http://www.oblible.com

LISTING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Marcolin S.p.A.

€200,000,000

8.50% Senior Secured Notes due 2019

Marcolin S.p.A., incorporated as a joint stock company (*società per azioni*) under the laws of the Republic of Italy (the ''**Issuer**''), is offering (the ''**Offering**'') €200,000,000 aggregate principal amount of its 8.50% Senior Secured Notes due 2019 (the ''**Notes**''). The Notes will be issued pursuant to an indenture (the ''**Indenture**'') dated November 14, 2013 (the ''**Issue Date**'') by and between, *inter alios*, the Issuer, The Law Debenture Trust Corporation p.l.c. as trustee and UniCredit Bank AG, Milan Branch as Security Agent.

The net proceeds from the issuance of the Notes will be used to refinance existing indebtedness of the Issuer and to finance in part the proposed acquisition of 100% of the share capital of Viva Optique Inc. (''**Viva**'') and its subsidiaries from HVHC Inc. (the ''**Seller**''). The issuance of the Notes and the application of the use of proceeds therefrom, the Viva Acquisition (as defined herein) and certain other related transactions will together be referred to herein as the ''**Transactions**.'' See ''*Summary—The Transactions*.''

The Notes will bear interest at a rate of 8.50% per annum. Interest will be payable on the Notes semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014. The Notes will mature on November 15, 2019. Prior to November 15, 2016, the Issuer may, at its option, redeem all or a portion of the Notes at a redemption price equal to 100% of the amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, plus the applicable ''make-whole'' premium, as described herein. At any time on or after November 15, 2016, the Issuer may redeem all or a portion of the Notes at the redemption prices set forth in this offering memorandum (the ''**Offering Memorandum**''). In addition, on or prior to November 15, 2016, the Issuer may redeem up to 35% of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 108.5% of the principal amount of the Notes to be redeemed. The Issuer may also redeem all, but not less than all, of the Notes in the event of certain changes in applicable tax law. If the Issuer undergoes a change of control or sells certain assets, the Issuer may be required to offer to repurchase the Notes. See ''*Description of Notes*'' for further information.

Pending the completion of the Viva Acquisition, the Issuer will direct the Initial Purchasers (as defined herein) to deposit the net proceeds of the Offering into a segregated escrow account (the ''**Escrow Account**''). The Escrow Account will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee (as defined herein) on behalf of the holders of the Notes, pursuant to the escrow agreement (the ''**Escrow Agreement**''). The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the consummation of the Viva Acquisition (the date of such release, the ''**Completion Date**''). If the Completion Date does not occur on or prior to February 20, 2014 (the ''**Escrow Longstop Date**'') or upon the occurrence of certain other conditions, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the date of such special mandatory redemption. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*.''

The Notes will be senior obligations of the Issuer and, upon the release of the proceeds of the Offering from the Escrow Account and satisfaction of other conditions precedent and, subject to the Agreed Security Principles (as defined in ''*Description of Notes*''), on the Completion Date will be guaranteed by M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva (each as defined hereinafter) (the ''**Guarantors**''). The Notes and the guarantees therefor (the ''**Guarantees**'') will be senior obligations of the Issuer and each Guarantor and will rank equal in right of payment to all existing and future senior unsubordinated obligations of the Issuer and the Guarantors, as applicable. The Guarantees will be subject to contractual and legal limitations that may limit their enforceability, and the Guarantees may be released under certain circumstances. See ''*Risk Factors—Risks Related to the Notes, Guarantees and Collateral*,'' ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

Following the Completion Date, subject to the Agreed Security Principles, the Revolving Credit Facility (as defined hereinafter) will be secured by security interests granted over the same Collateral (as defined herein) that secures the Notes and additionally by a special lien (*privilegio speciale*) over the Issuer's movable assets and a mortgage (*ipoteca*) over certain real estate assets of the Issuer. Under the terms of Intercreditor Agreement (as defined herein), the lenders under the Revolving Credit Facility and the counterparties to certain hedging obligations will receive priority to the proceeds from the Collateral in the event of any enforcement. See ''*Description of Notes—Security*.'' Subject to the terms of the Indenture, the Collateral may be pledged to secure certain future indebtedness. The Notes, the Guarantees and the assets securing the Notes and the Guarantees will be subject to restrictions on enforcement and other intercreditor arrangements. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*.'' The Collateral will be subject to the Agreed Security Principles and limitations under applicable law, and may be released in certain circumstances. See ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

Subject to and as set forth in ''*Description of Notes*,'' the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to, among other things, any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) and otherwise in circumstances as described in ''*Description of Notes—Withholding Taxes*.''

This Offering Memorandum includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, guarantees, covenants, events of default and offering and transfer restrictions. This Offering Memorandum constitutes a prospectus for purposes of Luxembourg law on prospectus securities dated July 10, 2005, as amended.

The Issuer has applied to list the Notes offered hereby on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Notes will be represented on issue by one or more global notes, which will be delivered through Euroclear Bank SA/NV (''**Euroclear**'') or Clearstream Banking, *société anonyme* (''**Clearstream Banking**'') on the Issue Date. See ''*Book-Entry, Delivery and Form*.''

Investing in the Notes involves a high degree of risk. See ''*Risk Factors*'' beginning on page 37.

Issue price: 100.00% plus accrued interest, if any, from the Issue Date

The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''U.S. Securities Act''). The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to certain non-U.S. persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act. See ''*Plan of Distribution*'' and ''*Offering and Transfer Restrictions*'' for additional information about eligible offerees and transfer restrictions.

Global Coordinator and Bookrunner

Goldman Sachs International

Joint Bookrunners

Banca IMI **Natixis** **UniCredit Bank** **IKB Deutsche Industriebank**

The date of this Listing Memorandum is November 25, 2013.

http://www.oblible.com

NOTICE TO INVESTORS

The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the ''**SEC**'') or any other securities commission or regulatory authority, nor has the SEC or any other securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

You should rely only on the information contained in this Offering Memorandum. Neither we nor the Initial Purchasers (as defined herein) have authorized anyone to provide you with information that is different and you should not rely on such information. This Offering Memorandum may only be used in jurisdictions where it is legal to offer and sell the Notes. None of the Issuer, the Guarantors or the Initial Purchasers are making an offer of the Notes in any jurisdiction where this offer is not permitted. This Offering Memorandum is only accurate as at the date of this Offering Memorandum.

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. We are not, and the Initial Purchasers are not, making any representation to you regarding the legality of an investment in the Notes by you under applicable investment or similar laws.

We have prepared this Offering Memorandum solely for use in connection with applying to list the Notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF Market.

In making an investment decision regarding the Notes offered by this Offering Memorandum, you must rely on your own examination of us and the terms of this Offering, including, without limitation, the merits and risks involved. This Offering is being made solely on the basis of this Offering Memorandum. Any decision to purchase Notes in this Offering must be based solely on the information contained in this Offering Memorandum.

No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum, and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this Offering Memorandum is as of the date hereof and subject to change, completion or amendment without notice. The delivery of this Offering Memorandum at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in our affairs since the date of this Offering Memorandum. We undertake no obligation to update this Offering Memorandum or any information contained in it, whether as a result of new information, future events or otherwise, save as required by law.

The information contained in this Offering Memorandum has been furnished by us and other sources we believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers or their respective directors, affiliates, advisors and agents as to the accuracy or completeness of any of the information set out in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or their respective directors, affiliates, advisors and agents, whether as to the past or the future. By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, advisors and agents in connection with your investigation of the accuracy of this information or your decision to invest in the Notes.

The distribution of this Offering Memorandum and the offer and sale of the Notes may be restricted by law in some jurisdictions. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Persons into whose possession this Offering Memorandum comes must inform themselves about and observe any such restrictions in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject to or under which it makes such purchases, offers or sales. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this Offering Memorandum, see ''*Offering and Transfer Restrictions*.'' Neither we nor

the Initial Purchasers are making any representation to any offeree or purchaser under any applicable law.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and all other applicable securities laws. If you purchase Notes, you will be deemed to have made certain acknowledgements, representations and warranties as detailed under ''*Offering and Transfer Restrictions*.'' You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available to you upon request, for the complete information contained in those documents. All summaries herein are qualified in their entirety by this reference.

We reserve the right to withdraw this Offering of the Notes at any time, and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes. See ''*Plan of Distribution*.''

Each of the Issuer and the Guarantors accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of each of the Issuer and the Guarantors, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything material that is likely to affect the import of such information. However, the information set forth under the headings ''*Exchange Rate Information*,'' ''*Summary*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva,*'' ''*Industry Overview,*'' ''*Marcolin's Business*'' and ''*Viva's Business*'' includes extracts from information and data, including industry and market data, released by publicly available sources. While each of the Issuer and the Guarantors accepts responsibility for accurately extracting and summarizing such information and data, none of the Issuer, the Guarantors, PAI or the Initial Purchasers have independently verified the accuracy of such information and data, and none of the Issuer, the Guarantors, PAI, or the Initial Purchasers accept any further responsibility in respect thereof. Furthermore, the information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled ''*Book-Entry, Delivery and Form*,'' is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While each of the Issuer and the Guarantors accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, none of the Issuer, the Guarantors, PAI, the Initial Purchasers accepts further responsibility in respect of such information.

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange.

In connection with the issuance of the Notes, Goldman Sachs International (the ''Stabilizing Manager'') (or any person acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or any person acting on behalf of the Stabilizing Manager) will undertake stabilizing action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1995, AS AMENDED (''**RSA**''), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT

ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area. This Offering Memorandum has been prepared on the basis that the offer and sale of the Notes will be made pursuant to an exemption under the Prospectus Directive as implemented in member states of the EEA, from the requirement to produce and publish a prospectus which is compliant with the Prospectus Directive, as so implemented, for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA or any of its member states (each a ''**Relevant Member State**'') of the Notes which are the subject of the placement referred to in this Offering Memorandum must only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce and publish a prospectus which is compliant with the Prospectus Directive, including Article 3 thereof, as so implemented, for such offer. For EEA jurisdictions that have not implemented the Prospectus Directive, all offers of the Notes must be in compliance with the laws of such jurisdictions. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute a final placement of the Notes.

In relation to each Relevant Member State, the Initial Purchasers have represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, they have not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

(i) to any legal entity which is a ''**qualified investor**'' as defined in the Prospectus Directive;

(ii) to fewer than 100 natural or legal persons or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive subject to obtaining the prior consent of the Initial Purchasers nominated by the Issuer for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall result in a requirement for the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an ''**offer of Notes to the public**'' in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. For the purposes of this provision, the expression ''**Prospectus Directive**'' means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression ''**2010 PD Amending Directive**'' means Directive 2010/73/EU.

Each purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a ''qualified investor'' within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

United Kingdom. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the ''**Financial Promotion Order**''), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are

outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as ''**relevant persons**''). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Italy. No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Italian Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the ''**Italian Financial Act**''). Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Notes or the Collateral may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons nor to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Italian Financial Act and Article 34-*ter*, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999, as amended (the ''**Issuers Regulation**'') issued by the *Commissione Nazionale per le Società e la Borsa*, the Italian securities and financial markets regulator (''**CONSOB**'') or unless in circumstances which are exempt from the rules on public offers pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuers Regulation.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum nor any other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the Notes in Italy is made in one of the following ways: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of September 1, 1993, as amended, the Italian Financial Act, CONSOB Regulation No. 16190 of October 29, 2007, as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

France. This Offering Memorandum has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des Marchés Financiers* (the ''**AMF**'') and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the Notes will only be made in France to providers of investment service portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) acting for their own accounts, as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the *Code Monétaire et Financier*. Neither this Offering Memorandum nor any other offering material may be distributed to the public in France. The subsequent direct or indirect retransfer of the Notes to the public in France may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the *Code Monétaire et Financier*.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum, see ''*Offering and Transfer Restrictions*.''

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, our future financial conditions and performance, results of operations and liquidity, our strategy, plans, objectives, prospects, growth, goals and targets, future developments in the markets in which we participate or are seeking to participate, behavior of and trends with our customers and end-users of our products, and anticipated regulatory environment in which we operate. These forward-looking statements can be identified in some cases by the use of certain terms, including without limitation, ''aim,'' ''anticipate,'' ''assume,'' ''believe,'' ''could,'' ''estimate,'' ''expect,'' ''forecast,'' ''guidance,'' ''intend,'' ''may,'' ''plan,'' ''project,'' ''risk,'' ''should,'' ''will,'' and their negatives, other similar expressions or other variations or comparable terminology that are predictions of or otherwise indicate future events or trends identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. Forward-looking statements are not guarantees of future performance. These risks, uncertainties and factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performances or achievements). Factors that may cause these differences include but are not limited to the risks described under ''*Risk Factors*,'' ''*The Acquisition*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*,'' ''*Marcolin's Business*'' and ''*Viva's Business,*'' These factors include, but are not limited to:

- royalties and other license fees required pursuant to our license agreements;
- our ability to negotiate, maintain and renew license agreements with our brands;
- the loss of one of our key license agreements;
- competition in our industry;
- risks related to changing consumer preferences;
- risks related to unfavorable economic conditions;
- disruptions of operations at our manufacturing facility or distribution centers or problems experienced by third-party manufacturers or suppliers;
- risks related to vision correction alternatives to prescription glasses;
- inability to procure raw materials and semi-finished products on acceptable terms;
- risks related to our distribution network and level of inventory;
- the seasonality of our business;
- risks related to the international scope of our operations;
- risks related to the use of third-party distributors;
- risks related to tax rates, exposure to additional tax liabilities and tax audits;
- the need to protect our license and trademark rights;
- risks related to our advertising and promotional activities;
- exchange rate fluctuations;
- risks related to our exposure to the credit risk of our customers;
- risks related to our dependence on our IT systems;
- risks related to the Viva Acquisition, including risks related to the integration of Viva;
- risks related to the conditions to the escrow, which if not satisfied, will cause the Notes to be redeemed;
- risks related to our capital structure;
- risks related to our indebtedness;

- risks related to the Notes, the Guarantees and the Collateral; and
- the other risks described under ''*Risk Factors*.''

The foregoing factors and others described under ''*Risk Factors*'' should not be construed as exhaustive. We urge you to read the sections of this Offering Memorandum entitled ''*Risk Factors*,'' ''*The Acquisition*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*,'' ''*Industry Overview*,'' ''*Marcolin's Business*,'' ''*Viva's Business*'' and ''*Limitations on the Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*'' for a more complete discussion of the factors that could affect the Group's future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under ''*Risk Factors*.''

You should not place undue reliance on these forward-looking statements because they reflect our judgment at the date of this Offering Memorandum. Forward-looking statements are not intended to give any assurances as to future results. We will not normally publicly release any revisions we may make to these forward-looking statements that may result from events or circumstances arising after the date of this Offering Memorandum or otherwise.

INDUSTRY AND MARKET DATA

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Offering Memorandum is based on our own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, and we instead rely on our own internally developed estimates.

We include in this Offering Memorandum certain information and data prepared by Taiyou Research from Marketresearch.com (''**Taiyou Research**'') on the size of the sunglasses and prescription frames markets both on a historical and forecast basis. Taiyou Research reports on the size of the global retail market for prescription frames and sunglasses as a whole, for certain sub-categories within those markets and by geography. This Issuer accepts responsibility for the correct extraction and reproduction of such industry data as presented in this Offering Memorandum.

In addition, we have made estimates of the size, geographic spread and success of our competitors' businesses in the market for prescription frames and sunglasses, and of market trends more generally. These estimates are based on a number of factors which include, but are not limited to, the following:

- our assessment of our competitors' brand portfolios, positions and capabilities;
- information published by our competitors, including their financial statements and securities filings;
- our estimates of the relative proportion that sales of prescription frames and sunglasses constitute of our competitors' businesses;
- additional information obtained from customers, consultants and other contacts within the industries in which we operate;
- our regular discussions with customers across our product categories in respect of current and future market trends;
- our knowledge of the product categories and geographies in which we operate; and
- our management estimates, experiences and our own interpretation of material conditions within our industry.

Our estimates involve risks and uncertainties and are subject to change based on various factors. In considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information is subject to considerable uncertainty due to differing definitions of the relevant markets and market segments described, the lack of public data and the assumptions we have made in compiling data from various sources. Any third party sources we use, including the data provided by Taiyou Research, generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research we have used in making our estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. We cannot assure you that any of the assumptions that we have made in compiling this data are accurate or correctly reflect our position in the relevant markets. None of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Offering Memorandum, and none of the foregoing has independently verified this information and cannot guarantee its accuracy. Unless otherwise stated, data on our market position and market share is based on revenue for the year ended December 31, 2012. Our estimates involve risks and uncertainties and are subject to change based on various factors. See ''*Risk Factors*,'' ''*Industry Overview*,'' ''*Marcolin's Business*'' and ''*Viva's Business*'' for further discussion.

Trademarks and trade names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its respective holder.

License duration and average license duration

In this Offering Memorandum, when we refer to license duration and average license duration, including revenue generated by products under licenses with at least seven years of residual life (beyond 2020) for the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions, we assume that we have exercised our options to renew the relevant license which can be renewed at our sole discretion. In addition, average license duration as presented in this Offering Memorandum refers to the weighted average taking into account the revenue of each such license. See ''*Marcolin's Business—Our Business—Our Licensed Brands*'' and ''*Viva's Business—Viva's Business—Viva's Licensed Brands*'' for more information.

CERTAIN DEFINITIONS

As used in this Offering Memorandum:

- ''**3Cime**'' refers to 3 Cime S.p.A., a company formed on October 30, 2013 that will become the direct parent company of Marmolada and, on the Completion Date, will issue the Vendor Loan Note;
- ''**Acquisition Agreement**'' refers to the share purchase agreement by and between M-USA and Marmolada, as acquirers, and the Seller dated as of October 23, 2013 pursuant to which M-USA and Marmolada have agreed to purchase 100% of the share capital of Viva from the Seller as further described under ''*The Acquisition*'' (pursuant to the Transfer, Marmolada will assign its rights and obligations under the Acquisition Agreement to 3Cime);
- ''**Agents**'' refers to the Escrow Agent, the Paying Agent, the Transfer Agent, the Registrar, the Luxembourg Listing Agent and the Security Agent, collectively, as each institution is identified under ''*Listing and General Information*'';
- ''**Aviator**'' refers to a style of sunglasses first developed by Ray-Ban in 1936 for pilots that consist of broad, dark, reflective slightly convex lenses that cover the entire range of the human eye with thin metal frames, often with double or triple bridge and bayonet earpieces;
- ''**Collateral**'' refers to the first-ranking pledge over the Escrow Account granted in favor of the Trustee on behalf of the holders of the Notes, the Completion Date Collateral and the Viva Collateral and any other Collateral that is from time to time subject to, or required to be subject to, a lien or security interest, as applicable, pursuant to the Security Documents (see the item entitled ''*Security*'' in the section ''*The Offering*'' for more information);
- ''**Completion Date Collateral**'' has the meaning described in the item entitled ''*Security*'' in the section ''*The Offering*'';
- ''**Cristallo**'' refers to Cristallo S.p.A., the former direct parent company of the Issuer that merged with and into the Issuer pursuant to the Merger on October 29, 2013;
- ''**Deferred Compensation**'' refers to the arrangement, pursuant to the Acquisition Agreement, whereby the Seller has agreed to provide to M-USA, $7.0 million in vendor deferred compensation which, if the conditions precedent to the closing of the Viva Acquisition are met and the Viva Acquisition is consummated, M-USA will pay as described under ''*Description of Certain Financing Arrangements—Deferred Compensation*'';
- ''**Escrow Account**'' refers to the segregated bank account into which the Issuer will direct the Initial Purchasers to deposit the net proceeds from the Offering, and such Escrow Account will be controlled by, and the proceeds therein will be pledged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes pursuant to the Escrow Agreement;
- ''**Escrow Agreement**'' refers to the agreement to be dated as of the Issue Date among, *inter alios,* the Issuer, the Trustee and the Escrow Agent;
- ''**Escrow Longstop Date**'' refers to February 20, 2014, which is the date on which all proceeds deposited into the Escrow Account, in addition to any accrued and unpaid interest and Additional Amounts, if any, will be returned to the holders of the Notes if the Viva Acquisition is not consummated by such date;
- ''**EU**'' refers to the European Union;
- ''**Eurozone**'' refers to the member states of the EU participating in the European Monetary Union;
- ''**Existing Credit Facilities**'' refers the Senior Term and Revolving Facilities Agreement dated as of October 14, 2012, by and between, the Issuer, as borrower, Banca IMI S.p.A., IKB Deutsche Industriebank AG, Sede di Milano, Natixis S.A., Milan Branch and UniCredit S.p.A., as mandated lead arrangers, UniCredit Bank AG, Milan Branch, as agent and security agent that will be repaid and cancelled with a portion of the proceeds of the Notes;
- ''**Group**,'' ''**us**,'' ''**we**,'' ''**our**,'' ''**Marcolin**'' refers to Marcolin S.p.A. and its Subsidiaries, unless as indicated or the context requires otherwise;
- ''**Guarantees**'' refers to the guarantees of the Notes offered hereby to be extended by the Guarantors;

- ''**Guarantors**'' refers to M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva, which will accede to the Indenture and guarantee the Notes on the Completion Date;
- ''**IFRS**'' refers to International Financial Reporting Standards as adopted by the European Union;
- ''**Indenture**'' refers to the indenture related to the Notes to be dated the Issue Date between, among, *inter alios*, the Issuer, Marmolada, the Trustee and Security Agent;
- ''**Initial Purchasers**'' refers to Goldman Sachs International, Banca IMI S.p.A., Natixis, UniCredit Bank AG and IKB Deutsche Industriebank AG;
- ''**Intercreditor Agreement**'' refers to the intercreditor agreement dated the Issue Date between, *inter alios*, the Issuer, the RCF Agent, the Trustee, the Security Agent and the Mandated Lead Arrangers;
- ''**Issuer**'' refers to Marcolin S.p.A.;
- ''**Italian Civil Code**'' refers to the Italian civil code (*codice civile*), enacted by Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented from time to time;
- ''**MAG**'' refers to the minimum annual guaranteed amount payable by a licensee to a licensor under a license agreement;
- ''**Made in Italy**'' refers to products that are compliant with applicable EU and Italian law and can carry the *Made in Italy* label indicating that they were entirely produced in Italy or their last significant transformation occurred in Italy;
- ''**Mandated Lead Arrangers**'' refers to Goldman Sachs International, Banca IMI S.p.A., IKB Deutsche Industriebank AG, Sede di Milano, Natixis S.A., Milan Branch and UniCredit S.p.A.;
- ''**Marcolin Bilateral Facilities**'' has the meaning described under ''*Description of Certain Financing Arrangements—Marcolin Bilateral Facilities*'';
- ''**Marcolin Germany**'' refers to Marcolin (Deutschland) GmbH, a company with limited liability (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany;
- ''**Marcolin Group**'' refers to the Issuer and its Subsidiaries excluding the Viva Group, *provided however,* that for certain historical periods as discussed under ''*Presentation of Financial Information and Other Data*,'' such term includes Cristallo prior to the Merger;
- ''**Marcolin France**'' refers to Marcolin France S.A.S., a simplified joint stock company (*société par actions simplifiée*) organized under the laws of France;
- ''**Marcolin UK**'' refers to Marcolin (UK) Limited, a private limited company incorporated under the laws of England;
- ''**Marmolada**'' refers to Marmolada S.p.A., which became the direct parent holding company of the Issuer following the Merger (see ''*Principal Shareholders*'');
- ''**Merger**'' has the meaning described under ''*Summary—The Transactions—The Merger*'';
- ''**M-USA**'' refers to Marcolin U.S.A., Inc., a corporation organized under the laws of the State of New York;
- ''**Non-Guarantor Subsidiaries**'' refers to those Subsidiaries of the Issuer that are not Guarantors;
- ''**North America**'' refers to the United States and Canada, collectively;
- ''**Notes**'' refers to the €200,000,000 aggregate principal amount of 8.50% Senior Secured Notes due 2019 offered hereby;
- ''**Offering**'' refers to the offering of the Notes pursuant to this Offering Memorandum;
- ''**PAI**'' refers to PAI Partners S.A.S., a major European private equity firm that manages and advises buyout funds with combined commitments in excess of around €4.1 billion;
- ''**Shareholder Equity Injection**'' has the meaning described under ''*Summary—The Transactions*'';
- ''**POS**'' refers to points of sale where sales of eyewear are made (e.g., independent optician, optical chain, duty-free store, department store and licensed brand store);

- ''**Proceeds Loan**'' has the meaning under ''*Description of Certain Financing Arrangements—Proceeds Loan*'';
- ''**RCF Agent**'' refers to UniCredit Bank AG, Milan Branch in its capacity as agent under the Revolving Credit Facility;
- ''**Revolving Credit Facility**'' refers to the revolving credit facility of up to €25 million (in multiple currencies) to be provided to the Issuer by the Mandated Lead Arrangers upon and subject to the terms of the Revolving Credit Facility Agreement;
- ''**Revolving Credit Facility Agreement**'' refers to the revolving credit facility agreement that we expect to enter into on the Issue Date between, *inter alios*, the Issuer, the RCF Agent, the Mandated Lead Arrangers, and the Security Agent (see ''*Description of Certain Financing Arrangements—Revolving Credit Facility*'');
- ''**S.A.**'' refers to a corporation (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg;
- ''**Security Agent**'' refers to UniCredit Bank AG, Milan Branch in its capacity as security agent and common representative (*mandatario con rappresentanza*) under the Intercreditor Agreement;
- ''**Security Documents**'' means the security agreements defining the terms of the Collateral that secure or will secure the Notes and the Guarantees, as described in more detail under ''*Description of Notes—Security*'';
- ''**Seller**'' or ''**HVHC**'' refers to HVHC Inc., a corporation organized under the laws of the State of Delaware;
- ''**S.p.A.**'' refers to a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy;
- ''**Subsidiaries**'' refers to all consolidated subsidiaries of the Issuer;
- ''**Transfer**'' has the meaning described under ''*Summary—The Viva Acquisition—The Acquisition Agreement*'';
- ''**Transfer Loan**'' has the meaning under ''*Description of Certain Financing Arrangements—Transfer Loan*'';
- ''**Transactions**'' has the meaning described under ''*Summary—The Transactions*'';
- ''**Trustee**'' refers to The Law Debenture Trust Corporation p.l.c., in its capacity as trustee, legal representative (*mandatario con rappresentanza*) under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code;
- ''**United States**'' or ''**U.S.**'' refers to the United States of America;
- ''**U.S. GAAP**'' refers to generally accepted accounting practices in the United States;
- ''**U.S. GAAS**'' refers to generally accepted auditing standards in the United States;
- ''**Vendor Loan Note**'' refers to the unsecured and unguaranteed note to be issued on the Completion Date by 3Cime and subscribed by the Seller in the amount of $30.0 million, to partially finance the Viva Acquisition (see ''*The Acquisition—Vendor Loan Note*'');
- ''**Viva**'' refers to Viva Optique, Inc., a corporation organized under the laws of the State of New Jersey—prior to the Viva Acquisition, the Issuer does not control or own Viva (see also ''*The Acquisition*'');
- ''**Viva Acquisition**'' has the meaning described under ''*Summary—The Transactions*'';
- ''**Viva Acquisition Financing**'' has the meaning described under ''*Summary—The Transactions*'';
- ''**Viva Capital Leases**'' has the meaning described under ''*Description of Certain Financing Arrangements—Viva Capital Leases*'';
- ''**Viva Collateral**'' has the meaning described in the item entitled ''*Security*'' in the section ''*The Offering*'';

- ‘‘**Viva Europa**’’ refers to Viva Europa, Inc., a corporation organized under the laws of the State of New Jersey;
- ‘‘**Viva Group**’’ refers to Viva and its subsidiaries;
- ‘‘**Viva UK**’’ refers to the Viva Eyewear UK Limited, a private limited company incorporated under the laws of England; and
- ‘‘**VRA**’’ refers to the variable royalty amounts, which can be based on a percentage of net sales, some of which are subject to a minimum, which are payable by a licensee to a licensor under a license agreement.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Issuer and Cristallo

The consolidated financial information of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012 has been derived from the audited consolidated financial statements of the Issuer for the same periods (the ''**Marcolin Audited Consolidated Financial Statements**''). The consolidated financial information of the Issuer as of and for the six months ended June 30, 2012 has been derived from the unaudited interim condensed consolidated financial statements of the Issuer for the same period, (the ''**Marcolin Unaudited Interim Condensed Consolidated Financial Statements**'').

The unaudited consolidated financial information of Cristallo as of December 31, 2012 and June 30, 2013 and for the six months ended June 30, 2013 has been derived from the unaudited interim consolidated financial statements of Cristallo as of and for the six months ended June 30, 2013 (the ''**Cristallo Unaudited Interim Consolidated Financial Statements**'').

The Marcolin Audited Consolidated Financial Statements have been prepared in accordance with IFRS, as audited by Deloitte & Touche S.p.A. and containing the auditors' reports therein and the Marcolin Unaudited Interim Condensed Consolidated Financial Statements and the Cristallo Unaudited Interim Consolidated Financial Statements in each case containing the auditors' reports therein have been prepared in accordance with International Accounting Standards 34 ''Interim Financial Reporting.'' The Marcolin Audited Consolidated Financial Statements, the Marcolin Unaudited Interim Condensed Consolidated Financial Statements and the Cristallo Unaudited Interim Consolidated Financial Statements contained in the F-pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS principles may have on the Marcolin Group's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Viva Group

The consolidated financial information of the Viva Group (i) as of and for the years ended December 31, 2011 and 2012 has been derived from the Viva Group audited consolidated financial statements as of and for the year ended December 31, 2012 (the ''**Viva Audited Consolidated Financial Statements**'') and (ii) as of June 30, 2013 and for the six months ended June 30, 2012 and 2013 has been derived from the unaudited interim condensed consolidated financial statements of the Viva Group as of June 30, 2013 and for the six months then ended (the ''**Viva Unaudited Interim Consolidated Financial Statements**'').

The Viva Audited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (''**U.S. GAAP**''), as audited by PricewaterhouseCoopers LLP and containing the auditors' report therein and the Viva Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, U.S. GAAP principles may have on the Viva Group's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Twelve months ended June 30, 2013

The summary financial information for the twelve months ended June 30, 2013 is calculated by taking the results of operations of Cristallo for the six months ended June 30, 2013 and adding to it the difference between the results of operations of Marcolin for the full year ended December 31, 2012 and the six months ended June 30, 2012. To prepare the summary financial information for the twelve months ended June 30, 2013 for Marcolin as presented in this Offering Memorandum, we utilize the financial information for the six months ended June 30, 2012 of Marcolin and the financial information for the six months ended June 30, 2013 of Cristallo, since Cristallo was not established until August 2, 2012. The financial information for the six and twelve months ended June 30, 2013 is not necessarily indicative of

the results that may be expected for the year ended December 31, 2013, and should not be used as the basis for or prediction of an annualized calculation.

Pro Forma Information

In connection with the Viva Acqusition and the Offering, Cristallo has prepared unaudited *pro forma* consolidated financial information which comprises a *pro forma* consolidated statement of financial position as of June 30, 2013, *pro forma* consolidated income statements for the year ended December 31, 2012, the six months ended June 30, 2013 and the twelve months ended June 30, 2013, and related explanatory notes (the ''**Unaudited Pro Forma Consolidated Financial Information**'').

The Unaudited Pro Forma Consolidated Financial Information has been prepared to simulate the main effects of the Viva Acquisition and the proposed Offering, including the application of the proceeds therefrom, on Cristallo's consolidated statement of financial position and consolidated income statement as if they had taken place on June 30, 2013 for the purposes of the unaudited pro forma consolidated statement of financial position and January 1, 2012, January 1, 2013 and July 1, 2012, respectively for purposes of the unaudited *pro forma* consolidated income statements.

The combined *pro forma* financial information included in this Offering Memorandum as of June 30, 2013, for the year ended December 31, 2012 and for the twelve months ended June 30, 2013 has been derived from the Unaudited Pro Forma Consolidated Financial Information. The explanatory notes to the Unaudited Pro Forma Consolidated Financial Information includes an explanation of the basis of preparation.

The Unaudited Pro Forma Consolidated Financial Information presented in this Offering Memorandum is based on available information and certain assumptions which we believe are reasonable. The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed, nor does it purport to represent our results of operations for any future period or our financial condition at any future date. Our future operating results may differ materially from the *pro forma* amounts set out in this Offering Memorandum due to various factors, including changes in operating results.

In accordance with IFRS 3 *(revised)* ''Business Combinations'' at the date of acquisition, which is defined as the date on which the Issuer will obtain control over Viva, should the Viva Acquisition be successful, the Issuer will recognize goodwill as the excess of the consideration transferred over the net of the acquisition date amounts of the fair value of all identifiable assets acquired and liabilities assumed. The purchase price allocation will be completed within twelve months from the acquisition date. The completion of the purchase price allocation in accordance with IFRS 3 (revised) will result in the recognition at the date of acquisition of all identifiable assets acquired and the liabilities or contingent liabilities assumed of Viva at fair value. See ''*Risk Factors—Risks Related to the Viva Acquisition—Viva has recorded a significant amount of goodwill and we may not realize the full value thereof*.''

The accounting principles used for the preparation of the Unaudited Pro Forma Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements, which have been prepared in accordance with IFRS. Details of the accounting policies applied is provided in the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements.

It should be noted that Viva prepares its consolidated financial statements in accordance with the generally accepted accounting principles in the United States (''**U.S. GAAP**''). In order to provide information which is comparable with that of Cristallo, the historical income statements and statement of financial position of Viva have been adjusted, based on a preliminary analysis, to reflect the different accounting principles adopted by Cristallo compared to those of Viva. It should be noted that further adjustments could be necessary should the Viva Acquisition be completed and when Viva is consolidated in the financial statements of Cristallo. In this instance, a more detailed analysis on the eventual adjustments to reflect the different accounting principles will be completed. No reconciliation between IFRS and U.S. GAAP has been presented in this Offering Memorandum.

The *pro forma* financial information set forth elsewhere in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934 or U.S. GAAP. Neither the adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or U.S. GAAS.

The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with the historical consolidated financial statements and notes thereto of Viva, included elsewhere in this Offering Memorandum and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*.''

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

This Offering Memorandum includes financial indicators which are used by our management and or Viva's management to monitor the economic, financial and operating performance of the respective groups, including Cash Conversion, EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Pro forma combined Adjusted run-rate EBITDA, Net indebtedness, Total financial debt, Total debt, Capital expenditures and Movements in working capital.

Cash Conversion, EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Pro forma combined Adjusted run-rate EBITDA, Net indebtedness, Total financial debt, Total debt, Capital expenditures and Movements in working capital are not recognized as measures of financial performance or liquidity under IFRS or U.S. GAAP. Investors should not place any undue reliance on these non-IFRS, non-U.S. GAAP measures as financial indicators and should not consider these measures as: (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the ability to meet cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of Viva and Marcolin and their business and operations. Since all companies do not calculate these measures in an identical manner our presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data. A more detailed explanation of each of the financial indicators and Non-IFRS measures or non-U.S. GAAP measures, as applicable, together with relevant reconciliations is provided in section ''*Selected Pro Forma and Historical Consolidated Financial and Other Data*.''

Geographic Information

In this Offering Memorandum, we present certain financial and business information by geography for Marcolin, Viva and for the combined Group as adjusted on a *pro forma* basis for the Transactions. In each instance, the geography of sale is attributed as the same geography of the relevant parent or commercial subsidiary making the sale, including to buyers located in a different country. For example, all sales by Marcolin France and Viva France S.A.S. are attributed to the geographic division ''France'' in each of Marcolin's and Viva's financial statements, *provided however*, that sales made by the Issuer have been subdivided into ''Italy Domestic'' which includes the Issuer's sales activities in Italy and ''Italy Export'' which includes the Issuer's sales activities to other markets (e.g., Russian Federation, Turkey and Middle East) which are coordinated from the Issuer's central sales offices in Italy. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin—Description of Key Line Items and Certain Key Performance Indicators—Revenue.*''

Other Data

Certain numerical figures set out in this Offering Memorandum, including financial data presented in million or thousands have been subject to rounding adjustments, and as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

EXCHANGE RATE INFORMATION

In this Offering Memorandum:

- ''**$**'', ''**dollar**,'' ''**U.S.$**'' or ''**U.S. dollar**'' refers to the lawful currency of the United States; and
- ''**€**'' or ''**euro**'' refers to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a ''best market'' calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on November 6, 2013 was $1.3526 per €1.00.

	U.S. dollar per €1.00			
	Period end	Average[1]	High	Low
Year ended December 31,				
2009	1.4326	1.3953	1.5134	1.2531
2010	1.3387	1.3266	1.4513	1.1923
2011	1.2959	1.3926	1.4830	1.2907
2012	1.3192	1.2860	1.3458	1.2061

	U.S. dollar per €1.00			
	Period end	Average[2]	High	Low
Month				
January 2013	1.3577	1.3302	1.3577	1.3049
February 2013	1.3056	1.3339	1.3641	1.3056
March 2013	1.2820	1.2957	1.3107	1.2780
April 2013	1.3168	1.3025	1.3177	1.2820
May 2013	1.2971	1.2981	1.3190	1.2828
June 2013	1.3010	1.3183	1.3417	1.2956
July 2013	1.3276	1.3083	1.3280	1.2792
August 2013	1.3204	1.3315	1.3420	1.3204
September 2013	1.3531	1.3354	1.3531	1.3127
October 2013	1.3599	1.3639	1.3804	1.3498
November 2013 (through November 6, 2013)	1.3526	1.3500	1.3526	1.3469

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year.

(2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and the ''*Unaudited Pro Forma Consolidated Financial Information*'' and other financial information appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

Unless otherwise indicated, amounts in U.S. dollars derived from the audited financial statements and unaudited interim condensed consolidated financial statements of Viva have been converted from U.S. dollars into euro using the average exchange rates of $1.285 to €1.00 for the year ended December 31, 2012, $1.293 per €1.00 for the twelve months ended June 30, 2013 and $1.308 per €1.00 as of June 30, 2013.

SUMMARY

This summary highlights certain information about the Issuer and the Transactions contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the financial statements of the Issuer and the related notes therein. You should carefully read the entire Offering Memorandum to understand the business of the Issuer, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption ''Risk Factors.''

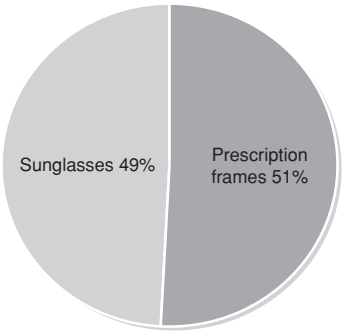
Unless the context indicates otherwise, when we refer to ''we,'' ''us,'' ''our'' and the ''Group'' for the purposes of this ''Summary,'' we are referring to the combined business following the consummation of the Transactions on a pro forma basis. Additionally, when we refer to ''Marcolin,'' we are referring to the Issuer following the Merger, unless the context otherwise requires. For more information on Viva, see ''Viva's Business,'' ''Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva'' and the financial statements of Viva included elsewhere in this Offering Memorandum.

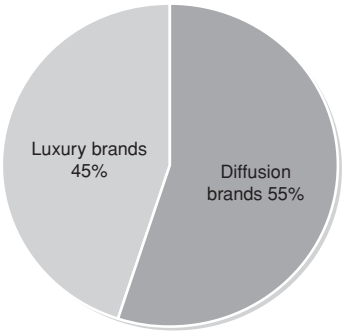
We have not yet completed the Viva Acquisition and, therefore, neither own nor control Viva. This Offering Memorandum includes certain information, including financial information, about Viva, including financial information that presents Marcolin and Viva on a pro forma basis, after giving effect to the Transactions. Such information is based on our estimates and assumptions, including with respect to estimated cost savings and run-rate synergies, which are based on a significant number of factors, some of which may be beyond our control. See ''Forward-Looking Statements,'' ''The Acquisition'' and ''Risk Factors—Risks Related to the Viva Acquisition.'' *Any information concerning Viva is based on documents, information and representations provided to us and our advisers by Viva. While we have conducted due diligence on Viva and have no knowledge that would indicate that any statement contained herein, based upon such information provided by Viva, is inaccurate, incomplete or untrue, we cannot independently verify the accuracy, completeness or truthfulness of all such information or that there has not been any failure by Viva to disclose events, developments or circumstances that may have occurred, but which are unknown to us, which may affect the significance or accuracy of any such information.*

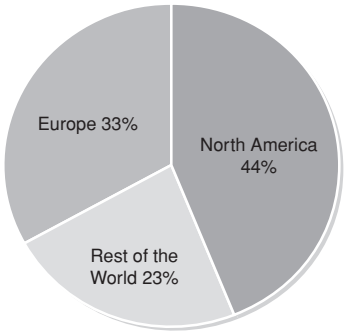
Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We believe we are the world's fourth largest eyewear wholesale player by revenue, with a broad portfolio of 21 licensed brands that appeal to key demographics across five continents. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing the brand names we have obtained pursuant to long-term, exclusive license agreements. We focus on high performing brands with eyewear accessory lines that have international awareness and generate (or have a potential to generate) between €30 million to €100 million in revenue annually. Our portfolio includes iconic labels such as Tom Ford, Guess, TOD'S, Montblanc, Diesel, Swarovski, Timberland, Gant, Harley-Davidson and Roberto Cavalli. The weighted average remaining term of our licenses was 6.9 years as of December 31, 2012. We believe the long tenure of our licenses provide us with strong revenue visibility, as approximately 61% of our revenue for 2012 was generated by sales of products under licenses expiring after 2020. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, we had total Pro forma combined revenue of €348.2 million, Pro forma combined Adjusted run-rate EBITDA of €45.9 million and we sold approximately 13.6 million units.

The graphics below present certain information about our revenue for the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions.







We believe that the Viva Acquisition will strengthen our position as the leading player for high performing brands with eyewear accessory lines that have international awareness and generate between €30 million to €100 million in revenue annually. We further believe that combining Marcolin's ability to interpret and distribute luxury brands with Viva's leading wholesale position in the U.S. and knowhow regarding the industrialization of diffusion brands makes us a compelling choice for brands in our target segment seeking to augment their existing offering and cultivate brand equity with eyewear collections. In addition, our enhanced worldwide distribution network will feature extensive POS coverage in North America, Europe and Asia which we believe are an essential component of our value proposition to licensors.

Our product offering encompasses the 21 licensed brands in our portfolio as well as six proprietary brands and we produce prescription frames and sunglasses for women and men targeting consumers at different price points. We generate the majority of our revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models.

Certain of our licensed brands such as Montblanc, Timberland and Harley-Davidson appeal particularly to male consumers, whereas Guess, Swarovski, Candie's and Balenciaga target female consumers; we also have licensed brands that resonate with both genders, such as Tom Ford, and with younger consumers, such as Diesel and Bongo.

Our portfolio of licensed brands can be divided into luxury and diffusion categories, comprising, respectively, our high-end handcrafted pieces for prestigious fashion houses and our stylish, more affordable alternatives. For our luxury brands, including Tom Ford, TOD'S, Balenciaga, Montblanc and Roberto Cavalli, we leverage our decades of experience to understand our licensors' vision for their brands, applying our in-house product design and high-quality craftsmanship to create eyewear with average retail prices of €200 to €250. As a result of close creative partnerships with each of our licensors, our eyewear reflects the character of each brand and features innovative product design. Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone in Italy's northeast, long-considered to be the birthplace of the modern eyewear industry. For our diffusion brands, including Guess, Diesel, Kenneth Cole and Timberland, we call upon our expertise in the industrialization of the eyewear production process to integrate style and value, creating eyewear with average retail prices of €120 to €130. Diffusion brand products are mainly produced in Asia by third parties under Viva's creative supervision or assembled in Italy by Marcolin from components and semi-finished products made in China. We believe we have created a stable, diversified business model for both luxury and diffusion brands. We believe the risk of changing consumer fashion tastes is mitigated by our ample portfolio of licensed brands, the fact that the majority of our revenue is generated by prescription frames and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by a timeless, classic look and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We are a wholesaler with a presence in over 100 countries and a wide distribution network across five continents. Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through 12 commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand

equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our operations, covering product design, manufacturing and sales and distribution, and aims to cultivate and grow our brands. Our success is a result of applying our thorough understanding of brand management based on decades of experience with licensors and consulting with our sales force and distributors to integrate consumer preferences into our product designs. Our product design capabilities also enable us to create eyewear with a view to their industrialization. For in-house production of our luxury brand units, our manufacturing plant has been streamlined using high precision and flexible workstations and our plant includes on-site raw materials and semi-finished components storage and logistics. We have also outsourced certain machine-intensive phases for galvanization of metals and acetate for use in our luxury brands. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on long-term partnerships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, short lead times and low capital requirements while maintaining a flexible cost structure. We operate through a sales force and extensive distribution network that, together, formulate a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also pay attention to providing POS display and marketing material that showcase the distinctiveness of our licensed brands. The integrated nature of our business allows us to deliver results and quality control for our licensors, while providing customers and consumers with high-quality eyewear products.

Viva Acquisition rationale

Viva represents a strategically important acquisition for Marcolin. It adds a further portfolio of leading brands to our Group, diversifies our Group's operations to balance our leading position in sunglasses with a complementary leading position in prescription frames, expands our distribution capabilities and expands our product offering to make us one of only three global players with a strong worldwide network in both North America and Europe, and a sizeable Asian presence. We believe we are the only global player with a distribution footprint focused on brands with eyewear accessory lines that have international awareness and generate (or have potential to generate) between €30 million to €100 million in revenue annually.

Viva is a leading eyewear wholesale designer and distributor of premium eyewear, which we believe to currently be the second largest U.S.-based eyewear wholesale player, with a portfolio of eight licensed brands and three proprietary brands. Viva's net sales are concentrated mainly in the diffusion category, and a strong position in prescription frames which generated approximately 65% of its net sales for the year ended December 31, 2012, with the remainder generated by sunglasses (35%). For the twelve months ended June 30, 2013, Viva's net sales and EBITDA were $185.5 million (€143.5 million) and $13.7 million (€10.6 million), respectively. For a further description of Viva, see ''*Viva's Business*.''

We believe that the Viva Acquisition will create a number of benefits for us, including the following:

Expanded and more diverse licensed brand portfolio. The Viva Acquisition will significantly expand and diversify our licensed brand portfolio, and therefore, our product offering through the addition of such iconic brands as Guess, Gant, Harley-Davidson and Candie's. Many of Viva's licensed brands have strong appeal in the important United States market. In addition, we believe Viva's brand portfolio includes a number of licensed brands that specifically appeal to women (e.g., Rampage, Candie's and Catherine Deneuve), which provides gender balance to our existing brand portfolio with several licensed brands that today appeal more to men (e.g., Montblanc, Timberland and Harley-Davidson). Furthermore, Viva's brand portfolio is comprised of diffusion brands, balancing Marcolin's emphasis on luxury brands which we believe materially expands the Group's customer base and enables us to deliver a full offering to independent opticians.

Increased exposure to prescription frames. The Viva Acquisition will increase our exposure to prescription frames which represent the largest share of the total market and are at least in part non-discretionary, exhibiting lower seasonal variation than sunglasses, particularly for higher-priced models. For the twelve months ended June 30, 2013, approximately 59% of Marcolin's revenue was generated by sales of sunglasses, and approximately 41% by sales of prescription frames, whereas for the combined Group, on a *pro forma* basis as adjusted for the Transactions, approximately 51% of our combined revenue for the twelve months ended June 30, 2013 would have been generated by

prescription frames and approximately 49% by sunglasses. Given favorable demographic trends of an aging population and increase access to optical diagnosis and care, we believe prescription frames will provide stable demand in many of our core markets.

Expanded geographic diversification and distribution network. We believe that the Viva Acquisition will significantly expand the Group's presence in the United States market. The combined Group will reach at least 15,000 POS in the U.S. (Marcolin currently reaches approximately 8,000 POS in the U.S.), providing increased opportunities for Marcolin's licensed brands to penetrate this large market. Furthermore, certain of Viva's licensed brands have potential for further penetration of Europe and emerging markets where Marcolin's distribution network is already in place. *Pro forma* for the Transactions, the combined Group will be a true global player with balanced exposure to mature and emerging markets.

Increased scale and operational synergies. Following the Viva Acquisition, we believe we will benefit from further operational efficiencies due to our increased size and geographical presence, including consolidation of certain distribution facilities, consolidation of supplier base, information technology and administrative functions, as well as improved utilization of resources and distribution capabilities. We believe that the combination of Marcolin and Viva will generate significant synergies and cost savings. For example, Viva has offices and facilities in a number of countries and cities in which Marcolin already operates, and reducing this overlap will result in significant savings in property, executive management and back-office personnel costs. In addition, we plan to consolidate our corporate functions, information technology systems and our use of operational, office and warehouse space as well as distribution networks in certain countries. Based on analysis by management in cooperation with an external consultant, we believe that the foregoing actions will enable us to achieve annual general and administrative run-rate synergies and cost savings of approximately €8.5 million to be comprised of:

- shared services savings of approximately €4.0 million generated through the reduction of Viva subsidiaries in countries where Marcolin is present (mainly related to rental expenses) and savings in management and back office personnel (e.g., finance, human resources, business development and general and administration) in the United States, Europe and Asia;
- operational efficiencies of approximately €3.0 million generated through the consolidation of warehouse facilities in the United States and in international markets, the consolidation of Viva's and Marcolin's IT systems and savings in personnel expenses within the procurement department; and
- redundancy of double executive functions of approximately €1.5 million: relating for example, to Viva's U.S. president/CEO and the heads of certain Viva international subsidiaries.

Annual run-rate synergies are expected to be almost fully achieved in 2015, while all actions required to realize the aforementioned synergies will be implemented in 2014. Non-recurring costs for the realization of general and administration cost synergies have been estimated in a range of between approximately €7.0 million and approximately €9.0 million, with approximately 30% of these costs being incurred in 2014 and the remainder in 2015. Anticipated revenue synergies and procurement cost savings initiatives have also been identified but are not included in the annual run-rate synergies estimates of approximately €8.5 million. We estimate achieving procurement synergies in the range of approximately €2.5 million to €3.0 million as a result of increased negotiation power vis-à-vis Asian suppliers due to enhanced scale. In addition, we expect that the Viva Acquisition will generate revenue synergies mainly as a result of (i) cross-selling opportunities of Marcolin brand portfolio through Viva agents as well as the sales of Guess products through the Marcolin's distribution network, (ii) the direct distribution of Guess products in Europe (currently done by another distributor) and (iii) the optimization of the combined distribution networks of Viva and Marcolin.

We cannot assure you that we will be able to realize any of these synergies or procurement or cost savings, and the costs we incur in trying to realize these synergies and procurement and cost savings may be substantially higher than our current estimates and may outweigh the benefits. See ''*Risk Factors—Risks Related to the Viva Acquisition—We may be unable to integrate Viva effectively and realize the expected synergies from the Viva Acquisition*'' and ''*Forward-Looking Statements*.''

Our Strengths

We attribute our market position and opportunities for continued growth to the following competitive strengths:

Attractive and stable wholesale eyewear markets with favorable trends toward branded products and potential for growth in emerging markets.

We believe the wholesale eyewear industry is an attractive and relatively stable market with favorable long-term growth trends due to a variety of economic, demographic and social factors. Taiyou Research estimates that the global market for prescription frames and sunglasses was worth €10.2 billion in 2012 at wholesale prices and will grow at a CAGR of 4.0% to reach €12.4 billion by 2017. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, we generated 23% of revenue from Rest of World, including emerging markets in Asia, Latin America and the Middle East.

The prescription frames segment of the optical market is stable and resilient during periods of economic downturn in mature economies due in part to the non-discretionary nature of prescription lenses. Taiyou Research estimates that the wholesale prescription frames market was worth €7.1 billion in 2012 (70% of the total wholesale eyewear market) and will grow at a CAGR of 3.4% to reach 8.4 billion in 2017 driven by a combination of economic, demographic and social factors, including an aging population, increased use of computer monitors at work, increased affordability of eye care and changing consumer behaviors. Taiyou Research estimated that in 2011, 4.2 billion, or 60% of the world's population, required some form of vision correction, though only about 1.7 billion received treatment. The number of people in need of vision correction interventions (prescription lenses, contact lenses and corrective surgery) is expected to increase by 1.2 billion to 5.4 billion in 2030. In addition, consumers have begun to view eyewear as a fashion accessory and method of expression, heightening the consumer's interest in branded eyewear products and we believe that consumers are increasingly more likely to change the prescription frame when they change lenses. Currently a typical consumer purchases prescription lenses once every three years.

The sunglasses segment of the optical market has historically exhibited higher growth rates in periods of economic growth, though demand is more dynamic and sensitive to economic factors. Taiyou Research estimates that the wholesale sunglasses market was worth €3.1 billion in 2012 (30% of the larger wholesale eyewear market) and will grow at a CAGR of 5.2% to reach €4.0 billion in 2017 (32% of the larger wholesale eyewear market). Significant new demand for sunglasses is expected due to increased brand awareness on part of consumers and perceptions regarding the harm of exposure to ultraviolet rays.

Finally, emerging markets are expected to drive the global eye care market, with a focus on branded products. Taiyou Research forecasts growth of the wholesale eyewear market in emerging markets at a CAGR of 9.1% from 2012 to 2017, as compared to 4.0% for the entire market. Demand for branded products in emerging markets, particularly China, Brazil and India, will outpace demand for non-branded products as consumer awareness of internationally-recognized brands grows and economic segmentation among consumers becomes an important social signifier. Taiyou Research expects growth to come from both the sunglasses and prescription frames segment. In 2011, 93% of the population with unmet needs of vision correction resided outside of mature markets and socioeconomic and demographic changes are expected to increase optical diagnosis and affordability of eye care in those markets.

Leading player in the global eyewear industry with excellent reputation and a strong competitive position.

We believe that the combination of Marcolin and Viva will result in our Group becoming the fourth largest player in the global eyewear market based on revenue and the number of licensed brands. Our portfolio of 21 licensed brands includes a number of brand names that are globally recognized for innovation and prestige, including Tom Ford, Guess, TOD'S, Montblanc, Gant, Swarovski, Timberland, Roberto Cavalli and Diesel. We believe that our enlarged scale and distribution network will increase our ability to market our licensed brands on a global platform, taking advantage of growing opportunities in emerging markets and cover more fully the United States market where we believe our combined Group will reach approximately half of the U.S. POS. We focus on brands with eyewear accessory lines that have international awareness and generate (or have the potential to generate) between €30 million to €100 million in revenue annually. We believe we have the most geographically extended presence

compared to those industry players who compete with us (measured in terms of annual average license revenues).

We believe that our business is characterized by low-fashion risk, due largely to the predominance of prescription frames in our revenue and the consistency of our sunglasses collections which favors classic designed models with limited changes to keep them fresh over more avant-garde models. We believe we enjoy a strong competitive position because our highest revenue-generating brands are characterized by a timeless, classic look, meaning that year by year, several high-selling models carry over for multiple seasons.

Diversified brand portfolio, balanced presence in prescription frames and sunglasses, worldwide reach with tailored distribution channels by area.

We believe our diversified product and brand portfolio of 21 licensed and six proprietary brands appeals to various populations and regional tastes and is balanced by prescription frames and sunglasses, brand category, demographic group and geographic region. For instance, for the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 51% of the Group's revenue was generated by sales of prescription frames which are considered less discretionary and less subject to seasonal variation than sunglasses.

For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 55% of our combined revenue was generated by sales of diffusion brand products, which offer stylish eyewear at a more affordable price, whereas the remaining approximately 45% of revenue was generated by sales of luxury brand products offering design innovation, personalization and high-quality materials. By dividing our Group's offerings into diffusion and luxury brands, we offer an array of eyewear and price options, suitable for wholesale distribution for different channels, including independent opticians throughout Europe, department stores from Bloomingdale's to Kohl's in the United States and retail stores of our licensors.

Our geographic presence is also extensive and broadly diversified, with particular strengths in the large North American and European markets, a growing direct presence in Asia and Brazil, and, through distributors and export sales, increased volumes of sales in the Turkish, Middle East and Russian markets. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 44% of our combined revenue was generated in North America, 33% in Europe and 23% in the Rest of World.

Proven ability to enhance brand equity leading to strong portfolio of licenses with long average remaining maturity, high future revenue visibility and ability to attract new licenses.

We believe we enjoy a strong reputation among licensors as a valued partner with a proven ability to deliver brand equity enhancement. Primarily as a result of our product design and sales and distribution efforts, we have historically attracted new licenses from distinctive brands and we have significantly increased our license portfolio on an organic basis since 2009. We believe our success is attributable in part to our track record as product designers who capture and translate each brand's essence into successful eyewear products while respecting and preserving each licensor's brand identity. For example, in 2005, we welcomed Tom Ford to our Group as a licensed brand and have successfully grown Tom Ford eyewear organically from nil revenues at its introduction to a strong and well performing eyewear brand with a customer base spanning across Europe, the United States and Asia. In 2006, Tom Ford was awarded the Accessories Council Excellence Award for the category ''Best Accessory Brand Launch of the Year'' in recognition of Tom Ford eyewear's contribution to brand excellence. From 2006 to 2009, revenue generated by sales of Tom Ford eyewear grew at a CAGR of 50.5% as we rolled out a distribution strategy specifically tailored for this luxury brand. From 2009 to 2012, revenue generated by sale of Tom Ford eyewear grew at a CAGR of 12.4% and it continues to be a well-performing brand with a strong customer base across our core markets.

The strength of our brand portfolio provides the foundation of our success and, with an average remaining license term of 6.9 years as of December 31, 2012, we are well-positioned to continue to cultivate brand market share and exploit the larger distribution network available to us with the Viva Acquisition, especially in the United States. For the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions, approximately 61% of combined revenue was generated by products under licenses with at least seven years of residual life (beyond 2020). The long average remaining duration of our license portfolio provides us with a high degree of revenue visibility. Since 2009, we have

added three licensed brands to our portfolio, entered into two additional new licenses, one 10-year license and one 5-year license with iconic, internationally-recognized brands that will be unveiled in 2014, renewed one of our existing licensed brand and lost none of our licensed brands to our competitors. We believe our unique attention to licensor's interests, our best-in-class product design capabilities and our strengthened distribution network's scale make us a preferred licensee for potential partners and creates even greater opportunities for us to further develop existing, and attract new brand licenses in the future.

High cash conversion due to limited capital expenditure and working capital requirements.

Our track record of maintaining stable margins combined with the limited capital expenditure requirements of our wholesale business model and our management's attention to working capital management has historically resulted in strong cash conversion. Our Pro forma combined Adjusted EBITDA margins were 12.1% and 10.8% for 2012 and the twelve months ended June 30, 2013, respectively, despite generally adverse economic conditions in our key markets, benefitting from our lean organization structure. Furthermore, our business generally requires limited capital expenditures. Manufacturing facilities in the eyewear industry are made up of small, relatively inexpensive machines; in addition strategic use of outsourcing limits our maintenance capital expenditure requirements. Particularly machine-intensive phases of production for our metal products, such as the galvanization, have been outsourced to third parties located near our central manufacturing premises in Italy and we rely on third parties for manufacturing processes for our diffusion brand products. Furthermore, as we do not maintain a retail distribution network, our business model avoids the extensive capital expenditures that would be required to open and maintain directly-operated stores, and while we are able to make sales to our vertically-integrated competitors who stock our licensed brands to complete their product offerings, we believe we are the preferred partner for independent opticians as we do not compete with them in the retail eyewear trade. Limited working capital swings from year to year due to proactive inventory management supported by disciplined production planning.

Strong and experienced management team backed by committed shareholders.

We have a senior management team consisting of individuals with over 20 years of experience in the consumer products and fashion industry. Our managers have extensive experience in, among other areas, financial planning and control, wholesale management and licensing with leading listed and non-listed companies that are active on a global level. All key managers also have extensive mergers and acquisitions and integration experience. Members of the Marcolin family remain active shareholders in our business and occupy managerial positions which maintains continuity with our heritage as one of the oldest luxury eyewear manufacturers. We benefit from the support of PAI, one of the oldest and most experienced private equity firms in Europe. Finally, in connection with the Viva Acquisition, we expect that a number of managers from Viva will join our Group management team and bring their experience in the North American market and their extensive knowledge of eyewear industrialization in support of our combined business.

Our Strategies

We plan to further grow our leading market position and fully exploit the synergies and cost savings of the Viva Acquisition as described above under ''*—Viva Acquisition rationale*'' by pursuing the following business strategies:

Leverage expanded and balanced geographic presence, increase scale and further develop global distribution capabilities, especially in the U.S. and emerging markets.

The combined Group is expected to be the fourth largest player in the wholesale eyewear industry with extensive distribution networks in the North American and European markets. We intend to focus our efforts to exploit the larger distribution network in the United States afforded by the Viva Acquisition (where the Group's expanded distribution network will reach at least 15,000 U.S. POS) and roll out Marcolin's licensed brands such as Tom Ford, Montblanc, Diesel, Roberto Cavalli, Timberland, Swarovski and Kenneth Cole to new locations. Additionally, we believe there is potential for Viva's licensed brands to gain market share in certain European markets and through the Group's distribution network and export sales activities in Asia and the Middle East, especially for licensed brands such as Guess, Gant and Harley-Davidson. We also expect to leverage our increased portfolio of proprietary

brands that target entry level price points to increase revenue in the U.S. through managed care networks which provides high revenue visibility and reduces fashion risk.

We aim to maintain a strong foothold in our mature markets while pursuing organic growth opportunities in fast-growing emerging markets that will account for about a third of the wholesale eyewear market by 2017. In addition, we believe consumer demand for branded products is also expected to increase. We expect our increased scale and broader portfolio of licensed brands with different price points will help us effectively target increased revenue in emerging markets. We intend to promote our brands for export sales, especially to Latin America, Asia and the Middle East. In addition, to foster consumer demand in emerging markets, we will work closely with our licensors to further increase brand awareness through targeted advertising campaigns and in-shop displays. We also believe that the travel segment of the wholesale distribution channel (i.e. airport duty-free shops) can function as an entry point to increase revenue in emerging markets, and we expect to increase our presence in these locations.

Focus on distinctive brands with target revenue in eyewear of between €30 million to €100 million to cultivate brand equity for licensors.

We intend to continue to develop our successful business model of providing collections in a variety of styles, materials and colors to distinctive brands with high commercial potential in eyewear, generally with target revenue between €30 million and €100 million in the next three to five years. For luxury brands, we will continue producing *Made in Italy* pieces that seek to translate each licensed brand's unique identity into eyewear. For diffusion brands, we intend to continue to offer consumers compelling propositions of style and value. We believe establishing the eyewear collection for Tom Ford and Guess and continuing to grow them as formidable, recognized and profitable brands in the eyewear accessory line has contributed to raising awareness among consumers for these brands, and therefore, increased consumer loyalty and brand value. We believe our track record can help us develop other luxury and diffusion brands that have yet to establish eyewear collections or are otherwise dissatisfied with their current licensee. In addition, our ability to produce, industrialize and distribute eyewear in the diffusion brand category can be attractive to licensors seeking to complement their offering and reach mass-market consumers. We have recently signed one new 10-year license and one new five-year license, in each case involving globally-recognized brands with sales commencing in January 2015. We review our portfolio on a regular basis, and we have discontinued four brands since 2011 that no longer resonated with consumers or otherwise did not maintain attractive margins. We will continue to focus on licensed brands that have broad consumer appeal or target selective and profitable niches. We seek to maintain or increase gross margins for our luxury and diffusion brands, and we intend to monitor and tailor our brand portfolio for optimal performance.

Maximize operational efficiency in all core markets and foster partnership-based approach with suppliers.

We believe that tight control over our operations has historically contributed to margin preservation and we intend to maximize the operational efficiencies presented by the Viva Acquisition. We intend to utilize the economies of scale generated by the Viva Acquisition and improve both our procurement and distribution functions through aggregation of activities where relevant. We expect that leveraging our increased size will yield favorable commercial conditions from suppliers. We also intend to extract cost savings through rationalizing general and administrative costs, especially in countries where both Marcolin and Viva already have a direct presence. In addition, our experience indicates that the faster we can move product design concepts into POS, the more likely we can translate our designs into revenue at our recommended price, yielding strong margins. We have recently begun an initiative to reduce the number of principle third-party manufacturers in China from 13 to six that we utilize for finished and semi-finished products in an effort to improve production cycle time, reduce re-ordering delays and form strong partnerships with such suppliers. We believe further improving our procurement, production and assembly efficiency can help us maximize revenue volumes and preserve margins while limiting our exposure to changing fashion trends and inventory leftovers. Finally, we will continue to work on improving our logistical organization and improve customer fulfillment of orders.

Maintain disciplined financial strategy, focus on cash generation and reduce leverage.

We have historically achieved high levels of Adjusted EBITDA with Pro forma combined Adjusted EBITDA margin of 10.8% for the twelve months ended June 30, 2013 and Marcolin achieved an average Adjusted EBITDA of 14.6% over the last three years. We intend to focus on cash generation and

operationally reducing our leverage through improving working capital practices and aggressively monitoring cash flow management. The Revolving Credit Facility, which we expect will be undrawn at the closing of the Offering and as of the Completion Date, will maintain a liquidity cushion for on-going business needs. Leveraging our limited capital expenditures combined with our disciplined financial strategy, we intend to focus on cost reduction and efficiency improvement opportunities presented by the integration of Viva, including through aggregating logistics facilities, consolidating distribution subsidiaries and streamlining back-office functions. In addition, we do not intend to pay any dividends. Furthermore, we intend to prudently evaluate any future opportunities for strategic growth of our licensed brand portfolio that have clear potential to be EBITDA-accretive.

The Sponsor

PAI is one of the leading European private equity firms with offices in Paris, London, Luxembourg, Madrid, Milan, Munich and Stockholm. PAI manages and advises dedicated buyout funds with combined commitments in excess of around €4.1 billion. Since 1994, PAI has completed 50 leveraged buyout transactions across nine European countries, representing approximately €36 billion of aggregate enterprise value. PAI has a significant number of investments in the apparel retail and consumer goods sector, and has successfully contributed to the growth of a large number of leading players in this sector. Recent examples of leveraged buyouts in related industries, led by PAI, include Nuance (a leading duty-free retailer), Vivarte (an apparel retailer in France) and Gruppo Coin (a leading retailer in Italy). PAI is characterized by its operational approach to ownership combined with industrial and sector expertise. PAI provides portfolio companies with the operational, financial and strategic support required to pursue their development and enhance strategic value creation.

The Transactions

The Merger

On October 29, 2013, Cristallo, the former direct parent company of the Issuer and a subsidiary of Marmolada, underwent a reverse merger with and into the Issuer (the ''**Merger**'') in connection with a corporate reorganization of the holding structure of the Group. Cristallo, a joint stock corporation (*società per azioni*) organized under the laws of the Republic of Italy, was formed by the shareholders of Tofane S.A. to purchase a 78.6% stake in the Issuer's share capital on December 5, 2012 from the Issuer's former controlling shareholders, following which Cristallo conducted a mandatory tender offer for the remaining shares of the Issuer pursuant to Italian law. Following the Merger, the surviving entity, Marcolin, had approximately €115.6 million of indebtedness under the Existing Credit Facilities and a bridge loan facility incurred by Cristallo in connection with the Marcolin acquisition in 2012 (which will be refinanced following the Issue Date with the Existing Credit Facilities) and €7.2 million of other debt which will be refinanced with part of the proceeds from the Offering.

The Viva Acquisition

The Acquisition Agreement

On October 23, 2013, M-USA, one of the Issuer's indirect, wholly-owned subsidiaries, and Marmolada, the direct parent company of Cristallo, entered into the Acquisition Agreement to acquire the entire issued share capital of Viva from the Seller. Marmolada will transfer all of its rights and obligations under the Acquisition Agreement to 3Cime which, in connection with the consummation of the Acquisition will issue the Vendor Loan Note and purchase a portion of the share capital of Viva. On the Completion Date, the Viva share capital purchased by 3Cime will be sold to M-USA in exchange for the Transfer Loan (pursuant to which M-USA will be the borrower and 3Cime will be the initial lender). On the same date: (i) 3Cime will contribute its interest in the Transfer Loan to Marmolada in exchange for Marmolada shares and (ii) Marmolada will then sell such interest in the Transfer Loan to Marcolin in exchange for an intercompany receivable (as a result of the foregoing, Marcolin will become the lender under the Transfer Loan to M-USA). Within ten business days of the Completion Date, Marmolada will cancel the receivable owing to it from Marcolin arising from the sale by it to Marcolin of the Transfer Loan (the ''**Post-Completion Receivable Cancellation**''). Marmolada's assignment of its rights and obligations under the Acquisition Agreement to 3Cime, the issue and subscription of the Vendor Loan Note and the use of such proceeds by 3Cime to purchase a portion of Viva's share capital, the sale of such portion of Viva's share capital to M-USA in exchange for the Transfer Loan, 3Cime's contribution of the Transfer Loan to Marmolada, Marmolada's sale thereof to Marcolin and the Post-Completion Receivable

Cancellation is referred to as the ''**Transfer**.'' We refer to the foregoing transactions, including the Transfer, resulting in M-USA owning the entire share capital of Viva as the ''**Viva Acquisition**.''

In connection with the Viva Acquisition, the Seller entered into a supply agreement (the ''**Supply Agreement**'') with the Group pursuant to which the Seller will commit to purchase $22 million in eyewear products per year for a term of 5 years (renewable for two additional 5 year terms at the option of the Seller). The Supply Agreement allows the Seller to use its discretion as to which brands of eyewear to purchase from the current product portfolios of Viva and Marcolin. To the extent any such brand that the Seller has made purchases of up to a certain amount in a given year is terminated, the Group may offer any new licensed brand that the Group may acquire in the future as an alternative, and the Seller may, at its sole discretion, allocate the *pro rata* amount of such terminated brand to the new brand. We expect that, as a result of the Supply Agreement, the Seller will become the single largest customer of the combined Group. See ''*The Acquisition—Supply Agreement*'' for further information.

The completion of the Viva Acquisition is subject to satisfaction of antitrust approval by the U.S. Federal Trade Commission and the Austrian Federal Competition Authority (*Bundeswettbewerbsbehörde*). If the conditions precedent to the closing of the Viva Acquisition are not satisfied within 90 days following the signing of the Acquisition Agreement, unless amended, the Acquisition Agreement will terminate. The Acquisition Agreement may also be terminated by either M-USA or the Seller upon receipt of a final, non-appealable order by a competent government authority restraining or prohibiting the Viva Acquisition.

The Viva Acquisition Financing

Pursuant to the Acquisition Agreement, M-USA and 3Cime will acquire the entire share capital of Viva for a purchase price of $142.0 million (€102.9 million) on a debt- and cash-free basis. In addition, Viva is required to make a payment to one of its licensors due to a change of control provision in one of Viva's license agreements triggered by the Viva Acquisition, of which $2.5 million is for the account of Marcolin. See ''*Unaudited Pro Forma Consolidated Financial Information*.'' The purchase price is subject to certain adjustments specified in the Acquisition Agreement. It is expected that the Viva Acquisition will be financed through:

- the purchase of a certain portion of Viva's share capital by 3Cime with the proceeds of the issuance and sale of the Vendor Loan Note as part of the Transfer;
- an equity capital injection in the Issuer by Marmolada in the amount of €20.0 million financed by €20.0 million in equity from our shareholders (the ''**Shareholders Equity Injection**'') that will be on-lent to M-USA together with a portion of the net proceeds of the Offering (expected to be approximately €62.9 million) in the form of the Proceeds Loan from the Issuer to M-USA in an amount expected to be approximately $114.5 million; and
- the Deferred Compensation in the amount of $7 million, payable in installments on the first, second and third anniversaries of the closing of the Viva Acquisition, respectively, of $2 million, $2 million and $3 million.

We refer to the Shareholder Equity Injection, the granting of the Vendor Loan Note, the Transfer, the Proceeds Loan and the Deferred Compensation as the ''**Viva Acquisition Financing**.'' See ''*Use of Proceeds*,'' ''*The Acquisition—Vendor Loan Note*'' and ''*Description of Certain Financing Arrangements*.''

The Financing of the Viva Acquisition and the Refinancing and Use of Proceeds

We expect the gross proceeds from the Offering will be €200 million. We intend to use the proceeds from the Offering to refinance certain of our existing indebtedness, to pay a portion of the purchase price of the Viva Acquisition and pay fees and expenses related to the Transactions. On the Issue Date, we expect to enter into the €25 million Revolving Credit Facility Agreement, which will become available on the Completion Date. The estimated sources and uses of the funds necessary to complete the Viva Acquisition and the Refinancing are shown in the below table. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of existing cash in the business, our estimates of the cost of repaying the existing indebtedness described below, exchange

rate fluctuation between the U.S. dollar and euro, differences from our estimates of fees and expenses and the ultimate timing of the Completion Date.

Sources of funds	(€ in millions)	Uses of funds	(€ in millions)
Notes offered hereby[1]	200.0	Viva Acquisition Financing[6]	107.2
Vendor Loan Note[2]	21.7	The Refinancing[7]	122.9
Deferred Compensation[3]	5.1	Transaction fees and expenses[8]	7.0
Shareholder Equity Injection[4]	20.0	Surplus cash[9]	12.7
Viva Capital Leases[5]	3.0		
Total sources	**249.8**	**Total uses**	**249.8**

(1) Assumes issuance at par.

(2) Represents the vendor loan note in the amount of $30.0 million (€21.7 million) issued by 3Cime, an indirect parent company of the Issuer, and subscribed by the Seller translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013. See ''*The Acquisition—Vendor Loan Note*.''

(3) Pursuant to the Acquisition Agreement, if the conditions precedent to the closing of the Viva Acquisition are met and the Viva Acquisition is consummated, M-USA will pay $7 million of Deferred Compensation with cash on the balance sheet in the following schedule: $2 million on the business day following the first anniversary of the closing date of the Viva Acquisition, $2 million on the business day following the second anniversary of the closing date of the Viva Acquisition and $3 million on the business day following the third anniversary of the closing date of the Viva Acquisition. See ''*Description of Certain Financing Arrangements—Deferred Compensation*.'' The Deferred Compensation has been translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013.

(4) Represents the equity contribution from our shareholders to Tofane, an indirect parent company of the Issuer, which will then be down streamed through an ordinary equity capital increase to the Issuer and, on or prior to the Completion Date, to M-USA as part of the Proceeds Loan. See ''*—The Viva Acquisition Financing.*''

(5) Represents the Viva Capital Leases of $3.9 million which will remain outstanding following the Viva Acquisition. The Viva Capital Leases has been translated into euro at an exchange rate of 1.308 as of June 30, 2013.

(6) Represents the purchase price for the Viva Acquisition of $144.5 million and estimated expenses in connection with the Viva Acquisition of €3 million. The purchase price of $144.5 million, which includes the $2.5 million to be paid by Marcolin to one of the licensors as a change of control condition has been translated into euro at an exchange rate of $1.380 per €1.00, calculated by translating a portion of the purchase consideration of $125 million hedged by a foreign currency forward at the forward rate of $1.379 per €1.00 and the remaining portion at an exchange rate of $1.381 per €1.00 as of October 24, 2013. The purchase price for the Viva Acquisition is subject to certain adjustments as contained in the Acquisition Agreement related to changes in Viva's working capital, closing cash and debt and certain other items, including tax liabilities and this could impact the cash reflected hereunder.

(7) Represents the total aggregate principal amount of the Existing Credit Facilities, other short term facilities to be repaid and the termination of derivative contracts. The short term facilities to be refinanced are uncommitted but will not be terminated and may be utilized again in the future.

(8) Represents the estimated fees and expenses associated with the Offering of €7 million including underwriting fees and commissions, financial advisory fees, other transaction costs and professional fees.

(9) Represents the net increase to cash and cash equivalents arising from the Transactions. In particular this increase reflects the gross proceeds from the Notes offered hereby, net of estimated fees and expenses of €7 million related to the Offering, the net cash outflow for the purchase price consideration in connection with the Viva Acquisition, including estimated expenses of €3 million, and the repayment of the Existing Credit Facilities, other short-term facilities and derivative liabilities relating to the Existing Credit Facilities. For the explanation of the net cash outflow for the Viva Acquisition, see the ''*Unaudited Pro Forma Consolidated Financial Information*.''

Pending the completion of the Viva Acquisition, the net proceeds of the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by, and pledged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes pursuant to the Escrow Agreement. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the Transfer (other than the Post-Completion Receivable Cancellation) and the consummation of the Viva Acquisition on substantially the same terms as described in this Offering Memorandum. The completion of the Viva Acquisition is subject to certain conditions, including regulatory approvals. If the Viva Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the date of the special mandatory redemption. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'' and ''*Risk Factors—Risks Related to the Viva Acquisition—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*.''

We refer to the Merger, the Viva Acquisition, the Viva Acquisition Financing, the entering into the Revolving Credit Facility Agreement, the entering into the Security Documents and the Intercreditor Agreement and the other transactions contemplated thereby, including the Refinancing and payment of fees and expenses, together, as the ''**Transactions**.'' See ''*Use of Proceeds*,'' ''*Capitalization*'' and ''*Description of Notes*.''

Recent Developments

Marcolin's current trading for the three months ended September 30, 2013

Based on the management's initial review of our results of operations, we expect for the three months ended September 30, 2013 that: (i) our total revenue will be between approximately €42.5 million and €43.5 million (as compared to €41.0 million for the three months ended September 30, 2012), (ii) our EBITDA will be between approximately €1.0 million and €1.2 million (as compared to €(0.6) million for the three months ended September 30, 2012) and (iii) our Adjusted EBITDA will be between approximately €1.7 million and €1.9 million (as compared to €1.0 million for the three months ended September 30, 2012). The EBITDA adjustments for the three months ended September 30, 2013 and 2012, respectively are of the same nature as those described elsewhere in this Offering Memorandum.

The expected increase in revenues and the increases in both EBITDA and Adjusted EBITDA over the three months ending September 30, 2013 are primarily due to a recent improvement in sales driven by luxury brands, notably in the U.S. market and in all main export markets (particularly Asia), and other European markets including Spain where we have recorded positive performance and observed signs of an economic recovery. Our increased revenue has also been driven in our export markets by investments in our distribution network, and investments in our North American sales force. Orders also increased significantly in connection with several international fairs and conventions that we held in the summer of 2013, where our new sunglasses collections were very well received by key customers and distributors. In addition to the positive impact of the increase in sales, the expected increases in EBITDA and Adjusted EBITDA for the three months ended September 30, 2013 over the prior period were also due to our strict control of costs, including a rationalization of expenditures related to in-store marketing materials. In addition, focus of management on trade working capital continues to yield a source of cash.

These preliminary indications are estimates based on our management's initial reviews of our results of operations, which have not been audited or reviewed by our independent auditors or any other auditor. We have not yet completed the preparation of our unaudited interim condensed financial statements as of and for the nine months ended September 30, 2013. Our actual results for the period ending September 30, 2013 may differ from these estimates in ways that could be material. In addition, our interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. See ''*Forward-Looking Statements*,'' ''*Risk Factors*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*.''

Viva's current trading for the three months ended September 30, 2013

Based on the management's initial review of Viva's consolidated management accounts, we expect for the three months ended September 30, 2013 that: (i) Viva's net sales will be between approximately $43 million and $45 million (as compared to $42.3 million for the three months ended September 30, 2012) and (ii) Viva's EBITDA will be between approximately $3.5 million and $4.5 million (as compared to $2 million for the three months ended September 30, 2012).

The expected increase in net sales over the three months ended September 30, 2013 compared to the corresponding period of the prior year was primarily due to strong net sales results generated by Viva's English and French operations as well as an improvement in the U.S. market which had contributed to the downward trend in net sales for the first half of 2013. The expected increase in EBITDA over the three months ended September 30, 2013 compared to the corresponding period of the prior year was primarily due to the fact that inventory and pricing levels normalized following Viva's initiative implemented to sell inventory at discount prices in 2012 and up through the first half of 2013 in reaction to the extraordinary industry environment during the applicable period when competitors implemented price reductions, rebates and/or liquidations for such products due to two significant licensors transitioning to new licensees. An increase in gross margin in the third quarter due to the completion of discounted pricing on sales of Viva's inventory was therefore a key driver in improving earnings.

