

MARCOLIN

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 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

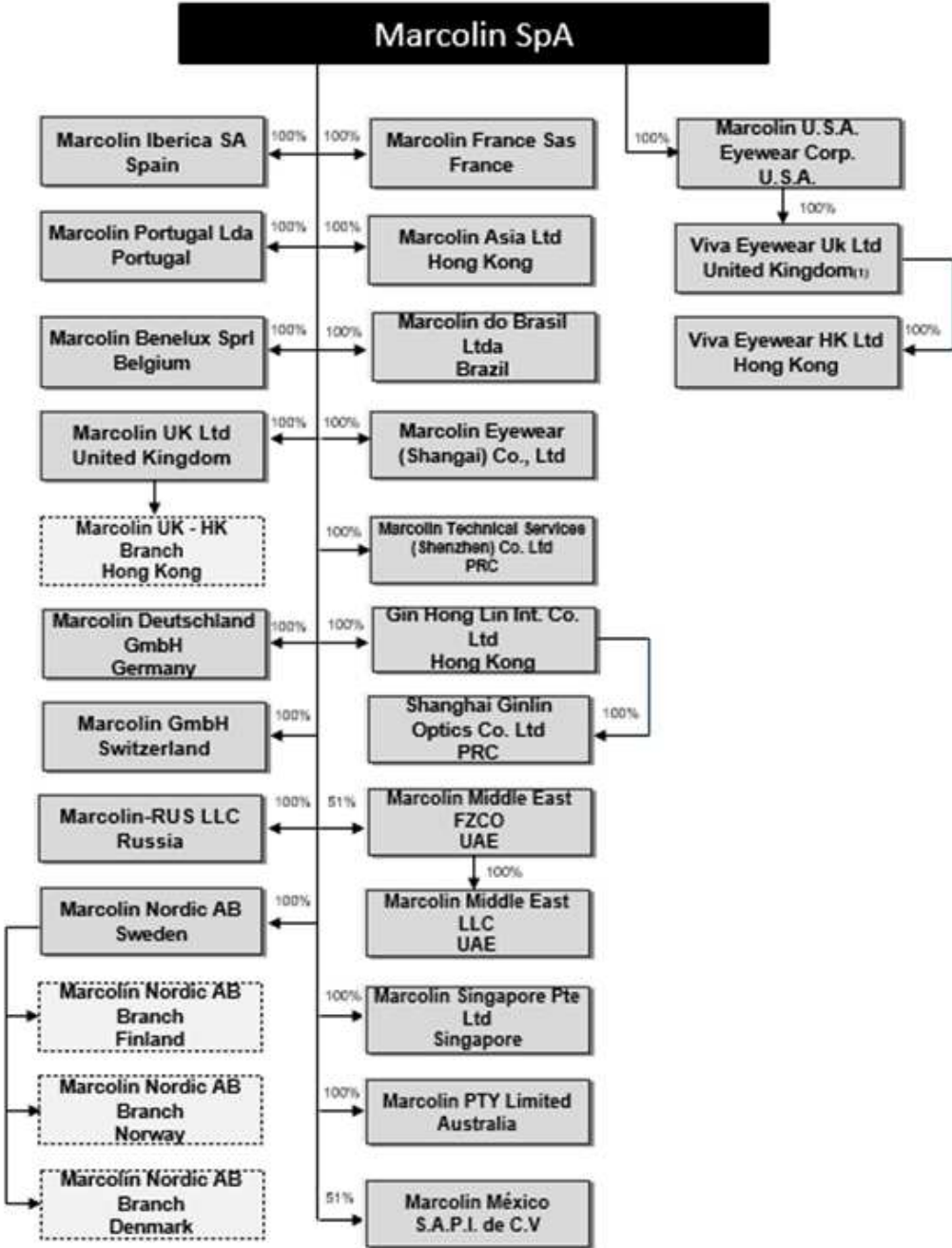
1) Term of office ends on the date of the General Meeting called to approve the financial statements as at 31 December 2024 (pursuant to the General Meeting resolution of 28 April 2022).

