Americas ended first half of 2023 with similar performances compared to 2022 (-0.4% at current exchange rates, -1.5% at constant exchange rates). Overall, the performance is solid considering last year's basis of comparison. Trend is mainly driven by a slight cooling down of customers sell-out for diffusion brands on US optical channel.

Sales in Asia significantly increased (+125.4% at current exchange rates and +125% at constant exchange rates) compared to first half of 2022 thanks to Group reorganization of the entire APAC region occurred in recent years. Very high growth in China region, benefitting from the direct channel sales through the wholly owned subsidiary

(following the takeover of the joint venture at the end of 2020) and APAC Distributor channel, driven by the new Korean distributor.

As far as the performance in the Rest of the World, which is mainly made up of emerging countries with high growth potential for the Group, there was an overall increase of +0.7%, also benefitting from the recovery of tourism.

8. Cost of sales

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

Cost of Sales (euro/000)	06/30/2023	% on net revenues	06/30/2022	% on net revenues
Product cost	106,503	34.5%	102,568	36.2%
Cost of personnel	6,202	2.0%	5,910	2.1%
Amortization, depreciation and writedowns	1,853	0.6%	1,754	0.6%
Other production cost	2,029	0.7%	2,591	0.9%
Total	116,588	37.8%	112,823	39.8%

Cost of sales amounted to euro 116,588 thousand for the six months ended June 30, 2023, an increase of euro 3,765 thousand, or 3.3%, from euro 112,823 thousand for the six months ended June 30, 2022.

The cost of sales as a percentage of net revenues is 37.8% for the six months ended June 30, 2023 compared to 39.8% the six months ended June 30, 2022.

Gross Margin keeps improving the solid performance experienced in first quarter 2023 thanks to production, procurement and supply chain efficiency, positive commercial mix and reduction on tension on freight costs slightly lowering compared to first semester of 2022.

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

9. Distribution and marketing expenses

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

Distribution and marketing expenses (euro/000)	06/30/2023	% on net revenues	06/30/2022	% on net revenues
Cost of personnel	30,705	9.9%	29,578	10.4%
Commissions	16,467	5.3%	16,906	6.0%
Amortization	8,447	2.7%	9,377	3.3%
Royalties	34,775	11.3%	33,188	11.7%
Advertising and PR	26,871	8.7%	21,327	7.5%
Other costs	15,712	5.1%	15,240	5.4%
Total	132,977	43.1%	125,615	44.3%

The distribution and marketing expenses amounted to euro 132,977 thousand for the six months ended June 30, 2023, an increase of euro 7,362 thousand or 5.9% from euro 125,615 thousand for six months ended June 30, 2022.

Commissions expenses amounted to euro 16,467 thousand in 2023, a decrease of 2.6% from the euro 16,906 thousand for the six months ended June 30, 2022.

In 2023 Royalties amounted to euro 34,775 thousand. In 2023 Royalties as a percentage of net revenues is 11.3% on net revenues compared to 11.7% during 2022.

Advertising and PR expenses in 2023 amounted to euro 26,871 thousand, an increase of euro 5,544 thousand, or 26.0%, from the euro 21,327 thousand in the same period of 2022. As a percentage of net revenues, Advertising and PR expenses in 2023 is 8.7%, compared to 7.5% of 2022. Such increase is mainly due to a different timing on marketing activities compared to previous year.

The "other costs" mainly refer to freight-out expenses, business travel, rent and services. In 2023, other costs amounted to euro 15,712 thousand, an increase of euro 0.5 million, or 3.1%, from the euro 15,240 thousand in

the same period of 2022. As a percentage of net revenues, they are 5.1%, compared to 5.4% for the six months ended June 30, 2022.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	06/30/2023	% on net revenues	06/30/2022	% on net revenues
Cost of personnel	8,780	2.8%	9,361	3.3%
Amortization and writedowns	1,740	0.6%	2,213	0.8%
Other costs	11,318	3.7%	10,550	3.7%
Total	21,837	7.1%	22,124	7.8%

General and administrative expenses amounted to euro 21,837 thousand for the six months ended June 30, 2023, compared to euro 22,124 thousand the six months ended June 30, 2022. As a percentage of net revenues, in 2023 general and administrative expenses is 7.1%, compared to 7.8% for 2022.

11. Other operating income and expenses

The total amount of other operating income and expenses amounted to a net euro 0.434 million revenues for the six months ended June 30, 2023. The amount mainly refers to other rebilling, compensation for damages and other minor non-operating expenses.

12. Financial income and costs

Net Financial Income and expenses amounted to a net euro 13,599 thousand expenses for the six months ended June 30, 2023 compared to euro 10,975 thousand expenses for the six months ended June 30, 2022.

The financial line is composed of a net amount of income and expense. With reference to the cost components, the main one refers to financial interest expenses related to the euro 350 million bond for a total amount of 13.8 million euro. Foreign currency management contributed to a net loss of 0.2 million euro compared to a net euro 2.4 million gain experienced during previous year.

13. Income tax expense

The estimated income tax expense amounted to euro 9,527 thousand for the six months ended June 30, 2023, compared to the euro 3,769 thousand the six months ended June 30, 2022.

Current and deferred income tax are calculated by applying the tax rates on reasonably estimated taxable income, determined in accordance with the tax regulations in force. Income tax expense has been calculated on a prudential basis, considering the tax effect on subsidiaries with taxable net income while not considering the deferred tax asset over some entities with taxable net losses and new startup companies.

OTHER INFORMATION

SUBSEQUENT EVENTS

On 5 July 2023 Marcolin Group announces it has completed the acquisition of its own subsidiary in México. The Group has been present in the market for 6 years through a joint venture. As part of its greater corporate strategy to enhance its presence in key markets, the Group acquired the remaining 49% of the shares of the joint venture. Marcolin México, from its own subsidiary located in México City, will continue to closely support local stakeholders, while further improving and quickening responses to clients' needs in a market with a strong growth potential.

No other events occurred that could have material effects on the reported financial results in accordance with IAS 10.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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

Significant non-recurring events and transactions

In the first six months of 2023 there were no significant non-recurring events and/or transactions.

Atypical and unusual transactions

In the first six months of 2023 there were no atypical and/or unusual transactions, including with other Group companies, nor any transactions outside the scope of the ordinary business activity that could have significantly impacted the financial position, financial performance or cash flows of Marcolin SpA and the Group.

Transactions with related parties

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

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

The transactions and outstanding balances with respect to related parties as of June 30, 2023 are shown below, as required by IAS 24. As previously noted, Marcolin Group figures reflect the participation in the Italian tax consolidation regime with the Parent Company 3Cime SpA.

Company (euro/000)	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	-	-	50	-	Related party
Family Marcolin	207	-	31	-	Related party
3 Cime S.p.A.	744	-	29,523	6,641	Consolidating
Total	951	-	29,603	6,641	

The same table is set forth as of June 30, 2022:

Company (euro/000)	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	30	-	155	-	Related party
Family Marcolin	206	-	31	0	Related party
3 Cime S.p.A.	744	-	28,023	7,696	Consolidating
Total	980	-	28,208	7,696	

Milan, July 27, 2023

For the Board of Directors
C.E.O.
Fabrizio Curci