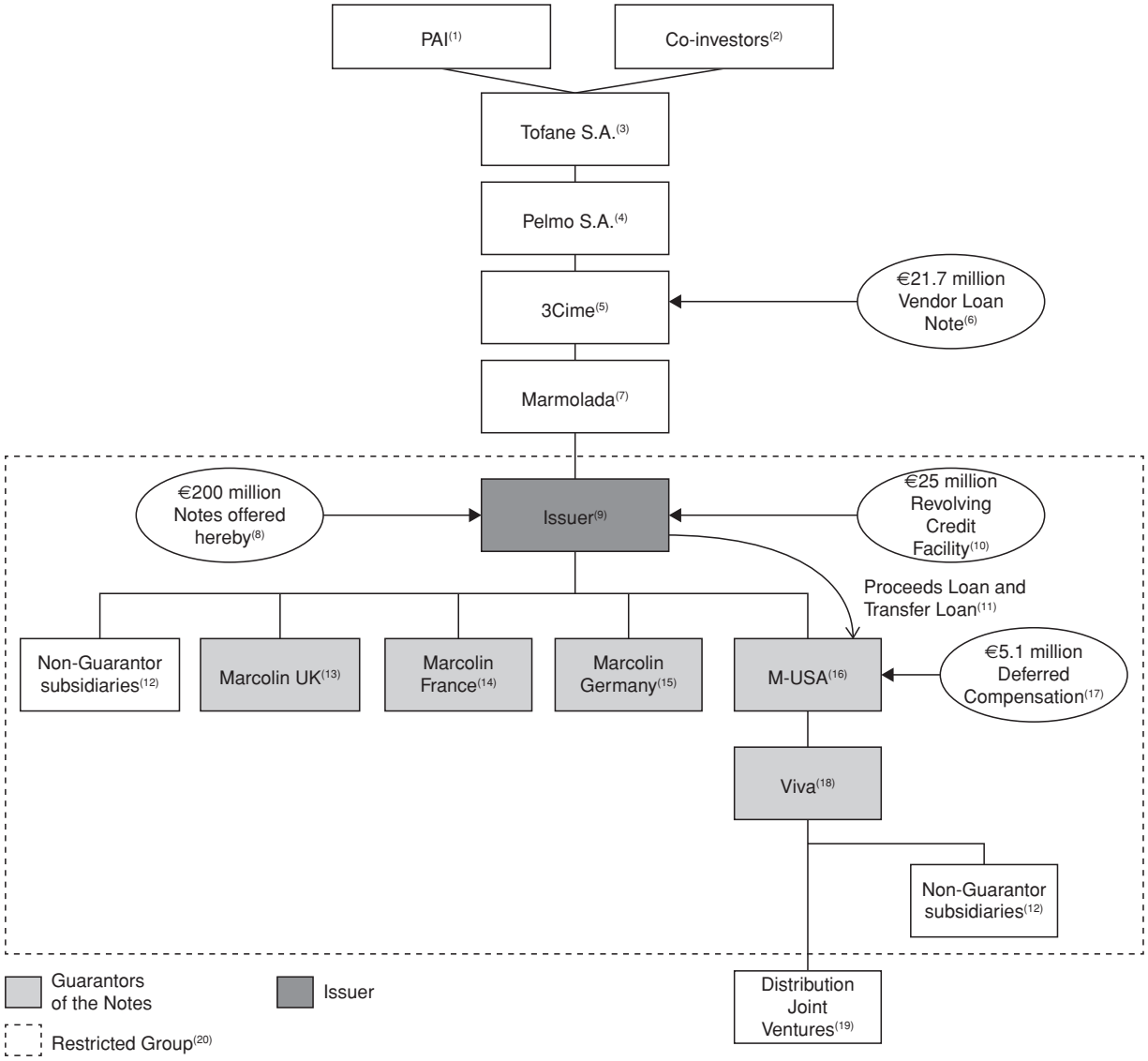
The preliminary financial data of Viva included in this Offering Memorandum has been prepared by, and is the responsibility of, Viva's management. Neither Viva's independent auditors, nor any other auditors have audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, neither Viva's independent auditors nor any other auditors express an opinion or any other form of assurance with respect thereto. Viva has not yet completed the preparation of its unaudited interim condensed financial statements as of and for the nine months ended September 30, 2013. Viva's actual results for the period ended September 30, 2013 may differ from these estimates in ways that could be material. In addition, interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. See ''*Forward-Looking Statements*,'' ''*Risk Factors*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*.''

New license agreements

We have recently signed three new license agreements with internationally-recognized luxury brands, one with a 10-year duration and one with a five-year duration and we are currently in advanced negotiations to obtain a third license with a five-year duration. We expect that these new licensed brands would begin producing revenue starting as of January 1, 2015. Two licenses, including the third brand with which we are in advanced negotiations, are currently held by two of our competitors while the third brand has not yet been present in eyewear. For the year ended December 31, 2012, based on information provided by the relevant licensors, we estimate that the aggregate revenue generated by the two existing eyewear brands was approximately €25 million. However, as revenue by brand can fluctuate due to a variety of factors such as product design, consumer preferences and distribution capabilities, this estimate cannot be considered a guarantee of future performance. In addition, negotiations with the third licensor may not ultimately result in the conclusion of an agreed license agreement. See ''*Forward-Looking Statements*.'' In addition, we would expect to be required to ramp-up advertising expenditures for these new licenses in 2015 in order to prepare and distribute in-store and display materials and foster brand awareness among our customers and consumers.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving *pro forma* effect to the Transactions as described in ''*Use of Proceeds*.'' Other than with respect to Viva's distribution joint ventures, all subsidiaries of the Group are directly or indirectly wholly-owned by the Issuer. For a summary of the debt obligations referenced in this diagram, see ''*Description of Certain Financing Arrangements*'' and ''*Description of Notes*.''



(1) Funds advised or managed by PAI, a major European private equity firm that manages and advises dedicated buyout funds with combined commitments in excess of around €4.1 billion, own an 80% indirect interest (on a fully diluted basis) in Marcolin's share capital. See ''*Principal Shareholders*.''

(2) Certain co-investors own the 20% remaining indirect interest (on a fully diluted basis) in Marcolin's share capital. See ''*Principal Shareholders*.''

(3) Tofane S.A., organized as a corporation (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, is an indirect holding company of Marcolin.

(4) Pelmo S.A., organized as a corporation (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, is an indirect holding company of Marcolin. See ''*Principal Shareholders*.''

(5) 3Cime, organized as a joint stock corporation (*società per azioni*) under the laws of the Republic of Italy, will be an indirect holding company of Marcolin and the direct parent company of Marmolada.

(6) On the date of the Completion Date, 3Cime will issue and the Seller will subscribe to an unsecured and unguaranteed note in the amount of $30.0 million (€21.7 million) (the ''**Vendor Loan Note**''). See ''*The Acquisition—Vendor Loan Note*.''

(7) Marmolada, organized as a joint stock corporation (*società per azioni*) under the laws of the Republic of Italy, is the direct parent holding company of Marcolin. In addition, Marmolada is subject to a holding company covenant under the Indenture. See ''*Description of Notes—Certain Covenants—Limitation on Holding Company Activities of Marmolada S.p.A.*''

(8) On the Issue Date, the obligations of the Issuer under the Notes will not be guaranteed. On the Completion Date, subject to the Agreed Security Principles, M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva will accede to the Indenture as Guarantors. Prior to the Completion Date, the obligations of the Issuer under the Notes will be secured by a pledge over the Escrow Account. See ''*Risk Factors—Risk Related to the Viva Acquisition—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you will not obtain the return you expect on the Notes*.'' On the Completion Date, subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by: (i) pledges over all of the shares of the Issuer, M-USA, Marcolin France, Marcolin UK and Marcolin Germany, (ii) a pledge over the trademark of Web (a proprietary brand), (iii) a pledge and security agreement over all of the material assets of M-USA, (iv) a security assignment over certain insurance and trade receivables owing to the Issuer and (v) a security assignment over the Issuer's receivables under the Proceeds Loan and the Transfer Loan (collectively, the ''**Completion Date Collateral**''). In addition, the Indenture will require that, subject to the Agreed Security Principles, within 10 business days from the Completion Date, the Notes be secured on a first-ranking basis by: (i) pledges over all of the shares of Viva and 65% of the shares of Viva UK and 65% of the shares of Viva Europa and (ii) a pledge and security agreement over all of the material assets of Viva (collectively, the ''**Viva Collateral**'' and, together with the Completion Date Collateral, the ''**Collateral**''). See also ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

(9) The Issuer is organized as a joint stock corporation (*società per azioni*) under the laws of the Republic of Italy. See ''*Management*,'' ''*Principal Shareholders*'' and ''*Listing and General Information*.'' On October 29, 2013, Cristallo merged with and into the Issuer and the Issuer is the surviving entity. See ''*Summary—The Transactions—The Merger*.'' As of June 30, 2013, the Issuer had €6.9 million outstanding in bilateral short-term and unsecured facilities that are expected to be repaid in connection with the Transactions though such facilities are expected to remain available to us. See ''*Description of Certain Financing Arrangements—Marcolin Bilateral Facilities*.'' In addition, in June 2013 the Issuer conducted two sales of certain trade receivables in the amount of €4.1 million to two factoring counterparties. The Issuer may conduct additional factoring operations in the future on a recourse basis. See ''*Description of Certain Financing Arrangements—Marcolin Factoring Operations*.'' For the twelve months ended June 30, 2013, the Issuer and the Guarantors generated approximately 75% of the Group's Pro forma combined revenue and approximately 83% of the Group's Pro forma combined Adjusted EBITDA. As of June 30, 2013, the Issuer and the Guarantors comprised approximately 90% of the Group's Pro forma combined assets. See ''*Summary—The Transactions—The Merger*.''

(10) The Issuer intends to enter into a Revolving Credit Facility on the Issue Date providing for up to €25 million (in multiple currencies) of senior secured revolving credit. The Issuer will be the borrower on a senior basis under the Revolving Credit Facility but other Group entities may become borrowers in the future (subject to the terms of the Revolving Credit Facility). The Revolving Credit Facility will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the same rights, property and assets granted by the Issuer that secure the Notes and by (i) a special lien (*privilegio speciale*) over the Issuer's movable assets and (ii) a mortgage (*ipoteca*) over certain real estate assets of the Issuer. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of the Revolving Credit Facility and counterparties to certain hedging obligations that are permitted to be secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over any Collateral (with the exception of first-ranking pledge over the Escrow Account which will be pledged solely to Trustee on behalf of the holders of the Notes). Any proceeds received upon any enforcement action over any Collateral, after all obligations under the Revolving Credit Facility and certain hedging arrangements have been repaid and have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*.'' The Issuer and the Guarantors will be, on or before the Completion Date, borrowers and/or guarantors, respectively, under the Revolving Credit Facility. On the Issue Date, the Revolving Credit Facility will be undrawn. The release of the net proceeds of the Offering is among the conditions to the availability to drawdown on the Revolving Credit Facility.

(11) On the Completion Date, subject to the satisfactions of the release of the Escrow Agreement, to partially finance the Viva Acquisition: (i) the Issuer, as lender, and M-USA, as borrower, will enter into a proceeds loan agreement pursuant to which the Issuer will lend, and M-USA will borrow, an amount expected to be approximately $114.5 million from a portion of the net proceeds of the Offering (expected to be approximately €62.9 million) and the proceeds of the Shareholders Equity Injection and (ii) 3Cime, as lender, will make the transfer loan to M-USA in an amount of $30.0 million, equal to the value of the Viva share capital purchased by 3Cime and transferred to M-USA on such date (the ''**Transfer Loan**'') and, on the same date: (A) 3Cime will contribute its interest in the Transfer Loan to Marmolada in exchange for Marmolada shares, and (B) Marmolada will then sell such interest in the Transfer Loan to Marcolin (as a result of the foregoing, Marcolin will be the lender under the Transfer Loan to M-USA). See ''*Description of Notes—Security*'' and ''*Description of Certain Financing Arrangements—Proceeds Loan.*''

(12) Not all Group companies will guarantee the Notes. For the twelve months ended June 30, 2013, the Non-Guarantor Subsidiaries generated approximately 25% of the Group's Pro forma combined revenue and approximately 17% of the Group's Pro forma combined Adjusted EBITDA. As of June 30, 2013, the Non-Guarantor Subsidiaries comprised approximately 10% of the Group's Pro forma combined assets. The Notes will be structurally subordinated to the liabilities of such Non-Guarantor Subsidiaries. In the event of a bankruptcy or liquidation of any of the Non-Guarantor Subsidiaries, such Non-Guarantor Subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent and ultimately to the Issuer. See ''*Risk Factors—Risks Related to the Notes, Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes*.''

(13) Marcolin UK is incorporated as a private limited company under the laws of England. See ''*Listing and General Information*.''

(14) Marcolin France is organized as a simplified corporation (*société par actions simplifiée*) under the laws of France. Certain of its shares are indirectly held. See ''*Listing and General Information*.''

(15) Marcolin Germany is organized as a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany. See ''*Listing and General Information*.''

(16) M-USA is organized as a corporation under the laws of the State of New York. Certain of its shares are indirectly held. See ''*Listing and General Information*.'' On the Completion Date, M-USA will be the borrower under both the Proceeds Loan and the Transfer Loan. See ''*The Transactions—The Financing of the Viva Acquisition and the Refinancing and Use of Proceeds.*''

(17) Pursuant to the Acquisition Agreement, if the conditions precedent to the closing of the Viva Acquisition are met and the Viva Acquisition is consummated, M-USA will pay $7 million (€5.1 million) to the Seller in vendor deferred compensation (the ''**Deferred Compensation**'') according to the following schedule: $2 million on the business day following the anniversary of the Completion Date and $2 million on the business day following the second anniversary of the Completion Date and $3 million on the business day following the third anniversary of the Completion Date. The conversion is based on an exchange rate of $1.381 per €1.00 as of October 24, 2013. See ''*Description of Certain Financing Arrangements—Deferred Compensation*.''

(18) Viva is organized as a corporation under the laws of the state of New Jersey. See ''*Listing and General Information*.'' On the Completion Date, Viva will accede to the Indenture and become a Guarantor of the Notes and, within ten business days after the Completion Date, Viva will grant certain collateral (as more fully described in note (8) above to secure the Notes and the Revolving Credit Facility). Following the Transactions, Viva will have certain capital leases outstanding in the amount of $3.9 million (€3.0 million) based on the exchange rate of $1.308 per €1.00 as of June 30, 2013. See ''*Description of Certain Financing Arrangements—Viva Capital Leases.*'' Viva UK and Viva Europa Inc. are both direct wholly-owned subsidiaries of Viva.

(19) Viva has established certain distribution joint ventures with third parties in certain international markets that will, following the Transaction Completion Date, remain outside of the Restricted Group. See ''*Viva's Business—Operations—Sales and Distribution*.'' Viva accounts for its investments in these joint ventures under the equity method of accounting. For the six months ended June 30, 2013 and the year ended December 31, 2012, Viva's equity in earnings of joint ventures was $0.3 million and $0.7 million, respectively. As of June 30, 2013, Viva's aggregate investment in joint ventures was $2.8 million.

(20) The entities in the ''Restricted Group'' will be subject to the covenants in the Revolving Credit Facility Agreement and the Indenture.

THE OFFERING

The summary below describes the principal terms of the Indenture and the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The ''Description of Notes'' section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Marcolin S.p.A., a private joint stock company incorporated under the laws of the Republic of Italy.
Notes Offered	€200 million aggregate principal amount of 8.50% Senior Secured Notes due 2019.
Issue Price	100.00% plus accrued interest, if any, from the Issue Date.
Issue Date	November 14, 2013.
Maturity Date	November 15, 2019.
Interest Rate	8.50% per annum. Interest on the Notes will accrue from the Issue Date.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2014. Interest will accrue from the Issue Date.
Form of Denomination	The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Guarantees	On the Issue Date, the Notes will not be guaranteed. On the Completion Date subject to the Agreed Security Principles, each of M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva will accede to the Indenture as Guarantors. The Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*,'' ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*'' and ''*Description of Certain Financing Arrangements—Intercreditor Agreement*.'' For the twelve months ended June 30, 2013, the Issuer and the Guarantors generated approximately 75% of the Group's Pro forma combined revenue and approximately 83% of the Group's Pro forma combined Adjusted EBITDA, respectively, and, as of June 30, 2013, comprised approximately 90% of the Group's Pro forma combined assets. As of June 30, 2013, the Group would have had €168.9 million of Pro forma combined net financial debt.
Security	Prior to the Completion Date, the Notes will be secured in favor of the Trustee on behalf of the holders of the Notes by a first-ranking pledge over the net proceeds of the Offering held in the Escrow Account as further described below under ''*—Escrow of Proceeds; Special Mandatory Redemption*.''

On the Completion Date, subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by the Completion Date Collateral consisting of:

- pledges over all of the shares of the Issuer, M-USA, Marcolin UK, Marcolin France and Marcolin Germany;
- a security assignment over certain insurance policy receivables owed to the Issuer;
- a security assignment over certain current and future trade receivables over €200,000 owing to the Issuer;
- a pledge over the trademark of Web (a proprietary brand);
- a pledge and security agreement over all of the material assets of M-USA; and
- a security assignment over the Issuer's receivables under the Proceeds Loan and the Transfer Loan.

In addition, the Indenture will require that, subject to the Agreed Security Principles, within 10 business days from the Completion Date, the Notes be secured on a first-ranking basis by the Viva Collateral, consisting of:

- a pledge over all of the shares of Viva;
- a pledge over 65% of the shares of Viva UK
- a pledge over 65% of the shares of Viva Europa; and
- a pledge and security assignment over all of the material assets of Viva.

The Revolving Credit Facility will be guaranteed by the Issuer and the Guarantors, and, subject to the Agreed Security Principles, will benefit from the same Collateral as the Notes as set out under ''*Description of Notes—Security*'' as well as by (i) a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets and (ii) a mortgage (*ipoteca*) over certain real estate assets of the Issuer. The Intercreditor Agreement will provide that lenders under the Revolving Credit Facility and the counterparties to certain hedging obligations will receive priority to the proceeds from the Collateral in the event of any enforcement, *provided, however,* that the first-ranking pledge over the Escrow Account will be pledged solely to Trustee on behalf of the holders of the Notes as the release of the net proceeds of the Offering from escrow is a condition to availability of the Revolving Credit Facility. See ''*Description of Notes—Security*'' and ''*Description of Certain Financing Arrangements—Intercreditor Agreement*.''

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee. See ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

Ranking . . . . . The Notes will:

- be the general obligations of the Issuer;
- be secured by first-ranking security over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a

super priority basis, including lenders under the Revolving Credit Facility and counterparties to certain priority hedging obligations, have been paid in full as described under ''*Description of Certain Financing Arrangements—Intercreditor Agreement*;''

- rank equal in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes, including debt incurred under the Revolving Credit Facility and any hedging arrangements;
- be senior in right of payment to any of the Issuer's existing and future obligations that are subordinated in right of payment to the Notes, if any;
- be effectively subordinated to any existing and future obligations of the Issuer that are secured by property or assets other than the Collateral, to the extent of the value of such property and assets;
- be structurally subordinated to all existing and future obligations of the Subsidiaries of the Issuer that do not provide Guarantees; and
- be guaranteed on a senior secured basis by the Guarantors.

The Notes will be fully and unconditionally guaranteed by the Guarantors subject to the guarantee limitations described in ''*Description of Notes—Guarantees—Limitations under the Guarantees*,'' including the Agreed Security Principles. Each Guarantee will:

- be a general obligation of the Guarantor that granted such Guarantee;
- be secured by first-ranking security over the applicable Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super priority basis, including lenders under the Revolving Credit Facility and counterparties to certain priority hedging obligations, have been paid in full as described under ''*Description of Certain Financing Arrangements—Intercreditor Agreement*;''
- rank equally in right of payment with all existing and future obligations of the applicable Guarantor that are not subordinated in right of payment to such Guarantee, including its obligations under the Revolving Credit Facility and any hedging obligations;
- be effectively subordinated to any existing and future obligations of the applicable Guarantor secured by property or assets other than the Collateral, to the extent of the value of such property and assets; and
- be senior in right of payment to any and all of the applicable Guarantor's existing and future obligations that are subordinated in right of payment to its Guarantee.

As of June 30, 2013, our Pro forma combined net financial debt was €168.9 million. In addition, we will have €25 million available for drawing under the Revolving Credit Facility.

Use of Proceeds	We intend to use the net proceeds from the issuance of the Notes to partially finance the acquisition of Viva and for the repayment and/or the refinancing of certain of the Group's existing indebtedness and associated fees and expenses. See ''*Use of Proceeds*.''
Optional Redemption	The Issuer may redeem the Notes: • in whole or in part at any time prior to November 15, 2016 at a redemption price equal to 100% of the principal and the applicable ''make-whole'' premium, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption; • in whole or in part at any time on or after November 15, 2016 at the redemption prices described in this Offering Memorandum under the caption ''*Description of Notes—Optional Redemption*,'' plus accrued and unpaid interest, if any, to the date of redemption; and • at any time and from time to time prior to November 15, 2016 in an aggregate principal amount not to exceed 35% of the aggregate principal amount of Notes originally issued, with the proceeds of one or more qualifying equity offerings, at a redemption price equal to 108.5% of the principal amount redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption.
Tax Redemption	If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes and Guarantees, the Issuer may redeem the Notes in whole, but not in part, at any time upon giving proper notice, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See ''*Description of Notes—Optional Redemption—Redemption for Taxation Reasons*.''
Escrow of Proceeds; Special Mandatory Redemption	On the Issue Date, the net proceeds from the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by, and pledged in favor of the Trustee on behalf of the holders of the Notes, pursuant to the Escrow Agreement. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the Transfer and the consummation of the Viva Acquisition upon substantially the same terms as described under ''*The Acquisition*.'' The Escrow Agreement will provide that the net proceeds of the Offering will be released on the Completion Date upon delivery of an officer's certificate and signed payment instructions to the Escrow Agent certifying certain items, including that (i) the Viva Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following the release of the net proceeds upon substantially the same terms as described in this Offering Memorandum, except for any changes or other modifications that will not, individually or when taken as a whole, have a materially adverse effect on the holders of the Notes; (ii) 3Cime is the sole obligor under the Vendor Loan Note; (iii) immediately after consummation of the Viva Acquisition and giving effect to the elements of the Transfer that occur on the Completion Date, the Issuer will own, directly or

	indirectly, the entire share capital of Viva; (iv) the Issuer and the Guarantors (as applicable), will execute and deliver the Security Documents with respect to the Completion Date Collateral and all other relevant documents that, in accordance with the terms of the Indenture and the Escrow Agreement, are to be delivered on or before the Completion Date, subject only, in the case of the Security Documents, to registration formalities (where applicable) that will be completed promptly following the Completion Date; and (v) as of the Completion Date, there is no Event of Default (as such term is defined in the Indenture). Thereafter the escrowed funds will be released to us and utilized as described in ''*Summary—The Transactions*'' and ''*Use of Proceeds*.'' All of the Notes will be subject to a special mandatory redemption if (a) the Viva Acquisition does not take place on or prior to February 20, 2014 (the Escrow Longstop Date), (b) in the reasonable judgment of the Issuer, the Viva Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement is terminated at any time prior to the Escrow Longstop Date, (d) the Issuer undergoes a change of control or (e) an event of default occurs under the Indenture. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption—Viva Acquisition Escrow Release*.''
Additional Amounts	All payments in respect of the Notes or the Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer or relevant Guarantor, as the case may be, will pay Additional Amounts so that the net amount each holder of the Notes receives after such withholding or deduction is no less than that which the holder would have received in the absence of such withholding or deduction. See ''*Description of Notes—Withholding Taxes*.'' Subject to and as set out in ''*Description of Notes—Withholding Taxes*,'' the Issuer will not be liable to pay any Additional Amounts to holders of the Notes in relation to, among other things, any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended, or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) and otherwise in the circumstances as described in ''*Description of Notes—Withholding Taxes*.''
Change of Control	Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such repurchase. See ''*Description of Notes*.''

Certain Covenants	The Indenture governing the Notes and the Guarantees will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred shares; • layer debt; • pay dividends on or repurchase shares; • redeem or repurchase indebtedness junior to the Notes; • make certain investments; • create certain liens; • merge or consolidate with other entities; • create encumbrances or restrictions on the payment of dividends or other amounts to the Issuer from any of its restricted subsidiaries; • enter into certain transactions with affiliates; • impair the Collateral; • sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Issuer; and • guarantee certain types of other indebtedness of the Issuer and its restricted subsidiaries without also guaranteeing the Notes. In addition, Marmolada, the parent company of the Issuer, is party to and is subject to a holding company covenant under the Indenture. Each of the covenants is subject to significant exceptions and qualifications. See ''*Description of Notes—Certain Covenants*.''
Transfer Restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act, or under any other national, federal, state or local securities laws. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See ''*Offering and Transfer Restrictions*.''
No Established Public Market for the Notes	The Notes will be new securities for which there will be no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.
Listing	Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.
Governing Law	The Indenture, the Guarantees and the Notes will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by Italian, English, French, German, New York and New Jersey laws, depending on the location of the asset subject to Lien.
Trustee and *Rappresentante Comune*	The Law Debenture Trust Corporation p.l.c.

Paying Agent and Transfer Agent . . .	Elavon Financial Services Limited, UK Branch.
Registrar	Elavon Financial Services Limited.
Luxembourg Listing Agent	Société Générale Bank and Trust S.A.
Escrow Agent	Elavon Financial Services Limited, UK Branch.
Security Agent	UniCredit Bank AG, Milan Branch.
Risk Factors	Investing in the Notes involves substantial risks. See ''*Risk Factors*'' for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY PRO FORMA AND HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth the summary historical consolidated financial information and other data for the Marcolin Group and the Viva Group as well as *pro forma* financial information and other data for the Marcolin Group after giving *pro forma* effect to the Transactions for the periods ended and as of the dates indicated below. The historical financial data presented in the following table do not reflect changes as a result of the Transactions. For a detailed discussion of the presentation of financial data, see ''*Presentation of Financial Information and Other Data*.''

Basis of Presentation

Marcolin and Cristallo Summary Financial Information

The summary consolidated income statement, consolidated statement of financial position, consolidated cash flow statement and other financial information of the Issuer as of December 31, 2010, 2011 and 2012 and for each of the years then ended and as of and for the six months ended June 30, 2012 has been derived from the following financial statements of the Issuer, which are included elsewhere in this Offering Memorandum:

- audited financial statements of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012; and
- unaudited interim condensed consolidated financial statements of the Issuer as of and for the six months ended June 30, 2012.

The summary consolidated income statement, consolidated statement of financial position, consolidated cash flow statement and other financial information of Cristallo as of December 31, 2012 and as of and for the six months ended June 30, 2013 has been derived from the unaudited interim consolidated financial statements of Cristallo as of and for the six months ended June 30, 2013.

The summary financial information for the twelve months ended June 30, 2013 is calculated by taking Cristallo's consolidated results of operations for the six months ended June 30, 2013 and adding it to the difference between the Issuer's results of operations for the full year ended December 31, 2012 and the six months ended June 30, 2012. The financial information for the six months ended June 30, 2012 refers to the results of the Issuer and its Subsidiaries only as Cristallo was not established until August 2012. For further information regarding the Cristallo financial information see ''*Presentation of Financial Information and Other Data*.''

The Issuer and Cristallo financial statements contained herein have been prepared in accordance with IFRS. Historical audited consolidated financial information is not necessarily indicative of future expected results. The financial information for the six and twelve months ended June 30, 2013 is not necessarily indicative of the results that may be expected for the year ended December 31, 2013, and should not be used as the basis for or prediction of an annualized calculation.

Viva Group

The summary consolidated income statement information, consolidated statement of financial position information, consolidated cash flow statement information and other financial information of the Viva Group (i) as of and for the years ended December 31, 2011 and 2012 have been derived from the audited consolidated financial statements of the Viva Group as of and for the years ended December 31, 2011 and 2012 and (ii) as of June 30, 2013 and for the six months ended June 30, 2013 and 2012 have been derived from the unaudited interim condensed consolidated financial statements of the Viva Group as of and for the six months ended June 30, 2013.

The summary financial information for the twelve months ended June 30, 2013 is calculated by taking Viva's results of operations for the six months ended June 30, 2013 and adding it to the difference between the Viva s results of operations for the full year ended December 31, 2012 and the six months ended June 30, 2012.

The Viva Group financial statements contained herein have been prepared in accordance with U.S. GAAP. Historical audited consolidated financial information is not necessarily indicative of future expected results. The financial information for the six and twelve months ended June 30, 2013 is not

necessarily indicative of the results that may be expected for the year ended December 31, 2013, and should not be used as the basis for or prediction of an annualized calculation.

Pro Forma Information

In connection with the Viva Acquisition and the Offering, Cristallo has prepared unaudited *pro forma* consolidated financial information which comprises a *pro forma* consolidated statement of financial position as of June 30, 2013 and *pro forma* consolidated income statements for the year ended December 31, 2012, the six months ended June 30, 2013 and the twelve months ended June 30, 2013, and related explanatory notes (the ''**Unaudited Pro Forma Consolidated Financial Information**'').

The Unaudited Pro Forma Consolidated Financial Information has been prepared to simulate the main effects of the Viva Acquisition and the proposed Offering, including the application of the proceeds therefrom, on Cristallo's consolidated statement of financial position and consolidated income statement as if they had taken place on June 30, 2013 for the purposes of the unaudited *pro forma* consolidated statement of financial position and January 1, 2012, July 1, 2012 and January 1, 2013, respectively for purposes of the unaudited *pro forma* consolidated income statements.

The consolidated *pro forma* financial information included in this Offering Memorandum as of June 30, 2013, for the year ended December 31, 2012 and for the twelve months ended June 30, 2013 has been derived from the Unaudited Pro Forma Consolidated Financial Information. The explanatory notes to the Unaudited Pro Forma Consolidated Financial Information includes an explanation of the basis of preparation.

The Unaudited Pro Forma Consolidated Financial Information presented in this Offering Memorandum is based on available information and certain assumptions that we believe are reasonable. The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed, nor does it purport to project our results of operations for any future period or our financial condition at any future date. Our future operating results may differ materially from the *pro forma* amounts set out in this Offering Memorandum due to various factors, including changes in operating results.

The accounting principles used for the preparation of the Unaudited Pro Forma Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements, which have been prepared in accordance with IFRS. Details of the accounting policies applied is provided in the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements.

It should be noted that Viva prepares its consolidated financial statements in U.S. dollars in accordance with the generally accepted accounting principles in the United States (''**U.S. GAAP**''). In order to provide information which is homogeneous with that of Cristallo, the historical income statements and statement of financial position of Viva have been adjusted, based on a preliminary analysis, to reflect the different accounting principles adopted by Cristallo compared to those of Viva. It should be noted that further adjustments could be necessary should the Viva Acquisition be completed and when Viva is consolidated in the financial statements of Cristallo. In this instance, a more detailed analysis on the eventual adjustments to reflect the different accounting principles will be completed.

The *pro forma* financial information set forth elsewhere in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934 or U.S. GAAP. Neither the adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or U.S. GAAS. The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with the historical consolidated financial statements and notes thereto of Viva, included elsewhere in this Offering Memorandum and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*.''

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

The summary financial information set forth below contains certain non-IFRS and non-U.S. GAAP financial measures including ''Pro forma combined Adjusted run-rate EBITDA,'' ''EBITDA,'' ''EBITDA margin,'' ''Adjusted EBITDA,'' ''Adjusted EBITDA margin,'' ''Total debt,'' ''Net indebtedness,'' ''Total financial debt,'' ''Total net financial debt,'' ''Capital expenditures'' and ''Movements in working capital.''

The non-IFRS and non-U.S. GAAP financial measures are not measurements of performance or liquidity under IFRS or U.S. GAAP. Therefore, investors should not place undue reliance on this data. See ''*Presentation of Financial Information and Other Data—Non-IFRS and Non-U.S. GAAP Information*.''

This summary consolidated financial information set forth above should be read in conjunction with the financial statements included elsewhere in this Offering Memorandum and the notes thereto and the information set forth in ''*Summary*,'' ''*Use of Proceeds*,'' ''*Capitalization*,'' ''*The Acquisition,*'' ''*Marcolin's Business*,'' ''*Viva's Business*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*'' and ''*Selected Pro Forma and Historical Consolidated Financial Information*.''

Summary Pro Forma Combined Financial Information

	As of and for the twelve months ended June 30, 2013 (Unaudited)
	(€ in thousands, except percentages and multiples)
Pro forma combined revenues	348,155
Pro forma combined EBITDA[(1)]	18,009
Pro forma combined Adjusted EBITDA[(2)]	37,447
Pro forma combined Adjusted EBITDA margin[(3)]	10.8%
Pro forma combined Adjusted run-rate EBITDA[(2)]	45,947
Pro forma combined cash and cash equivalents[(4)]	34,097
Pro forma combined total financial debt[(5)]	203,003
Pro forma combined net financial debt[(6)]	168,906
Pro forma combined cash interest expense[(7)]	17,400
Ratio of Pro forma combined net financial debt to Pro forma combined Adjusted run-rate EBITDA	3.68x
Ratio of Pro Forma combined Adjusted run-rate EBITDA to Pro forma combined cash interest expense	2.64x

(1) The following table sets forth the calculation of Pro forma combined EBITDA for the periods indicated

	For the twelve months ended June 30, 2013 (Unaudited)
	(€ in thousands)
Marcolin EBITDA[(a)]	7,437
Viva EBITDA[(b)]	10,572
Pro forma combined EBITDA	**18,009**

(a) See ''*—Marcolin—Other Financial Information*'' Footnote 1 for the calculation of Marcolin EBITDA.

(b) See ''*—Viva—Other Financial Information*'' Footnote 1 for the calculation of Viva EBITDA. Viva EBITDA is calculated by translating the amount of $13,670 thousand for the twelve months ended June 30, 2013 into euro using the average exchange rate of $1.293 per €1.00 for the twelve months ended June 30, 2013.

(2) The following table sets forth the calculation of pro forma combined Adjusted EBITDA and Pro Forma combined Adjusted run-rate EBITDA for the periods indicated.

	For the twelve months ended June 30, 2013 (Unaudited)
	(€ in thousands)
Marcolin Adjusted EBITDA[(a)]	24,267
Viva EBITDA[(b)]	10,572
Management fee adjustment[(c)]	1,771
Joint venture adjustment[(d)]	837
Pro forma combined Adjusted EBITDA	37,447
Full year general and administrative synergies[(e)]	8,500
Pro forma combined Adjusted run-rate EBITDA	**45,947**

(a) See ''*—Marcolin—Other Financial Information*'' Footnote 2 for the calculation of Marcolin EBITDA.

(b) See ''*—Viva—Other Financial Information*'' Footnote 1 for the calculation of Viva EBITDA. Viva EBITDA is calculated by translating the amount of $13,670 thousand for the twelve months ended June 30, 2013 into euro using the average exchange rate of $1.293 per €1.00 for the twelve months ended June 30, 2013. For the period covered by this analysis there were no non-recurring transactions or extraordinary items. Therefore, Viva has not applied any adjustments to its historical EBITDA.

(c) Relates to the elimination of fees charged by the Seller and Highmark (the Seller's parent company) to Viva for services relating to tax, commercial insurance and administration and technical accounting support. In particular, historically Viva incurred costs relating to management fees of $2,289 thousand for the twelve months ended June 30, 2013. The management fee adjustment has been translated into euro using the average exchange rate of $1.293 per €1.00 for the twelve months ended June 30, 2013. The adjustment does not include any costs going forward which may be incurred to replace such services, although we do not expect such costs to be significant.

(d) As Marcolin currently operates in Germany, management are planning to absorb Viva's joint venture in Germany into Marcolin Germany. The adjustment reflects the contribution of 100% of the EBITDA of Viva's joint venture in Germany. The initiative is expected to take place during the course of the next nine months.

(e) Based on management's analysis supported by an external consultant, pro forma combined Adjusted run-rate EBITDA synergies include shared services of approximately €4.0 million, operational efficiencies of approximately €3.0 million and approximately €1.5 million of double executive functions. Shared services synergies include efficiencies generated through the reduction of overlaps between foreign subsidiaries, savings in property executive management and back office personnel, consolidation of corporate functions, and shared usage of operational, office, and distribution networks. Operational synergies include efficiencies generated through the consolidation of warehouse facilities in the US, consolidation of IT systems and procurement department savings. See ''*Summary—Viva Acquisition Financing*'' and ''*Risk Factors—Risks Related to the Viva Acquisition—We may be unable to integrate Viva effectively and realize the expected synergies from the Viva Acquisition*.''

(3) Pro forma combined Adjusted EBITDA margin represents Pro forma combined Adjusted EBITDA divided by Pro forma combined revenues.

(4) Pro forma combined cash and cash equivalents represents the consolidated Cristallo cash and cash equivalents adjusted for the effects of the Transactions. The Viva Acquisition is subject to certain adjustments as contained in the Acquisition Agreement related to changes in Viva's working capital, closing cash and debt and certain other items, including tax liabilities and this could impact the cash reflected hereunder. For a description of the adjustments to the historical information of Cristallo. See ''*Capitalization*'' and the ''*Unaudited Pro Forma Consolidated Financial Information*.''

(5) Pro forma combined total financial debt represents the principal amount of Cristallo financial debt as adjusted for the effects of the Transactions. Pro forma combined total financial debt does not include €4.1 million due under recourse factoring arrangements outstanding as of June 30, 2013. For a description of the adjustments to the historical information of Cristallo

see ''*Capitalization*'' and the ''*Unaudited Pro Forma Consolidated Financial Information*.'' The Pro forma combined total financial debt comprises the following:

	As of June 30, 2013 (unaudited)
	(€ in thousands)
Notes offered hereby[a]	200,000
Viva Capital Leases[b]	3,003
Pro forma combined total financial debt	**203,003**

(a) Relates to the issuance of the Notes offered hereby with nominal value of €200.0 million. This calculation assumes the issuance of the Notes at par.

(b) Relates to the Viva Capital Leases outstanding of $3.9 million translated into euro using the exchange rate of $1.308 per €1.00 as of June 30, 2013.

(6) Pro forma combined net financial debt represents Pro forma combined total financial debt less Pro forma combined cash and cash equivalents.

(7) Pro forma combined cash interest expense represents the interest expense in connection with the Notes offered hereby and the commitment fee on the Revolving Credit Facility as if the Transactions had taken place on July 1, 2012. The interest expense does not include the amortization of the transaction costs in connection with the Offering. Pro forma combined cash interest expense does not include costs of the Viva Capital Leases and does not include any costs for debt factoring or use of local credit facilities going forward.

Marcolin Summary Consolidated Income Statement Information

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
				(€ in thousands)		
Revenue	205,651	224,124	213,963	121,496	112,221	204,688
Cost of sales	(79,033)	(81,736)	(82,313)	(45,103)	(43,431)	(80,641)
Gross profit	**126,618**	**142,388**	**131,650**	**76,393**	**68,790**	**124,047**
Selling and marketing costs	(88,069)	(97,497)	(98,558)	(51,632)	(49,340)	(96,266)
General and administrative expenses[1]	(16,580)	(18,748)	(16,853)	(8,299)	(10,757)	(19,311)
Other operating income and expenses	3,041	3,273	(5,245)	1,714	1,173	(5,786)
Effects of accounting for associates	(59)	(527)	(11)	363	1	(373)
Operating profit[2]	**24,951**	**28,889**	**10,983**	**18,539**	**9,867**	**2,311**
Net finance costs[3]	(1,796)	(1,745)	(1,881)	(1,182)	(5,409)	(6,108)
Profit before taxes	**23,155**	**27,144**	**9,102**	**17,357**	**4,458**	**(3,797)**
Income tax expense	(4,547)	(6,165)	(3,124)	(4,737)	(2,869)	(1,256)
Net profit for the period	**18,608**	**20,979**	**5,978**	**12,620**	**1,589**	**(5,053)**

(1) General and administrative expenses for the six months ended June 30, 2013 include €1.2 million incurred by Cristallo, primarily relating to costs in relation to the Marcolin acquisition.

(2) Operating profit was affected by a number of extraordinary items for the year ended December 31, 2012, the six months ended June 30, 2012 and 2013 and the twelve months ended June 30, 2013. Please see ''Adjusted EBITDA'' for further details on such items.

(3) Net finance costs for the six months ended June 30, 2013 includes net finance expenses of €3.4 million relating to Cristallo, on the Existing Credit Facilities, in connection with the Marcolin acquisition.

Marcolin Summary Consolidated Statement of Financial Position Information

	As of December 31,				As of June 30,
	2010	2011	2012	2012	2013
	Marcolin	Marcolin	Marcolin	Cristallo (Unaudited)	Cristallo (Unaudited)
	(€ in thousands)				
Property, plant and equipment	20,180	20,206	20,322	20,322	19,694
Intangible assets	3,732	13,894	14,902	21,202	21,798
Goodwill	2,419	2,498	2,450	189,063[a]	189,063
Inventories	41,073	46,709	54,237	46,868	39,889
Trade and other receivables	62,306	63,371	63,373	63,917	70,276
Cash and cash equivalents	35,471	30,986	13,367	45,200[b]	21,402
Other current and non-current assets	18,590	20,323	30,258	32,219	31,623
Total assets	**183,771**	**197,987**	**198,909**	**418,791**	**393,745**
Long-term borrowings	27,450	22,452	20,841	101,719[c]	98,799
Short-term borrowings	16,652	12,002	8,605	8,605	21,570
Trade payables	36,756	43,775	55,768	58,790	48,963
Other long-term and short-term liabilities	24,293	25,324	20,689	93,628[d]	39,458
Total liabilities	**105,151**	**103,553**	**105,903**	**262,742**	**208,790**
Total equity	**78,620**	**94,434**	**93,006**	**156,049**	**184,955**
Total liabilities and equity	**183,771**	**197,987**	**198,909**	**418,791**	**393,745**

(a) Relates to the provisional determination of goodwill arising from Cristallo's acquisition of Marcolin.

(b) As of December 31, 2012, Cristallo had a cash and cash equivalents balance of €31.8 million, relating to cash to be used for the mandatory tender offer.

(c) As of December 31, 2012, Cristallo had long term borrowings of €80.9 million, relating to the Existing Credit Facilities in connection with the Marcolin acquisition.

(d) Other long and short term liabilities as of December 31, 2012 includes €53.6 million, related to the obligation to launch the tender offer for the remaining 21.4% of the Issuer's share capital.

Marcolin Summary Consolidated Cash Flow Statement Information

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)
	(€ in thousands)				
Net cash from operating activities	26,851	17,823	4,862	11,212	894
Net cash (used in) investing activities	(9,402)[a]	(7,848)[b]	(9,260)[b]	(6,238)[b]	(56,227)[c]
Net cash from/(used in) financing activities	(7,000)	(14,702)	(12,957)	(11,946)	31,567
Effect of foreign exchange rates	672	243	(261)	250	(32)
Net increase/(decrease) of cash and cash equivalents	**11,121**	**(4,484)**	**(17,616)**	**(6,722)**	**(23,798)**

(a) In 2010, we invested €3.7 million in the construction of a new logistics and production center.

(b) In 2011, we renegotiated one of our license agreements and invested in an option to renew such license at our sole discretion beyond its original expiration date. The consideration for such option amounted to €10.0 million, €6.0 million of which was paid in 2011, and €4.0 million during the six months ended June 30, 2012.

(c) During the six months ended June 30, 2013, Cristallo completed the mandatory full public tender offer for the remaining Marcolin shares, purchasing the remaining 21.4% of the share capital of the Issuer for a total consideration of €53.6 million.

Marcolin Other Financial Information

	As of and for the year ended December 31,			As of and for the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
	(€ in thousands, except percentages)					
EBITDA[1]	29,933	34,233	15,574	20,661	12,524	7,437
Adjusted EBITDA[2]	29,933	34,233	29,962	22,347	16,652	24,267
Adjusted EBITDA margin[3]	14.6%	15.3%	14.0%	18.4%	14.8%	11.9%
Capital expenditure[4]	9,417	10,953	9,307	6,268	2,704	5,743
Net indebtedness[5]	8,631	3,468	16,079	n/a	98,967	n/a
Movements in working capital[6]	(486)	(10,991)	(3,466)	(5,555)	(4,407)	n/a

(1) We define EBITDA as profit for the period plus income tax expense, net finance costs, amortization and depreciation and bad debt provision. EBITDA is not a recognized financial measure under IFRS. See ''*Presentation of Financial Information and Other Data—Non-IFRS and Non-U.S. GAAP Financial Information*.'' The following table sets forth the calculation of EBITDA from net profit for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
	(€ in thousands)					
Net profit for the period	**18,608**	**20,979**	**5,978**	**12,620**	**1,589**	**(5,053)**
Income tax expense	4,547	6,165	3,124	4,737	2,869	1,256
Net finance costs	1,796	1,745	1,881	1,182	5,409	6,108
Amortization and depreciation	3,617	4,168	4,060	1,972	2,571	4,659
Bad debt provision	1,365	1,176	531	150	86	467
EBITDA	**29,933**	**34,233**	**15,574**	**20,661**	**12,524**	**7,437**

(2) We define Adjusted EBITDA as EBITDA adjusted, starting in 2012, for the effect of several non-recurring transactions which primarily relate to one-off charges, one-off costs in relation to changes in management arising from the Cristallo acquisition of Marcolin, and other extraordinary charges. The following table sets forth the calculation of Adjusted EBITDA for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
	(€ in thousands)					
EBITDA	29,933	34,233	15,574	20,661	12,524	7,437
Early termination of license expenses[a]	—	—	11,799	1,450	—	10,349
Costs related to Cristallo acquisition[b]	—	—	1,167	453	1,467	2,181
Senior management changes[c]	—	—	478	—	1,440	1,918
Exceptional termination of licenses[d]	—	—	1,189	335	961	1,815
Other[e]	—	—	(245)	(552)	260	567
Adjusted EBITDA	**29,933**	**34,233**	**29,962**	**22,347**	**16,652**	**24,267**

(a) *Early termination of license expenses* relate to the amendment and extension of the TOD'S license, and the termination of the Hogan license prior to its contractual expiration date (both of which occurred in 2012) as result of which we incurred non-recurring fees of €8.9 million. In addition, €2.9 million relates to the *pro forma* effect of the application of the new contractual conditions to the TOD'S license and the exclusion of losses generated on the Hogan agreement. These contracts were terminated and renegotiated to improve the financial terms for the Issuer in response to the exceptional nature of the related contracts. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin—Key Factors Affecting Our Results of Operations—License Agreements—Payments related to licenses*'' and ''*Related Party Transactions*'' for further details. We did not incur similar extraordinary costs in prior periods.

(b) *Costs related to Cristallo acquisition* for the year ended December 31, 2012 include €0.3 million in advisory fees and expenses incurred in relation to the Cristallo acquisition and €0.2 million in listing costs (€0.1 million for the six months ended June 30, 2012). In addition, Costs related to the Cristallo acquisition include €0.7 million (€0.4 million for the six months ended June 30, 2012) representing the difference between the legacy board of director expenses of €1.4 million, and the comparative expenses of the board appointed after the acquisition of €0.7 million. For the six months ended June 30, 2013, costs related to Cristallo acquisition primarily include advisory fees and expenses incurred in relation to the Cristallo acquisition.

(c) *Senior management changes* relate to expenses which we incurred in 2012 and the six months ended June 30, 2013 in connection with the change of top management relating to the Cristallo acquisition of Marcolin including Controller, Head of Italian Sales, Head of International Sales, Head of Quality and Head of Logistics for a total amount of €478 thousand for the year ended December 31, 2012 and €1,440 thousand for the six months ended June 30, 2013.

(d) *Exceptional termination of licenses* relate primarily to the expenses and losses incurred on the John Galliano and Miss Sixty licenses that were terminated prior to their contractual expiration date. The John Galliano license was terminated following the impairment to the reputation of the brand as a result of a scandal involving the designer, while the Miss Sixty license was terminated following the licensors entrance into administration procedures, resulting in damage to brand reputation and a decrease in sales beyond the ordinary course of business.

(e) *Other* costs and expenses for the year ended December 31, 2012 include €0.5 million of costs incurred in the development of the operations in Asia, including the setup of a show room in Hong Kong, and net income of €0.7 million representing other sundry income and expenses deemed to be extraordinary. For the six months ended June 30, 2012, *Other* costs and expenses represented €0.1 million of costs incurred in the development of operations in Asia and net income of €0.6 million representing other sundry income and expenses deemed to be extraordinary.

(3) We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.

(4) Capital expenditure consists of investments for the period in property, plant and equipment and intangible assets, as presented in our cash flow statement. The table below sets forth a breakdown of capital expenditure for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
	2010	2011	2012	2012	2013	
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
				(€ in thousands)		
Property, plant and equipment	8,264[a]	4,028	3,454	1,692	1,011	2,773
Intangible assets	1,153	6,925[b]	5,853[b]	4,576[b]	1,693	2,970
Total capital expenditure	**9,417**	**10,953**	**9,307**	**6,268**	**2,704**	**5,743**

(a) In 2010, we invested €3.7 million in the construction of a new logistics and production center.

(b) In 2011, we renegotiated a license agreement and invested in an option to renew such license beyond its original expiration date. The consideration for such option amounted to €10.0 million, €6.0 million of which was paid in 2011, and €4.0 million during the six months ended June 30, 2012.

(5) We define Net indebtedness as the total long-term borrowings and short-term borrowings net of cash and cash equivalents. The table below sets forth the calculation of net indebtedness for the periods indicated.

	As of December 31,			As of June 30, 2013 Cristallo (Unaudited)
	2010	2011	2012	
	Marcolin	Marcolin	Marcolin	
			(€ in thousands)	
Cash and cash equivalents	(35,471)	(30,986)	(13,367)	(21,402)
Long-term borrowings	27,450	22,452	20,841	98,799
Short-term borrowings[a]	16,652	12,002	8,605	21,570
Net indebtedness	**8,631**	**3,468**	**16,079**	**98,967**

(a) Includes current portion of long-term borrowings.

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

	For the year ended December 31,			For the six months ended June 30,	
				2012	2013
	2010	2011	2012		
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)
			(€ in thousands)		
(Increase)/decrease in trade receivables	(986)	(2,749)	421	(4,685)	(1,468)
(Increase)/decrease in other receivables	478	(32)	(9,736)[a]	673	251
(Increase)/decrease in inventories	(3,171)	(6,860)	(7,504)	(981)	7,442
(Increase)/decrease in trade payables	4,001	3,019	15,993[b]	959	(9,828)[c]
(Increase)/decrease in other liabilities	2,206	436	(333)	1,152	618
(Increase)/decrease in other current tax liabilities	(367)	(1,028)	3,654	11	(254)
(Use) of provisions	(2,647)	(3,777)	(5,961)	(2,684)	(1,168)
Movements in working capital	**(486)**	**(10,991)**	**(3,466)**	**(5,555)**	**(4,407)**

(a) Includes €5.0 million related to the prepayment of royalties on the extension of one of our license agreements and €6.3 million relating to the prepayment of royalties on the renegotiation and extension of the TOD'S license, and the conversion of the Hogan agreement into a supply agreement in December 2012. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*'' for further details.

(b) Includes €15.2 million in trade payables recognized on the renegotiation and extension of the TOD'S license, and the conversion of the Hogan agreement into a supply agreement in December 2012. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*'' for further details.

(c) The decrease includes €2.7 million in decreases of trade payables of Cristallo, relating to payables related to the Marcolin acquisition settled during the six months ended June 30, 2013, and a €5.1 million decrease in trade payables arising on the payment of the first installment of the TOD'S and Hogan amounts payable in January 2013. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*'' for further details.

Marcolin Financial Information By Geographic Segment

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
			(€ in thousands)			
Italy	88,294	99,541	87,470	49,917	44,892	82,445
of which Italy Domestic[1]	*42,263*	*38,009*	*28,351*	*17,682*	*12,214*	*22,883*
of which Italy Export[2]	*46,031*	*61,532*	*59,119*	*32,235*	*32,678*	*59,562*
France	21,854	22,562	21,026	12,436	11,504	20,094
Rest of Europe	35,631	36,258	29,862	18,534	15,968	27,296
North America	52,782	57,718	66,320	37,593	36,696	65,423
Rest of World[3]	7,090	8,045	9,285	3,016	3,161	9,430
Total revenue	**205,651**	**224,124**	**213,963**	**121,496**	**112,221**	**204,688**

(1) Italy Domestic relates to the revenue generated by the Issuer through sales of products to the Italian market.

(2) Italy Export relates to the revenue generated by the Issuer through sales of products to the markets in which we do not have an operating subsidiary, mainly in Asia and the Middle East.

(3) Rest of World revenue relates to the revenue generated by Marcolin do Brasil Ltda in the Brazilian market and to a lesser extent, Marcolin Asia Ltd. to a Key Account in Hong Kong.

Marcolin Non-Financial Data and Key Performance Indicators

	For the year ended December 31,						For the six months ended June 30,			
	2010 Marcolin	% of total	2011 Marcolin	% of total	2012 Marcolin	% of total	2012 Marcolin	% of total	2013 Cristallo	% of total
	(In thousands of units, except percentages)									
Brand Type										
Sales volumes[1]										
Luxury brands	1,838	32.2%	2,141	36.8%	1,970	36.4%	1,091	35.7%	1,090	35.6%
Diffusion brands	3,867	67.8%	3,677	63.2%	3,438	63.6%	1,964	64.3%	1,973	64.4%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**3,055**	**100.0%**	**3,063**	**100.0%**

	For the year ended December 31,						For the six months ended June 30,			
	2010 Marcolin	% of total	2011 Marcolin	% of total	2012 Marcolin	% of total	2012 Marcolin	% of total	2013 Cristallo	% of total
	(In thousands of units, except percentages)									
Product Type										
Sales volumes[1]										
Sunglasses	3,790	66.4%	3,879	66.7%	3,468	64.1%	1,988	65.1%	2,030	66.3%
Prescription frames	1,915	33.6%	1,939	33.3%	1,940	35.9%	1,067	34.9%	1,033	33.7%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**3,055**	**100.0%**	**3,063**	**100.0%**

	For the year ended December 31,						For the six months ended June 30,			
	2010 Marcolin	% of total	2011 Marcolin	% of total	2012 Marcolin	% of total	2012 Marcolin	% of total	2013 Cristallo	% of total
	(In thousands of units, except percentages)									
Geographic Segment										
Sales volumes[1]										
Italy	1,806	31.7%	1,951	33.5%	1,772	32.8%	1,005	32.9%	910	29.7%
Of which Italy										
Domestic	*876*	*15.4%*	*750*	*12.9%*	*533*	*9.9%*	*323*	*10.6%*	*241*	*7.9%*
Of which Italy Export	*930*	*16.3%*	*1,201*	*20.6%*	*1,239*	*22.9%*	*682*	*22.3%*	*669*	*21.8%*
France	263	4.6%	261	4.5%	243	4.5%	146	4.8%	136	4.4%
Rest of Europe	453	7.9%	439	7.5%	365	6.7%	226	7.4%	190	6.2%
North America	3,149	55.2%	3,005	51.6%	2,823	52.2%	1,635	53.5%	1,749	57.1%
Rest of World[2]	34	0.6%	162	2.8%	205	3.8%	43	1.4%	78	2.5%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**3,055**	**100.0%**	**3,063**	**100.0%**

(1) Sales volumes correspond to sales made to wholesale customers.

(2) Rest of World sales volumes relates to the sales generated by Marcolin do Brasil Ltda in the Brazilian market and to a lesser extent, Marcolin Asia Ltd. to a Key Account in Hong Kong.

Viva Summary Consolidated Income Statement Information

	For the year ended December 31,		For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	
			($ in thousands)		
Net sales	199,298	190,910	108,371	102,966	185,505
Cost of goods sold	(85,122)	(86,602)	(47,398)	(45,522)	(84,726)
Gross profit	**114,176**	**104,308**	**60,973**	**57,444**	**100,779**
Selling, general and administrative	(92,323)	(90,544)	(50,995)	(49,067)	(88,616)
Depreciation and amortization	(4,560)	(4,550)	(2,261)	(2,232)	(4,521)
Equity in earnings of joint ventures	708	712	422	311	601
Income from operations	**18,001**	**9,926**	**8,139**	**6,456**	**8,243**
Interest expenses	(2,849)	(2,338)	(1,192)	(1,122)	(2,268)
Other income (expenses)	(804)	170	(407)	(46)	531
Income before income taxes	**14,348**	**7,758**	**6,540**	**5,288**	**6,506**
Income tax provision	(4,324)	(2,059)	(2,722)	(2,353)	(1,690)
Net income	**10,024**	**5,699**	**3,818**	**2,935**	**4,816**

Viva Summary Consolidated Statement of Financial Position Information

	As of December 31,		As of June 30, 2013 (Unaudited)
	2011	2012	
		($ in thousands)	
Property and equipment	7,329	6,338	5,755
Goodwill	89,334	89,334	89,334
Intangible assets	24,647	22,327	20,856
Inventories	43,396	38,892	36,939
Accounts receivable, including related parties	17,427	19,221	25,140
Cash and cash equivalents	25,737	30,761	40,744
Other current and non-current assets	10,642	10,706	9,622
Total Assets	**218,512**	**217,579**	**228,390**
Trade and account payable	21,127	19,131	25,927
Short term borrowings	1,024	850	852
Long term borrowings	26,395	25,545	25,101
Other long-term and short-term liabilities	34,291	30,123	32,381
Total Liabilities	**82,837**	**75,649**	**84,261**
Equity	**135,675**	**141,930**	**144,129**
Total liabilities and equity	**218,512**	**217,579**	**228,390**

Viva Summary Consolidated Cash Flow Statement Information

	For the year ended December 31,		For the six months ended June 30,	
	2011	2012	2012 (Unaudited)	2013 (Unaudited)
			($ in thousands)	
Cash flow provided by operating activities	13,817	6,663	4,816	10,759
Cash flow provided (used in) investing activities	(941)	(1,125)	(799)	(444)
Cash flow provided (used in) financing activities	(11,783)	(1,024)	(495)	(443)
Effect of exchange rate changes on cash and cash equivalents	42	510	274	111
Increase (decrease) in cash at banks	**1,135**	**5,024**	**3,796**	**9,983**

Viva Other Financial Information

	As of and for the year ended December 31,		As of and for the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	
	($ in thousands, except percentages)				
EBITDA[1]	21,346	14,734	9,953	8,889	13,670
EBITDA margin[2]	10.7%	7.7%	9.2%	8.6%	7.4%
Capital expenditures[3]	941	1,125	799	446	772
Net indebtedness[4]	1,682	(4,366)	n/a	(14,791)	n/a
Net working capital[5]	1,380	(3,294)	(1,149)	4,797	n/a

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

	For the year ended December 31,		For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	
	($ in thousands)				
Net profit for the period	**10,024**	**5,699**	**3,818**	**2,935**	**4,816**
Income tax expense	4,324	2,059	2,722	2,353	1,690
Net finance costs	2,849	2,338	1,192	1,122	2,268
Amortization and depreciation	4,560	4,550	2,261	2,232	4,521
Bad debt provisions (recoveries)	(411)	88	(40)	247	375
EBITDA	**21,346**	**14,734**	**9,953**	**8,889**	**13,670**

(2) Viva defines EBITDA margin as EBITDA divided by net sales.

(3) Capital expenditure consists of investments for the period in property, plant and equipment and intangible assets, as presented in Viva's cash flow statement. Viva has limited capital expenditure requirements, as all of Viva's products are manufactured externally.

(4) Viva defines net indebtedness as the total long term borrowings and short term borrowings net of cash and cash equivalents. The table below sets forth the calculation of net indebtedness for the periods indicated.

	As of December 31,		As of June 30, 2013 (Unaudited)
	2011	2012	
	($ in thousands)		
Cash and cash equivalents	(25,737)	(30,761)	(40,744)
Long term borrowings	26,395	25,545	25,101
Short term borrowings[a]	1,024	850	852
Net indebtedness	**1,682**	**(4,366)**	**(14,791)**

(a) Includes short term portion of long-term borrowings.

(5) Viva defines movements in working capital as movements in accounts receivable, inventories, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities and income taxes payable/receivable. The table below sets forth movements in working capital for the periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2011	2012	2012 (Unaudited)	2013 (Unaudited)
	($ in thousands)			
(Increase)/ decrease in accounts receivable	1,708	(2,641)	(6,085)	(7,592)
(Increase)/ decrease in inventories	(2,880)	4,949	2,787	1,250
(Increase)/ decrease in prepaid expenses and other assets	2,027	984	1,081	576
(Decrease)/ increase in accounts payable	(3,517)	(2,296)	223	7,152
(Decrease)/ increase in accrued expenses and other liabilities	1,166	(1,753)	1,246	1,466
(Decrease)/ increase in income taxes payable/ receivable	2,876	(2,537)	(401)	1,945
Movements in working capital	**1,380**	**(3,294)**	**(1,149)**	**4,797**

Viva Net Sales by Geographic Location

	For the year ended December 31,		For the six months ended June 30,		For the twelve months ended June 30,
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	2013 (Unaudited)
	($ in thousands)				
North America	124,913	117,967	67,425	62,991	113,533
United Kingdom	34,278	35,096	18,884	18,753	34,965
France	23,977	22,733	13,756	13,796	22,773
Rest of World[(a)]	16,130	15,114	8,306	7,426	14,243
Total net sales	**199,298**	**190,910**	**108,371**	**102,966**	**185,505**

(a) Rest of World refers to net sales generated by Viva subsidiaries in Hong Kong, Brazil and Japan.

Viva Non-Financial Data and Key Performance Indicators

Product Type *Sales Volumes*	For the year ended December 31,				For the six months ended June 30,			
	2011	% of total	2012	% of total	2012 (Unaudited)	% of total	2013 (Unaudited)	% of total
	(In thousands of units, except percentages)							
Sunglasses	3,589	42.6%	3,950	46.6%	2482	49.7%	2,386	51.4%
Prescription frames	4,842	57.4%	4,521	53.4%	2515	50.3%	2,260	48.6%
Total	**8,431**	**100.0%**	**8,471**	**100.0%**	**4,997**	**100.0%**	**4,646**	**100.0%**

Geographic Location *Sales Volumes*	For the year ended December 31,				For the six months ended June 30,			
	2011	% of total	2012	% of total	2012	% of total	2013	% of total
	(In thousands of units, except percentages)							
North America	5,762	68.3%	5,787	68.3%	3,438	68.8%	3,193	68.7%
UK	1,510	17.9%	1,525	18.0%	873	17.5%	839	18.1%
France	627	7.4%	645	7.6%	389	7.8%	387	8.3%
Rest of World[(a)]	532	6.3%	514	6.1%	297	5.9%	227	4.9%
Total	**8,431**	**100.0%**	**8,471**	**100.0%**	**4,997**	**100.0%**	**4,646**	**100.0%**

(a) Rest of World refers to net sales generated by Viva subsidiaries in Hong Kong, Brazil and Japan.

RISK FACTORS

An investment in the Notes to be issued in this Offering involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties that we describe below are not the only ones we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial could also have a material adverse effect on our business, results of operations or financial condition. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Related to Our Business

We are party to license agreements which require us to pay royalty and other license fees.

Our business depends on the sale of eyewear bearing the proprietary marks of our licensors. See ''*—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands*.'' While the Group's license arrangements differ from licensor to licensor, they generally require royalty payments that include royalties based on a percentage of net sales (VRAs) and/or certain minimum annual guaranteed amount (MAGs), which in general are paid annually and may include royalty pre-payments at renewal, and certain advertising fees which are usually set as a percentage of the greater of actual revenue or agreed-upon minimum revenue targets for the applicable license period. Under certain circumstances MAG provisions can related to the sales of eyewear bearing the underlying proprietary mark of our licensors may require us to make royalty payments that exceed the amount of income we are able to generate from actual sales of the licensed products. In addition, we may from time to time purchase options from our licensors granting us the right to renew the relevant license agreement at expiry, or we may make upfront advances of royalties or loans to licensors. Furthermore, renewal of a license can lead to renegotiation of commercial terms, which may not be as favorable as the original terms. As a result, there are circumstances in which our royalty payments to certain licensors could exceed our income earned pursuant to the relevant license, such as when we are renewing a key license or when the brand's value or perception thereof among consumers has become impaired.

Marcolin paid total royalties of €26.5 million in 2010, €32.4 million in 2011 and €32.2 million in 2012, constituting, respectively, 12.9%, 14.5% and 15.1% of revenue whereas Viva paid total royalties of $19.2 million in 2011 and $19.6 million 2012, constituting, respectively, 9.6% and 10.2% of total net sales. Royalties to our licensors have the potential to be a significant cash outflow. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin—Key Factors Affecting Our Financial Condition and Results of Operations—Seasonality*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva—Key Factors Affecting Viva's Financial Condition and Results of Operations—Seasonality*.''

Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands.

We have entered into license agreements that enable us to manufacture and distribute sunglasses and prescription frames under brands owned by third parties. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 98.1% of our revenue was generated by sales of sunglasses and prescription frames bearing licensed brands, and revenue generated under agreements with our top five licensors accounted for approximately 69.1% of our total revenue. We believe that our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading designers in the fashion and luxury goods industries is essential to maintaining a successful brand portfolio and, therefore, material to the success of our business. License agreements for the brands representing 7.9% of our revenue for the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions, will expire by the end of 2014, including Viva's license with Skechers which will expire on December 31, 2013. We cannot assure you that the Skechers license or any of the other licenses that will expire by 2014 will be renewed. If we are unable to maintain and renew

these licenses (or secure comparable replacements), or if we are unable to negotiate new license agreements with other leading brands, our business, results of operations and financial condition could be materially and adversely affected.

In addition, our licensors typically have final approval over all eyewear bearing their proprietary marks which must meet their design specifications and quality standards. In exercising their approval rights, licensors may delay the distribution of eyewear bearing their proprietary marks. These delays could materially and adversely affect our business and results. Additionally, certain of our license agreements oblige us to present a pre-determined number of pieces and/or seasonal collections which requires us to expend sums on product design, R&D and prototyping, even if the licensor does not ultimately select all of the prototypes for industrialization or they may choose models that are costlier to produce. Furthermore, a limited number of Marcolin's licenses contain provisions that permit a licensor to terminate the license in the event that there is a change of control of the Issuer, if we outsource production without the consent of the licensor, if we sell models that are not approved by the licensor or if we sell products through distribution outlets that have not been approved by the licensor. However, certain of Viva's license agreements include provisions allowing licensors to terminate the relevant agreement if certain annual net sales minimums are not met or exceeded (or not met for certain consecutive years). If a licensor declines to renew a license at expiry, the impact to our business in terms of lost revenue may be significant. In other instances, in order to secure renewal, our licensors may require us to pay upfront compensation and/or advance payments of future royalties.

Although we have historically been able to retain important, profitable licenses while continuing to gain new licenses, there can be no assurance that we will be successful in maintaining existing licenses or gaining new licenses on comparable terms or at all.

The loss of one of our key license agreements could result in the loss of significant revenue and materially and adversely affect our business.

Our business depends on maintaining certain key license agreements, such as Tom Ford, Guess and Roberto Cavalli, and continuing to cultivate the brand equity of our licensed brands through continual product design. For the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions, sales of eyewear under our top five licenses generated approximately 69.1% of our revenue, with our top two licenses contributing approximately 51.1% of our revenue, though both such licenses do not expire until on or after 2020. Our licenses typically vary in length of term from five to ten years and contain different renewal conditions, license fees and royalty obligations. Marcolin's license agreements cannot be terminated by the brand licensor based on performance related criteria, although the brand licensor may elect not to renew the license at expiry if we do not meet their performance expectations. However, certain of Viva's license agreements can be terminated by the licensor for failure to meet minimum net sales. If we default under our obligations to pay license fees and/or royalty payments, the licensor may terminate the license, or elect to not renew the license at expiry. The termination or non-renewal of our licenses could have a material adverse impact on our business, results of operations and financial condition. See ''*Marcolin's Business—Intellectual Property*'' and ''*Viva's Business—Intellectual Property*'' for more details regarding our license arrangements.

The eyewear industry is highly competitive, and certain of our principal competitors are significantly larger than us and may have greater financial resources than we do.

The wholesale market for sunglasses and prescription frames is highly competitive and competition is also based on, among other things, the range of products and brands offered, the price of sunglasses and prescription frames and the breadth of distribution networks. Certain of our principal competitors are significantly larger than we are and have greater financial resources for competitive activities, such as sales and marketing, research and development, strategic acquisitions. When bidding for licenses, these competitors can offer licensors more favorable minimum guaranteed amounts and variable payment terms. Our competitors may enter into business combinations, alliances or new license arrangements that strengthen their competitive positions or prevent us from taking advantage of such opportunities. They also may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or consumer preferences. Some of these competitors rely more extensively on proprietary brands and therefore do not pay license fees for sales of such products. Competitors may also possess broader distribution networks, with more extensive e-commerce and/or geographic reach than our own, including large networks of directly-operated stores. We may face intense competition with such players when seeking to acquire new licenses or

renewing existing licenses with new or existing brands, putting pressure on us to either agree to terms less favorable than we have enjoyed in the past or lose such brands. Moreover, increased competition with these companies could curtail price increases or could require price reductions, increased spending on marketing, sales and research and development, any of which could adversely affect our business, results of operations and financial condition.

In addition, licensors may elect to change the licensee that designs, produces and distributes the eyewear bearing their respective brands for a variety of reasons, either at the applicable time of renewal or otherwise, subject to certain conditions in the applicable license agreement. In connection with such a change of licensee, prior to the commencement of design, production and distribution by such new licensee, the existing licensee typically takes steps to reduce its inventory of the relevant brand's products. As a result, price reductions in the market, rebates or liquidations can cause dislocations in the market by forcing other licensees to discount their offerings. Moreover, if the changing licensor is a luxury brand, demand may migrate from diffusion brands to such luxury brand if the price reductions are significant. For example, in 2012, and in 2013, respectively two large internationally-recognized diffusion brands switched licensees. According to press reports and public filings by our competitors, such licenses generated between approximately $100 million and approximately $200 million in revenue. As a result of the foregoing, during 2012 and the first half of 2013, the existing licensees implemented price reductions, rebates and/or liquidations for such licensed brand eyewear products which depressed wholesale prices and impacted Viva's results of operations. To the extent large licensors elect to change their respective licensees in the future, our revenue, margins and volumes could be negatively affected, which could have adversely affect our business, results of operations and financial condition. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva—Key Factors Affecting Viva's Financial Condition and Results of Operations—Industry environment.*''

If we are unable to successfully introduce new products, develop our brands and adapt to changing consumer preferences, our business may suffer.

The eyewear industry is subject to rapidly changing consumer preferences and fashion trends. The purchasing decisions of consumers are highly subjective and can be influenced by many factors, such as marketing programs, product design and brand image. Our historical success is attributable, in part, to our ability to introduce eyewear products which are perceived to anticipate, shape and reflect fashion trends develop. Our future success will depend on our continued ability to develop and introduce such products in accordance with consumers' shifting preferences. We cannot predict whether the new products we launch will be well-received by consumers in our target markets and/or demographics, or even whether such new products can be introduced in a cost-effective or timely manner. Decisions regarding product design must be made months in advance of the time when consumer acceptance can be measured and, therefore, such decisions are inherently uncertain. These requirements could strain our management, financial and operational resources. We may also be less successful in developing new products than our competitors.

Changes in fashion preferences could also affect the popularity and, therefore, the value of the brand licenses granted to us. Moreover, demand for our brands is, to some extent, dependent on the particular brand's or associated designer's appeal and/or reputation. To the extent that any of our brands or the designer associated therewith ceases to be appealing to consumers or its reputation with consumers is adversely affected, sales of the related products and the value of the brand could decrease materially. Any event or circumstance resulting in reduced market acceptance of one or more of our brands could reduce our sales and the value of our inventory. Unanticipated shifts in consumer preferences may result in excess or obsolete inventory and underutilized manufacturing capacity. In addition, our success depends, in part, on our ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could adversely affect our business, results of operations and financial condition.

Unfavorable economic conditions could adversely affect demand for our products and/or our ability to finance our business.

Our operations and performance depend significantly on worldwide economic conditions. Downturns in global economic conditions and uncertainties regarding future economic prospects, which affect consumer disposable income, pose a risk to our business because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, which could have a material adverse effect on demand for our

products. In particular, according to the Italian statistical agency, the Italian economy has been in recession during 2013, which has affected consumer confidence. Discretionary spending is affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, conditions in the real estate and mortgage markets, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside our control. Purchases of discretionary items such as sunglasses could decline during periods in which disposable income is lower or prices have increased in response to rising costs or in periods of actual or perceived unfavorable economic conditions. We believe purchases of prescription frames are less discretionary. Sales of prescription frames generated approximately 51% of our revenue for the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions.

In addition, adverse economic conditions may influence consumers to move from luxury, branded frames or sunglasses to less expensive alternatives. Although our products cover a wide range of price points, consumers could decide to purchase non-branded frames.

Moreover, we depend on access to capital funding and the success of financial markets. Financial markets have been experiencing extreme disruptions including, among other things, volatility in security prices, diminished liquidity and credit availability, rating downgrades on certain investments and declining valuations of others. In addition to the impact that the recent global economic downturn has already had on us, we may face significant challenges if conditions in the financial markets do not improve or if they worsen. In addition, our ability to access the capital markets may be restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions.

Our results of operations could be adversely affected by a disruption of operations at our manufacturing facility or our distribution centers or by problems with third-party manufacturers or suppliers.

We own and operate a manufacturing and logistics facility in Italy and we operate leased distribution centers in the United States. Certain of Marcolin's products are manufactured pursuant to our specifications by third-party manufacturers in China or are otherwise sourced as input parts from third-party manufacturers in China, moreover, all of Viva's products are manufactured in China or Taiwan by third parties. In addition, we distribute our finished goods through distribution centers in Italy and the United States. We rely on our manufacturing and distribution centers to design, manufacture and/or assemble our products and efficiently distribute our goods to the relevant point of sale. All of these facilities are subject to operational risks, including, but not limited to:

- equipment failure or interruptions in power supplies;
- failure to comply with applicable regulations and standards;
- failure to maintain necessary permits and approvals;
- material supply disruptions;
- labor force shortages or work stoppages;
- events impeding or increasing the cost of transporting our products;
- natural disasters; and
- terrorist attacks or political unrest.

Any significant disruption in operations to our manufacturing facilities or our distribution centers resulting from these or other events may, to the extent not covered by our business interruption insurance or if such insurance claims are not paid promptly, have a material adverse effect on our business, results of operations and financial condition.

In addition to our own manufacturing, we also utilize third-party manufacturers and suppliers, mainly located in Asia to produce certain products. Certain of our diffusion, and proprietary brand products were manufactured solely in China, and we expect the proportion of products manufactured in Asia to increase with the Viva Acquisition, as Viva conducts no manufacturing of its own and relies exclusively on third-party manufacturers in China and Taiwan. See ''*—Risks Related to the Viva Acquisition*.'' The use of third-party manufacturers entails a number of additional risks, including the risk of termination and less control over the quality of manufactured products. Any delays, disruptions or defects in the

products furnished by third-party manufactures, or disruption or termination of our present arrangements with third-party manufacturers without suitable alternative arrangements in place, could have a material adverse effect on our business, results of operations and financial condition.

In the past two years, we have reduced the number of principle manufacturers from which we purchase certain input and finished eyewear products from 13 to six manufacturers, all located in China. All of Viva's products are manufactured in China and Taiwan by third-party manufacturers, certain of which are also used by Marcolin. Management believes that reducing the number of third party manufacturers has the potential to shorten the production cycle and promote efficient re-ordering, but it also makes us more dependent on the remaining manufacturers. We do not have long-term agreements with any of our manufacturers. While we do not believe that any one of our manufacturers is material to our business, we cannot be certain that we will not experience difficulties with them, such as reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs and failures to comply with our requirements for the proper utilization of our intellectual property. In addition, our international manufacturers are subject to economic, regulatory, labor and market conditions in China. If our relationship with any of our manufacturers is interrupted or terminated for any reason, including the failure of any manufacturer to perform its obligations to us, we would need to locate alternative manufacturing sources. The establishment of new manufacturing relationships involves numerous uncertainties, and we may not be able to obtain alternative manufacturing sources in a manner that would enable us to meet our customer orders on a timely basis or on satisfactory commercial terms. If we are required to change any of our major manufacturers, we may experience increased costs, disruptions and delays in the manufacture and shipment of our products, which could have a material adverse impact on our business, results of operations and financial condition.

If vision correction alternatives to prescription eyeglasses become more widely available or decline in cost, or consumer preferences for such alternatives increase, our profitability could suffer through a reduction of sales of prescription frames.

Our business could be negatively impacted by the increased availability, acceptance and potential decline in cost of vision correction alternatives to prescription eyeglasses, such as contact lenses and refractive optical surgery. According to Taiyou Research, contact lenses and contact lenses care represent 21% of the global optical market (as compared to 36% for prescription frames and sunglasses, 38% for corrective lenses and 5% for readers (non-prescription reading glasses). In addition, the use of refractive optical surgery and other similar techniques has grown substantially since the first phototherapeutic keratectomy procedure was approved by the U.S. Food and Drug Administration in 1995. Increased use of vision correction alternatives could result in decreased use of our prescription eyewear products, including a reduction of sales of prescription frames, which could have a material adverse impact on our business, results of operations and financial condition.

If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer.

Our ability to develop and sell our eyewear products is dependent on the availability of raw materials and semi-finished goods used in our fabrication of sunglasses and prescription frames. Until now, we and our third-party manufacturers have been able to identify and purchase quality raw materials, semi-finished goods and finished goods to support our production volumes and sales requirements while preserving our high quality standards. If we and our third-party manufacturers experience shortages, limited access or increased costs of certain raw materials and other semi-finished or finished goods, it may result in production delays or delays in deliveries of our products to our customers. As a result, we could experience cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could harm our business, results of operations and financial condition.

If we fail to maintain an efficient distribution network in our highly competitive markets, our business, results of operations and financial condition could suffer.

The luxury and diffusion categories of the sunglasses and prescription frame markets in which we operate are highly competitive. See ''*—The eyewear industry is highly competitive, and certain of our principal competitors are significantly larger than us and may have greater financial resources than we do*.'' We believe that, in addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, our ability to remain competitive

is highly dependent on maintaining an efficient distribution network. One of the key objectives of this strategy is to strengthen our existing distribution network. This effort will require additional expenditures and may not be successful, due to the difficulty of coordinating improvements across our sales force, distribution subsidiaries located in key markets around the world and the third-party distributors that sell our products in non-core countries.

If we are unable to maintain an efficient distribution network, our sales may decline due to the inability to timely deliver products to customers and our profitability may decline due to an increase in our per unit distribution costs in the affected regions, either of which may have a material adverse impact on our business, results of operations and financial condition.

Our business could be harmed if we fail to maintain proper inventory levels.

The product purchase lead times required by our manufacturing process (both internal and external, to the extent it is outsourced or dependent on third parties) is generally longer than our customer order fulfillment requirements due to the nature of our industry. We therefore maintain an inventory of selected products that we anticipate will be in high demand. For a number of reasons discussed under ''*—If we are unable to successfully introduce new products, develop our brands and adapt to changing consumer preferences, our business may suffer*,'' we may be unable to sell the products we have produced or ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could impair our reputation and/or that of our brands and have a material adverse impact on our business, results of operations and financial condition.

Conversely, if we underestimate consumer demand for our products or if we and/or third-party suppliers or manufacturers fail to supply the quality products that we require at the time our customers need them, we may experience inventory shortages. Inventory shortages could delay shipments to customers, negatively impact sales, customer relationships and brand loyalty, and have a material adverse impact on our business, results of operations and financial condition.

Our business is affected by seasonality.

Our business is affected by economic factors and seasonal consumer buying patterns. While sales of prescription frames outside of the U.S. do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as consumers anticipate the spring months to purchase new sunglasses. For sales of lower-priced prescription frames to the optical market which accepts insurance plans in the U.S., the insurance plans typically run from January 1 each year, and upon renewal entitle the customer to a new prescription frame. Accordingly, Viva's net sales of prescription frames recorded in the first half of any given year are generally higher than in the second half, as customers look to replace their prescription frames on the renewal of their insurance plan. Such seasonality may cause working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volumes and timing of sales of sunglasses, and correspondingly, the payment of royalties to licensors. These factors, among other things, make forecasting more difficult and a failure to properly manage the seasonal aspects of our business may have a material adverse effect on our business, financial condition and results of operations. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin—Key Factors Affecting Our Financial Condition and Results of Operations—Seasonality*'' and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva—Key Factors Affecting Viva's Financial Condition and Results of Operations—Seasonality*.''

We face international business, political, operational, financial and economic risks because of the international scope of our operations.

We currently have direct operations in 12 countries and our products are sold in more than 100 countries. We are therefore subject to risks inherent in international business, many of which are beyond our control, including, among others:

- the impact of the implementation of the U.S. Patient Protection and Affordable Care Act which will change how health insurance services (including vision) are covered, delivered and reimbursed and may result in changes difficult to predict, which may lead to many consumers changing (or being obliged to change) insurance plans that could offer lower levels of coverage and

reimbursement of prescription eyewear, we may also be affected by, or any other insurance law or policy changes in the future;

- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses and compliance with foreign laws, including employment laws in foreign countries in which we have employees and consultants;
- transportation delays and difficulties of managing international distribution channels and suppliers;
- longer payment cycles and greater difficulty collecting customer accounts receivable;
- ability to finance our foreign operations;
- fluctuations in currency exchange and currency controls;
- economic downturns in foreign countries or geographic regions in which our manufacturers are located, such as China and Italy, which among other things, may expose the operations of our manufacturers to risk and increase our manufacturing costs;
- trade restrictions, higher tariffs and changes to existing, or the imposition of additional, regulations relating to import or export of our products;
- local content laws requiring that certain products contain a specified minimum percentage of domestically produced components;
- unexpected changes in regulatory requirements, royalties and withholding taxes that restrict the repatriation of earnings and affect our effective income tax rate due to profits generated or lost in foreign countries;
- political and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions; and
- difficulties in obtaining the protections of the intellectual property laws of other countries.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable; however the effects of any of these occurrences, or combination thereof, could have a material adverse impact on our business, results of operations and financial condition.

Our third-party distributors could take actions that could harm our business.

Our third-party distributors are contractually obligated to operate their businesses in accordance with the standards set forth in our agreements with them. Third-party distributors are independent third parties that we do not control, and third-party distributors own, operate and oversee the daily operations of their respective businesses; they may not commit the necessary resources to market and sell our products to the level of our expectations. As a result, if third-party distributors do not successfully operate their businesses in a manner consistent with required laws, standards and regulations, or they take actions which damage our reputation or the brand image of our products and/or licensed brands, we could be subject to legal claims or otherwise our reputation may be adversely affected. Certain foreign laws are protective of the rights of third-party distributors and may make it costly to terminate them. In addition, our relationship with our licensors could become strained if actions or omissions by third-party distributors are imputed to us.

Changes in our tax rates or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in Italy, the United States and numerous other foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability. We also are regularly subject to the examination of our income tax returns by the U.S. Internal Revenue Service, the Italian tax authority as well as the governing tax authorities in other countries where we operate. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. Currently, we are party to a transfer pricing investigation in Italy. See ''*Business—Legal Proceedings.*'' There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially adversely affect our business, results of operations, financial condition and prospects.