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).

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 at 31 December 2024.

MARCOLIN GROUP STRUCTURE



1) Company undergoing liquidation;

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(euro/000)</i>	Notes	03/31/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	40,580	41,855
Intangible assets	1	41,290	43,195
Goodwill	1	291,470	293,359
Deferred tax assets	1	52,391	52,354
Other non-current assets	1	832	824
Non-current financial assets	1; 6	230	232
Total non-current assets		426,794	431,819
CURRENT ASSETS			
Inventories	2	109,023	106,615
Trade receivables	2	90,620	75,464
Other current assets	2	30,727	30,952
Current financial assets	2; 6	197	100
Cash and cash equivalents	2; 6	201,150	225,995
Total current assets		431,718	439,125
TOTAL ASSETS		858,512	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		46,325	53,854
Retained earnings (losses)		(19,090)	(11,265)
Profit (loss) for the period		6,216	(7,825)
Group equity		246,838	248,151
Non controlling interests		2,415	2,901
TOTAL EQUITY		249,252	251,052
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	381,540	381,441
Non-current funds	4	6,635	6,469
Deferred tax liabilities	4	6,215	4,862
Other non-current liabilities	4	941	941
Total non-current liabilities		395,331	393,714
CURRENT LIABILITIES			
Trade payables	5	137,591	160,465
Current financial liabilities	5; 6	19,563	11,111
Current funds	5	21,922	20,988
Tax liabilities	5	9,717	8,130
Other current liabilities	5	25,135	25,483
Total current liabilities		213,928	226,178
TOTAL LIABILITIES		609,259	619,892
TOTAL LIABILITIES AND EQUITY		858,512	870,944

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONDENSATED STATEMENT OF COMPREHENSIVE INCOME

<i>(euro/000)</i>	Notes	03/31/2023	%	03/31/2022	%
Net Revenues	7	152,322	100.0%	129,821	100.0%
Cost of sales	8	(58,029)	(38.1)%	(51,898)	(40.0)%
GROSS PROFIT		94,292	61.9%	77,922	60.0%
Distribution and marketing expenses	9	(66,537)	(43.7)%	(56,768)	(43.7)%
General and administrative expenses	10	(10,812)	(7.1)%	(10,845)	(8.4)%
Other operating income/(expenses)	11	163	0.1%	181	0.1%
OPERATING INCOME - EBIT		17,106	11.2%	10,491	8.1%
Financial income	12	2,746	1.8%	5,178	4.0%
Financial costs	12	(9,593)	(6.3)%	(10,373)	(8.0)%
PROFIT (LOSS) BEFORE TAXES		10,260	6.7%	5,296	4.1%
Income tax expense	13	(3,466)	(2.3)%	(1,723)	(1.3)%
NET PROFIT (LOSS) FOR THE PERIOD		6,794	4.5%	3,573	2.8%
Profit (loss) attributable to:					
- Owners of the parent		6,216	4.1%	3,004	2.3%
- Non-controlling interests		578	0.4%	568	0.4%

<i>(euro/000)</i>	03/31/2023	03/31/2022
NET PROFIT (LOSS) FOR THE PERIOD	6,794	3,573
<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	(2,226)	2,620
Change in exchange rate difference on quasi equity loan	(371)	1,808
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	(2,597)	4,428
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	4,197	8,001
Risultato complessivo attribuibile:		
- owners of the parent	3,580	7,393
- non-controlling interests	617	608

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
				S.holders deposit in s/capital	Translation reserve	Other	Actuarial gain / (loss) reserve	Retained earnings/ (losses)				
<i>(euro/000)</i>												
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)	-	-	-
- Period result	-	-	-	-	-	-	-	-	3,004	3,004	568	3,573
- Other components of comprehensive income	-	-	-	-	2,580	1,808	-	-	-	4,388	40	4,428
Total comprehensive income	-	-	-	-	2,580	1,808	-	-	3,004	7,392	608	8,001
March 31, 2022	35,902	170,304	7,180	46,108	8,661	(2,875)	(64)	(11,265)	3,004	256,955	2,070	259,026
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)
- Period result	-	-	-	-	-	-	-	-	6,216	6,216	578	6,794
- Other components of comprehensive income	-	-	-	-	(2,265)	(5,260)	-	-	-	(7,525)	39	(7,486)
Total comprehensive income	-	-	-	-	(2,265)	(5,260)	-	-	6,216	(1,309)	617	(692)
March 31, 2023	35,902	170,304	7,180	46,108	6,168	(6,135)	190	(19,090)	6,216	246,844	2,410	249,252

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(euro/000)</i>	03/31/2023	03/31/2022
OPERATING ACTIVITIES		
<i>Profit (loss) for the period</i>	6,794	3,573
Depreciation and amortization	6,361	6,161
Provisions	5,531	(2,915)
Income tax expense	3,466	1,723
Accrued interest expense	6,847	5,195
<i>Cash generated by operations</i>	<i>28,998</i>	<i>13,736</i>
(Increase)/decrease in trade receivables	(15,600)	(13,053)
(Increase)/decrease in inventories	(7,554)	(7,899)
(Decrease)/increase in trade payables	(19,234)	3,877
<i>Cash generated by change in operating working capital</i>	<i>(42,388)</i>	<i>(17,076)</i>
(Increase) decrease in other assets	(2,430)	(1,372)
(Decrease)/increase in other liabilities	(1,294)	1,047
(Use) of current and non-current provisions	(52)	(53)
(Decrease)/increase in current tax liabilities	218	(290)
<i>Other elements in working capital</i>	<i>(3,557)</i>	<i>(668)</i>
Income taxes paid	(1,086)	(1,726)
Interest received	167	36
Interest paid	(464)	(392)
<i>Total cash generated by change in other items of net working ca</i>	<i>(4,941)</i>	<i>(2,750)</i>
<i>Net cash from /(used in) net working capital</i>	<i>(47,328)</i>	<i>(19,826)</i>
Net cash from /(used in) operating activities	(18,330)	(6,090)
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(1,335)	(578)
(Investments) in intangible assets	(1,357)	(1,834)
Net cash from /(used in) investing activities	(2,691)	(2,411)
FINANCING ACTIVITIES		
<i>Financial Assets</i>		
- Repayments	-	700
<i>Financial Loans from banks</i>		
- Proceeds	-	370
- (Repayments)	(167)	(672)
Principal elements of lease payments	(1,687)	(1,312)
Other current and non current financial liabilities	(1,178)	(3,988)
<i>Net cash from /(used in) financing activities</i>	<i>(3,032)</i>	<i>(4,903)</i>
Net increase/(decrease) in cash and cash equivalents	(24,053)	(13,404)
Effect of foreign exchange rate changes	(792)	368
Cash and cash equivalents at beginning of year	225,995	228,848
Cash and cash equivalents at March 31, 2023	201,150	215,812

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, 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, 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 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.

On 28 April 2023 Marcolin 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 \$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 €75 million by Marcolin's shareholders.

In order to hedge the exchange currency risk associated with the USD currency exposure related to the payment of \$250 million mentioned above, in January 2023 Marcolin SpA signed a deal contingent FX forward, accounted in accordance with IFRS9 as a Cash Flow Hedge reserve in Equity as of 31 March 2023.

In 2022 as well as in the first quarter of 2023, 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 centers around the world, as well as continuing to promote remote working solutions for office personnel.

First quarter 2023 was overall positive and balanced across all geographic areas, especially in EMEA regions and Asia.

On the financial side, 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 financial lines.

The Group's main source of financing as of 31 March 2023 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 March 2023.