If we are unable to protect our license and trademark rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs.

We rely on trade secret, unfair competition, trade dress, patent, trademark and copyright laws to protect our rights to certain aspects of our products, including product designs, proprietary manufacturing processes and technologies, product research, concepts and recognized trademarks. However, pending trademark applications may not in all instances result in the issuance of a registered trademark, particularly if such applications are opposed by third parties and registered trademarks may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the actions we take to protect our proprietary rights or the proprietary rights of our licensors may be inadequate to prevent counterfeiting of our products. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union. See ''*Marcolin's Business—Intellectual Property*'' and ''*Viva's Business—Intellectual Property*.'' We may not prevail in any litigation or other legal process to defend our intellectual property rights or we may compromise or settle such claims for a variety of reasons. An adverse determination in any dispute involving our proprietary rights could, among other things, (i) require us to grant licenses to, or obtain licenses from, third parties, (ii) prevent us from manufacturing, selling or importing our products, (iii) require us to discontinue the use of a particular trademark, copyright or trade secret or (iv) subject us to substantial liability.

Given the popularity of our products, we believe there is a likelihood that counterfeit products or other products infringing on our trademarks or licensed brands will continue to emerge. In order to combat counterfeit goods, we have and may continue to be required to spend significant resources to monitor and protect our intellectual property rights. Although we have taken steps to prevent further counterfeiting, we may not be able to detect or prevent all instances of infringement and may lose our competitive position in the market before we are able to do so. If the quality of counterfeit products is not representative of the quality of our genuine products, further damage could be done to the reputation of our licensed brands. Any of these possibilities could have a material adverse effect on our business, results of operations and financial condition.

If our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed.

A key element of our marketing strategy is to undertake advertising and promotional activities in support of our licensed brands. For the year ended December 31, 2012, Marcolin spent €17.6 million, or 8.2% of revenue, on advertising and public relations expenses, whereas for the same year, Viva spent $15.1 million, or 7.9% of net sales, on marketing expenses. In addition, we make regular payments to our licensors in the form of advertising royalties, however, with respect to such monies, we generally exercise little control over the nature and priorities of the related spending. See ''*Marcolin's Business—Intellectual Property—License Agreements*.'' Therefore, there can be no assurance that such advertising and promotional activities by our licensors will be successful, will target customers and consumers in our core markets, or will be relevant to the sunglasses and prescription frames markets. In addition, we undertake direct advertising and promotional activities, namely the creation of POS display materials, catalogues and display materials for trade fairs and exhibitions. We also obtain endorsements from celebrities, such as music artists, actors and athletes, to sell our products, preserve the relevancy and authenticity of our brands and to support new products. We can provide no assurance that our advertising and promotional activities will be successful in promoting and maintaining brand awareness.

Our business requires capital expenditures which may divert cash flow from other investments or uses, including debt servicing.

Our activities require capital expenditures. We currently manage design and manufacturing facilities in Italy and distribution centers in Italy and the United States. For each season, we must work closely with our licensors to produce and present a range of prototypes for the upcoming collections of eyewear and we must undertake a range of promotional activities in connection with supporting the appeal of our brands among consumers and our distribution network. For the years ended December 31, 2010, 2011 and 2012, as adjusted on a *pro forma* basis for the Transactions, capital expenditures (excluding non-recurring items related to plant refurbishment, IT improvements and ecommerce launch costs) were €5.5 million, €4.9 million and €5.1 million, respectively related to machinery maintenance/replacement and standard general administrative and IT costs. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin—Capital Expenditures*'' and ''*Management's*

Discussion and Analysis of Financial Condition and Results of Operations of Viva—Capital Expenditures.'' We can provide no assurance that our capital expenditure will not increase, and such increases may divert significant cash flows from other investments or uses, including debt servicing, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to exchange rate fluctuations.

Our reporting currency is the euro and we conduct, and following the Transactions, will continue to conduct transactions in currencies other than the euro. As a result, we are vulnerable to exchange rate fluctuations because:

- we incur some of our manufacturing costs in euro and to a lesser extent in U.S. dollars and generate a substantial portion of our revenue in other currencies, particularly U.S. dollars, Swiss francs, British pounds sterling, Canadian dollars and Japanese yen; therefore, a strengthening of the euro relative to such other currencies in which we generate sales could negatively impact our operating margins, which could adversely affect our business; and
- a portion of our assets, liabilities, revenue and costs are denominated in various currencies other than the euro; as a result, our operating results, which are reported in euro, are affected by exchange rate fluctuation.

For the year ended December 31, 2012, approximately 61% of our revenue were denominated in euro, approximately 31% in U.S. dollars and approximately 8% in other currencies. Furthermore, the majority of Viva's net sales and costs are denominated in U.S. dollars, Canadian dollars and euro. Consequently, portions of our costs, profit margins and asset values are, and following the Viva Acquisition, will continue to be affected by fluctuations in the exchange rates among the above-mentioned currencies. Foreign exchange exposure is expected to increase following the Viva Acquisition as the combined Group will transact business in significantly more non-euro markets.

For purposes of hedging our exposure to foreign currencies, we have engaged in derivative transactions; specifically, we have entered into foreign exchange forward contracts to mitigate the foreign exchange risk on U.S. dollars primarily resulting from purchases of finished and semi-finished products from China. To the extent balances change in the future or foreign currency exchange rates fluctuate significantly in the future, our cash flows, financial condition and results of operations could be materially adversely affected. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls. In addition, where possible, our subsidiaries may enter into local funding and/or leasing arrangements denominated in their functional currency.

The euro will continue to be the reporting currency of the Group following the Viva Acquisition, although Viva has historically reported in U.S. dollars. Exchange rate gains or losses will arise when the assets and liabilities in foreign currencies are translated or exchanged into euro for financial reporting or repatriation purposes. If the foreign currencies depreciate against the euro, this may adversely affect our reported consolidated financial results.

We are exposed to credit risk related to our customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts.

As of December 31, 2012, Marcolin had approximately €63.4 million in trade receivables from customers resulting from sales of eyewear products to independent opticians that comprise the majority of Marcolin's customers in Western Europe for which we typically invoice such customers at the time of dispatch. Although we review the credit risk related to our customers regularly, such risks may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. While many customers pay their receivables within 60 to 120 days, we can provide no assurance that we will not experience an increase in late payments. Our provision for doubtful debts was €4.7 million as of December 31, 2012, representing approximately 7% of our gross trade receivables but we cannot guarantee that these provisions will be sufficient. The amount of our provision for doubtful debts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can make no assurance that bad debts associated with delinquent payments or nonpayment by our corporate customers will not increase.

If the macroeconomic conditions in our core markets deteriorate, we cannot assure you that we will not have to increase our provisions for doubtful debts relating to trade receivables, which could have a material adverse effect on our business, results of operations and financial condition.

Higher employment costs may have a material adverse effect on our business, financial condition and results of operations.

Labor costs have been increasing steadily in our business over the past several years. Our labor costs may rise faster than expected in the future as a result of increased workforce activism, government decrees and changes in social and pension contribution rules meant to reduce government budget deficits or to increase welfare benefits to employees. We may not manage to offset the increase in labor costs through productivity gains. If employment costs increase further, our operating costs will increase, which could, if we cannot recover these costs from our customers through increased selling prices or offset them through productivity gains or other measures, have a material adverse effect on our business, financial condition and results of operations.

A failure of our key information technology and/or inventory management, including the loss of capacity or the interruption of information technology hardware or infrastructure on which our systems rely, could have a material adverse effect on our ability to conduct our business.

We rely extensively on information technology, inventory management and maintenance systems to conduct our activities. These systems and processes include, but are not limited to, ordering and managing stock from suppliers, distributing products to various locations, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. If such systems are damaged, cease to function properly or if we were to experience problems with transitioning to upgraded or replacement systems, our business may suffer. Furthermore, the Viva Acquisition may pose complex integration issues related to streamlining and integrating our information technology systems and processes. In addition, we rely on external providers for information technology hardware and infrastructure which may be interrupted. These interruptions could be caused by any number of events, ranging from catastrophic events to incidents such as power outages, human error and security breaches, and if we or our external providers do not effectively remedy on a timely basis, or if our employees knowledgeable about such systems are unavailable or cease to work for us, our operations could be disrupted. Failures in our systems could therefore reduce our revenue, adversely affect our reputation among our customers, compromise our competitive position or otherwise have a material adverse effect on our business, financial condition and results of operations.

Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance.

We currently have in place a number of different insurance policies that cover property damage, environmental liabilities and losses due to the interruption of our business in accordance with market practice in the industry and subject to customary conditions. Our other fixed assets, such as machines used in our manufacturing process and our office equipment used for Group administration, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes business interruption coverage when such business interruption is caused by an insured property damage.

We believe that our insurance coverage is adequate to cover the risk of loss resulting from any damage to our property. However, the insurance policies are subject to limits and exclusions. Furthermore, we do not have insurance coverage for all interruptions as a result of operational risks because such risks cannot be insured or can only be insured on unreasonable terms. There can be no assurance that our insurance program would be sufficient to cover all potential losses, that we will be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to us.

Moreover, certain types of losses, such as those resulting from earthquakes, floods, hurricanes, environmental hazards or terrorist acts, may be uninsurable or not economically insurable. In addition, there is no protection against the risk that customers will fail to pay in full or on time. We will use our discretion in determining amounts, coverage limits, deductibility provisions and the appropriateness of self-insuring with a view to maintaining appropriate insurance coverage at a reasonable cost and on suitable terms. If we suffer an uninsured or underinsured loss, we could lose all or a portion of the capital we have invested in a business or property as well as the anticipated future revenue from such business or property. Such uninsured or underinsured losses could harm our business, results of operations and financial condition.

Our operations could be adversely affected if we are unable to retain key employees and/or key members of our management.

We depend on certain key executives and personnel for our success. Our performance and our ability to implement our strategy depend on the efforts and abilities of our executive officers and key employees. In addition, in connection with the Viva Acquisition, current key legacy Marcolin personnel may choose to pursue opportunities elsewhere or current key Viva personnel may depart, including taking positions with competitors. Our operations could be adversely affected if, for any reason, a number of these officers or key employees do not remain with us. In the event that such key personnel choose not to remain with us, there is a risk that they may join a competing business. Furthermore, there may be a limited number of persons with the requisite skills to serve in these positions and we may be unable to replace key employees with qualified personnel on acceptable terms. See also ''*—Risks Related to the Viva Acquisition—We face risks and expenses due to the need to integrate Viva.*''

Our e-commerce operations subject us to numerous risks.

In 2013, we launched Eyestyle.com, our online sunglasses and prescription frames boutique, in Italy. Revenue generated by our online distribution channel constitutes a small portion of our overall revenue. Our e-commerce operations subject us to certain risks that could have an adverse effect on our operating results, including: liability for online content and breach of data privacy; and risks related to the computer systems that operate our website and related support systems, such as computer viruses, electronic break-ins and similar disruptions; and difficulty in managing a business-to-consumer operation as we have historically concentrated as a wholesaler. In addition, changing regulations and laws governing the Internet and e-commerce transactions (including taxation, user privacy, data protection, pricing and electronic communications) could distract management from running the rest of our business and/or increase our cost of doing business. In addition, other risks beyond our control, such as online security breaches and general economic conditions specific to ecommerce could have an adverse effect on our results of operations.

We are susceptible to claims of anti-competitive practices.

Part of our overall strategy is to be a market leader in our core markets. We may be accused of the abuse of our position or the use of anti-competitive practices. This risk may increase in the event we acquire companies that have strong market leading position in the United States or Western Europe, where we enjoy strong positions. Any such claims could adversely affect our reputation, potentially result in legal proceedings that could have an impact on our business, results of operations and financial condition and require us to divest assets in markets where we have a leading position. Such claims could also impair our ability to conduct acquisitions accretive to our business. Before certain future acquisitions may be consummated, we may need to seek approvals and consents from regulatory agencies or there may be applicable waiting periods that will need to expire. We may be unable to obtain such regulatory approvals or consents, or in order to obtain them, we may be required to dispose of assets or take other actions that could have the effect of reducing our revenue. Even if regulatory authorities do not require disposals or other actions, the regulatory approval process triggered by our market position or claims of anti-competitive practices may have the effect of delaying acquisitions. See also ''*—Risks Related to the Viva Acquisition—The acquisition of Viva is subject to risks in respect of the antitrust approval process that could have a material adverse impact on our business, results of operations and financial condition.*''

We are subject to risks related to litigation and other legal proceedings in the normal course of our business and otherwise as well as risks related to public contracts litigation.

We are subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of our business and otherwise. From time to time, we have been party as defendant or plaintiff in various claims and lawsuits incidental to the ordinary course of our business, such as those related to labor issues, trademark infringement and unpaid receivables. While we believe none of the legal proceedings to which we are party expose us to material liabilities, the results of pending or future legal proceedings are inherently difficult to predict. We can provide no assurance that we will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or actions that exceed any provision we may set aside in respect of such proceedings or actions or that exceed any insurance coverage available, which may have a material adverse effect on our business, results of operations and financial condition. See ''*Marcolin's Business—Legal Proceedings*'' and ''*Viva's Business—Legal Proceedings*.''

We may face labor disruptions that could interfere with our operations and have a material adverse effect on our business, results of operations and financial condition.

Marcolin currently employs approximately 900 employees worldwide and Viva currently employs approximately 500 worldwide under a variety of arrangements consistent with local laws and employment practices. Applicable law regulates our relations with our employees and our ability to manage, and in certain cases, discontinue our employment relationships.

In certain instances, we consult and seek the input of our employee works councils with respect to a broad range of matters. Consultations with works councils, strikes, similar industrial actions or other disturbances by our workforce, could disrupt our operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on our business, results of operations and financial condition.

Although management believes that its relationship with employees is generally good, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future. Disruptions of business operations due to strikes or similar measures by our employees or the employees of any of our significant suppliers could have a material adverse effect on our business, results of operations and financial condition. See ''*Marcolin's Business—Employees*'' and ''*Viva's Business—Employees*.''

We rely on certifications by industry standards-setting bodies and applicable law, including the Made in Italy designation.

We are required by the applicable Italian regulatory framework to obtain certain mandatory certifications and comply with professional licensing requirements. In addition, we estimate that for the year ended December 31, 2012, approximately three fourths of Marcolin's products manufactured in-house carried the *Made in Italy* designation. The use of the *Made in Italy* designation is regulated by Italian and EU law and requires that the relevant product be entirely produced in Italy or undergo their last ''substantial transformation'' in Italy, which has been interpreted to include assembly from semi-finished products manufactured elsewhere. We believe that the *Made in Italy* designation represents a mark of quality and a differentiator of high value-added products, therefore serving as a competitive advantage for our products carrying *the Made in Italy* designation *vis-à-vis* those products of our competitors and across our other collections. If the laws regarding the use of the *Made in Italy* designation were to become more restrictive in a way that is adverse to our interests, our business may suffer.

Risks Related to the Viva Acquisition

We face risks and expenses due to the need to integrate Viva, and Viva is also subject to many of the same business, regulatory and other risks that we currently face.

On October 23, 2013, we signed an agreement to purchase a 100% interest in Viva. We believe the Viva Acquisition will further the following: (i) expand our presence in our geographic presence, especially in the North American market; (ii) increase our exposure to prescription frames; (iii) expand our brand portfolio, especially diffusion brands and (iv) increase our scale which will benefit our negotiation position towards suppliers. In addition, we expect synergies and procurement and cost savings can be achieved by combining Marcolin and Viva. Among the risks associated with the acquisition of Viva, and to any further acquisition we may undertake, which could have a material adverse effect on our business, results of operations and financial condition, are the following:

- we may incur substantial costs, delays or other operational or financial problems in integrating Viva, including with respect to the management of a significantly broader and more complex organization, spread over many jurisdictions;
- we may experience problems related to coordination and consolidation of corporate and administrative functions (including internal controls, human resources and financial reporting);
- the integration of Viva may divert management's attention from the operation of existing businesses;
- we may not be able to retain key personnel or licenses of Viva;
- the requirement under IFRS 3 to determine purchase price allocation of the acquired assets and liabilities of Viva may require us to make write-downs of intangible assets;

- we may not be able to achieve anticipated synergies; and
- we may encounter unanticipated events, circumstances or legal liabilities related to the acquired businesses.

In addition, there can be no assurance that, following integration with our Group, the acquired operation will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. The assessments of any potential acquisition targets are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and there can be no assurance that our assessments of and assumptions regarding acquisition candidates will prove to be correct and actual developments may differ significantly from our expectations. If we cannot successfully integrate Viva on a timely and efficient basis, we may incur higher than expected costs and not realize all the anticipated benefits of the Viva Acquisition.

Furthermore, Viva is subject to many of the same risks that we currently face and that are described in this Offering Memorandum, and those same risks may have a material adverse effect on the business, results of operations and financial condition of Viva. If we fail to adequately address any of these risks or problems, the business of Viva and our business as a whole may suffer.

The acquisition of Viva is subject to risks in respect of the antitrust approval process and other conditions precedent, including obtaining consents in respect of change of control provisions in material licenses which we could decide to waive.

Consummation of the Viva Acquisition is subject to a number of conditions precedent, many of which are outside of our control. We must comply with antitrust laws, including the filing requirements and observation of the statutory waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. In connection with the review process, the United States antitrust regulators can seek modification of the transaction to address any antitrust concerns or apply to a United States District Court for injunctive orders, including the possible divestiture of certain facilities. We also must obtain antitrust clearance in Austria. None of the *pro forma* financial data or combined information takes into account the impact of divestures either on the reduction in operations or on the proceeds from sale. We cannot assure you that the antitrust regulators will approve the Viva Acquisition on a timely basis or at all and we may incur significant costs if the antitrust regulators require us to modify the Viva Acquisition, which could reduce the anticipated benefits to us of the Viva Acquisition. See ''*The Acquisition*.''

In addition, the Viva Acquisition will constitute a change of control under agreements of Viva with certain of its licensors, distributors and customers which would entitle these licensors, distributors and customers to terminate their agreements. Viva has obtained waivers and consents under such change of control provisions in Viva's underlying material agreements which will result in the payment of $2.5 million by Marcolin. Furthermore, we cannot exclude the possibility that some licensors, distributors and customers may opt to enter into agreements with our competitors as a consequence of the Viva Acquisition. The occurrence of any of these events could have an adverse effect on our business, results of operations and financial condition following the Viva Acquisition or may cause us not to proceed with the Viva Acquisition pursuant to our rights under the Acquisition Agreement.

We may be unable to integrate Viva effectively and realize the expected synergies from the Viva Acquisition.

We cannot assure you that we will be able to integrate Viva effectively. If we cannot successfully integrate Viva within a reasonable time following the acquisition, we may not be able to realize the potential and anticipated benefits from the acquisition. In connection with the integration of Viva into our existing operating structure, we will seek to achieve annual general and administration run-rate synergies and cost savings of approximately €8.5 million and we are planning to largely implement the necessary initiatives in 2014 in order to realize nearly the entire annual run-rate synergies and cost savings beginning in 2015. We currently estimate that we will spend between approximately €7.0 million to €9.0 million in non-recurring costs to realize these general and administration synergies, with approximately 30% of the costs being incurred in 2014 and the remainder in 2015. In addition, we expect to extract approximately €2.5 million to €3.0 million in annual procurement synergies due to our increased scale and have identified potential revenue synergies for the combined business. We cannot assure you that we will be able to realize any of these synergies or cost or procurement savings, and the

costs we incur in trying to realize these synergies may be substantially higher than our current estimates and may outweigh the benefits.

Our anticipated synergies and cost of procurement savings are based upon assumptions about our ability to implement these measures in a timely fashion and within certain cost parameters. Our ability to achieve the planned cost synergies is dependent upon a significant number of factors, some of which may be beyond our control.

If one or more of our underlying assumptions regarding these initiatives proves to have been incorrect, these efforts could lead to substantially higher costs than planned and we may not be able to realize fully, or realize in the anticipated timeframe, the expected benefits from our cost measures. Furthermore, pricing pressure from our customers or competitors or other variables may deprive us of some of the benefits from the cost measures that, in the calculation of Pro forma combined Adjusted EBITDA, we have assumed that we will be able to retain. See ''*The Viva Acquisition*,'' ''*Unaudited Pro Forma Consolidated Financial Information*'' and ''*Forward-Looking Statements*'' Also, cost efficiencies from operational efficiencies may not be able to be sustained due to our inability to integrate the acquired business, unforeseen legal, regulatory, contractual, labor or other issues or other cost variables. Our new business initiatives could result in unintended consequences, such as the loss of licenses, key customers and/or suppliers. Our inability to realize the anticipated cost savings, synergies and revenue enhancements from the acquisition could have a material adverse effect on our business, results of operations and financial condition.

We do not currently control Viva and its subsidiaries, and we will not control Viva and its subsidiaries until the completion of the Viva Acquisition.

Viva and its subsidiaries are currently controlled by the Seller. The Issuer will not obtain control of Viva and its subsidiaries until completion of the Viva Acquisition. We cannot assure you that the Sellers will operate Viva's business during the interim period in the same way that we would. The information contained in this Offering Memorandum has been derived from public sources and, in the case of historical information relating to Viva and its subsidiaries, has been provided to us by the Seller and Viva and its subsidiaries, and we have relied on such information supplied to us in its preparation. Furthermore, the Viva Acquisition has required, and will likely continue to require, substantial amounts of management's time and focus, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Viva Acquisition or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the consummation of the Viva Acquisition, neither Viva nor any of its subsidiaries will be subject to the covenants described in ''*Description of Notes*,'' to be included in the Indenture. As such, we cannot assure you that, prior to such date, Viva or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had such covenants been applicable.

We may not identify all risks associated with the Viva Acquisition, and any indemnification we receive from the Seller may be insufficient to protect us from such risks, which may result in expected liabilities and costs to us.

The success of an acquisition depends on our ability to perform adequate due diligence before the acquisition and on our ability to integrate the acquisition after it is completed. While we have committed significant resources to conducting comprehensive due diligence, we may not identify all risks and liabilities associated with the Viva Acquisition. This could lead to adverse accounting and financial consequences, such as the need to make large provisions against the acquired assets or to write down acquired assets. These difficulties could have a material adverse impact on our business, results of operations and financial condition.

When conducting due diligence, we have relied on the resources available to us, including information provided by the Seller and, in some circumstances, third-party investigations and analysis. To the extent we identify liabilities or problems and raise claims under contractual protections or indemnities we have received from the Seller pursuant to the Acquisition Agreement, such indemnity may not be fully enforceable or may be insufficient to compensate us for our costs, and such indemnity is dependent on the ongoing viability of the Seller. In addition, the terms of the Acquisition Agreement currently allow the Seller to set-off any indemnity payable to us against its receivables due from 3Cime under the Vendor Loan, and this set off is permitted by the Indenture. Therefore, any indemnification we receive from the Seller may be insufficient to protect us from risks related to hidden liabilities.

Viva does not conduct its own manufacturing and the use of third parties for manufacturing subjects it to risks, including disruptions in business and potentially increased costs.

Viva does not conduct its own manufacturing and relies on a network of third party suppliers and manufacturers in China and Taiwan, two of which are also used by Marcolin. Viva does not maintain long-term or guaranteed supply contracts with such third parties. While Viva's management does not believe that any one third-party manufacturer is material to its business, there can be no assurance that alternate sources can be procured at reasonable terms, or at all, if problems arise with existing suppliers. Furthermore, there is a risk that new suppliers will not provide adequate quantities with sufficient quality on a timely basis, and that new supplier pricing may be higher than anticipated. If Viva is unable to obtain necessary items on a timely basis, at acceptable prices, and of sufficient quality, Viva could lose current or future business or its reputation in the marketplace could suffer. In addition, the use of third-party manufacturing involves additional risks, such that there can be no assurance that suppliers are observing proper internal control practices, adequate labor practices and quality controls.

Following the Viva Acquisition, the Group will retain significant commercial relationships with the Seller.

Following the Viva Acquisition, certain supply chain, information technology, accounting, human resources, treasury and other services previously provided by the Seller to Viva will no longer be provided and will need to be procured from Marcolin or internalized. If the Group has not established its own support services related to the Viva Acquisition, the Group may not be able to obtain these services at as favorable prices or on as favorable terms, if at all. Any failure or significant downtime in Viva's financial, administrative, or other support systems could exacerbate integration risks discussed elsewhere herein and/or materially and adversely affect the Group's business, results of operations or financial condition.

Furthermore, prior to the Viva Acquisition, Viva was operated as a subsidiary of the Seller, the owner of a large specialty optical retailer and a managed care provider in the United States. For the year ended December 31, 2012, approximately 8.6% of Viva's net sales were generated by sales to the Seller and its affiliates. As part of the Supply Agreement, the Seller has agreed to purchase $22 million in eyewear products per year for the next 5 years. As a result of the Supply Agreement, the Seller is expected to become the single largest customer of the Group. In addition, a portion of the financing of the Viva Acquisition will be financed by the Vendor Loan Note issued by 3Cime and subscribed by the Seller. However, the terms of the relevant agreements permit the Seller to set-off amounts due to M-USA and/or the Issuer under the Supply Agreement (following a breach by M-USA or its affiliates under the Acquisition Agreement or the Vendor Loan Note, as the case may be) and the indemnity provisions of the Acquisition Agreement (if any) with the amounts due to it under the Vendor Loan Note. Such payments via set-offs against the Vendor Loan Note are permitted by the Indenture. While we do not anticipate that our ongoing commercial relationship with the Seller will harm our business, we cannot exclude that differences in strategy may emerge which could have an adverse effect on our revenue following the Viva Acquisition. In addition, if we default under the Supply Agreement and it is terminated or if the Seller opts not to renew it after the initial five year term, our business, final condition and result of operation could suffer.

Viva has entered into joint venture agreements with third parties in certain markets.

As part of Viva's international operations, Viva entered into joint venture agreements with third parties in Germany, Australia and Mexico which represented 0.4% of Viva's net sales for the year ended December 31, 2012. As of December 31, 2012, Viva's aggregate investment in joint ventures was $3.1 million. The joint venture agreements include clauses which grant Viva's relevant joint ventures partner the ability to unwind the joint venture, or require Viva to purchase its interest in the joint venture at a predetermined formula, subject to certain conditions, including in connection with a change of control, such as the Viva Acquisition. We cannot exclude that joint venture parties will terminate their relationships with Viva, or exercise their put option rights granted to them. Upon such an occurrence, we could lose market share or customer relationships in certain markets, including markets which we are targeting for growth, or we could be required to make payments to joint venture partners to unwind our relationships which could have a material adverse effect on our business, results of operations and financial conditions. See ''*Viva's Business—Distribution*.''

Viva has recorded a significant amount of goodwill and we may not realize the full value thereof.

As of June 30, 2013, Viva had recorded goodwill amounting to $89.3 million, representing 39.1% of its assets. Following the Viva Acquisition, with IFRS 3 *(revised)* ''Business Combinations'' at the date of acquisition, which is defined as the date on which the Issuer will obtain control over Viva, should the Viva Acquisition be successful, the Issuer will recognize goodwill as the excess of the consideration transferred over the net of the acquisition date amounts of the fair value of all identifiable assets acquired and liabilities assumed. The purchase price allocation will be completed within twelve months from the acquisition date. The completion of the purchase price allocation in accordance with IFRS 3 (*revised*) will result in the recognition at the date of acquisition of all identifiable assets acquired and the liabilities or contingent liabilities assumed of Viva at fair value. In subsequent years goodwill will be tested annually for impairment. The amount of any impairment must be expensed immediately as a charge to our income statement. Viva recorded no goodwill impairment charges for the year ended December 31, 2012. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

The proceeds from the Offering will be held in the Escrow Account pending the satisfaction of certain conditions, some of which are outside of our control. If the Viva Acquisition does not close on or before the Escrow Longstop Date (February 20, 2014) or any other event triggers an escrow termination, the Notes will be subject to a special mandatory redemption as described in ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'' and you may not obtain the return you expect to receive on the Notes.

The escrow funds will be initially limited to the proceeds of the Offering of the Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date for the Notes to the date of special mandatory redemption. Marcolin will be required to fund the accrued and unpaid interest and Additional Amounts, if any, as well as the difference between the net proceeds from the Offering and the issue price owing to the holders of the Notes. There can be no assurance that Marcolin will have sufficient funds to make these payments.

Your decision to invest in the Notes is made at the time of purchase. Changes in our business or financial condition, or the terms of the Viva Acquisition or the financing thereof, between the closing of this Offering and the date on which the Viva Acquisition is consummated, will have no effect on your rights as a purchaser of the Notes.

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.

The Viva Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. However, the Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto without the consent of the majority of the holders of the Notes, *provided, however,* that such amendment and/or waiver will not have a materially adverse effect on the interests of the holders of the Notes. Any such amendment made to the Acquisition Agreement may make the Viva Acquisition less attractive and may have an adverse effect on the return you expect to receive on the Notes. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'' for a discussion of the escrow release conditions.

Risks Related to Our Capital Structure

The Issuer is in part dependent on payments from its subsidiaries in order to make payments on the Notes.

The Issuer conducts a portion of its operations through operating subsidiaries, and such dependence will increase following the consummation of the Viva Acquisition. As a result, the Issuer will be dependent in part upon the cash flow from its subsidiaries in the form of dividends, intercompany loans or otherwise to make payments on the Notes. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable it to meet its payment obligations. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could

include, among others, existing and future contractual restrictions, including restrictions in any indebtedness at the subsidiary level, that affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

The interests of our principal shareholder may be inconsistent with the interests of the holders of Notes.

PAI, and certain other co-investors, including the Marcolin family indirectly own 100% of the Issuer's shares. As a result, PAI and its affiliates have, directly or indirectly, the power to affect, among other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operation. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders which have the power to effect compliance with such covenants. The interests of PAI and its affiliates could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. Affiliates of PAI also have an interest in pursuing divestitures, financings or other transactions that in their judgment could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes. In addition, PAI or its affiliates may, in the future, own businesses that directly compete with ours or do business with us. See ''*Principal Shareholders*.''

We have recorded a significant amount of goodwill and we may not realize the full value thereof.

We have recorded a significant amount of goodwill. As of June 30, 2013, Cristallo's total goodwill, which represents the excess of the cost of acquisitions over our interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, amounted to €189.1 million, representing 48% of Cristallo's assets. In particular, the goodwill recorded in Cristallo's financial statements reflects the preliminary goodwill recorded in relation to Cristallo's acquisition of Marcolin in December 2012. In accordance with IFRS, the goodwill has been recorded on a provisional basis and the purchase price allocation will be completed by December 2013.

Goodwill is recorded on the date of acquisition and, in accordance with IFRS, is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. Following the completion of the purchase price allocation relating to the acquisition of Marcolin, goodwill will be tested annually for impairment. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS. See also ''*—Risks Related to the Viva Acquisition—Viva has record a significant amount of goodwill and we may not realize the full value thereof*.''

We may be subject to a deferral or to a limitation of the deduction of interest expense, including interest expense in respect of the Notes in Italy.

Current tax legislation in Italy (Article 96 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of the above indicated amount is allowed up to a threshold of 30% of the EBITDA of a company (i.e. *risultato operativo lordo della gestione caratteristica*) modified with certain adjustments (''**ROL**'') as recorded in such income statement. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Net interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity in the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group.

Our ability to deduct interest expense in respect of the Notes and other indebtedness incurred by companies within the Group, as well as, starting in 2014, 3Cime, our indirect parent company which will be the issuer of the Vendor Loan Note and part of our tax consolidation group, will therefore depend on the ROL and our ability to apply for a new tax consolidation group. Any delay in the effectiveness of a tax

group will impact the ability to deduct interest expense. The failure to achieve such a tax group could adversely impact our ability to use ROL to offset interest expense, including, *inter alia,* in respect of any borrowings under the Revolving Credit Facility and the Vendor Loan Note.

In addition, Article 3(115) of Law No. 549 of December 28, 1995 also sets forth certain limitations to the deductibility of interest expense arising from bonds or notes issued by Italian companies other than banks or listed companies. However, under provisions of Article 32 of Italian Law Decree No. 83 of June 22, 2012, interest on notes is not subject to the limitations set out by Article 3(115) thereof, and is deductible to the extent mentioned above provided that, *inter alia,* the Notes are listed upon their issuance on a regulated market or multilateral trading platform of a Member State of the European Union or state of the European Economic Area included in the White List provided for by Article 168-*bis* of Italian Presidential Decree No. 917 of December 22, 1986. It cannot be ruled out that any future guidance issued by the Italian tax authorities set forth further requirements for the provisions of Article 32 of Italian Law Decree No. 83 of June 22, 2012 to apply and that, based on a restrictive interpretation, the limitations set forth by Article 3(115) of Law No. 549 of December 28, 1995 to the deduction of interest expenses are deemed to apply with respect to the Notes beneficially owned by persons that are not resident in States included in the white list provided for by Article 168-*bis* of Italian Presidential Decree No. 917 of December 22, 1986.

The Italian tax authorities have in certain instances challenged the deductibility of interest expenses arising in connection with acquisition financing, including for debt that is refinancing debt originally incurred for such purposes. Such tax challenges have been carried out by the Italian tax authorities by arguing in certain cases that the actual beneficiary of the transaction was not the acquiring Italian company and that interest expense should have been re-charged to its non-Italian-resident shareholder (in cases in which the Italian company was controlled by a non-Italian-resident company, as in the case of the Issuer) and in other cases by arguing that interest expense on the acquisition financing did not serve the business (i.e., they were not compliant with the ''inherence'' principle). To date, tax courts have not ruled in a consistent way with respect to these cases.

If the Italian tax authorities were to successfully challenge the tax treatment or characterization (including on the basis of anti-avoidance or anti-abusive criteria) of the deductibility of interest expense incurred in connection with the acquisition financing of any past merger or leveraged buyout of an Italian company, we may be unable to fully deduct the interest expense incurred on the Notes, and we may also be subject to significant penalties and interest, the imposition of withholding taxes, or other consequences that could have a material adverse effect on our financial condition and results of operations, or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Any future changes in Italian tax laws or in their interpretation, including any future limitation on the use of the ROL of the Issuer and its subsidiaries or the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or the application by Italian tax authorities of certain existing interpretations of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse impact on our financial condition. Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the transactions performed or of our indebtedness, including the Notes or the use of proceeds from the Offering, including on the basis of anti-avoidance or anti-abusive criteria, we may be unable to fully deduct our interest expense and could be subject to significant penalties and accrued interest, the imposition of withholding taxes, or other consequences that could have a material adverse effect on our business, results of operations and financial condition or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

Risks Related to Our Indebtedness

Our leverage may make it difficult for us to service our debt, including the Notes, and operate our business.

Upon consummation of the Transactions, we will have a substantial amount of outstanding indebtedness with significant debt service requirements. As of June 30, 2013, our Pro forma combined total financial debt was €203 million. See ''*Capitalization*.'' As of the same date, giving effect to the Transactions, we also would have had approximately €25.0 million available for borrowing under our Revolving Credit Facility. See ''*Description of Certain Financing Arrangements*'' and ''*Description of Notes*.''

Our leverage could have important consequences for a holder of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- restricting us from investing in customer acquisitions, growing our business, pursuing strategic acquisitions and exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond our control. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

We are subject to restrictive covenants under the Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business.

Restrictive covenants under the Revolving Credit Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Revolving Credit Facility Agreement and the Indenture contain negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- make a substantial change to the general nature of our business;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions;
- engage in sales of assets and subsidiary stock; and
- enter into transactions with affiliates.

The Revolving Credit Facility also includes the following financial covenant:

- the ratio of net debt to EBITDA (as defined therein) as tested at the end of each quarter (with such testing beginning on December 31, 2013) must not exceed 6.50:1.00; such ratio reduces with the maturity of the Revolving Credit Facility on a set schedule. See ''*Description of Certain Financing Arrangements—Revolving Credit Facility—Covenants—Financial covenant*.''

The restrictions contained in the Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of

potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make key money payments to acquire new licenses, form joint ventures, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving Credit Facility Agreement or the Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

We may not be able to generate sufficient cash to meet our debt service obligations, or our obligations under other financing agreements, in which case our creditors could declare all amounts owed to them due and payable, leading to liquidity constraints.

Our ability to make interest payments on the Notes and to meet our other debt service obligations, including under the Revolving Credit Facility Agreement, the Indenture and the Deferred Compensation, or to refinance our debt, depends on our future operating and financial performance, which in turn depends on our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or investments or sell material assets.

If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. If we are also unable to satisfy our obligations on other financing arrangements, we could be in default under the Revolving Credit Facility Agreement, the Indenture and other relevant financing agreements which we may enter into in the future. In the event of a default under the Revolving Credit Facility Agreement or certain other defaults under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that we have borrowed under our credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments on the Notes, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes and the Revolving Credit Facility, may as a result also be accelerated and become due and payable. If the debt under the Revolving Credit Facility or the Notes or any other material financing arrangement that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the Notes in full. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event. See ''*Description of Certain Financing Arrangements*'' and ''*Description of Notes*.''

Despite our high level of indebtedness, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the Revolving Credit Facility contains and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, none of the Revolving Credit Facility or the Indenture will prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Risks Related to the Notes, the Guarantees and the Collateral

The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes.

No appraisal of the value of the Collateral has been prepared by us or on our behalf in connection with the Offering. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend on many factors, including the ability to sell the Collateral in an orderly sale, prevailing market and other economic conditions and the availability of suitable buyers at the time of any such sale. By its nature, the Collateral may be illiquid and have no ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in the liquidation of the Collateral. The book value of the Collateral should not be relied on as a measure of the realizable value for such assets. The fair market value of the Collateral as at the date of this offering memorandum may not exceed the principal amount of the debt secured thereby. The value of the Collateral, and in particular, the pledged capital stock, could be impaired in the future as a result of changing economic conditions, failure to implement our business strategy, competition and other future trends and may be without any value if that entity is subject to an insolvency or bankruptcy proceeding.

If the proceeds of Collateral were not sufficient to repay amounts outstanding under the Notes, then Noteholders (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets.

Creditors under the Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes.

Under the terms of the Intercreditor Agreement, proceeds from enforcement of the Collateral securing the Notes must first be applied in satisfaction in full of obligations under the Revolving Credit Facility and only thereafter to repay the obligations of the Issuer and the Guarantors under the Notes; *provided, however,* that the first-ranking pledge over the Escrow Account will be pledged solely to Trustee on behalf of the holders of the Notes as the release of the net proceeds of the Offering from escrow is a condition to availability of the Revolving Credit Facility. The Revolving Credit Facility will also be secured by (i) a special lien (*privilegio speciale*) granted by the Issuer over its present and future movable assets and (ii) a mortgage (*ipoteca*) over certain real estate assets of the Issuer, such assets will not secure the Notes since, with respect to the *privilegio speciale*, under Italian law a special lien may only be granted to secure bank loans. The special lien and mortgage will be limited in amount to the obligations under the Revolving Credit Facility from time to time. As any proceeds realized from the enforcement of the special lien (*privilegio speciale*) and mortgage (*ipoteca*) may be insufficient to repay amounts under the Revolving Credit Facility, in the event of a foreclosure of the Collateral, you may not be able to recover on such Collateral if the then outstanding claims under the Revolving Credit Facility and such amount in respect of such future hedging obligations and certain costs and expenses of the Trustee and other creditors representatives are also paid out in priority to our obligations under the Notes and any other ''super-priority debt'' are greater than the proceeds realized. The Indenture and the Intercreditor Agreement will permit, under certain conditions, additional ''super priority debt'' to be incurred. As such, in the event of enforcement of the Collateral securing the Notes, you may not be able to recover on the Collateral if the then-outstanding liabilities under such ''super priority'' debt, including the Revolving Credit Facility and certain hedging obligations, if any, are greater than the proceeds realized in the event of enforcement of the Collateral securing the Notes. See ''*Description of Certain Financing Arrangement—Intercreditor Agreement*'' and ''*Description of Notes*.''

You will not have a security interest in any of the Collateral on the Issue Date (other than in respect of the pledge over the Escrow Account) and you will not have the benefit of the Guarantees from any of the Guarantors on the Issue Date.

Given the structure of the financing in connection with the Acquisition, you will not have a security interest in any of the Collateral in place on the Issue Date and the Guarantees will also not be in effect until after the closing of the Acquisition. On the Completion Date, subject to the Agreed Security Principles, each of M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva will accede to the Indenture as a guarantor. Prior to the Completion Date, the obligations of the Issuer under the Notes will be secured by a pledge over the Escrow Account. See also ''*—Risk Related to the Viva Acquisition—If*

the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you will not obtain the return you expect on the Notes.'' On the Completion Date, subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by the Completion Date Collateral. In addition, the Indenture will require that, subject to the Agreed Security Principles, within 10 business days from the Completion Date, the Notes be also secured on a first-ranking basis by the Viva Collateral. See ''*Description of Notes—Security*.'' See also ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations.*'' There can, however, be no assurance that we will be successful in procuring such liens within the time period specified, the failure of which would result in an ''event of default'' under the Indenture.

In addition, the amount held in escrow upon the issuance of the Notes (equal to the net proceeds from the sale of the Notes offered hereby) will not include any interest on the Notes from the Issue Date until the completion of the Acquisition. The Issuers' obligations to pay interest on the Notes will be unsecured obligations during this period and will rank behind their secured obligations to the extent such amount is insufficient to pay the interest on the Notes. See ''*Description of Notes—Disbursement of Funds; Closing Date Holding Accounts.*''

It is not a condition to release of the amounts held in escrow that the Guarantees or security interests in the Collateral be in place. Any issues that we are not able to resolve in connection with the delivery of Collateral may negatively impact the value of the Collateral. To the extent a lien in certain Collateral is perfected following the Issue Date, it might be avoidable in bankruptcy or create new hardening periods. See ''*—The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with the law applicable in certain jurisdictions*.''

The claims of the holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.

Within 10 business days following the Completion Date, the Notes will be secured by first-priority security interests consisting of the Completion Date Collateral and the Viva Collateral. The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes to the extent of the value of the assets that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness. As of June 30, 2013, after giving *pro forma* effect to the Transactions, we would have had €7.1 million of indebtedness and capital lease obligations outstanding which were secured over assets other than the Collateral.

The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes.

For the twelve months ended June 30, 2013, the Issuer and Guarantors generated approximately 75% of our Pro forma combined revenue and approximately 83% of our Pro forma combined Adjusted EBITDA. As of June 30, 2013, the Issuer and Guarantors comprised approximately 90% of our Pro forma combined assets. As of June 30, 2013, on a *pro forma* combined basis after giving effect to the Transactions, our non-Guarantor subsidiaries would have had no outstanding third-party debt and would have had certain trade payables and other liabilities outstanding.

The agreements governing the Notes and the Revolving Credit Facility will, subject to specified limitations, permit our non-Guarantor subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that they may incur. In addition, under certain circumstances, the guarantees of a Guarantor may be released automatically (see ''*Description of Notes—Release of Guarantees*''), including, without limitation:

- a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or of our restricted subsidiaries) otherwise permitted by the Indenture; and

- the designation by the Issuer of a restricted subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the Indenture;
- in accordance with the ''*Amendments and Waivers*'' provisions of the Indenture;
- in connection with an enforcement action under the Intercreditor Agreement; or
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture.

Our non-Guarantor subsidiaries do not guarantee the Notes and will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, such non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such non-Guarantor subsidiaries before these assets are made available for distribution to the Issuer, as a direct or indirect shareholder and the creditors of the Issuer (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor subsidiary. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and any holders of preferred stock of our non-Guarantor subsidiaries.

In addition, under German law, a secured party is obligated to release security if the value of the security is materially higher than the value of the obligations secured by such security. Consequently, the agreements governed by German law granting security will provide that the Security Agent will, upon the security grantor's request, release all or part of the security granted insofar as (i) the estimated aggregate value (*Schätzwert*) of the security exceeds, on a permanent basis, the secured obligations by more than 50% plus value added tax or (ii) if ascertainable, the realizable aggregate value (*realisierbarer Wert*) of such security exceeds, on a permanent basis, the secured obligations by more than 10% plus value added tax.

It may be difficult to realize the value of the Collateral, and an enforcement action may result in the termination of licenses which may be material to the operation of our business.

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. In addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, our business depends on a variety of licenses. The continued operation of the Issuer and the Guarantors, whose shares are pledged as part of the Collateral, depend on the maintenance of such licenses. Under some of our licenses, licensors impose restrictions on the transfers of the ownership of the license holder, including a change of control clause, which prohibits the transfer of the ownership of the license holder without the prior approval of the licensors. In the event of an enforcement action under the terms of the Notes which resulted in the transfer of ownership of the Issuer or its subsidiaries, or a change in the shareholding of the Group for other reasons, the licensors may attempt to cancel our licenses. In addition, the uncertainty concerning the transferability of such licenses themselves could significantly reduce the value placed on the licenses by third parties and ultimately reduce the amount recovered in the event of an enforcement action. The applicable licensors may not consent to the transfer of any of such licenses. If such approvals required for the transfer of the relevant licenses are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

The value of certain assets included in the Collateral may decrease because of obsolescence, impairment or certain casualty events.

The value of certain assets included in the Collateral owned by the Issuer and certain Guarantors may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to such assets. Although the Security Documents will contain certain covenants in relation to the maintenance and preservation of assets, the Issuer and Guarantors are not required to improve the Collateral. The Issuer and Guarantors will be obligated under the Security Documents to maintain insurance policies to insure against losses, however, there are certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses in the event of a catastrophic loss. We cannot assure you that any insurance proceeds received by us upon the total or partial loss of any Collateral will be sufficient to satisfy all of our secured obligations, including the Notes.

The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the debt obligations of the Issuer. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer is limited.

The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

The obligations of the Guarantors and the enforcement of each of their Guarantees and the obligations of the grantors of security and enforcement of the Collateral will be limited to the maximum amount that can be guaranteed by such entities under applicable law, including a limitation to the extent that the grant of such pledge of security or guarantee is not in the entity's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value.

Accordingly, enforcement of a Guarantee or enforcement in respect of the Collateral against the relevant pledgor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the pledge of security designed to ensure compliance with statutory requirements applicable to the relevant pledgors or, in some cases, to limitations contained in the terms of the Guarantees designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, a Guarantor's liability under its Guarantee or the liability of a pledgor of security of could be materially reduced or eliminated, depending on the law applicable to it.

It is possible that a Guarantor or a pledgor of security, or a creditor thereof, or the bankruptcy trustee in the case of a bankruptcy of such entity, may contest the validity and enforceability of a Guarantee or pledgor's pledge of security on any of the aforementioned grounds and that the applicable court may determine that a Guarantee or a pledge should be limited or voided. To the extent such limitations on guarantees or the security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or pledgor, including trade payables of such entity to the extent of such limitations. Future guarantees or pledges may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among

others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and insolvency proceedings in respect of the grantor are commenced within a legally specified ''clawback'' period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Germany. In the case of Marcolin Germany which is organized in the form of a German company with limited liability (GmbH), the enforcement of its Guarantee and security documents is limited under German corporate law if and to the extent that payments under such Guarantee and security documents would cause Marcolin Germany's net assets to fall below the amount of its registered share capital (*Stammkapital*). Accordingly, the terms of its Guarantee and security documents limit the enforcement of that Guarantee or security document if and to the extent payment under such Guarantee or security document would cause its net assets to fall below its registered share capital (*Stammkapital*).

Italy. Under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claim.

France. French law requires that, when a French company grants a guarantee of third-party obligations, the guarantee must be in the corporate purpose and corporate interest of the guarantor company. The existence of a real and adequate benefit to the guarantor is a matter of fact as to which French case law provides no clear guidance. The liabilities of a French company under a guarantee must also not be in breach of French financial assistance rules. The liabilities and obligations of Marcolin France under the Guarantee are therefore subject to (i) certain exceptions, including the exception of any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French *Code de Commerce* or infringement of the provisions of Articles L.241-3 or L. 242-6 of the French *Code de Commerce*; and (ii) a financial limitation corresponding to an amount equal to the proceeds from the issue of the Notes which the Issuer has applied for the direct or indirect benefit of the French Guarantor and/or to the controlled subsidiaries of that French Guarantor (within the meaning of article L.233-3 of the French *Code de Commerce*) through intercompany loans and cash pooling arrangements (if any) that are outstanding on the date a payment is requested to be made by the French Guarantor. By virtue of this limitation, Marcolin France's obligations under the Guarantee could be significantly less than amounts payable with respect to the Notes, or Marcolin France may at any time have effectively no obligation under the Guarantee.

For a more detailed description of various limitations on the security under Italian, French, English and German law and certain Italian, French, English and German insolvency law considerations, see ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral; in particular, the security interests in respect of the trade receivables and insurance policy receivables will not be perfected until an acceleration following an Event of Default (as defined under the Indenture or the Revolving Credit Facility) has occurred.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the relevant security interest.

In addition, the first-ranking security over certain receivables will be established by means of an assignment in security under Italian law (*cessione dei crediti*). Any such assignment will become effective vis-à-vis the assigned debtor and third parties only upon notification of assignment of the associated receivables. In accordance with the applicable Security Document, the assignment of certain trade receivables and insurance policy receivables will not be notified until an acceleration following an Event of Default (as defined under the Indenture or the Revolving Credit Facility) occurs. As a result, until an acceleration following an Event of Default occurs and notification is delivered to the assigned debtor, the security in respect of the trade receivables and insurance policy receivables will not be perfected vis-à-vis the assigned debtor and third parties. Any failure to perfect a security interest, including on a timely basis prior to claims made by third parties, may result in the unenforceability of the relevant

security interest in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

Holders of the Notes may not control certain decisions regarding the Collateral.

To the extent permitted under applicable law, and subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by substantially the same rights, property and assets securing the obligations under the Revolving Credit Facility (other than the special lien (*privilegio speciale*) and the mortgage (*ipoteca*) over certain real estate assets of the Issuer. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

Pursuant to the Intercreditor Agreement, a common security agent will serve as the Security Agent for the secured parties under the Revolving Credit Facility, the Notes and the hedging arrangements (if any), respectively, with regard to the shared Collateral (as applicable). The Intercreditor Agreement will provide that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of an ''instructing group.''

Generally, if there are conflicting enforcement instructions received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute either ''majority super senior creditors'' (generally, creditors representing 66⅔% of the aggregate of all unpaid and undrawn commitments under the Revolving Credit Facility (or any replacement thereof) and the termination value or assumed termination value of certain future ''super priority'' hedging obligations, if any) or ''majority senior secured creditors'' (generally, creditors representing the majority of the outstanding principal amount under the Notes, any *pari passu* secured indebtedness and the termination value or assumed termination value of certain future hedging obligations which are not given ''super priority'' status, if any), as the case may be, the representatives of the creditors sharing in the Collateral are required to first consult in good faith with each other (in each case, including the Trustee on behalf of the holders of the Notes and the agent on behalf of the lenders under the Revolving Credit Facility (or any replacement thereof) and the Security Agent, for a period of 30 days (or such shorter period as may be agreed) with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy (a ''**joint enforcement strategy**''). Upon conclusion of this ''consultation period'', if the relevant creditor representatives are unable to agree on a joint enforcement strategy or if conflicting enforcement instructions are received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute an instructing group, and provided that the ''security enforcement principles'' set out in the Intercreditor Agreement have been complied with, then the majority senior secured creditors shall constitute an instructing group and shall have the right to instruct the Security Agent as to the enforcement of the Collateral. Notwithstanding the foregoing, no consultation period shall be required if either (i) any of the Collateral becomes enforceable because of an insolvency event in respect of the Issuer or certain members of the Group, (ii) the majority super senior creditors or the majority senior secured creditors determine in good faith that entering into consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Collateral or to reduce the amount likely to be realized upon enforcement of the Collateral in any material respect, or (iii) the relevant creditor representatives agree that no consultation period is required, in which case, the Security Agent shall act in accordance with the instructions provided by the majority senior secured creditors (provided that such instructions are consistent with the security enforcement principles set forth in the Intercreditor Agreement). If the Security Agent is obliged to follow the enforcement instructions of the majority senior secured creditors as discussed above and either (i) the lenders under the Revolving Credit Facility (or any replacement thereof) (together with any ''super priority'' hedging obligations) have not been repaid or prepaid in full within six months of the end of the consultation period, (ii) the Security Agent has not commenced any enforcement action in respect of the relevant Collateral within three months of the end of the consultation period or (iii) an insolvency event has occurred in respect of Issuer or certain members of the Group and the Security Agent has not commenced enforcement of the relevant Collateral or taken any other enforcement action at that time, then the Security Agent shall, provided that the security enforcement principles set out in the Intercreditor Agreement have been complied with, instead follow the instructions that are given by the majority super senior creditors (and the terms of the relevant previous enforcement

instructions of the majority senior secured creditors which conflict with the instructions of the majority super senior creditors shall be deemed revoked).

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects.

Disputes may occur between the holders of the Notes and creditors under our Revolving Credit Facility, counterparties to certain hedging arrangements, if any, and/or holders of any permitted *pari passu* secured indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the relevant Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders of Notes. The creditors under the Revolving Credit Facility, counterparties to certain hedging arrangements, if any, or the holders of any permitted *pari passu* secured indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Other creditors not party to the Intercreditor Agreement could commence enforcement action against the Issuer or one or more of its subsidiaries during the consultation period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured on the Collateral, the holders of the Notes may not comprise the requisite majority senior secured creditors for the purposes of instructing the Security Agent. Further, if the super senior creditors have not been repaid in full within six months of the end of the consultation period or in the event of the occurrence of certain other circumstances described above, then control of the enforcement proceedings will shift to the majority super senior creditors.

The holders of the Notes will also have no separate right to enforce the Collateral securing the Notes. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless they comprise an instructing group which is entitled to give such instructions, which, in turn, will depend on certain conditions and circumstances including those described above.

In addition, if the Security Agent sells the shares of the Guarantor as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and the over any other assets securing the Notes may be released. See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*'' and ''*Description of Notes—Security—Release of Liens*.''

It is possible that some of the Collateral may not be enforceable.

In certain jurisdictions, the creation of security interests to secure the obligations of a third party may be limited under applicable law. As a result, enforcement of the security in certain jurisdictions may be subject to certain statutory limitations or defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements. See ''*Certain Insolvency Law Considerations and Limitations on Guarantees and Security*'' for a more detailed description of the various limitations on the security in each relevant jurisdiction. Additionally, under German law, the creation of certain security interests requires that the grantee of the security interest is the same party as the creditor of the secured claim. To accommodate this requirement, the Intercreditor Agreement provides for the creation of a so-called ''parallel debt.'' Pursuant to the parallel obligation, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture governing the Notes.

Germany. The parallel debt procedure has not been tested under German law, and we cannot assure you that it will eliminate or mitigate the risk of unenforceability of the security posed by German law. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts under the relevant security.

France. We cannot assure you that the parallel debt procedure will eliminate or mitigate the risk of unenforceability of the security posed by French law. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts

under the relevant security. See ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

Enforcement of the Notes, the Guarantees and the Collateral securing the Notes across multiple jurisdictions may be difficult.

The Issuer is organized under the laws of Italy; the Guarantors are incorporated or organized (as applicable) under the laws of New York, France, England and New Jersey and the assets and movable property securing the Notes are located in multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of incorporation or organization of a future Guarantee. Your rights under the Notes, the Guarantees, and the Collateral will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multijurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

The bankruptcy, insolvency, administration and other laws of the Issuer's jurisdiction of organization and the jurisdiction of organization or incorporation of each of the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce the Collateral securing the Notes and to realize any recovery under the Notes and the Note Guarantees. See ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral securing the Notes give the Security Agent a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Agent and the holders of the Notes priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by other creditors (including unsecured creditors) on such Collateral.

The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The Indenture and the Intercreditor Agreement will provide that to the extent permitted by the applicable laws, only the Security Agent has the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral and in accordance with the Intercreditor Agreement. See ''*Description of Notes—Security*.''

Italy. Under Italian law, it is uncertain and untested in Italian courts whether security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of The Law Debenture Trust Corporation p.l.c. as the Trustee of the holders of the Notes, since there is no established concept of ''trust'' or ''trustee'' under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Given the above, there is a risk that an Italian court may determine that the holders of the Notes at the time of the enforcement are not secured by the security under the Security Documents governed by Italian law and/or cannot enforce that security.

To address the above potential issue, the Collateral will be created and perfected in favor of the Trustee acting also in its capacity as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. However, please note that the enforceability of Italian law security granted in favor of a trustee acting as trustee and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code has not been tested in the Italian courts and, therefore, the risk of unenforceability

by the holders of the Notes of the security documents posed by Italian law cannot be eliminated or mitigated. Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

In addition, the Intercreditor Agreement providres for the creation of a ''parallel debt.'' Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of the Notes, becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The Collateral governed by Italian law will then secure such parallel debt to the extent permitted by law. To date, parallel debt structure in financing transactions, including credit facilities and bond issuances, has not been tested in Italian courts. In addition, the validity and enforceability of certain rights of a Security Agent benefiting from a parallel debt structure is untested in Italian courts; accordingly, there can be no assurance that the parallel debt structure will *per se* eliminate or mitigate the risk of unenforceability by the holders of the Notes of Italian law security interests created granted for their benefit. In addition, to the extent that the security interests in the assets subject to the Collateral created under a parallel debt structure are located in Italy, and such security interests are successfully challenged by other parties, there is a risk that holders of the Notes (in relation to which the relevant perfection formalities acknowledging their status of secured creditors are not perfected at the time of the enforcement) do not receive any proceeds from an enforcement of the security interest in the relevant Collateral.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors.

France. Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default and may only secure up to the secured amount that is due and remaining unpaid. Under French law, a pledge over shares may be enforced at the option of the its beneficiaries either (i) by means of a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors and any excess over the amount of the secured debt being paid to the legal owner of the collateral) or (ii) by *attribution judicaire* or *conventionnelle* (*pacte commissoire*) of the assets in favor of the secured creditors, following which the secured creditor becomes the legal owner of the pledge.

If the secured creditors choose to enforce by way of foreclosure (whether *attribution judicaire* or *attribution conventionnelle* (*pacte commissoire*)), the secured liabilities would be deemed extinguished up to the value of the foreclosed assets. Such value is determined either by the court in the context of a *attribution judicaire* or by a pre-contractually agreed expert in the context of an *attribution conventionnelle* (*pacte commissoire*). In proceedings regarding an *attribution judicaire* or an *attribution conventionnelle* (*pacte commissoire*), an expert is appointed to value the collateral (such valuation being made by reference to the date of enforcement) and, if the value of the collateral exceeds the amount of secured debt, the secured creditors may be required to pay the pledgor a *soulte* equal to the difference between the value of the securities and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the collateral.

As a result, if the Security Agent enforces the Collateral pursuant to option (i), the proceeds of the sale of the Collateral may not be sufficient to satisfy the claims of all secured creditors. If the Security Agent enforces the Collateral pursuant to option (ii), there is a risk that the secured creditors may not be able to sell the Collateral for its full value as determined by the expert, yet may still be required to pay the pledgor, upon the Security Agent having become the owner of the Collateral, the difference between the value of the Collateral and the amount of the secured debt if the Collateral is determined by the expert to have a greater value than the amount of secured debt.

The concept of ''trust'' has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of ''trust'' has not been generally recognized under French law.

Germany. The enforcement of the share pledge will be limited by prerequisites of the formalized statutory enforcement proceedings of mandatory German law which, in principle, provide for a sale of the pledge shares in a public auction rather than in a private sale. In addition, there is uncertainty under German law as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured by accessory security such as pledges over shares. Therefore, there are risks regarding the enforceability of the pledge over shares of Marcolin Germany. The Intercreditor Agreement contains a provision pursuant to which the Issuer and the Guarantors will be obliged to pay to the Security Agent as joint and several creditor any amount owed by them under Marcolin Germany's Guarantee. Further, the Indenture contains an abstract acknowledgment of debt (*abstraktes Schuldanerkenntnis*) granted to the Security Agent in relation to which the Issuer and the Guarantors will be obliged to pay the Security Agent as several creditor any amount owed by them under Marcolin Germany's Guarantee. Each of the joint and several obligations pursuant to the Intercreditor Agreement and the several obligations pursuant to the Indenture creates a so-called parallel debt which is secured by the Collateral. However, German courts have not yet ruled in respect of such a parallel debt structure. As a result, we cannot assure holders of the Notes that such structure will eliminate or mitigate the risk of unenforceability of the pledge over Marcolin Germany's shares posed by German law. If any challenge to the validity of the pledge or the parallel debt structure were successful, holders of the Notes may not be able to recover any amounts under Marcolin Germany's share pledge.

See also ''*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*.''

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees and the Collateral will be released automatically and unconditionally including, without limitation:

- in connection with any sale or other disposition of Collateral, directly or indirectly, to a person that is not (either before or after giving effect to such transaction) the Issuer or any restricted subsidiary (but excluding any transaction subject to the covenant described under ''*Description of Notes—Certain Covenants—Merger and Consolidation*''), if such sale or other disposition does not violate the provisions of the Indenture;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- if the Issuer designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets of such restricted subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions ''*Description of Notes—Defeasance*'' and ''*Description of Notes—Satisfaction and Discharge*''; and
- as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement.

In addition, Liens on property or assets constituting Collateral may also be released to the extent necessary to enable the Issuer or one of our restricted subsidiaries to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with certain factoring transactions; provided that such sale, transfer or other disposition does not violate the covenant described in ''*Description of Notes—Repurchase at the Option of Holders—Asset Sales*.'' To the extent that the underlying trade receivables constituting Collateral have been repaid or otherwise satisfied or discharged, the security in respect thereof will be released immediately. Accordingly, security in respect of trade receivables securing the Notes may be released in certain circumstances, including in connection with factoring transactions.

The Indenture will also provide that the Collateral securing the Notes may be released and retaken in several circumstances, including in connection with the refinancing of certain indebtedness, including the Notes. In Italy, such a release and retaking of Collateral may give rise to the start of a new ''hardening period'' in respect of such Collateral. Under certain circumstances, other creditors, insolvency

administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See ''*Description of Notes—Release of Liens*.''

Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the security interest (and, for the avoidance of doubt, the Security Agent shall have no obligation to take any steps or action to perfect the security interests in the Collateral). Such failure may result in the invalidity of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with the law applicable in certain jurisdictions.

The granting of new security interests in connection with the issuance of the Notes and the Revolving Credit Facility may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void and/or it may not be possible to enforce it.

In addition, the granting of a shared security interest to secure future indebtedness or the transfer or the assignment of the security interest may restart or reopen hardening periods in certain jurisdictions. The applicable hardening period may run from the moment such new security is amended, transferred, assigned, granted or perfected. If the security interest granted were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See also ''*Limitations on Validity and Enforceability of the Guarantees, the Security Interests and Certain Insolvency Law Considerations*.''

Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

At final maturity of the Notes, or in the event of acceleration of the Notes following an event of default, the entire outstanding principal amount of the Notes will become due and payable. In addition, upon the occurrence of certain events constituting a change of control, holders of the Notes may in certain circumstances require the Issuer to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount, plus accrued but unpaid interest and Additional Amounts, if any, to the purchase date. See ''*Description of Notes—Change of Control*.'' The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay these amounts when they become due.

The Issuer's failure to repay holders tendering Notes upon the occurrence of a change of control event would result in an event of default under the Notes. If a change of control event were to occur, we cannot assure you that we would have sufficient funds to repay our outstanding indebtedness which we would be required to prepay or offer to purchase or that became immediately due and payable as a result. We may require additional financing from third parties to fund any such purchases and we cannot assure you that we would be able to obtain financing on satisfactory terms or at all. Restrictions in the Revolving Credit Facility Agreement or our other then-existing contractual obligations, may also restrict us from making such required repurchases. See ''*Description of Certain Financing Arrangements—Revolving Credit Facility—Prepayments and Cancellation*.'' A change of control is a mandatory prepayment event under our Revolving Credit Facility Agreement and a change of control may result in an event of default

under, or acceleration of, our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership.

The definition of ''change of control'' contained in the Indenture includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law interpreting the phrase ''all or substantially all,'' there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of ''all or substantially all'' the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

The Notes offered hereby will mature in 2019. The Revolving Credit Facility will mature on the date falling six months prior to the maturity date of the Notes and the Deferred Compensation is payable on the business day following the first anniversary the closing date of the Viva Acquisition, the business day following the second anniversary of the closing date of the Viva Acquisition and the business day following the third anniversary of the closing date of the Viva Acquisition. In addition, all of our other indebtedness that will remain outstanding following the Transactions may be terminated or repayable prior to the maturity of the Notes. As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our Revolving Credit Facility on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

The Issuer may amend the economic terms and conditions of the Notes with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests. As set forth in ''*Description of Notes—Meeting of Holders of Notes*,'' the majority required to pass an extraordinary resolution at any meeting of holders of Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution to bind all holders of the Notes, including holders of Notes who did not attend and vote at the relevant meeting, and holders of Notes who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution amending the terms and conditions of the Notes typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence being that the majority voting threshold may be reduced from 75% to 50%.

Local insolvency laws may not be as favorable to you as U.S. bankruptcy laws.

The Issuer is organized under the laws of Italy and the Guarantors (other than the Guarantors organized under the laws of the states of New York and New Jersey) are organized under the laws of France, England and Germany. The insolvency laws of Italy, France, England and Germany may not be as

favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer or any future subsidiary of the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights against the Collateral in Italy and limit any amounts that you may receive. In addition, in the event that any of the non-U.S. guarantors becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, the assets of such Guarantors may be subject to local insolvency laws which may be materially different from, or in conflict with, U.S. bankruptcy laws. For an overview of certain insolvency laws and enforceability issues as they relate to the Issuer and the Guarantors, see ''*Limitations on Validity and Enforceability of the Guarantees, the Security Interests and Certain Insolvency Law Considerations*.''

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Guarantees and the Collateral.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could void or subordinate the claims under the Guarantees or the Collateral to other claims against any Guarantor if it was determined that any Guarantor:

- granted the Guarantees or the Collateral with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for granting the Guarantees or the Collateral, and, at the time thereof was insolvent or rendered insolvent by reason of granting the Guarantees or the Collateral;
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceedings to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it cannot pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that any Guarantor was solvent after the granting of Guarantees or the Collateral. Regardless of the standard that the court uses, we cannot be sure that the granting of the Guarantees or the Collateral would not be voided or subordinated to our other debt. See ''*Limitations on Validity and Enforceability of the Guarantees, the Security Interests and Certain Insolvency Law Considerations*'' for further information.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer is incorporated under the laws of Italy and certain Guarantors are incorporated under the laws of France, England and Germany (the ''**non-U.S. Guarantors**''). Most of the members of the Issuer's and

non-U.S. Guarantor's management are non-residents of the United States and substantially all their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the non-U.S. Guarantors or the members of their management, or to enforce against the Issuer, the non-U.S. Guarantors or their officers and directors judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. See ''*Service of Process and Enforcement of Liabilities*.''

The transferability of the Notes may be limited under applicable securities laws.

The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See ''*Offering and Transfer Restrictions*.'' It is the obligation of holders of the Notes to ensure that their purchase and any subsequent transfer of the Notes within the United States and other countries comply with applicable securities laws.

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax.

The Issuer is not liable to pay any Additional Amounts in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) and otherwise in the circumstances as described in ''*Description of Notes—Withholding Taxes*.'' Investors resident in such countries or investors that are resident in a country allowing for the satisfactory exchange of information with Italy (as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) but that do not satisfy the conditions set forth by Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented) will only receive the net proceeds of their investment in the Notes. See ''*Certain Taxation Considerations—Certain Italian Tax Considerations*'' and ''*Description of Notes—Withholding Taxes*.''

No assurance can be given that the Notes that a listing will be maintained or that such listing will satisfy the listing requirement of Article 32(8) of Italian Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996.

No assurance can be given that a listing will be maintained or that such listing will satisfy the listing requirement of Article 32(8) of Italian Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to deductibility of interest expense and the exemption from the requirement to apply withholding tax. The Italian tax authorities recently issued an interpretive circular relating to, among other things, the listing requirement of the aforementioned legislation. In the event that the Notes are not listed or that such listing requirement is not satisfied, our ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax (*imposta sostitutiva*) currently at a rate of 20%, and we would be required to pay Additional Amounts with respect to such withholding taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The possible limitation on the deductibility of interest expense and the imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay Additional Amounts to holders of Notes could have a material adverse effect on our financial condition and results of operations.

An active trading market may not develop for the Notes.

Although we have applied to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot assure you that the Notes will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities

analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. If a market for the Notes were to develop, such a market may be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

Investors may face foreign exchange risks by investing in the Notes.

The Notes offered hereby are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below the stated coupon rate and could result in a loss to you when the return on the offered Notes is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from an investment in the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency in the future if in its judgment circumstances so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of ''Baa3'' or better from Moody's Investors Service, Inc. (''**Moody's**'') or ''BBB−'' or better from Standard & Poor's Financial Services LLC (''**S&P**'') and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below ''Baa3'' from Moody's or ''BBB−'' from S&P, certain covenants will cease to be applicable to the Notes. See ''*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.*'' If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities, including the Notes.

Recent economic events affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. The departure or risk of departure from the euro by one or more Eurozone countries could have major negative effects on our

existing contractual relations with our customers, and could adversely affect the economies of Eurozone countries where we generate a significant amount of our revenue. Any of these developments could affect our ability to refinance our liabilities, including the Notes, and have a significant negative impact on our business, financial condition and results of operations.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The nominee of the common depositary for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to the common depositary, we and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream Banking, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See ''*Book-Entry, Delivery and Form*.''

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

THE ACQUISITION

The Viva Acquisition

The Acquisition Agreement

On October 23, 2013, M-USA, one of the Issuer's indirect, wholly-owned subsidiaries, and Marmolada, the direct parent company of Cristallo, entered into the Acquisition Agreement to acquire the entire issued share capital of Viva from the Seller. Marmolada will transfer all of its rights and obligations under the Acquisition Agreement to 3Cime which, in connection with the consummation of the Acquisition will issue the Vendor Loan Note and purchase a portion of the share capital of Viva. On the Completion Date, the Viva share capital purchased by 3Cime will be sold to M-USA in exchange for the Transfer Loan (pursuant to which M-USA will be the borrower and 3Cime will be the initial lender). On the same date: (i) 3Cime will contribute its interest in the Transfer Loan to Marmolada in exchange for Marmolada shares and (ii) Marmolada will then sell such interest in the Transfer Loan to Marcolin in exchange for an intercompany receivable (as a result of the foregoing, Marcolin will become the lender under the Transfer Loan to M-USA). Within ten business days of the Completion Date, Marmolada will cancel the receivable owing to it from Marcolin arising from the sale by it to Marcolin of the Transfer Loan (the ''**Post-Completion Receivable Cancellation**''). Marmolada's assignment of its rights and obligations under the Acquisition Agreement to 3Cime, the issue and subscription of the Vendor Loan Note and the use of such proceeds by 3Cime to purchase a portion of Viva's share capital, the sale of such portion of Viva's share capital to M-USA in exchange for the Transfer Loan, 3Cime's contribution of the Transfer Loan to Marmolada, Marmolada's sale thereof to Marcolin and the Post-Completion Receivable Cancellation is referred to as the ''**Transfer**.'' We refer to the foregoing transactions, including the Transfer, resulting in M-USA owning the entire share capital of Viva as the ''**Viva Acquisition**.''

In connection with the Viva Acquisition, the Seller entered into a supply agreement (the ''**Supply Agreement**'') with the Group pursuant to which the Seller will commit to purchase $22 million in eyewear products per year for a term of 5 years (renewable for two additional 5 year terms at the option of the Seller). The Supply Agreement allows the Seller to use its discretion as to which brands of eyewear to purchase from the current product portfolios of Viva and Marcolin. To the extent any such brand that the Seller has made purchases of up to a certain amount in a given year is terminated, the Group may offer any new licensed brand that the Group may acquire in the future as an alternative, and the Seller may, at its sole discretion, allocate the *pro rata* amount of such terminated brand to the new brand. We expect that, as a result of the Supply Agreement, the Seller will become the single largest customer of the combined Group. See ''*—Supply Agreement*'' for further information.

The completion of the Viva Acquisition is subject to satisfaction of antitrust approval by the U.S. Federal Trade Commission and the Austrian Federal Competition Authority (*Bundeswettbewerbsbehörde*). If the conditions precedent to the closing of the Viva Acquisition are not satisfied within 90 days following the signing of the Acquisition Agreement, unless amended, the Acquisition Agreement will terminate. The Acquisition Agreement may also be terminated by either M-USA or the Seller upon receipt of a final, non-appealable order by a competent government authority restraining or prohibiting the Viva Acquisition.

The Viva Acquisition Financing

Pursuant to the Acquisition Agreement, M-USA and 3Cime will acquire the entire share capital of Viva for a purchase price of $142.0 million (€102.9 million) on a debt- and cash-free basis. In addition, Viva is required to make a payment to one of its licensors due to a change of control provision in one of Viva's license agreements triggered by the Viva Acquisition, of which $2.5 million is for the account of Marcolin. See ''*Unaudited Pro Forma Consolidated Financial Information*.'' The purchase price is subject to certain adjustments specified in the Acquisition Agreement. It is expected that the Viva Acquisition will be financed through:

- the purchase of a certain portion of Viva's share capital by 3Cime with the proceeds of the issuance and sale of the Vendor Loan Note as part of the Transfer;
- an equity capital injection in the Issuer by Marmolada in the amount of €20.0 million financed by €20.0 million in equity from our shareholders (the ''**Shareholders Equity Injection**'') that will be on-lent to M-USA together with a portion of the net proceeds of the Offering (expected to be approximately €62.9 million) in the form of the Proceeds Loan from the Issuer to M-USA in an amount expected to be approximately $114.5 million; and

- the Deferred Compensation in the amount of $7 million, payable in installments on the first, second and third anniversaries of the closing of the Viva Acquisition, respectively, of $2 million, $2 million and $3 million.

We refer to the Shareholder Equity Injection, the granting of the Vendor Loan Note, the Transfer, the Proceeds Loan and the Deferred Compensation as the ''**Viva Acquisition Financing**.'' See ''*Use of Proceeds*,'' ''*—Vendor Loan Note*'' and ''*Description of Certain Financing Arrangements*.''

The Financing of the Viva Acquisition and the Refinancing and Use of Proceeds

We expect the gross proceeds from the Offering will be €200 million. We intend to use the proceeds from the Offering to refinance certain of our existing indebtedness, to pay a portion of the purchase price of the Viva Acquisition and pay fees and expenses related to the Transactions. On the Issue Date, we expect to enter into the €25 million Revolving Credit Facility Agreement, which will become available on the Completion Date. The estimated sources and uses of the funds necessary to complete the Viva Acquisition and the Refinancing are shown in the below table. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of existing cash in the business, our estimates of the cost of repaying the existing indebtedness described below, exchange rate fluctuation between the U.S. dollar and euro, differences from our estimates of fees and expenses and the ultimate timing of the Completion Date.

Sources of funds	(€ in millions)	Uses of funds	(€ in millions)
Notes offered hereby[1]	200.0	Viva Acquisition Financing[6]	107.2
Vendor Loan Note[2]	21.7	The Refinancing[7]	122.9
Deferred Compensation[3]	5.1	Transaction fees and expenses[8]	7.0
Shareholder Equity Injection[4]	20.0	Surplus cash[9]	12.7
Viva Capital Leases[5]	3.0		
Total sources	**249.8**	**Total uses**	**249.8**

(1) Assumes issuance at par.

(2) Represents the vendor loan note in the amount of $30.0 million (€21.7 million) issued by 3Cime, an indirect parent company of the Issuer, and subscribed by the Seller translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013. See ''*—Vendor Loan Note*.''

(3) Pursuant to the Acquisition Agreement, if the conditions precedent to the closing of the Viva Acquisition are met and the Viva Acquisition is consummated, M-USA will pay $7 million of Deferred Compensation with cash on the balance sheet in the following schedule: $2 million on the business day following the first anniversary of the closing date of the Viva Acquisition, $2 million on the business day following the second anniversary of the closing date of the Viva Acquisition and $3 million on the business day following the third anniversary of the closing date of the Viva Acquisition. See ''*Description of Certain Financing Arrangements—Deferred Compensation*.'' The Deferred Compensation has been translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013.

(4) Represents the equity contribution from our shareholders to Tofane, an indirect parent company of the Issuer, which will then be down streamed through an ordinary equity capital increase to the Issuer and, on or prior to the Completion Date, to M-USA as part of the Proceeds Loan. See ''*—The Viva Acquisition Financing.*''

(5) Represents the Viva Capital Leases of $3.9 million which will remain outstanding following the Viva Acquisition. The Viva Capital Leases has been translated into euro at an exchange rate of 1.308 as of June 30, 2013.

(6) Represents the purchase price for the Viva Acquisition of $144.5 million and estimated expenses in connection with the Viva Acquisition of €3 million. The purchase price of $144.5 million, which includes the $2.5 million to be paid by Marcolin to one of the licensors as a change of control condition has been translated into euro at an exchange rate of $1.380 per €1.00, calculated by translating a portion of the purchase consideration of $125 million hedged by a foreign currency forward at the forward rate of $1.379 per €1.00 and the remaining portion at an exchange rate of $1.381 per €1.00 as of October 24, 2013. The purchase price for the Viva Acquisition is subject to certain adjustments as contained in the Acquisition Agreement related to changes in Viva's working capital, closing cash and debt and certain other items, including tax liabilities and this could impact the cash reflected hereunder.

(7) Represents the total aggregate principal amount of the Existing Credit Facilities, other short term facilities to be repaid and the termination of derivative contracts. The short term facilities to be refinanced are uncommitted but will not be terminated and may be utilized again in the future.

(8) Represents the estimated fees and expenses associated with the Offering of €7 million including underwriting fees and commissions, financial advisory fees, other transaction costs and professional fees.

(9) Represents the net increase to cash and cash equivalents arising from the Transactions. In particular this increase reflects the gross proceeds from the Notes offered hereby, net of estimated fees and expenses of €7 million related to the Offering, the net cash outflow for the purchase price consideration in connection with the Viva Acquisition, including estimated expenses

of €3 million, and the repayment of the Existing Credit Facilities, other short-term facilities and derivative liabilities relating to the Existing Credit Facilities. For the explanation of the net cash outflow for the Viva Acquisition, see the ''*Unaudited Pro Forma Consolidated Financial Information*.''

Pending the completion of the Merger and the Viva Acquisition, the net proceeds of the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by, and pledged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes pursuant to the Escrow Agreement. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the occurrence of the Merger, the Transfer (other than the Post-Completion Receivable Cancellation) and the consummation of the Viva Acquisition on substantially the same terms as described in this Offering Memorandum. The completion of the Viva Acquisition is subject to certain conditions, including regulatory approvals. If the Viva Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the date of the special mandatory redemption. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'' and ''*Risk Factors—Risks Related to the Viva Acquisition—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you will not obtain the return you expect on the Notes*.''

We refer to the Merger, the Viva Acquisition, the Viva Acquisition Financing, the entering into the Revolving Credit Facility Agreement, the entering into the Security Documents and the Intercreditor Agreement and the other transactions contemplated thereby, including the Refinancing and payment of fees and expenses, together, as the ''**Transactions**.'' See ''*Use of Proceeds*,'' ''*Capitalization*'' and ''*Description of Notes*.''

Supply Agreement

As part of the Acquisition Agreement, the Seller has entered into the Supply Agreement with the Group pursuant to which the Seller will commit to purchase $22 million in eyewear products per year for a term of 5 years (renewable for two additional 5 year terms at the option of the Seller). The Supply Agreement will only become effective for the year ended January 1, 2014 following the consummation of the Viva Acquisition. As a result of the Supply Agreement, the Seller is expected to become the single largest customer of the combined Group.

The Supply Agreement allows the Seller to use its discretion as to which brands of eyewear to purchase from the current product portfolios of Viva and Marcolin. To the extent any such brand that the Seller has made purchases of up to a certain amount in a given year is terminated, the Group may offer any new licensed brand that the Group may acquire in the future as an alternative, and the Seller may, its sole discretion, allocate the *pro rata* amount of such terminated brand to the new brand.

The terms of sale incorporated into the Supply Agreement are consistent with market standards for large customer supply contracts and include the following provisions: (i) prices for the products to be purchased by the Seller will include a discount for certain distribution channels, (ii) ''free on board'' shipping to the Seller's distribution centers and (iii) requirements for the Group to maintain appropriate inventory levels.

The Supply Agreement is subject to the following termination events: (i) bankruptcy, insolvency, receivership or liquidation or either party and (ii) termination by the Seller upon failure by any member of the Group to make payment under the Acquisition Agreement or the Vendor Loan Note.

The Seller may offset amounts due to M-USA and/or the Issuer under the Supply Agreement against the amounts due to the Seller by 3Cime under the Vendor Loan Note as a consequence of a breach by M-USA or its affiliates under the Acquisition Agreement or the Vendor Loan Note, as the case may be. See ''*—Vendor Loan Note*.''