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 the other quarter of 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.

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Basis of operation

These interim condensed consolidated financial statements for the three months ended March 31, 2023 have been prepared on a going concern basis following IAS 34 “*Interim Financial Reporting*” which governs interim financial reporting. In fact, the 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 three months ended March 31, 2023 are consistent with those used to prepare the annual consolidated financial statements as at 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 at 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 March 31, 2023

The following new standards and amendments became effective after March 31, 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).

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 three months ended March 31, 2023 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

Companies list is set forth below:

Company	HQ	Currency	Share capital	Equity	Net Result	Consolidation method	% ownership	
							Direct	Indirect
Marcolin Asia HK Ltd	Hong Kong	HKD	1,539,785	5,476,532	439,702	Full consolidation	100.0%	
Marcolin Benelux Sprl	Villers-Le-Bouillet, Belgium	EUR	280,000	1,379,901	555,788	Full consolidation	100.0%	
Marcolin do Brasil Ltda	Baneri - SP, Brasil	BRL	41,369,129	62,575,123	4,988,234	Full consolidation	100.0%	
Marcolin Deutschland GmbH	Colonia, Germany	EUR	300,000	2,530,438	113,678	Full consolidation	100.0%	
Marcolin France Sas	Paigis, France	EUR	1,054,452	5,371,953	(423,232)	Full consolidation	100.0%	
Marcolin GmbH	Muttenz, Switzerland	CHF	200,000	263,431	(4,592)	Full consolidation	100.0%	
Marcolin Iberica SA	Barcelona, Spain	EUR	487,481	1,288,157	(17,712)	Full consolidation	100.0%	
Marcolin Nordic AB	Stoccolma, Sweden	SEK	50,000	10,028,663	1,362,416	Full consolidation	100.0%	
Marcolin Portugal Lda	Lisbona, Portugal	EUR	420,000	84,936	(73,035)	Full consolidation	100.0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	CNY	1,000,000	3,701,491	83,089	Full consolidation	100.0%	
Marcolin UK Ltd	London, UK	GBP	3,572,718	7,654,476	511,557	Full consolidation	100.0%	
Marcolin USA Eyewear Corp.	Somerville, Usa	USD	121,472,262	112,716,397	1,872,351	Full consolidation	100.0%	
Marcolin Singapore Pte Ltd	Singapore	SGD	100,000	(2,507,536)	625,166	Full consolidation	100.0%	
Marcolin PTY Limited	Sidney, Australia	AUD	50,000	(218,721)	(288,026)	Full consolidation	100.0%	
Marcolin-RUS LLC	Mosca, Russia	RUB	305,520	267,175,302	13,483,549	Full consolidation	100.0%	
Marcolin Middle East FZCO	Dubai Airport Freezone, UAE	AED	100,000	11,377,753	3,541,577	Full consolidation	51.0%	
Marcolin México S.A.P.I. de C.V.	Naucaplan de Juarez, México	MXN	50,000	41,608,155	5,614,864	Full consolidation	51.0%	
Marcolin Eyewear (Shanghai) Co., Ltd.	Shanghai, PRC	CNY	63,000,000	43,714,776	(4,168,266)	Full consolidation	100.0%	
Marcolin UK Ltd (HK Branch)	Hong Kong	HKD	-	32,820,296	3,921,835	Full consolidation	100.0%	
Gin Hong Lin International Co Ltd	Hong Kong	HKD	25,433,653	21,269,170	142,175	Full consolidation		100.0%

No changes in the scope of consolidation since December 31, 2022.

Italian tax consolidation

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

Participation in 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.

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 2023.

Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay 3 Cime S.p.A. the additional tax due to the tax authorities.
- in the event of negative taxable income (tax loss), the Company receives from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accrual basis;
- the amount is paid only when 3 Cime S.p.A. actually uses the tax loss brought to the consolidation;
- if 3 Cime S.p.A. 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 March 31, 2023 and January-to-March 2023, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		03/31/2023	03/31/2022	Change	2023	2022	Change
Dirham Emirati Arabi	AED	3.994	4.077	(2.0)%	3.941	4.119	(4.3)%
Australian Dollar	AUD	1.627	1.483	9.7%	1.570	1.549	1.4%
Brasilian Real	BRL	5.516	5.301	4.1%	5.575	5.870	(5.0)%
Canadian Dollar	CAD	1.474	1.390	6.1%	1.451	1.421	2.2%
Swiss Franc	CHF	0.997	1.027	(2.9)%	0.992	1.036	(4.2)%
Renminbi	CNY	7.476	7.040	6.2%	7.342	7.121	3.1%
Danish Krone	DKK	7.449	7.438	0.1%	7.443	7.441	0.0%
English Pound	GBP	0.879	0.846	3.9%	0.883	0.836	5.6%
Hong Kong Dollar	HKD	8.537	8.692	(1.8)%	8.411	8.755	(3.9)%
Japanese Yen	JPY	144.830	135.170	7.1%	141.981	130.464	8.8%
Mexican Pesos	MXN	19.639	22.090	(11.1)%	20.043	22.992	(12.8)%
Norwegian krone	NOK	11.394	9.711	17.3%	10.990	9.925	10.7%
Ruble	RUB	83.764	92.619	(9.6)%	78.148	96.362	(18.9)%
Swedish Krone	SEK	11.281	10.337	9.1%	11.203	10.481	6.9%
USA Dollar	USD	1.088	1.110	(2.0)%	1.073	1.122	(4.3)%

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)	03/31/2023	12/31/2022	Increase/decrease	
			euro	%
Property, plant and equipment	40,580	41,855	(1,275)	(3.0)%
Intangible assets	41,290	43,195	(1,905)	(4.4)%
Goodwill	291,470	293,359	(1,889)	(0.6)%
Investments in subsidiaries and associates	-	-	-	0.0%
Deferred tax assets	52,391	52,354	38	0.1%
Other non-current assets	832	824	9	1.0%
Non-current financial assets	230	232	(2)	(0.7)%
Total non-current assets	426,794	431,819	(5,025)	(1.2)%

Net value of non-current assets decreased by 5.025 million from December 31, 2022.

Intangible assets decrease mainly refers to amortization effect which is higher than the new capitalizations.

The net value of the right of use booked in Property, plant and equipment, due to IFRS16 adoption, is euro 11.165 million. The depreciation of right of use recognized as of March 31, 2023 in the income statement is euro 1.503 million.

Goodwill decrease by euro 1.889 million is only due to translation effect.

Deferred tax assets increase by euro 38 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 1Q2023, in line with management expectations.

2. Current assets

The composition of current assets is shown below:

Current assets (euro/000)	03/31/2023	12/31/2022	Increase/decrease	
			euro	%
Inventories	109,023	106,615	2,408	2.3%
Trade receivables	90,620	75,464	15,156	20.1%
Other current assets	30,727	30,952	(224)	(0.7)%
Current financial assets	197	100	97	96.9%
Cash and bank balances	201,150	225,995	(24,844)	(11.0)%
Total current assets	431,718	439,125	(7,407)	(1.7)%

The total value of current assets decreased by euro 7.407 million from December 31, 2022, mainly as a result of the combined effect of the changes listed below.

Inventories increased compared to December 31, 2022, reflecting the expected increase in Net Sales along 2023. Inventory level benefits from actions in order to gain efficiency started from FY22. DOI index keeps reducing.

The increase in Trade receivables compared to December 31, 2022 is largely affected by business seasonality, since usually first quarter experiences the highest sales level than other quarters of the year. The Group maintains focus on cash collections from customers and 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 decrease in cash and bank balances has been reported in the Group's Consolidated Statement of Cash Flow.