Vendor Loan Note

3Cime will issue and the Seller will subscribe to the Vendor Loan Note in the amount of $30.0 million (€21.7 million) to partially finance the Viva Acquisition. The Vendor Loan Note will bear pay-in-kind interest at a rate of 8% per year. Upon the third anniversary of the completion date of the Viva Acquisition, an additional 3% interest will be charged in excess of the 8% pay-in-kind interest, and such additional interest will be payable in cash. The Vendor Loan Note will not be guaranteed by, or secured by the

assets of, 3Cime or the Issuer or any of its subsidiaries. The maturity of the Vendor Loan Note will be 2020 or earlier upon the occurrence of certain events, including the incurrence of non-permitted debt at the Marcolin Group level (permitted debt includes debt incurred in connection with an acquisition which does not result in the Marcolin Group's leverage ratio (as defined therein) exceeding 4.00 to 1.00). The Vendor Loan Note will become due and immediately payable upon the occurrence of a change of control, the occurrence of certain insolvency events, a default under 3Cime's obligation to pay amounts due under the Vendor Loan Note or a default under the Notes or the Revolving Credit Facility (or any indebtedness incurred as a replacement thereof). The Vendor Loan Note will also contain a provision allowing the Seller to offset any amount due to M-USA under the Acquisition Agreement pursuant to an indemnity from the Seller for breach of representation and warranties or failure to comply with a covenant or obligations thereunder with the amounts due to the Seller under the Vendor Loan Note. In addition, as described under ''—*Supply Agreement,*'' the Supply Agreement also provides that the Seller may offset amounts due to M-USA and its affiliates under the Supply Agreement against payments due to the Seller by 3Cime under the Vendor Loan Note as a consequence of a breach by M-USA or its affiliates under the Acquisition Agreement or the Vendor Loan Note, as the case may be. Such offsets are permitted by the Indenture. The Vendor Loan Note will be governed by New York law.

USE OF PROCEEDS

The net proceeds from the Offering were €197.1 million, representing €200 million gross principal amount of Notes minus certain fees payable to the Initial Purchasers. We intend to use the proceeds from the Offering to refinance certain of our existing indebtedness, to pay a portion of the purchase price of the Viva Acquisition and fees and expenses related to the Transactions. On the Issue Date we expect to enter into the €25 million Revolving Credit Facility Agreement, which will become available on the Completion Date, although it is expected to be undrawn at such date. The estimated sources and uses of the funds necessary to complete the Viva Acquisition and the Refinancing are shown in the below table. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of existing cash in the business, our estimates of the cost of repaying the existing indebtedness described below, exchange rate fluctuation between the U.S. dollar and euro, differences from our estimates of fees and expenses and the ultimate timing of the Completion Date. You should read this section in conjunction with the ''*Unaudited Pro Forma Consolidated Financial Information*''.

Sources of funds	**(€ in millions)**	**Uses of funds**	**(€ in millions)**
Notes offered hereby[(1)]	200.0	Viva Acquisition Financing[(6)]	107.2
Vendor Loan Note[(2)]	21.7	The Refinancing[(7)]	122.9
Deferred Compensation[(3)]	5.1	Transaction fees and expenses[(8)]	7.0
Shareholder Equity Injection[(4)]	20.0	Surplus cash[(9)]	12.7
Viva Capital Leases[(5)]	3.0		
Total sources	**249.8**	**Total uses**	**249.8**

(1) Assumes issuance at par.

(2) Represents the vendor loan note in the amount of $30.0 million (€21.7 million) issued by 3Cime, an indirect parent company of the Issuer, and subscribed by the Seller translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013. See ''*The Acquisition—Vendor Loan Note*.''

(3) Pursuant to the Acquisition Agreement, if the conditions precedent to the closing of the Viva Acquisition are met and the Viva Acquisition is consummated, M-USA will pay $7 million of Deferred Compensation with cash on the balance sheet in the following schedule: $2 million on the business day following the first anniversary of the closing date of the Viva Acquisition, $2 million on the business day following the second anniversary of the closing date of the Viva Acquisition and $3 million on the business day following the third anniversary of the closing date of the Viva Acquisition. See ''*Description of Certain Financing Arrangements—Deferred Compensation*.'' The Deferred Compensation has been translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013.

(4) Represents the equity contribution from our shareholders to Tofane, an indirect parent company of the Issuer, which will then be downstreamed through an ordinary equity capital increase to the Issuer and, on or prior to the Completion Date, to M-USA as part of the Proceeds Loan. See ''*—The Viva Acquisition Financing.*''

(5) Represents the Viva Capital Leases of $3.9 million which will remain outstanding following the Viva Acquisition. The Viva Capital Leases has been translated into euro using the exchange rate of $1.308 per €1.00 as of June 30, 2013.

(6) Represents the purchase price for the Viva Acquisition of $144.5 million and estimated expenses in connection with the Viva Acquisition of €3 million. The purchase price of $144.5 million, which includes the $2.5 million to be paid by Marcolin to one of Viva's licensors in connection with a waiver of the change of control condition has been translated into euro at an exchange rate of $1.380 per €1.00, calculated by translating a portion of the purchase consideration of $125 million hedged by a foreign currency forward at the forward rate of $1.379 per €1.00 and the remaining portion at the exchange rate of $1.381 per €1.00 as of October 24, 2013. The purchase price for the Viva Acquisition is subject to certain adjustments as contained in the Acquisition Agreement related to changes in Viva's working capital, closing cash and debt and certain other items, including tax liabilities and this could impact the cash reflected hereunder.

(7) Represents the total aggregate principal amount of the Existing Credit Facilities , other short term facilities to be repaid and the termination of derivative contracts relating to the Existing Credit Facilities. The short term facilities to be refinanced are uncommitted but will not be terminated and may be utilized again in the future.

(8) Represents the estimated fees and expenses associated with the Offering of €7 million including underwriting fees and commissions, financial advisory fees, other transaction costs and professional fees.

(9) Represents the net increase to cash and cash equivalents arising from the Transactions. In particular this increase reflects the gross proceeds from the Notes offered hereby, net of estimated fees and expenses of €7 million related to the offering, the net cash outflow for the purchase price consideration in connection with the Viva Acquisition, including estimated expenses of €3 million, and the repayment of the Existing Credit Facilities, other short-term facilities and derivative liabilities relating to the Existing Credit Facilities. For the explanation of the net cash outflow for the Viva Acquisition, see the ''*Unaudited Pro Forma Consolidated Financial Information*.''

Pending the completion of the Viva Acquisition, the net proceeds of the Offering will be deposited into the Escrow Account in the name of the Issuer but controlled by, and pledged on a first-ranking basis in

favor of the Trustee on behalf of the holders of the Notes pursuant to the Escrow Agreement. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the occurrence of the consummation of the Viva Acquisition. The completion of the Viva Acquisition is subject to certain conditions, including regulatory approvals. If the Viva Acquisition is not completed on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, then all of the Notes will be subject to a special mandatory redemption. The special mandatory redemption will be at a price equal to 100% of the issue price of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the date of the special mandatory redemption. See ''*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption*'' and ''*Risk Factors—Risks Related to the Viva Acquisition—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you will not obtain the return you expect on the Notes*.''

CAPITALIZATION

The following table sets forth our consolidated cash and bank balances and capitalization on a historical basis and as adjusted to give effect to the Transactions as if such events had occurred on June 30, 2013. The historical financial data presented in the following table has been derived from the unaudited interim consolidated financial statements of Cristallo as of and for the six months ended June 30, 2013.

You should read this table in conjunction with ''*Use of Proceeds*'', ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin,*'' ''*Description of Certain Financing Arrangements*'', the ''*Unaudited Pro Forma Consolidated Financial Information*'' and the financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2013.

	As of June 30, 2013		
	Actual	Adjustments	As Adjusted
	(in thousands of euro)		
Cash and bank balances	21,402	12,695[1]	34,097
Existing Credit Facilities[2]	115,600	(115,600)	—
Other short term facilities[2]	7,166	(7,166)	—
Derivative liabilities[2]	143	(143)	—
Notes offered hereby[3]	—	200,000	200,000
Revolving Credit Facility[4]	—	—	—
Viva Capital Leases[5]	—	3,003	3,003
Total financial debt	**122,909**	**80,094**	**203,003**
Deferred Compensation[6]	—	5,071	5,071
Total debt	**122,909**	**85,165**	**208,074**
Total equity	184,955	35,098[7]	220,053
Total capitalization	**307,864**	**120,263**	**428,127**

(1) Represents the net adjustment to cash and cash equivalents arising from the Transactions. In particular this adjustment reflects the gross proceeds from the Notes offered hereby, net of estimated fees and expenses of €7 million related to the offering, the net cash outflow for the purchase price consideration in connection with the Viva Acquisition, including estimated expenses of €3 million, and the repayment of the Existing Credit Facilities, other short-term facilities and derivative liabilities relating to the Existing Credit Facilities. For the explanation of the net cash outflow for the Viva Acquisition, see the ''*Unaudited Pro Forma Consolidated Financial Information*.'' The purchase price for the Viva Acquisition is subject to certain adjustments as contained in the Acquisition Agreement related to changes in Viva's working capital, closing cash and debt and certain other items, including tax liabilities and this could impact the cash reflected hereunder.

(2) Represents the principal amount of the Existing Credit Facilities, the other short-term facilities and the termination of the derivative contracts relating to the Existing Credit Facilities to be repaid from the partial proceeds of the Notes offered hereby. The total principal amount of the facilities being repaid amounts to €122.9 million. Under IFRS these borrowings are shown net of the unamortized fees of €6.7 million.

(3) Represents the aggregate principal amount of the Notes offered hereby.

(4) The Revolving Credit Facility is expected to be available on the Completion Date and is expected to be undrawn on such date.

(5) Represents the capital leases of Viva amounting to $3.9 million, translated into euro using the exchange rate of $1.308 per €1.00 as of June 30, 2013 which will be rolled over on the Viva Acquisition.

(6) Represents the Deferred Compensation relating to the Viva Acquisition of $7 million translated into euro using the exchange rate of $1.308 per €1.00 as of June 30, 2013.

(7) Represents the adjustments to equity as a result of (i) the Shareholders Equity Injection for an amount of €20.0 million (ii) contribution of equity of the Issuer to Marmolada in connection with the Post-Completion Receivable Cancellation (in particular, Marmolada will sell its interest in the Transfer Loan to Marcolin and the resulting receivable will then be cancelled within ten business days of the Completion Date through the Post-Completion Receivable Cancellation; the contribution equivalent to $30 million has been translated into euro using the exchange rate of $1.381 per €1.00 as of October 24, 2013) and (iii) the unamortized fees on the Existing Credit Facilities of €6.7 million, net of the related tax effect which will be recorded in the income statement on the repayment of the Existing Credit Facilities.

SELECTED PRO FORMA AND HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the selected historical consolidated financial information and other data for the Marcolin Group and the Viva Group as well as *pro forma* financial information and other data for the Marcolin Group after giving *pro forma* effect to the Transactions for the periods ended and as of the dates indicated below. The historical financial data presented in the following table do not reflect changes as a result of the Transactions. For a detailed discussion of the presentation of financial data, see ''*Presentation of Financial Information and Other Data*.''

Basis of Presentation

Marcolin and Cristallo Selected Financial Information

The selected consolidated income statement, consolidated statement of financial position, consolidated cash flow statement and other financial information of the Issuer as of December 31, 2010, 2011 and 2012 and for each of the years then ended and as of and for the six months ended June 30, 2012 has been derived from the following financial statements of the Issuer, which are included elsewhere in this Offering Memorandum:

- audited financial statements of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012; and
- unaudited interim condensed consolidated financial statements of the Issuer as of and for the six months ended June 30, 2012.

The selected consolidated income statement, consolidated statement of financial position, consolidated cash flow statement and other financial information of Cristallo as of December 31, 2012 and as of and for the six months ended June 30, 2013 has been derived from the unaudited interim consolidated financial statements of Cristallo as of and for the six months ended June 30, 2013.

The selected financial information for the twelve months ended June 30, 2013 is calculated by taking Cristallo's consolidated results of operations for the six months ended June 30, 2013 and adding it to the difference between the Issuer's results of operations for the full year ended December 31, 2012 and the six months ended June 30, 2012. The financial information for the six months ended June 30, 2012 refers to the results of the Issuer and its Subsidiaries only as Cristallo was not established until August 2012. For further information regarding the Cristallo financial information see ''*Presentation of Financial Information and Other Data*.''

The Issuer and Cristallo financial statements contained herein have been prepared in accordance with IFRS. Historical audited consolidated financial information is not necessarily indicative of future expected results. The financial information for the six and twelve months ended June 30, 2013 is not necessarily indicative of the results that may be expected for the year ended December 31, 2013, and should not be used as the basis for or prediction of an annualized calculation.

Viva Group

The selected consolidated income statement information, consolidated statement of financial position information, consolidated cash flow statement information and other financial information of the Viva Group (i) as of and for the years ended December 31, 2011 and 2012 have been derived from the audited consolidated financial statements of the Viva Group as of and for the years ended December 31, 2011 and 2012 and (ii) as of June 30, 2013 and for the six months ended June 30, 2013 and 2012 have been derived from the unaudited interim condensed consolidated financial statements of the Viva Group as of and for the six months ended June 30, 2013.

The selected financial information for the twelve months ended June 30, 2013 is calculated by taking Viva's results of operations for the six months ended June 30, 2013 and adding it to the difference between the Viva s results of operations for the full year ended December 31, 2012 and the six months ended June 30, 2012.

The Viva Group financial statements contained herein have been prepared in accordance with U.S. GAAP. Historical audited consolidated financial information is not necessarily indicative of future expected results. The financial information for the six and twelve months ended June 30, 2013 is not necessarily indicative of the results that may be expected for the year ended December 31, 2013, and should not be used as the basis for or prediction of an annualized calculation.

Pro Forma Information

In connection with the Viva Acquisition and the Offering, Cristallo has prepared unaudited *pro forma* consolidated financial information which comprises a *pro forma* consolidated statement of financial position as of June 30, 2013 and *pro forma* consolidated income statements for the year ended December 31, 2012, the six months ended June 30, 2013 and the twelve months ended June 30, 2013, and related explanatory notes (the ''**Unaudited Pro Forma Consolidated Financial Information**'').

The Unaudited Pro Forma Consolidated Financial Information has been prepared to simulate the main effects of the Viva Acquisition and the proposed Offering, including the application of the proceeds therefrom, on Cristallo's consolidated statement of financial position and consolidated income statement as if they had taken place on June 30, 2013 for the purposes of the unaudited *pro forma* consolidated statement of financial position and January 1, 2012, July 1, 2012 and January 1, 2013, respectively for purposes of the unaudited *pro forma* consolidated income statements.

The consolidated *pro forma* financial information included in this Offering Memorandum as of June 30, 2013, for the year ended December 31, 2012 and for the twelve months ended June 30, 2013 has been derived from the Unaudited Pro Forma Consolidated Financial Information. The explanatory notes to the Unaudited Pro Forma Consolidated Financial Information includes an explanation of the basis of preparation.

The Unaudited Pro Forma Consolidated Financial Information presented in this Offering Memorandum is based on available information and certain assumptions that we believe are reasonable. The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed, nor does it purport to project our results of operations for any future period or our financial condition at any future date. Our future operating results may differ materially from the *pro forma* amounts set out in this Offering Memorandum due to various factors, including changes in operating results.

The accounting principles used for the preparation of the Unaudited Pro Forma Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements, which have been prepared in accordance with IFRS. Details of the accounting policies applied is provided in the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements.

It should be noted that Viva prepares its consolidated financial statements in U.S. dollars in accordance with the generally accepted accounting principles in the United States (''**U.S. GAAP**''). In order to provide information which is homogeneous with that of Cristallo, the historical income statements and statement of financial position of Viva have been adjusted, based on a preliminary analysis, to reflect the different accounting principles adopted by Cristallo compared to those of Viva. It should be noted that further adjustments could be necessary should the Viva Acquisition be completed and when Viva is consolidated in the financial statements of Cristallo. In this instance, a more detailed analysis on the eventual adjustments to reflect the different accounting principles will be completed.

The *pro forma* financial information set forth elsewhere in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934 or U.S. GAAP. Neither the adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or U.S. GAAS. The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with the historical consolidated financial statements and notes thereto of Viva, included elsewhere in this Offering Memorandum and ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*.''

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

The selected financial information set forth below contains certain non-IFRS and non-U.S. GAAP financial measures including ''Pro forma combined Adjusted run-rate EBITDA,'' ''EBITDA,'' ''EBITDA margin,'' ''Adjusted EBITDA,'' ''Adjusted EBITDA margin,'' ''Total debt,'' ''Net indebtedness,'' ''Total financial debt,'' ''Total net financial debt,'' ''Capital expenditures'' and ''Movements in working capital.'' The non-IFRS and non-U.S. GAAP financial measures are not measurements of performance or liquidity under IFRS or U.S. GAAP. Therefore, investors should not place undue reliance on this data. See ''*Presentation of Financial Information and Other Data—Non-IFRS and Non-U.S. GAAP Information*.''

This selected consolidated financial information set forth above should be read in conjunction with the financial statements included elsewhere in this Offering Memorandum and the notes thereto and the information set forth in ''*Summary*,'' ''*Use of Proceeds*,'' ''*Capitalization*,'' ''*The Acquisition,*'' ''*Marcolin's Business*,'' ''*Viva's Business*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*,'' ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva*.''

Selected Pro Forma Combined Financial Information

	As of and for the year ended December 31, 2012 (Unaudited)	As of and for the twelve months ended June 30, 2013 (Unaudited)
	(€ in thousands, except percentages and multiples)	
Pro forma combined revenues	362,555	348,155
Pro forma combined EBITDA[1]	27,042	18,009
Pro forma combined Adjusted EBITDA[2]	43,999	37,447
Pro forma combined Adjusted EBITDA margin[3]	12.1%	10.8%
Pro forma combined Adjusted run-rate EBITDA[2]	n.a.	45,947
Pro forma combined cash and cash equivalents[4]	n.a.	34,097
Pro forma combined total financial debt[5]	n.a.	203,003
Pro forma combined net financial debt[6]	n.a.	168,906
Pro forma combined cash interest expense[7]		17,400
Ratio of Pro forma combined net financial debt to Pro Forma combined Adjusted run-rate EBITDA		3.68x
Ratio of Pro Forma combined Adjusted run-rate EBITDA to Pro forma combined cash interest expense		2.64x

(1) The following table sets forth the calculation of Pro forma combined EBITDA for the periods indicated

	For the year ended December 31, 2012 (Unaudited)	For the twelve months ended June 30, 2013 (Unaudited)
	(€ in thousands)	
Marcolin EBITDA[a]	15,574	7,437
Viva EBITDA[b]	11,468	10,572
Pro forma combined EBITDA	**27,042**	**18,009**

(a) See ''*—Marcolin Selected Financial Information—Other Financial Information*'' Footnote 1 for the calculation of Marcolin EBITDA.

(b) See ''*—Viva Selected Financial Information—Other Financial Information*'' Footnote 1 for the calculation of Viva EBITDA. Viva EBITDA is calculated by translating the amounts of $14,734 thousand for the year ended December 31, 2012 and $13,670 thousand for the twelve months ended June 30, 2013 into euro using the average exchange rates of $1.285 per €1.00 for the year ended December 31, 2012 and $1.293 per €1.00 for the twelve months ended June 30, 2013.

(2) The following table sets forth the calculation of Pro forma combined Adjusted EBITDA and Pro Forma combined Adjusted run-rate EBITDA for the periods indicated.

	For the year ended December 31, 2012 (Unaudited)	For the twelve months ended June 30, 2013 (Unaudited)
	(€ in thousands)	
Marcolin Adjusted EBITDA[(a)]	29,962	24,267
Viva EBITDA[(b)]	11,468	10,572
Management fee adjustment[(c)]	1,722	1,771
Joint venture adjustment[(d)]	847	837
Pro forma combined Adjusted EBITDA	**43,999**	**37,447**
Full year general and administrative synergies[(e)]		8,500
Pro forma combined Adjusted run-rate EBITDA		**45,947**

(a) See ''*—Marcolin Selected Financial Information—Other Financial Information*'' Footnote 2 for the calculation of Marcolin EBITDA.

(b) See ''*—Viva Selected Financial Information—Other Financial Information*'' Footnote 1 for the calculation of Viva EBITDA. Viva EBITDA is calculated by translating the amounts of $14,734 thousand for the year ended December 31, 2012 and $13,670 thousand for the twelve months ended June 30, 2013 into euro using the average exchange rates of $1.285 per €1.00 for the year ended December 31, 2012 and $1.293 per €1.00 for the twelve months ended June 30, 2013. For the period covered by this analysis there were no non-recurring transactions or extraordinary items. Therefore, Viva has not applied any adjustments to its historical EBITDA.

(c) Relates to the elimination of fees charged by the Seller and Highmark (the Seller's parent company) to Viva for services relating to tax, commercial insurance and administration and technical accounting support. In particular, historically Viva incurred costs relating to management fees of $2,213 thousand in 2012 and $2,289 thousand for the twelve months ended June 30, 2013. The management fee adjustment has been translated into euro using the average exchange rates of $1.285 per €1.00 for the year ended December 31, 2012 and $1.293 per €1.00 for the twelve months ended June 30, 2013. The adjustment does not include any costs going forward which may be incurred to replace such services, although we do not expect such costs to be significant.

(d) As Marcolin currently operates in Germany, management are planning to absorb Viva's joint venture in Germany into Marcolin Germany. The adjustment reflects the contribution of 100% of the EBITDA of Viva's joint venture in Germany. The initiative is expected to take place during the course of the next nine months.

(e) Based on management's analysis supported by an external consultant, Pro forma combined Adjusted run-rate EBITDA synergies include shared services of approximately €4.0 million, operational efficiencies of approximately €3.0 million and approximately €1.5 million of double executive functions. Shared services synergies include efficiencies generated through the reduction of overlaps between foreign subsidiaries, savings in property executive management and back office personnel, consolidation of corporate functions, and shared usage of operational, office, and distribution networks. Operational synergies include efficiencies generated through the consolidation of warehouse facilities in the US, consolidation of IT systems and procurement department savings. See ''*Summary—Viva Acquisition Financing*'' and ''*Risk Factors—Risks Related to the Viva Acquisition—We may be unable to integrate Viva effectively and realize the expected synergies from the Viva Acquisition*.''

(3) Pro forma combined Adjusted EBITDA margin represents Pro forma combined Adjusted EBITDA divided by Pro forma combined revenues.

(4) Pro forma combined cash and cash equivalents represents the consolidated Cristallo cash and cash equivalents adjusted for the effects of the Transactions. The Viva Acquisition is subject to certain adjustments as contained in the Acquisition Agreement related to changes in Viva's working capital, closing cash and debt and certain other items, including tax liabilities and this could impact the cash reflected hereunder. For a description of the adjustments to the historical information of Cristallo. See ''*Capitalization*'' and the ''*Unaudited Pro Forma Consolidated Financial Information*.''

(5) Pro forma combined total financial debt represents the principal amount of Cristallo financial debt as adjusted for the effects of the Transactions. Pro forma combined total financial debt does not include €4.1 million due under recourse factoring arrangements outstanding as of June 30, 2013. For a description of the adjustments to the historical information of Cristallo

see ''*Capitalization*'' and the ''*Unaudited Pro Forma Consolidated Financial Information*.'' The Pro forma combined total financial debt comprises the following:

	As of June 30, 2013 (unaudited)
	(€ in thousands)
Notes offered hereby[a]	200,000
Viva Capital Leases[b]	3,003
Pro forma combined total financial debt	**203,003**

(a) Relates to the issuance of the Notes offered hereby with nominal value of €200.0 million. This calculation assumes the issuance of the Notes at par.

(b) Relates to the Viva Capital Leases outstanding of $3.9 million translated into euro using the exchange rate of $1.308 per €1.00 as of June 30, 2013.

(6) Pro forma combined net financial debt represents Pro forma combined total financial debt less Pro forma combined cash and cash equivalents.

(7) Pro forma combined cash interest expense represents the interest expense in connection with the Notes offered hereby and the commitment fee on the Revolving Credit Facility as if the Transactions had taken place on July 1, 2012. The interest expense does not include the amortization of the transaction costs in connection with the Offering. Pro forma combined cash interest expense does not include costs of the Viva Capital Leases and does not include any costs for debt factoring or use of local credit facilities going forward.

Marcolin Selected Consolidated Income Statement Information

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
				(€ in thousands)		
Revenue	205,651	224,124	213,963	121,496	112,221	204,688
Cost of sales	(79,033)	(81,736)	(82,313)	(45,103)	(43,431)	(80,641)
Gross profit	**126,618**	**142,388**	**131,650**	**76,393**	**68,790**	**124,047**
Selling and marketing costs	(88,069)	(97,497)	(98,558)	(51,632)	(49,340)	(96,266)
General and administrative expenses[1]	(16,580)	(18,748)	(16,853)	(8,299)	(10,757)	(19,311)
Other operating income and expenses	3,041	3,273	(5,245)	1,714	1,173	(5,786)
Effects of accounting for associates	(59)	(527)	(11)	363	1	(373)
Operating profit[2]	**24,951**	**28,889**	**10,983**	**18,539**	**9,867**	**2,311**
Net finance costs[3]	(1,796)	(1,745)	(1,881)	(1,182)	(5,409)	(6,108)
Profit before taxes	**23,155**	**27,144**	**9,102**	**17,357**	**4,458**	**(3,797)**
Income tax expense	(4,547)	(6,165)	(3,124)	(4,737)	(2,869)	(1,256)
Net profit for the period	**18,608**	**20,979**	**5,978**	**12,620**	**1,589**	**(5,053)**

(1) General and administrative expenses for the six months ended June 30, 2013 include €1.2 million incurred by Cristallo, primarily relating to costs in relation to the Marcolin acquisition.

(2) Operating profit was affected by a number of extraordinary items for the year ended December 31, 2012, the six months ended June 30, 2012 and 2013 and the twelve months ended June 30, 2013. Please see ''Adjusted EBITDA'' for further details on such items.

(3) Net finance costs for the six months ended June 30, 2013 includes net finance expenses of €3.4 million relating to Cristallo, on the Existing Credit Facilities, in connection with the Marcolin acquisition.

Marcolin Selected Consolidated Statement of Financial Position Information

	As of December 31,				As of June 30,
	2010	2011	2012	2012	2013
	Marcolin	Marcolin	Marcolin	Cristallo (Unaudited)	Cristallo (Unaudited)
	(€ in thousands)				
Property, plant and equipment	20,180	20,206	20,322	20,322	19,694
Intangible assets	3,732	13,894	14,902	21,202	21,798
Goodwill	2,419	2,498	2,450	189,063[a]	189,063
Inventories	41,073	46,709	54,237	46,868	39,889
Trade and other receivables	62,306	63,371	63,373	63,917	70,276
Cash and cash equivalents	35,471	30,986	13,367	45,200[b]	21,402
Other current and non-current assets	18,590	20,323	30,258	32,219	31,623
Total assets	**183,771**	**197,987**	**198,909**	**418,791**	**393,745**
Long-term borrowings	27,450	22,452	20,841	101,719[c]	98,799
Short-term borrowings	16,652	12,002	8,605	8,605	21,570
Trade payables	36,756	43,775	55,768	58,790	48,963
Other long-term and short-term liabilities	24,293	25,324	20,689	93,628[d]	39,458
Total liabilities	**105,151**	**103,553**	**105,903**	**262,742**	**208,790**
Total equity	**78,620**	**94,434**	**93,006**	**156,049**	**184,955**
Total liabilities and equity	**183,771**	**197,987**	**198,909**	**418,791**	**393,745**

(a) Relates to the provisional determination of goodwill arising from Cristallo's acquisition of Marcolin.

(b) As of December 31, 2012, Cristallo had a cash and cash equivalents balance of €31.8 million, relating to cash to be used for the mandatory tender offer.

(c) As of December 31, 2012, Cristallo had long term borrowings of €80.9 million, relating to the Existing Credit Facilities in connection with the Marcolin acquisition.

(d) Other long and short term liabilities as of December 31, 2012 includes €53.6 million, related to the obligation to launch the tender offer for the remaining 21.4% of the Issuer's share capital.

Marcolin Selected Consolidated Cash Flow Statement Information

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)
	(€ in thousands)				
Net cash from operating activities	26,851	17,823	4,862	11,212	894
Net cash (used in) investing activities	(9,402)[a]	(7,848)[b]	(9,260)[b]	(6,238)[b]	(56,227)[c]
Net cash from/(used in) financing activities	(7,000)	(14,702)	(12,957)	(11,946)	31,567
Effect of foreign exchange rates	672	243	(261)	250	(32)
Net increase/(decrease) of cash and cash equivalents	**11,121**	**(4,484)**	**(17,616)**	**(6,722)**	**(23,798)**

(a) In 2010, we invested €3.7 million in the construction of a new logistics and production center.

(b) In 2011, we renegotiated one of our license agreements and invested in an option to renew such license at our sole discretion beyond its original expiration date. The consideration for such option amounted to €10.0 million, €6.0 million of which was paid in 2011, and €4.0 million during the six months ended June 30, 2012.

(c) During the six months ended June 30, 2013, Cristallo completed the mandatory full public tender offer for the remaining Marcolin shares, purchasing the remaining 21.4% of the share capital of the Issuer for a total consideration of €53.6 million.

Marcolin Other Financial Information

	As of and for the year ended December 31,			As of and for the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
	(€ in thousands, except percentages)					
EBITDA[1]	29,933	34,233	15,574	20,661	12,524	7,437
Adjusted EBITDA[2]	29,933	34,233	29,962	22,347	16,652	24,267
Adjusted EBITDA margin[3]	14.6%	15.3%	14.0%	18.4%	14.8%	11.9%
Capital expenditure[4]	9,417	10,953	9,307	6,268	2,704	5,743
Net indebtedness[5]	8,631	3,468	16,079	n/a	98,967	n/a
Movements in working capital[6]	(486)	(10,991)	(3,466)	(5,555)	(4,407)	n/a

(1) We define EBITDA as profit for the period plus income tax expense, net finance costs, amortization and depreciation and bad debt provision. EBITDA is not a recognized financial measure under IFRS. See ''*Presentation of Financial Information and Other Data—Non-IFRS and Non-U.S. GAAP Financial Information*.'' The following table sets forth the calculation of EBITDA from net profit for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
	(€ in thousands)					
Net profit for the period	**18,608**	**20,979**	**5,978**	**12,620**	**1,589**	**(5,053)**
Income tax expense	4,547	6,165	3,124	4,737	2,869	1,256
Net finance costs	1,796	1,745	1,881	1,182	5,409	6,108
Amortization and depreciation	3,617	4,168	4,060	1,972	2,571	4,659
Bad debt provision	1,365	1,176	531	150	86	467
EBITDA	**29,933**	**34,233**	**15,574**	**20,661**	**12,524**	**7,437**

(2) We define Adjusted EBITDA as EBITDA adjusted, starting in 2012, for the effect of several non-recurring transactions which primarily relate to one-off charges, one-off costs in relation to changes in management arising from the Cristallo acquisition of Marcolin and other extraordinary charges. The following table sets forth the calculation of Adjusted EBITDA for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
	(€ in thousands)					
EBITDA	29,933	34,233	15,574	20,661	12,524	7,437
Early termination of license expenses[a]	—	—	11,799	1,450	—	10,349
Costs related to Cristallo acquisition[b]	—	—	1,167	453	1,467	2,181
Senior management changes[c]	—	—	478	—	1,440	1,918
Exceptional termination of licenses[d]	—	—	1,189	335	961	1,815
Other[e]	—	—	(245)	(552)	260	567
Adjusted EBITDA	**29,933**	**34,233**	**29,962**	**22,347**	**16,652**	**24,267**

(a) *Early termination of license expenses* relate to the amendment and extension of the TOD'S license, and the termination of the Hogan license prior to its contractual expiration date (both of which occurred in 2012) as result of which we incurred non-recurring fees of €8.9 million. In addition, €2.9 million relates to the *pro forma* effect of the application of the new contractual conditions to the TOD'S license and the exclusion of losses generated on the Hogan agreement. These contracts were terminated and renegotiated to improve the financial terms for the Issuer in response to the exceptional nature of the related contracts. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin—Key Factors Affecting Our Results of Operations—License Agreements—Payments related to licenses*'' and ''*Related Party Transactions*'' for further details. We did not incur similar extraordinary costs in prior periods.

(b) *Costs related to Cristallo acquisition* for the year ended December 31, 2012 include €0.3 million in advisory fees and expenses incurred in relation to the Cristallo acquisition and €0.2 million in listing costs (€0.1 million for the six months ended June 30, 2012). In addition, Costs related to the Cristallo acquisition include €0.7 million (€0.4 million for the six months ended June 30, 2012) representing the difference between the legacy board of director expenses of €1.4 million, and the comparative expenses of the board appointed after the acquisition of €0.7 million. For the six months ended June 30, 2013, costs related to Cristallo acquisition primarily include advisory fees and expenses incurred in relation to the Cristallo acquisition.

(c) *Senior management changes* relate to expenses which we incurred in 2012 and the six months ended June 30, 2013 in connection with the change of top management relating to the Cristallo acquisition of Marcolin including Controller, Head of Italian Sales, Head of International Sales, Head of Quality and Head of Logistics for a total amount of €478 thousand for the year ended December 31, 2012 and €1,440 thousand for the six months ended June 30, 2013.

(d) *Exceptional termination of licenses* relate primarily to the expenses and losses incurred on the John Galliano and Miss Sixty licenses that were terminated prior to their contractual expiration date. The John Galliano license was terminated following the impairment to the reputation of the brand as a result of a scandal involving the designer, while the Miss Sixty license was terminated following the licensors entrance into administration procedures, resulting in damage to brand reputation and a decrease in sales beyond the ordinary course of business.

(e) *Other* costs and expenses for the year ended December 31, 2012 include €0.5 million of costs incurred in the development of the operations in Asia, including the setup of a show room in Hong Kong, and net income of €0.7 million representing other sundry income and expenses deemed to be extraordinary. For the six months ended June 30, 2012, *Other* costs and expenses represented €0.1 million of costs incurred in the development of operations in Asia and net income of €0.6 million representing other sundry income and expenses deemed to be extraordinary.

(3) We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.

(4) Capital expenditure consists of investments for the period in property, plant and equipment and intangible assets, as presented in our cash flow statement. The table below sets forth a breakdown of capital expenditure for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30,
	2010	2011	2012	2012	2013	2013
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	(Unaudited)
				(€ in thousands)		
Property, plant and equipment	8,264[a]	4,028	3,454	1,692	1,011	2,773
Intangible assets	1,153	6,925[b]	5,853[b]	4,576[b]	1,693	2,970
Total capital expenditure	**9,417**	**10,953**	**9,307**	**6,268**	**2,704**	**5,743**

(a) In 2010, we invested €3.7 million in the construction of a new logistics and production center.

(b) In 2011, we renegotiated a license agreement and invested in an option to renew such license beyond its original expiration date. The consideration for such option amounted to €10.0 million, €6.0 million of which was paid in 2011, and €4.0 million during the six months ended June 30, 2012.

(5) We define Net indebtedness as the total long-term borrowings and short-term borrowings net of cash and cash equivalents. The table below sets forth the calculation of net indebtedness for the periods indicated.

	As of December 31,			As of June 30, 2013
	2010	2011	2012	Cristallo
	Marcolin	Marcolin	Marcolin	(Unaudited)
		(€ in thousands)		
Cash and cash equivalents	(35,471)	(30,986)	(13,367)	(21,402)
Long-term borrowings	27,450	22,452	20,841	98,799
Short-term borrowings[a]	16,652	12,002	8,605	21,570
Net indebtedness	**8,631**	**3,468**	**16,079**	**98,967**

(a) Includes current portion of long-term borrowings.

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

	For the year ended December 31,			For the six months ended June 30,	
				2012	2013
	2010	2011	2012		
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)
			(€ in thousands)		
(Increase)/decrease in trade receivables	(986)	(2,749)	421	(4,685)	(1,468)
(Increase)/decrease in other receivables	478	(32)	(9,736)[a]	673	251
(Increase)/decrease in inventories	(3,171)	(6,860)	(7,504)	(981)	7,442
(Increase)/decrease in trade payables	4,001	3,019	15,993[b]	959	(9,828)[c]
(Increase)/decrease in other liabilities	2,206	436	(333)	1,152	618
(Increase)/decrease in other current tax liabilities	(367)	(1,028)	3,654	11	(254)
(Use) of provisions	(2,647)	(3,777)	(5,961)	(2,684)	(1,168)
Movements in working capital	**(486)**	**(10,991)**	**(3,466)**	**(5,555)**	**(4,407)**

(a) Includes €5.0 million related to the prepayment of royalties on the extension of one of our license agreements and €6.3 million relating to the prepayment of royalties on the renegotiation and extension of the TOD'S license, and the conversion of the Hogan agreement into a supply agreement in December 2012. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*'' for further details.

(b) Includes €15.2 million in trade payables recognized on the renegotiation and extension of the TOD'S license, and the conversion of the Hogan agreement into a supply agreement in December 2012. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*'' for further details.

(c) The decrease includes €2.7 million in decreases of trade payables of Cristallo, relating to payables related to the Marcolin acquisition settled during the six months ended June 30, 2013, and a €5.1 million decrease in trade payables arising on the payment of the first installment of the TOD'S and Hogan amounts payable in January 2013. See ''*Management's Discussion and Analysis of Financial Condition and Results of Operations of Marcolin*'' for further details.

Marcolin Financial Information By Geographic Segment

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
				2012	2013	
	2010	2011	2012			
	Marcolin	Marcolin	Marcolin	Marcolin (Unaudited)	Cristallo (Unaudited)	
			(€ in thousands)			
Italy	88,294	99,541	87,470	49,917	44,892	82,445
of which Italy Domestic[1]	*42,263*	*38,009*	*28,351*	*17,682*	*12,214*	*22,883*
of which Italy Export[2]	*46,031*	*61,532*	*59,119*	*32,235*	*32,678*	*59,562*
France	21,854	22,562	21,026	12,436	11,504	20,094
Rest of Europe	35,631	36,258	29,862	18,534	15,968	27,296
North America	52,782	57,718	66,320	37,593	36,696	65,423
Rest of World[3]	7,090	8,045	9,285	3,016	3,161	9,430
Total revenue	**205,651**	**224,124**	**213,963**	**121,496**	**112,221**	**204,688**

(1) Italy Domestic relates to the revenue generated by the Issuer through sales of products to the Italian market.

(2) Italy Export relates to the revenue generated by the Issuer through sales of products to the markets in which we do not have an operating subsidiary, mainly in Asia and the Middle East.

(3) Rest of World revenue relates to the revenue generated by Marcolin do Brasil Ltda in the Brazilian market and to a lesser extent, Marcolin Asia Ltd. to a Key Account in Hong Kong.

	For the year ended December 31,						For the six months ended June 30,			
	2010 Marcolin	% of total	2011 Marcolin	% of total	2012 Marcolin	% of total	2012 Marcolin	% of total	2013 Cristallo	% of total
	(In thousands of units, except percentages)									
Geographic Segment										
***Sales volumes*[1]**										
Italy	1,806	31.7%	1,951	33.5%	1,772	32.8%	1,005	32.9%	910	29.7%
Of which Italy										
Domestic	*876*	*15.4%*	*750*	*12.9%*	*533*	*9.9%*	*323*	*10.6%*	*241*	*7.9%*
Of which Italy Export	*930*	*16.3%*	*1,201*	*20.6%*	*1,239*	*22.9%*	*682*	*22.3%*	*669*	*21.8%*
France	263	4.6%	261	4.5%	243	4.5%	146	4.8%	136	4.4%
Rest of Europe	453	7.9%	439	7.5%	365	6.7%	226	7.4%	190	6.2%
North America	3,149	55.2%	3,005	51.6%	2,823	52.2%	1,635	53.5%	1,749	57.1%
Rest of World[2]	34	0.6%	162	2.8%	205	3.8%	43	1.4%	78	2.5%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**3,055**	**100.0%**	**3,063**	**100.0%**

(1) Sales volumes correspond to sales made to wholesale customers.

(2) Rest of World sales volumes relates to the sales generated by Marcolin do Brasil Ltda in the Brazilian market and to a lesser extent, Marcolin Asia Ltd. to a Key Account in Hong Kong.

Viva Selected Consolidated Income Statement Information

	For the year ended December 31,		For the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	
	($ in thousands)				
Net sales	199,298	190,910	108,371	102,966	185,505
Cost of goods sold	(85,122)	(86,602)	(47,398)	(45,522)	(84,726)
Gross profit	**114,176**	**104,308**	**60,973**	**57,444**	**100,779**
Selling, general and administrative	(92,323)	(90,544)	(50,995)	(49,067)	(88,616)
Depreciation and amortization	(4,560)	(4,550)	(2,261)	(2,232)	(4,521)
Equity in earnings of joint ventures	708	712	422	311	601
Income from operations	**18,001**	**9,926**	**8,139**	**6,456**	**8,243**
Interest expenses	(2,849)	(2,338)	(1,192)	(1,122)	(2,268)
Other income (expenses)	(804)	170	(407)	(46)	531
Income before income taxes	**14,348**	**7,758**	**6,540**	**5,288**	**6,506**
Income tax provision	(4,324)	(2,059)	(2,722)	(2,353)	(1,690)
Net income	**10,024**	**5,699**	**3,818**	**2,935**	**4,816**

Viva Selected Consolidated Statement Of Financial Position Information

	As of December 31,		As of June 30, 2013 (Unaudited)
	2011	2012	
	($ in thousands)		
Property and equipment	7,329	6,338	5,755
Goodwill	89,334	89,334	89,334
Intangible assets	24,647	22,327	20,856
Inventories	43,396	38,892	36,939
Accounts receivable, including related parties	17,427	19,221	25,140
Cash and cash equivalents	25,737	30,761	40,744
Other current and non-current assets	10,642	10,706	9,622
Total Assets	**218,512**	**217,579**	**228,390**
Trade and account payable	21,127	19,131	25,927
Short term borrowings	1,024	850	852
Long term borrowings	26,395	25,545	25,101
Other long-term and short-term liabilities	34,291	30,123	32,381
Total Liabilities	**82,837**	**75,649**	**84,261**
Equity	**135,675**	**141,930**	**144,129**
Total liabilities and equity	**218,512**	**217,579**	**228,390**

Viva Selected Consolidated Cash Flow Statement Information

	For the year ended December 31,		For the six months ended June 30,	
	2011	2012	2012 (Unaudited)	2013 (Unaudited)
	($ in thousands)			
Cash flow provided by operating activities	13,817	6,663	4,816	10,759
Cash flow provided (used in) investing activities	(941)	(1,125)	(799)	(444)
Cash flow provided (used in) financing activities	(11,783)	(1,024)	(495)	(443)
Effect of exchange rate changes on cash and cash equivalents	42	510	274	111
Increase (decrease) in cash at banks	**1,135**	**5,024**	**3,796**	**9,983**

Viva Other Financial Information

	As of and for the year ended December 31,		As of and for the six months ended June 30,		For the twelve months ended June 30, 2013 (Unaudited)
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	
	($ in thousands, except percentages)				
EBITDA[(1)]	21,346	14,734	9,953	8,889	13,670
EBITDA margin[(2)]	10.7%	7.7%	9.2%	8.6%	7.4%
Capital expenditures[(3)]	941	1,125	799	446	772
Net indebtedness[(4)]	1,682	(4,366)	n/a	(14,791)	n/a
Net working capital[(5)]	1,380	(3,294)	(1,149)	4,797	n/a

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

	For the year ended December 31,		For the six months ended June 30,		For the twelve months ended June 30,
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	2013 (Unaudited)
	($ in thousands)				
Net profit for the period	**10,024**	**5,699**	**3,818**	**2,935**	**4,816**
Income tax expense	4,324	2,059	2,722	2,353	1,690
Net finance costs	2,849	2,338	1,192	1,122	2,268
Amortization and depreciation	4,560	4,550	2,261	2,232	4,521
Bad debt provisions (recoveries)	(411)	88	(40)	247	375
EBITDA	**21,346**	**14,734**	**9,953**	**8,889**	**13,670**

(2) Viva defines EBITDA margin as EBITDA divided by net sales.

(3) Capital expenditure consists of investments for the period in property, plant and equipment and intangible assets, as presented in Viva's cash flow statement. Viva has limited capital expenditure requirements, as all of Viva's products are manufactured externally.

(4) Viva defines net indebtedness as the total long term borrowings and short term borrowings net of cash and cash equivalents. The table below sets forth the calculation of net indebtedness for the periods indicated.

	As of December 31,		As of June 30, 2013 (Unaudited)
	2011	2012	
	($ in thousands)		
Cash and cash equivalents	(25,737)	(30,761)	(40,744)
Long term borrowings	26,395	25,545	25,101
Short term borrowings[(a)]	1,024	850	852
Net indebtedness	**1,682**	**(4,366)**	**(14,791)**

(a) Includes short term portion of long-term borrowings.

(5) Viva defines movements in working capital as movements in accounts receivable, inventories, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities and income taxes payable/receivable. The table below sets forth movements in working capital for the periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2011	2012	2012 (Unaudited)	2013 (Unaudited)
	($ in thousands)			
(Increase)/ decrease in accounts receivable	1,708	(2,641)	(6,085)	(7,592)
(Increase)/ decrease in inventories	(2,880)	4,949	2,787	1,250
(Increase)/ decrease in prepaid expenses and other assets	2,027	984	1,081	576
(Decrease)/ increase in accounts payable	(3,517)	(2,296)	223	7,152
(Decrease)/ increase in accrued expenses and other liabilities	1,166	(1,753)	1,246	1,466
(Decrease)/ increase in income taxes payable/ receivable	2,876	(2,537)	(401)	1,945
Movements in working capital	**1,380**	**(3,294)**	**(1,149)**	**4,797**

Viva Net Sales by Geographic Location

	For the year ended December 31,		For the six months ended June 30,		For the twelve months ended June 30,
	2011	2012	2012 (Unaudited)	2013 (Unaudited)	2013 (Unaudited)
			($ in thousands)		
North America	124,913	117,967	67,425	62,991	113,533
United Kingdom	34,278	35,096	18,884	18,753	34,965
France	23,977	22,733	13,756	13,796	22,773
Rest of World[(a)]	16,130	15,114	8,306	7,426	14,243
Total net sales	**199,298**	**190,910**	**108,371**	**102,966**	**185,505**

(a) Rest of World refers to net sales generated by Viva subsidiaries in Hong Kong, Brazil and Japan.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF MARCOLIN

The following is a discussion and analysis of our financial condition and results of operation in the periods set forth below. This discussion should be read together with, and is qualified in its entirety by reference to our consolidated financial statements and the related notes thereto included elsewhere in this Offering Memorandum. The following discussion should also be read in conjunction with ''Presentation of Financial Information and Other Data'' and ''Selected Pro Forma and Historical Consolidated Financial Information.'' The discussion in this section may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under ''Risk Factors'' and ''Forward-Looking Statements.''

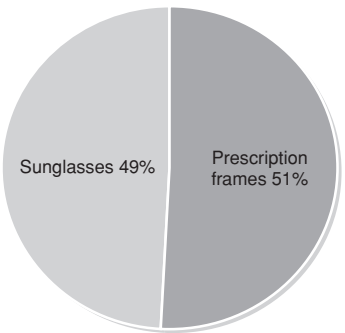
Unless the context indicates otherwise, in this ''Management's Discussion and Analysis of Financial Condition and Results of Operations of the Marcolin Group,'' references to ''we,'' ''us,'' ''our,'' or the ''Marcolin Group'' refer, prior to January 1, 2013, to the Issuer and its consolidated group and, from and including January 1, 2013, to Cristallo and its consolidated group (including the Issuer). Such references do not include Viva and do not take into account the effects of the Transactions, unless the context otherwise requires. For more information on Viva's financial condition and results of operation, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva'' and for more information on the Viva Acquisition, see ''The Acquisition'' and ''Viva's Business.''

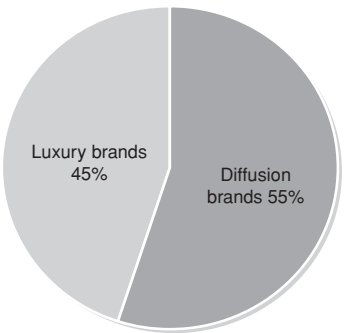
The financial information for the twelve months ended June 30, 2013 is calculated by taking Cristallo's consolidated results of operations for the six months ended June 30, 2013 and adding it to the difference between the Issuer's results of operations for the full year ended December 31, 2012 and the six months ended June 30, 2012. See ''Presentation of Financial Information and Other Data.''

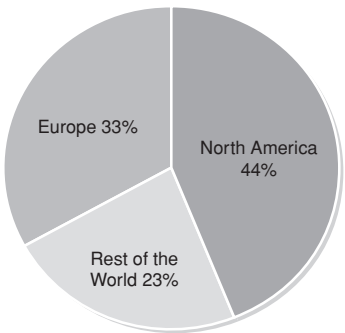
Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We believe we are the world's fourth largest eyewear wholesale player by revenue, with a broad portfolio of 21 licensed brands that appeal to key demographics across five continents. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing the brand names we have obtained pursuant to long-term, exclusive license agreements. We focus on high performing brands with eyewear accessory lines that have international awareness and generate (or have a potential to generate) between €30 million to €100 million in revenue annually. Our portfolio includes iconic labels such as Tom Ford, Guess, TOD'S, Montblanc, Diesel, Swarovski, Timberland, Gant, Harley-Davidson and Roberto Cavalli. The weighted average remaining term of our licenses was 6.9 years as of December 31, 2012. We believe the long tenure of our licenses provide us with strong revenue visibility, as approximately 61% of our revenue for 2012 was generated by sales of products under licenses expiring after 2020. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, we had total Pro forma combined revenue of €348.2 million, Pro forma combined Adjusted run-rate EBITDA of €45.9 million and we sold approximately 13.6 million units.

The graphics below present certain information about our revenue for the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions.







We believe that the Viva Acquisition will strengthen our position as the leading player for high performing brands with eyewear accessory lines that have international awareness and generate between €30 million to €100 million in revenue annually. We further believe that combining Marcolin's ability to interpret and distribute luxury brands with Viva's leading wholesale position in the U.S. and knowhow regarding the industrialization of diffusion brands makes us a compelling choice for brands in our target segment seeking to augment their existing offering and cultivate brand equity with eyewear collections. In addition, our enhanced worldwide distribution network will feature extensive POS coverage in North America, Europe and Asia which we believe are an essential component of our value proposition to licensors.

Our product offering encompasses the 21 licensed brands in our portfolio as well as six proprietary brands and we produce prescription frames and sunglasses for women and men targeting consumers at different price points. We generate the majority of our revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models.

Certain of our licensed brands such as Montblanc, Timberland and Harley-Davidson appeal particularly to male consumers, whereas Guess, Swarovski, Candie's and Balenciaga target female consumers; we also have licensed brands that resonate with both genders, such as Tom Ford, and with younger consumers, such as Diesel and Bongo.

Our portfolio of licensed brands can be divided into luxury and diffusion categories, comprising, respectively, our high-end handcrafted pieces for prestigious fashion houses and our stylish, more affordable alternatives. For our luxury brands, including Tom Ford, TOD'S, Balenciaga, Montblanc and Roberto Cavalli, we leverage our decades of experience to understand our licensors' vision for their brands, applying our in-house product design and high-quality craftsmanship to create eyewear with average retail prices of €200 to €250. As a result of close creative partnerships with each of our licensors, our eyewear reflects the character of each brand and features innovative product design. Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone in Italy's northeast, long-considered to be the birthplace of the modern eyewear industry. For our diffusion brands, including Guess, Diesel, Kenneth Cole and Timberland, we call upon our expertise in the industrialization of the eyewear production process to integrate style and value, creating eyewear with average retail prices of €120 to €130. Diffusion brand products are mainly produced in Asia by third parties under Viva's creative supervision or assembled in Italy by Marcolin from components and semi-finished products made in China. We believe we have created a stable, diversified business model for both luxury and diffusion brands. We believe the risk of changing consumer fashion tastes is mitigated by our ample portfolio of licensed brands, the fact that the majority of our revenue is generated by prescription frames and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by a timeless, classic look and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We are a wholesaler with a presence in over 100 countries and a wide distribution network across five continents. Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through 12 commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our operations, covering product design, manufacturing and sales and distribution, and aims to cultivate and grow our brands. Our success is a result of applying our thorough understanding of brand management based on decades of experience with licensors and consulting with our sales force and distributors to integrate consumer preferences into our product designs. Our product design capabilities also enable us to create eyewear with a view to their industrialization. For in-house production of our luxury brand units, our manufacturing plant has been streamlined using high precision and flexible workstations and our plant includes on-site raw materials and semi-finished components storage and logistics. We have also outsourced certain machine-intensive phases for galvanization of metals and acetate for use in our luxury brands. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on

long-term partnerships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, short lead times and low capital requirements while maintaining a flexible cost structure. We operate through a sales force and extensive distribution network that, together, formulate a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also pay attention to providing POS display and marketing material that showcase the distinctiveness of our licensed brands. The integrated nature of our business allows us to deliver results and quality control for our licensors, while providing customers and consumers with high-quality eyewear products.

Key Factors Affecting Our Financial Condition and Results of Operations

General economic conditions and consumer discretionary spending

In recent years the sustained growth of emerging markets has resulted in an increase in revenue generated from such markets. Taiyou Research estimates that in 2012 emerging markets represented 22% of the wholesale eyewear market, with a growth rate of 9.2% per annum since 2010, compared to 2.7% for the mature markets. Our performance outside of Europe has been particularly strong, with revenue from North America and Rest of World growing by 23.9% and 33.0%, respectively, between 2010 and the last twelve months ended June 30, 2013. Growth in North America, which is our largest geographical market and has been one of our key areas of focus, has been particularly strong, driven primarily by the improving economic conditions of the North American market. Conversely, uncertainty regarding certain economic markets, in particular in Southern Europe, has negatively affected our business, as consumers in the affected markets postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, with an adverse effect in the demand for our products. The economic uncertainty which has affected the Eurozone has adversely impacted our sales volumes, and revenue with Southern European markets particularly affected. This has been more evident in the sunglasses market, whereas prescription frames have demonstrated more resilience.

The following table sets forth an analysis of revenue, sales volumes and average price per unit (i.e. price paid by our wholesale customers) by geographic segment.

	Year ended December 31,						Last twelve months ended June 30, 2013 (Unaudited)	% of total
	2010	% of total	2011	% of total	2012	% of total		
Revenue	(€ in thousands, except percentages)							
Italy	88,294	43.0%	99,541	44.4%	87,470	40.9%	82,445	40.3%
Of which Italy Domestic[1]	*42,263*	*20.6%*	*38,009*	*17.0%*	*28,351*	*13.3%*	*22,883*	*11.2%*
Of which Italy Export[2]	*46,031*	*22.4%*	*61,532*	*27.4%*	*59,119*	*27.6%*	*59,562*	*29.1%*
France	21,854	10.6%	22,562	10.1%	21,026	9.8%	20,094	9.8%
Rest of Europe	35,631	17.3%	36,258	16.2%	29,862	14.0%	27,296	13.3%
North America	52,782	25.7%	57,718	25.7%	66,320	31.0%	65,423	32.0%
Rest of World	7,090	3.4%	8,045	3.6%	9,285	4.3%	9,430	4.6%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**213,963**	**100.0%**	**204,688**	**100.0%**
Sales volumes[3]	(In thousands of units, except percentages)							
Italy	1,806	31.7%	1,951	33.5%	1,772	32.8%	1,677	31.0%
Of which Italy Domestic[1]	*876*	*15.4%*	*750*	*12.9%*	*533*	*9.9%*	*451*	*8.3%*
Of which Italy Export[2]	*930*	*16.3%*	*1,201*	*20.6%*	*1,239*	*22.9%*	*1,226*	*22.6%*
France	263	4.6%	261	4.5%	243	4.5%	233	4.3%
Rest of Europe	453	7.9%	439	7.5%	365	6.7%	329	6.1%
North America	3,149	55.2%	3,005	51.6%	2,823	52.2%	2,937	54.2%
Rest of World	34	0.6%	162	2.8%	205	3.8%	240	4.4%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**5,416**	**100.0%**
Average price per unit[4]	(in € per unit)							
Italy	48.9		51.0		49.4		49.2	
Of which Italy Domestic[1]	*48.2*		*50.7*		*53.1*		*50.7*	
Of which Italy Export[2]	*49.5*		*51.2*		*47.7*		*48.6*	
France	83.0		86.6		86.5		86.2	
Rest of Europe	78.6		82.7		81.9		83.0	
North America[5]	16.8		19.2		23.5		22.3	
Rest of World	208.3[5]		49.6		45.2		39.3	
Total	**36.0**		**38.5**		**39.6**		**37.8**	

(1) Italy Domestic relates to the revenue, sales volumes and average price per unit generated by the Issuer through sales of products to the Italian market.

(2) Italy Export relates to the revenue, sales volumes and average price per unit generated by the Issuer through sales of products to the markets outside of Italy in which we do not have an operating subsidiary, mainly in Asia and the Middle East.

(3) Sales volumes correspond to sales made to wholesale customers.

(4) Average price is calculated as revenue divided by sales volume and represents the wholesale price paid by our customers.

(5) The average price per unit of our North American segment reflects sales made by M-USA of mainly diffusion brand products which sell at a lower price. See also ''*—Brand portfolio*.''

(6) The average price per unit of the Rest of World segment in 2010 reflects sales made by our Brazilian subsidiary, which sells at a higher price to offset the impact of import taxes charged by the local authorities. From 2011 the Rest of World segment also includes sales made by our Hong Kong subsidiary (that previous to such date, made no sales), such sales are high volume lower price sales of diffusion products made to a Key Account customer.

After an initial increase from €205.7 million in 2010, to €224.1 million in 2011, revenue decreased to €214.0 million in 2012 and €204.7 million for the twelve months ended June 30, 2013. The initial increase was attributable to the performance of the Italy Export revenue, driven by an increase in sales volumes, and the increase in North America revenue, primarily driven by an increase in the average price per unit. The decrease in revenue from 2012 has been driven by decreases in Italy Domestic, Rest of Europe and France revenue, the effects of which were partially offset by increases in Italy Export, North America and Rest of World revenue. In particular, the decreases in Italy Domestic, Rest of Europe and to a lesser extent France revenue were attributable to decreases in sales volumes, as these economies were the most affected by the previously described economic uncertainties, which resulted in a postponement of consumer spending and therefore a decrease in demand for our products. In particular, for the six

months ended June 30, 2013 as compared to the same period in 2012, Italy Domestic revenue decreased by 30.9%, Rest of Europe revenue decreased by 13.8% and North America revenue decreased by 2.4%. Such decreases were partially offset by an increase of 4.8% in Rest of World revenue and 1.4% in Italy Export Revenue.

The initial increase in Italy Export revenue from 2010 to 2011, which was largely maintained through 2012 and the twelve months ended June 30, 2013, and the increase in Rest of World revenue over the entire period was largely driven by an increase in sales volumes. The increase in Italy Export sales volumes was largely attributable to increases in demand from the Asian and Middle Eastern markets, the performance of which has been particularly strong, with the largest increases in sales volumes to the China, South Korea, Indonesia, United Arab Emirates and Turkey markets over the period under review. Such increases reflect our efforts to gain market share of the fast growing wholesale eyewear market in the emerging markets.

The increase in North America revenue has been driven by an increase in the average price per unit, which was partially offset by a decrease in sales volumes. In particular, the average price per unit increased from €16.8 in 2010 to €22.3 for the last six months ended June 30, 2013, while sales volumes decreased from 3,149 thousand units to 2,937 thousand units over the same period. The increase in average price per unit reflects a shift in sales mix, with a greater proportion of sales generated through our luxury brand items, which have a higher gross margin.

See ''*Summary—Recent Developments—Marcolin's current trading for the three months ended September 2013*'' for a discussion of trends in the third quarter of 2013.

Trade receivables

Our contractual arrangements with our customers and distributors vary according to jurisdiction and market practice. However, in general, for large accounts and for distributors, framework contracts require payment within specific periods, usually 30 to 90 days (or in certain instances, 120 days depending on the jurisdiction). For our retail customers (independent opticians and small optical stores), we invoice upon dispatch of merchandise and local laws regulate the payment times, which range from 60 to 120 days, though longer payment times are often common according to market practice and economic conditions. Average payment times to collect on our trade receivables are typically higher in Southern European markets and Brazil, where our domestic channel dominates compared to our other markets, such as Germany, France and the United States, where our key accounts channel is more prominent. Since 2010, however, management efforts and favorable changes to laws in France have decreased the average days sales outstanding, a measurement of average number of days to collect revenue following a sale, by 9.9% from 2010 to 2011 and by 8.3% from 2011 to 2012. This has favorably impacted our working capital. See ''*—Working Capital*.''

Brand portfolio

We design, produce and distribute sunglasses and prescription frames bearing a variety of brands which cater to different demographics. We divide the brands managed into the following categories:

- **luxury brands:** high-end products distinguished by their exclusivity and distinctiveness (or consumer perceptions thereof) influenced by fashion and often characterized by a higher retail price; and
- **diffusion brands:** products influenced by market trends positioned in the mid- and upper-mid price segments targeting a wider customer base.

Luxury brand items generally offer more attractive gross margins than diffusion products, as the higher retail price of luxury brand items is not completely offset by the higher cost of sales (because of more expensive packaging and raw materials used to manufacture such products). In addition, given that diffusion brand items target a wider customer base, these are generally sold in greater volumes than luxury brand products and as a result, generally have greater discounts applied to them. The composition of our brand portfolio reflects our strategy to capitalize on the consumer segments we believe are the most commercially attractive, and includes luxury brands, such as Tom Ford, Swarovski, Roberto Cavalli, TOD'S and Montblanc, and diffusion brands such as Diesel, Timberland and Kenneth Cole which cater to younger consumers. Having a balanced portfolio of brands, allows us to benefit from cross-selling opportunities by offering our clients a range of products from both luxury and diffusion brand categories at different price points.

The following tables set forth an analysis of revenue, sales volume and average price per unit (i.e. price paid by our wholesale customers) by brand type for the periods indicated.

	Year ended December 31,						Last twelve months ended June 30, 2013 (Unaudited)	% of total
	2010	% of total	2011	% of total	2012	% of total		
Revenue	(€ in thousands, except percentages)							
Luxury brands	148,525	72.2%	172,678	77.0%	160,691	75.1%	157,061	76.7%
Diffusion brands	61,628	30.0%	56,482	25.2%	56,412	26.4%	49,855	24.4%
Others[1]	(4,502)	−2.2%	(5,036)	−2.2%	(3,140)	−1.5%	(2,228)	−1.1%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**213,963**	**100.0%**	**204,688**	**100.0%**
Sales volumes[2]	(In thousands of units, except percentages)							
Luxury brands	1,838	32.2%	2,141	36.8%	1,970	36.4%	1,969	36.4%
Diffusion brands	3,867	67.8%	3,677	63.2%	3,438	63.6%	3,447	63.6%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**5,416**	**100.0%**
Average price per unit[3]	(in € per unit)							
Luxury brands	80.8		80.7		81.6		79.8	
Diffusion brands	15.9		15.4		16.4		14.5	

(1) Others primarily relates to unallocated end of period adjustments for discounts and, to a lesser extent, returns.

(2) Sales volumes correspond to sales made to wholesale customers.

(3) Average price is calculated as revenue divided by sales volume.

After an initial increase, from €148.5 million in 2010 to €172.7 million in 2011, luxury brand revenue decreased to €160.7 million in 2012 and €157.1 million for the last twelve months ended June 30, 2013. In particular, for the six months ended June 30, 2013, luxury brand revenue decreased by 4.0% compared to the same period in 2012. The net increase over the three-year period was supported by an increase in luxury brand sales volumes from 1,838 thousand units in 2010, to 1,969 thousand units for the last twelve months ended June 30, 2013. The increase in luxury brand sales volumes and revenue is attributable to the expansion of our luxury portfolio, through the introduction of new luxury licenses, such as Swarovski, the first collections of which were launched to the market in the final months of 2010. The average price per unit of luxury brand items remained relatively constant with some minor variation, marginally decreasing overall from €80.8 in 2010 to €79.8 in the last twelve months ended June 30, 2013, reflecting an increase in the proportion of sales generated though our Distributor and Key Accounts channels, to whom we sell at a lower price.

Conversely, diffusion brand revenue decreased from €61.6 million in 2010 to €49.9 million for the last twelve months ended June 30, 2013. In particular, for the six months ended June 30, 2013, diffusion brand revenue decreased by 19.2% compared to the same period in 2012. Such decrease was primarily driven by a decrease in sales volumes from 3,867 thousand units in 2010, to 3,677 thousand units in 2011, 3,438 thousand units in 2012 and 3,447 thousand units for the last twelve months ended June 30, 2013. The decrease in diffusion brand sales volume and revenue is in part attributable to the previously described economic uncertainties, resulting in a decrease in demand, and in part to the strategic decision to transition out of certain diffusion licenses, which we believed were no longer in keeping with our focus on top end luxury and diffusion brands, such as Ferrari. The average price per unit of both luxury and diffusion brands peaked in 2012, primarily attributable to an increase in the proportion of revenue generated through prescription frames, which generally sell at higher prices than sunglasses. The average price per unit of diffusion brand items decreased from €15.9 in 2010 to €15.4 in 2011, then increased to €16.4 in 2012, driven by an increase in prescription frame sales volumes. The average price per unit of diffusion brand items then decreased to €14.5 for the last twelve months ended June 30, 2013, reflecting an increase in sales generated through distribution channels which sell greater volumes at lower cost. See ''—*Sales Channels*'' for further information regarding our distribution channels.

The proportion of our revenue generated though luxury brand items increased from 72.2% in 2010, to 77.0% in 2011, then marginally decreased to 75.1% in 2012 and 76.7% for the last twelve months ended June 30, 2013. The general increase in proportion of revenue generated through luxury brand items from 2010 to the last twelve months ended June 30, 2013 has positively impacted our revenues, due to the higher average price per unit of luxury brands compared to diffusion brands.

The brand mix has a direct impact on our revenue, as consumers in different markets have differing tastes, and some brands which perform particularly strongly in one market may not perform as well in others. For example, in 2012 our France segment generated 75.3% of its revenue through the sale of luxury brand items, while the North America segment generated only 13.7% of its revenue through the sale of the same items. In addition, two of our high volume diffusion brand licenses (Covergirl and Kenneth Cole) are sold exclusively to the U.S. market, further reinforcing the margin disparity between these two regions. As a result, the average price per unit of the France segment amounted to €86.5 in 2012, compared to €23.5 for the North America segment.

Product type

Prescription frames being non-discretionary purchases for vision correction are generally more resilient to economic downturns and seasonality than sunglasses, the sales of which are more affected by worldwide economic conditions and consumer discretionary spending. Sales of sunglasses have historically exhibited higher growth rates than prescription frames in periods of economic growth. Taiyou Research estimates that from 2010 to 2012, the sunglasses wholesale market grew at a CAGR of 7.2%, compared to 3.7% for prescription frames market. The following table sets forth an analysis of revenue, sales volume and average price per unit (i.e. price paid by our customers) by product type for the periods indicated.

	Year ended December 31,						Last twelve months ended June 30, 2013 (Unaudited)	% of total
	2010	% of total	2011	% of total	2012	% of total		
Revenue	(€ in thousands, except percentages)							
Sunglasses	134,319	65.3%	139,012	62.0%	128,114	59.9%	121,798	59.5%
Prescription frames	75,834	36.9%	90,148	40.2%	88,989	41.6%	85,118	41.6%
Other[1]	(4,502)	−2.2%	(5,036)	−2.2%	(3,140)	−1.5%	(2,228)	−1.1%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**213,963**	**100.0%**	**204,688**	**100.0%**
Sales volume[2]	(In thousands of units, except percentages)							
Sunglasses	3,790	66.4%	3,879	66.7%	3,468	64.1%	3,510	64.8%
Prescription frames	1,915	33.6%	1,939	33.3%	1,940	35.9%	1,906	35.2%
Total	**5,705**	**100.0%**	**5,818**	**100.0%**	**5,408**	**100.0%**	**5,416**	**100.0%**
Average price per unit[3]	(in € per unit)							
Sunglasses	35.6		35.8		36.9		34.7	
Prescription frames	39.6		46.5		45.9		44.7	

(1) Others primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

(2) Sales volumes correspond to sales made to wholesale customers.

(3) Average price is calculated as revenue divided by sales volume.

Sunglasses revenue initially increased from €134.3 million in 2010 to €139.0 million in 2011, thereafter decreasing to €128.1 million in 2012 and €121.8 million for the last twelve months ended June 30, 2013, attributable to a decrease in sales volumes, largely due to the ongoing economic uncertainty, as a result of which, consumers, and in particular, in Italy, France, and the rest of Southern Europe have postponed discretionary spending on items such as sunglasses.

Prescription frames revenue initially increased from €75.8 million in 2010 to €90.1 million in 2011, thereafter decreasing to €89.0 million in 2012 and €85.1 million for the last twelve months ended June 30, 2013. The initial increase was primarily supported by an increase in average price per unit, from €39.6 in 2010 to €46.5 in 2011, driven by an increase in the proportion of luxury brand prescription frames sold. The decrease from 2011 to the last twelve months ended June 30, 2013 was due to a decrease in average price per unit, from €46.5 in 2011, to €45.9 in 2012 and to €44.7 for the last twelve months ended June 30, 2013, due to an increase in the proportion of sales generated through sales channels which sell greater volumes at lower prices. The proportion of revenue generated through prescription frames increased from 36.9% in 2010, to 40.2% in 2011 and 41.6% in 2012 and for the last

twelve months ended June 30, 2013, impacted by management strategy to shift sales mix towards prescription frames, which are generally more resilient to changes in economic conditions.

Sales channels

We distribute our products directly in our core markets through our subsidiaries employing a network of salespersons to assist us in marketing our products to customers. Our central sales offices in Italy serves as the hub for much of the Europe, Middle East, Africa, Asia and Australia regions. M-USA serves as a direct distribution network for North and Latin America (excluding Brazil, where we have a subsidiary).

The following is a summary of our distribution channels.

Direct—sales through our subsidiaries directly to customers such as small independent opticians, small chains and department stores. The direct channel offers high gross margins (as there is no sales intermediary), but incurs greater agent costs (commissions) which are negligible in our other sales channels, as well as higher distribution and commercial costs as a result of the fragmented customer base. Within Southern Europe Direct sales are more common, whereas Key Accounts sales are more common in North America and certain Northern European markets.

Distributor—sales through third-party distributors, managed from our central sales offices in Italy for the Rest of the World and by M-USA for North, Central and South America (excluding Brazil). Distributor sales generally have a lower gross margin due to lower sales price as a result of the presence of third party intermediaries, although the lower gross margin is in part offset by the fact we do not pay commissions on such sales and we incur lower distribution expenses, as there is a higher concentration of sales per customer. We rely on this channel in markets in which we do not have our own commercial subsidiaries.

Key Accounts—sales to large accounts (i.e. large optical chains/ buying groups and brands' flagship stores). Key Account sales generally have a lower gross margin than Direct sales owing to lower prices as a result of customers' higher negotiating power and the larger volumes of sales per customer; however, this is offset by the fact that we pay minimal commissions (in certain circumstances) on such sales and we incur lower distribution expenses, as there is a higher concentration of sales per customer and Key Accounts have their own distribution network.

Other—mainly consists of sales of non-current collections sold at discount prices. We offer customers in selected markets recognized brands for affordable prices. The markets are strategically selected so as not to jeopardize brand image in our core markets. We generally maintain lower gross margins due to the prevailing discount prices in this distribution channel.

The following table sets forth an analysis of revenue by distribution channel for the periods indicated.

	Year ended December 31,						Last twelve months ended June 30, 2013 (Unaudited)	
	2010	% of total	2011	% of total	2012	% of total		% of total
	(€ in thousands, except percentages)							
Direct	149,040	72.5%	147,273	65.7%	135,831	63.5%	126,751	61.9%
Distributor and Key Accounts[1]	49,948	24.3%	70,178	31.3%	70,976	33.2%	67,009	32.7%
Other	6,663	3.2%	6,673	3.0%	7,156	3.3%	10,928	5.3%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**213,963**	**100.0%**	**204,688**	**100.0%**

(1) Distributor and Key Accounts information has been grouped, as these two channels have similar cost and profit structures.

The proportion of revenue generated from Distributor and Key Accounts sales channels increased from 24.3% in 2010, to 31.3% in 2011 and 33.2% in 2012, thereafter decreasing to 32.7% for the last twelve months ended June 30, 2013. The overall increase from 2010 to the last twelve months ended June 30, 2013 was primarily attributable to the previously described growth of the wholesale eyewear industry in the emerging markets, with China, South Korea, Indonesia, Turkey and the United Arab Emirates performing particularly strongly.

Gross margin amounted to 61.6% in 2010, 63.5% in 2011, 61.5% in 2012 and 60.6% for the last twelve months ended June 30, 2013. The initial increase from 2010 to 2011 was primarily attributable to a decrease in cost of sales, attributable to efficiency and cost control initiatives implemented during 2011. See ''*Efficiency and cost control initiatives*.'' The decrease in gross margin from 2011 to 2012 and the last twelve months ended June 30, 2013 was attributable to a shift in sales channel mix, towards the Distributor, Key Account and Other channels, and away from the Direct channel, such decrease was partially compensated by a decrease in commissions and distribution expenses.

License agreements

Royalties

Revenue in our core business is generated through licenses which we have entered into to design, manufacture and distribute sunglasses and prescription frames with numerous leading designers and fashion houses. Licensors are remunerated through royalties, which can either be based on a percentage of net sales (variable royalty amounts, or ''**VRA**''), or VRA subject to a minimum. If the minimum sales volume is not achieved, a minimum annual guaranteed amount is payable (''**MAG**''). Royalties also include amounts payable for advertising and promotional purposes pursuant to our license agreements. See ''*Marcolin's Business—Intellectual Property—License Agreements*.'' In addition, certain licenses include both a VRA and a MAG component. The percentages on net sales on which VRA royalties are calculated, and the minimum thresholds for calculation of MAG vary license by license and can vary year on year, as stipulated in the individual agreements.

The following table sets forth an analysis of royalties incurred for the periods indicated.

	Year ended December 31,						Last twelve months ended June 30, 2013 (Unaudited)	% of revenue
	2010	% of revenue	2011	% of revenue	2012	% of revenue		
	(in € thousands, except percentages)							
VRA royalties	22,900	11.1%	24,652	11.0%	23,216	10.9%	22,204	10.8%
MAG royalties	3,577	1.7%	7,766	3.5%	9,029	4.2%	8,127	4.0%
Total	**26,477**	**12.9%**	**32,418**	**14.5%**	**32,245**	**15.1%**	**30,331**	**14.8%**

Royalties increased from €26.5 million in 2010 to €32.4 million in 2011, thereafter decreasing to €32.2 million in 2012 and to €30.3 million for the last twelve months ended June 30, 2013, although as a percentage of revenue, royalties increased from 12.9% in 2010 to 14.5% in 2011, and 15.1% in 2012, thereafter decreasing to 14.8% for the last twelve months ended June 30, 2013. The change in royalties as a percentage of revenue from 2010 to June 30, 2013 was primarily attributable to the MAG royalties incurred, which increased from €3.6 million in 2010, to €7.8 million in 2011 and €9.0 million in 2012. Such increase was primarily driven by contractual increases in the minimum royalty thresholds, some of which were not achieved, resulting in an increase in MAG royalties incurred. The decrease in MAG royalties from 2012 to the last twelve months ended June 30, 2013, both in absolute terms and as a percentage of revenue was primarily attributable to the renegotiation of the TOD'S license agreement and the conversion of the Hogan license agreement into a supply agreement in 2012. In particular, total royalties for the six months ended June 30, 2013, decreased by 11.5% compared to the same period in 2012, with MAG royalties decreasing by 27.4% over the same period. See ''*Payments related to licenses.''* VRA royalties increased from €22.9 million in 2010, to €24.7 million in 2011, thereafter decreasing to €23.2 million in 2012 and €22.2 million for the last twelve months ended June 30, 2013. Such variances were generated by variances in revenue, as a percentage of which VRA royalties were relatively unchanged, from 11.1% in 2010, to 11.0% in 2011, 10.9% in 2012 and 10.8% for the last twelve months ended June 30, 2013.

Payments related to licenses

In renegotiating or renewing licenses or obtaining new licenses, we may incur additional expenses or cash outflows.

In 2010, M-USA paid €5.0 million to a licensor as a royalty advance. Such amount was initially recorded as a prepayment asset on our consolidated balance sheet and is to be charged to the income statement, and deducted from payment of royalties as they are incurred.

In 2011, we renegotiated a license agreement and invested in an option to renew such license, at our sole discretion, beyond its original expiration date. The consideration for such option amounted to €10.0 million, €6.0 million of which was paid in 2011, and €4.0 million in 2012. In addition, we paid the licensor an amount of €5.0 million in 2012 which, should the option be exercised and the license extended will be treated as an advance on the royalties owed during the extended license term, and is to be charged to the income statement and deducted from payment of royalties as they are incurred. If the option is not exercised, such amount is to be treated as further compensation for the option, and would be recognized in the income statement. The option has been capitalized as an intangible asset, and the advance on royalties recognized as a prepayment asset on our consolidated balance sheet.

In 2012, we amended and extended the TOD'S license, and terminated the Hogan license and converted it into a supply agreement, in each case prior to their respective contractual expiration dates. These contracts were terminated and renegotiated to improve the financial terms for the Issuer. In particular, we renegotiated a new TOD'S license with lower MAG royalty thresholds and extended the license term to 2018, and we entered into a supply agreement with Hogan (through which we supply on demand, and as such we bear no inventory risk). By converting the Hogan agreement and amending and extending the TOD'S agreement we incurred non-recurring fees of €8.9 million. In addition, we agreed to pay one-off royalties due over the course of the renegotiated license of €6.3 million. Of the total amount payable, €5.1 million was paid in January 2013, €5.1 million in July 2013 and the balance in the amount of €5.0 million is due in December 2013. See ''*Related Party Transactions*.''

License life cycle

Typically, when we enter into an agreement with a new licensor, there is a time lag between the date of the agreement, and the date on which the agreement begins to generate revenue. For example, the Swarovski license was entered into in 2009, and started generating revenue in late 2010. The time lag is as a result of (i) informal agreements with previous producer of such license to close out their collections prior to launching new collections with a new producer and (ii) the time required for our designers and the licensor to agree on products to launch to the market. When launching a new brand, sales generally peak in the first year of the launch as we fill our customers inventory for the first time and usually stabilize thereafter. In the period covered by this analysis, we have added the Swarovski and Diesel brands to our portfolio, the first sales of which were generated in 2010 and 2011, respectively. We have also recently added the Balenciaga brand, which did not generate sales during the period covered by this analysis.

We evaluate and analyze our portfolio of brands and licenses, with a strategy to capitalize on the consumer segments which we believe are the most commercially attractive. Such evaluation during the period covered by this analysis has resulted in our transitioning out of certain licenses which were no longer in keeping with our strategy. In particular, we transitioned out of John Galliano and Miss Sixty licenses prior to their respective contractual termination dates. In particular, the John Galliano license was terminated following the impairment to the reputation of the brand as a result of a scandal involving the designer, while the Miss Sixty license was terminated following the licensors entry into administration procedures. In addition, we transitioned out of the Ferrari license upon its contractual expiration as we did not believe the brand was in keeping with our focus on top end luxury and diffusion brands.

Seasonality

Our business is 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 consumers purchase new sunglasses in anticipation of the spring and summer months. Such seasonality results in greater revenue recorded in the first half of the year than 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 of sunglasses, in particular, trade receivables are generally higher at June 30, than at December 31.

Changes in management team composition

Over the period covered by this analysis there has been a number of changes to the composition of our key management team. In particular, a new CFO/COO, a new Head of Marketing and Global Sales, and a new Head of Italian Sales have been appointed since 2013. In the same period, the Controller, the Head of Italian Sales, the Head of International Sales and the Head of Logistics were laid-off. Absences of

management can affect our results of operations. In particular, the Italy Domestic segment was without a Head of Sales from December 2012 to September 2013, and experienced a decrease in revenue from €17.7 million for the six months ended June 30, 2012 to €12.2 million for the same period in 2013.

Efficiency and cost control initiatives

We have implemented a series of cost control and efficiency measures. During 2010, we inaugurated the new logistics and production facility located in Longarone, as result of which we were able to decommission a legacy facility at Vallesella, and in doing so, reduce the headcount of the logistics department (by having just one production and logistics centre instead of two) and reduce transport expenses (related to the transport of goods between the facility in Longarone and Vallesella), achieving cost savings. We have also been able to flex our production rates in response to market demand. During 2011, there was an increase in demand for our products, in response to which we increased the production rates of our in-house facilities, outsourcing the manufacturing of certain parts and the performance of certain processes, allowing us to meet the market demand and make best use of our in-house facilities. During 2012, market demand decreased, and we were able to reduce production rates and bring back to our in-house facilities the manufacturing of parts and performance of processes outsourced in 2011, in order to most efficiently use our resources. We have recently begun an initiative to reduce the number of principle third-party manufacturers in China that we utilize for finished and semi-finished products from 13 to 6 in an effort to improve production cycle time, reduce re-ordering delays and form strong partnerships with such suppliers. We believe further improving our procurement, production and assembly efficiency can help us maximize revenue volumes and preserve margins while limiting our exposure to changing fashion trends and inventory leftovers.

Viva Acquisition

One of our key strategies for the growth of our group is to expand our operations in North America, which as of 2012, accounted for approximately 42% of the wholesale eyewear market. The acquisition of the Viva group will help us work toward this strategy, as the Viva Group is the second largest U.S.-based eyewear wholesale player on a standalone basis.

Following the acquisition of the Viva Group, our results of operations will be affected by the enlargement of our Group. In addition, our results of operations will be affected by the difference in cost structures between the groups, as a result of the different business models of each group. While we produce certain models at our in-house plant in Longarone, the Viva Group outsources all of its manufacturing to a number of contract providers located in Asia. As a result, the enlarged Group will see an absolute and relative increase in cost of sales relating to purchases of finished goods, which is to be partially offset by an increase in resulting procurement synergies, including the increase of bargaining power with the suppliers in China.

The difference in business model will not impact capital expenditure requirements, as the Viva productive activities are all outsourced.