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 at 31 March 2023, the share capital was wholly owned by 3 Cime SpA.

The share premium reserve was 170,304 thousand euro as at 31 March 2023, and the capital reserve account remained unchanged at 46,108 thousand euro.

The legal reserve of euro 7.180 million has reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 6.168 million 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 - 25.041 million and include mainly Retained losses from previous years, the accounting of MtM of the Deal Contingent FX forward accounted ex IFRS9 on cash flow edge reserve in Equity and future share purchase over non-controlling interest in Marcolin Mexico.

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)	03/31/2023	12/31/2022	Increase/decrease	
			euro	%
Non-current financial liabilities	381,540	381,441	99	0.0%
Non-current funds	6,635	6,469	166	2.6%
Deferred tax liabilities	6,215	4,862	1,353	27.8%
Other non-current liabilities	941	941	()	(0.0)%
Total non-current liabilities	395,331	393,714	1,617	0.4%

Non-current financial liabilities mainly include:

- i) the value of the non-convertible and non-subordinated senior bond loan taken out on 27 May 2021 for a nominal amount of 350 million euro, at a fixed rate of 6.125% and maturing in November 2026;
- ii) the value of the 25 million euro loan granted by the shareholder 3 Cime S.p.A. in 2020, including interest accrued at the balance sheet date;
- iii) the amount of non-current financial lease liabilities recognized in accordance with IFRS16 for euro 7.367 million.

5. Current liabilities

Current liabilities are set forth below:

Current liabilities (euro/000)	03/31/2023	12/31/2022	Increase/decrease	
			euro	%
Trade payables	137,591	160,465	(22,875)	(14.3)%
Current financial liabilities	19,563	11,111	8,452	76.1%
Current funds	21,922	20,988	935	4.5%
Tax liabilities and others	34,852	33,613	1,239	3.7%
Total current liabilities	213,928	226,178	(12,249)	(5.4)%

Trade payables as at March 31, 2023 amounted to euro 137.591 million and show a decrease of euro 22.875 million compared to December 2022. They are aligned with volume of purchases to support current and future expected sales. Reduction vs LY due to seasonality realignment on royalty payments.

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.

Current financial liabilities include for a total of 4.904 thousand euro related to the application of the new accounting standard IFRS16; payables to other lenders for 9.635 thousand euro, mainly related to the accrued interest payable on the Bond and future share purchase over non-controlling interest in Marcolin México S.A.P.I. de C.V.

Current funds amounted as at March 31, 2022 to euro 21.922 million and show an increase of euro 0.935 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 vacations and bonuses not yet paid.

6. Net financial position

The net financial debt as at March 31, 2023 is set forth below in comparison with December 31, 2022:

Net financial debt (euro/000)	03/31/2023	12/31/2022	Increase / Decrease	
			euro	%
Cash and cash equivalents	201,150	225,995	(24,844)	(11.0)%
Current and non-current financial assets	427	332	95	28.7%
Current financial liabilities	(19,563)	(11,111)	(8,452)	76%
Current portion of non-current financial liabilities	-	-	-	0%
Non-current financial liabilities	(381,540)	(381,441)	(99)	0%
Net financial position	(199,526)	(166,226)	(33,300)	20%

The reported net financial debt is euro 199.526 million, compared to euro 166.226 million 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 S.p.A. 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 unused as at 31 March 2023.

ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at March 31, 2023 is summarized below against the results as at March 31, 2022.

The 2023 net sales to date are euro 152.322 million, compared to euro 129.821 million for the first three months of 2022.

The March 2023 Reported Ebitda is euro 23.664 million, compared to 16.932 million for the three months of 2022.

Consolidated income statement <i>(euro/000)</i>	03/31/2023		03/31/2022	
	euro	% of net revenues	euro	% of net revenues
Net revenues	152,322	100.0%	129,821	100%
Gross profit	94,292	61.9%	77,922	60.0%
Ebitda	23,664	15.5%	16,932	13%
Operating income - Ebit	17,106	11.2%	10,491	8.1%
Financial income and costs	(6,847)	(4.5)%	(5,195)	(4.0)%
Profit before taxes	10,260	6.7%	5,296	4.1%
Net profit/(loss) for the period	6,794	4.5%	3,573	2.8%

31 March 2023 Ebitda is euro 23.664 million (15.5% of net sales), against the March 2022 Adjusted Ebitda of euro 18.208 million (14.0% of net sales). No extraordinary elements occurred along first quarter 2023.

Economic indicator - Adjusted <i>(euro/000)</i>	03/31/2023		03/31/2022	
	euro	% of net revenues	euro	% of net revenues
Ebitda Adjusted	23,664	15.5%	18,208	14.0%
Ebit Adjusted	17,106	11.2%	11,767	9.1%

7. Net Revenues

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

Net Revenues by geographical area <i>(euro/000)</i>	03/31/2023		03/31/2022		Increase (decrease)	
	Net Revenues	% on total	Net Revenues	% on total	Euro	%
EMEA	76,501	50.2%	66,226	51.0%	10,275	15.5%
Americas	57,910	38.0%	53,588	41.3%	4,322	8.1%
Rest of World	6,961	4.6%	5,332	4.1%	1,629	30.6%
Asia	10,949	7.2%	4,675	3.6%	6,274	134.2%
Total	152,322	100.0%	129,821	100.0%	22,501	17.3%

In the first three months of 2023 net sales are euro 152.322 million and increase of euro 22.501 million (17.3%) in comparison to the same period of 2022. At constant exchange rates net sales are euro 149.578 million, with an increase of euro 19.757 million (+15.2%) compared to previous period.

In EMEA net revenues amounted to 76.5 million euro, increasing +15.5% compared to first quarter 2022 (15.6% at constant exchange rates). In this area, growth was recorded in all Countries for both Luxury and Diffusion brands.

Americas ended first quarter of 2023 with an increase in revenues of +8.1% at current exchange rates (3.5% at constant exchange rates), driven by positive performance in US Optical, US Key Accounts and US Department Stores Channel, for both Luxury and Diffusion brands. Also Mexico and Latam performed well.

Sales in Asia increased +134.2% at current exchange rates and +126% at constant exchange rates compared to first quarter 2022, benefiting from the end of restrictive Government policies to contain the Covid-19 pandemic and the reorganization of the entire APAC region. Strong performance for APAC Distributors Channel and China.

Regarding the performance in the Rest of the World, there was an overall increase in net sales of +30.6% driven by sales in emerging countries with high growth potential for the Group and also by the recovery in tourism.

8. Cost of sales

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

Cost of Sales <i>(euro/000)</i>	03/31/2023	% on net revenues	03/31/2022	% on net revenues
Product cost	52,399	34.4%	46,971	36.2%
Cost of personnel	3,117	2.0%	2,975	2.3%
Amortization, depreciation and writedowns	922	0.6%	872	0.7%
Other production cost	1,591	1.0%	1,080	0.8%
Total	58,029	38.1%	51,898	40.0%

Cost of sales amounted to euro 58.029 million for the three months ended March 31, 2023, an increase of euro 6.131 million, or 11.8%, from euro 51.898 million for the three months ended March 31, 2022.

The cost of sales as a percentage of net revenues is 38.1% for the three months ended March 31, 2023 compared to 40% the three months ended March 31, 2022.

Gross Margin keeps improving the solid performance experienced in FY22 thanks to production, procurement and supply chain efficiency, positive commercial mix, despite an instable macroeconomic environment (tension on freight costs slightly lowering compared to 1Q22).