Description of Key Line Items and Certain Key Performance Indicators

Revenue

Revenue includes the consideration received by the Group for the sale of sunglasses and prescription frames. Revenue is recorded net of returns, discounts, allowances (including allowances for returns), and bonuses. Revenue is segmented by reference to geographical area in which the reporting entity resides, as discussed below:

- *Italy* revenue relates to the revenue generated by Marcolin S.p.A. through sales of products to the Italian market (Italy Domestic) and all other markets in which we do not have an operating subsidiary (Italy Export). In 2012, the largest Italy Export markets were the United Arab Emirates, South Korea and Turkey, which in 2012 generated 11.6%, 10.7% and 7.2% of Italy Export revenue respectively.
- *France* revenue relates to the revenue generated by Marcolin France.
- *Rest of Europe* revenue relates to the revenue generated by our subsidiaries in Spain, Portugal, Belgium, Germany, Switzerland and the United Kingdom.
- *North America* revenue relates to the revenue generated by M-USA, through sales of products to the North American market, including the U.S. and Canada.
- *Rest of World* revenue relates to the revenue generated by Marcolin do Brasil Ltda in the Brazilian market and to a lesser extent, Marcolin Asia Ltd. to a Key Account in Hong Kong.

Cost of sales

Cost of sales relate to the costs incurred in the production of products and the purchase of finished products for sale. Costs of sales primarily include:

- *Purchases of materials and finished products*—relating to the cost of acquiring the raw materials and components necessary to manufacture the collections which are produced in-house and the purchase of finished products from our suppliers in China for resale. Purchases of materials and finished products are shown net of changes in inventories.
- *Personnel expenses*—relating to the salaries and wages, social security contribution and employee severance indemnity of the workforce employed either directly or indirectly in our production activities.
- *Outsourcing*—relating to the costs incurred in outsourcing parts and processes related to the manufacturing of our products.
- *Other expenses*—relating primarily to amortization and depreciation of assets used in production activities, and other expenses, which refer primarily to taxes on purchases and transport and customs.

Selling and marketing costs

Selling and marketing costs relate to the costs incurred in marketing and selling our products to customers, and primarily include:

- *Royalties*—relating to the fee paid to the licensor for the right to produce and distribute sunglasses and prescription frames using the licensors brand. Royalties can be based on a VRA subject to a minimum. If the minimum sales volume is not achieved, a MAG is payable.
- *Personnel expenses*—relating to the salaries and wages, social security contribution and employee severance indemnity of the workforce employed in our selling and marketing divisions.
- *Advertising and PR*—relating primarily to the purchase of advertising materials and other costs incurred in marketing our products.
- *Commissions*—relating to the fee paid to agents, who sell our products in countries in which we have a subsidiary presence. Such fee is usually calculated as a percentage on the value of the sale transaction and can vary according to market and product line.
- *Other costs*—relating primarily to sales expenses including transport, rentals and entertainment, and to a lesser extent, amortization and depreciation of assets used in our selling and marketing activities.

General and administrative expenses

General and administrative expenses relating to the expenses incurred in conducting the general business and administrative operations of the Group. Such expenses primarily include personnel expenses relating to the salaries and wages, social security contribution and employee severance indemnity of the workforce employed in our general and administrative divisions, and other costs, including directors fees, audit fees, IT expenses, general and administrative consulting expenses. General and administrative expenses also include the amortization and depreciation charge related to assets used in our general and administrative divisions, and the expense related to the bad debt provision.

Other operating income and expenses

Other operating income and expenses consist of:

- *Other operating income*—primarily relating to other income including prior period adjustments, refunded transport costs, and to a lesser extent, the release of provisions previously recognized.
- *Other operating expenses*—primarily relating to other expenses, such as early termination fees.

Financial income and cost

Financial income and cost consists of:

- *Financial income*—which primarily includes the gains generated on foreign exchange transactions, interest we generate on our cash deposits and to a lesser extent, fair value gains on derivative financial instruments.
- *Financial cost*—includes interest expenses on our borrowings, losses generated on foreign exchange transactions and fair value losses on derivative financial instruments.

Income tax expense

Income tax expense comprises current income tax expense and deferred tax benefits or expenses.

Other Ratios and Measures

We also use certain additional key performance indicators, which in our view provide an alternative measure with which to assess our underlying performance. Our definitions of units sold and average price per unit may differ from those used by other companies, therefore comparability may be limited. Such measures are non-IFRS measures and should not be considered as an alternative to operating profit or operating margin as a measure of operating performance. See ''*Presentation of Financial Information and Other Data*.''

Results of Operations

Comparison of Marcolin Six Months Ended June 30, 2012 with Cristallo Six Months Ended June 30, 2013

	Six months ended June 30,				
	2012 Marcolin (Unaudited)	% of revenue	2013 Cristallo (Unaudited)	% of revenue	% change
	(€ in thousands, except percentages)				
Revenue	121,496	100.0%	112,221	100.0%	−7.6%
Cost of sales	(45,103)	−37.1%	(43,431)	−38.7%	−3.7%
Gross profit	**76,393**	**62.9%**	**68,790**	**61.3%**	**−10.0%**
Selling and marketing costs	(51,632)	−42.5%	(49,340)	−44.0%	−4.4%
General and administrative expenses	(8,299)	−6.8%	(10,757)	−9.6%	29.6%
Other operating income	1,849	1.5%	1,540	1.4%	−16.7%
Other operating expenses	(135)	−0.1%	(367)	−0.3%	171.9%
Effects of accounting for associates	364	0.3%	1	0.0%	−99.7%
Operating profit	**18,540**	**15.3%**	**9,867**	**8.8%**	**−46.8%**
Financial income	749	0.6%	936	0.8%	25.0%
Finance costs	(1,931)	−1.6%	(6,345)	−5.7%	228.6%
Profit before taxes	**17,358**	**14.3%**	**4,458**	**4.0%**	**−74.3%**
Income tax expense	(4,737)	−3.9%	(2,869)	−2.6%	−39.4%
Net profit for the period	**12,621**	**10.4%**	**1,589**	**1.4%**	**−87.4%**

Revenue

The following tables set forth an analysis of revenue by product type, brand type and geographic segment for the periods indicated.

	Six months ended June 30,					
	2012 Marcolin (Unaudited)	% of total	2013 Cristallo (Unaudited)	% of total	Change (amount)	%
	(In € thousands, except percentages)					
Sunglasses	72,174	59.4%	65,858	58.7%	(6,316)	−8.8%
Prescription frames	52,150	42.9%	48,279	43.0%	(3,871)	−7.4%
Other[1]	(2,828)	−2.3%	(1,916)	−1.7%	912	−32.3%
Total	**121,496**	**100.0%**	**112,221**	**100.0%**	**(9,275)**	**−7.6%**

(1) Other primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

	Six months ended June 30,					
	2012 Marcolin (Unaudited)	% of total	2013 Cristallo (Unaudited)	% of total	Change (amount)	%
	(In € thousands, except percentages)					
Luxury brands	90,246	74.3%	86,616	77.2%	(3,630)	−4.0%
Diffusion brands	34,078	28.0%	27,521	24.5%	(6,557)	−19.2%
Other[1]	(2,828)	−2.3%	(1,916)	−1.7%	912	−32.3%
Total	**121,496**	**100.0%**	**112,221**	**100.0%**	**(9,275)**	**−7.6%**

(1) Other primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

	Six months ended June 30,					
	2012 Marcolin (Unaudited)	% of total	2013 Cristallo (Unaudited)	% of total	Change (amount)	%
	(In € thousands, except percentages)					
Italy	49,916	41.1%	44,892	40.0%	(5,024)	−10.1%
Of which Italy Domestic	*17,682*	*14.6%*	*12,214*	*10.9%*	*(5,468)*	*−30.9%*
Of which Italy Export	*32,234*	*26.5%*	*32,678*	*29.1%*	*444*	*1.4%*
France	12,436	10.2%	11,504	10.3%	(932)	−7.5%
Rest of Europe	18,534	15.3%	15,968	14.2%	(2,566)	−13.8%
North America	37,593	30.9%	36,696	32.7%	(897)	−2.4%
Rest of World	3,017	2.5%	3,161	2.8%	144	4.8%
Total	**121,496**	**100.0%**	**112,221**	**100.0%**	**(9,275)**	**−7.6%**

Revenue amounted to €112.2 million for the six months ended June 30, 2013, a decrease of €9.3 million, or 7.6%, from €121.5 million for the six months ended June 30, 2012, attributable to a decrease in the average price per unit, from €39.8 for the six months ended June 30, 2012, to €36.6 for the six months ended June 30, 2013, which was only partially offset by a marginal increase in sales volumes, from 3,055 thousand units in the six months ended June 30, 2012, to 3,063 thousand units in the six months ended June 30, 2013.

The average price per unit of both sunglasses and prescription frames decreased, for sunglasses from €36.3 for the six months ended June 30, 2012, to €32.4 for the six months ended June 30, 2013, and for prescription frames from €48.9 for the six months ended June 30, 2012, to €46.7 for the six months ended June 30, 2013. The decrease in the average price per unit was in part related to a shift in sales channel mix, with a greater proportion of sales generated through the Distributor, Key Accounts and Other sales channels which typically have lower sales prices than the Direct sales channel. Such channels accounted for 34.2% of revenue for the six months ended June 30, 2013 compared to 36.9% for six months ended June 30, 2012.

The marginal increase in sales volumes was primarily attributable to an increase in diffusion brand items, from 1,964 thousand units for the six months ended June 30, 2012, to 1,973 thousand units for the six months ended June 30, 2013, while luxury brand sales volumes were largely unchanged.

Italy

Italy revenue amounted to €44.9 million for the six months ended June 30, 2013, a decrease of €5.0 million, or 10.1%, from €49.9 million for the six months ended June 30, 2012, attributable to the combined effect of a €5.5 million decrease in Italy Domestic revenue, which was partially offset by a €0.5 million increase in Italy Export revenue.

Italy Domestic

Italy Domestic revenue amounted to €12.2 million for the six months ended June 30, 2013, a decrease of €5.5 million, or 30.9%, from €17.7 million for the six months ended June 30, 2012. As a percentage of total revenue, Italy Domestic revenue amounted to 10.9% for the six months ended June 30, 2013, compared to 14.6% for the six months ended June 30, 2012. The decrease in Italy Domestic revenue was attributable to the combined effect of a decrease in sales volumes and a decrease in the average price per unit. In particular, sales volumes decreased by 25.4%, from 323 thousand units in the six months ended June 30, 2012, to 241 thousand units for the six months ended June 30, 2013, primarily attributable to a decrease in luxury brand items sold, and to the underperformance of certain licenses which were particularly concentrated in Italy. During 2012, the Italian economy continued to be affected by the ongoing economic and political uncertainty, resulting in our clients buying fewer items. In addition, during December 2012, we terminated the employment of our Italian sales manager a replacement for which was ultimately appointed in September 2013. In the absence of a sales manager during this interim period, Italy Domestic sales suffered. The decrease in luxury brand items sold resulted in a change in sales mix, with a greater proportion of revenue generated through diffusion products, in particular, for the six months ended June 30, 2012, 37.1% of units sold were diffusion brand items, compared to 38.3% for the six months ended June 30, 2013. As a result of such factors, the average price per unit decreased from €54.7 for the six months ended June 30, 2012, to €50.7 for the six months ended June 30, 2013.

Italy Export

Italy Export revenue amounted to €32.7 million for the six months ended June 30, 2013, an increase of €0.5 million, or 1.4%, from €32.2 million for the six months ended June 30, 2012. As a percentage of total revenue, Italy Export revenue amounted to 29.1% for the six months ended June 30, 2013, compared to 26.5% for the six months ended June 30, 2012. The increase in Italy Export revenue was attributable to an increase in the average price per unit, which was partially offset by a decrease in sales volumes. In particular, the average price per unit increased from €47.3 for the six months ended June 30, 2012, to €48.9 for the six months ended June 30, 2013, attributable to a shift in sales mix, with a greater proportion of sales generated through luxury lines which accounted for 60.6% of Italy Export items sold for the six months ended June 30, 2012, compared to 69.1% for the six months ended June 30, 2013. The increase in average price per unit was partially offset by a 2.1% decrease in sales volumes, from 682 thousand units for the six months ended June 30, 2012, to 668 thousand units for the six months ended June 30, 2013.

France

France revenue amounted to €11.5 million for the six months ended June 30, 2013, a decrease of €0.9 million, or 7.5%, from €12.4 million for the six months ended June 30, 2012. As a percentage of total revenue, France revenue amounted to 10.3% for the six months ended June 30, 2013, compared to 10.2% for the six months ended June 30, 2012. The decrease in France revenue was driven by a decrease in sales volumes and a decrease in the average price per unit sold. In particular, the number of units sold decreased by 6.8%, from 146 thousand units for the six months ended June 30, 2012 to 136 thousand units for the six months ended June 30, 2013, largely attributable to a decrease in sales volumes of luxury brand items, resulting in a change in sales mix, with a greater proportion of revenue generated through diffusion products. In particular, for the six months ended June 30, 2012, 25.7% of units sold were diffusion brand items, compared to 27.1% for the six months ended June 30, 2013, and as a result, the average price per unit decreased from €85.2 for the six months ended June 30, 2012, to €84.6 for the six months ended June 30, 2013.

Rest of Europe

Rest of Europe revenue amounted to €16.0 million for the six months ended June 30, 2013, a decrease of €2.5 million, or 13.8% from €18.5 million for the six months ended June 30, 2012. As a percentage of total revenue, Rest of Europe revenue amounted to 14.2% for the six months ended June 30, 2013, compared to 15.3% for the six months ended June 30, 2012. The decrease in Rest of Europe revenue was primarily attributable to a decrease in sales volumes, which was only partially offset by an increase in the average price per unit. In particular, the number of units sold decreased by 15.9%, from 226 thousand units for the six months ended June 30, 2012, to 190 thousand units for the six months ended June 30, 2013. The decrease in sales volumes was partially offset by an increase in the average price per unit, from €82.0 for the six months ended June 30, 2012 to €84.0 for the six months ended June 30, 2013, as a result of the increase in the proportion of revenue generated on the sale of luxury items, from 60.5% for the six months ended June 30, 2012, to 65.7% for the six months ended June 30, 2013.

North America

North America revenue amounted to €36.7 million for the six months ended June 30, 2013, a decrease of €0.9 million, or 2.4% from €37.6 million for the six months ended June 30, 2012. As a percentage of total revenue, North America revenue amounted to 32.7% for the six months ended June 30, 2013, compared to 30.9% for the six months ended June 30, 2012. The decrease in North America revenue was attributable to a decrease in the average price per unit, which was only partially offset by an increase in sales volumes. In particular, the average price per unit decreased from €23.0 for the six months ended June 30, 2012 to €21.0 for the six months ended June 30, 2013, primarily attributable to the increase in the sales volumes of diffusion products, which have lower sales prices. The decrease in average price per unit was partially offset by an increase in sales volumes, from 1,635 thousand units for the six months ended June 30, 2012, to 1,749 thousand units for the six months ended June 30, 2013, largely driven by an increase in *Kenneth Cole* and *Timberland* brand items sold.

Rest of World

Rest of World revenue amounted to €3.2 million for the six months ended June 30, 2013, an increase of €0.2 million, or 4.8%, from €3.0 million for the six months ended June 30, 2012. As a percentage of total revenue, Rest of World revenue amounted to 2.8% for the six months ended June 30, 2013, compared to 2.5% for the six months ended June 30, 2012. The increase in Rest of World revenue was primarily attributable to an increase in sales volumes, which was partially offset by a decrease in average price per unit. In particular, sales volumes increased from 43 thousand units for the six months ended June 30, 2012, to 78 thousand units for the six months ended June 30, 2013, attributable to an increase in sales of diffusion brand items. The increase in sales volumes was partially offset by a decrease in the average price per unit from €70.2 for the six months ended June 30, 2012 to €40.5 for the six months ended June 30, 2013, driven by a shift in the sales mix, towards diffusion products, which accounted for 86.8% of items sold in the six months ended June 30, 2013, compared to 73.1% for the six months ended June 30, 2012.

Cost of sales

Cost of sales amounted to €43.4 million for the six months ended June 30, 2013, a decrease of €1.7 million, or 3.7%, from €45.1 million for the six months ended June 30, 2012. As a percentage of revenue, cost of sales amounted to 38.7% for the six months ended June 30, 2013 compared to 37.1% for the six months ended June 30, 2012. The following table sets forth an analysis of cost of sales for the periods indicated.

	Six months ended June 30,				Change	
	2012 Marcolin	% of revenue	2013 Cristallo	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Materials and finished products	27,816	22.9%	28,119	25.1%	303	−1.1%
Personnel expenses	9,240	7.6%	8,576	7.6%	(664)	−7.2%
Outsourcing	4,028	3.3%	3,323	3.0%	(705)	−17.5%
Other expenses	4,019	3.3%	3,413	3.0%	(606)	−15.1%
Total	**45,103**	**37.1%**	**43,431**	**38.7%**	**(1,672)**	**−3.7%**

The €1.7 million decrease in cost of sales was attributable to the combined effect of the following items:

- *Materials and finished products* amounted to €28.1 million for the six months ended June 30, 2013, an increase of €0.3 million, or 1.1%, from €27.8 million for the six months ended June 30, 2012. The increase in materials and finished products was primarily attributable to the combined effect of an increase in sales volumes, and an increase in the cost of the inventory sold. As a percentage of revenue, materials and finished products amounted to 25.1% for the six months ended June 30, 2013, compared to 22.9% for the six months ended June 30, 2012. The increase in materials and finished products as a percentage of revenue was primarily attributable to a decrease in revenue driven by a decrease in average price per unit.
- *Personnel expenses* relating to production amounted to €8.6 million for the six months ended June 30, 2013, a decrease of €0.6 million, or 7.2%, from €9.2 million for the six months ended June 30, 2012. As a percentage of revenue, personnel expenses were unchanged, amounting to 7.6% in the six months ended June 30, 2012 and the six months ended June 2013.
- *Outsourcing* amounted to €3.3 million for the six months ended June 30, 2013, a decrease of €0.7 million, or 17.5%, from €4.0 million for the six months ended June 30, 2012. As a percentage of revenue, outsourcing amounted to 3.0% for the six months ended June 30, 2013, compared to 3.3% for the six months ended June 30, 2012. The decrease in outsourcing was attributable to a decrease in production volumes during the six months ended June 30, 2013, as a result of which, fewer units were sent for outsourcing works.
- *Other expenses* amounted to €3.4 million for the six months ended June 30, 2013, a decrease of €0.6 million, or 15.1%, from €4.0 million for the six months ended June 30, 2012. As a percentage of revenue, other expenses amounted to 3.0% for the six months ended June 30, 2013, compared to 3.3% for the six months ended June 30, 2012. In both periods, other expenses primarily relate to transport and customs charges, and to a lesser extent, depreciation and amortization of assets associated with production activities.

Selling and marketing costs

Selling and marketing costs amounted to €49.3 million for the six months ended June 30, 2013, a decrease of €2.3 million, or 4.4%, from €51.6 million for the six months ended June 30, 2012. As a percentage of revenue, selling and marketing costs amounted to 44.0% for the six months ended June 30, 2013, compared to 42.5% for the six months ended June 30, 2012. The following table sets forth an analysis of selling and marketing costs for the periods indicated.

	Six months ended June 30,					
	2012 Marcolin (Unaudited)	% of revenue	2013 Cristallo (Unaudited)	% of revenue	Change (amount)	Change %
	(In € thousands, except percentages)					
Royalties	16,629	13.7%	14,715	13.1%	(1,914)	−11.5%
Of which VRA	*13,341*	*11.0%*	*12,329*	*11.0%*	*(1,012)*	*−7.6%*
Of which MAG	*3,288*	*2.7%*	*2,386*	*2.1%*	*(902)*	*−27.4%*
Personnel expenses	14,228	11.7%	14,808	13.2%	580	4.1%
Advertising and PR	9,207	7.6%	8,921	7.9%	(286)	−3.1%
Commissions	3,983	3.3%	3,374	3.0%	(609)	−15.3%
Other costs	7,585	6.2%	7,522	6.7%	(63)	−0.8%
Total	**51,632**	**42.5%**	**49,340**	**44.0%**	**(2,292)**	**−4.4%**

The €2.3 million decrease in selling and marketing costs was primarily attributable to the combination of the following items:

- *Royalties* amounted to €14.7 million for the six months ended June 30, 2013, a decrease of €1.9 million, or 11.5%, from €16.6 million for the six months ended June 30, 2012. As a percentage of revenue, royalties amounted to 13.1% for the six months ended June 30, 2013, compared to 13.7% for the six months ended June 30, 2012. The decrease in royalties was attributable to the combination of a decrease in VRA royalties and a decrease in MAG royalties. In particular, VRA royalties decreased by €1.0 million, attributable to the decrease in revenue, as a percentage of which VRA royalties were unchanged, amounting to 11.0% for both periods. MAG royalties

decreased by €0.9 million attributable to the renegotiation of the TOD'S license agreement, with lower MAG thresholds and the conversion of the Hogan license agreement into a supply agreement. See ''*—Key Factors Affecting Our Financial Condition and Results of Operations—License Agreements—Payments related to licenses*.''

- *Personnel expenses* for sales and marketing amounted to €14.8 million for the six months ended June 30, 2013, an increase of €0.6 million, or 4.1%, from €14.2 million for the six months ended June 30, 2012. As a percentage of revenue, personnel expenses amounted to 13.2% for the six months ended June 30, 2013, compared to 11.7% for the six months ended June 30, 2012. The increase in personnel expenses was primarily attributable to termination expenses paid to employees during 2013. See ''*—Key Factors Affecting Our Financial Condition and Results of Operations—Changes in management team composition*.''
- *Advertising and PR* amounted to €8.9 million for the six months ended June 30, 2013, a decrease of €0.3 million, or 3.1%, from €9.2 million for the six months ended June 30, 2012. As a percentage of revenue, advertising and PR was relatively unchanged, amounted to 7.9% for the six months ended June 30, 2013, compared to 7.6% for the six months ended June 30, 2012.
- *Commissions* amounted to €3.4 million for the six months ended June 30, 2013, a decrease of €0.6 million, or 15.3%, from €4.0 million for the six months ended June 30, 2012. As a percentage of revenue, commissions amounted to 3.0% for the six months ended June 30, 2013, compared to 3.3% for the six months ended June 30, 2012. The decrease in commissions is primarily attributable to a change in sales channel mix, with a greater percentage of sales from the Distributor and Key Accounts channels, on which we do not pay a commission. In particular, for the six months ended June 30, 2013, 62.1% of our revenues were generated through direct sales, on which we pay incur, compared to 65.8% for the six months ended June 30, 2012.

General and administrative expenses

General and administrative expenses amounted to €10.8 million for the six months ended June 30, 2013, an increase of €2.5 million, or 29.6%, from €8.3 million for the six months ended June 30, 2012. As a percentage of revenue, general and administrative expenses amounted to 9.6% for the six months ended June 30, 2013, compared to 6.8% for the six months ended June 30, 2012. The increase in general and administrative expenses, both in absolute terms and as a percentage of revenue was primarily attributable to a €1.0 million increase in other costs, primarily related to expenses incurred by Cristallo relating to the acquisition of the Issuer. In addition, personnel expenses increased by €0.9 million in part attributable to termination benefits paid during 2013 to executives, and amortization and depreciation increased by €0.6 million attributable to an increase in intangible assets amortization, related to the TOD'S license renegotiation from December 2012.

Other operating income and expenses

Other operating income and expenses amounted to net income of €1.2 million for the six months ended June 30, 2013, a decrease of €0.5 million, or 31.6%, from €1.7 million for the six months ended June 30, 2012. In the six months ended June 30, 2012 certain provisions recognized in prior periods relating to receivables which management had determined would not be completely recoverable were reversed on recovery of such receivables resulting in an increase in other operating income.

Finance income and costs

Finance income and costs amounted to a net cost of €5.4 million for the six months ended June 30, 2013, an increase of €4.2 million, from a net cost of €1.2 million for the six months ended June 30, 2012. The increase in finance costs was primarily driven by the increase in the average borrowings of the Cristallo Group during the six months ended June 30, 2013, as compared to the average borrowings of the Marcolin Group for the six months ended June 30, 2012. In particular, in order to finance part of the acquisition of the Issuer, Cristallo obtained credit facilities totaling €55.0 million on December 5, 2012.

Income tax expense

Income tax expense amounted to €2.9 million for the six months ended June 30, 2013, a decrease of €1.8 million or 39.4% from €4.7 million for the six months ended June 30, 2012. Such decrease was

primarily attributable to the decrease in profit before tax. The table below sets forth an analysis of income tax expense for the periods indicated.

	Six months ended June 30,	
	2012 Marcolin (Unaudited)	2013 Cristallo (Unaudited)
	(In € thousands, except percentages)	
Total tax	(4,737)	(2,869)
Profit before tax	17,358	4,458
Effective Tax Rate	**27.3%**	**64.4%**

The effective tax rate was 64.4% for the six months ended June 30, 2013, compared to 27.3% for the six months ended June 30, 2012. The increase in the effective tax rate was primarily attributable to the results of Cristallo. For the six months ended June 30, 2012, the effective tax rate was reduced by the recognition of tax losses carried forward primarily relating to Marcolin France, which were not recognized in 2013. In addition, the decrease in our profit before tax for the six months ended June 30, 2013, was not matched by a proportionate decrease in income tax expense attributable to the structure of the Italian income tax system.

Net profit for the period

Net profit amounted to €1.6 million for the six months ended June 30, 2013, a decrease of €11.0 million, or 87.4%, from €12.6 million for the six months ended June 30, 2012.

Group Comparison of the Years Ended December 31, 2010, 2011 and 2012

	Year ended December 31,						% change	
	2010 Marcolin	% of revenue	2011 Marcolin	% of revenue	2012 Marcolin	% of revenue	2010-2011	2011-2012
	(€ in thousands, except percentages)							
Revenue	205,651	100.0%	224,124	100.0%	213,963	100.0%	9.0%	−4.5%
Cost of sales	(79,033)	38.4%	(81,736)	36.5%	(82,313)	38.5%	3.4%	0.7%
Gross profit	**126,618**	**61.6%**	**142,388**	**63.5%**	**131,650**	**61.5%**	**12.5%**	**−7.5%**
Selling and marketing costs	(88,069)	42.8%	(97,497)	43.5%	(98,558)	46.1%	10.7%	1.1%
General and administrative expenses	(16,580)	8.1%	(18,748)	8.4%	(16,853)	7.9%	13.1%	−10.1%
Other operating income	3,762	1.8%	3,401	1.5%	3,998	1.9%	−9.6%	17.6%
Other operating expenses	(721)	0.4%	(128)	0.1%	(9,243)	4.3%	−82.2%	n.a.
Effects of accounting for associates	(59)	0.0%	(527)	0.2%	(11)	0.0%	793.2%	−97.9%
Operating profit	**24,951**	**12.1%**	**28,889**	**12.9%**	**10,983**	**5.1%**	**15.8%**	**−62.0%**
Financial income	2,672	1.3%	2,955	1.3%	2,072	1.0%	10.6%	−29.9%
Finance costs	(4,468)	2.2%	(4,700)	2.1%	(3,953)	1.8%	5.2%	−15.9%
Profit before taxes	**23,155**	**11.3%**	**27,144**	**12.1%**	**9,102**	**4.3%**	**17.2%**	**−66.5%**
Income tax expense	(4,547)	2.2%	(6,165)	2.8%	(3,124)	1.5%	35.6%	−49.3%
Net profit for the year	**18,608**	**9.0%**	**20,979**	**9.4%**	**5,978**	**2.8%**	**12.7%**	**−71.5%**

Group Comparison of the Years Ended December 31, 2011 and 2012

Revenue

The following tables set forth an analysis of our revenue by product type, brand type and geographical segment for the periods indicated.

	Year ended December 31,				Change	
	2011 Marcolin	% of total	2012 Marcolin	% of total	(amount)	%
	(In € thousands, except percentages)					
Sunglasses	139,012	62.0%	128,114	59.9%	(10,898)	−7.8%
Prescription frames	90,148	40.2%	88,989	41.6%	(1,159)	−1.3%
Other[1]	(5,036)	−2.2%	(3,140)	−1.5%	1,896	−37.6%
Total	**224,124**	**100.0%**	**213,963**	**100.0%**	**(10,161)**	**−4.5%**

(1) Other primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

	Year ended December 31,				Change	
	2011 Marcolin	% of total	2012 Marcolin	% of total	(amount)	%
	(In € thousands, except percentages)					
Luxury brands	172,678	77.0%	160,691	75.1%	(11,987)	−6.9%
Diffusion brands	56,482	25.2%	56,412	26.4%	(70)	−0.1%
Other[1]	(5,036)	−2.2%	(3,140)	−1.5%	1,896	−37.6%
Total	**224,124**	**100.0%**	**213,963**	**100.0%**	**(10,161)**	**−4.5%**

(1) Other primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

	Year ended December 31,				Change	
	2011 Marcolin	% of revenue	2012 Marcolin	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Italy	99,541	44.4%	87,470	40.9%	(12,071)	−12.1%
Of which Italy Domestic	*38,009*	*17.0%*	*28,351*	*13.3%*	*(9,658)*	*−25.4%*
Of which Italy Export	*61,532*	*27.4%*	*59,119*	*27.6%*	*(2,413)*	*−3.9%*
France	22,562	10.1%	21,026	9.8%	(1,536)	−6.8%
Rest of Europe	36,258	16.2%	29,862	14.0%	(6,396)	−17.6%
North America	57,718	25.7%	66,320	31.0%	8,602	14.9%
Rest of World	8,045	3.6%	9,285	4.3%	1,240	15.4%
Total	**224,124**	**100.0%**	**213,963**	**100.0%**	**(10,161)**	**−4.5%**

Revenue amounted to €214.0 million in 2012, a decrease of €10.2 million, or 4.5%, from €224.1 million in 2011. The decrease in revenue was primarily attributable to a decrease in units sold, from 5,818 thousand in 2011, to 5,408 thousand in 2012, which was partially offset by an increase in average price per unit, from €38.5 in 2011 to €39.6 in 2012.

The decrease in sales volumes was mainly attributable to a decrease in sunglasses units sold, which decreased by 10.6%, from 3,879 thousand units in 2011, to 3,468 thousand units in 2012, while prescription frame sales were largely unchanged, amounting to 1,939 thousand in 2011 compared to 1,940 thousand in 2012. The decrease in the volume of sunglasses sales, resulted in a decrease in the proportion of sales volumes generated through sunglasses, from 66.7% in 2011 to 64.1% in 2012. Such shift in sales mix resulted in an increase in the average price per unit, as prescription frames have a higher average price per unit. In 2012, the average price per unit of prescription frames was €45.9 compared to €36.9 for sunglasses.

The €10.2 million decrease in revenue can be attributed to a 6.9% decrease in luxury brand revenue, from €172.7 million in 2011, to €160.7 million in 2012, driven by a 8.0% decrease in the number of luxury units sold, from 2,141 thousand in 2011 to 1,970 thousand in 2012, primarily attributable to the Italy Export, Rest of Europe and Rest of World segments, which continued to be affected by the economic uncertainties in their respective markets. The decrease in sales volumes was in part offset by an increase

in the average price per unit of luxury prescription frames, from €73.7 in 2011, to €76.6 in 2012, while the average price per unit of luxury sunglasses was unchanged, amounting to €84.7 in both 2012 and 2011. Sales of diffusion brand units were largely unchanged from 2011 to 2012.

Italy

Italy revenue amounted to €87.5 million in 2012, a decrease of €12.0 million, or 12.1% from €99.5 million in 2011. Such decrease was attributable to the combined effect of a €9.7 million decrease in Italy Domestic revenue, and a €2.4 million decrease in Italy Export revenue.

Italy Domestic

Italy Domestic revenue amounted to €28.3 million in 2012, a decrease of €9.7 million, or 25.4% from €38.0 million in 2011. As a percentage of total revenue, domestic revenue amounted to 13.3% in 2012, compared to 17.0% in 2011. The decrease in Italy Domestic revenue was primarily attributable to a decrease in sales volumes, which was only partially offset by an increase in the average price per unit. Sales volumes decreased by 28.9%, from 750 thousand units in 2011 to 533 thousand units in 2012, largely as a result of the on-going economic uncertainty which has affected the Italian economy, causing our clients to buy less inventory in response to the decrease in consumer spending. The decrease in the number of units sold was partially offset by an increase in the average price per unit, from €50.7 in 2011, to €53.1 in 2012, attributable to a shift in sales mix, with a greater percentage of Italy Domestic sales generated through luxury brand items. In particular, in 2012, 62.8% of the units sold were luxury brand items, compared to 61.3% for 2011. The decrease in sales volumes resulted in an build up in inventory as of December 31, 2012 which was addressed in the six months ended June 30, 2013, as management focused efforts on working capital management. See ''*Liquidity—Working Capital*'' for more information.

Italy Export

Italy Export revenue amounted to €59.1 million in 2012, a decrease of €2.4 million, or 3.9%, from €61.5 million in 2011. As a percentage of total revenue, Italy Export revenue amounted to 27.6% in 2012, compared to 27.4% in 2011. The decrease in Italy Export revenue was primarily attributable to a decrease in the average price per unit, which was only partially offset by a an increase in sales volumes. In particular, the average price per unit decreased from €51.2 in 2011 to €47.7 in 2012, driven by an increase in the proportion of items sold from the diffusion collections, which have a lower average price per unit. In 2011, 32.4% of units sold were diffusion brand items, compared to 34.3% in 2012. The decrease in average price per unit was partially offset by a 2.5% increase in units sold, from 1,201 thousand units in 2011, to 1,239 thousand units in 2012, driven by strong performance of the Asian markets.

France

France revenue amounted to €21.0 million in 2012, a decrease of €1.6 million, or 6.8% from €22.6 million in 2011. As a percentage of total revenue, France revenue amounted to 9.8% in 2012, compared to 10.1% in 2011. The decrease in France revenue was driven by a 6.9% decrease in the number of units sold, from 261 thousand units in 2011 to 243 thousand units in 2012, as retailers order less units in response to the softness in the markets. Average price per unit was substantially unchanged, amounting to €86.5 in 2012, compared to €86.6 in 2011.

Rest of Europe

Rest of Europe revenue amounted to €29.9 million in 2012, a decrease of €6.4 million, or 17.6% from €36.3 million in 2011. As a percentage of total revenue, Rest of Europe revenue amounted to 14.0% in 2012, compared to 16.2% in 2011. The decrease in Rest of Europe revenue was driven by a decrease in sales volumes and a decrease in the average price per unit. In particular, sales volumes decreased from 439 thousand units in 2011, to 365 thousand units in 2012, as clients in the Rest of Europe segment continued to be affected by the on-going economic uncertainties in the respective markets. The average price per unit of the Rest of Europe segment decreased, from €82.7 in 2011, to €81.9 in 2012, reflecting a shift in sales mix, with a greater proportion of sales generated through the diffusion brands. In 2012, 61.3% of units sold were luxury brand items, compared to 65.3% in 2011.

North America

North America revenue amounted to €66.3 million in 2012, an increase of €8.6 million, or 14.9% from €57.7 million in 2011. As a percentage of total revenue, North America revenue amounted to 31.0% in 2012, compared to 25.7% in 2011. The increase in the North America segment revenue was related to an increase in the average price per unit which was only partially offset by a decrease in sales volume. In particular, the average price per unit increased from €19.2 in 2011, to €23.5 in 2012 primarily due to a shift in sales mix towards luxury products, in particular, in 2012, 13.7% of products sold related to luxury brands, compared to 11.8% in 2011. The increase in the average price per unit was partially offset by a decrease in the number of units sold, from 3,005 thousand units in 2011, to 2,823 thousand units in 2012.

Rest of World

Rest of World revenue amounted to €9.3 million in 2012, an increase of €1.3 million, or 15.4% from €8.0 million in 2011. As a percentage of total revenue, Rest of World revenue amounted to 4.3% in 2012, compared to 3.6% in 2011. The increase in Rest of World revenue has been driven by an increase in sales volumes in Brazil and Hong Kong, which was only partially offset by a decrease in the average price per unit. In particular, the number of units sold increased from 162 thousand units in 2011, to 205 thousand in 2012. The increase in the number of units sold was only partially offset by a decrease in average price per unit, from €49.6 in 2011, to €45.2 in 2012, driven by a shift in the sales mix, with a greater proportion of sales generated through the diffusion brands. In 2012, 85.2% of units sold were diffusion brand items, compared to 83.6% in 2011.

Cost of sales

Cost of sales amounted to €82.3 million in 2012, an increase of €0.6 million, or 0.7%, from €81.7 million in 2011. As a percentage of revenue, cost of sales amounted to 38.5% in 2012, compared to 36.5% in 2011. The following table sets forth an analysis of cost of sales for the periods indicated.

	Year ended December 31,				Change	
	2011 Marcolin	% of revenue	2012 Marcolin	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Materials and finished products	48,697	21.7%	49,463	23.1%	766	1.6%
Personnel expenses	16,800	7.5%	17,712	8.3%	912	5.4%
Outsourcing	8,602	3.8%	7,249	3.4%	(1,353)	−15.7%
Other expenses	7,637	3.4%	7,889	3.7%	252	3.3%
Total	**81,736**	**36.5%**	**82,313**	**38.5%**	**577**	**0.7%**

The increase in cost of sales was attributable to the combined effect of the following items:

- *Materials and finished products* amounted to €49.5 million in 2012, an increase of €0.8 million, or 1.6%, from €48.7 million in 2011. As a percentage of revenue, materials and finished products amounted to 23.1% in 2012, compared to 21.7% in 2011, largely attributable to an increase in the volume of purchases of finished products by M-USA and Marcolin S.p.A. primarily related to the acquisition of finished Diesel products from our suppliers in China, the first collections of which were launched to the market in late 2011.
- *Personnel expenses* relating to production amounted to €17.7 million in 2012, an increase of €0.9 million, or 5.4%, from €16.8 million in 2011. As a percentage of revenue, personnel expenses amounted to 8.3% in 2012, compared to 7.5% in 2011. The increase in personnel expenses was primarily attributable to an increase in production personnel relating to the creation of a second product development division in Italy at the start of the year, required to manage the growing license portfolio.
- *Outsourcing* amounted to €7.2 million in 2012, a decrease of €1.4 million, or 15.7%, from €8.6 million in 2011. As a percentage of revenue, outsourcing amounted to 3.4% in 2012 compared to 3.8% in 2011. During 2012, production rates were reduced, reflecting the decrease in sales volumes. As production rates decreased, to make best use of our resources available, certain parts and processes outsourced during 2011 were transferred in house resulting in a decrease in outsourcing expenses. In particular, during 2011, 10.1 million components were outsourced, compared to 8.4 million components in 2012.

Selling and marketing costs

Selling and marketing costs amounted to €98.6 million in 2012, an increase of €1.1 million, or 1.1%, from €97.5 million, in 2011. As a percentage of revenue, selling and marketing costs amounted to 46.1% in 2012, compared to 43.5% in 2011. The following table sets forth an analysis of selling and marketing costs for the periods indicated.

	Year ended December 31,				Change	
	2011 Marcolin	% of revenue	2012 Marcolin	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Royalties	32,418	14.5%	32,245	15.1%	(173)	−0.5%
Of which VRA	*24,652*	*11.0%*	*23,216*	*10.9%*	*(1,436)*	*−5.8%*
Of which MAG	*7,766*	*3.5%*	*9,029*	*4.2%*	*1,263*	*16.3%*
Personnel expenses	26,042	11.6%	26,674	12.5%	632	2.4%
Advertising and PR	15,091	6.7%	17,610	8.2%	2,519	16.7%
Commissions	8,674	3.9%	7,058	3.3%	(1,616)	−18.6%
Other costs	15,272	6.8%	14,971	7.0%	(300)	−2.0%
Total	**97,497**	**43.5%**	**98,558**	**46.1%**	**1,062**	**1.1%**

The €1.1 million increase in selling and marketing costs was primarily attributable to the combination of the following items:

- *Royalties* amounted to €32.2 million in 2012, a decrease of €0.2 million, or 0.5%, from €32.4 million in 2011. As a percentage of revenue, royalties amounted to 15.1% in 2012, compared to 14.5% in 2011. The decrease in royalties was primarily attributable to a decrease in revenue. VRA royalties decreased by €1.4 million, however as a percentage of revenue remained stable at 10.9% in 2012, compared to 11.0% in 2011. MAG royalties amounted to €9.0 million in 2012, compared to €7.8 million in 2011, the increase was in part as a result of not achieving the minimum guaranteed volumes on certain licenses. Part of the increase in MAG royalties was due to the Hogan and TOD'S licenses, which at the end of 2012 were converted into a supply agreement and amended and extended respectively. (See ''*—Key Factors Affecting Our Financial Condition and Results of Operations.*'').
- *Personnel expenses* relating to selling and marketing amounted to €26.6 million in 2012, an increase of €0.6 million, or 2.4%, from €26.0 million in 2011. The increase in personnel expenses was primarily attributable to annual salary increases applied. As a percentage of revenue, personnel expenses amounted to 12.5% in 2012, compared to 11.6% in 2011, attributable to the previously described decrease in revenue.
- *Advertising and PR* amounted to €17.6 million in 2012, an increase of €2.5 million, or 16.7%, from €15.1 million in 2011. As a percentage of revenue, advertising and PR expenses amounted to 8.2% in 2012, compared to 6.7% in 2011. The increase in advertising and PR expenses was primarily as a result of advertising investments made in 2012, in excess of the contractual minimums, with a view to mitigate the effects of the softness in consumer demand, particularly with respect to the European markets.
- *Commissions* amounted to €7.1 million in 2012, a decrease of €1.6 million, or 18.6%, from, €8.7 million in 2011. As a percentage of revenue, commissions amounted to 3.3% in 2012 compared to 3.9% in 2011. Commissions are charged on sales made through our Direct sales channels. The decrease in commissions was primarily attributable to a change in sales channel mix, with a greater percentage of sales from the Distributor and Key Accounts sales channels, on which we do not pay a commission. In particular, in 2012, 63.5% of our revenue was generated through the Direct channel, compared to 65.7% in 2011. In addition, during 2012, there was a decrease in the sale of certain luxury collections, which carry a higher commission than the diffusion collections.

General and administrative expenses

General and administrative expenses amounted to €16.9 million in 2012, a decrease of €1.8 million, or 10.1%, from €18.7 million in 2011. As a percentage of revenue, general and administrative expenses amounted to 7.9% in 2012, compared to 8.4% in 2011. The €1.8 million decrease in general and administrative expenses was primarily attributable to the expense of €1.7 million recognized in 2011,

from the stock options offered to directors which vested and were exercised in 2011. The stock option plan was discontinued following the acquisition of Marcolin by Cristallo.

Other operating income and expenses

Other operating income and expenses amounted to a net expense of €5.2 million in 2012, compared to net income of €3.3 million in 2011. The €8.5 million increase in other operating expenses was primarily attributable to the €8.9 million early termination fee resulting from the renegotiation of the *TOD'S* and *Hogan* licenses in 2012. (See ''*—Key Factors Affecting Our Financial Condition and Results of Operations*'').

Financial income and costs

Financial income and costs amounted to a net cost of €1.9 million in 2012, an increase of €0.2 million, or 11.8%, from a net cost of €1.7 million in 2011, such increase was attributable to the combination of the following items.

- Interest expense amounted to €1.9 million in 2012, an increase of €0.4 million , from €1.5 million in 2011. The increase in interest expense was mainly related to the annual update of the severance indemnity provision, due to reduced interest rates.
- Net currency exchange gains amounted to €0.5 million in 2012, an increase of €0.3 million, from €0.2 million in 2011, primarily attributable to the combination of the increase in the value of U.S. dollar denominated purchases of finished goods and favorable fluctuations in foreign exchange rates.

Income tax expense

Income tax expense amounted to €3.1 million in 2012, a decrease of €3.1 million or 49.3% from €6.2 million in 2011. Such decrease was primarily attributable to the decrease in profit before tax. The table below sets forth an analysis of income tax expense for the periods indicated.

	Year ended December 31,	
	2011 Marcolin	2012 Marcolin
	(€ in thousands, except percentages)	
Total tax	(6,165)	(3,124)
Profit before tax	27,144	9,102
Effective tax rate	**22.7%**	**34.3%**

The effective tax rate was 34.3% in 2012, compared to 22.7% in 2011. The increase in the effective tax rate was as a result of the decrease in the use of previously unrecognized tax losses, which amounted to €0.5 million in 2012, compared to €3.4 million in 2011.

Net profit for the year

Net profit amounted to €6.0 million in 2012, a decrease of €15.0 million, or 71.5%, from €21.0 million in 2011.

Group Comparison of the Years Ended December 31, 2010 and 2011

Revenue

The following tables set forth an analysis of our revenue by product type, brand type and geographical segment for the periods indicated.

	Year ended December 31,				Change	
	2010 Marcolin	% of total	2011 Marcolin	% of total	(amount)	%
	(In € thousands, except percentages)					
Sunglasses	134,319	65.3%	139,012	62.0%	4,693	3.5%
Prescription frames	75,834	36.9%	90,148	40.2%	14,314	18.9%
Other[1]	(4,502)	−2.2%	(5,036)	−2.2%	(534)	11.9%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**18,473**	**9.0%**

(1) Other primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

	Year ended December 31,				Change	
	2010 Marcolin	% of total	2011 Marcolin	% of total	(amount)	%
	(In € thousands, except percentages)					
Luxury brands	148,525	72.2%	172,678	77.0%	24,153	16.3%
Diffusion brands	61,628	30.0%	56,482	25.2%	(5,146)	−8.4%
Other[1]	(4,502)	−2.2%	(5,036)	−2.2%	(534)	11.9%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**18,473**	**9.0%**

(1) Other primarily relates to unallocated end of period adjustments for discounts and to a lesser extent returns.

	Year ended December 31,				Change	
	2010 Marcolin	% of revenue	2011 Marcolin	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Italy	88,294	43.0%	99,541	44.4%	11,247	12.7%
Of which Italy Domestic	*42,263*	*20.6%*	*38,009*	*17.0%*	(4,254)	*−10.1%*
Of which Italy Export	*46,031*	*22.4%*	*61,532*	*27.4%*	15,501	*33.7%*
France	*21,854*	*10.6%*	*22,562*	*10.1%*	*708*	*3.2%*
Rest of Europe	*35,631*	*17.3%*	*36,258*	*16.2%*	*627*	*1.8%*
North America	*52,782*	*25.7%*	*57,718*	*25.7%*	*4,936*	*9.4%*
Rest of World	*7,090*	*3.4%*	*8,045*	*3.6%*	*955*	*13.5%*
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**18,473**	**9.0%**

Revenue amounted to €224.1 million in 2011, an increase of €18.5 million, or 9.0%, from €205.7 million in 2010. The increase in revenue was attributable to an increase in the average price per unit, from €36.0 in 2010, to €38.5 in 2011, and an increase in sales volume.

Revenue generated through prescription frames increased by 18.9%, from €75.8 million in 2010, to €90.1 million in 2011. Such increase was due to an increase in the average price per unit of prescription frames, which amounted to €39.6 in 2010, compared to €46.5 in 2011, largely attributable to an increase in luxury brand prescription frames sold, with Swarovski collections launched in the final months of 2010 performing particularly strongly.

Luxury brand revenue increased by 16.3%, from €148.5 million in 2010, to €172.7 million in 2011, driven by an increase in sales volume. In particular, in 2010 1,838 thousand luxury units were sold, compared to 2,141 thousand units in 2011. Such increase was attributable to strong performance of the newly launched Swarovski collections, and increases in sales of Tom Ford and TOD'S collections in 2011 compared to 2010.

Italy

Italy revenue amounted to €99.5 million in 2011, an increase of €11.2 million, or 12.7% from €88.3 million in 2010, attributable to the combined effect of a €15.5 million increase in Italy Export revenue, which was partially offset by a €4.3 million decrease in Italy Domestic revenue.

Italy Domestic

Italy Domestic revenue amounted to €38.0 million in 2011, a decrease of €4.3 million, or 10.1% from €42.3 million in 2010. As a percentage of total revenue, Italy Domestic revenue amounted to 17.0% in 2011, compared to 20.6% in 2010. The decrease in Italy Domestic revenue was primarily attributable to a decrease in sales volumes largely as a result of the on-going economic uncertainty which has affected the Italian economy, resulting in our clients buying less inventory in response to the postponement of consumer spending. In particular, sales volumes amounted to 750 thousand units in 2011, compared to 876 thousand units in 2010. Such decrease was partially offset by an increase in average price per unit, from €48.2 in 2010, to €50.7 in 2011, attributable to a shift in sales mix, with a greater proportion of sales generated through luxury items. In particular, in 2010, 54.6% of units sold were luxury line items, compared to 61.3% in 2011. Such shift in sales mix was attributable to the combined effect of a strong performance from certain luxury lines, including Tom Ford, and the newly launched Swarovski collections, and a 27.1% decrease in the number of diffusion units sold.

Italy Export

Italy Export revenue amounted to €61.5 million in 2011, an increase of €15.5 million, or 33.7% from €46.0 million in 2010. As a percentage of total revenue, Italy Export revenue amounted to 27.4% in 2011, compared to 22.4% in 2010. The increase in Italy Export revenue was primarily attributable to an increase in the sales volumes of both brand types, in particular, sales volumes of luxury brand items increased from 632 thousand units in 2010, to 850 thousand units in 2011, whilst diffusion sales volumes increased from 298 thousand units to 351 thousand units over the same period. The larger increase in luxury brand sales volumes resulted in a shift in sales mix, as a result of which, 70.7% of 2011 Italy Export sales were luxury items, compared to 67.9% in 2010. Such shift resulted in an increase in the average price per unit, from €49.5 in 2010 to €51.2 in 2011.

France

France revenue amounted to €22.6 million in 2011, an increase of €0.7 million, or 3.2% from €21.9 million in 2010. As a percentage of total revenue, France revenue amounted to 10.1% in 2011, compared to 10.6% in 2010. The increase in France revenue was driven by an increase in the average price per unit, which was partially offset by a decrease in sales volumes. In particular, the average price per unit increased from €83.0 in 2010, to €86.6 in 2011, attributable to an increase in the proportion of sales generated through the luxury products. In 2011, 79.5% of units sold were luxury brand items, compared to 68.0% for 2010, driven primarily by the strong performance of the newly launched Swarovski collections and the growth of Tom Ford and TOD'S brands. The increase in average price per unit was partially offset by a decrease in units sold, which amounted to 263 thousand units in 2010, compared to 261 thousand units in 2011.

Rest of Europe

Rest of Europe revenue amounted to €36.3 million in 2011, an increase of €0.7 million, or 1.8% from €35.6 million in 2010. As a percentage of total revenue, Rest of Europe revenue amounted to 16.2% in 2011, compared to 17.3% in 2010. The increase in Rest of Europe revenue was attributable to an increase in the average price per unit sold, which was in part offset by a decrease in sales volumes. In particular, the average price per unit amounted to €82.7 in 2011, compared to €78.6 in 2010, driven by an increase in the proportion of sales generated through the luxury brands. The increase in average price per unit was partially offset by a decrease in units sold, from 453 thousand units in 2010, to 439 thousand units in 2011.

North America

North America revenue amounted to €57.7 million in 2011, an increase of €4.9 million, or 9.4% from €52.8 million in 2010. As a percentage of total revenue, North America revenue amounted to 25.7% both in 2011 and 2010. The increase in North America revenue was driven by an increase in the average price

per unit, which was partly offset by a decrease in sales volumes. In particular, the average price per unit amounted to €19.2 in 2011, compared to €16.8 in 2010, driven by an increase in the proportion of revenue generated through the luxury brands. In 2010, 9.8% of North America items sold were luxury brand items, compared to 11.8% in 2011. The increase in average price per unit was partially offset by a decrease in the number of units sold, from 3,149 thousand units in 2010, to 3,005 units in 2011.

Rest of World

Rest of World revenue amounted to €8.0 million in 2011, an increase of €0.9 million, or 13.5% from €7.1 million in 2010. As a percentage of total revenue, Rest of World revenue amounted to 3.6% in 2011, compared to 3.4% in 2010. The increase in Rest of World revenue was primarily driven by an increase in the number of units sold, from 34 thousand units in 2010, to 162 thousand units in 2011. The increase in rest of world revenue has been supported by the expansion of our Asian and Brazilian operations, as part of our strategic plan to expand our presence in these emerging markets.

Cost of sales

Cost of sales amounted to €81.7 million in 2011, an increase of €2.7 million, or 3.4%, from €79.0 million in 2010. As a percentage of revenue, cost of sales amounted to 36.5% in 2011, compared to 38.4% in 2010. The following table sets forth an analysis of cost of sales for the periods indicated.

	Year ended December 31,				Change	
	2010 Marcolin	% of revenue	2011 Marcolin	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Materials and finished products	48,299	23.5%	48,697	21.7%	398	0.8%
Personnel expenses	15,965	7.8%	16,800	7.5%	835	5.2%
Outsourcing	6,878	3.3%	8,602	3.8%	1,724	25.1%
Other expenses	7,890	3.8%	7,637	3.4%	(253)	−3.2%
Total	**79,032**	**38.4%**	**81,736**	**36.5%**	**2,704**	**3.4%**

The increase in cost of sales was attributable to the combined effect of the following items:

- *Materials and finished products* amounted to €48.7 million in 2011, an increase of €0.4 million, or 0.8%, from €48.3 million in 2010. As a percentage of revenue, purchases of materials and finished products amounted to 21.7% in 2011, compared to 23.5% in 2010. The increase in materials and finished products was primarily attributable to an increase in production to support the 2.0% increase in sales volumes which was partially offset by a reduction in average costs resulting from the renegotiation of supplier contracts. In particular, during 2011, we performed a review of our supplier arrangements, reducing the number of suppliers and in doing so increasing our bargaining power obtaining cost reductions.
- *Personnel expenses* related to production amounted to €16.8 million in 2011, an increase of €0.8 million, or 5.2%, from €16.0 million in 2010. As a percentage of revenue, personnel expenses amounted to 7.5% in 2011, compared to 7.8% in 2010. The increase in personnel expenses was primarily attributable to a 4.6% increase in the headcount of personnel involved in production activities, from 393 as of December 31, 2010, to 411 as of December 31, 2011.
- *Outsourcing* amounted to €8.6 million in 2011, an increase of €1.7 million, or 25.1%, from €6.9 million in 2010. As a percentage of revenue, outsourcing amounted to 3.8% in 2011, compared to 3.3% in 2010. Such increase was a result of the increase in the rate of production, to support the previously described increase in sales volumes, as a result of which, production rates increased, and in order to make best use of our internal manufacturing facilities, certain parts and processes were outsourced, resulting in an increase in outsourcing expenses.
- *Other expenses* amounted to €7.6 million in 2011, a decrease of €0.3 million, or 3.2%, from €7.9 million in 2010. As a percentage of revenue, other expenses amounted to 3.4% for 2011, compared to 3.8% for 2010. In both periods, other expenses primarily relate to transport and customs charges, and to a lesser extent, depreciation and amortization of assets associated with production activities.

Selling and marketing costs

Selling and marketing costs amounted to €97.5 million in 2011, an increase of €9.4 million, or 10.7%, from €88.1 million in 2010. As a percentage of revenue, selling and marketing costs amounted to 43.5% in 2011, compared to 42.8% in 2010. The following table sets forth an analysis of selling and marketing costs for the periods indicated.

	Year ended December 31,					
	2010 Marcolin	% of revenue	2011 Marcolin	% of revenue	(amount)	%
	(€ in thousands, except percentages)					
Royalties	26,477	12.9%	32,418	14.5%	5,941	22.4%
Of which VRA	*22,900*	*11.1%*	*24,652*	*11.0%*	*1,752*	*7.7%*
Of which MAG	*3,577*	*1.7%*	*7,766*	*3.5%*	*4,189*	*117.1%*
Personnel expenses	24,712	12.0%	26,042	11.6%	1,330	5.4%
Advertising and PR	13,850	6.7%	15,091	6.7%	1,241	9.0%
Commissions	8,866	4.3%	8,674	3.9%	(192)	−2.2%
Other costs	14,164	6.9%	15,272	6.8%	1,108	7.8%
Total	**88,069**	**42.8%**	**97,497**	**43.5%**	**9,428**	**10.7%**

The increase in selling and marketing costs of €9.4 million was attributable to the combination of the following items.

- *Royalties* amounted to €32.4 million in 2011, an increase of €5.9 million, or 22.4%, from €26.5 million in 2010. As a percentage of revenue, royalties amounted to 14.5% in 2011, compared to 12.9% in 2010. The increase in royalties was attributable to the combined effect of the €4.2 million increase in MAG royalties, and the €1.7 million increase in VRA royalties. The increase in VRA royalties was driven by the increase in revenue, as a percentage of which, VRA royalties were largely unchanged, amounting to €11.0% in 2011, compared to 11.1% in 2010. MAG royalties increased as a result of the annual increase in the minimum sales volumes established in specific license agreements, some of which were not achieved.
- *Personnel expenses* related to selling and marketing amounted to €26.0 million in 2011, an increase of €1.3 million, or 5.4%, from €24.7 million in 2010. As a percentage of revenue, personnel expenses amounted to 11.6% in 2011, compared to 12.0% in 2010. During the summer of 2010, we inaugurated the new logistics and production center at Longarone, as a result of which we were able to decommission the legacy facility at Vallesella, and in doing so, reduce the headcount of the logistics achieving cost savings.
- *Advertising and PR* expenses amounted to €15.1 million in 2011, an increase of €1.2 million, or 9.0%, from €13.9 million in 2010. As a percentage of revenue, advertising and PR amounted to 6.7% in both years.
- *Commissions* amounted to €8.7 million in 2011, a decrease of €0.2 million, or 2.2%, from €8.9 million in 2010. As a percentage of revenue, commissions amounted to 3.9% in 2011 compared to 4.3% in 2010. The decrease in commissions was driven by a shift in the sales channel mix, from Direct sales (on which we pay a commission to the agent), to Distributor and Key Accounts sales, on which we do not incur commissions. In particular, in 2011, 71.8% of our revenue was derived from Direct sales, compared to 65.7% in 2010.
- *Other costs* amounted to €15.3 million in 2011, an increase of €1.1 million, or 7.8%, from to €14.2 million in 2010. As a percentage of revenue, other costs amounted to 6.8% in 2011, compared to 6.9% in 2010. In both periods, other costs relate primarily to sales expenses and transport, and to a lesser extent, amortization, depreciation and write downs of assets involved in selling and marketing activities. The increase in other costs was primarily driven by the increase in revenue, which was partially offset by the decrease in transport expenses, achieved through efficiencies associated with the new logistics center at Longarone from summer 2010.

General and administrative expenses

General and administrative expenses amounted to €18.7 million in 2011, an increase of €2.1 million, or 13.1%, from €16.6 million in 2010. As a percentage of revenue, general and administrative expenses

amounted to 8.4% in 2011, compared to 8.1% in 2010. The increase in general and administrative expenses was primarily attributable to the expense of €1.7 million recognized from the stock options offered to directors which matured and were exercised in 2011.

Other operating income and expenses

Other operating income and expenses amounted to net income of €3.3 million in 2011, compared to net income of €3.0 million in 2010.

Other operating income amounted to €3.4 million in 2011, compared to €3.8 million in 2010 and includes transport refunds, release of provision and other income and amounts recharged for advertising materials and gains relating to prior periods.

Other operating expenses amounted to €0.1 million in 2011, compared to €0.7 million in 2010. In 2010, other operating expenses included €0.5 million related to M-USA, from the write off of a receivable recognized in previous periods.

Finance income and costs

Finance income and costs amounted to a net cost of €1.7 million in 2011, a decrease of €0.1 million, or 2.8%, from €1.8 million in 2010, primarily attributable to a €0.3 million decrease in interest expense resulting from the lower average borrowings during the year, which was partially offset by a decrease in net currency exchanges gains, which amounted to €0.2 million in 2011, compared to a €0.5 million in 2010.

Income tax expense

Income tax expense amounted to €6.2 million in 2011, a decrease of €1.7 million or 35.6% from €4.5 million in 2010. Such increase was primarily attributable to the increase in profit before tax. The table below sets forth an analysis of income tax expense for the periods indicated.

	Year ended December 31,	
	2010 Marcolin	2011 Marcolin
	(€ in thousands, except percentages)	
Total tax	(4,547)	(6,165)
Profit before tax	23,155	27,144
Effective tax rate	**19.6%**	**22.7%**

The increase in tax was attributable to the increase in profit before tax, and an increase in the effective tax rate, which was 22.7% in 2011, compared to 19.6% in 2010. The increase in effective tax rate was attributable to an increase in the theoretical tax rate, from 22.7% in 2010, to 34.5% in 2011, which was in part offset by an increase in the use of tax losses carried forward, from €1.9 million in 2010, to €3.4 million in 2011.

Net profit for the year

Net profit amounted to €21.0 million in 2011, an increase of €2.4 million, or 12.7%, from €18.6 million in 2010.

Liquidity

Liquidity before the Transactions

Our cash requirements consist mainly of the following:

- Operating activities, including our net working capital requirements and purchasing raw materials and semi-finished products;
- Making payments under our license agreements;
- Servicing our indebtedness;
- Funding capital expenditures; and
- Taxes and other expenses.

Our primary sources of liquidity in the past have been cash flows from operations and to a lesser extent, cash proceeds from financing activities. Cash flows from financing activities have in the past included, among others, long term loans from banks, capital leases, short term loans under unsecured bilateral facilities (including invoice discounting as discussed under ''*Description of Certain Financing Arrangements—Marcolin Bilateral Facilities*'') and the sale of trade receivables to factoring counterparties. See ''*Description of Certain Financing Arrangements—Marcolin Factoring Operations*'' for a description of our factoring operations.

Liquidity following the Transactions

We intend to use a portion of the net proceeds of the Offering to repay our Existing Credit Facilities, certain other short-term indebtedness and to partially finance the Viva Acquisition. See ''*Use of Proceeds*.''

We expect that following the Transactions, certain capital leases related to Viva and recourse factoring obligations of the Issuer will remain outstanding and that we will continue to use bilateral facilities with Italian lenders to meet our export finance, working capital and liquidity needs. We will also have available drawings under the Revolving Credit Facility, which is expected to be undrawn as of the Completion Date. Our main sources of liquidity following the Transactions will be cash generated from our operating activities. We may also engage in opportunistic factoring transactions and sell a portion of our trade receivables. For more information regarding our indebtedness and cash service requirements on our indebtedness following the Transactions, see ''*Capitalization*'' and ''*Description of Certain Financing Arrangements*.''

Working Capital

The table below sets forth a summary of movements in our working capital, as derived from our consolidated cash flow statements for the periods indicated

	Year ended December 31,			Six months ended June 30,	
	2010 Marcolin	2011 Marcolin	2012 Marcolin	2012 Marcolin (Unaudited)	2013 Cristallo (Unaudited)
	(€ in thousands)				
(Increase)/decrease in trade receivables	(986)	(2,749)	421	(4,685)	(1,468)
(Increase)/decrease in other receivables	478	(32)	(9,736)	673	251
(Increase)/decrease in inventories	(3,171)	(6,860)	(7,504)	(981)	7,442
(Decrease)/increase in trade payables	4,001	3,019	15,993	959	(9,828)
(Decrease)/increase in other liabilities	2,206	436	(333)	1,152	618
(Decrease)/ increase in current tax liabilities	(367)	(1,028)	3,654	11	(254)
(Use) of provisions	(2,647)	(3,777)	(5,961)	(2,684)	(1,168)
Movements in working capital	**(486)**	**(10,991)**	**(3,466)**	**(5,555)**	**(4,407)**

The fluctuations in cash flows generated by/(absorbed by) movements in working capital are largely attributable to movements in trade and other receivables, movements in inventories and movements in trade payables.

In 2012, our working capital was affected by the amendment and extension of the TOD'S license, and the conversion of the Hogan license into a supply agreement, in each case prior to their respective contractual expiration dates. By converting the Hogan agreement and amending and extending the TOD'S agreement we incurred non-recurring fees of €8.9 million and agreed to pay one-off royalties due over the course of the renegotiated license of €6.3 million. Of the total amount payable, €5.1 million was paid in January 2013, €5.1 million in July 2013 and the balance is due in December 2013. As a result of these amounts, as of December 31, 2012, we had recognized trade payables of €15.2 million. See ''*Related Party Transactions*.''

Our contractual arrangements with our customers and distributors vary according to jurisdiction and market practice, however, in general, for large accounts and for distributors, framework contracts require payment within specific periods, usually 30 to 90 days (in certain instances, 120 days depending on the jurisdiction). For our retail customers (independent opticians and small optical stores), we invoice upon dispatch of merchandise and local laws regulate the payment times which range from 60 to 120 days,

though longer payment terms are often common according to market practice and economic conditions. Our working capital has also been affected by the ongoing economic uncertainty, in particular, the average days sales outstanding, a measurement of average number of days to collect revenue following a sale (''**DSO**'') increased during the economic crisis prior to 2010 for the Southern European entities. During the periods under review, average payment times to collect on our trade receivables were typically higher in Southern European markets and Brazil, where our domestic channel dominates, compared with in our other markets, such as Germany, France and the United States, where our key accounts channel was more prominent. Since 2010, however, management efforts and favorable changes to law in France requiring settlement of trade payables within 60 days, DSOs have decreased by 9.9% from 2010 to 2011 and by 8.3% from 2011 to 2012. This has favorably impacted our working capital, with the decrease in trade receivables of €1.0 million for the year ended December 31, 2010, and €2.7 million for the year ended December 31, 2011. For the three months ended June 30, 2013, our working capital was also affected by a sale of certain trade receivables to a factoring counterparty.

Our business is affected by seasonality, with sales of sunglasses generally higher in the first half of each year, as a result of which, revenue for the six months ended June 30 of a given year is expected to account for more than half of the year's total revenue. As a result, trade receivables as of June 30 of a given year are also typically higher than at December 31. In order to be able to launch new collections at the start of the calendar year, we generally stock up the new lines and as a result, inventory at the year-end is usually larger than as of June 30. However in 2013, the decision was taken to reduce inventory levels, as a result of which we decreased our rates of production and the purchase of finished products and inventories decreased by €7.4 million in the six months ended June 30, 2013.

Cash Flows

The table below sets forth a summary of our consolidated cash flow statements for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2010 Marcolin	2011 Marcolin	2012 Marcolin	2012 Marcolin (Unaudited)	2013 Cristallo (Unaudited)
	(In € thousands)				
Operating activities					
Profit before income tax expense	23,153	27,144	9,104	17,357	4,458
Depreciation, amortization and impairments	3,610	4,142	3,966	1,940	2,571
Accruals to provisions other accruals	7,137	9,002	4,688	2,592	3,869
Adjustments to other non-cash items	(3,772)	839	693	(1,322)	210
Cash flows from operating activities before changes in working capital and tax and interest paid	**30,128**	**41,127**	**18,451**	**20,567**	**11,108**
Movements in working capital	(486)	(10,991)	(3,466)	(5,555)	(4,407)
Income taxes paid	(1,303)	(11,253)	(9,126)	(3,349)	(1,623)
Interest paid	(1,488)	(1,060)	(997)	(451)	(4,184)
Net cash flows provided by operating activities	**26,851**	**17,823**	**4,862**	**11,212**	**894**
Investing activities					
(Purchase) of property, plant and equipment	(8,264)	(4,028)	(3,455)	(1,692)	(1,011)
Proceeds from the sale of property, plant and equipment	15	3,105	47	30	96
(Purchase) of intangible assets	(1,153)	(6,925)	(5,852)	(4,576)	(1,693)
(Acquisition) of investment	—	—	—	—	(53,619)
Net cash (used in) investing activities	**(9,402)**	**(7,848)**	**(9,260)**	**(6,238)**	**(56,227)**
Financing activities					
Net proceeds from/(repayments of) borrowings	(4,377)	(9,603)	(5,529)	(6,615)	4,268
Other cash flows from financing activities	(2,623)	(5,099)	(7,428)	(5,332)	27,299
Net cash from/(used in) financing activities	**(7,000)**	**(14,702)**	**(12,957)**	**(11,947)**	**31,567**
Net increase/(decrease) in cash and cash equivalents	**10,449**	**(4,727)**	**(17,355)**	**(6,973)**	**(23,766)**
Effect of foreign exchange rate changes	672	243	(261)	255	(32)
Cash and cash equivalents at beginning of period	**24,351**	**35,471**	**30,986**	**30,986**	**45,200**
Cash and cash equivalents at end of period	**35,472**	**30,987**	**13,370**	**24,268**	**21,402**

Net cash flows from operating activities

Six months ended June 30, 2012 as compared to the six months ended June 30, 2013

Net cash flows from operating activities amounted to €0.9 million for the six months ended June 30, 2013, a decrease of €10.3 million, from €11.2 million for the six months ended June 30, 2012. The decrease in cash flows from operating activities was primarily attributable to the combined effect of:

- a €9.5 million decrease in cash flows from operating activities before changes in working capital and tax and interest paid, from €20.6 million for the six months ended June 30, 2012, to €11.1 million for the six months ended June 30, 2013, primarily attributable to the combined effects of the previously described €13.0 million decrease in profit before tax, and a €1.5 million increase in cash generated from adjustments to non-cash items, related to an increase in deferred tax assets recognized;

- a €1.2 million decrease in cash absorbed from movements in working capital, from €5.6 million for the six months ended June 30, 2012, to €4.4 million for the six months ended June 30, 2013, primarily attributable to the combined effects of a decrease in trade payables, in part as result of the payment of €5.1 million to TOD'S as previously described, and the payment of payables amounting to €2.6 million relating to Cristallo costs incurred in the acquisition of the Issuer. In addition, during the six months ended June 30, 2013, management focused efforts to reduce inventory levels, achieving a decrease of €7.4 million from December 31, 2012;
- a €1.7 million decrease in income taxes paid, from €3.3 million for the six months ended June 30, 2012, to €1.6 million for the six months ended June 30, 2013, attributable to the previously described decrease in profit before tax; and
- a €3.7 million increase in interest paid, from €0.5 million for the six months ended June 30, 2012, to €4.1 million for the six months ended June 30, 2013, as a result of the increase in interest expense primarily driven by the larger average borrowings of the Cristallo Group during the six months ended June 30, 2013, compared to the average borrowings of the Marcolin Group for the six months ended June 30, 2012, as a result of the borrowings obtained by Cristallo relating to the acquisition of the Issuer.

Year ended December 31, 2011 as compared to the year ended December 31, 2012

Net cash flows from operating activities amounted to €4.9 million in 2012, a decrease of €12.9 million, from €17.8 million in 2011. The movement in cash flows from operating activities was primarily attributable to the combined effect of:

- a €22.7 million decrease in cash flows from operating activities before changes in working capital and tax and interest paid, from €41.1 million in 2011 to €18.4 million in 2012, primarily related to the effect of the previously explained €18.0 million decrease in profit before income tax expense;
- a €7.5 million decrease in cash absorbed from movements in working capital, from €11.0 million in 2011, to €3.5 million in 2012, mainly related to (i) an increase in trade payables of €15.2 million, and an increase of other receivables of €6.3 million both of which related to the early termination fees and royalty advance payable for the TOD'S and Hogan agreements; (ii) the payment of €5.0 million to one of our licensors in July 2012 as described in ''*—Key Factors Affecting Our Financial Condition and Results of Operations—License agreements—Payments related to licenses*''; and
- a €2.2 million decrease in income taxes paid, from €11.3 million in 2011, to €9.1 million in 2012, primarily attributable to the previously described decrease in profit before tax.

Year ended December 31, 2010 as compared to the year ended December 31, 2011

Net cash flows from operating activities amounted to €17.8 million in 2011, a decrease of €9.1 million, from €26.9 million in 2010. The decrease in cash flows from operating activities was primarily attributable to the combined effect of:

- a €11.0 million increase in cash flows from operating activities before changes in working capital and tax and interest paid, from €30.1 million in 2010 to €41.1 million for 2011, attributable to the combined effects of the previously described €4.0 million increase in profit before tax and a €4.6 million increase in cash generated from adjustments to non-cash items, primarily related to an increase in deferred tax assets recognized;
- a €10.5 million increase in cash absorbed from movements in working capital, from €0.5 million in 2010, to €11.0 million in 2011, primarily related to the combined effects of a €3.7 million increase in inventories, attributable to the purchase of products related to new collections in the final months of 2011 to be sold in 2012, a €2.8 million decrease in trade payables and other liabilities, and a €1.7 million increase in trade receivables, primarily driven by the growth in our business;
- a €10.0 million increase in income taxes paid, from €1.3 million in 2010, to €11.3 million in 2011, attributable to the combined effect of the previously described increase in profit before tax and the settlement of €3.5 million related to 2010 tax payables.

Net cash flows used in investing activities

Six months ended June 30, 2012 as compared to the six months ended June 30, 2013

Net cash flows used in investing activities amounted to €56.2 million for the six months ended June 30, 2013, an increase of €50.0 million, from €6.2 million for the six months ended June 30, 2012.

Investing activities in the six months ended June 30, 2013 primarily related to:

- Investment of €53.6 million relating to the acquisition of the minority interest in Marcolin, completed and settled during the six months ended June 30, 2013.
- Investments of €1.7 million in intangible assets, related primarily to investments for the future operations of two new companies, Eyestyle.com S.r.l. and Eyestyle Retail S.r.l., including website development costs.
- Investments of €1.0 million in property, plant and equipment, of which, €0.5 million related to fixtures and fittings, €0.4 million related to production plant and machinery, and €0.1 million related to leasehold improvements

Investing activities in the six months ended June 30, 2012 primarily related to:

- Investments of €4.6 million in intangible assets, of which €4.0 million relates to concession licenses and trademarks. In particular, the €4.0 million invested in 2012 relates to the purchase of an option, which allows us at our sole discretion to choose to extend one of our license agreements beyond its original expiration date. The total cost of the option was €10.0 million, of which €6.0 million was paid in 2011 and the remaining €4.0 million in 2012. In the six months ended June 30, 2012, €0.4 million, was invested in the future operations of two new companies, Eyestyle.com S.r.l. and Eyestyle Retail S.r.l., primarily related to e-commerce development.
- Investments of €1.7 million in property, plant and equipment, of which, €0.5 million for production plant and machinery, €0.3 million for industrial equipment, primarily related to molds for production of plastic products, €0.3 million related to fixtures and fittings and hardware for our general operations, and €0.5 million related to leasehold improvements.

Year ended December 31, 2011 as compared to the year ended December 31, 2012

Net cash flows used in investing activities amounted to €9.3 million in 2012, an increase of €1.5 million, from €7.8 million in 2011.

Investing activities in 2012 primarily related to:

- Investments of €5.8 million in intangible assets, of which €4.0 million relates to the licenses and trademarks related to our licensed brands. In particular, the €4.0 million invested in 2012 relates to the purchase of an option, which allows us at our sole discretion to choose to extend one of our license agreements beyond its original expiration date. The total cost of the option was €10.0 million, of which €6.0 million was paid in 2011 and the remaining €4.0 million in 2012. The remaining €1.8 million, related to investments for the future operations of two new companies, Eyestyle.com S.r.l. and Eyestyle Retail S.r.l., including e-commerce development assets.
- Investments of €3.5 million in property, plant and equipment mainly related to investments of €1.2 million for plant and machinery, of which €0.5 million related to production equipment, €0.8 million for industrial equipment, primarily related to molds for production of plastic products, €0.7 million related to fixtures and fittings, and hardware for our general operations, and €0.5 million in land and buildings primarily related to leasehold improvements.

Investing activities in 2011 primarily related to:

- Investments of €6.9 million in intangible assets, of which €6.8 million relates to concessions, licenses and trademarks. Of the €6.8 million invested in licenses and trademarks, €6.0 million relates to the option to extend one of our license agreements, as previously described, and the remaining €0.8 million relates to other the acquisition of licenses for software used in our general operations.
- Investments of €4.0 million in property, plant and equipment, mainly related to investments of €1.2 million for plant and machinery, of which €0.9 million related to production equipment, €0.9 million for industrial equipment, primarily related to molds for production of plastic products,

€0.8 million related to fixtures and fittings, and hardware for our general operations, and €0.6 million in land and buildings primarily related to leasehold improvements.

- Disposals of property, plant and equipment of €3.1 million, related to a building sold by the Swiss subsidiary. The building was sold for its carrying value, accordingly, no gain or loss was recognized on the sale.

Year ended December 31, 2010 as compared to the year ended December 31, 2011

Net cash flows used in investing activities amounted to €7.8 million in 2011, a decrease of €1.6 million, from €9.4 million in 2010.

Investing activities in 2010 primarily related to:

- Investments of €8.3 million in property, plant and equipment. Investments in property, plant and equipment for 2010 were primarily related to the new logistics and production center at Longarone. In particular, investments in the new facility included €3.7 million in land and buildings, plant and machinery of €2.6 million, of which €0.6 million related to production equipment, and €1.1 million related to other assets were primarily related to fixtures and fittings. The remaining investments in property, plant and equipment were for machinery used in the production process and other assets used for our general operations.
- Investments of €1.2 million in intangible assets, primarily related to the investment by M-USA in the implementation of SAP, and to a lesser extent, by the Issuer in licenses of software used in our general operations.

Net cash flows from/used in financing activities

Six months ended June 30, 2012 as compared to the six months ended June 30, 2013

Net cash flows from financing activities amounted to €31.6 million in the six months ended June 30, 2013, compared to net cash used in financing activities of €11.9 million for the six months ended June 30, 2012.

In the six months ended June 30, 2013, net cash flows from financing activities consisted of:

- net proceeds from borrowings of €4.3 million, related primarily to the use of the revolving credit facility, to meet our temporary liquidity requirements, and
- a capital contribution payment of €27.3 million to finance the mandatory tender offer.

In the six months ended June 30, 2012, net cash flows used in financing activities consisted of net repayment of borrowings of €6.6 million and other cash outflows relating to finance activities of €5.3 million, primarily related to the payment of dividends.

Year ended December 31, 2011 as compared to the year ended December 31, 2012

Net cash flows used in financing activities amounted to €12.9 million in 2012, a decrease of €1.8 million, from €14.7 million in 2011.

In 2012, net cash flows used in financing activities consisted of net repayments of borrowings of €5.5 million, and other cash outflows related to financing activities of €7.4 million related to the payment of dividends in 2012. Following the acquisition of the Issuer by our current shareholders, in accordance with ''change of control'' clauses, we settled certain borrowings and refinanced borrowings totaling €24.1 million. The net impact of such payments and refinancing was a net cash outflow of €5.5 million.

In 2011, net cash flows used in financing activities consisted of net repayment of borrowings of €9.6 million, primarily related to the scheduled repayments of the EFIBANCA long term facility and the Mediocredito Italiano mortgage loan, and other cash outflows related to financing activities of €5.1 million, related to the payment of dividends in 2011.

Year ended December 31, 2010 as compared to the year ended December 31, 2011

Net cash flows used in financing activities amounted to €14.7 million in 2011, an increase of €7.7 million, from €7.0 million in 2010.

In 2010, net cash flows used in finance activities consisted of net repayment of borrowings of €4.4 million, and other cash outflows related to financing activities of €2.6 million, largely related to the loan granted by M-USA to a licensor as an advance on royalties payable in future periods.

Capital Expenditures

Our capital expenditures have primarily consisted of the maintenance and modernization of our production and logistics facilities and investments in obtaining new licenses. The following table sets forth our capital expenditures for the periods indicated as derived from our cash flow statement.

	Year ended December 31,						Six months ended June 30,			
	2010	% of total	2011	% of total	2012	% of total	2012 (Unaudited)	% of total	2013 (Unaudited)	% of total
	(In € thousands, except percentages)									
Logistics & production center	3,689	39.2%	314	2.9%	—	0.0%	—	0.0%	—	0.0%
Other property, plant and equipment	4,575	48.6%	3,714	33.9%	3,454	37.1%	1,692	27.0%	1,011	37.4%
Property, plant and equipment	**8,264**	**87.8%**	**4,028**	**36.8%**	**3,454**	**37.1%**	**1,692**	**27.0%**	**1,011**	**37.4%**
Accounting system implementation	902	9.6%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Option on license	—	0.0%	6,000	54.8%	4,000	43.0%	4,000	63.8%	—	0.0%
E-Commerce project and showroom	—	0.0%	—	0.0%	1,087	11.7%	231	3.7%	978	36.2%
Other intangible asset investments	251	2.7%	925	8.4%	766	8.2%	345	5.5%	715	26.4%
Intangible assets	**1,153**	**12.2%**	**6,925**	**63.2%**	**5,853**	**62.9%**	**4,576**	**73.0%**	**1,693**	**62.6%**
Total capital expenditures	**9,417**	**100.0%**	**10,953**	**100.0%**	**9,307**	**100.0%**	**6,268**	**100.0%**	**2,704**	**100.0%**

In 2010, we inaugurated the new logistics and production facility in Longarone, investing a total of €3.7 million and €0.3 million in land and buildings, in 2010 and 2011 respectively, other than this project, property, plant and equipment capital expenditures over the period January 1, 2010 to June 30, 2013 have primarily been related to maintenance, replacing production plant and machinery.

Our most significant intangible asset capital expenditures relate to the €10.0 million option to renew one of our licenses (€6.0 million of which was paid in 2011 and €4.0 million in 2012), the €0.9 million investment in the SAP accounting system, and most recently, €2.0 million invested in the operations of two new companies, Eyestyle.com S.r.l. and Eyestyle Retail S.r.l, relating to e-commerce projects and the establishment of a new showroom. Excluding these investments, other intangible asset capital expenditures amounted to €0.3 million in 2010, €0.9 million in 2011, €0.8 million in 2012 and €0.7 million for the six months ended June 30, 2013.