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 <i>(euro/000)</i>	03/31/2023	% on net revenues	03/31/2022	% on net revenues
Cost of personnel	15,059	9.9%	14,523	11.2%
Commissions	8,176	5.4%	7,639	5.9%
Amortization	4,768	3.1%	4,211	3.2%
Royalties	17,109	11.2%	15,225	11.7%
Advertising and PR	13,693	9.0%	7,541	5.8%
Other costs	7,732	5.1%	7,628	5.9%
Total	66,537	43.7%	56,768	43.7%

The distribution and marketing expenses amounted to euro 66.537 million for the three months ended March 31, 2023, an increase of euro 9.769 million or 17.2% from euro 56.768 million for three months ended March 31, 2022.

Commissions expenses amounted to euro 8.176 million in 2023, an increase of 7.0% from the euro 7.639 million for the three months ended March 31, 2022.

In 2023 Royalties amounted to euro 17.109 million. In 2023 Royalties as a percentage of net revenues is 11.2% on net revenues compared to 11.7% during 2022.

Advertising and PR expenses in 2023 amounted to euro 13.693 million, an increase of euro 6.152 million, or 81.6%, from the euro 7.541 million in the same period of 2022. As a percentage of net revenues, Advertising and PR expenses in 2023 is 9.0%, compared to 5.8% of 2022. The increase is mainly due to timing of investments and marketing activities to boost sales.

The "other costs" refer mainly to freight-out expenses, business travel, rent and services. In 2023, other costs amounted to euro 7.732 million, an increase of euro 0.1 million, or 1.4%, from the euro 7.628 million in the same period of 2022. As a percentage of net revenues, they are 5.1%, compared to 5.9% for the three months ended March 31, 2022.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses <i>(euro/000)</i>	03/31/2023	% on net revenues	03/31/2022	% on net revenues
Cost of personnel	4,571	3.0%	4,247	3.3%
Amortization and writedowns	867	0.6%	1,358	1.0%
Other costs	5,374	3.5%	5,241	4.0%
Total	10,812	7.1%	10,845	8.4%

General and administrative expenses amounted to euro 10.812 million for the three months ended March 31, 2023, compared to euro 10.845 million the three months ended March 31, 2022. As a percentage of net revenues, in 2023 general and administrative expenses is 7.1%, compared to 8.4% for 2022.

11. Other operating income and expenses

The total amount of other operating income and expenses amounted to a net euro 0.163 million revenues for the three months ended March 31, 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 6.847 million expenses for the three months ended March 31, 2023 compared to euro 5.195 million expenses for the three months ended March 31, 2022.

The financial line is composed of opposing amounts. With reference to the cost components, the main are financial interest expenses related to the euro 350 million bond for a total amount of 6.0 million euro. Foreign currency management, which is also a component of the balance of financial income and expenses, contributed to a net gain amounts of 0.3 million euro.

13. Income tax expense

The estimated income tax expense amounted to euro -3.466 million for the three months ended March 31, 2023, compared to the euro -1.723 million the three months ended March 31, 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 INFORMATIONS

SUBSEQUENT EVENTS

On 28 April 2023 Marcolin 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 \$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 €75 million by Marcolin’s shareholders.

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 three months of 2023 there were no significant non-recurring events and/or transactions.

Atypical and unusual transactions

In the first three 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 performances or cash flows of Marcolin S.p.A. and the Group.

Transactions with related parties

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

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

The transactions and outstanding balances with respect to related parties as at March 31, 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 <i>(euro/000)</i>	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	-	-	50	-	Related party
Family Marcolin	103	-	(5)	0	Related party
3 Cime S.p.A.	370	-	29,149	7,644	Consolidating
Total	473	-	29,193	7,644	

The same table is set forth as at March 31, 2022:

Company <i>(euro/000)</i>	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Pai Partners Sas	15	-	140	-	Related party
Family Marcolin	103	-	36	0	Related party
3 Cime S.p.A.	370	-	27,649	8,026	Consolidating
Total	488	-	27,825	8,026	

Longarone, May 3, 2023

For the Board of Directors

C.E.O.

Fabrizio Curci