We expect our capital expenditure in 2013 to be between €5.5 million and €6.0 million, of which €1.0 million related to the new showroom in Milan for Eyestyle Retail S.r.l. We expect to finance our capital expenditure from the cash generated by our operating activities. The Viva Acquisition will also require certain one-off investments to achieve general and administration cost synergies. See ‘‘*The Acquisition*.’’

Capital Resources

As of June 30, 2013, the amount of our Pro forma combined total financial debt was €203.0 million. See ‘‘*Description of Certain Financing Arrangements*’’ for a description of the Marcolin Factoring Operations that will continue to be available to Marcolin following the Transactions as well as the new Revolving Credit Facility which we expect will be entered into on or about the Issue Date.

Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2013, after giving effect to the Transactions (excluding any obligations of Viva and its subsidiaries). For Viva’s contractual obligations

see ''*Management's Discussion and Analysis of Financial Condition and Results Of Operations of Viva—Contractual Obligations.*''

	As of June 30, 2013		
	One year	1-5 years	more than 5 years
	(€ in thousands)		
Notes offered hereby	—	—	200,000
Royalty commitments[1]	44,758	139,494	62,418
Rental and operating leases[2]	2,105	3,225	171
Total	**46,863**	**142,719**	**262,589**

(1) The Group has contracts in place to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses. These contracts require payment of guaranteed minimum royalties over the duration of the contracts.

(2) Operating lease agreements relate to our obligations under rental agreements for facilities and are disclosed based on the amounts payable until expiry of the relevant contract

Off-Balance Sheet Arrangements

As of June 30, 2013, we had provided guarantees for an amount of €161 thousand relating to office leases and borrowing arrangements.

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business we are exposed to a variety of financial risks including market risks (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

We monitor and manage these risks as an integral part of our overall risk management program, which seeks to reduce their potentially adverse effect on our results of operations and financial position. Our risk management is performed centrally within a pre-defined framework. To reduce our exposure to foreign currency and interest rate fluctuations, we selectively enter into derivative financial instruments. We do not use financial instruments for trading or speculative purposes.

Currency Risk

We operate internationally and are therefore exposed to foreign exchange risk. Our operating subsidiaries generally operate in their local currency. However, we are exposed to fluctuations in the U.S. dollar, related to purchases of finished and semi-finished goods from suppliers in Asia. We monitor currency risk centrally and have historically entered into derivative transactions to partially hedge our net exposure. In particular, as of June 30, 2013 we had entered into foreign currency forward contracts with a notional value of $15.8 million, maturing between December 2013 and December 2014.

As of June 30, 2013, if the euro to U.S. dollar exchange rate had weakened/strengthened by 10%, with all other variables held constant, post tax profit for the period would have decreased/increased by €195 thousand.

Interest Rate Risk

We have historically been exposed to interest rate risk originating from loans at variable interest rates and in particular, the Existing Credit Facilities. Historically, we entered into an interest rate swap to manage our exposure to interest rate fluctuations. We intend to fully repay the existing Marcolin and Cristallo debt from the proceeds of the Notes offered hereby and terminate the associated derivative contract. Following the issuance of the Notes offered hereby and the application of the proceeds therefrom all of our total financial liabilities will bear fixed rates of interest (excluding any financial liabilities to be assumed on the Viva Acquisition). Therefore we do not expect to have a significant exposure to interest rates following the issuance of the Notes.

Credit Risk

We do not have a significant exposure to credit risk. Our impairment of receivables has historically been low and amounted to 0.2% of revenue for the six months ended June 30, 2013. We operate credit policies whereby we manage customer credit to ensure that sales are only conducted with customers

with an established credit history and we monitor the credit levels provided to our customers on a continual basis to ensure that they are operating within the pre-agreed limits.

Liquidity Risk

Liquidity risk is the risk of not being able to fulfill present obligations if we do not have sufficient funds to meet such obligations. Liquidity risk mainly arises in relation to our payment obligations relating to our ordinary course of business, in particular payments to our suppliers and, to a lesser extent, servicing our debt. Management of our liquidity risk ensures maintaining a sufficient level of liquidity and having sources of funding available including by means of adequate credit facilities. In particular, we will enter into a new Revolving Credit Facility for an amount of €25 million which will be undrawn on closing. We believe that our available liquidity, including undrawn amounts under the Revolving Credit Facility are sufficient to meet our ongoing liquidity requirements.

Critical Accounting Estimates

The preparation of our consolidated financial statements requires that management apply accounting standards and methods which, under certain circumstances, are based on subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the consolidated financial statements as well as the information disclosed. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions in which the estimates are based.

The primary areas applicable to our Group, that require greater subjectivity of management in making estimates and where a change in conditions underlying the assumptions could have a significant impact on our consolidated financial statements include:

Goodwill

Goodwill is tested annually for impairment and any impairment losses arising as a result of the impairment test are recognized in the income statement. The impairment test involves allocating goodwill to ''cash generating units'' (''**CGU**'') and the determination of the relative fair value. When the fair value is lower than the carrying amount of the CGU, an impairment loss is recognized on the goodwill allocated to the CGU. The allocation of goodwill to a CGU and the determination of fair value requires assumptions and estimates based on factors and estimates which may change over time. As of June 30, 2013 goodwill amounted to €189.1 million, representing 48.0% of our total assets.

Impairment of non-current assets

Non-current assets are periodically tested for impairment and whenever there events and changes in circumstances indicate that the carrying amount may no longer be recoverable. If the carrying amount is higher than the recoverable value, an impairment loss is recorded. The existence of impairment indicators and the impairment test are based on subjective valuations, using information available within the Group and externally and based on historical experience. The correct identification of the factors indicating a potential impairment and the estimates to determine the impairment may depend on conditions which vary over time, affecting the assessments and estimates. Any impairment is recognized immediately in the income statement and can only be reversed in future periods if the conditions no longer apply.

Provision for impairment of receivables

A provision for impairment of receivables is recorded when there are indications that the full carrying amount of the receivable may not be recoverable. The provision covers the estimate of the risk of losses based on past experience for similar receivables, the analysis of overdue receivables (current and historical), losses and recoveries and careful monitoring of current and forecast economic and market conditions.

Obsolete and slow-moving goods

A provision for inventory obsolescence is recorded for obsolete and slow-moving inventories. The provision is based on past experience and careful monitoring of current and forecast economic and market conditions.

Deferred Tax Assets

Deferred tax assets are recorded on the basis of expectations of future taxable income. The assessment of expected future taxable income, for the purposes of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the recognition of deferred tax assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VIVA

The following is a discussion and analysis of Viva's financial condition and results of operation in the periods set forth below. This discussion should be read together with, and is qualified in its entirety by reference to Viva's consolidated financial statements and the related notes thereto included elsewhere in this Offering Memorandum. The following discussion should also be read in conjunction with ''Presentation of Financial Information and Other Data'' and ''Selected Pro Forma and Historical Consolidated Financial Information.'' The discussion in this section may contain forward-looking statements that reflects Viva's plans, estimates and beliefs and involve risks and uncertainties. Viva's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under ''Risk Factors'' and ''Forward-Looking Statements.''

Unless the context indicates otherwise, in this ''Management's Discussion and Analysis of Financial Condition and Results of Operations of Viva,'' references to ''Viva'' or the ''Viva Group'' refer to Viva and Viva with its consolidated group, respectively, and such references do not take into account the effects of the Viva Acquisition, unless the context otherwise requires. For more information on Marcolin's financial condition and results of operation, see ''Management's Discussion and Analysis of Financial Condition and Results of Operations of the Marcolin Group'' and for more information on the Viva Acquisition, see ''The Acquisition'' and ''Viva's Business.''

Key Factors Affecting Viva's Financial Condition and Results of Operations

Industry environment

The period covered by this analysis involved certain key eyewear brands transitioning from one distributor to another, which resulted in a saturation of the global optical markets, as the exiting distributors offered their respective branded products under the expiring licenses to the market in large volumes at discount prices in order to liquidate their inventories of such branded products within the allocated transition period. In the event the licensee losing the brand fails to liquidate the branded inventory in totality, the remaining products, in the majority of cases, must be destroyed. As such, to avert a costly exit, licensees aggressively dispose inventory and increase discounts as the transition deadline approaches. In particular, in 2012, and in 2013, two large internationally-recognized licensed brands switched licensees. According to press reports and public filings by Viva's competitors, such licenses generated between approximately $100 million and approximately $200 million in revenue. As a result of the foregoing, during 2012 and the first half of 2013, the existing licensees implemented price reductions, rebates and/or liquidations for such eyewear products which depressed wholesale prices and impacted Viva's results of operations. Switches of such important eyewear brands are unusual, and resulted in atypical trading conditions in which wholesalers ability to sell products at full price was impaired. As a consequence of these trading conditions, Viva management implemented an initiative to sell inventory at discount prices.

The trading conditions, competitive pressures and the implementation of the strategy to sell inventory at discount prices contributed to a decrease in net sales, from $199.3 million in 2011, $190.9 million in 2012 and $185.5 million for the last twelve months ended June 30, 2013, and a decrease in gross margin from 57.3% in 2011, 54.6% in 2012 and 54.3% for the last twelve months ended June 30, 2013. Post transition periods for the licensee switches noted above and as inventory levels normalize, Viva management expects that both net sales and gross margin will improve beginning in the third quarter of 2013 and for the remainder of the year. See also ''*Summary—Recent Developments—Viva's current trading for the three months ended September 30, 2013*.''

General economic conditions and consumer discretionary spending

Viva operations are affected by the general uncertainties prevalent in certain economies (such as the United States, and European economies). Consumers have reduced or postponed discretionary spending in response to tighter credit markets, unemployment, negative financial news and/or decline in income or asset values, particularly in the United States. Such conditions have affected demand for Viva products resulting in a decrease in net sales.

The following table sets forth an analysis of net sales, sales volumes and average price per unit (i.e. price paid by Viva customers) by geographic location, determined by reference to the geographical area in which the company of the Viva Group making the sale is located.

Geographic location	Year ended December 31, 2011	% of total	2012	% of total	Last twelve months ended June 30, 2013 (Unaudited)	% of total
Net Sales			($ in thousands, except percentages)			
North America	124,913	62.7%	117,968	61.8%	113,534	61.2%
UK	34,278	17.2%	35,096	18.4%	34,965	18.8%
France	23,977	12.0%	22,733	11.9%	22,773	12.3%
Rest of World[(1)]	16,130	8.1%	15,113	7.9%	14,233	7.7%
Total	**199,298**	**100.0%**	**190,910**	**100.0%**	**185,505**	**100.0%**
Sales Volume			(In thousands of units, except percentages)			
North America	5,762	68.3%	5,787	68.3%	5,542	68.3%
UK	1,510	17.9%	1,525	18.0%	1,491	18.3%
France	627	7.5%	645	7.6%	643	7.9%
Rest of World[(1)]	532	6.3%	514	6.1%	444	5.5%
Total	**8,431**	**100.0%**	**8,471**	**100.0%**	**8,120**	**100.0%**
Average price per unit			(In $ per unit)			
North America	21.7		20.4		20.5	
UK	22.7		23.0		23.5	
France	38.2		35.2		35.4	
Rest of World[(1)]	30.3		29.4		32.1	
Total	**23.6**		**22.5**		**22.8**	

(1) Rest of World refers to net sales generated by Viva subsidiaries in Hong Kong, Brazil and Japan.

Net sales amounted to $185.5 million for the last twelve months ended June 30, 2013, $190.9 million in 2012, and $199.3 million in 2011. The decrease in net sales has primarily been driven by the performance of North America, which recorded net sales of $124.9 million in 2011, $118.0 million in 2012 and $113.5 million for the last twelve months ended June 30, 2013, attributable to a combination of a decrease in the average price per unit between 2011 and 2012, and a decrease in sales volumes between 2012 and the last twelve months ended June 30, 2013. The period covered by this analysis was affected by the industry conditions, in which the products of certain competitors transitioning out of licensing agreements during 2012 and 2013 were offered to the market at discount prices, resulting in market saturation. As a result of such market saturation, in the second half of 2012, Viva management implemented an initiative to sell off inventory at discount prices, the result of which was a decrease in the average price per unit. In particular, the average price per unit amounted to $21.7 in 2011, compared to $20.4 in 2012, thereafter marginally improving to $20.5 per unit. North America sales volumes initially increased from 5,762 thousand units sold in 2011 to 5,787 thousand units in 2012, which was primarily attributable to the previously described sell off of inventory, then decreased to 5,542 thousand units in the last twelve months ended June 30, 2013, attributable to the previously described market saturation during 2012 and 2013.

Product type

The following table sets forth an analysis of net sales by product type for the periods indicated.

Product Type	Year ended December 31, 2011	% of total	2012	% of total	Last twelve months ended June 30, 2013 (Unaudited)	% of total
Net sales			($ in thousands, except percentages)			
Sunglasses	64,733	32.5%	66,492	34.8%	64,372	34.7%
Prescription frames	134,565	67.5%	124,418	65.2%	121,133	65.3%
Total	**199,298**	**100.0%**	**190,910**	**100.0%**	**185,505**	**100.0%**
Sales Volume			(In thousands of units, except percentages)			
Sunglasses	3,589	42.6%	3,950	46.6%	3,854	47.5%
Prescription frames	4,842	57.4%	4,521	53.4%	4,266	52.5%
Total	**8,431**	**100.0%**	**8,471**	**100.0%**	**8,120**	**100.0%**
Average price per unit			(In $ per unit)			
Sunglasses	18.0		16.8		16.7	
Prescription frames	27.8		27.5		28.4	
Total	**23.6**		**22.5**		**22.8**	

The decrease in net sales from $199.3 million in 2011, to $190.9 million in 2012, and $185.5 million for the last twelve months ended June 30, 2013, was largely attributable to the performance of prescription frames, driven by a decrease in sales volumes. In particular, prescription frames sales volumes decreased from 4,842 thousand units in 2011, to 4,521 thousand units in 2012, and to 4,266 thousand units for the last twelve months ended June 30, 2013. Net sales and sales volumes in 2011 were positively affected by a significant re-assortment and associated sell-in of inventory stocked by one of Viva's main clients which has an extensive distribution channel in the United States, resulting in a one-time benefit. The decrease in sales volumes from 2012 to the last twelve months ended June 30, 2013, was largely attributable to the previously described industry conditions during 2013.

The average price per unit of prescription frames amounted to $27.8 in 2011, $27.5 in 2012 and $28.4 in the last twelve months ended June 30, 2013. The decrease from 2011 to 2012 was as a result of the previously described sell off of inventory at discount prices in the second half of 2012, in response to the market saturation, while the increase from 2012 to the last twelve months ended June 30, 2013 was due to a shift in international sales mix. In particular, sales through Hong Kong which generally sell to large distributors at lower prices decreased, while sales to other international markets at higher prices, such as Brazil, which sell at higher prices increased.

Sunglasses net sales amounted to $64.7 million in 2011, $66.5 million in 2012 and $64.4 million in the last twelve months ended June 30, 2013. The increase in sunglasses net sales from 2011 to 2012 was due to an increase in sales volumes, which was in part offset by a decrease in average price per unit, driven by the previously described sell off of inventory at discount prices in the second half of 2012. The decrease in sunglasses net sales from 2012 to the last twelve months ended June 30, 2013 was primarily attributable to a decrease in sales volumes, attributable to the previously described and industry conditions during 2013.

Brand portfolio

All Viva brands are diffusion brands, defined as products influenced by fashion and market trends, targeting a wide customer base. The average wholesale price per unit of Viva brands offered to Viva's customers varies from approximately $12-$65 depending on brand and product type.

Seasonality

Viva sells prescription frames to the optical market in North America (and in particular, in the US), and certain key customers are managed care networks which make the prescription frames available among the choices of their policy holders. In other cases, consumers purchase prescription frames from retailers and some or all of the cost are reimbursed with by their insurance plans. Insurance plans

typically run from January 1 to December 31 each year, and upon renewal entitle the subscriber to a new pair of prescription frames. In addition, sales of sunglasses are generally higher in February, March and April as consumers purchase new sunglasses in anticipation of the spring and summer months. Accordingly net sales recorded in the first half of any given year are generally expected to account for more than half of the year's total net sales, as consumers typically look to replace their prescription frames shortly following the renewal of their insurance plan. Net sales generated from prescription frames amounted to $121.1 million for the twelve months ended June 30, 2012, representing 65.3% of the total net sales.

Description of Key Line Items

Net sales

Net sales represent sales, net of returns, discounts and allowances. Sales are recognized when title and risk of loss transfers to the customer, there is evidence of a contractual agreement and collectability of the resulting receivable is reasonably assured. Sales returns are estimated based on historic trends, seasonal results and an evaluation of current economic conditions. For the purposes of this document, net sales have been analyzed by geographic location and product type. Geographic location is determined by reference to the geographical area in which the company of the Viva Group making the sale is located.

Cost of goods sold

Cost of goods sold relate to the costs incurred in the design and procurement of Viva products. Cost of goods sold primarily includes:

- *Cost of products sold* primarily relating to the cost incurred to acquire finished products from suppliers which are resold through the Viva network. Finished product costs are shown net of movement in inventory for the period.
- *Warehousing* primarily relating to the costs incurred for storage and movement of inventory through Viva warehouses. Such costs are largely variable, dependent on the number of units which pass through the warehouse facility.
- *Duties* primarily relating to taxes and duties charged on the import of finished products for resale through the Viva network.
- *Product design and development* expenses primarily relating to the costs incurred in designing and developing products, planning and purchasing of inventory.
- *Other expenses* primarily relating to freight expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses relate to costs incurred in selling and marketing Viva products to clients, as well as general expenses incurred in conducting the administrative operations of the Viva Group. Selling, general and administrative expenses primarily include:

- *Sales force expenses* primarily relating to the compensation paid to the Viva sales force for their services. In particular such expenses generally have a fixed component and a variable component, dependent on sales generated.
- *Royalties* relating to the fees paid to the licensors for the right to design, manufacture (or contract to manufacture) and sell prescription frames and sunglasses using the licensors' brand.
- *Marketing expenses* primarily relating to the expenses incurred in advertising Viva's products to customers.
- *General and administrative expenses* primarily relating to the personnel expenses for the workforce employed in Viva's general and administrative divisions, and other fees, including executives remuneration, directors fees, finance, legal and IT expenses.
- *Other expenses* primarily relating to the management fees paid to the Seller for administrative services provided to the Viva Group. These expenses will not be incurred subsequent to the Viva Acquisition, although additional internalized costs for the Viva Group will be necessary to replace these services.

Depreciation and amortization

Depreciation and amortization relating to the depreciation of property and equipment and amortization of intangible assets, in particular the intangible assets recognized in relation to exclusive contracts with licensors. Viva outsources its manufacturing processes and therefore does not have any depreciation of manufacturing equipment.

Equity in earnings of joint ventures

Equity in earnings of joint ventures primarily relates to the Viva share of the net income of the joint ventures which operate in Germany (which has operations in Switzerland, the Netherlands and Austria), Mexico and Australia. These are joint ventures with distributors to better exploit particular markets and align interests between the two parties.

Other income (expenses)

Other income (expenses) primarily relating to foreign exchange gains and losses and other sundry income and expenses.

Interest expenses

Interest expenses primarily relate to the interest incurred on the note payable to HVHC, and to a lesser extent, the interest charged on the Viva's capital leases. For more information on the HVHC Note, see ''*—Capital Resources—HVHC Note*.''

Income tax provision

Income tax provision relates to the income tax expense and deferred tax benefits or expenses for the period.

Viva Group Comparison of the Six Months Ended June 30, 2012 and 2013

	Six months ended June 30,				Change	
	2012 (Unaudited)	% of net sales	2013 (Unaudited)	% of net sales	(amount)	%
	($ in thousands, except percentages)					
Net sales	108,371	100.0%	102,966	100.0%	(5,405)	−5.0%
Cost of goods sold	(47,398)	−43.7%	(45,522)	−44.2%	1,876	−4.0%
Gross profit	**60,973**	**56.3%**	**57,444**	**55.8%**	**(3,529)**	**−5.8%**
Selling, general and administrative	(50,995)	−47.1%	(49,067)	−47.7%	1,928	−3.8%
Depreciation and amortization	(2,261)	−2.1%	(2,232)	−2.2%	29	−1.3%
Equity in earnings of joint ventures	422	0.4%	311	0.3%	(111)	−26.3%
Income from operations	**8,139**	**7.5%**	**6,456**	**6.3%**	**(1,683)**	**−20.7%**
Interest expenses	(1,192)	−1.1%	(1,122)	−1.1%	70	−5.9%
Other income (expenses)	(407)	−0.4%	(46)	0.0%	361	−88.7%
Income before income taxes	**6,540**	**6.0%**	**5,288**	**5.1%**	**(1,252)**	**−19.1%**
Income tax provision	(2,722)	−2.5%	(2,353)	−2.3%	369	−13.6%
Net income	**3,818**	**3.5%**	**2,935**	**2.9%**	**(883)**	**−23.1%**

Net sales

Net sales amounted to $103.0 million for the six months ended June 30, 2013, a decrease of $5.4 million, or 5.0%, from $108.4 million for the six months ended June 30, 2012. The following table sets forth an

analysis of net sales, sales volumes and average price per unit (i.e. price paid by Viva customers) by product type for the periods indicated.

Product Type	Six months ended June 30, 2012 (Unaudited)	% of total	2013 (Unaudited)	% of total	Change (amount)	Change %
	($ in thousands, except percentages)					
Sunglasses	41,347	38.2%	39,227	38.1%	(2,120)	−5.1%
Prescription frames	67,024	61.8%	63,739	61.9%	(3,285)	−4.9%
Total	**108,371**	**100.0%**	**102,966**	**100.0%**	**(5,405)**	**−5.0%**
Sales Volume	(In thousands of units, except percentages)					
Sunglasses	2,482	49.7%	2,386	51.4%	(96)	−3.9%
Prescription frames	2,515	50.3%	2,260	48.6%	(255)	−10.1%
Total	**4,997**	**100.0%**	**4,646**	**100.0%**	**(351)**	**−7.0%**
Average price per unit	(In $ per unit)					
Sunglasses	16.7		16.4		(0.3)	−1.3%
Prescription frames	26.6		28.2		1.6	5.8%
Total	**21.7**		**22.2**		**0.5**	**2.2%**

The $5.4 million decrease was attributable to decreases in both prescription frames and sunglasses net sales. In particular, prescription frames net sales amounted to $63.7 million for the six months ended June 30, 2013, a decrease of $3.3 million, or 4.9%, from $67.0 million for the six months ended June 30, 2012. Such decrease was primarily attributable to a 10.1% decrease in sales volumes due to difficult trading conditions and competitive pressures, which was partially offset by an increase in the average price per unit of prescription frames, due to a shift in brand mix, with a greater proportion of sales generated through brands which sell at higher prices. Sunglasses net sales amounted to $39.2 million for the six months ended June 30, 2013, a decrease of $2.1 million, or 5.1%, from $41.3 million for the six months ended June 30, 2012. This decrease was in part due to a decrease in sales volumes, as a result of the previously described difficult trading conditions, competitive pressures, and a marginal decrease in the average price per unit.

The following table sets forth an analysis of net sales, sales volumes and average price per unit by geographic location for the periods indicated.

Geographic Location	Six months ended June 30, 2012 (Unaudited)	% of total	2013 (Unaudited)	% of total	Change (amount)	Change %
Net Sales			($ in thousands, except percentages)			
North America	67,425	62.2%	62,991	61.2%	(4,434)	−6.6%
UK	18,884	17.4%	18,753	18.2%	(131)	−0.7%
France	13,756	12.7%	13,796	13.4%	40	0.3%
Rest of World[(1)]	8,306	7.7%	7,426	7.2%	(880)	−10.6%
Total	**108,371**	**100.0%**	**102,966**	**100.0%**	**(5,405)**	**−5.0%**
Sales Volume			(In thousands of units, except percentages)			
North America	3,438	68.8%	3,193	68.7%	(245)	−7.1%
UK	873	17.5%	839	18.1%	(34)	−3.9%
France	389	7.8%	387	8.3%	(2)	−0.5%
Rest of World[(1)]	297	5.9%	227	4.9%	(70)	−23.6%
Total	**4,997**	**100.0%**	**4,646**	**100.0%**	**(351)**	**−7.0%**
Average price per unit			(In $ per unit)			
North America	19.6		19.7		0.1	0.6%
UK	21.6		22.4		0.7	3.3%
France	35.4		35.6		0.3	0.8%
Rest of World[(1)]	28.0		32.7		4.7	17.0%
Total	**21.7**		**22.2**		**0.5**	**2.2%**

(1) Rest of World refers to net sales generated by Viva subsidiaries in Hong Kong, Brazil and Japan.

The decrease in net sales was primarily attributable to the performance of the North America, and to a lesser extent, the Rest of World locations. In particular, North America net sales amounted to $63.0 million for the six months ended June 30, 2013, a decrease of $4.4 million, or 6.6%, from $67.4 million for the six months ended June 30, 2012. The decrease in North America net sales was mainly related to a 7.1% decrease in sales volumes, from 3,438 thousand units for the six months ended June 30, 2012, to 3,193 thousand units for the six months ended June 30, 2013, primarily attributable to the industry conditions during 2013. See ''*—Key Factors Affecting Viva's Financial Condition and Results of Operations—Industry environment*.''

Net sales from the Rest of World amounted to $7.4 million for the six months ended June 30, 2013, a decrease of $0.9 million, or 10.6%, from $8.3 million for the six months ended June 30, 2012. The decrease in Rest of World net sales was primarily related to a decrease in sales volumes, which was partially offset by an increase in average price per unit. In particular, sales volumes decreased from 297 thousand units for the six months ended June 30, 2012 to 227 thousand units for the six months ended June 30, 2013, relating mainly to the performance of the Hong Kong subsidiary. The performance of Hong Kong was affected by the timing of purchase orders made by a large distributor in South Korea. Viva is continuing to intensify its efforts to capture a larger share of the competitive Asian market by planning future increases in the number of Asian fitting collections (frames developed specifically for the Asian markets). The average price per unit of the Rest of World location increased by 17.0%, primarily attributable to a shift in geographic mix, with a greater proportion of sales generated through the Brazil subsidiary, which generally sells at a higher price per unit to offset the impact of import taxes.

Cost of goods sold

Cost of goods sold amounted to $45.5 million for the six months ended June 30, 2013, a decrease of $1.9 million, or 4.0%, from $47.4 million for the six months ended June 30, 2012. As a percentage of net sales, cost of goods sold amounted to 44.2% for the six months ended June 30, 2013, compared to

43.7% for the six months ended June 30, 2012. The following table sets forth an analysis of costs of goods sold for the periods indicated.

	Six months ended June 30,				Change	
	2012 (Unaudited)	% of net sales	2013 (Unaudited)	% of net sales	(amount)	%
	($ in thousands, except percentages)					
Cost of products sold	38,031	35.1%	36,309	35.3%	(1,722)	−4.5%
Other costs of goods sold	9,367	8.6%	9,213	8.9%	(154)	−1.6%
Total	**47,398**	**43.7%**	**45,522**	**44.2%**	**(1,876)**	**−4.0%**

Cost of goods sold primarily relates to cost of products sold which amounted to $36.3 million for the six months ended June 30, 2013, a decrease of $1.7 million, or 4.5%, from $38.0 million for the six months ended June 30, 2012. As a percentage of net sales, cost of products sold amounted to 35.3% for the six months ended June 30, 2013, compared to 35.1% for the six months ended June 30, 2012. The increase in cost of products sold as a percentage of net sales was primarily due to a change in brand mix. In particular, in the six months ended June 30, 2013, Viva sold a greater proportion of inventory for certain brands that had a higher cost per unit than during the same period in 2012.

Other costs of goods sold amounted to $9.2 million for the six months ended June 30, 2013, a decrease of $0.2 million, or 1.6%, from $9.4 million for the six months ended June 30, 2012. As a percentage of net sales, other costs of goods sold amounted to 8.9% for the six months ended June 30, 2013, compared to 8.6% for the six months ended June 30, 2012. In both periods other costs of goods sold primarily related to warehousing, taxes and duties on imports, costs incurred on design, development and freight expenses.

Selling, general and administrative expenses

The following table sets forth an analysis of selling, general and administrative expenses for the periods indicated.

	Six months ended June 30,				Change	
	2012 (Unaudited)	% of net sales	2013 (Unaudited)	% of net sales	(amount)	%
	($ in thousands, except percentages)					
Sales force expenses	20,601	19.0%	19,796	19.2%	(805)	−3.9%
Royalties	10,788	10.0%	10,465	10.2%	(323)	−3.0%
Marketing expenses	9,279	8.6%	8,745	8.5%	(534)	−5.8%
General and administrative expenses	9,052	8.4%	8,633	8.4%	(419)	−4.6%
Other expenses	1,275	1.2%	1,428	1.4%	153	12.0%
Total	**50,995**	**47.1%**	**49,067**	**47.7%**	**(1,928)**	**−3.8%**

Selling, general and administrative expenses amounted to $49.1 million for the six months ended June 30, 2013, a decrease of $1.9 million, or 3.8%, from $51.0 million for the six months ended June 30, 2012. As a percentage of net sales, selling, general and administrative expenses amounted to 47.7% for the six months ended June 30, 2013, compared to 47.1% for the six months ended June 30, 2012. The increase in selling, general and administrative expenses as a percentage of net sales was primarily attributable to sales force expenses. In particular, a significant proportion of Viva's sales force expenses is fixed, and therefore did not decrease in proportion to net sales.

Depreciation and amortization

Depreciation and amortization amounted to $2.2 million for both six months periods ended June 30, 2013 and 2012, and comprised of $1.2 million in amortization and $1.0 million in depreciation. As a percentage of net sales, depreciation and amortization amounted to 2.2% for the six months ended June 30, 2013, compared to 2.1% for the six months ended June 30, 2012.

Equity in earnings of joint ventures

Equity in earnings of joint ventures was largely unchanged, amounting to $0.3 million for the six months ended June 30, 2013, a decrease of $0.1 million, or 26.3%, from $0.4 million for the six months ended June 30, 2012. Equity in earnings of joint ventures mainly relates to Viva's share of the net income of its joint ventures in Germany, Switzerland, The Netherlands, Austria, Mexico and Australia.

Interest expenses

Interest expenses amounted to $1.1 million for the six months ended June 30, 2013, a decrease of $0.1 million, or 5.9%, from $1.2 million for the six months ended June 30, 2012. In both periods interest expense related to the interest on the note payable to Viva's parent company HVHC and interest incurred on capital leases. For more information on the HVHC Note, see ''*—Capital Resources—HVHC Note*.''

Income tax provision

Income tax provision amounted to $2.4 million for the six months ended June 30, 2013, a decrease of $0.3 million, or 13.6%, from $2.7 million for the six months ended June 30, 2012. The decrease was primarily attributable to the decrease in profit before tax. The table below sets forth an analysis of income tax expense for the periods indicated.

	Six months ended June 30,	
	2012 (Unaudited)	2013 (Unaudited)
	($ in thousands, except percentages)	
Income before income taxes	6,540	5,288
Income tax	2,722	2,353
Effective tax rate	**41.6%**	**44.5%**

The effective tax rate for the six months ended June 30, 2012 amounted to 41.6% compared to 26.5% for the year ended December 31, 2012. The tax rate was affected by the resolution of certain foreign tax matters in December 2012. The June 30, 2013 effective tax rate was affected by the recording of additional foreign taxes as result of the finalization of a tax audit.

Viva Group Comparison of the Years Ended December 31, 2011 and 2012

	Year ended December 31,				Change	
	2011	% of net sales	2012	% of net sales	(amount)	%
	($ in thousands, except percentages)					
Net sales	199,298	100.0%	190,910	100.0%	(8,388)	−4.2%
Cost of goods sold	(85,122)	−42.7%	(86,602)	−45.4%	(1,480)	1.7%
Gross profit	**114,176**	**57.3%**	**104,308**	**54.6%**	**(9,868)**	**−8.6%**
Selling, general and administrative	(92,323)	−46.3%	(90,544)	−47.4%	1,779	−1.9%
Depreciation and amortization	(4,560)	−2.3%	(4,550)	−2.4%	10	−0.2%
Equity in earnings of joint ventures	708	0.4%	712	0.4%	4	0.6%
Income from operations	**18,001**	**9.0%**	**9,926**	**5.2%**	**(8,075)**	**−44.9%**
Interest expenses	(2,849)	−1.4%	(2,338)	−1.2%	511	−17.9%
Other income (expenses)	(804)	−0.4%	170	0.1%	974	−121.1%
Income before income taxes	**14,348**	**7.2%**	**7,758**	**4.1%**	**(6,590)**	**−45.9%**
Income tax provision	(4,324)	−2.2%	(2,059)	−1.1%	2,265	−52.4%
Net income	**10,024**	**5.0%**	**5,699**	**3.0%**	**(4,325)**	**−43.1%**

Net sales

The following table sets forth an analysis of net sales, sales volumes and average price per unit by product type for the periods indicated.

Product Type	Year ended December 31				Change	
	2011	% of total	2012	% of total	(amount)	%
	($ in thousands, except percentages)					
Net sales						
Sunglasses	64,733	32.5%	66,492	34.8%	1,759	2.7%
Prescription frames	134,565	67.5%	124,418	65.2%	(10,147)	−7.5%
Total	**199,298**	**100.0%**	**190,910**	**100.0%**	**(8,388)**	**−4.2%**
	(In thousands of units, except percentages)					
Sales Volume						
Sunglasses	3,589	42.6%	3,950	46.6%	361	10.1%
Prescription frames	4,842	57.4%	4,521	53.4%	(321)	−6.6%
Total	**8,431**	**100.0%**	**8,471**	**100.0%**	**40**	**0.5%**
	(in $ per unit)					
Average price per unit						
Sunglasses	18.0		16.8		(1.2)	−6.7%
Prescription frames	27.8		27.5		(0.3)	−1.0%
Total	**23.6**		**22.5**		**(1.1)**	**−4.7%**

Net sales amounted to $190.9 million in 2012, a decrease of $8.4 million, or 4.2%, from $199.3 million in 2011, primarily attributable to a decrease in prescription frames net sales, which was partially offset by an increase in sunglasses net sales. In particular, prescription frames net sales amounted to $124.4 million in 2012, a decrease of $10.1 million, or 7.5%, from $134.6 million in 2011. Such decrease was primarily attributable to a 6.6% decrease in sales volumes and to a lesser extent, a decrease in average price per unit. In 2011, net sales and sales volumes were positively increased by a significant re-assortment of inventory stocked by one of Viva's main clients. The decrease in average price per unit of both sunglasses and prescription frames was attributable to an initiative to sell-off inventory at discount prices which management implemented in response to the previously described market conditions. Sunglasses net sales amounted to $66.5 million in 2012, an increase of $1.8 million, or 2.7%, from $64.7 million in 2011. The increase in sunglasses net sales was primarily attributable to an increase in sunglasses sales volume, which was only partially offset by a decrease in the average price per unit.

The following table sets forth an analysis of net sales, sales volumes and average price per unit by geographic location for the periods indicated.

Geographic Location	Year ended December 31, 2011	% of total	2012	% of total	Change (amount)	%
	($ in thousands, except percentages)					
Net Sales						
North America	124,913	62.7%	117,968	61.8%	(6,945)	−5.6%
UK	34,278	17.2%	35,096	18.4%	818	2.4%
France	23,977	12.0%	22,733	11.9%	(1,244)	−5.2%
Rest of World[(1)]	16,130	8.1%	15,113	7.9%	(1,017)	−6.3%
Total	**199,298**	**100.0%**	**190,910**	**100.0%**	**(8,388)**	**−4.2%**
	(In thousands of units, except percentages)					
Sales Volume						
North America	5,762	68.3%	5,787	68.3%	25	0.4%
UK	1,510	17.9%	1,525	18.0%	15	1.0%
France	627	7.4%	645	7.6%	18	2.9%
Rest of World[(1)]	532	6.3%	514	6.1%	(18)	−3.4%
Total	**8,431**	**100.0%**	**8,471**	**100.0%**	**40**	**0.5%**
	(in $ per unit)					
Average price per unit						
North America	21.7		20.4		(1.3)	−6.0%
UK	22.7		23.0		0.3	1.4%
France	38.2		35.2		(3.0)	−7.8%
Rest of World[(1)]	30.3		29.4		(0.9)	−3.0%
Total	**23.6**		**22.5**		**(1.1)**	**−4.7%**

(1) Rest of World refers to net sales generated by Viva subsidiaries in Hong Kong, Brazil and Japan.

The overall decrease in net sales was primarily attributable to the decrease in North America net sales. In particular, North America net sales amounted to $118.0 million in 2012, a decrease of $6.9 million, or 5.6%, from $124.9 million in 2011. North America sales volumes were substantially unchanged, however, the average price per unit decreased as a result of the initiative implemented by Viva in the second half of 2012 to sell off inventory at lower prices. The decision to sell off inventory also had an impact on net sales in France and the Rest of World, where net sales decreased by 5.2% and 6.3%, respectively, while sales volumes were substantially unchanged.

Cost of goods sold

Cost of goods sold amounted to $86.6 million in 2012, an increase of $1.5 million, or 1.7%, from $85.1 million in 2011. As a percentage of net sales, cost of goods sold amounted to 45.4% in 2012, compared to 42.7% in 2011. The following table sets forth an analysis of costs of goods sold for the periods indicated.

	Year ended December 31, 2011	% of net sales	2012	% of net sales	Change (amount)	%
	($ in thousands, except percentages)					
Cost of products sold	65,581	32.9%	67,596	35.4%	2,015	3.1%
Other costs of goods sold	19,541	9.8%	19,006	10.0%	(535)	−2.7%
Total	**85,122**	**42.7%**	**86,602**	**45.4%**	**1,480**	**1.7%**

Cost of goods sold primarily related to cost of products sold, which amounted to $67.6 million in 2012, an increase of $2.0 million, or 3.1%, from $65.6 million in 2011. As a percentage of net sales, cost of products sold amounted to 35.4% in 2012, compared to 32.9% in 2011. The increase in cost of products sold both in absolute terms and as a percentage of net sales was attributable to the combined effects of

a change in brand mix, and the sell off of inventory at discount prices. In particular, during 2012, Viva sold a larger proportion of inventory relating to certain brands which have a higher cost per unit than in 2011. In addition, the initiative implemented by Viva in 2012 to sell off inventory at discount prices in response to the previously described market conditions resulted in an increase in sales volumes and a decrease in the average price per unit from 23.6 in 2011, to $22.5 in 2012.

Other costs of goods sold amounted to $19.0 million in 2012, a decrease of $0.5 million, or 2.7%, from $19.5 million in 2011. As a percentage of net sales, other costs of goods sold amounted to 10.0% in 2012, compared to 9.8% in 2011. The decrease in other costs of goods sold was primarily attributable to a decrease in taxes and duties on imports.

Selling, general and administrative expenses

The following table sets forth an analysis of selling, general and administrative expenses for the periods indicated.

	Year ended December 31,				Change	
	2011	% of net sales	2012	% of net sales	(amount)	%
	($ in thousands, except percentages)					
Sales force expenses	38,626	19.4%	38,525	20.2%	(101)	−0.3%
Royalties	19,228	9.6%	19,554	10.2%	326	1.7%
Marketing expenses	15,225	7.6%	15,086	7.9%	(139)	−0.9%
General and administrative expenses	16,904	8.5%	15,199	8.0%	(1,705)	−10.1%
Other expenses	2,340	1.2%	2,180	1.1%	(160)	−6.8%
Total	**92,323**	**46.3%**	**90,544**	**47.4%**	**(1,779)**	**−1.9%**

Selling, general and administrative expenses amounted to $90.5 million in 2012, a decrease of $1.8 million, or 1.9%, from $92.3 million in 2011. As a percentage of net sales, selling, general and administrative expenses amounted to 47.4% in 2012, compared to 46.3% in 2011. The increase in selling, general and administrative expenses as a percentage of net sales was primarily attributable to sales force expenses, as a significant proportion of Viva's sales force expenses is fixed, and, therefore, does not decrease in proportion to net sales. This increase was partially offset by a decrease in general and administrative expenses, which amounted to 8.0% of net sales in 2012, compared to 8.5% in 2011. The decrease in general and administrative expenses was primarily attributable to a decrease in executive expenses, as a result of the resignation of Viva's president in July 2012.

Depreciation and amortization

Depreciation and amortization was unchanged amounting to $4.6 million in both 2012 and 2011, and comprised $2.5 million in amortization and $2.1 million in depreciation. As a percentage of net sales, depreciation and amortization amounted to 2.4% in 2012, compared to 2.3% in 2011.

Equity in earnings of joint ventures

Equity in earnings of joint ventures was unchanged amounting to $0.7 million in both 2012 and 2011. Equity in earnings of joint ventures primarily relates to Viva's share of the net income of its joint ventures in Germany (which has operations in Switzerland, The Netherlands and Austria), Mexico and Australia.

Interest expenses

Interest expenses amounted to $2.3 million in 2012, a decrease of $0.5 million, or 17.9%, from $2.8 million in 2011. The decrease was primarily attributable to the decrease in interest expense related to the HVHC Note, which amounted to $0.9 million in 2012, a decrease of $0.4 million, or 30.8%, from $1.3 million in 2011. The decrease in the interest expense was predominantly as a result of the repayment of $10.6 million in principal of the HVHC Note during 2011, the effects of which were fully realized in 2012. For more information on the HVHC Note, see ''*—Capital Resources—HVHC Note*.''

Income tax provision

Income tax provision amounted to $2.1 million in 2012, a decrease of $2.2 million, or 52.4%, from $4.3 million in 2011. Such decrease was primarily attributable to the decrease in profit before tax. The table below sets forth an analysis of income tax expense for the periods indicated.

	Year ended December 31,	
	2011	2012
	($ in thousands, except percentages)	
Income before income taxes	14,348	7,758
Income tax	4,324	2,059
Effective tax rate	**30.1%**	**26.5%**

Viva's effective tax rate in 2012 and 2011 differ from the U.S. statutory rate due to foreign tax benefits realized in each of the periods as result the settlement of foreign jurisdiction tax audit in 2012 and reduction of certain deferred tax liabilities in 2011.

Liquidity

Viva's cash requirements primarily consist of:

- Operating activities, including net working capital requirements and purchasing of inventory;
- Making payments to licensors in accordance with the licensing agreements;
- Making repayments in relation to financing obligations;
- Taxes and other requirements.

In the past, Viva's primary source of liquidity has been the cash flows generated from operating activities and intercompany financing received from the Seller obtained in 2010.

Working Capital

The following table sets forth a summary of movements in Viva's working capital, as derived from the Viva consolidated cash flow statements for the periods indicated.

	Year ended December 31,		Six months ended June 30,	
	2011	2012	2012 (Unaudited)	2013 (Unaudited)
	($ in thousands)			
(Increase)/decrease in accounts receivable	1,708	(2,641)	(6,085)	(7,592)
(Increase)/decrease in inventories	(2,880)	4,949	2,787	1,250
(Increase)/decrease in prepaid expenses and other assets	2,027	984	1,081	576
(Decrease)/increase in accounts payable	(3,517)	(2,296)	223	7,152
(Decrease)/increase in accrued expenses and other liabilities	1,166	(1,753)	1,246	1,466
(Decrease)/increase in income taxes payable/receivable	2,876	(2,537)	(401)	1,945
Movements in working capital	**1,380**	**(3,294)**	**(1,149)**	**4,797**

The fluctuations in the cash flows generated by/(absorbed by) movements in working capital were largely attributable to movements in accounts receivable, inventories, accounts payable, accrued expenses and other current liabilities and movements in taxes payable.

Viva's business is affected by seasonality. Viva sells prescription frames to the optical market in North America (and in particular, in the US), which accepts payment using insurance. Insurance plans typically run from January 1 to December 31 each year and upon renewal entitle the subscriber to a new pair of prescription frames. Accordingly net sales recorded in the first half of any given year are generally

expected to account for more than half of the year's total net sales, as consumers typically look to replace their prescription frames on the renewal of their insurance plan.

Accounts payable have also been affected by inventory purchasing patterns. Given that almost all of Viva inventory is purchased from suppliers in China, the Chinese holidays are considered when planning inventory purchasing. In 2012, the Chinese new year fell earlier than in 2013, and as a result, inventory purchase orders were placed and subsequently settled earlier in the year than in 2013, and Viva was able to push back the placing of purchase orders and subsequent payment. As a result of such impact, accounts payable increased by $7.2 million in the six months ended June 30, 2013, compared to an increase of $0.2 million for the six months ended June 30, 2012.

In the second half of 2012, Viva implemented an initiative to sell off inventory at discount prices as a consequence of the challenging market conditions as previously described under ''*—Key Factors Affecting Viva's Financial Condition and Results of Operations—Industry environment*.'' Such actions impacted working capital positively, as inventory levels decreased from 2011.

Movements in income taxes payable/receivable are largely attributable to the shifts in income before income taxes, the timing of taxes paid and the receipt of tax refunds.

For further details of movements in working capital for the periods covered, see ''*—Cash Flows*.''

Cash Flows

The table below sets forth a summary of Viva's consolidated cash flows for the periods indicated.

	Year ended December 31,		Six months ended June 30,	
	2011	2012	2012 (Unaudited)	2013 (Unaudited)
	($ in thousands)			
Operating activities				
Net income	**10,024**	**5,699**	**3,818**	**2,935**
Depreciation and amortization	4,560	4,550	2,261	2,232
Equity in earnings of joint ventures net of dividends received	(198)	373	319	205
Adjustments to other non-cash items	(1,949)	(665)	(433)	590
Cash flows from operating activities before changes in working capital	**12,437**	**9,957**	**5,965**	**5,962**
Movements in working capital	1,380	(3,294)	(1,149)	4,797
Net cash provided by operating activities	**13,817**	**6,663**	**4,816**	**10,759**
Investing activities				
Net purchases of property and equipment	(941)	(1,125)	(799)	(444)
Net cash (used in) investing activities	**(941)**	**(1,125)**	**(799)**	**(444)**
Financing activities				
Principal repayments to HVHC	(10,569)	—	—	—
Principal repayments on other finance obligations	(1,214)	(1,024)	(495)	(443)
Net cash (used in) financing activities	**(11,783)**	**(1,024)**	**(495)**	**(443)**
Net increase/(decrease) in cash and cash equivalents	**1,093**	**4,514**	**3,522**	**9,872**
Effect of foreign exchange rate changes	42	510	274	111
Cash and cash equivalents at beginning of period	**24,602**	**25,737**	**25,737**	**30,761**
Cash and cash equivalents at end of period	**25,737**	**30,761**	**29,533**	**40,744**

Net cash provided by operating activities

Six months ended June 30, 2012 as compared to the six months ended June 30, 2013.

Net cash provided by operating activities amounted to $10.8 million for the six months ended June 30, 2013, an increase of $6.0 million, from $ 4.8 million for the six months ended June 30, 2012. The increase in net cash provided by operating activities was primarily attributable to a $6.0 million increase in cash

generated from movements in working capital. This increase was primarily attributable to a $6.9 million increase in cash generated from movements in accounts payable, as a result of the purchasing patterns, as previously discussed.

Year ended December 31, 2011 as compared to the year ended December 31, 2012

Net cash provided by operating activities amounted to $6.7 million in 2012, a decrease of $7.1 million, from $13.8 million in 2011. The decrease in net cash provided by operating activities was primarily attributable to the combined effect of:

- a $4.3 million decrease in net income, from $10.0 million in 2011, to $5.7 million in 2012, as previously described;
- a $4.7 million increase in cash absorbed from movements in working capital. The movements in working capital were primarily driven by increased cash outflows for income taxes and increased trade receivables, which were partially offset by a decrease in inventories.

Net cash used in investing activities

Net cash used in investing activities amounted to $0.4 million for the six months ended June 30, 2013, $0.8 million for the six months ended June 30, 2012, $1.1 million in 2012, and $0.9 million in 2011. In all periods, investing activities primarily related to leasehold improvements, furniture, fittings, computer software, and equipment. Cash used in investing activities is generally low, as all Viva's products are manufactured externally, and as a result, Viva has limited capital expenditure requirements.

Net cash used in financing activities

Six months ended June 30, 2012 as compared to the six months ended June 30, 2013.

Net cash used in financing activities amounted to $0.4 million for the six months ended June 30, 2013, a decrease of $0.1 million, from $0.5 million for the six months ended June 30, 2012. In both periods, cash used in financing activities related to principal repayments on capital lease obligations.

Year ended December 31, 2011 as compared to the year ended December 31, 2012

Net cash used in financing activities amounted to $1.0 million in 2012, a decrease of $10.8 million, from $11.8 million in 2011. During 2011, Viva repaid a portion of the HVHC Note amounting to $10.6 million, while principal payments on capital lease obligations amounted to $1.0 million in 2012, compared to $1.2 million in 2011. For more information on the HVHC Note, see ''*—Capital Resources—HVHC Note*.''

Capital Expenditures

As a result of Viva's business model pursuant to which all manufacturing is outsourced, Viva's capital expenditure requirements are typically limited.

Capital Resources

The following table sets forth the principal amounts of Viva's external debt as of December 31, 2012 and as of June 30, 2013, both on a historical basis and adjusted to give *pro forma* effect to the Transactions.

	Historical		Pro Forma
	As of December 31, 2012 (Unaudited)	As of June 30, 2013 (Unaudited)	As of June 30, 2013 (Unaudited)
	($ in thousands)		
HVHC Note	22,024	22,024	—
Capital lease obligations	4,371	3,929	3,929
Total	**26,395**	**25,953**	**3,929**

HVHC Note

In 2010, HVHC provided Viva with a $32.6 million note payable facility (the ''**HVHC Note**''). The HVHC Note bears interest at variable rates, based on the actual rates incurred by HVHC on their senior secured credit agreement. In 2011, Viva repaid a portion principal of such note amounting to $10.6 million.

As part of the Transactions, such note will be fully extinguished.

Capital lease obligations

Capital lease obligations primarily relate to a building and certain items of office equipment. Such obligations are repayable in regular installments until 2017.

Contractual Obligations

The following table sets forth the Viva third party contractual obligations as of June 30, 2013, after giving *pro forma* effect to the Transactions.

	As of June 30, 2013			
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
		($ in thousands)		
Capital leases	1,477	2,954	907	—
Operating leases	1,145	1,151	598	600
License agreements[1]	16,514	30,594	28,412	39,909
Total	**19,136**	**34,699**	**29,917**	**40,509**

(1) These obligations represent the future minimum royalty and advertising payments under Viva's license agreements.

Critical Accounting Estimates

The preparation Viva's consolidated financial statements requires that management apply accounting standards and methods which, under certain circumstances, are based on subjective measurements, estimates based on past experience and assumptions considered to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the consolidated financial statements as well as the information disclosed. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

The primary areas applicable to Viva, for which management makes estimates and where a change in conditions underlying the assumptions could have a significant impact on Viva's consolidated financial statements include:

Allowances for returns

Allowances for returns are calculated based on historic trends, seasonal results and an evaluation of the current economic conditions.

Credits and doubtful accounts

Amounts receivable are presented net of allowances for sales returns and doubtful accounts. The allowance for doubtful accounts is calculated taking into account historical bad debt factors, current economic trends and factors related to the specific customers' ability to pay.

Inventory obsolescence

A provision for inventory obsolescence is recorded for obsolete and slow-moving inventories. The provision is based on past experience and careful monitoring of current and forecast economic and market conditions.

Valuation of deferred tax assets

Deferred tax assets are recorded on the basis of future taxable income. A valuation allowance is recorded against a deferred tax asset, when it is determined that it is more likely than not that the entire deferred tax asset will be recognized.

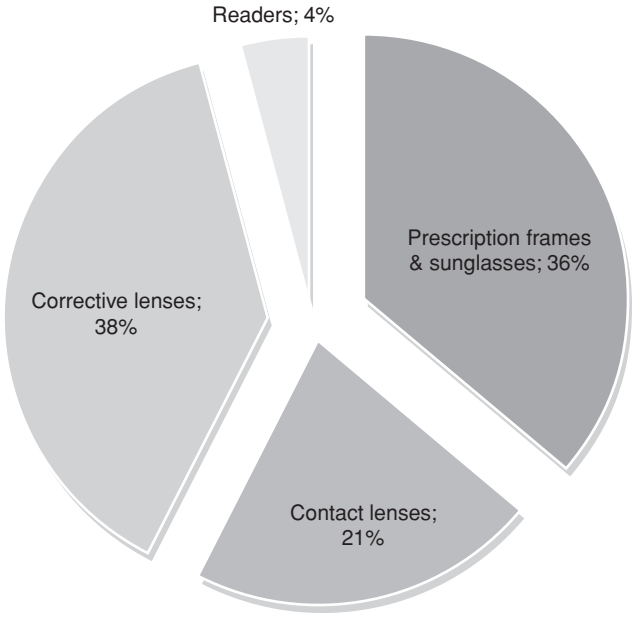
Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Offering Memorandum is based on our own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, resulting in our relying on our own internally developed estimates. Certain of the information presented herein has been derived from external sources, including Taiyou Research, public websites and company financial reports and other independent third party research. Any third party sources we use, including the data provided by Taiyou Research, generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research we have used in making our estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry or the relevant markets, and none of our internal surveys or information have been verified by any independent sources. None of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Offering Memorandum, and none of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents have independently verified this information and cannot guarantee its accuracy. Notwithstanding the foregoing, the Issuer accepts responsibility for the accurate extraction and reproduction of the industry and market data presented in this Offering Memorandum.

Eyewear Market Overview

The eyewear market (excluding surgery and retail distribution) can be divided into four sub-segments:

- prescription frames and sunglasses;
- contact lenses and contact lenses care;
- corrective lenses; and
- readers (non-prescription glasses used for reading).

According to Taiyou Research, at wholesale value, the global eyewear market in 2011 was estimated to be worth €27.5 billion. The chart below displays the breakdown in value according to sub-segment.



The prescription frames and sunglasses segment, in which the Group operates is estimated to reach approximately €11 billion in size at the end of 2013, of which approximately 29% is represented by

Europe (€3.0 billion), 42% by North America (€4.4 billion) and 29% by Asia / Rest of the World (€3.1 billion). Management estimates that approximately 70%/80% of the market in terms of value is represented by branded products, the core business of the Group and constituting nearly all of its revenue for the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions. The retail price for eyewear in the branded prescription frames and sunglasses segment is generally between 2.0 to 2.5 times that of the wholesale price.

The prescription frames and sunglasses wholesale market can be further segmented in prescription frames (70%) and sunglasses (30%). While generally the two sub-segments benefit from the same growth drivers (analyzed in the following paragraph), management tends to identify different dynamics. The prescription frame market is typically seen as very stable and has shown resiliency in the past, while the sunglasses market is more dynamics with more growth in upturn, but conversely a more correlation to the economic cycle. The combination of the two results in a market that is hedged by its own nature but that can presents solid growth opportunities.

Key Market Drivers and Growth Areas

Taiyou Research estimates that in the near future the branded prescription frames and sunglasses wholesale market will experience growth due to a combination of a number of different factors, including the following factors described below: (i) demographic factors, (ii) development of emerging markets, (iii) improvement of living standards and affordability, (iv) shift towards branded/luxury goods products, (v) increasing health awareness.

Key drivers of the growth in demand include:

1. ***Demographics.*** The number of people in need of visual correction and the number of people who receive visual correction impact the development of the eyewear market frames. According to Taiyou Research the global population counts currently approximately 7 billion people, of which 4.2 billion require vision correction (60% of total) and only 1.7 billion receive it (40% of people requiring correction). In addition, as a result of higher life expectancy and improved techniques that allow for vision impairments to be diagnosed earlier, by 2030, the population in need of a visual correction is estimated to increase by 1.2 billion, ultimately resulting in a broader customer base and therefore increased growth opportunities.
2. ***Development of emerging markets.*** By region, the largest opportunity for the eyewear industry lies in the developing economies. Asian, African and Middle Eastern, and Latin American regions account for 93% of uncorrected correction needs versus only about 7% for Europe, North America and Oceania. As such, an increased emerging markets penetration could result in an increased potential for volume growth.
3. ***Improvement of living standards and affordability, especially in emerging markets.*** Expectations of higher gross domestic product per capita, increased access to optical diagnosis and optical care and increasing brand awareness for prescription frames should result in increased sales volume globally
4. ***Shift towards branded / luxury goods products.*** Eyewear products such as sunglasses are increasingly used as fashion accessories. We believe that increasingly, consumers are using eyewear to enhance facial features or to make a fashion statement. The shift to branded prescription frames and sunglasses and the constant innovation on design (lighter weights, improved fit) has contributed to a reduction in the average life of prescription eyewear. We believe that the popularity of branded products means that consumers typically now own more than one set of prescription glasses.
5. ***Increasing health awareness (specifically for sunglasses).*** Consumers are more informed of the fact that sunglasses, apart from being a fashion accessory, can help protect the eyes and skin from sun damage.

The primary vision correction alternatives to prescription frames are contact lenses, but these are typically seen as an addition to prescription frames rather than a full substitute. While refractive optical surgery (laser correction) has grown since it was approved by health regulators in 1995, we believe this method is perceived as expensive, is often not covered by insurance, and is still viewed by consumers as carrying risks.

As a result of the above-mentioned drivers, the wholesale eyewear market has experienced sustained growth from 2006 to 2011 and Taiyou Research estimates that growth trends will continue for the next five years.

The table below sets forth certain global eyewear statistics (2006 to 2017).

€bn	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Frames	5.8	6.1	6.4	6.6	6.6	6.9	7.1	7.3	7.6	7.8	8.1	8.4
Sunglasses	2.4	2.6	2.7	2.7	2.7	2.9	3.1	3.2	3.4	3.6	3.8	4.0
Wholesale Market	8.2	8.7	9.1	9.2	9.4	9.7	10.2	10.6	11.0	11.5	11.9	12.4

Year over year change	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Frames	3.9%	3.9%	5.4%	2.6%	1.2%	3.3%	3.3%	3.3%	3.3%	3.3%	3.8%	3.8%
Sunglasses	9.2%	9.0%	5.4%	−2.2%	1.2%	6.1%	6.1%	6.1%	6.1%	6.1%	5.0%	5.0%
Wholesale Market	5.4%	5.4%	5.4%	1.2%	1.2%	4.2%	4.2%	4.2%	4.2%	4.2%	3.9%	4.2%

Year over year change	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Frames	71%	70%	70%	71%	71%	70%	70%	69%	69%	68%	68%	68%
Sunglasses	29%	30%	30%	29%	29%	30%	30%	31%	31%	32%	32%	32%
Wholesale Market	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

In the coming years, Taiyou Research estimates that growth in percentage terms will be driven mainly by emerging markets, whereas growth in percentage terms will be in line with recent trends in mature markets. The table below sets forth certain forecasts regarding sales of eyewear in emerging and mature markets for the periods indicated.

€bn	2011	2012	2013	2014	2015	2016	2017
Emerging Markets	2.0	2.2	2.4	2.7	2.9	3.1	3.4
Mature Markets	7.7	7.9	8.1	8.3	8.5	8.8	9.1
Wholesale Market	9.7	10.2	10.6	11.0	11.5	11.9	12.5

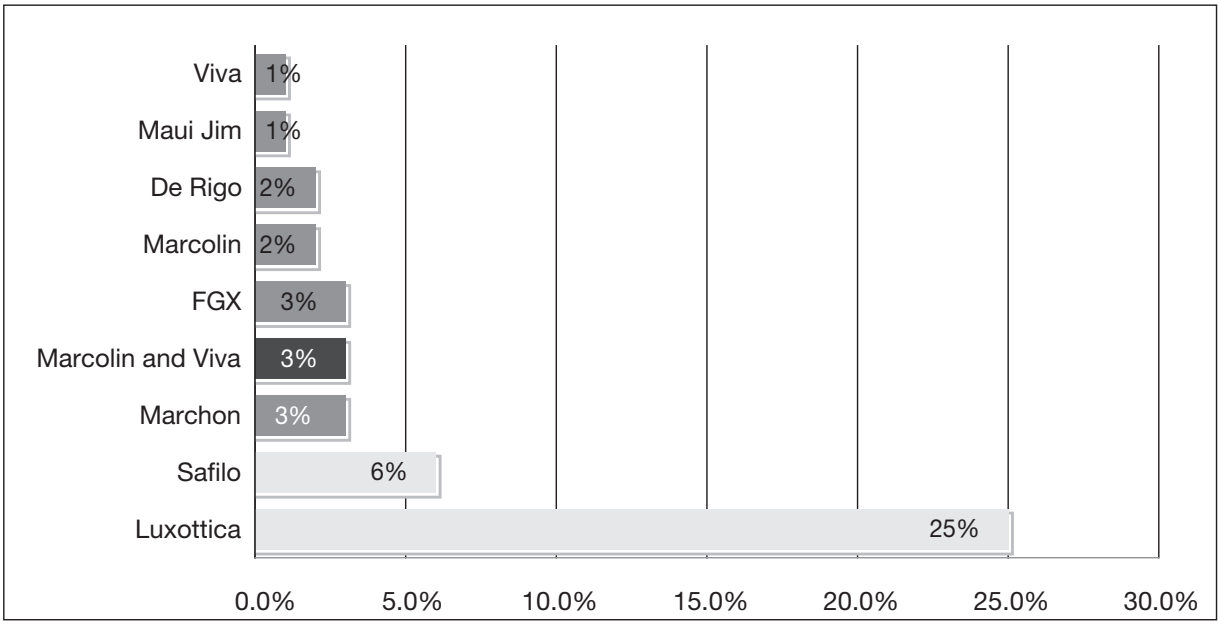
Year over year change	2011	2012	2013	2014	2015	2016	2017
Emerging Markets	9.2%	9.2%	9.2%	9.2%	9.2%	7.5%	7.5%
Mature Markets	2.7%	2.7%	2.7%	2.7%	2.7%	3.1%	3.0%
Wholesale Market	4.2%	4.2%	4.2%	4.2%	4.2%	3.9%	4.2%

Year over year change	2011	2012	2013	2014	2015	2016	2017
Emerging Markets	21%	22%	23%	24%	25%	26%	27%
Mature Markets	79%	78%	77%	75%	74%	74%	73%
Wholesale Market	100%	100%	100%	100%	100%	100%	100%

Key Players and Competitive Positioning

The eyewear market for premium prescription frames and sunglasses is highly competitive and fragmented. However, management believes that competition is more limited in the luxury segment. Our main competitors in the wholesale market are Luxottica Group S.p.A. (''**Luxottica**'') and Safilo Group S.p.A. (''**Safilo**'') which held 25% and 6%, respectively, of the market share at wholesale level according to Taiyou Research for the year ended December 31, 2012. Other competitors include Marchon Eyewear Inc. (''**Marchon**''), FGX International Inc. (now a division of Essilor International S.A.) (''**FGX**''), De Rigo S.p.A. (''**De Rigo**'') and Maui Jim Inc. (''**Maui Jim**'').

The chart below presents the market shares of certain of our competitors as of December 31, 2012 in terms of revenue (source: Taiyou Research, Viva reported financial statements and management estimates).



As of December 31, 2012, Marcolin was positioned as the sixth largest player, whereas Viva was ninth, in each case in terms of wholesale sales made during the year ended December 31, 2012. As adjusted on a *pro forma* basis for the Transactions, we believe, therefore, that the combined group would be the fourth largest player in the market after Luxottica, Safilo and Marchon.

Luxottica. Luxottica has an extensive network of directly-operated retail stores and a large portfolio of proprietary, mostly diffusion, brands. We believe that Luxottica's business model caters primarily to licensed brands with a larger volume of sales than the brands we target. Management believes Luxottica's distribution network in the U.S. and Europe is extensive.

Safilo. Safilo, while smaller than Luxottica, also caters primarily to licensed brands with a large volume of sales than the brands we target. Management believes Safilo has a growing retail distribution channel. Management also believes Safilo's distribution network in the U.S., Europe and certain other countries in Asia is extensive.

Marchon. Marchon's business model is most similar to that of Marcolin. Marchon focuses on licensed brands with a small to mid-sized presence in eyewear, however, for the year ended December 31, 2012 Marchon was larger than Marcolin (not taking into account the Viva Acquisition) in terms of brand portfolio and market share. Management believes that Marchon has lost a number of key brands to competitors in recent years and its distribution network is concentrated in the U.S. with limited presence in Europe. Following the Viva Acquisition and taking into consideration the new license agreements that we have signed, management estimates that the combined group will be in a position to rival, if not overtake Marchon.

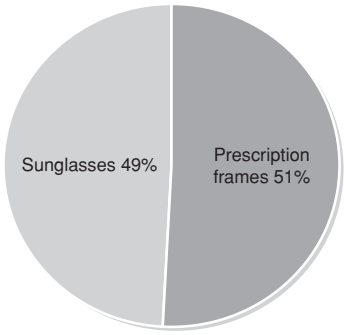
Marcolin and Viva. The combined group of Marcolin and Viva will rival the scale of Marchon and be larger than FGX and we believe the combined Group's brand portfolio will be balanced and comparable to those of our competitors in terms of full product offering for various sunglasses and prescription frames, geographic reach in the European and North American markets, target demographics and offering prices. The Group will be a leading wholesaler and focus on cultivating brand equity for licensed brands. See also ''*The Acquisition*.''

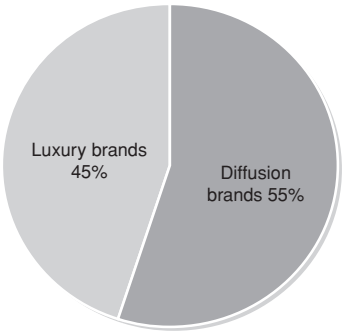
Unless the context indicates otherwise, other than in respect of ''—Overview,'' ''—Our Strengths'' and—Our Strategies,'' in this ''Marcolin's Business,'' references to ''we,'' ''us,'' ''our,'' or ''Marcolin'' refer to the Issuer and its subsidiaries (including any of their predecessors) and such references do not include Viva and do not take into account the effects of the Viva Acquisition, unless the context otherwise requires. For more information on the Viva, see ''The Acquisition'' and ''Viva's Business.''

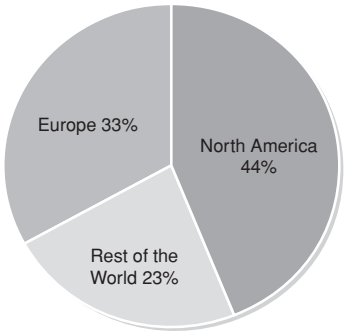
Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We believe we are the world's fourth largest eyewear wholesale player by revenue, with a broad portfolio of 21 licensed brands that appeal to key demographics across five continents. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing the brand names we have obtained pursuant to long-term, exclusive license agreements. We focus on high performing brands with eyewear accessory lines that have international awareness and generate (or have a potential to generate) between €30 million to €100 million in revenue annually. Our portfolio includes iconic labels such as Tom Ford, Guess, TOD'S, Montblanc, Diesel, Swarovski, Timberland, Gant, Harley-Davidson and Roberto Cavalli. The weighted average remaining term of our licenses was 6.9 years as of December 31, 2012. We believe the long tenure of our licenses provide us with strong revenue visibility, as approximately 61% of our revenue for 2012 was generated by sales of products under licenses expiring after 2020. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, we had total Pro forma combined revenue of €348.2 million, Pro forma combined Adjusted run-rate EBITDA of €45.9 million and we sold approximately 13.6 million units.

The graphics below present certain information about our revenue for the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions.







We believe that the Viva Acquisition will strengthen our position as the leading player for high performing brands with eyewear accessory lines that have international awareness and generate between €30 million to €100 million in revenue annually. We further believe that combining Marcolin's ability to interpret and distribute luxury brands with Viva's leading wholesale position in the U.S. and knowhow regarding the industrialization of diffusion brands makes us a compelling choice for brands in our target segment seeking to augment their existing offering and cultivate brand equity with eyewear collections. In addition, our enhanced worldwide distribution network will feature extensive POS coverage in North America, Europe and Asia which we believe are an essential component of our value proposition to licensors.

Our product offering encompasses the 21 licensed brands in our portfolio as well as six proprietary brands and we produce prescription frames and sunglasses for women and men targeting consumers at different price points. We generate the majority of our revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models.

Certain of our licensed brands such as Montblanc, Timberland and Harley-Davidson appeal particularly to male consumers, whereas Guess, Swarovski, Candie's and Balenciaga target female consumers; we also have licensed brands that resonate with both genders, such as Tom Ford, and with younger consumers, such as Diesel and Bongo.

Our portfolio of licensed brands can be divided into luxury and diffusion categories, comprising, respectively, our high-end handcrafted pieces for prestigious fashion houses and our stylish, more affordable alternatives. For our luxury brands, including Tom Ford, TOD'S, Balenciaga, Montblanc and Roberto Cavalli, we leverage our decades of experience to understand our licensors' vision for their brands, applying our in-house product design and high-quality craftsmanship to create eyewear with average retail prices of €200 to €250. As a result of close creative partnerships with each of our licensors, our eyewear reflects the character of each brand and features innovative product design. Most of our luxury brand products are handcrafted or hand-finished at our facilities in Longarone in Italy's northeast, long-considered to be the birthplace of the modern eyewear industry. For our diffusion brands, including Guess, Diesel, Kenneth Cole and Timberland, we call upon our expertise in the industrialization of the eyewear production process to integrate style and value, creating eyewear with average retail prices of €120 to €130. Diffusion brand products are mainly produced in Asia by third parties under Viva's creative supervision or assembled in Italy by Marcolin from components and semi-finished products made in China. We believe we have created a stable, diversified business model for both luxury and diffusion brands. We believe the risk of changing consumer fashion tastes is mitigated by our ample portfolio of licensed brands, the fact that the majority of our revenue is generated by prescription frames and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by a timeless, classic look and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We are a wholesaler with a presence in over 100 countries and a wide distribution network across five continents. Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through 12 commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our operations, covering product design, manufacturing and sales and distribution, and aims to cultivate and grow our brands. Our success is a result of applying our thorough understanding of brand management based on decades of experience with licensors and consulting with our sales force and distributors to integrate consumer preferences into our product designs. Our product design capabilities also enable us to create eyewear with a view to their industrialization. For in-house production of our luxury brand units, our manufacturing plant has been streamlined using high precision and flexible workstations and our plant includes on-site raw materials and semi-finished components storage and logistics. We have also outsourced certain machine-intensive phases for galvanization of metals and acetate for use in our luxury brands. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on long-term partnerships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, short lead times and low capital requirements while maintaining a flexible cost structure. We operate through a sales force and extensive distribution network that, together, formulate a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also pay attention to providing POS display and marketing material that showcase the distinctiveness of our licensed brands. The integrated nature of our business allows us to deliver results and quality control for our licensors, while providing customers and consumers with high-quality eyewear products.

Our Strengths

We attribute our market position and opportunities for continued growth to the following competitive strengths:

Attractive and stable wholesale eyewear markets with favorable trends toward branded products and potential for growth in emerging markets.

We believe the wholesale eyewear industry is an attractive and relatively stable market with favorable long-term growth trends due to a variety of economic, demographic and social factors. Taiyou Research estimates that the global market for prescription frames and sunglasses was worth €10.2 billion in 2012 at wholesale prices and will grow at a CAGR of 4.0% to reach €12.4 billion by 2017. For the twelve

months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, we generated 23% of revenue from Rest of World, including emerging markets in Asia, Latin America and the Middle East.

The prescription frames segment of the optical market is stable and resilient during periods of economic downturn in mature economies due in part to the non-discretionary nature of prescription lenses. Taiyou Research estimates that the wholesale prescription frames market was worth €7.1 billion in 2012 (70% of the total wholesale eyewear market) and will grow at a CAGR of 3.4% to reach 8.4 billion in 2017 driven by a combination of economic, demographic and social factors, including an aging population, increased use of computer monitors at work, increased affordability of eye care and changing consumer behaviors. Taiyou Research estimated that in 2011, 4.2 billion, or 60% of the world's population, required some form of vision correction, though only about 1.7 billion received treatment. The number of people in need of vision correction interventions (prescription lenses, contact lenses and corrective surgery) is expected to increase by 1.2 billion to 5.4 billion in 2030. In addition, consumers have begun to view eyewear as a fashion accessory and method of expression, heightening the consumer's interest in branded eyewear products and we believe that consumers are increasingly more likely to change the prescription frame when they change lenses. Currently a typical consumer purchases prescription lenses once every three years.

The sunglasses segment of the optical market has historically exhibited higher growth rates in periods of economic growth, though demand is more dynamic and sensitive to economic factors. Taiyou Research estimates that the wholesale sunglasses market was worth €3.1 billion in 2012 (30% of the larger wholesale eyewear market) and will grow at a CAGR of 5.2% to reach €4.0 billion in 2017 (32% of the larger wholesale eyewear market). Significant new demand for sunglasses is expected due to increased brand awareness on part of consumers and perceptions regarding the harm of exposure to ultraviolet rays.

Finally, emerging markets are expected to drive the global eye care market, with a focus on branded products. Taiyou Research forecasts growth of the wholesale eyewear market in emerging markets at a CAGR of 9.1% from 2012 to 2017, as compared to 4.0% for the entire market. Demand for branded products in emerging markets, particularly China, Brazil and India, will outpace demand for non-branded products as consumer awareness of internationally-recognized brands grows and economic segmentation among consumers becomes an important social signifier. Taiyou Research expects growth to come from both the sunglasses and prescription frames segment. In 2011, 93% of the population with unmet needs of vision correction resided outside of mature markets and socioeconomic and demographic changes are expected to increase optical diagnosis and affordability of eye care in those markets.

Leading player in the global eyewear industry with excellent reputation and a strong competitive position.

We believe that the combination of Marcolin and Viva will result in our Group becoming the fourth largest player in the global eyewear market based on revenue and the number of licensed brands. Our portfolio of 21 licensed brands includes a number of brand names that are globally recognized for innovation and prestige, including Tom Ford, Guess, TOD'S, Montblanc, Gant, Swarovski, Timberland, Roberto Cavalli and Diesel. We believe that our enlarged scale and distribution network will increase our ability to market our licensed brands on a global platform, taking advantage of growing opportunities in emerging markets and cover more fully the United States market where we believe our combined Group will reach approximately half of the U.S. POS. We focus on brands with eyewear accessory lines that have international awareness and generate (or have the potential to generate) between €30 million to €100 million in revenue annually. We believe we have the most geographically extended presence compared to those industry players who compete with us (measured in terms of annual average license revenues).

We believe that our business is characterized by low-fashion risk, due largely to the predominance of prescription frames in our revenue and the consistency of our sunglasses collections which favors classic designed models with limited changes to keep them fresh over more avant-garde models. We believe we enjoy a strong competitive position because our highest revenue-generating brands are characterized by a timeless, classic look, meaning that year by year, several high-selling models carry over for multiple seasons.

Diversified brand portfolio, balanced presence in prescription frames and sunglasses, worldwide reach with tailored distribution channels by area.

We believe our diversified product and brand portfolio of 21 licensed and six proprietary brands appeals to various populations and regional tastes and is balanced by prescription frames and sunglasses, brand category, demographic group and geographic region. For instance, for the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 51% of the Group's revenue was generated by sales of prescription frames which are considered less discretionary and less subject to seasonal variation than sunglasses.

For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 55% of our combined revenue was generated by sales of diffusion brand products, which offer stylish eyewear at a more affordable price, whereas the remaining approximately 45% of revenue was generated by sales of luxury brand products offering design innovation, personalization and high-quality materials. By dividing our Group's offerings into diffusion and luxury brands, we offer an array of eyewear and price options, suitable for wholesale distribution for different channels, including independent opticians throughout Europe, department stores from Bloomingdale's to Kohl's in the United States and retail stores of our licensors.

Our geographic presence is also extensive and broadly diversified, with particular strengths in the large North American and European markets, a growing direct presence in Asia and Brazil, and, through distributors and export sales, increased volumes of sales in the Turkish, Middle East and Russian markets. For the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions, approximately 44% of our combined revenue was generated in North America, 33% in Europe and 23% in the Rest of World.

Proven ability to enhance brand equity leading to strong portfolio of licenses with long average remaining maturity, high future revenue visibility and ability to attract new licenses.

We believe we enjoy a strong reputation among licensors as a valued partner with a proven ability to deliver brand equity enhancement. Primarily as a result of our product design and sales and distribution efforts, we have historically attracted new licenses from distinctive brands and we have significantly increased our license portfolio on an organic basis since 2009. We believe our success is attributable in part to our track record as product designers who capture and translate each brand's essence into successful eyewear products while respecting and preserving each licensor's brand identity. For example, in 2005, we welcomed Tom Ford to our Group as a licensed brand and have successfully grown Tom Ford eyewear organically from nil revenues at its introduction to a strong and well performing eyewear brand with a customer base spanning across Europe, the United States and Asia. In 2006, Tom Ford was awarded the Accessories Council Excellence Award for the category ''Best Accessory Brand Launch of the Year'' in recognition of Tom Ford eyewear's contribution to brand excellence. From 2006 to 2009, revenue generated by sales of Tom Ford eyewear grew at a CAGR of 50.5% as we rolled out a distribution strategy specifically tailored for this luxury brand. From 2009 to 2012, revenue generated by sale of Tom Ford eyewear grew at a CAGR of 12.4% and it continues to be a well-performing brand with a strong customer base across our core markets.

The strength of our brand portfolio provides the foundation of our success and, with an average remaining license term of 6.9 years as of December 31, 2012, we are well-positioned to continue to cultivate brand market share and exploit the larger distribution network available to us with the Viva Acquisition, especially in the United States. For the year ended December 31, 2012, as adjusted on a *pro forma* basis for the Transactions, approximately 61% of combined revenue was generated by products under licenses with at least seven years of residual life (beyond 2020). The long average remaining duration of our license portfolio provides us with a high degree of revenue visibility. Since 2009, we have added three licensed brands to our portfolio, entered into two additional new licenses, one 10-year license and one 5-year license with iconic, internationally-recognized brands that will be unveiled in 2014, renewed one of our existing licensed brand and lost none of our licensed brands to our competitors. We believe our unique attention to licensor's interests, our best-in-class product design capabilities and our strengthened distribution network's scale make us a preferred licensee for potential partners and creates even greater opportunities for us to further develop existing, and attract new brand licenses in the future.

High cash conversion due to limited capital expenditure and working capital requirements.

Our track record of maintaining stable margins combined with the limited capital expenditure requirements of our wholesale business model and our management's attention to working capital management has historically resulted in strong cash conversion. Our Pro forma combined Adjusted EBITDA margins were 12.1% and 10.8% for 2012 and the twelve months ended June 30, 2013, respectively, despite generally adverse economic conditions in our key markets, benefitting from our lean organization structure. Furthermore, our business generally requires limited capital expenditures. Manufacturing facilities in the eyewear industry are made up of small, relatively inexpensive machines; in addition strategic use of outsourcing limits our maintenance capital expenditure requirements. Particularly machine-intensive phases of production for our metal products, such as the galvanization, have been outsourced to third parties located near our central manufacturing premises in Italy and we rely on third parties for manufacturing processes for our diffusion brand products. Furthermore, as we do not maintain a retail distribution network, our business model avoids the extensive capital expenditures that would be required to open and maintain directly-operated stores, and while we are able to make sales to our vertically-integrated competitors who stock our licensed brands to complete their product offerings, we believe we are the preferred partner for independent opticians as we do not compete with them in the retail eyewear trade. Limited working capital swings from year to year due to proactive inventory management supported by disciplined production planning.

Strong and experienced management team backed by committed shareholders.

We have a senior management team consisting of individuals with over 20 years of experience in the consumer products and fashion industry. Our managers have extensive experience in, among other areas, financial planning and control, wholesale management and licensing with leading listed and non-listed companies that are active on a global level. All key managers also have extensive mergers and acquisitions and integration experience. Members of the Marcolin family remain active shareholders in our business and occupy managerial positions which maintains continuity with our heritage as one of the oldest luxury eyewear manufacturers. We benefit from the support of PAI, one of the oldest and most experienced private equity firms in Europe. Finally, in connection with the Viva Acquisition, we expect that a number of managers from Viva will join our Group management team and bring their experience in the North American market and their extensive knowledge of eyewear industrialization in support of our combined business.

Our Strategies

We plan to further grow our leading market position and fully exploit the synergies and cost savings of the Viva Acquisition as described under ''*Summary—Viva Acquisition rationale*'' by pursuing the following business strategies:

Leverage expanded and balanced geographic presence, increase scale and further develop global distribution capabilities, especially in the U.S. and emerging markets.

The combined Group is expected to be the fourth largest player in the wholesale eyewear industry with extensive distribution networks in the North American and European markets. We intend to focus our efforts to exploit the larger distribution network in the United States afforded by the Viva Acquisition (where the Group's expanded distribution network will reach at least 15,000 U.S. POS) and roll out Marcolin's licensed brands such as Tom Ford, Montblanc, Diesel, Roberto Cavalli, Timberland, Swarovski and Kenneth Cole to new locations. Additionally, we believe there is potential for Viva's licensed brands to gain market share in certain European markets and through the Group's distribution network and export sales activities in Asia and the Middle East, especially for licensed brands such as Guess, Gant and Harley-Davidson. We also expect to leverage our increased portfolio of proprietary brands that target entry level price points to increase revenue in the U.S. through managed care networks which provides high revenue visibility and reduces fashion risk.

We aim to maintain a strong foothold in our mature markets while pursuing organic growth opportunities in fast-growing emerging markets that will account for about a third of the wholesale eyewear market by 2017. In addition, we believe consumer demand for branded products is also expected to increase. We expect our increased scale and broader portfolio of licensed brands with different price points will help us effectively target increased revenue in emerging markets. We intend to promote our brands for export sales, especially to Latin America, Asia and the Middle East. In addition, to foster consumer demand in

emerging markets, we will work closely with our licensors to further increase brand awareness through targeted advertising campaigns and in-shop displays. We also believe that the travel segment of the wholesale distribution channel (i.e. airport duty-free shops) can function as an entry point to increase revenue in emerging markets, and we expect to increase our presence in these locations.

Focus on distinctive brands with target revenue in eyewear of between €30 million to €100 million to cultivate brand equity for licensors.

We intend to continue to develop our successful business model of providing collections in a variety of styles, materials and colors to distinctive brands with high commercial potential in eyewear, generally with target revenue between €30 million and €100 million in the next three to five years. For luxury brands, we will continue producing *Made in Italy* pieces that seek to translate each licensed brand's unique identity into eyewear. For diffusion brands, we intend to continue to offer consumers compelling propositions of style and value. We believe establishing the eyewear collection for Tom Ford and Guess and continuing to grow them as formidable, recognized and profitable brands in the eyewear accessory line has contributed to raising awareness among consumers for these brands, and therefore, increased consumer loyalty and brand value. We believe our track record can help us develop other luxury and diffusion brands that have yet to establish eyewear collections or are otherwise dissatisfied with their current licensee. In addition, our ability to produce, industrialize and distribute eyewear in the diffusion brand category can be attractive to licensors seeking to complement their offering and reach mass-market consumers. We have recently signed one new 10-year license and one new five-year license, in each case involving globally-recognized brands with sales commencing in January 2015. We review our portfolio on a regular basis, and we have discontinued four brands since 2011 that no longer resonated with consumers or otherwise did not maintain attractive margins. We will continue to focus on licensed brands that have broad consumer appeal or target selective and profitable niches. We seek to maintain or increase gross margins for our luxury and diffusion brands, and we intend to monitor and tailor our brand portfolio for optimal performance.

Maximize operational efficiency in all core markets and foster partnership-based approach with suppliers.

We believe that tight control over our operations has historically contributed to margin preservation and we intend to maximize the operational efficiencies presented by the Viva Acquisition. We intend to utilize the economies of scale generated by the Viva Acquisition and improve both our procurement and distribution functions through aggregation of activities where relevant. We expect that leveraging our increased size will yield favorable commercial conditions from suppliers. We also intend to extract cost savings through rationalizing general and administrative costs, especially in countries where both Marcolin and Viva already have a direct presence. In addition, our experience indicates that the faster we can move product design concepts into POS, the more likely we can translate our designs into revenue at our recommended price, yielding strong margins. We have recently begun an initiative to reduce the number of principle third-party manufacturers in China from 13 to six that we utilize for finished and semi-finished products in an effort to improve production cycle time, reduce re-ordering delays and form strong partnerships with such suppliers. We believe further improving our procurement, production and assembly efficiency can help us maximize revenue volumes and preserve margins while limiting our exposure to changing fashion trends and inventory leftovers. Finally, we will continue to work on improving our logistical organization and improve customer fulfillment of orders.

Maintain disciplined financial strategy, focus on cash generation and reduce leverage.

We have historically achieved high levels of Adjusted EBITDA with Pro forma combined Adjusted EBITDA margin of 10.8% for the twelve months ended June 30, 2013, as adjusted on a *pro forma* basis for the Transactions and Marcolin achieved an average Adjusted EBITDA of 14.6% over the last three years. We intend to focus on cash generation and operationally reducing our leverage through improving working capital practices and aggressively monitoring cash flow management. The Revolving Credit Facility, which we expect will be undrawn at the closing of the Offering and as of the Completion Date, will maintain a liquidity cushion for on-going business needs. Leveraging our limited capital expenditures combined with our disciplined financial strategy, we intend to focus on cost reduction and efficiency improvement opportunities presented by the integration of Viva, including through aggregating logistics facilities, consolidating distribution subsidiaries and streamlining back-office functions. In addition, we do not intend to pay any dividends. Furthermore, we intend to prudently

evaluate any future opportunities for strategic growth of our licensed brand portfolio that have clear potential to be EBITDA-accretive.

Our History

We trace our history back to 1961, when Giovanni Marcolin started his activity as an unincorporated business in Cadore, an area in the Veneto region of Italy with a historic tradition of artisanship in the eyewear industry dating back to the first workshop for eye spectacles in Italy which was established there in 1877. Our first production (under the ''Fabbrica Artigiana'' trademark) focused on gold laminated arms for eyeglasses using doublé laminé, an alloy combining the aesthetic of gold with the strength of other metals such as copper, silver or palladium. In 1967, we opened a factory in Vallesella di Cadore to accommodate the production of our first line of prescription frames. In the following years, we entered into distribution agreements and established branches to market our products outside of Italy, notably in the United States (1968), France (1976), Germany (1976) and Spain (1986). In 1985, our production plant was moved to Longarone, where we are currently based.

In 1989, we acquired our first licensed brands in what would become an extensive portfolio of luxury and diffusion brands through acquisitions of companies holding the licenses to produce eyeglasses bearing the Mila Schoen and Lancetti brands. In the 1990s and 2000s, luxury and diffusion brands were added to our portfolio through a series of license agreements. In 1999, we signed a license agreement with Roberto Cavalli and, in 2001, with Montblanc, followed by Tom Ford in 2005 and Diesel in 2010. Many of these agreements have been subsequently renewed.

In 1999, we became a public company through a listing on the Italian Stock Exchange. We also focused on expanding our geographic reach through distribution agreements and new subsidiaries and through selective acquisitions such as that of Cébé in France (1999) and Creative Optics in the United States (2001). In December 2012, we were acquired by funds advised by PAI Partners for aggregate consideration of €207 million consisting of the purchase of a majority stake in our share capital from our former controlling shareholders and a subsequent mandatory tender offer from public shareholders resulting in the de-listing of our ordinary shares from the Italian Stock Exchange. Certain managers and former shareholders, including Andrea Della Valle and Diego Della Valle and certain members of the Marcolin family, remain indirect shareholders of Marcolin.

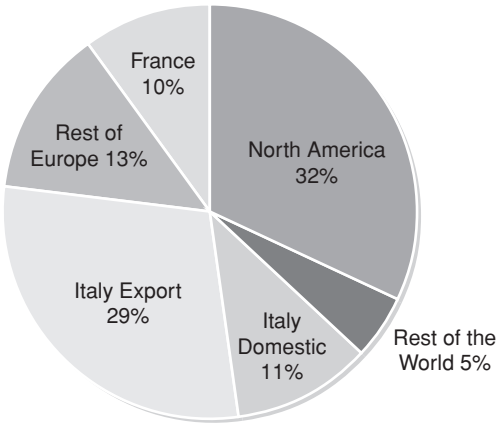
Our Business

We operate in the sunglasses and prescription frames segments of the eyewear industry and we design, produce and distribute products bearing a variety of brands that cater to different demographics. Our present business model focuses on licensed brands, though we also maintain three proprietary brands. We forge close and long-term relationships with our licensed brands and create value by combining specialized product development methodologies, *Made in Italy* design and the latest industrial know-how. For the twelve months ended June 30, 2013, approximately 59.5% of our revenue was generated by sales of sunglasses and approximately 41.6% were generated by sales of prescription frames (such amounts were reduced by (1.1)% of revenue related to discounts and returns). We further separate our eyewear products into the following categories:

- **luxury brands:** high-end products distinguished by their exclusivity and distinctiveness (or consumer perceptions thereof) influenced by fashion and often characterized by a higher retail price; and
- **diffusion brands:** products influenced by market trends positioned in the mid- and upper-mid price segments targeting a wider customer base.

For the twelve months ended June 30, 2013, approximately 76.7% of our revenue was generated by sales of luxury brand eyewear and approximately 24.4% of our revenue was generated by sales of diffusion brand eyewear (such amounts were reduced by (1.1)% of revenue related to discounts and returns). For the twelve months ended June 30, 2013, we sold 1,969 thousand units of luxury brand eyewear and 3,447 thousand units of diffusion brand eyewear.

Our core markets are Europe, North America and Asia. The chart below displays the breakdown of our revenue for the twelve months ended June 30, 2013 by geographic segment.



Our Licensed Brands

Our portfolio of licensed brands, comprised of brands from many of the leading brands around the world, targets broad demographics, lifestyles and interests from traditional, casual elegance to haut couture. Our licensed brand portfolio has historically been dynamic; we have gained a number of new licensed brands in recent years and we have also transitioned out certain licensed brands which we believed were no longer in line with our strategy of focusing on top-end luxury and diffusion brands. A number of licenses are bundled and include both flagship brands as well as niche and regional brands. For example, our Diesel license includes the 55DSL brand which targets young and urban consumers. For the year ended December 31, 2012, approximately 98.8% of our revenue was generated by sales of licensed brand products. The average residual life of our licenses was 7.3 years as of December 31, 2012 and approximately 56.5% of our revenue for the year ended December 31, 2012 was generated by sales of products under licenses with more than seven years of residual life.

We focus on top brands with international recognition and resonance with key demographics with target annual revenue of €30 million to €100 million. Generally we only seek exclusive worldwide licenses, however, given the size and importance of the United States market, we have obtained two U.S. only licenses, Covergirl and Kenneth Cole. Our brand portfolio reflects a strategy to capitalize on the consumer segments we believe will be most commercially attractive, including high-end, luxury brands such as Tom Ford, Swarovski, Roberto Cavalli and Montblanc and diffusion brands with high commercial appeal, such as Diesel and Timberland that cater to younger and lifestyle consumers.

The table below presents certain information regarding our licensed brand portfolio.

	Date of first license	Expiry of current license[1]	Categories of products	Made in Italy?[2]
		Luxury brands		
Balenciaga	2013	2018	sunglasses	✓
Dsquared2	2008	2018	sunglasses, prescription frames	✓
Montblanc	2001	2016	sunglasses, prescription frames	✓
Roberto Cavalli	1999	2020	sunglasses, prescription frames	✓
Swarovski	2009	2015	sunglasses, prescription frames	✓
Tom Ford	2005	2022	sunglasses, prescription frames	✓
TOD'S	2008	2018	sunglasses, prescription frames	✓
		Diffusion brands		
Covergirl	2001	2014[3]	prescription frames	
Diesel	2010	2016	sunglasses, prescription frames	
JustCavalli	2009	2020	sunglasses, prescription frames	
Kenneth Cole	2003	2016[3]	sunglasses, prescription frames	
Timberland	2003	2015	sunglasses, prescription frames	

(1) This table assumes the exercise of our option to renew one of our licenses which can be utilized at our sole discretion.

(2) See ''*—Quality Control—Certifications*'' for a description of the legal requirements for the *Made in Italy* labeling.

(3) The licenses for Covergirl and Kenneth Cole are limited to the United States.

The following presents a brief description of each of our licensed brands.

Luxury brands

Balenciaga. The Balenciaga brand is our newest licensed brand, and the first collection of female luxury eyewear for women will be launched in November 2013. Balenciaga's look is the combination of haute couture and ready-to-wear, and its creations are characterized by avant-garde look with contrasting colors. Our Balenciaga eyewear will feature metal and acetate styles in a variety of colors and shapes. The target market for Balenciaga eyewear are women with strong personalities over 30. We believe there is significant potential for this brand to achieve success in the European, North American and Asian markets.

Dsquared2. Under the Dsquared2 brand, we design, produce and distribute sunglasses for women and men and prescription frames for women with retail prices ranging from €160 to €270. Dsquared2 eyewear offers a sophisticated, hip and international look with Italian craftsmanship combined with North American and English influences as embodied by the brand's motto ''Born in Canada, Living in London, Made in Italy.'' Dsquared2 pieces include metal and acetate in iconic shapes such as the unisex Aviator and a selection of retro-chic horn rimmed prescription frames for women. The target consumers for Dsquared2 eyewear are women between the ages of 16 to 35.

Montblanc. Under the Montblanc brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €250 to €500. Our Montblanc eyewear embodies the timelessness, refined luxury and quality of *Made in Italy* craftsmanship. Every piece features the brand's distinctive snow cap logo. Montblanc sunglasses and prescription frames feature refined detailing and the creative use of carefully selected materials. The main target consumers for Montblanc eyewear are men over 35.

Roberto Cavalli. Under the Roberto Cavalli brand, we design, produce and distribute unisex sunglasses and prescription frames for women with retail prices ranging from €180 to €350. Roberto Cavalli's look is non-conformist and free, sensual and seductive; inspired by a love for nature and his unbridled creativity featuring animal, flower motifs, feline spots and jungle themes. Roberto Cavalli eyewear collections express the brand's distinctiveness with technical and artistic touches, including models embellished by ornaments and stones and a variety of colors and prints aligned with the latest fashion trends. The target consumers for Roberto Cavalli eyewear are women over 30.

Swarovski. Under the Swarovski brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices ranging from €140 to €250. Swarovski eyewear personifies a delicate, luxurious aesthetic with precision-cut crystal accent pieces. Swarovski eyewear incorporates clean lines, slender frames and earth tones in metal and acetate. The target consumers for Swarovski eyewear are women over 40.

Tom Ford. Under the Tom Ford brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €190 to €380. Tom Ford eyewear is meticulously handcrafted in Italy, complete with sophisticated touches and exudes the iconic, everyday luxury, glamour and exclusivity that has helped the brand gain worldwide renown. Our Tom Ford eyewear offering features rich acetates with metalworking accents, clean linear shapes and minimalist metal shapes with a strong vintage inspiration. The target market for Tom Ford eyewear is women and men over 25. In 2006, Tom Ford was awarded the Accessories Council Excellence Award for the category ''Best Accessory Brand Launch of the Year'' in recognition of Tom Ford eyewear's contribution to brand excellence.

TOD'S. Under the TOD'S brand, we design, produce and distribute unisex sunglasses and prescription frames with retail prices ranging from €190 to €350. TOD'S eyewear features an international tastes as interpreted by Italian style with a modern and timeless essence. With a wide-ranging color palate in both metal and acetate, TOD'S eyewear features interesting shapes for greater expression of personality, such as women's cat eye and butterfly-shaped sunglasses. The target market for TOD'S eyewear is women and men over 35.

New luxury licensed brands

As of the date of this Offering Memorandum, we have signed two new license agreements and we are in advanced negotiations to sign a third license agreement, in each case with internationally-recognized luxury brands. See ''*Summary—Recent Developments—New license agreements*.''

Diffusion brands

Covergirl. Under the Covergirl brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices ranging from $50 to $90. Covergirl eyewear is fun and youthful. Our Covergirl license is limited to the United States market and our offering features both plastic injected and acetate models. The target market for Covergirl eyewear is women between the ages of 18 to 24.

Diesel. Under the Diesel brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €100 to €160. The Diesel collections are unisex in style and consist of both prescription frame models and sunglasses models in plastic injected, acetate and metal. The Diesel collections are developed by design clusters, with a wide offer of sellable yet distinctively Diesel styles characterized by strong and innovative features. Our Diesel eyewear collections sell particularly well among young men and women between ages 18 to 35 looking for a unique and independent style. Our Diesel license includes the brand 55DSL, the original Italian street wear brand characterized by its lively and provocative identity and dedicated to the ''teen'' segment.

JustCavalli. Under the JustCavalli brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €110 to €150. Just Cavalli is a distinctive and innovative contemporary brand, positioned in the diffusion segment and dedicated to a young, urban audience with individual style. JustCavalli eyewear combine urban attitude and fashion trends with edgy design, an iconic play of plain colors and youth-inspired animalier combinations. The target consumers for JustCavalli eyewear are women and men between the ages of 18 to 35.

Kenneth Cole. Under the Kenneth Cole brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from $80 to $98 for our ''New York'' sunglass collection; from $60 to $70 for our ''Reaction'' sunglass collection. Retail prices range from $192 to $205 for our ''New York'' prescription frames and from $130 to $155 for our ''Reaction'' prescription frames collection. Our Kenneth Cole license is limited to the United States market and our offering features both plastic injected and metal models in sleek and geometric shapes and classic colors. The target consumers for Kenneth Cole eyewear are women and men between the ages of 20 to 35.

Timberland. Under the Timberland brand, we design, produce and distribute sunglasses and prescription frames for men with retail prices ranging from €90 to €150. For each collection, we draw inspiration from America's New England geography and spirit of ingenuity. Timberland eyewear collections embrace the core heritage in craftsmanship, outdoor utility and the environmental awareness of its target audience. We have developed specific Timberland models to support active lifestyles, for example, wrap-around sports sunglasses. The target consumers for Timberland eyewear are men over 30.

Our Proprietary Brands

In addition to our licensed brands, we also design, produce and distribute eyewear products bearing our proprietary brands, Marcolin, National and Web. Our proprietary brands benefit from Marcolin's long history in the eyewear design marketplace and our knowhow from collaborating with leading design houses. In terms of market positioning, all three are diffusion brands. Marcolin and National are marketed and sold by M-USA only. For the year ended December 31, 2012, approximately 1.2% of our revenue was generated by sales of proprietary brand products.

The following presents a brief description of each of our proprietary brands.

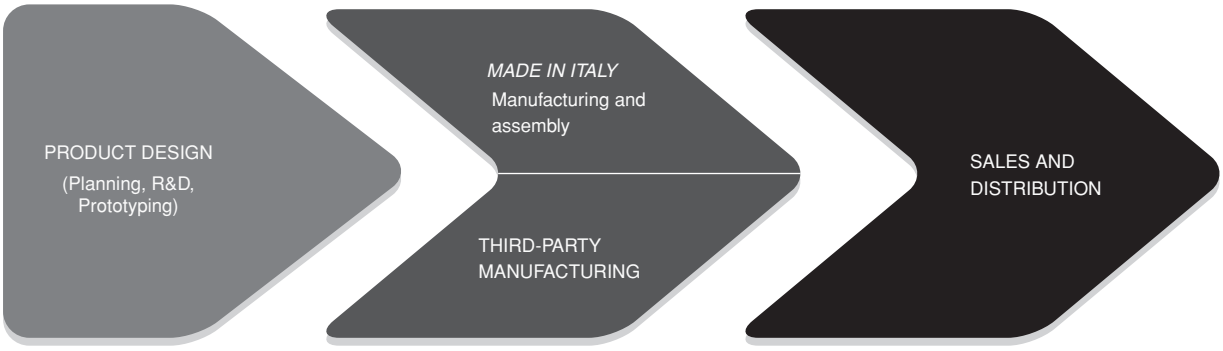
Marcolin. Under the Marcolin brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €52 to €95. Marcolin is a value-focused diffusion brand with a competitive value proposition of sophisticated yet affordable style. The Marcolin brand targets a broad range of consumers with a wide mix of product styles, colors and sizes in plastic, metal and acetate.

National. Under the National brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €48 to €85. National is a value-focused diffusion brand that Jobson Research shows is among the leading eyewear collections for managed care products. National features classic shapes in plastic and metal with a traditional color palette to appeal to a broad range of consumers.

Web. Under the Web brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €120 to €200. Web eyewear is inspired by the icons of 1930s America and the pioneers of aviation, with travel-themed models in iconic shapes and acetate and metal materials, with a distinctly vintage elegance. Web eyewear celebrates life, travel and the capacity to enjoy new experiences. The target consumers for Web eyewear are women and men between the ages of 25 to 40. In 2013, we introduced W as a new brand within the Web family. The launch of W is connected to the re-launch of this proprietary brand in Italy to bolster our entry price product offering.

Operations

Our integrated wholesale business model is organized to cover the entire value chain of product design, manufacturing and distribution of sunglasses and prescription frames. The chart below displays our value chain. We estimate that our entire design to market process typically takes approximately 14 to 18 months.



Each phase of our operations is informed by our decades of experience in the eyewear industry and structured to focus on quality and an understanding of our key stakeholders:

- ***our licensed brands:*** our product design and sale and distribution phases are coordinated closely in terms of style, look and materials with the rest of each licensed brand's collections to promote and maintain brand equity and positioning;
- ***our customers:*** as we operate as a wholesaler, we work closely with our customer base consisting of independent opticians, chains, managed care networks and flagship stores during the product design and sales and distribution phases to promote a range of products that maximize revenue per channel and are otherwise responsive to the business exigencies of our customers;
- ***our consumers:*** our product design, and manufacturing phases are influenced by the demands of our consumers for eyewear in tune with the latest fashion trends but are also appropriate for fitting and comfort; and
- ***our suppliers and craftspeople:*** our manufacturing phase for *Made in Italy* manufactured eyewear supports the artisanal tradition of Italy's northeast and for third-party manufactured eyewear, we coordinate closely with suppliers to harmonize value with quality and innovation.

Product Design

Our strength in product design is based in part on our long history in the eyewear industry, our in-house design capabilities and our ability to perceive, shape and cater to changing fashion trends and consumer preferences. Our product design team responsible for shaping our new collections consists of approximately 45 members, including designers and prototype engineers. We believe we are recognized by fashion brands seeking to diversify into the eyewear segment for our ability to capture and interpret a brand's ''DNA'' and translate it in the design of optical frames.

All of our licensed brands are managed independently of one another with their own design teams each under the direction of a head of design. Each of our licensed brands retains its own creative ‘‘voice’’ and expression, as its eyewear collection proceeds cohesively, as influenced by fashion trends, innovation and the rest of the fashion house’s products.

Planning for a new seasonal collection begins one year prior to the commercialization of the relevant eyewear. Our product design process is characterized by close collaboration with our licensors, particularly in the case of luxury brands where stylists focus on designing collections that reflect the latest evolution of each brand’s respective identity and incorporates Marcolin’s research and development (‘‘**R&D**’’). See ‘‘*—Research and Development*.’’ Our designers meet with our licensors to develop themes and fashion concepts that reflect the attributes of the licensor’s brand and its market segment positioning. Product design commences with a hand-drawn sketch, which is then converted into a computer-rendered technical drawing. We then present the technical drawings, up to 50 at a time, to our licensors, and then work with our them to define colors, materials and styles. The preliminary costing analysis is performed at the time of prototype design to favor a balanced range of units at different price points. Following this process, approximately 35 technical drawings are selected and approved by our licensors. The computer-rendered technical drawing is then fabricated into a hand-finished prototype at our premises in Italy. This prototype is extensively analyzed and measured through laboratory and field-testing to ensure that it reflects the design integrity of the original sketch and that the fit of the eyewear for the wearer meets our standards.

The prototypes that have been approved by our licensors are then presented to our distributors and sales force who are able to provide their input and advice based on their experience of customer and consumer preferences in their specific markets, including, for example, frames designed for an Asian fitting. We then incorporate any changes and improvements to our prototypes in response to the input from our sales representatives, distributors, managers and employees. Once prototypes are selected, additional costing analysis is performed in connection with the commercialization and industrialization of the units, forecasting, for example, price per component parts and finishing taking into account likely wholesale prices and go-to-market costs. Before full commercialization and industrialization, we conduct tests by units against our marginality objectives and determine run volumes based on, among other factors, the likely margin yield. Once the prototype is thoroughly tested and optimized, the design is translated into a hand-polished, steel injection-mold or a ‘‘tool’’ for handmade production. The entire product design phase for each new collection usually lasts three to four months.

We aim to continually introduce new models, update existing models and to maintain momentum and reflect the character of successful brands. The life cycle of eyewear in the mid-range to luxury eyewear market is short. The life cycle of sunglasses is about one year and of prescription frames two years, and models are generally updated every six months, though certain classic and contemporary models from our brands have been in production for years and continue to exhibit strong performance. The ability to constantly renew our product offerings, absorb, reflect and transmit new fashion and cultural influences is a key component in our continued success.

Manufacturing

Our sunglasses and prescription frames generally are produced using three different materials (or combination thereof): metal, acetate or plastic, each with its own manufacturing technology. Our product offering consists primarily of metal and acetate, though certain diffusion brands employ plastic.

The images below display selective prescription frames made of the three materials we use to create our eyewear, metal, acetate and plastic, each of which are briefly described below.

Metal. Metals typically used in eyewear include mixtures of nickel, titanium, monel (an alloy of two-thirds nickel and one-third copper), stainless steel, silver and palladium. The manufacturing process for metal frames has approximately 10 phases, beginning with the production of basic components such as rims, temples and bridges, which are folded to create the component parts such as eye rims and temples. These components are then welded together to form frames over numerous stages of detailed assembly work. The unpolished frames subsequently undergo galvanizing and coloring processes during which the frames assume the colors of the new collection and are subsequently prepared for lens fitting and packaging. Metal frames are generally more expensive than other materials.

Acetate. Acetate, a propionate cellulose, also called Zyl, is produced from natural cotton fibers and tree pulp. Acetate material can be imbued with different colors and patterns. Layers of plastic are formed into a large block of cellulose acetate. The manufacturing process for acetate frames has approximately 15 phases, beginning with a computer-programed drilling machine that cuts the component eyewear pieces from large acetate sheets. After the pieces are cut, they are folded and hand polished to form the frame, which is then held together using hinges. The drilling machines can be easily reprogrammed and the machinery redeployed, therefore, acetate manufacturing is suitable for production of multiple lines of eyewear.

Plastic. Our plastic-injected eyewear is manufactured using a highly automated injection molding process. The manufacturing process for plastic-injected frames has approximately 10 phases, beginning with liquefied plastic resins injected into molds. When the mold cools, the plastic is solidified and forms the frame. The plastic parts are then assembled, colored and galvanized. Galvanization, the most machine-intensive phase of the production, is outsourced to third parties. Because the molds used for manufacturing plastic-injected eyewear must be specific to the particular model, we use plastic for our most high-volume models.

Our in-house manufacturing capabilities are concentrated at our state-of-the-art plant in Longarone, Italy. See also ‘‘—*Real Estate and Equipment*.’’ We produce our own metal and acetate frames, though we outsource certain stages of the production process within Italy, such as galvanization. Our manufacturing process in Italy emphasizes hand-crafted production, and our process engineers devise tailored production workflow plans for specific models that take maximize production efficiency, reduce raw material use and draw on the complementary strengths of our nearly 400 craftspeople. Production tasks for eyewear include frame shaping, decorating, assembly, welding and polishing. For metal, acetate and plastic eyewear, we also purchase semi-finished components from suppliers in China for assembly in Italy to satisfy the requisites to carry the *Made in Italy* designation. We estimate that for the year ended December 31, 2012, approximately three fourths of our products manufactured in-house carried the *Made in Italy* designation.

Third Party Manufacturing

We also subcontract the entirety of the manufacturing phase for certain eyewear lines, most of which consist of diffusion brands for the United States market (such as our proprietary National and Marcolin brands as well as our licensed brands Covergirl and Kenneth Cole). For this manufacturing, we rely on third parties in China who produce the eyewear pieces according to our specifications and designs. In the past two years, we have reduced the number of principle third-party manufacturers in China from 13 to six that we utilize for finished and semi-finished products in an effort to improve production cycle time, reduce re-ordering delays and form strong partnerships with such suppliers. Management believes that a partnership-based approach in which we integrate such suppliers into our manufacturing planning process facilitates obtaining sufficient capacity to meet anticipated production requirements and promotes more efficient service. Though we do not enter into long-term agreements with our suppliers, pursuant to supply agreements, we procure certain production capacity commitments for short-term periods which are then renewed frequently. As a result, we believe our suppliers are able to dedicate production lines to the manufacturing of our products and invest in plant efficiency based on our historical and anticipated purchases of their production capacity. In addition, as management believes that labor costs represent the majority of historical and anticipated rising costs, we believe that a partnership approach with fewer suppliers promotes efficient labor capacity planning and therefore, has the potential to counteract rising labors costs.

Our supply agreements include provisions granting us the right to inspect the supplier’s facilities, undertakings by the supplier to safeguard our intellectual property (including licenses, prototypes and knowhow) and undertakings by the supplier that it will comply with applicable laws, including related to

workplace safety and environmental protection. While we do not have long-term agreements with these suppliers, we do not believe any one supplier is material to our business. See ''*Risk Factors—Risks Related to Our Business—Any interruption or termination of our relationships with our manufacturers could harm our business*.''

Sales and Distribution

Sales

We are a wholesaler of eyewear products and we do not operate points of sale directly (apart from our Milan shop which sells eyewear year-round and our limited online presence). Instead, we utilize a network of direct distribution subsidiaries and sales agents, third-party distributors and others to market and sell our products. We also manage show rooms in Milan, New York and Hong Kong for purposes of introducing our new collections to buyers.

Pre-orders for new eyewear collections are typically made after the prototypes approved by our licensors are presented to our sales force and distributors. At that stage, we commence manufacturing for the first run of production which is used to fulfill initial orders as well as to maintain a ready inventory to quickly fulfill subsequent orders. The volume of such first run of production is determined by our production team in coordination with our sales managers using their best judgment on anticipated volume of sales in our core markets. Therefore, the first eyewear pieces for a new collection are typically available in stores some fifteen months following the start of the product design phase described above. Upon feedback from our sales force, distributors and other customers, we then proceed for a second run of production some four months later upon receipt of reorders.

Sales made directly by us are invoiced at dispatch and with payment terms that require our customers to pay within periods required by applicable law or otherwise consistent with local market practices. See also ''*—Customers and Contracts*.''

Our direct sales force is paid a base salary and then further paid a commission based on performance. From time to time, we provide rebates to our distributors and key account customers in keeping with industry standard practices. In our core markets, exclusive sales networks are dedicated to our top licensed brands in order to cultivate and promote brand awareness. We also routinely conduct training in cooperation with our licensors to support sales activities and keep the sales force informed about developments within the brand's collections.

Distribution

Our products are sold in approximately 100 countries. We distribute our products directly in twelve of our core markets through our subsidiaries. We employ a network of direct salespersons and external consultants to assist us in marketing our products to customers. In major European markets such as France, Germany and the United Kingdom, we have direct employees while our central sales office in Italy serves as the hub for much of the Europe, Middle East, Africa, Asia and Australia region (''**EMEAA**''), and we also maintain an extensive direct distribution network in the United States. The diagram below displays our distribution network as of June 30, 2013.

We currently organize our distribution activities through the following channels.

Direct. Our direct distribution channel consists of sales through our central sales office in Italy and our subsidiaries in North America, Western Europe and Brazil, where we sell directly to independent opticians and small optical chains. Our value proposition to these customers consists of delivering high margin eyewear products intended to produce more revenue for less floor space compared to lower-priced eyewear. We retain the majority of the gross margin on sales through our domestic distribution channel because there are no intermediaries, but such sales entail higher payments to sales force and distribution and commercial costs since the customer base of such stores is large and fragmented. For twelve months ended June 30, 2013, approximately 61.9% of our revenue was generated through our direct distribution channel. For a description of contracts with direct customers, see ‘‘—*Customers and Contracts*.’’

Key accounts and distributors. Our key accounts and distributor distribution channel consist of sales to large customers and to distributors/wholesalers, respectively. For twelve months ended June 30, 2013, approximately 32.7% of our revenue was generated through our key accounts and distributor distribution channel. The following provides a brief description of the components of this distribution channel.

Key accounts. Key accounts consist of sales to large accounts, such as large optical chains, buying groups and licensed brand flagship stores. Our value proposition to these customers consists of complimenting their offering of a mix of low-end and non-branded eyewear products with fashionable luxury and diffusion brand products. Compared to our domestic distribution channel, the key accounts distribution channel typically generates lower gross margins due to the higher negotiating power and larger volumes of product sales to these types of customers; lower margins are partially offset by reduced distribution costs (as key accounts generally possess their own distribution networks) and higher volumes of sales per account. For a description of contracts with key accounts, see ‘‘—*Customers and Contracts*.’’

Distributors. Distributors consist of sales to third-party distributors, managed from our central sales offices in Italy for the EMEAA region where we are not otherwise present, and from the United States for sales to Latin America (excluding Brazil). Our value proposition to these customers is similar to that for key accounts. For sales to distributors, our gross margin is lower due to the presence of the intermediary which are partially offset by limited go-to-market costs. For large markets, such as Russia, we often work with more than one distributor; in such cases, we sign agreements with each distributor on an exclusive basis for different licensed brands. For a description of contracts with distributors, see ''*—Customers and Contracts*.''

Other. Our other distribution channel consists of sales of non-current collections sold at discount prices. Our value proposition to these customers is limited to recognized brands for affordable prices. We generally maintain lower gross margins due to the prevailing discount prices in this distribution channel. For the twelve months ended June 30, 2013, approximately 5.3% of our revenue was generated through our other distribution channel.

Online. Our online distribution channel began in March 2013 and consists of our flagship Eyestyle online boutique which sells certain licensed brands eyewear as well as our proprietary brand eyewear, Web directly to consumers over the Internet. We make available certain limited edition products only through Eyestyle.com. Payment is effected through credit cards. As of June 30, 2013, Eyestyle.com is only available in Italy, and we are studying whether to expand its operations to the rest of the EU.

The prominence of our domestic and key account distribution channels reflects our efforts to focus on top retailers and selected distribution where we can build and preserve brand equity for our licensed brands and where we enjoy the highest gross margins. For luxury and diffusion brands, selective distribution networks are key to avoid diluting brand awareness. To preserve brand integrity, we encourage sales of our eyewear at suggested manufacturer's retail prices, and we make every lawful effort to prevent discounting of our in-season eyewear products, and we discourage any manner of sale that would degrade our products' or brands' images. We believe we have been successful in correctly positioning the brands in our portfolio by targeting specific groups of customers and consumers based on the unique characteristics of each brand, and in particular, being able to preserve and enhance the highest brand awareness of the various luxury brands we offer. We believe that we enjoy an excellent reputation among our licensors for cultivating and enhancing the value of their respective brands, especially among exclusive high-end brands such as Tom Ford, due to our focus on the sales and distribution of eyewear bearing their proprietary marks, and that this reputation constitutes a key differentiator in the otherwise highly competitive eyewear marketplace.

In recent years, we have undertaken re-organizational initiatives to train our sales force and align their compensation with their individual results, choose the right distributors in markets where we are not directly present and streamline our collections efforts. In 2012, we commenced an initiative to increase our penetration of the travel retail segment, an area in which Marcolin had historically had a minor presence. See ''*Risk Factors—Risks Related to Our Business—We are exposed to credit risk related to our customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts*.''

The table below displays our revenue by geographic segment for the periods indicated. The reporting segment of Italy includes domestic and certain international (export) sales conducted by our central sales offices and therefore is further divided to reflect this breakdown.

	Year ended December 31,						Six months ended June 30,			
	2010	% of total	2011	% of total	2012	% of total	2012 (Unaudited)	% of total	2013 (Unaudited)	% of total
	(In € thousands, except percentages)									
Italy	88,294	43.0%	99,541	44.4%	87,470	40.9%	49,916	41.1%	44,892	40.0%
Of which Italy Domestic	*42,263*	*20.6%*	*38,009*	*17.0%*	*28,351*	*13.3%*	*17,682*	*14.6%*	*12,214*	*10.9%*
Of which Italy Export	*46,031*	*22.4%*	*61,532*	*27.4%*	*59,119*	*27.6%*	*32,234*	*26.5%*	*32,678*	*29.1%*
France	21,854	10.6%	22,562	10.1%	21,026	9.8%	12,436	10.2%	11,504	10.3%
Rest of Europe	35,631	17.3%	36,258	16.2%	29,862	14.0%	18,534	15.3%	15,968	14.2%
North America	52,782	25.7%	57,718	25.7%	66,320	31.0%	37,593	30.9%	36,696	32.7%
Rest of World	7,090	3.4%	8,045	3.6%	9,285	4.3%	3,017	2.5%	3,161	2.8%
Total	**205,651**	**100.0%**	**224,124**	**100.0%**	**213,963**	**100.0%**	**121,496**	**100.0%**	**112,221**	**100.0%**

Italy represented 40.9% of revenue for the year ended December 31, 2012.

Italy Export revenue represented 27.6% of revenue for the year ended December 31, 2012, and comprise sales of sunglasses and prescription frames from both luxury and diffusion brands sold to such countries as China, South Korea, Southeast Asia, Middle East, Russia and Turkey. Increasing our penetration of Asian markets has been one of our sales goals for recent years. We have established a sales force hub in Hong Kong in order to grow our base of key accounts and distributors in the region. Since 2010, we have grown our percentage of sales to Asian markets from 5.3% of revenue to 8.5% of revenue in 2012 and we believe we have had particular success in Japan, Korea and China (included within Italy Export). We have also incorporated Asian fittings into our product design and manufacturing phases, and for the year ended December 31, 2012, between ten and fifteen percent of our models were available with an Asian fitting to enhance wearer comfort. Our licensed brands with particular resonance in Asian markets are Tom Ford, Swarovski and Montblanc.

Italy Domestic revenue represented 13.3% of revenue for the year ended December 31, 2012 and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands by the Issuer in the Italian market.

France represented 9.8% of revenue for the year ended December 31, 2012, and comprises the sales of sunglasses and prescription frames from both luxury and diffusion brands by Marcolin France.

Rest of Europe represented 14.0% of revenue for the year ended December 31, 2012. For Southern European countries, our domestic distribution channel prevails due to the high fragmentation in the marketplace and the propensity towards small independent opticians. For Northern European countries, our key accounts distribution channel prevails, mostly selling to low cost chains and premium independent optical stores.

North America is one of our most important markets and represented 31.0% of revenue for the year ended December 31, 2012. We expect that our North American distribution presence will be greatly expanded through the Viva Acquisition. On a *pro forma* basis for the Transactions, the combined group's revenue in North America would have been 44% of revenue for 2012. See also ''*The Acquisition*.'' We maintain two licenses (Covergirl and Kenneth Cole) that predominantly sold in to the U.S. market. In addition, the U.S. represents an important market for our proprietary brands, Marcolin and National, which are sold through managed care networks. Our licensed brands with particular resonance in the United States market (other than our U.S.-only licensed brands) are Tom Ford and Timberland.

Rest of World represented 4.3% of revenue for the year ended December 31, 2012, and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands by Marcolin do Brasil Ltda, and Marcolin Asia Ltd.

Customers and Contracts

We sell our eyewear products to a diverse and fragmented customer base, including independent opticians, optical chains, department stores, airport duty-free shops and the directly-operated stores of our licensors. For the year ended December 31, 2012, no single customer accounted for more than 3% of our revenue. In Europe, our main customers are independent opticians and smaller optical chains. Since we are not vertically integrated and therefore we do not compete with our customers in the eyewear retail trade, we believe we are an attractive partner for such stores. We also believe our value proposition to our customers is our focus on high-end luxury and diffusion brands which can offer greater revenue per display space due to higher prices per unit. In other markets, we sell to opticians as well as to department stores, for example, in the United Kingdom, Tom Ford eyewear is available at Selfridges and House of Fraser and in the United States, Swarovski eyewear is available at Saks Fifth Avenue and TOD'S and Roberto Cavalli eyewear is available at Nordstrom.

Customer contracts. We generally enter into three types of contractual arrangements with customers, depending on the type of customer and the volume of purchases. The following provides brief descriptions of our contractual arrangements.

- *Independent opticians and smaller optical stores:* Our commercial transactions with these customers are typically handled through one of our sales agents with responsibility for the particular region or arrangements are made remotely through our central telephone lines. These customers place orders with us, with order size and frequency varying according to the amount of floor space available for the products. We then ship the ordered merchandise along with a written bill of sale. Under applicable laws, payment times vary between 60 days to 90 days, though in certain

jurisdictions and regions, the time for us to collect on our trade receivables reflect prevailing market conditions.

- *Key account contracts.* We sign master or framework agreements with key accounts pursuant to which the customer has the ability to access a preferential pricing list (generally a discount from our normal prices, set according to past and expected purchase volumes), though the customer does not have an obligation to purchase set minimums from us. Other relevant provisions in our key account contracts include: payment terms which range from 30 to 90 days according to the jurisdiction; invoicing terms (generally upon dispatch or quarterly, according to the customer); transfer of risk and title to the products; any applicable restrictions regarding sale of the products (i.e., online, resales and territories); returns of damaged or unsuitable products; warranties of fitness for use; marketing and promotional activities pursuant to which we typically partner with our key account customers to foster and maintain brand awareness through POS materials provided by us; and an undertaking for the key account to supply adequate sales information to us in a timely manner. See also ''*The Acquisition—Supply Agreement*'' for a description of the supply agreement entered into by and between M-USA and its affiliates, as supplier, and the Seller, as purchaser.
- *Distribution contracts.* Our distribution contracts are limited to particular licensed brands and grants the relevant distributor a right (exclusive or non-exclusive) to market, distribute and sell such products in a particular territory or territories. Our distribution contracts include minimum purchase amounts. Our billing and payment arrangements with our distributors reflect the diversity of our distributor base: some distributors pay within 60 to 90 (or 120) days following invoicing upon dispatch, whereas other distributors pay upfront depending on market practices and customs requirements. Our contractual arrangements with our distributors typically include the following provisions: an undertaking by the distributor not to distribute other licensed brands of third parties without our written consent; representations from the distributor that (a) it will use its best efforts to distribute the products at POS commensurate with the standards of the product and brand identity; (b) it will not engage in parallel distribution or otherwise divert our products to other territories; (c) it will maintain an adequate inventory; payment terms; invoicing terms; and (d) it will take no action or fail to take any action which might damage or conflict with our business relationship with our licensors; marketing and promotional activities pursuant to which the distributor undertakes such activities at its own cost according to our guidelines; and an undertaking for the distributor to supply adequate sales information to us in a timely manner.

Marketing and Promotion

Our marketing and promotional activities are designed primarily to enhance our image and our brand portfolio. For the year ended December 31, 2012, we spent €17.6 million on advertising and public relations expenses, a 16.7% increase from the year ended December 31, 2011. In addition to such expenses, pursuant to our license agreements, we make regular payments to our licensors in the form of advertising and promotional royalties, although, we generally exercise little control over the nature and priorities of the related spending. Nonetheless, we believe that we generally benefit from brand-name advertising carried out by licensors intended to promote the image of their brand ecosystems. See ''*—Intellectual Property—License Agreements*.''

In addition, we undertake direct advertising and promotional activities. For example, we collaborate with our licensed brands to prepare marketing and promotional materials (posters, video installations) for sell-out corners for optical and licensed brand flagship stores which convey the relevant brand's image.

We also obtain endorsements from celebrities, such as music artists, actors and athletes, to sell our products, preserve the relevancy and authenticity of our brands and to support new products. Examples of endorsers have been Katy Perry for Dsquared2 and Daniel Craig for Tom Ford. We are also involved in selecting the photographs for the eyewear advertising campaigns undertaken by our licensed brands. For our proprietary brands, we conduct our own advertising campaigns, for example, in 2013 our Web brand commissioned a series of eclectic advertising videos for such portals as GQ and Vogue inspired the Burning Man counterculture festivals and the vivid colors of the carnival parade. We also maintain online/digital communications and engagement with consumers to remain close to the users of our products and the fashion trends that inspire them.

Our key account and distributor contracts typically contain undertakings by such customers to take no action or refrain from taking any action that would damage our relationship with our licensors as well as representations by the customer to maintain an exclusive and appropriate distribution strategy and

support continued brand awareness through an advertising and promotional campaign that is either approved by us or directly provided by us. See ''*—Operations—Sales and Distribution—Customers and Contracts*.''

Procurement

The principle raw materials and components we purchase for our manufacturing process include plastic resins, acetate sheets, metal alloys, frame parts and lenses for sunglasses. We generally source our raw materials and semi-finished components from suppliers in China. In recent years, we have adopted a supply strategy based on long-term partnerships with selected suppliers and we have reduced our principle manufacturing suppliers in this regard from 13 to six in order to obtain better pricing conditions and reduce design-to-market time. See ''*—Manufacturing—Third Party Manufacturing*'' for a description of our arrangements with manufacturing suppliers in China.

We also purchase prescription lenses for purposes of displaying and finishing our prescription eyewear products. For high-value sunglasses lenses, such as polarized and mirror lenses for luxury sunglasses, we purchase from Barberini S.p.A., an Italian manufacturer. Lenses for sunglasses generally cost between €1 to €5. We also purchase a variety of packaging materials for our eyewear, for example, wood and leather carrying cases which we carefully select to maintain brand integrity.

Generally, the raw materials and components used in Marcolin's products are available in sufficient supply from a number of suppliers. However, certain products with innovative fashion content, such as lenses with innovative coatings or coloring, or unusual materials, such as special types of plastics produced only for Marcolin, are not generally available from a number of alternative sources.

Our Longarone plant maintains its own on-premises storage for raw materials and semi-finished pieces (both produced on-site and in China by third parties) which we believe is sufficient for our current level of production.

Logistics

We operate two logistics centers, one at our headquarters in Italy and the other in Arizona, United States. They operate as centralized facilities, offering customers an automated order management system that reduces delivery times and keeps inventory levels low but within acceptable amounts to fulfill anticipated orders. We pay careful attention to our level of inventory and our manufacturing process is designed to allow us to have stock available to fulfill requests quickly when a new collection is introduced.

We rely on third parties for shipping our products to customers. However, our sales to distributors and key account customers are typically made ''free on board,'' meaning the buyer pays for transportation from our distribution center.

Quality Control

High quality products are a key element of our success and strategy. As a result of our emphasis on quality, historically only a small amount of our products have been returned due to quality issues. We have a manager and a dedicated team of employees to focus on quality improvement at all phases of our value chain. In addition, we have employees dedicated to quality monitoring and improvement in each of our production and distribution facilities. Throughout the stages of our manufacturing process and distribution, we sample our products for defects and irregularities. For products manufactured by third-parties, we have designated one manager to manage full-time our supplier relationships and conduct inspections. We regularly enhance the performance criteria used in our standards tests and introduce new requirements when we deem appropriate.

Made in Italy

The *Made in Italy* designation is a key differentiator in the eyewear marketplace. We believe that consumers recognize the superior styling, craftsmanship and quality that the label embodies and are prepared to pay premium prices for products that bear such designation. We believe licensors also recognize that their brand equity is enhanced through the sale of products that are *Made in Italy*.

The use of the *Made in Italy* designation is regulated by Italian and European Union law and requires that the relevant product was manufactured in Italy with Italian components, or if including non-Italian

components or semi-finished pieces, was assembled or otherwise underwent its ''last, substantial and economically justified processing'' in Italy.

We estimate that for the year ended December 31, 2012, approximately three fourths of our products manufactured in-house carried the *Made in Italy* designation. See also ''*—Operations—Manufacturing*.''

Intellectual Property

We use a combination of trademark, copyright, trade secret and trade dress laws, as well as confidentiality agreements, to aggressively protect our intellectual property, including product designs, product research and development and recognized trademarks. We believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our products, identifying our brand and distinguishing our products from those of our competitors. We believe the Marcolin, National and Web/W trademarks resonate in their respective target marketplaces and audiences at their respective price points. However, we do not believe any of our proprietary intellectual property is material to our business as for the year ended December 31, 2012, approximately 1.2% of our revenue was generated by sales proprietary brand eyewear.

License Agreements

We have entered into license agreements to manufacture (or contract to manufacture) and distribute sunglasses and prescription frames with numerous designers and fashion houses. See ''*—Our Business—Our Licensed Brands*'' for a list of our licensed brands and certain other information regarding the terms of our licenses. Our license agreements typically have terms ranging from five to ten years, but may be terminated early by either party for a variety of reasons, including non-payment of royalties, sales of products not approved by the licensors and, under certain agreements, a change of control at Marcolin. Our license agreements typically do not contain automatic renewal clauses, and renewal discussions typically commence two years in advance of the termination of the relevant license; in certain instances, we have purchased options to renew licenses that we consider important to our portfolio. Our license agreements are generally exclusive, meaning we are the only player to receive worldwide use to design, manufacture and distribute eyewear bearing such proprietary markets, with the exception of two licenses (Covergirl and Kenneth Cole) which are exclusive to the United States market.

Licensors are remunerated through royalties which can be based on a percentage of net sales (variable royalty amounts, or ''**VRA**''), some of which are subject to a minimum. If the minimum sales volume is not achieved, a minimum annual guaranteed amount is payable (''**MAG**''). The percentages of net sales on which VRA royalties are calculated, and the minimum thresholds for calculation of MAG vary license by license and can vary year on year, as stipulated in the individual agreements. In addition, our license agreements also provide for mandatory advertising and promotional fees that can be structured as MAG or VRA.

MAG amounts are generally payable regardless of units sold or revenue and range from €0.1 million to €8.6 million, depending on the expected amount of revenue to be generated by the license. VRAs require us to pay a royalty ranging from, for example, 6% to 12% of the revenue of the relevant collection. Certain license agreements contain a ratchet which increase the VRA depending on targets achieved, such as units sold or revenue. Finally, certain license agreements contain both MAG and VRA.

In addition, our license agreements also provide for mandatory advertising and promotional royalties that can be structured as MAG or VRA. For the year ended December 31, 2012, the average MAG payments for advertising and promotion across our brand portfolio was €4.4 million and the VRA was between 4% and 12% of revenue.

We incurred total royalties of €32.2 million, €32.4 million and €26.5 million for the years ended December 31, 2012, 2011 and 2010, respectively. In addition, for certain key licenses, we have from time to time in the past made certain upfront payments consisting of compensation or advanced royalties upon securing such license or at renewal.

See ''*—Our Business—Our Licensed Brands*'' for more information concerning our licensed brand portfolio. See also ''*Risk Factors—Risks Related to Our Business—We are party to license agreements which require us to pay royalty and other license fees*'' and ''*—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands*.''

Anti-Counterfeiting

Intellectual property is one of our most important assets, which we protect through the registration of our trademarks and patents and enforcement of our rights under our license agreements. Our commitment is demonstrated through on-going anti-counterfeiting activities. We face the threat of counterfeit products through the implementation of vigorous anti-counterfeiting policies, working in partnership with trade organizations, law enforcement and customs authorities and our suppliers, distributors and licensors.

We diligently monitor whether any counterfeit products that bear the proprietary marks of our licensors are being offered through informal networks or through trade exhibitions and normal distribution channels, and historically we have intervened availing ourselves of the courts and/or public authorities to take appropriate legal action, including the seizure and destruction of counterfeit goods.

We dedicate considerable efforts to monitoring the trafficking of counterfeit goods through the Internet, and work actively to remove counterfeit eyewear from certain popular on-line auction platforms and shut down the websites that violate our intellectual property rights through the sale of counterfeit products or the unauthorized use of our trademarks.

Real Estate and Equipment

We own our headquarters in Longarone, Italy while our distribution and sales subsidiaries rent their premises on customary, arms-length terms. Our design and industrial equipment is either owned by Marcolin or leased on customary, arms-length terms. Our new Longarone plant was opened in 2010 to centralize production and logistics. Based on management's latest available data, we believe that we currently have approximately 20% of additional capacity at our plant for manufacturing of metal eyewear and we believe that we could increase the capacity at our plant for manufacturing of plastic and acetate eyewear by one fourth through introducing a third shift. In addition, management believes that our capacity finishing and processing capacity at our plant could be easily ramped up at incremental expense through implementing space-saving and process management techniques. Therefore, we believe we have sufficient capacity to meet our obligations to our customers.

Our other real estate assets include show rooms in Milan, New York and Hong Kong and a shop in Milan operated by Eyestyle Retail (all leased on customary, arms-length terms) which support sales to key accounts and distributors and presentations of new prototypes and collections to licensors and the press. Our shop in Milan also makes year-round sales of eyewear to consumers.

We believe that our facilities are in excellent condition and suitable for the purposes for which they are being used. See also ''*Management's Discussion and Analysis of Financial Conditions and Results of Operation of Marcolin—Capital Expenditures*.''

Organization

The Issuer is the chief operating company of the Group, and our operations are carried out primarily through wholly-owned subsidiaries. We have established distribution subsidiaries in various countries where we are present directly and we have also established companies to manage our online sales activities.

Set forth below is certain information regarding the companies in our Group and their ownership by Tofane, the ultimate parent company of the Issuer.

	Jurisdiction of incorporation	Primary activities	Ownership by Tofane
Pelmo S.A.	Luxembourg	holding	100%
3Cime	Italy	holding	100%
Marmolada	Italy	holding	100%
Issuer	Italy	holding, manufacturing and distribution	100%
Marcolin International B.V.	Netherlands	holding	100%
M-USA	United States (New York)	distribution	100%
Marcolin France	France	distribution	100%
Marcolin UK.	England	distribution	100%
Marcolin Asia Ltd.	Hong Kong	distribution	100%
Marcolin Ibérica S.A.	Spain	distribution	100%
Marcolin Portugal Ltda.	Portugal	distribution	100%
Marcolin Benelux S.p.r.l.	Belgium	distribution	100%
Marcolin Germany	Germany	distribution	100%
Marcolin GmbH	Switzerland	distribution	100%
Marcolin do Brasil Ltda.	Brazil	distribution	100%
Eyestyle.com S.r.l.	Italy	online services	100%
Eyestyle Retail S.r.l.	Italy	online retail	100%
Eyestyle Trading Co. Ltd.	China	non-operating	100%
Finitec S.r.l.[1]	Italy	in liquidation	40%

(1) Finitec S.r.l. supplied galvanic and dye treatments for eyewear to the Issuer. In May 2011, Finitec S.r.l. (jointly owned with third parties) was put into voluntary liquidation. See Note 7 to our audited financial statements as of and for the year ended December 31, 2012.

Employees

As of December 31, 2012 and June 30, 2013, we employed 877 and 889 people, respectively. The following table shows a breakdown of the employees of the Group by function as of the periods indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(numbers of employees)			
Senior managers	24	24	28	29
Middle managers	86	86	67	69
Employees	456	458	379	422
Manual workers	386	405	403	369
Total	**952**	**972**	**877**	**889**

According to information available to management, the majority of our employees are represented by trade unions. We consider our relationship with the trade unions to be good and we are committed to maintaining those relationships. Historically, we have not experienced any material labor strikes or disruptions. In Italy, the collective bargaining agreement in place for the eyewear sector and applicable to all operators including Marcolin was renewed in 2010 and is currently undergoing further renewal discussions.

Competition and Market Position

For a discussion of our competition and market position following the Viva Acquisition, see ''*Industry Overview*.''

Information Technology

We have invested in information technology (''**IT**'') systems pursuant to licenses from third parties. We believe our IT systems maintain and enhance our business processes. We use IT to in all phases of our operations, from preparing technical drawings during the product design phase, the purchasing suppliers, monitoring industrial processes and coordinating with suppliers during our manufacturing phase, and track logistics and our transactions with customers and distributors during our sales and distribution phase. We have also deployed programs to assist us in tracking and collecting on our trade receivables. As of the date of this Offering Memorandum, we believe that our IT system is robust, adequate to support our activities and insured to standards that are comparable to other operators in our industry.

Research and Development

Our R&D activities is undertaken by two divisions. The first division works in partnership with licensors to come up with new collections, hone style, research new materials and develop collections related to sunglasses and prescription frames while the second division, which works closely with the first, handles product development and manufacturing innovation, working closely with suppliers. We conduct R&D into materials (flexibility and resiliency), colors (retention), fittings (sports, children/young adults and facial structure) and valuation of feasibility and design-to-cost.

Insurance

We maintain insurance coverage under various liability and property insurance policies for, among other things, damages in areas of operations, environmental liabilities and business interruption. Our fixed assets, such as technical equipment used in our manufacturing processes and inventory, information technology and office equipment, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes a business interruption insurance when business interruption is caused by an insured property damage. We also maintain various legal services, transportation, accident and motor vehicle insurance policies as well as a directors' and officers' liability insurance. We believe that the level of insurance which we maintain is appropriate for the risks of our business and is comparable, in each case, to that maintained by other companies in our sector.

We do not have insurance coverage for all interruptions as a result of operational risks because in our view, these risks cannot be insured or can only be insured on unreasonable terms. See ''*Risk Factors—Risk Factors Related to Our Business—Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance*.''

Regulation

Eyewear products are subject to governmental health and safety regulations in most of the countries where they are sold. Though we do not engage in the production of prescription lenses, we do produce sunglasses lenses and therefore such regulation is more relevant to our activities. In the United States, non-prescription sunglasses are regulated as medical devices by the Center for Devices and Radiological Health in the Food and Drug Administration (''**U.S. FDA**''). While non-prescription sunglasses have received broad regulatory exemptive relief from the U.S. FDA since 1998, the U.S. FDA has published guidance concerning specifications for non-prescription sunglasses applicable to manufacturers and distributors such as the Group, including requirements regarding impact resistance, flammability, biocompatibility and optical protection properties. These requirements mandate certain minimal safety and health standards for the components and materials used in non-prescription sunglasses as well as the labeling of such products. In the European Union, sunglasses are covered under Directive 89/686/EEC of December 21, 1989 related to personal protective equipment and the standards that have been promulgated by the European Standards Authority (''**ESA**'') thereunder (with some national variations) known as ESA1836:1997. ESA1836:1997 proscribes minimal safety and labeling specifications, including related to flammability, biocompatibility and optical protection. Many other countries proscribe similar specifications. Sunglasses which are targeted to children also have additional safety and labeling requirements in the United States, European Union and other jurisdictions around the world.

We have incorporated guidelines from the U.S. FDA and ESA as well as other best practices from trade groups into our production and quality control processes and we regularly monitor our operations and

products for compliance therewith. Our arrangements with suppliers in China require them to produce component parts and finished and semi-finished goods that comply with regulatory requirements and our agreements also grant us the right to conduct inspections. We have a team of professionals based in Hong Kong who are dedicated to managing such inspections and our day-to-day relationships with our suppliers.

Historically, compliance with regulatory requirements has not had a material effect on our operations.

In addition, governments throughout the world impose import duties and tariffs on products being imported into their countries. In the past we have not experienced situations in which the duties or tariffs imposed materially impacted our operations.

Environment, Sustainability and Citizenship

We are committed to operating our business while respecting the environment and other social considerations. Our past and present operations, including owned and leased real property, are subject to extensive and changing environmental laws, regulations and local permitting requirements related to the discharge of materials into the environment, the handling and disposition of waste or otherwise relating to the protection of the environment. We believe that we are in substantial compliance with applicable environmental laws and regulations.

Legal Proceedings

We are party to various legal proceedings (including tax audits) involving routine claims that are incidental to our business. Although our legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, we do not believe that the outcome of these legal proceedings, individually or in the aggregate, will be materially adverse to our business, financial position or results of operations.

We have briefly summarized below the most significant of these proceedings:

Italian tax investigation. In 2012, the Italian tax authorities started a full audit on the Issuer and in particular, focused on the Issuer's transfer pricing tax policies related to sales of eyewear products between (i) the Issuer and M-USA related to the fiscal years ended December 31, 2009 and 2010 and (ii) the Issuer and Marcolin do Brasil Ltda. (''**Marcolin Brazil**'') related to the fiscal year ended December 31, 2010. On May 4, 2012, the Italian tax authorities served the Issuer with a formal notice of assessment (*processo verbale di constatazione*, or ''**PVC**'') describing the outcome of the tax audit. According to the PVC, the Italian tax authorities contend that the Issuer failed to comply with certain transfer pricing tax provisions in connection with the intra-group sale of prescription frames and sunglasses. Specifically, the PVC alleges that sales of such eyewear products to M-USA and Marcolin Brazil did not represent arm's-length prices and were made at costs per unit lower than those to comparable third-party distributors and as a result, the revenue of the Issuer was understated, causing the Issuer to pay a lower amount in Italian regional production tax (''**IRAP**'') to the Region of Veneto where the Issuer is based than would have been payable. As a result, the PVC included an initial assessment of a fine of approximately €2.1 million.

We disagree with the PVC's assessment of our intra-group transactions and on July 2, 2012, we made a filing with the Italian tax authorities which included a detail analysis of our position that our transfer pricing policies in place are proper and any difference in the price paid by our subsidiaries versus that paid by third-party distributors was based on a commercial rationale and utilized recognized methodologies for establishing the price. As of the date of this Offering Memorandum, we are awaiting a response from the Italian tax authorities. We have been informed by our special Italian tax counsel that the Italian tax authorities may, following review of our filing, either quash the PVC, entertain settlement discussions with us, or proceed with a formal assessment of a fine, including any sanctions or interest payable.

As of December 31, 2012, a portion of our reserves were allocated to this tax investigation.

VIVA'S BUSINESS

We have not yet completed the Viva Acquisition and, therefore, neither own nor control Viva. This Offering Memorandum includes certain information, including financial information, about Viva, including financial information that presents Marcolin and Viva on a pro forma basis, after giving effect to the Transactions. Such information is based on our estimates and assumptions, including with respect to estimated cost savings and run-rate synergies, which are based on a significant number of factors, some of which may be beyond our control. See ''Forward-Looking Statements,'' ''The Acquisition'' and ''Risk Factors—Risks Related to the Viva Acquisition.'' *Any information concerning Viva is based on documents, information and representations provided to us and our advisers by Viva. While we have conducted due diligence on the Viva and have no knowledge that would indicate that any statement contained herein, based upon such information provided by Viva, is inaccurate, incomplete or untrue, we cannot independently verify the accuracy, completeness or truthfulness of all such information or that there has not been any failure by Viva to disclose events, developments or circumstances that may have occurred, but which are unknown to us, which may affect the significance or accuracy of any such information.*

Overview of Viva and the Viva Acquisition

Viva is a leading eyewear wholesale designer and distributor of distinctive eyewear, currently the second largest U.S.-based eyewear wholesale player, with a portfolio of eight licensed brands and three proprietary brands. Viva's net sales are concentrated mainly in the diffusion category, and a strong position in prescription frames which generated approximately 65% of its net sales for the year ended December 31, 2012, with the remainder of Viva's net sales generated by sales of sunglasses (35%). For the twelve months ended June 30, 2013, Viva's net sales and EBITDA were $185.5 million (€143.5 million) and $13.7 million (€10.6 million), respectively.

Viva represents a strategically important acquisition for Marcolin. The Viva Acquisition will add a portfolio of leading diffusion brands to Marcolin's existing portfolio. The combined business will have diversified operations balancing Marcolin's leading position in sunglasses with Viva's complementary leading position in prescription frames. In addition, the combined business will have a significantly expanded distribution network in the United States and certain other markets with a wider product offering. See ''*The Acquisition*.''

Viva's History

Viva was founded in 1978 by Harvey Ross, an entrepreneur with considerable experience in the eyewear industry. Viva commenced its business model as an integrated designer, manufacturer and distributor of its own proprietary eyewear. In 1993, Viva merged with Savvy Eyewear and expanded its proprietary brands portfolio. Beginning in 1991, Viva moved into the licensed brand business through a trademark license agreement with Guess, followed by license agreements with Catherine Deneuve in 1992, Harley-Davidson in 1994, Candie's in 1998 and Gant in 2001. Other licenses have been added in recent years.

Viva began building its international distribution network in the 1990s through the establishment of several foreign distribution subsidiaries in, among other countries, Canada (1989), the United Kingdom (1995), France (1995), Hong Kong (2001) and Brazil (2001). Joint ventures between certain Viva subsidiaries and local partners were established in other foreign countries, including Mexico (1991), Germany (2003) and Australia (2003).

In 2005, Viva was acquired by HVHC, the integrated vision subsidiary of health insurer Highmark. On October 23, 2013, Marcolin signed an agreement to purchase the entire share capital of Viva from HVHC. See ''*The Acquisition*.''

Viva's Business

Viva operates in the sunglasses and prescription frames segments of the eyewear industry and it designs, produces and distributes products bearing a variety of diffusion brands. Viva's business model focuses on licensed brands, though it also maintains three proprietary brands. For the year ended December 31, 2012, approximately 65% of Viva's net sales was generated by sales of prescription frames and approximately 35% was generated by sales of sunglasses. For the year ended December 31, 2012, all of Viva's net sales were generated by sales of diffusion brand eyewear.

Viva's Licensed Brands

Viva's portfolio of licensed brands is comprised of leading brands that target broad demographics, lifestyles and interests with a focus on fashion brands and global trends. A number of Viva's licenses are bundled and include both multiple related brands.

The table below presents certain information regarding Viva's licensed brand portfolio. All of Viva's licensed brands are diffusion brands.

	Date of first license	Expiry of current license	Categories of products	Exclusive license?
Guess	1991	2020	sunglasses, prescription frames	✓
Rampage	2008	2015	sunglasses, prescription frames	✓(1)
Candie's	1998	2015	prescription frames	✓(1)
Bongo	2008	2015	prescription frames	✓(1)
Catherine Deneuve	1992	2014	sunglasses, prescription frames	✓
Gant	2001	Until terminated	sunglasses, prescription frames	✓
Harley-Davidson	2003	2014	sunglasses, prescription frames	(2)
Skechers	2009	2013	sunglasses, prescription frames	✓

(1) License to sell, distribute, advertise and promote is exclusive throughout defined territory (worldwide excluding China, Hong Kong, Taiwan and Macau); license to manufacture in China is non-exclusive.

(2) Exclusivity is limited to certain product categories and defined classes of trade and channels of distribution.

The following presents a brief description of each of Viva's licensed brands.

Guess. Under the Guess, G by GUESS and Marciano brands, Viva designs, produces and distributes prescription frames and sunglasses for women and men with retail prices ranging from $115 to $190 for prescription frames and $49 to $150 for sunglasses. Guess is a youthful and iconic brand and Viva's Guess eyewear is imbued with this casual sophistication. Guess eyewear features classic and retro shapes, with prominent acetate and metal frames. The target markets for Guess eyewear are women and men between the ages of 8 to 50.

Rampage. Under the Rampage brand, Viva designs, produces and distributes prescription frames and sunglasses for women with retail prices ranging from $135 to $160. Rampage is a contemporary women's lifestyle brand with a strong California heritage. Viva's Rampage eyewear offering features acetate and metal frames in rectangular and cat eye shapes with intricate temple details and subtle logo treatments. The target market for Rampage eyewear is women between the ages of 25 to 40.

Bongo. Under the Bongo brand, Viva designs, produces and distributes prescription frames for young women with retail prices ranging from $89 to $129. Bongo eyewear is influenced by California-casual and relaxed but stylish. Our Bongo offering features metal, acetate and plastic injected models, with oval shapes, trendy colors and detailed patterns. The target market for Bongo eyewear is young women between the ages of 15 to 30.

Candie's. Under the Candie's brand, Viva designs, produces and distributes prescription frames for young women with retail prices ranging from $110 to $140. Candie's eyewear is imbued with pop culture and each year a certain young entertainer or actress, such as Carly Rae Jepsen in 2013, serves as the spokesperson for the brand. Candie's eyewear is influenced by California-casual and relaxed but stylish. Viva's Candie's offering features handmade acetate models accented with metal finishings, cat eye and oval shapes and rich patterning on the temples. The target market for Candie's eyewear is women between the ages of 15 to 30.

Catherine Deneuve. Under the Catherine Deneuve brand, Viva designs, produces and distributes prescription frames for women with retail prices ranging from $130 to $150. Catherine Deneuve eyewear is inspired by the elegance and timelessness of the French actress whose name the line bears. Viva's Catherine Deneuve offering features clean, elegant shapes in acetate and metal, and some models incorporate laser-etched detail patterns on the temples. The target market for Catherine Deneuve eyewear is women at the age of 50 and over.

Gant. Under the Gant brand umbrella, Viva designs, produces and distributes prescription frames and sunglasses for women and men under two labels, Gant and Gant Rugger with retail prices ranging from

$135 to $250. Gant eyewear is retro and classic recalling the 1960s heyday of fashion house's Americana clothing line with smooth and elegant shapes in acetate with simple metal accents. Gant Rugger features bold and retro shapes with a soft, sunny, earth tone color palette in handmade acetate. The target markets for Gant eyewear are women and men between the ages of 30 to 60.

Harley-Davidson. Under the Harley-Davidson brand, Viva designs, produces and distributes prescription frames and sunglasses for children, women and men with retail prices ranging from $125 to $225 for prescription frames and $18 to $120 for sunglasses. Harley-Davidson eyewear draws inspiration from the pursuit of the open road and a rebel's love of challenging the status quo. Viva's Harley-Davidson eyewear is known for its classic sunglasses with chrome metal rivet details and prominent double bridge that recalls a motorcycle's handlebars. The target markets for Harley-Davidson eyewear are children, women, and men between the ages of 8 to 60+.

Skechers. Under the Skechers brand, Viva designs, produces and distributes prescription frames for men, women and children with retail prices ranging from $85 to $150. Skechers is designed to appeal to broad demographics, and mainly exudes a trendy, sporty and urban feel with a strong California heritage. Viva's Skechers offering features classic shapes and everyday color palette with models in metal, acetate and plastic. The target markets for Skechers eyewear are children, women and men between the ages of 8 to 60. The Skechers license will terminate on December 31, 2013, unless renewed.

Viva's Proprietary Brands

In addition to Viva's licensed brands, Viva also designs, produces and distributes eyewear products bearing its own proprietary brands, Magic Clip, Savvy and Viva. Viva's proprietary brands are value-focused incorporating contemporary and classic styles. For the year ended December 31, 2012, approximately 2.5% of Viva's net sales were generated by sales of sunglasses and prescription frames bearing Viva's proprietary brands.

The following presents a brief description of each of Viva's proprietary brands.

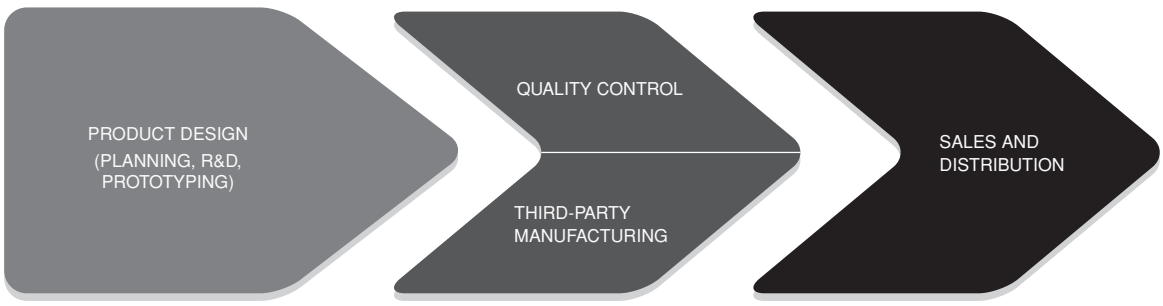
Magic Clip. Under the Magic Clip brand, Viva designs, produces and distributes prescription frames with clip on sunglasses pieces for women and men with retail prices ranging from $169 to $229. Magic Clip is a value-focused diffusion brand with a competitive value proposition of two-for-one eyewear. Magic Clip features metal, acetate or metal and plastic frames with magnetic sunglasses pieces.

Savvy. Under the Savvy brand, Viva designs, produces and distributes prescription frames for women and men with retail prices ranging from $99 to $109. Savvy is a value-focused diffusion brand featuring retro shapes with a modern spin in plastic and metal with a traditional color palate to appeal to a broad range of consumers.

Viva. Under the Viva brand, Viva designs, produces and distributes prescription frames for women and men with retail prices ranging from $99 to $109. Viva eyewear is inspired by all-American lifestyle and classic, casual elegance. Pieces come in acetate and metal with accent touches such as Swarovski crystals and metal temple treatments.

Operations

Viva's business model is focused on brand planning, quality control and logistics integration. The chart below displays Viva's value chain.



Product Design

Each of Viva's licensed brands has its own in-house design product manager who is responsible, along with a team, for the execution of the brand's eyewear line in coordination with the licensor. The designer reviews the latest innovations by Viva's third-party manufacturers and determines the look for the new collection.

Viva's design product teams provide the prototypes or design specifications for the products to be produced, and the third-party manufacturer is responsible for all aspects of the production, including purchasing raw materials and components. Following approval of final production samples, Viva purchases the finished products for resale.

The images below show selected Viva eyewear models.

Manufacturing

Viva's eyewear products are manufactured to its specifications by a number of contract manufacturers located in Asia. In determining which manufacturer to use for a particular frame, Viva's management considers each manufacturer's expertise (based on type of material and style of frame), its ability to translate design concepts into prototypes, its price per frame, its manufacturing capacity, its ability to deliver on schedule, and its ability to adhere to Viva's quality control standards and quality assurance requirements. See ''*Marcolin's Business—Operations—Manufacturing*'' for a description of the different types of eyewear frames and the manufacturing process.

As a result of Viva's 100% outsourced manufacturing process, the supply chain management and quality control functions in the manufacturing phase are critical. Viva has instituted internal processes to monitor the purchase of its eyewear's components and semi-finished pieces to promote timely final assembly and deliver. Additionally, Viva has a quality control team permanently based in China and Taiwan to monitor the production process, both on an in-line and finished goods basis.

Viva's contractual arrangements with its contract manufacturers contain industry standard terms. Viva generally enters into master agreements with particular manufacturers on terms which range up to one year, though Viva is not obliged to place orders thereunder. The master agreements govern the terms between Viva and the manufacturer, including product pricing, typically limiting the price increases the manufacturer can make during the contractual period. In addition, the master agreement includes certain manufacturing specifications related to materials, product content, quality and safety standards of the product and other customary conditions, including representations of the supplier concerning legal compliance (including but not limited to, labor standards) and compliance with requirements of Viva's trademark licensors. Viva supplies the product design specifications and the manufacturer proceeds to produce a prototype which, if acceptable to Viva, forms the basis of the production order. See also ''*Risk Factors—Risks Related to the Viva Acquisition—Viva does not conduct its own manufacturing and the use of third parties for manufacturing subjects it to risks, including disruptions in business and potentially increased costs*.''

Sales and Distribution

Sales

Viva is a wholesaler to a highly diversified customer base. The Seller's directly operated retail stores and its managed vision care provider constitute Viva's primary customer representing approximately 8% of net sales for the year ended December 31, 2012. Following the Viva Acquisition, the Seller will retain its network of directly operated stores and, pursuant to the Supply Agreement the Seller will continue to be an important customer of Viva.

Viva's direct sales force is paid a base salary averaging two-thirds of total compensation and is then eligible for further compensation based on performance (on average one-third of total compensation).

Distribution

Viva's products are sold in approximately 90 countries and are supplied to approximately 15,000 POS within North America. Viva distributes its products through the following channels: (1) to independent optical retailers in the United States, primarily through Viva's national direct sales force; (2) optical corporate chains, (3) retail chains, department stores and select Internet retailers; and (4) internationally, primarily through subsidiaries, joint ventures and distributors in foreign countries. The diagram below displays Viva's distribution network as of June 30, 2013.

Viva's distribution activities are organized through four channels.

Independent optical retailers. Viva sells its eyewear products to independent optical retailers in North America primarily through a national direct sales force, including company and independent sales representatives. Viva's direct sales force, including independent sales representatives, numbered approximately 160 at December 31, 2012 and the coverage of the United States and Canada is organized into three broad geographic areas, East, West and Central, each led by a sales director with approximately 4 regional managers (''**RM**'') reporting to each sales director. Each area is then further divided into approximately 4 regions, each led by an RM with 10 to 17 representatives reporting to it.

Optical Corporate Chains. This channel includes large regional and national optical chains, including the Seller's directly operated retail stores. For example, the Seller's privately operated optical retail chain currently consists of approximately 600 retail store locations in the United States.

Retail chains. Viva sells its eyewear products directly to retail chains, department stores and Internet retailers. Certain of Viva's licensed brands have exclusive distribution partnerships. Other licensed brands have their own directly-operated stores which are significant distribution channels for sunglasses including, for example, Guess.

International sales. Viva's international sales are conducted by wholly-owned subsidiaries of Viva, joint ventures and distributors. Wholly-owned subsidiaries handle the United Kingdom, France, Hong Kong, Canada and Brazil markets. Joint ventures have been formed for Germany, Switzerland, The

Netherlands and Austria, Australia and Mexico. For the year ended December 31, 2012, approximately 40% of Viva's net sales were generated by international sales.

Customers and Contracts

Viva sells its eyewear products to a diversified customer base, including independent optical retailers, department stores and managed care networks. For the year ended December 31, 2012, no single customer accounted for more than 8% of its net sales.

Customer transactions. Orders are submitted to Viva from the customer and shipment is typically made using third party providers pursuant to ''free on board'' arrangements (transport paid by the customer in the United States upon delivery to the carrier). Viva issues an invoice on the same day as the order is sent and the customer generally has between 30 and 60 days to make payment (the length of time varies by jurisdictions with shorter payment periods in the U.S. than in other markets). Viva accepts exchanges of products from customers and provides customer service for products under warranty. See also ''*The Acquisition—Supply Agreement*'' for a description of the supply agreement entered into by and between Marcolin and its affiliates, as supplier, and the Seller, as purchaser, effective following the consummation of the Viva Acquisition.

Distribution contracts. Viva has signed distribution agreements with third parties in certain markets where it is not directly present. These distribution agreements, which contain industry standard terms, vary in term, generally from two to three years. Distribution arrangements can be exclusive to a particular territory (e.g., the distributor's primary country) or non-exclusive and are typically limited to certain brands in Viva's portfolio. Distribution contracts can be cancelled by Viva under certain circumstances, including if the distributor breaches its obligations under the distribution agreements, misuses or infringes Viva's or Viva's licensors' intellectual property, the distributor's acts or omissions cause Viva to breach its license agreement or the distributor is declared bankrupt or files a petition for insolvency protection.

Marketing and Promotion

Viva's marketing and promotional activities are designed primarily to enhance the image of its licensed brands. For the year ended December 31, 2012, Viva spent $15.1 million on marketing and advertising expenditures, which represented 7.9% of net sales. In addition to Viva's marketing and advertising expenditures directed to the optical market, Viva makes additional contributions in the form of advertising fees to its licensors, who in turn use such monies in their discretion to promote their brands. Even though such discretionary spending is not necessarily directed to the optical market, Viva's management believes Viva indirectly benefits from such advertising carried out by licensors to promote the image of their brand portfolios across all product categories.

In addition, Viva undertakes direct advertising and promotional activities. For example, Viva prepares marketing and promotional materials (posters, video installations) for sell-out corners for optical and licensed brand flagship stores which convey the relevant brand's image. Viva's licensors also obtain endorsements from celebrities, such as music artists, actors and athletes, to help sell its products, preserve the relevancy and authenticity of its brands and to support new products. Examples of endorsers have been Carly Rae Jepsen for Candie's and Anna Sophia Robb for Bongo.

See generally ''*Risk Factors—Risks Related to Our Business—If our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed*.''

Quality Control

Viva uses manufacturers it believes are capable of meeting Viva's criteria for quality, delivery and attention to design detail. Viva specifies the materials to be used in its eyewear products, and approves drawings and prototypes before committing to production. Viva places initial orders for each style approximately six months before the style is released, and requires the factory to deliver samples for Viva's quality assurance program. Viva's quality control technicians examine all sample shipments and this process provides sufficient time to resolve problems with a style's quality before its release date. If, at any stage of the quality control process, eyewear products do not meet Viva's quality standards, Viva returns them to the factory with instructions to improve the specific quality problems. Historically, Viva

has had a low defective frame rate and its manufacturers share in the cost of replacing defective eyewear products.

Intellectual Property

In addition to the trademarks and patented designs that are licensed to Viva, Viva holds intellectual property rights, including trademark and copyright, in its proprietary house brands and product designs. Viva also protects its proprietary information through confidentiality agreements and other contractual arrangements with its manufacturers, distributors and suppliers. Viva has obtained U.S. federal and foreign (including, but not limited to, in the European Union) trademark registrations for its proprietary brands and related logos.

None of Viva's proprietary intellectual property is material to its business.

License Agreements

Viva's license agreements with its licensors typically have terms ranging from three to five years, but may be terminated earlier by either party for reason of material breach by the other party. Viva's licensors typically may terminate a license agreement due to Viva's breach of a material obligation, such as non-payment of royalties, failure to meet minimum sales thresholds, failure to accurately report product sales or, under certain agreements, a change of control at Viva without obtaining the required consents and approvals. Some of Viva's license agreements provide for automatic renewal upon satisfaction of certain conditions, such as the absence of material breach. In most instances, renewal is subject to the licensor's approval. In that case, renewal discussions typically commence at least one year in advance to allow time for design collection and production planning. Viva's license agreements are generally exclusive, meaning Viva is the only party holding the right to use the licensed trademarks to design, manufacture, sell, market and distribute eyewear products bearing the licensed marks within the defined territories. Certain rights, such as manufacturing, may be non-exclusive in a limited area (such as China) or the exclusivity may be limited to defined product categories or certain channels of distribution.

Under these license agreements, Viva is required to pay a royalty which generally ranges from 5% to 12% of the net sales of the relevant collection, which percentage royalties may be offset by any MAG royalty payments regardless of sales volumes. MAG amounts range from $0.1 million to $12 million, depending on the historic and expected revenue produced by the brand, and typically grow incrementally per year. Viva's license agreements usually provide for mandatory advertising and promotional fees that generally amount to between 1% and 5% of net sales. For the year ended December 31, 2012, approximately 95% of Viva's royalty and advertising payments were variable and therefore not affected by MAG payments. For certain key licenses, Viva has from time to time in the past made certain upfront payments consisting of compensation or advanced royalties in order to secure a license or a renewal.

See ''*—Our Business—Our Licensed Brands*'' for more information concerning our licensed brand portfolio. See also ''*Risk Factors—Risks Related to Our Business—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands*.''

Real Estate and Equipment

Viva leases all of its office and warehouse space with the exception of one property owned in Dieppe, New Brunswick, Canada, which is used for the office and warehouse functions of Viva Canada, Inc. Viva's management believes its leases are on customary, arms-length terms.

Viva's leased distribution facility located in Somerville, New Jersey, United States has 100,000 square feet of warehouse with a maximum capacity to process nine million units. Viva's management believes that Viva's facilities are in excellent condition and suitable for the purposes for which they are being used.

Organization

Viva Optique, Inc., a New Jersey corporation (Viva), holds all of the interests in its directly and indirectly held domestic and foreign subsidiaries. Viva, through its subsidiaries in Hong Kong and the United Kingdom, holds a fifty percent interest in its joint venture entities.

Set forth below is certain information regarding Viva's subsidiaries and affiliates (the Viva Group) and their ownership.

	Jurisdiction of incorporation	Primary activities	Ownership by Viva
Viva IP Corp.	U.S. (New Jersey)	IP holding company	100%
Viva International, Inc.	U.S. (New Jersey)	in dissolution	100%
Viva Europa, Inc.	U.S. (New Jersey)	holding company	100%
Viva Canada Inc.	U.S. (New Jersey)	distribution	100%
Viva Optique de México S.A. de C.V.[1]	Mexico	joint venture	50%
Miracle Optics, Inc.	U.S. (California)	in dissolution	100%
Viva Eyewear UK Ltd.	England	distribution	100%
Viva Italia S.r.l.	Italy	in dissolution	100%
Viva Eyewear Hong Kong, Ltd.	Hong Kong	distribution	100%
Viva Brasil Comércio de Produtos Opticos Ltda.	Brazil	distribution	100%
Viva France S.A.S.	France	distribution	100%
Viva Eyewear Australia Pty Ltd.[2]	Australia	joint venture	50%
Viva Schweiz AG[3]	Switzerland	subsidiary of joint venture	50%
Viva Netherlands B.V.[3]	Netherlands	subsidiary of joint venture	50%
Viva Deutschland GmbH[3]	Germany	joint venture	50%
Viva Eyewear Brillenvertriebs[3]	Austria	subsidiary of joint venture	50%

(1) Viva Optique de México S.A. de C.V. is a joint venture between Viva and Jack Barky and Alejandro Barky (third parties).

(2) Viva Eyewear Australia Pty Ltd. is a joint venture between Viva Eyewear Hong Kong, Ltd. and General Optical Pty Limited (a third party).

(3) Viva Deutschland is a joint venture between Viva UK and Menrad GmbH + Co. KG (a third party). In addition to Germany, this joint venture conducts business through wholly-owned subsidiaries in Austria, the Netherlands and Switzerland.

Employees

As of December 31, 2012 and June 30, 2013, Viva's organization consisted of 533 and 528 employees, respectively. The following table shows a breakdown of Viva's employees by type as of the periods indicated:

	As of December 31,		As of June 30,	
	2011	2012	2012	2013
	(numbers of employees)			
Senior Management (VP and up)	17	15	15	14
Management (Managers and Directors)	75	80	80	75
Associates	356	353	353	354
Other employees (Warehousing)	86	85	85	85
Total	**534**	**533**	**533**	**528**

Viva's U.S. employees are generally not unionized.

Competition and Market Position

For a discussion of Viva's competition and market position following the Viva Acquisition, see ''*Industry Overview*.''

Information Technology

Viva has invested in IT systems pursuant to licenses from third parties and pursuant to custom-designed business process software. Viva uses IT in all phases of its operations, from logistics, warehouse and inventory management, distribution and customer order fulfillment. Viva has also deployed programs to assist it in tracking and collecting on its trade receivables. Viva has also privately developed and implemented a tablet sales force application to give its U.S. sales team the ability to access customer account information, track their respective sales metrics, and access the product catalog and real-time inventory information.

Insurance

Viva maintains insurance coverage under various liability and property insurance policies for, among other things, damages in the areas of operations and business interruption. Viva also maintains insurance policies to cover such risks as product liability as required by certain of its trademark licensors. Viva's management believes that the level of insurance which Viva maintains is appropriate for the risks of Viva's business and is comparable, in each case, to that maintained by other companies in its sector. Viva does not have insurance coverage for all interruptions as a result of operational risks because such risks cannot be insured or can only be insured on unreasonable terms. See ''*Risk Factors—Risk Factors Related to Our Business—Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance*.''

Regulation

Viva is subject to the same regulations and requirements as Marcolin. See ''*Marcolin's Business—Regulation*.''

Legal Proceedings

Viva is party to various legal proceedings involving routine claims that are incidental to its business. Although Viva's legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, Viva's management does not believe that the outcome of these legal proceedings, individually or in the aggregate, will be materially adverse to its business, financial position or results of operations.

MANAGEMENT

The following is a summary of certain information concerning our management, certain provisions of our bylaws (statuto) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and it does not purport to be complete.

The Issuer was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on February 8, 1983, and is registered under number 01774690273 with the Companies Register of Belluno (*Registro delle Imprese di Belluno*). The Issuer's registered office is at Zona Industriale Villanova, 4, 32013 Longarone (BL), Italy and its telephone number is +39 043 7777 1111.

We are managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one or more managing directors. Under Italian law, the board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires us to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body.

Directors and Senior Management

Directors

The board of directors of the Issuer (the ''**Issuer's Board of Directors**''), as of the date of this Offering Memorandum, are set forth in the table below. The business address of each member of the Issuer's Board of Directors is the registered address of the Issuer, Zona Industriale Villanova, 4, 32013, Longarone (BL), Italy.

The following table sets forth the age, date of first appointment and position of the directors of the Issuer:

Name	Age	Date of First Appointment	Position
Vittorio Levi	75	December 5, 2012	Chairman, Director
Giovanni Zoppas	55	January 26, 2012	Chief Executive Officer, Director
Cirillo Coffen Marcolin(1)	53	June 27, 1986	Non-Executive Director
Emilio Macellari(2)	55	April 28, 2005	Non-Executive Director
Roberto Ferraresi(3)	38	December 5, 2012	Non-Executive Director
Violaine Odile Marie-Pierre Grison(3)	38	December 5, 2012	Non-Executive Director
Frédéric Jacques Marie Stévenin(3)	47	December 5, 2012	Non-Executive Director
Franck Raymond Temam(3)	42	December 5, 2012	Non-Executive Director
Raffaele Roberto Vitale(3)	50	December 5, 2012	Non-Executive Director
Antonio Abete(4)	33	April 28, 2009	Non-Executive Director
Francesco Capurro(3)	34	April 30, 2013	Non-Executive Director

(1) Nominee of indirect shareholder CMG (as defined under ''*Principal Shareholders*'').

(2) Nominee of indirect shareholders DDV and ADV (each as defined under ''*Principal Shareholders*'').

(3) Nominee of indirect shareholders PAI Investors (as defined under ''*Principal Shareholders*'').

(4) Nominee of indirect shareholder AA (as defined under ''*Principal Shareholders*'').

Set forth below is certain biographical information relating to the members of the Issuer's Board of Directors.

Vittorio Levi graduated from the Politecnico of Turin with a degree in electrical engineering. He began his career with Olivetti S.p.A., where he was responsible for its Customer Engineering Service, and subsequently, head of Sales and Marketing and Chief Operating Officer. Mr. Levi then joined Nokia's Italian subsidiary and was subsequently made a director of parent company Nokia. From 2005 to 2010, Mr. Levi was Managing Director of Centax, a payments and financial services firm. Mr. Levi also serves as President of Panini S.p.A. and Vice Chairman of Nuance Group AG.

Giovanni Zoppas graduated from the Università Commerciale Luigi Bocconi of Milan with a degree in economics. He began his professional career in 1984 with Andersen Consulting. From 1993 to 2000, he was director of administration and internal control at the Benetton Group where he led the acquisition of Benetton Sportsystem, and subsequently, he served as Chief Financial Officer of the Italian subsidiary of GlaxoSmithKline. From 2003 to 2006, Mr. Zoppas was Managing Director of Nordica S.p.A., upon which

time he joined Gruppo Coin S.p.A. as Chief Financial Officer and Chief Operating Officer, where he led the acquisition and subsequent integration of two large retail chains (Upim and Melablu). In 2012, Mr. Zoppas joined Marcolin as Chief Executive Officer and Director. He remains a member of the board of directors of Gruppo Coin S.p.A.

Cirillo Coffen Marcolin graduated from the Università Commerciale Luigi Bocconi of Milan. He began working with the Issuer while still a university student. After graduation, Mr. Marcolin spent one year as Branch Director with Marcolin's French subsidiary. Upon his return to Italy, and through the course of his long tenure with the Marcolin Group he has held numerous management positions in administration, production, building management and has held positions on the board of directors of various Marcolin Group companies. Mr. Marcolin was formerly Chief Executive Officer and also served as Commercial Director from 1997 to 1999. In addition to his experience with the Marcolin Group, Mr. Marcolin has served in various management positions with trade organizations; notably he is President of MIDO, the company responsible for organizing the International Optics, Optometry and Ophthalmology exhibition in Milan, President of ANFAO, the Italian Optical Goods Manufacturers Association, an executive committee member of CONFINDUSTRIA, the Italian manufacturing and service companies confederation and Vice-President of FIAMP, the confederation of Italian Accessories and Fashion Associations.

Emilio Macellari graduated from the Università degli Studi of Macerata with a degree in political sciences and law. Mr. Macellari has taught at the Università degli Studi of Ancona and the Università degli Studi of Macerata. Mr. Macellari has been admitted to the roll of chartered accountants since 1986. He currently provides corporate finance, general business and tax advisory services through his own firm based in Civitanova Marche, Italy. Since 1976, Mr. Macellari has served as director or other administrative positions within the companies owned or partially-owned by the Della Valle family. Since 2000, Mr. Macellari has served as Head of Institutional Investor Relations and as a director of Milan-listed fashion house TOD'S S.p.A. He also serves as director of Italian film studios Cinecittà Studios S.p.A. and Italian Entertainment Group S.p.A. and Della Valle family investment companies Goral Investment Holding B.V. and Dorit Holding S.A.

Roberto Ferraresi graduated from the Università Commerciale Luigi Bocconi of Milan with a degree in business administration and finance. He began his career the investment bank UBS, first working with the leveraged finance group in London and then with the mergers and acquisitions group in Milan. In September 2004, Mr. Ferraresi joined PAI, where he currently serves as a Principal in the Italy team working from PAI's Milan office.

Violaine Odile Marie-Pierre Grison graduated from the École Polytechnique of Paris and holds a master's degree from the École Nationale Supérieure des Mines of Paris. She began her career with Pechiney S.A., a major aluminum products producer, where she spent four years working in strategy, business development and mergers and acquisitions. In 2003, Ms. Grison joined PAI and is now a Principal in the Food & Consumer Goods Team.

Frédéric Jacques Marie Stévenin graduated from the École Supérieure de Commerce of Paris. He began his career with Banque Paribas in the advisory team of the Private Banking division. Mr. Stévenin joined PAI in 1993 and spent five years with the Food & Beverage Team. In 1998, he joined Deutsche Bank's European Acquisition Finance Group as a Director, and subsequently, Managing Director. In 2001, Mr. Stévenin returned to PAI in 2001 and is responsible for the Food & Consumer Goods and Healthcare Sector Teams. In addition to his experience with the Marcolin Group, Mr. Stévenin serves on the boards of directors of Cerba European Lab S.A.S., Chr. Hansen A/S, Kaufman and Broad S.A., the Nuance Group AG and Gruppo Coin S.p.A.

Franck Raymond Temam graduated from the École Centrale of Paris with a specialization in innovation and production systems. He began his career with Procter & Gamble, where he spent nearly seven years, serving in various capacities in production management in France, the United States and Italy. In 2001, Mr. Temam joined McKinsey & Co., as part of its Operations Practice, focusing on manufacturing, supply chain and capital expenditure engagements for industrial and consumer goods clients. In 2011, Mr. Temam joined PAI as a Principal in its Portfolio Performance Team.

Raffaele Roberto Vitale graduated from Rollins College with a bachelor's degree in business administration. He began his career with the Chase Manhattan Bank, N.A., working in its corporate finance department in New York, London and Milan. After 10 years with Chase Manhattan Bank, N.A., in 1993, Mr. Vitale was one of the founding partners of Vitale Borghesi & C. S.p.A., a financial advisory firm

that joined with Lazard in 1998. From 1998 to 2002, Mr. Vitale served as Managing Director of Lazard Italy, upon which time he joined PAI as a Partner, where he manages the Italy Team and is a member of the Executive Committee and Investment Committee of PAI.

Antonio Abete graduated from the Università degli Studi Roma Tre of Rome with a degree in business economics. He began his career with J.P. Morgan Chase in its mergers and acquisition group of Milan and thereafter worked with the investment bank's equity capital markets group in London. In 2006, Mr. Abete worked with marketing and communications firm Blendon Communications. In 2007, Mr. Abete joined the Issuer and has worked in a variety of strategic and brand management functions.

Francesco Capurro graduated from the Scuola Normale Superiore of Pisa in physics and holds a master's in business administration from Columbia Business School. He began his career with McKinsey & Co. in Italy as a strategy consultant where he worked on numerous engagements in Italy, Germany and Spain. In 2008, Mr. Capurro joined PAI where he currently serves as a director in the Italy team.

Senior Management

The following table sets forth the age and position of the senior managers of the Group:

Name	Age	Position
Giovanni Zoppas	55	Chief Executive Officer, Director
Massimo Stefanello	52	Chief Financial Officer and Chief Operating Officer
Valerio Giacobbi	49	General Manager of Marketing, Sales and Business Strategy
Maurizio Coffen Marcolin . . .	53	Style and Licensing Manager
Fabrizio Gamberini	48	Chief Executive Officer, Marcolin U.S.A., Inc.
Sandro Bartoletti	48	Director of Administration and Finance, Investor Relations

The senior managers listed above are considered relevant to establishing that we have the appropriate expertise and experience for the management of our business. The business address of each of our senior managers is the registered address of the Issuer, Zona Industriale Villanova, 4, 32013 Longarone (BL), Italy.

Set forth below is certain biographical information relating to the members of the Group's senior management.

Giovanni Zoppas See ''*—Directors*'' for a description of Mr. Zoppas management expertise and experience.

Massimo Stefanello graduated from the Università degli Studi Ca' Foscari of Venice. He began his career with Gruppo Benetton, working in Italy and abroad, in various financial, treasury and administrative capacities. At Gruppo Benetton, Mr. Stefanello assumed a leadership role the integration of Prince, Rollerblade and Nordica into Benetton Sportsytem USA. Mr. Stefanello then joined GlaxoSmithKline as a director of planning and control. In 2005, he joined Milan-listed apparel company Geox S.p.A. where he served in various corporate finance and financial planning capacities with Geox, including leadership roles in various acquisitions by Geox S.p.A., including that of Stiefelkönig. Mr. Stefanello also worked for Geox S.p.A.'s holding company, Lir S.r.l. In 2013, Mr. Stefanello joined the Issuer as Chief Financial Officer and Chief Operating Officer.

Valerio Giacobbi graduated from the Università degli Studi Ca' Foscari of Venice. He began his career with Luxottica Group S.p.A. and during his 20-year long career with Luxottica, he assumed roles with increasing managerial functions such as Executive Director of Business Development, Executive Vice President Retail North America and General Commercial Manager. In 2013, Mr. Giacobbi joined the Issuer as General Manager of Marketing, Sales and Business Strategy.

Maurizio Coffen Marcolin attended the Università Commerciale Luigi Bocconi of Milan and has worked his entire career with the Marcolin Group. Mr. Marcolin has assumed roles of increasing responsibility, including Chief Executive Officer of M-USA and has served on the boards of directors of numerous companies within the Marcolin Group. He currently serves as Style and Licensing Manager with responsibility for managing relationships with licensed brands and supervising the Marcolin Group's product design functions. Mr. Marcoliln led our negotiations with Tom Ford to our licensed brand portfolio in 2005.

Fabrizio Gamberini graduated from the Università degli Studi of Bologna business administration. He has attended, among others, the advanced management program of Columbia Business School. He previously worked with Hewlett Packard Europe and Hewlett Packard USA for almost thirteen years in different sales, marketing and retail management positions. In 2002, Mr. Gamberini worked for Nike, Inc. as manager of its retail and business units, and subsequently, as general manager. Since 2008, Mr. Gamberini serves as Chief Executive Officer of Marcolin U.S.A., Inc.

Sandro Bartoletti graduated from the Università degli Studi Ca' Foscari of Venice in economics and business. He began his professional career with Reconta Ernst & Young S.p.A., where he worked on a number of audit engagements for a variety of companies. He subsequently joined Stefanel S.p.A. where he managed accounting, preparation of financial statements and securities regulation matters. In 1997, Mr. Bartoletti joined the Issuer as Director of Administration and Finance and Head of Investor Relations.

Senior Management Compensation

The aggregate compensation paid to our senior management of the Group for the year ended December 31, 2012 was €1.4 million, consisting of fixed salaries and performance-related components.

As of the date of this Offering Memorandum, the Issuer does not maintain a stock option plan.

Issuer's Board of Directors Practices

The Issuer's Board of Directors comprises eleven directors. Pursuant to the by-laws (*statuto*) of the Issuer, the Issuer is managed by a board of directors consisting of between eleven to fifteen members, who are elected upon nomination by a list of nominees presented by the Issuer's shareholders. The Issuer's Board of Directors may perform all acts that they consider necessary for the achievement of the Issuer's corporate purpose, except for those actions reserved by law or for the shareholders' meeting pursuant to the Issuer's by-laws. The by-laws of the Issuer does not set term limits for the directors or require directors to retire by rotation.

Audit and Remuneration Committees

We have not adopted separately established audit and remuneration committees. The Board of Directors as a whole, or its delegated members, fulfills these functions as and when required.

Board of Statutory Auditors

Pursuant to applicable Italian law, the Issuer has appointed a board of statutory auditors (*Collegio Sindacale*) whose purpose is to oversee the Issuer's compliance with the law and with its by-laws, to verify the Issuer's compliance with best practices in administration of its business, and to assess the adequacy of the Issuer's internal controls and accounting reporting systems, including the adequacy of the procedures in place for the supply of information between it and its subsidiaries.

Currently, there are three auditors and two alternate auditors on the board of statutory auditors of the Issuer.

Members of the board of statutory auditors are appointed by the shareholders of the Issuer at ordinary shareholders' meetings for three-year terms expiring on the date of the ordinary shareholders' meeting called to approve the financial statements in the third financial year of a respective member's term. At least one of the auditors and one of the alternate auditors must be selected from among the legal auditors registered with the relevant special registry in Italy. Members of the board of statutory auditors may be removed only for a valid reason and with the approval of an Italian court. The terms of office of the current members of the board of statutory auditors are scheduled to expire in 2015.

The following table identifies the current members of the statutory board of auditors of the Issuer, who were elected on April 30, 2013, together with their age and title.

Name	Age	Position
David Reali	47	Chairman
Diego Rivetti	55	Auditor
Mario Cognigni	55	Auditor
Alessandro Maruffi	38	Alternate Auditor
Rossella Porfido	35	Alternate Auditor

The business address for each of the members of the Issuer's board of statutory auditors is Zona Industriale Villanova, 4, 32013, Longarone (BL), Italy.

Set forth below is certain biographical information relating to the members of the Issuer's board of statutory auditors.

David Reali graduated from the Università Commerciale Luigi Bocconi of Milan. He was admitted to the roll of Chartered Accountants in 1989 and to the roll of Chartered Auditors in 1995. Mr. Reali specializes in accounting, tax and auditing matters and is the author of numerous articles in professional journals. In his professional life, Mr. Reali is a partner of the tax and advisory firm Chiaravalli Reali e Associati in Milan, where he advises financial and industrial companies in connection with mergers, spin-offs, acquisitions and provides tax structuring and due diligence advice.

Diego Rivetti graduated from the Istituto Tecnico Commerciale Statale V. Monti of Ferrara. He was admitted to the roll of Chartered Accountants in 1993 and to the roll of Chartered Auditors in 1995. Mr. Rivetti provides accounting and tax advisory services through his own firm in Brescia, Italy. He has served as statutory auditor for a number of companies.

Mario Cognigni graduated from the Università degli Studi of Macerata. He was admitted to the roll of Chartered Accountants in 1995. Mr. Cognigni provides tax advisory services, tax law and financial statement analysis through his own firm in Civitanova Marche, Italy. He has served as director and statutory auditor for a number of companies.

Alessandro Maruffi graduated from the Università Commerciale Luigi Bocconi of Milan. He was admitted to the roll of Chartered Accountants and to the roll of Chartered Auditors in 2004. Mr. Maruffi specializes in accounting matters, tax and financial statements analysis and advice. He is currently a partner of the tax and advisory firm Chiaravalli Reali e Associati in Milan.

Rossella Porfido graduated from the Università degli Studi Ca' Foscari of Venice. She was admitted to the roll of Chartered Accountants in 2003 and to the roll of Chartered Auditors in 2004. Ms. Porfido practices tax law and provides accounting and audit services through her own firm in Treviso, Italy.

PRINCIPAL SHAREHOLDERS

As of the date of this Offering Memorandum, the Issuer's share capital amounted to €32,312,475.00 which has been fully paid-up, comprised of 61,458,375 ordinary shares, without par value.

Following the Merger between the Issuer and its former holding company Cristallo (see ''*Summary—The Transactions*'' for more information concerning the Merger), the Issuer is wholly-owned by Marmolada, a private joint stock company (*società per azioni*) organized under the laws of the Republic of Italy. Marmolada is in turn wholly-owned by 3Cime, a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy. 3Cime is in turn wholly-owned by Pelmo S.A., a corporation (*société anonyme*) organized by the laws of the Grand Duchy of Luxembourg which is itself wholly-owned by Tofane S.A., a corporation (*société anonyme*) organized by the laws of the Grand Duchy of Luxembourg.

The following sets forth certain information regarding the indirect ownership of the Issuer (through the vehicle Tofane S.A.) as of June 30, 2013:

	Percentage of share capital
PAI[1]	80.0%
Co-investors	20.0%
of which	
CMG Partecipazioni S.r.l.[2]	6.0%
DDV Partecipazioni S.r.l.[3]	3.0%
ADV Partecipazioni S.r.l.[4]	3.0%
Partecipazioni Iniziative Industriali S.r.l.[5]	3.0%
Red Circle Investments S.r.l.[6]	5.0%
Total	**100.0%**

(1) PAI is a major European private equity firm that manages and advises private equity funds with a total equity value of €4.1 billion. Certain funds managed and/or advised by PAI organized as French *fonds professionel de capital investissement* or English limited partners (the ''**PAI Investors**'') hold participations in Tofane S.A. The relations between PAI and the certain co-investors in Tofane S.A. are governed by the Shareholders' Agreement (as defined below) as discussed under ''*—Shareholders' Agreement*.''

(2) CMG Partecipazioni S.r.l. (''**CMG**'') is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled indirectly by Mr. Cirillo Coffen Marcolin, Mr. Maurizio Coffen Marcolin, Mr. Giovanni Marcolin Coffen and Ms. Maria Giovanna Zandegiacomo (members of the Marcolin family and descendants of the founder of the Issuer).

(3) DDV Partecipazioni S.r.l. (''**DDV**'') is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Diego Della Valle.

(4) ADV Partecipazioni S.r.l. (''**ADV**'') is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Andrea Della Valle.

(5) Partecipazioni Iniziative Industriali S.r.l. (''**AA**'') is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and indirectly controlled by Mr. Antonio Abete and Ms. Caterina Abete.

(6) Red Circle Investments S.r.l. (''**RCI**'') is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy.

Shareholders' Agreement

On December 5, 2012 and amended and restated on May 31, 2013, the PAI Investors, CMG, DDV, ADV, AA and RCI (as well as the underlying indirect shareholders thereof) (each a ''**Party**,'' and collectively, the ''**Parties**'') signed a shareholder's agreement (the ''**Shareholders' Agreement**''). The Shareholders' Agreement governs, among other things, the corporate governance of the Issuer and the intermediate holding companies (Marmolada, Pelmo S.A. and Tofane S.A.), transfer restrictions on the shares of Tofane and the relations among the Parties. The Shareholders' Agreement expires on December 5, 2017, and therefore automatically renews for 2 year periods unless terminated in writing. The Shareholder's Agreement is governed by Italian law.

Corporate governance provisions

The Shareholders' Agreement establishes, among other things, the following corporate governance provisions:

- the board of directors of each of Tofane S.A., Pelmo S.A. and Marmolada will consist of seven or more members, as nominated in the following formula: one member nominated by CMG, one member nominated jointly by DDV and ADV, one member nominated by AA and the rest of the members nominated by PAI Investors, *provided, however,* that should any of CMG, DDV and ADV or AA cease to appoint a member of the boards of Tofane S.A., Pelmo S.A. and Marmolada for any reason, then RCI will be entitled to nominate one member of the relevant board;
- the Issuer's Board of Directors will consist of seven or more members (it currently has eleven members), as nominated in the following formula: one member nominated by CMG, one member nominated jointly by DDV and ADV, one member nominated by AA and the rest of the members nominated by PAI Investors; *provided, however,* that should any of CMG, DDV and ADV or AA cease to appoint a member of the Issuer's Board of Directors for any reason, then RCI will be entitled to nominate one member of the Issuer's Board of Directors;
- the Parties agree to maintain Mr. Giovanni Zoppas as Chief Executive Officer until the approval of the financial statements of the Issuer related to the year ended December 31, 2015;
- certain matters are reserved to the boards of directors and non-delegable to singular members, including:
    - for Tofane S.A., Pelmo S.A. and Marmolada: decisions regarding voting rights at their respective shareholders' meetings, decisions regarding the issuance of financial instruments, decisions regarding sales of shares, options or other connected rights);
    - for the Issuer: decisions regarding the nomination of the Chief Executive Officer, the approval of the budget and business plan, decisions regarding a share capital increase excluding pre-emptive rights, decisions regarding the sale of assets or participations in other companies, decisions regarding the signing of new license agreements, renewals of license agreements, decisions regarding financings and investments for material amounts and decisions regarding related party transactions for material amounts—in each case, decisions will be taken upon a simple majority vote of the Issuer Board of Directors; and
    - with respect to the adoption of any resolution regarding decisions concerning the right to vote in shareholders' meetings, decisions regarding the issue of securities and the sale, purchase, options and/or rights related to the shares of each of Tofane S.A., Pelmo S.A., Marmolada, as applicable, action may only be taken upon a simple majority of the relevant board of directors, and at least one member designated by any of CMG, DDV, ADV or AA dissents, then the other members nominated by each of CMG, DDV, ADV or AA, excluding the member who previously dissented from the relevant decision, and the members nominated by PAI Investors must meet to resolve the dissension, following which time a second vote of the relevant board of directors is to be convened, and, if the dissenting member continues to express dissent with respect to the decision, the Party that nominated such dissenting member will have the right to sell all (and not less than all) of its shares of Tofane S.A. to PAI Investors at a price set at their fair market value

Transfer restrictions; lock-up

The Shareholders' Agreement contains the following transfer restrictions and lock-up provisions:

- the Parties may not sell or transfer their respective shares of Tofane S.A. on or prior to December 5, 2015, save for transfers which are permitted (i.e. to PAI Investors as discussed under ''—*Corporate governance provisions*'');
- subsequent to December 5, 2015, if PAI Investors receive an offer from a third party to purchase 100% or less of its shares of Tofane S.A., tag-along rights are granted to each of CMG, DDV, ADV, AA and RCI which oblige such third party offeror to acquire 100% of the shares of such Parties or a *pro rata* percentage of such shares;
- subsequent to December 5, 2015, if any PAI Investors receives an offer from a third party to purchase 100% or less of its respective shares of Tofane S.A., drag-along rights are granted to PAI

Investors which oblige CMG, DDV, ADV, AA and/or RCI to sell either 100% of their respective shares if such third party offeror is seeking to acquire 100% or more than 50% of the shares of Tofane S.A., or such proportional amount if such third party offeror is seeking to acquire less than 50% of Tofane S.A.'s shares of the shares of PAI Investors or a *pro rata* percentage of such shares;

- the shares of Tofane S.A. are non-transferrable, except among the Parties or otherwise consistent with the provisions of the Shareholders' Agreement, and PAI Investors is granted a right of first refusal;
- the interests of CMG, DDV, ADV, AA and RCI are non-transferrable without prior written consent of PAI Investors, and PAI Investors is granted a pre-emption right to acquire the interests that the relevant party is seeking to transfer.

Additional provisions

In addition to the foregoing, the Shareholders' Agreement contains the following additional provisions:

- in the event of a capital increase and/or share offering of Tofane S.A., all such transactions unless otherwise agreed with the Parties, will be conducted at the fair market value thereof and without pre-emptive rights for existing shareholders; and
- in the event of the sale or transfer of Pelmo S.A. or Marmolada, PAI Investors will promptly make available to the shareholders of Tofane S.A., minus certain costs for administrative and transaction fees and any other withholdings required by law, such net proceeds of the sale or transfer in the form of dividends.

RELATED PARTY TRANSACTIONS

The following sets forth information related to transactions between us and related parties. For a description of certain other related party transactions, see Note 30 to each of Marcolin's audited consolidated financial statements as of and for the years December 31, 2012, 2011 and 2010 included elsewhere in this Offering Memorandum.

On November 12, 2010, we voluntarily adopted a related party transactions policy and established procedures to identify and approve related party transactions.

Transactions with TOD'S S.p.A.

We maintain a number of contractual and commercial arrangements with Milan-listed fashion house TOD'S S.p.A. (''**TODS**''), which is indirectly controlled by Mr. Diego Della Valle, an indirect shareholder of the Issuer. Specifically, we are party to license agreements with TODS pursuant to which we have received rights to design, produce and distribute eyewear bearing the proprietary mark of ''TOD'S.'' In addition, we were previously party to a license agreement granting rights to design, produce and distribute eyewear bearing the proprietary mark of ''Hogan''; however, following an assessment of market conditions in 2012 by our directors, this arrangement was converted into a supply agreement pursuant to which we design and manufacture eyewear bearing the proprietary mark of Hogan solely upon order by and for sale to TODS. As a licensor of one of our current licensed brands and a purchaser under a supply agreement, TODS receives royalties and other fees from us, and TODS is also a customer. See also ''*Marcolin's Business—Our Business—Marcolin's Licensed Brands*.''

In connection with the renegotiation of the TOD'S license and termination of the Hogan license, we made certain non-recurring payments to TODS in 2012, €5.1 million was paid in January 2013, €5.1 million in July 2013 and €5.1 million is due in December 2013.

The transactions between the Group and TODS are conducted on an arms-length basis and for appropriate commercial purposes.

Transactions with OTB S.p.A.

We also maintain a number of contractual and commercial arrangements with holding company OTB S.p.A. (''**OTB**'') and its affiliates, which is indirectly controlled by an indirect shareholder of the Issuer. As a licensor of certain of our current licensed brands, OTB receives royalties and other fees from us, and OTB is also a customer.

Prior to June 30, 2013, OTB was not considered a related party pursuant to our periodic reporting to the Italian Stock Exchange and CONSOB (when we were a listed company) and our financial statements because the indirect shareholding of OTB's shareholders was not sufficient to mandate disclosure.

The table below sets forth certain information concerning our transactions with TODS and OTB for the periods indicated.

Period	Payables		Receivables		Expenses		Revenues	
	OTB	TODS	OTB	TODS	OTB	TODS	OTB	TODS
	(€ in thousands)							
Six months ended June 30, 2013	69	11,140	40	496	1,297	1,320	633	967
Year ended December 31, 2012	—	15,505	—	7,116	—	16,216	—	1,343
Year ended December 31, 2011	—	39	—	972	—	5,108	—	1,512
Year ended December 31, 2010	—	3,575	—	1,246	—	525	—	332

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this Offering Memorandum or unless the context otherwise requires, terms defined in the Revolving Credit Facility Agreement and the Intercreditor Agreement shall have the same meanings when used in this section. For a description of the Vendor Loan Note to be issued by 3Cime, see ''The Acquisition—Vendor Loan Note.''

Revolving Credit Facility

The following is a summary of the provisions of the Revolving Credit Facility to be provided under the Revolving Credit Facility Agreement to be entered into with, among others, the Issuer as original borrower, the RCF Agent and UniCredit Bank AG, Milan Branch as security agent, on the Issue Date. The Issuer, and from the Completion Date M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva, will be guarantors under the Revolving Credit Facility Agreement, each guaranteeing, subject to certain limitations, the obligations of the Issuer as borrower and the other borrower(s) and guarantor(s), as further described below.

Overview

The Revolving Credit Facility Agreement will provide for committed financing in the form of a €25.0 million Revolving Credit Facility. In addition, the Issuer has an additional uncommitted financing contained in the Revolving Credit Facility Agreement which it may request in the future be made available thereunder up to a maximum principal amount of €5.0 million and subject to certain further conditions set out in the Revolving Credit Facility Agreement.

The Revolving Credit Facility must be used to finance or refinance the working capital requirements and the general corporate purposes of the Issuer and its Restricted Subsidiaries (the ''**Restricted Group**'') including, without limitation, for capital expenditure purposes. The Revolving Credit Facility may however not be used (i) to finance acquisitions of assets, shares or businesses, (ii) for the purchase, redemption, acquisition or retirement of any Notes (or any replacement or refinancing indebtedness thereof as permitted under the Revolving Credit Facility Agreement from time to time) or any payments of interest in respect thereof or (iii) for the payment of any dividend, redemption, repurchase, defeasement, retirement, repayment, premium or other distribution in respect of any share capital of any member of the Group.

Utilization

The Revolving Credit Facility may initially be utilized by the Issuer. Any member of the Restricted Group organized under the laws of the Republic of Italy, the French Republic, Hong Kong, the United Kingdom or the United States, or a jurisdiction approved by all the lenders under the Revolving Credit Facility (the ''**RCF Lenders**''), may become an additional borrower of the Revolving Credit Facility, subject to the conditions contained in the Revolving Credit Facility Agreement with respect thereto.

The Revolving Credit Facility may be utilized for loans in euro or any other currency agreed by the RCF Lenders (an ''**Optional Currency**''). The Revolving Credit Facility Agreement contains various conditions that must be satisfied in order for the RCF Lenders to make (or rollover) a loan under the Revolving Credit Facility, with new loans subject to the requirement that no actual or potential event of default under the Revolving Credit Facility Agreement is then continuing or would result from the proposed loan and that certain representations are true in all material respects.

In addition, the Revolving Credit Facility may be utilized by way of the issue of letters of credit (subject to the conditions set out in the Revolving Credit Facility Agreement, including the appointment of an issuing bank for such purpose) and RCF Lenders may also allocate their commitments by way of bilateral ancillary facilities, in each case of standard market terms for such matters.

Availability Period

The Revolving Credit Facility may be utilized from and including the Completion Date to and including the business day falling one month prior to the scheduled maturity date of the Notes (see below).

Interest and Fees

Loans under the Revolving Credit Facility will initially bear interest at rates per annum equal to EURIBOR (or, in relation to a loan in an Optional Currency, LIBOR) (as each such term is defined in the Revolving Credit Facility Agreement) plus a margin of 4.00% per annum. Provided that a period of at least 12 months has expired since the original date of the Revolving Credit Facility Agreement, and no event of default has occurred and is continuing, the margin on loans under the Revolving Credit Facility will be subject to a reduction to 3.75% per annum if a leverage ratio is met.

If at any time the rate of interest payable by a borrower organized under the laws of the Republic of Italy (an ''**Italian Borrower**'') in respect of a loan under the Revolving Credit Facility exceeds the maximum rate of interest permitted by Italian Law No. 108 of March 7, 1996 as amended or supplemented (the ''**Italian Usury Legislation**'') at that time and that would constitute a breach of Italian Usury Legislation, then the rate of interest payable by that Italian Borrower in respect of the relevant loan will be capped, for the shortest possible period, at the maximum rate permitted under the Italian Usury Legislation.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the Completion Date to the end of the availability period for the Revolving Credit Facility at a rate of 40% of the applicable margin for the Revolving Credit Facility. The accrued commitment fee will be payable quarterly in arrears, on the last day of the availability period of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which an RCF Lender cancels its commitment. No commitment fee shall be payable prior to the Completion Date or if the Completion Date does not occur.

Default interest will be calculated as an additional 1% on the overdue amount.

The Issuer is also required to pay customary agency fees to the RCF Agent and the Security Agent in connection with the Revolving Credit Facility Agreement and will also pay arrangement fees to the Mandated Lead Arrangers.

Repayments

Loans under the Revolving Credit Facility must be repaid in full on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility will be repaid on the termination date which is the date falling six months before the scheduled maturity date of the Notes. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during its availability period, subject to certain conditions.

Prepayments and Cancellation

The Revolving Credit Facility Agreement will allow for voluntary prepayment and cancellation of commitments (in each case, subject to *de minimis* amounts) of the Revolving Credit Facility.

The Revolving Credit Facility will also require immediate and automatic mandatory prepayment and cancellation of all amounts (including under any ancillary facilities) due to all RCF Lenders under the Revolving Credit Facility upon a ''change of control'', which term shall be defined in a manner consistent with the equivalent term in the Notes, or on the sale of all or substantially all of the assets of the Restricted Group. Certain other customary prepayment and cancellation events will also be included in the Revolving Credit Facility Agreement, including for individual RCF Lenders on illegality, as well as allowing the Issuer to repay and cancel the commitments of individual RCF Lenders in certain circumstances including following claims made by an RCF Lender under the tax gross-up and increased costs provisions or if the relevant RCF Lender becomes a ''Defaulting Lender'' or a ''Non-Consenting Lender'' as each such term is defined in the Revolving Credit Facility Agreement.

Guarantees

Each of the Issuer, and with effect from the Completion Date, M-USA, Marcolin UK, Marcolin France, Marcolin Germany and Viva, will provide a guarantee of all amounts payable to the RCF Agent (each, an ''**RCF Guarantee**'' and together, the ''**RCF Guarantees**''), the Security Agent, the mandated lead arrangers and the RCF Lenders under the Revolving Credit Facility as well as the counterparties to certain hedging agreements, subject to agreed limitations.

Subject to the Agreed Security Principles:

(i) within 10 Business Days of the Completion Date (the ''**Initial Coverage Date**''); and

(ii) thereafter within 60 days after the date of delivery of each annual audited consolidated accounts of the Restricted Group:

(a) each member of the Restricted Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA of the Restricted Group or gross assets representing 5% or more of the gross assets of the Restricted Group (such member, a ''**Material Company**'') must become a guarantor under the Revolving Credit Facility Agreement (an ''**RCF Guarantor**'');

(b) any member of the Restricted Group that is an immediate shareholder of any Material Company (other than the Issuer) must become an RCF Guarantor;

(c) any member of the Restricted Group that is a Guarantor under the Notes must become a RCF Guarantor; and

(d) any other member of the Restricted Group necessary to ensure that the RCF Guarantors represent not less than 80% of the adjusted EBITDA (as defined in the Revolving Credit Facility Agreement) of the Restricted Group (subject to certain exceptions) (the ''**Guarantor Coverage Test**'') must become an RCF Guarantor until the Guarantor Coverage Test is satisfied.

It is anticipated that the additional accession of Viva on or prior to the Initial Coverage Date will satisfy the Guarantor Coverage Test on such date.

Security

As of the Completion Date, the Revolving Credit Facility will be initially secured by first-ranking security interests consistent with the security interests granted with respect to the Notes plus (i) a *privilegio speciale* granted by the Issuer; and (ii) a mortgage (*ipoteca*) over certain real estate of the Issuer. The secured obligations under the *privilegio speciale* and the *ipoteca* will not secure letters of credit or ancillary facilities under the Revolving Credit Facility Agreement.

Security will, in accordance with (and subject to) the Agreed Security Principles, also be provided by persons who become RCF Guarantors after the Completion Date.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status, binding obligations, non-conflict with constitutional documents, applicable laws or regulations or other obligations, power and authority, authorizations for carrying on business and for the validity and admissibility into evidence of the ''finance documents'' (as such term is defined in the Revolving Credit Facility Agreement), governing law and enforcement of the ''finance documents'', absence of insolvency events, no filing or stamp taxes with respect to the ''finance documents'', accuracy of certain information and the most recent financial statements delivered, no default, litigation, compliance with laws, title to assets, intellectual property, pensions, center of main interests and establishments and sanctions.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are set forth in the section entitled ''*Description of Notes—Certain covenants*.''

The Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants (subject to certain carve-outs and materiality thresholds) relating to:

- maintenance of authorizations;
- compliance with laws (including environmental laws and permits);
- payment of taxes;

- preservation of assets;
- maintenance of *pari passu* ranking of the Revolving Credit Facility;
- maintenance of insurance;
- operation of pension schemes;
- maintenance of intellectual property;
- compliance with the ''Guarantor Coverage Test'' (see ''—*Guarantees*'' above); and
- further assurance with respect to security interests granted under the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain negative covenants, including covenants relating to:

- restrictions on making certain acquisitions; and
- changing the center of main interests of certain obligors party to the Revolving Credit Facility Agreement in such capacity.

The Revolving Credit Facility Agreement also contains an information covenant under which, among other things, the Issuer is required to deliver to the RCF Agent annual financial statements, quarterly financial statements, annual and quarterly compliance certificates, an annual budget and any reports, notes or written presentations provided to holders of any of the Notes, as well as holding an annual presentation meeting for the RCF Lenders, notifying the RCF Agent of actual or potential events of default and inviting the RCF Lenders to attend the quarterly and all other public calls or presentations held for holders of any of the Notes.

Notes Purchase Condition

The Revolving Credit Facility Agreement contains a ''notes purchases'' covenant, which provides, subject to certain exceptions set out in the Revolving Credit Facility Agreement, that the Issuer may not, and shall procure that no other member of the Restricted Group will, repay, prepay, purchase, redeem, defease or otherwise acquire any Notes (or any replacement or refinancing indebtedness thereof as permitted under the Revolving Credit Facility Agreement from time to time (together referred to in this paragraph as a ''**Notes purchase**'')) prior to the scheduled repayment date. The exceptions to such notes purchases covenant include, *inter alia*, (i) transactions funded with certain new equity, permitted payments or permitted indebtedness under the Revolving Credit Facility Agreement (but excluding amounts drawn under the Revolving Credit Facility itself), (ii) Notes purchases that do not exceed 50% of the original aggregate principal amount of the Notes on the Completion Date and (iii) Notes purchases that exceed 50% of the original aggregate principal amount of the Notes on the Completion Date *provided* that the Revolving Credit Facility is reduced and cancelled on a pro rata basis with the amount of Notes purchased and, in each of the forgoing instances, *provided further* that no event of default is continuing or would result from such Notes purchase under the Revolving Credit Facility Agreement.

Financial covenant

The Revolving Credit Facility Agreement contains a leverage ratio covenant, requiring that the ratio of net debt to EBITDA (as such term is defined in the Revolving Credit Facility Agreement) as at the end of each quarter will not exceed an agreed ratio. The first testing date is December 31, 2013 where such ratio must not exceed 6.50:1.00, with such ratio (subject to certain exceptions) reducing on further quarterly testing dates through to maturity of the Revolving Credit Facility (the last testing date being March 31, 2019 where the ratio must not exceed 2.35:1.00).

In the event of a breach of such financial ratio test, the Revolving Credit Facility Agreement contains equity cure rights whereby, within 10 business days after the delivery of the compliance certificate evidencing the relevant breach, the Issuer may receive cash proceeds from its shareholders by way of new equity or subordinated shareholder debt and recalculate compliance with the relevant test with the relevant cash proceeds being deemed to reduce total debt for the relevant testing period. Such cure rights can only be exercised twice over the life of the Revolving Credit Facility and not on consecutive testing dates.

There are no other financial maintenance covenants under the Revolving Credit Facility Agreement.

Events of Default

The Revolving Credit Facility Agreement contains events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled ''*Description of Notes—Events of Default*.'' In addition, the Revolving Credit Facility Agreement contains the following events of default (subject, where applicable, to certain materiality thresholds):

- breach of the financial covenant under the Revolving Credit Facility, subject to the equity cure rights described above;
- breach of the requirement to deliver financial statements and compliance certificates, subject to a 15 business day grace period;
- representations or warranties found to be untrue or misleading, subject to a 60 day grace period;
- cross-default to certain third party financial indebtedness in excess of €5.0 million;
- expropriation of assets;
- cessation of business;
- invalidity, unlawfulness or repudiation of the ''finance documents''; and
- breach of a material term of the Intercreditor Agreement by a member of the Group as a holding company of the Issuer party to such agreement, subject to a 20 business day grace period.

Governing Law

The Revolving Credit Facility Agreement will be governed by English law.

Miscellaneous

The Revolving Credit Facility Agreement will contain certain other customary provisions, including with respect to the rights of the RCF Lenders to transfer their interests thereunder (which in certain circumstances will require the consent of the Issuer), the rights and obligations of the RCF Agent and certain other finance parties, sharing of receipts by the finance parties, and the requirements for amendments and waivers under the Revolving Credit Facility Agreement.

Intercreditor Agreement

Overview

The Intercreditor Agreement will set out, among other things:

- the relative ranking of certain debt of the Issuer and certain of its subsidiaries (together, the ''**ICA Group**'') with regard to the liabilities of the ICA Group in respect of (i) the Revolving Credit Facility and the other Credit Facility Liabilities (as defined below), (ii) the Notes, (iii) the Pari Passu Liabilities (as defined below), (iv) certain interest rate and currency hedging agreements (each a ''**Priority Hedging Agreement**'') entered into in connection with each of clauses (ii) and/or (iii) above and/or Future Subordinated Debt (as defined below) (together, the ''**Priority Hedging Liabilities**''), (v) certain interest rate and exchange rate hedging agreements (each a ''**Non-Priority Hedging Agreement**'') entered into in connection with certain permitted indebtedness (the ''**Non-Priority Hedging Liabilities**'' and together with the Priority Hedging Liabilities, the ''**Hedging Liabilities**''), (vi) certain intra group indebtedness (the ''**Intra-Group Liabilities**'' and the creditors thereof being the ''**Intra-Group Creditors**'') and (vii) certain liabilities owed by any member of the ICA Group (each a ''**Shareholder Liabilities**'') to certain direct and indirect shareholders of the Issuer, including obligations of the Issuer to Marmolada in connection with the Transfer (together, the ''**Shareholder Creditors**'');
- the relative ranking of certain security granted by members of the ICA Group with respect to certain of the indebtedness referred to above;
- when payments can be made in respect of certain indebtedness of the ICA Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) can be taken in respect of the Transaction Security (as defined below) by (i) the lenders under the Revolving Credit Facility, the creditors of the other Credit Facility Liabilities and the

counterparties to the Priority Hedging Liabilities and, in each case, their respective creditor representatives (together, the ''**Super Senior Creditors**'') and (ii) the holders of the Notes (the ''**Senior Secured Noteholders**''), the Trustee (together with the Senior Secured Noteholders, the ''**Notes Creditors**''), each counterparty to the Non-Priority Hedging Liabilities and the creditors of the Pari Passu Liabilities (together, the ''**Senior Secured Creditors**'');

- the requirement to turnover amounts received from (among other things) enforcement of the Transaction Security;
- when the Transaction Security, the Guarantees, the RCF Guarantees and certain other liabilities will be released to permit an enforcement sale or otherwise;
- the circumstances in which creditors' claims (including Senior Secured Noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security and certain other amounts received by the Security Agent.

The Intercreditor Agreement will also contain provisions related to future additional indebtedness permitted to be incurred by members of the ICA Group under the terms of each of the Revolving Credit Facility Agreement, the Intercreditor Agreement, the documents creating the Transaction Security (the ''**Transaction Security Documents**'') and the Indenture, which may also be secured by the Transaction Security or which may be unsecured and rank behind the Notes Liabilities (as defined below) (see further ''*—Additional Subordinated Debt*''). Any such indebtedness which shares the Transaction Security may, with respect to enforcement of Transaction Security (and the proceeds thereof) have equivalent rights to the Senior Secured Noteholders under the Intercreditor Agreement, in which case it will vote in, and share in the proceeds of enforcement with, the same class of creditors as the Senior Secured Noteholders (the ''**Pari Passu Liabilities**'' and the creditors in respect thereof, the ''**Pari Passu Creditors**'' and together with the Super Senior Creditors, the Senior Secured Creditors, the Intra-Group Creditors and the Shareholder Creditors, the ''**Creditors**'').

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the Senior Secured Noteholders. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the Senior Secured Noteholders.

Ranking and Priority

The Intercreditor Agreement will provide that (i) the liabilities owed by the debtors under or in connection with the Revolving Credit Facility Agreement and any other indebtedness which ranks senior to the Notes Liabilities with respect to the proceeds of any enforcement of Transaction Security (excluding any Hedging Liabilities, the ''**Credit Facility Liabilities**''), (ii) the Priority Hedging Liabilities (together, with the Credit Facility Liabilities, the ''**Super Senior Liabilities**''), (iii) the liabilities (the ''**Notes Liabilities**'') owed by the Issuer and the debtors under the Intercreditor Agreement (other than the Issuer) to Notes Creditors under each of the Indenture, the Notes, the Intercreditor Agreement, the Guarantees and the Transaction Security Documents (together, the ''**Notes Documents**''), (iv) the Non-Priority Hedging Liabilities, (v) the Pari Passu Liabilities (if any) (together, with the Notes Liabilities and the Non-Priority Hedging Liabilities, the ''**Senior Secured Liabilities**''), (vi) the Intra-Group Liabilities and (vii) the Shareholder Liabilities, will rank in the following order:

- first, the Super Senior Liabilities and the Senior Secured Liabilities (together with certain customary costs and expenses owed to the Security Agent and the Trustee) *pari passu* and without any preference between them;
- second, the Intra-Group Liabilities *pari passu* between themselves and without any preference between them; and
- third, the Shareholder Liabilities *pari passu* between themselves and without any preference between them,

but without prejudice to the provisions described below in the section entitled ''—**Additional Subordinated Debt**.''

Transaction Security

The Intercreditor Agreement will provide that, subject to certain agreed security principles and/or to the extent legally possible (as the case may be), the lenders under the Revolving Credit Facility, the creditors of the other Credit Facility Liabilities, the counterparties to Hedging Liabilities (each a ''**Hedge Counterparty**''), the Senior Secured Noteholders and the creditors of any Pari Passu Liabilities must collectively take, accept or receive the benefit of the same security interests over certain assets and property of any members of the Group (any such security interests that have been so granted, together, the ''**Transaction Security**''). In addition, the Super Senior Liabilities may be secured by the further security described elsewhere (see ''—*Revolving Credit Facility—Security*'') and ancillary lenders and issuing banks under the Revolving Credit Facility Agreement or the documentation for the Credit Facility Liabilities may accept certain other indemnities, assurances against loss and/or cash cover that is permitted under such document (and the Intercreditor Agreement will provide for a separate regime with respect to their rights to enforce over such items).

The Intercreditor Agreement will provide that the Transaction Security created pursuant to the Transaction Security Documents shall rank and secure the Super Senior Liabilities and the Senior Secured Liabilities (in each case, only to the extent such Transaction Security is expressed to secure those liabilities) *pari passu* and without any preference between them. The Intercreditor Agreement will also provide that the Intra-Group Liabilities and the Shareholder Liabilities will not be secured unless otherwise permitted in the relevant credit documentation.

Unless there is a legal restriction on doing so, the Security Agent shall hold the Transaction Security for the benefit of Super Senior Creditors and the Senior Secured Creditors.

The proceeds from the enforcement of the Transaction Security are to be applied as described below under ''—*Enforcement of Transaction Security-Waterfall*.''

Restrictions on Payments

The Intercreditor Agreement will provide that payments may be made in respect of the Credit Facility Liabilities, the Notes Liabilities and the Pari Passu Liabilities in accordance with the terms of such indebtedness, respectively, subject, in the case of the Notes, to compliance with the ''notes purchase condition'' covenant (see ''—*Revolving Credit Facility-Covenants-Notes Purchase Condition*'' above) and, in the case of the Pari Passu Liabilities, to any restrictions contained in the documents for the Credit Facility Liabilities or the Notes Liabilities or any then outstanding Pari Passu Liabilities.

Intra-Group Liabilities

The Intercreditor Agreement will permit payments from time to time when due in respect of Intra-Group Liabilities (''**Intra-Group Liabilities Payments**'') if:

(a) at the time of payment, the indebtedness due in respect of the Revolving Credit Facility and the other Credit Facility Liabilities, the Notes, any Pari Passu Liabilities and any Future Subordinated Debt (as defined below) has not been accelerated or certain other post-default action has been taken (if accelerated or the subject of such action, each, an ''**Acceleration Event**''); or

(b) if an Acceleration Event has occurred:

  (i) prior to the Super Senior Discharge Date (as defined in the Intercreditor Agreement), the relevant Instructing Group (as defined below) has consented to the payment being made;

  (ii) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date (as defined in the Intercreditor Agreement), the Majority Senior Secured Creditors (as defined below) consent to the payment being made;

  (iii) if applicable, on or after the Senior Secured Discharge Date but prior to the discharge of any Future Subordinated Debt, the relevant majority of the holders of any Future Subordinated Debt consent to the payment being made;

  (iv) to the extent such payment is made to facilitate payment of the Super Senior Liabilities and/or the Senior Secured Liabilities; or

(v) to the extent such payment is made to facilitate payments of the Future Subordinated Debt that are permitted to be paid by the Intercreditor Agreement; or

(vi) to the extent such payment is required in order to comply with any duties of the directors (or equivalent officers) of any of the relevant Debtors or intra group lenders under applicable laws in order to avoid any personal and/or criminal liability.

Shareholder Liabilities

The Intercreditor Agreement will permit payments to be made on Shareholder Liabilities from time to time when due if:

(a) the payment is expressly permitted by the Revolving Credit Facility Agreement and the other Credit Facility Documents, the Notes Documents and the Pari Passu Debt Documents (as defined in the Intercreditor Agreement) and any documents for any Future Subordinated Debt, which will all include the cancellation of the receivable owing to Marmolada created in connection with the Transfer as more fully described elsewhere in this Offering Memorandum;

(b) prior to the Super Senior Discharge Date, the relevant Instructing Group consent to such payment being made;

(c) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors consent to such payment being made; or

(d) if applicable, on or after the Senior Secured Discharge Date but prior to the discharge of any Future Subordinated Debt, the relevant majority of the holders of any Future Subordinated Debt consent to the payment being made.

Enforcement of Transaction Security

The Intercreditor Agreement will provide that the Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by the relevant Instructing Group (as further described in ''*—Super Senior Creditors and Senior Secured Creditors*'' and ''*—Super Senior Creditors and Senior Secured Creditors-Consultation*'' below).

Super Senior Creditors and Senior Secured Creditors

The Intercreditor Agreement will provide that on or prior to the date on which the Credit Facility Liabilities have been discharged in full (the ''**Credit Facility Discharge Date**''), the Security Agent may refrain from enforcing the Transaction Security unless otherwise instructed by:

(a) the lenders under the Revolving Credit Facility Agreement and the creditors of any other Credit Facility Liabilities (together, the ''**Credit Facility Creditors**''), the aggregate of whose unpaid amounts and undrawn commitments under the Credit Facility Documents, and the Hedge Counterparties, the aggregate of whose Priority Hedging Liabilities, together, exceed 66⅔% of the aggregate of all unpaid and undrawn commitments under the Credit Facility Documents and the termination value or assumed termination value of all Priority Hedging Liabilities (the ''**Majority Super Senior Creditors**''); and/or

(b) the holders of the Notes, the creditors of any Pari Passu Liabilities and the Hedge Counterparties, the aggregate of whose Non-Priority Hedging Liabilities, together, represent in the aggregate more than 50% of the outstanding principal amount of the Notes and Pari Passu Liabilities and the termination value or assumed termination value of all Non-Priority Hedging Liabilities (the ''**Majority Senior Secured Creditors**'' and, with the Majority Super Senior Creditors, each an ''**Instructing Group**''),

in each case, acting in accordance with the terms of the Intercreditor Agreement.

After the Credit Facility Discharge Date, the Security Agent will only act on the instructions of the Majority Senior Secured Creditors.

Consultation

If either of the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to instruct the Security Agent to commence enforcement of any Transaction Security, the creditor representative(s)

thereof shall deliver a copy of the instructions (or proposed instructions) as to such enforcement (the ''**Enforcement Proposal**'') to the Security Agent and each of the other creditor representative(s) for the Super Senior Creditors and the Senior Secured Creditors (as applicable).

The Security Agent shall commence implementation of the Enforcement Proposal provided that (for the period on or prior to the Credit Facility Discharge Date) it has not received any ''conflicting enforcement instructions'' (which for these purposes includes a failure to deliver an instruction) in respect of such Enforcement Proposal from the creditor representative of either the Majority Super Senior Creditors or the Majority Senior Secured Creditors (as applicable) prior to the date which is 5 business days (or such shorter period as each relevant creditor representative shall agree) after the date of receipt of such Enforcement Proposal by the Security Agent (such date, the ''**Proposed Enforcement Instruction Date**'') and provided that such Enforcement Proposal is consistent with the Security Enforcement Principles (as defined below).

If the Security Agent has received conflicting enforcement instructions as set out above, it shall promptly notify the creditor representative for each of the Super Senior Creditors and the Senior Secured Creditors, following which, such creditor representatives must consult with each other and the Security Agent in good faith during the 30 day period (or such shorter period as each relevant creditor representative shall agree) (such period, the ''**Initial Consultation Period**'') following the earlier of (i) the date of the latest such conflicting enforcement instruction and (ii) the date falling 5 business days after the date on which the first Enforcement Proposal was received by the Security Agent, with a view to coordinating instructions as to enforcement.

Notwithstanding the foregoing, no such Initial Consultation Period is required if:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event occurring with respect to any of the Issuer and certain other members of the ICA Group (each a ''**Relevant Company**'');

(b) the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notify the creditor representatives of the other Super Senior Creditors and the other Senior Secured Creditors and the Security Agent) that to do so and thereby delay commencement of enforcement could reasonably be expected to have a material adverse effect on (i) the Security Agent's ability to enforce any of the Transaction Security or (ii) the realization proceeds of any enforcement of the Transaction Security in any material respect; or

(c) each creditor representative for the Super Senior Creditors and the Senior Secured Creditors agree that no Initial Consultation Period is required.

If the relevant creditor representatives are able to agree on the terms of joint enforcement instructions following the Initial Consultation Period, then the terms of any previous enforcement instructions shall be deemed revoked and the Security Agent shall enforce the Transaction Security in accordance with the terms of the joint enforcement instructions, provided that such enforcement instructions were consented to by the Majority Super Senior Creditors and the Majority Senior Secured Creditors and is in accordance with the Security Enforcement Principles.

If following the Initial Consultation Period, both the Majority Super Senior Creditors and the Majority Senior Secured Creditors are not able to agree on joint enforcement instructions (or the Security Agent has received conflicting enforcement instructions at the end of or following such period), or if consultation was not required to occur as described above, then the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or require the Distressed Disposal (as defined below) of any secured property and/or take any other enforcement action in accordance with the terms of the enforcement instructions (if any) given by the Majority Senior Secured Creditors, provided that such instructions comply with the Security Enforcement Principles, and the terms of all enforcement instructions given by the Majority Super Senior Creditors shall be deemed revoked. However, if the provisions of this paragraph apply and an insolvency event has occurred with respect to a Relevant Company and the Security Agent has not commenced any enforcement of the Transaction Security or taken any other enforcement action at that time, and the creditor representative of either the Majority Super Senior Creditors or the Majority Senior Secured Creditors has not provided immediate enforcement instructions to the Security Agent when (in the reasonable opinion of the Majority Super Senior Creditors or the Majority Senior Secured Creditors) any further delay in the commencement of enforcement could reasonably be expected to have a material adverse effect on the ability to enforce the Transaction Security or the proceeds of realisation of the same, then the Security

Agent shall act on the first such instructions received from the relevant creditor representative following the occurrence of such insolvency event or the making of such determination.

Notwithstanding the foregoing, if, for the period on or prior to the Credit Facility Discharge Date, the Security Agent is obliged to follow instructions provided by the Majority Senior Secured Creditors (in accordance with the immediately foregoing paragraph) and either:

(a) the liabilities of the ICA Group in respect of the Super Senior Liabilities have not been repaid or prepaid in full within six months of the date of the first Enforcement Proposal; or

(b) the Security Agent has not commenced any enforcement of the Transaction Security within three months of the date of the first Enforcement Proposal,

then the Security Agent shall, provided that such instructions comply with the Security Enforcement Principles, thereafter follow the enforcement instructions that are subsequently given by the Majority Super Senior Creditors (and the terms of all enforcement instructions previously given by the Majority Senior Secured Creditors which conflict with the instructions provided by the Majority Super Senior Creditors shall be excluded).

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (in each case acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles, then a creditor representative for any of the Super Senior Creditors, a creditor representative for any Pari Passu Creditor or the Trustee shall promptly give notice to the other creditor representatives, after which such creditor representatives shall consult with the Security Agent for a period of 15 days after the date of such notice (or such lesser period as may be agreed) with a view to agreeing the manner of enforcement, provided that such creditor representatives shall not be obliged to consult more than once in relation to each enforcement action.

Security Enforcement Principles

The Intercreditor Agreement will provide that a creditor representative of the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (as the case may be) may only give enforcement instructions that are consistent with certain security enforcement principles set out in a schedule to the Intercreditor Agreement (the ''**Security Enforcement Principles**''), which include the following principles:

- it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective (being to maximize, so far as is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security, the recovery by the Super Senior Creditors and the Senior Secured Creditors) (the ''**Security Enforcement Objective**'');
- without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced and other action as to enforcement will be taken such that either (a) all proceeds of enforcement are received by the Security Agent in cash (or substantially in cash) for distribution in accordance with the terms of the Intercreditor Agreement (see ''—*Waterfall*'' below) or (b) with respect to such actions taken by the Majority Senior Secured Creditors, sufficient proceeds from enforcement will be received by the Security Agent in cash (or substantially in cash) to ensure that the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);
- the enforcement action must be prompt and expeditious, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Transaction Security or Distressed Disposal pursuant to enforcement will be determined by the Instructing Group provided that it is consistent with the Security Enforcement Objective;
- to the extent that the Transaction Security that is the subject of the proposed enforcement action is:

  (a) over assets other than shares in a member of the ICA Group where the aggregate book value of such assets exceeds €5.0 million (or its equivalent); or

  (b) over some or all of the shares in a member of the ICA Group over which Transaction Security exists,

then the Security Agent shall (unless such enforcement is made pursuant to a public auction (a concept which is defined in the Intercreditor Agreement) or pursuant to any process or proceedings supervised by a court of law where there is a determination of value by or on behalf of the court) appoint an internationally recognized investment bank or any one of BDO, Deloitte & Touche, Ernst & Young, Grant Thornton, KPMG or PricewaterhouseCoopers or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets and with experience in restructuring and enforcement (in each case not being the relevant company's administrator or other relevant office holder) selected by the Security Agent (a ''**Financial Advisor**'') to opine as expert to the Security Agent on (i) the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective and maximize the recovery of any such enforcement action, (ii) that the proceeds received from any such enforcement are fair from a financial point of view after taking into account all relevant circumstances and (iii) that such sale is otherwise in accordance with the Security Enforcement Objective (provided that if a Financial Advisor's opinion is not available for reasons other than non-compliance with (i), (ii) or (iii) above, the Security Agent may proceed with such enforcement without fulfilling these requirements);

- the Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement (and the liability of any Financial Advisor in respect of an opinion may be limited to the amount of its fees in respect of such engagement);
- the Financial Advisor's opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met; and
- when the Instructing Group is the Majority Senior Secured Creditors, they may waive the requirement for a Financial Advisor's opinion where sufficient proceeds from enforcement will be received by the Security Agent in cash (or substantially in cash) to ensure that when the proceeds are applied in accordance with the Intercreditor Agreement, the Super Senior Liabilities are repaid and discharged in full.

Waterfall

Subject to certain exceptions, the Intercreditor Agreement will provide that all amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Transaction Security (other than any Transaction Security granted solely to secure the Credit Facility Liabilities), any other Distressed Disposal or otherwise paid to the Security Agent under the Intercreditor Agreement for application in accordance with these provisions (including amounts from time to time received pursuant to the provisions described under ''*—Turnover*'' and ''*—Release of liabilities in respect of the Transaction Security and the Notes-Distressed Disposals*'', below) shall be held by the Security Agent on trust and applied in the following order of priority:

1. *first*, in payment of the following amounts in the following order:
   (i) pro rata and *pari passu* any sums owing to the Security Agent (and its receivers and delegates), each Pari Passu Debt Representative in respect of any Pari Passu Liabilities issued in the form of notes and the Trustee in respect of its fees, costs and expenses (the ''**Notes Trustee Amounts**''); and then
   (ii) *pro rata* and *pari passu* to each creditor representative of the Super Senior Liabilities and the Senior Secured Liabilities (to the extent not included in sub-paragraph (i) above and excluding any Hedge Counterparty as its own creditor representative) of the unpaid fees, costs and expenses and liabilities (and all interest thereon) of each such creditor representative and any receiver, attorney or agent appointed by such creditor representative under any Transaction Security Document or the Intercreditor Agreement;
2. *second*, *pari passu* and *pro rata* in or towards payment of all costs and expenses incurred by the Super Senior Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

3. *third*, in or towards payment to each Credit Facility Agent and the Hedge Counterparties of the Priority Hedging Liabilities for application towards the discharge of the Credit Facility Liabilities and the Priority Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis;

4. *fourth*, *pari passu* and *pro rata* in or towards payment to the Trustee, each Pari Passu Debt Representative and the Hedge Counterparties of the Non-Priority Hedging Liabilities (the ''**Senior Secured Hedge Counterparties**'') for application towards any unpaid costs and expenses incurred by or on behalf of any Senior Secured Noteholders, any creditors of the Pari Passu Liabilities (the ''**Pari Passu Creditors**'') and the Senior Secured Hedge Counterparties in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

5. *fifth*, in or towards payment to the Trustee, each Pari Passu Debt Representative and the Senior Secured Hedge Counterparties for application towards the discharge of the Notes Liabilities, the Pari Passu Liabilities and the Non-Priority Hedging Liabilities, respectively, on a *pari passu* and *pro rata* basis; and

6. lastly, after the latest to occur of the date on which all amounts outstanding in respect of the Super Senior Discharge Date and the Senior Secured Discharge Date, in payment of the surplus to the relevant Debtor or other person entitled to it.

Turnover

General

The Intercreditor Agreement, in general, will provide that if a Super Senior Creditor or a Senior Secured Creditor receives or recovers or otherwise realizes the proceeds of any enforcement of any Transaction Security or any other amounts which should otherwise be received, recovered or realized by the Security Agent for application in accordance with ''*—Enforcement of Transaction Security—Waterfall*'' above, then, subject to certain exceptions (including certain prior actual knowledge qualifications in respect of the Trustee and no turnover requirements being applicable to cash cover in respect of issuing banks and ancillary lenders under the Revolving Credit Facility Agreement or the documentation for other Credit Facility Liabilities), it shall:

(a) in relation to receipts or recoveries not received or recovered by way of set-off: (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply with respect to Intra-Group Liabilities and Shareholder Liabilities.

Release of liabilities in respect of the Transaction Security and the Notes

Non-distressed Disposals

In circumstances where a disposal is not a Distressed Disposal and is otherwise permitted by the terms of the Indenture, the Credit Facility Liabilities documents and the Pari Passu Liabilities documents, the Intercreditor Agreement will provide that (subject to certain conditions) the Security Agent is authorized (i) to release the Transaction Security or any other claim (relating to a Debt Document (as defined in the Intercreditor Agreement)) over that asset; (ii) if the relevant asset consists of all the shares in the capital of a debtor, to release the Transaction Security or any other claim (relating to a Debt Document) over the assets of that debtor and the shares in and assets of any of its subsidiaries; and (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and (ii) above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable, provided that in the case of any disposal which is not a Distressed Disposal made within the ICA Group, (1) the release of the

Transaction Security is permitted by the relevant documents referred to above and (2) to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security will (subject to any other requirements relating to the release, retaking, amendment or extension of the Transaction Security under the Debt Documents) be granted at the same time as (or before) the relevant disposal is effected.

Distressed Disposals

The Intercreditor Agreement will provide that a ''Distressed Disposal'' will mean a disposal of an asset of a member of the ICA Group or of a holding company of a member of the ICA Group which is (a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable, (b) being effected by the enforcement of the Transaction Security, or (c) being effected, after the occurrence of an Acceleration Event or the enforcement of any Transaction Security (a ''**Distress Event**''), by a debtor or any such holding company to a person or persons which is, or are, not a member, or members, of the Group.

Where a Distressed Disposal is being effected, the Intercreditor Agreement will provide that the Security Agent is irrevocably authorized and without any consent, sanction, authority or further confirmation from any creditor or debtor:

- to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- if the asset which is disposed of consists of shares in the capital of an Debtor, to release (or instruct to release): (a) its Borrowing Liabilities, its Guarantee Liabilities and its Other Liabilities; (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of a lender of Intra-Group Liabilities (an ''**Intra-Group Lender**''), a Shareholder Creditor or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (or instruct to release):(a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that Holding Company and any subsidiary of that holding company over any of its assets; and (c) any other claim of an Intra-Group Lender, Shareholder Creditor or another Debtor over the assets of that holding company and any subsidiary of that holding company;
- provided always that the disposal is in accordance with the Security Enforcement Principles, if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the Liabilities or the Debtor Liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company: (a) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor or a Secured Party (each as defined in the Intercreditor Agreement) for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of those Liabilities owed to the Primary Creditors or Debtor Liabilities provided that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant Creditors and Obligors; and
- if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the ''Disposed Entity'') and the Security Agent decides to transfer to another Debtor all or part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of (x) the Intra-Group Liabilities; (y) the Debtor Liabilities or (z) the Shareholder Liabilities to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part

of the obligations in respect of those Intra-Group Liabilities, Debtor Liabilities or Shareholder Liabilities on behalf of the relevant Intra-Group Lenders, Debtor or Shareholder Creditor to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Debtor Liabilities or Shareholder Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Debtor Liabilities or Shareholder Liabilities are to be transferred.

For these purposes:

- ''**Borrowing Liabilities**'' means, in relation to a member of the ICA Group, the liabilities and obligations (not being Guarantee Liabilities) it may have as a principal debtor to a Creditor or Debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly and including, without limitation, liabilities and obligations as a borrower under the Revolving Credit Facility Agreement and liabilities as the Issuer under the Indenture;
- ''**Guarantee Liabilities**'' means, in relation to a member of the ICA Group, all present and future liabilities and obligations under the Debt Documents (actual or contingent and whether incurred solely or jointly) it may have to a Creditor or Debtor as or as a result of its being a guarantor or surety (including, without limitation, liabilities and obligations arising by way of guarantee, indemnity, contribution or subrogation and, in particular, any guarantee or indemnity arising under or in respect of the documents for the Credit Facility Liabilities, the Notes Liabilities and the Pari Passu Liabilities);
- ''**Other Liabilities**'' means, in relation to a member of the Group, any trading or other liabilities and obligations (not being Borrowing Liabilities or Guarantee Liabilities) it may have to an Intra-Group Lender or Debtor;
- ''**Liabilities**'' means all present and future moneys, debts, liabilities and obligations due at any time of any member of the Group to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety with any other person or in any other capacity, together with certain additional liabilities; and
- ''**Debtor Liabilities**'' means, in relation to a member of the Group, all present and future liabilities and obligations owed to any Debtor (whether actual or contingent and whether incurred solely or jointly) by that member of the Group.

Additional Subordinated Debt

The Intercreditor Agreement will allow for accession by creditors of future loan or bond indebtedness of the Debtors (which is permitted by the terms of the relevant Debt Documents) which will be subordinated to the liabilities owed to the Super Senior Creditors, the Senior Secured Creditors and the Pari Passu Creditors (''**Future Subordinated Debt**'' and the creditors thereof the ''**Future Subordinated Creditors**''). In these circumstances, the Intercreditor Agreement will provide (among other things) that:

(i) The Future Subordinated Debt will rank behind the Super Senior Liabilities and the Senior Secured Liabilities (but ahead of the Intra-Group Liabilities and the Shareholder Liabilities);

(ii) The Future Subordinated Debt must be unsecured and will not get the benefit of any of the Transaction Security;

(iii) The Future Subordinated Debt must comply with certain criteria set out in the Intercreditor Agreement, including that the maturity thereof is at least 6 months after the scheduled maturity for the Notes; and

(iv) No Future Subordinated Creditor may take any steps to challenge any Distressed Disposal which is made in compliance with the Intercreditor Agreement and the relevant Debt Documents.

In addition, the Future Subordinated Creditors will be subject to certain restrictions on payments that may be received under the documents for the Future Subordinated Debt (the ''**Future Subordinated Debt Documents**'') and to certain payment block provisions as follows:

- Prior to the discharge of all Super Senior Liabilities and Senior Secured Liabilities, the Debtors may not make payments in respect of the Future Subordinated Debt (to the extent prohibited under the relevant Debt Documents) without the consent of the Majority Super Senior Creditors and Majority

Senior Secured Creditors except as permitted by the Intercreditor Agreement including the following:

(1) if:

(a) the payment is of:

(i) any of the principal amount or capitalized interest (after such capitalization and accordingly representing principal amount) of the Future Subordinated Debt which is either (1) not prohibited from being paid by the documents for the Credit Facility Liabilities, the Notes or any Pari Passu Liabilities or (2) is paid on or after the final maturity of the Future Subordinated Debt; or

(ii) any other amount which is not an amount of principal or capitalized interest;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Subordinated Debt (a ''**Payment Blockage Notice**'') is outstanding; and

(c) no Senior Payment Default (as that term is defined in the Intercreditor Agreement) has occurred and is continuing; or

(2) certain amounts due to the creditor representative(s) of the Future Subordinated Creditors for its own account; or

(3) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Subordinated Debt Documents (including in relation to any reporting or listing requirements under the Future Subordinated Debt Documents); or

(4) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Subordinated Debt in compliance with the Intercreditor Agreement and the relevant Debt Documents.

- Prior to the discharge of all the Super Senior Liabilities and the Senior Secured Liabilities, if a Senior Payment Default has occurred and is continuing all payments in respect of the Future Subordinated Debt (other than those consented to by the Majority Super Senior Creditors and the Majority Senior Secured Creditors and certain amounts due to the relevant creditor representative(s) for its own account) will be suspended.
- In addition, if an event of default (other than a Senior Payment Default) under the finance documents in respect of the Credit Facility Liabilities or the Senior Secured Liabilities (each a ''**Senior Event of Default**'') has occurred and is continuing and the Future Subordinated Debt creditor representative has received a Payment Blockage Notice from either the Trustee or the representative of the Credit Facility Liabilities or any Pari Passu Debt Liabilities (the ''**Relevant Representative**'') within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Event of Default, specifying the event or circumstance in relation to that Senior Event of Default, all payments in respect of Future Subordinated Debt (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain amounts due to the relevant creditor representative(s) for its own account) are suspended until the earliest of:

(a) 179 days after the delivery of the Payment Blockage Notice;

(b) the date on which an event of default occurs under the Future Subordinated Debt Documents for failure to pay principal at the original scheduled maturity date;

(c) if a Standstill Period (as defined below) is in effect at any time after delivery of a Payment Blockage Notice, the date on which the Standstill Period expires;

(d) the date on which the relevant Senior Event of Default is no longer continuing and if the relevant liabilities have been accelerated such acceleration has been rescinded;

(e) the date on which the Relevant Representative which issued the Payment Blockage Notice cancels the Payment Blockage Notice;

(f) the repayment and discharge of all obligations in respect of the Super Senior Liabilities and the Senior Secured Liabilities; and

(g) the date on which the representative of the Future Subordinated Debt takes any enforcement action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement.

- No new Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Event of Default. No Relevant Representative may serve more than one Payment Blockage Notice with respect to the same event or set of circumstances, and no Payment Blockage Notice may be served in respect of a Senior Event of Default notified to a Relevant Representative at the time at which an earlier Payment Blockage Notice was issued.
- If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Event of Default or Senior Payment Default has ceased to be continuing (by being waived by the relevant creditors/ creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Subordinated Debt and if it does so promptly any event of default under the Future Subordinated Debt Documents caused by such delayed payment shall be waived and any notice which may have been issued as a result of that Senior Event of Default or Senior Payment Default shall be waived.
- The Future Subordinated Creditors will also be subject to customary turnover provisions with respect to (among other matters) payments received in breach of the above provisions.

The Intercreditor Agreement will also provide certain restrictions on the ability of the Future Subordinated Creditors to take enforcement action prior to the discharge date of the Super Senior Liabilities and the Senior Secured Liabilities. In this respect, neither the Future Subordinated Debt creditor representative nor the holders of the Future Subordinated Debt may take enforcement action with respect to the Future Subordinated Debt without the prior consent of or as required by an Instructing Group, except that such restriction will not if:

(1) an event of default has occurred under the Future Subordinated Debt resulting from failure to pay principal at final maturity; or

(2):

- an event of default under the Future Subordinated Debt Documents is continuing;
- the RCF Agent and the representatives of the Senior Secured Liabilities have received notice of the specified event of default from the relevant representative of the Future Subordinated Debt;
- a Standstill Period (as defined below) has expired; and
- the relevant event of default is continuing at the end of the Standstill Period,

provided that in the case of (2) only no such enforcement action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for enforcement of Transaction Security over the shares of a guarantor of the Future Subordinated Debt and such action in relation to the Future Subordinated Debt might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

A ''**Standstill Period**'' shall mean the period starting on the date that the representative of the Future Subordinated Debt serves an enforcement notice on the RCF Agent and the representatives of the Senior Secured Liabilities until the earliest of:

- 179 days after such date;
- the date on which the Security Agent takes enforcement action in relation to the principal debtor or a guarantor of the Future Subordinated Debt, provided that the Future Subordinated Creditors may only take the same enforcement action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Group;
- the date on which an insolvency event occurs in respect of any relevant company owing Future Subordinated Debt against whom enforcement action is to be taken;

- the date on which a Future Subordinated Debt event of default occurs for failure to pay principal at the original scheduled maturity of the Future Subordinated Debt; and
- the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

The Intercreditor Agreement will further provide that each of the provisions described above with respect to non-Distressed Disposals and Distressed Disposals will equally bind the Future Subordinated Creditors. However, if a Distressed Disposal is being effected such that any guarantees in respect of the Future Subordinated Debt (or any principal debt claims) will be released or disposed of, it is a condition to the release that either:

(i) each representative of the Future Subordinated Debt has approved the release on the instructions of the Future Subordinated Creditors holding a majority of the Future Subordinated Debt; or

(ii) each of the following conditions is satisfied:

- the proceeds of such sale or disposal are in cash (or substantially in cash);
- all present or future obligations owed to the secured parties under the relevant Debt Documents by a member of the ICA Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale or disposal (subject to certain further conditions in the event of a sale or disposal instead of a release or discharge); and
- such sale or disposal (including any sale or disposal of any claim) is made:
  - pursuant to a public auction (as defined in the Intercreditor Agreement); or
  - where a Financial Advisor (as described above) has confirmed that such sale, disposal or transfer is fair from a financial point of view taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

The Intercreditor Agreement will also provide for:

- certain rights of the Future Subordinated Creditors with respect to amendments to, and waivers of, the terms of the Intercreditor Agreement (save that, as noted below, in certain circumstances the Future Subordinated Creditors will not have voting rights if their liabilities are below €10,000,000 or equivalent); and
- an option of the Future Subordinated Creditors after a Distress Event to purchase all (but not part only) of the Super Senior Liabilities and the Senior Secured Liabilities on customary terms.

Other provisions

The Intercreditor Agreement will also contain provisions customary for documents of this nature dealing with:

(a) amendments and waivers under the Intercreditor Agreement (with holders of Pari Passu and Future Subordinated Debt not having votes in certain circumstances if their respective liabilities are below €10,000,000 or equivalent), and changes to the parties thereunder (with requirements for new creditors, and/or the representative of such new creditor(s), to accede thereto);

(b) an option for the Senior Secured Noteholders and the Pari Passu Creditors to purchase after a Distress Event all (but not part only) of the rights and obligations of the Credit Facility Liability lenders and the Hedge Counterparties;

(c) close-out and enforcement rights for the Hedge Counterparties, and the terms on which the Hedging Agreements must be entered into (and may be amended in the future) and on which payments may be made under such Hedging Agreements, together with certain provisions to ensure that the ICA Group is not over-hedged;

(d) restrictions on enforcement for Intra-Group Creditors and Shareholder Creditors and on amendments to the terms of the documents which govern the Intra-Group Liabilities and the Shareholder Liabilities;

(e) information sharing between creditor groups; and

(f) customary protections for the Trustee of the Senior Secured Notes and for the Security Agent.

The Intercreditor Agreement will be governed by English law.

Proceeds Loan

On the Completion Date, the Issuer will make the proceeds loan to M-USA in an amount expected to be approximately $114.5 million with a portion of the net proceeds of the Offering (equal to €62.9 million) and the proceeds of the Shareholders Equity Injection (the ''**Proceeds Loan**''). The Proceeds Loan will be used to partially finance the Viva Acquisition from the Seller as further described under ''*The Acquisition*.''

Interest on the Proceeds Loan will accrue at a rate equal to the interest rate on the Notes plus a margin. The maturity date of the Proceeds Loan will be on or about the maturity date of the Notes. The Proceeds Loan will be a senior obligation of M-USA.

The Proceeds Loan will be governed by Italian law.

Transfer Loan

On the Completion Date, 3Cime will make the transfer loan to M-USA in an amount of $30.0 million, equal to the value of the Viva share capital purchased by 3Cime and transferred to M-USA on such date (the ''**Transfer Loan**''). On the same date: (i) 3Cime will contribute its interest in the Transfer Loan to Marmolada in exchange for Marmolada shares, and (ii) Marmolada will then sell such interest in the Transfer Loan to Marcolin (as a result of the foregoing, Marcolin will be the lender under the Transfer Loan to M-USA). The Transfer Loan will be used to partially finance the Viva Acquisition from the Seller as further described under ''The Acquisition.''

Interest on the Transfer Loan will accrue at a rate equal to the interest rate on the Notes plus a margin.

The maturity date of the Transfer Loan will be on or about the maturity date of the Notes. The Transfer Loan will be a senior obligation of M-USA.

The Transfer Loan will be governed by Italian law.

Deferred Compensation

Pursuant to the Acquisition Agreement, the Seller has agreed to provide to M-USA, $7 million (€5.1 million) in Deferred Compensation which, if the conditions precedent to the closing of the Viva Acquisition are met and the Viva Acquisition is consummated, M-USA will repay with cash on balance sheet in the following schedule: $2 million on the business day following the first anniversary the closing date of the Viva Acquisition, and $2 million on the business day following the second anniversary of the closing date of the Viva Acquisition and $3 million on the business day following the third anniversary of the closing date of the Viva Acquisition. The conversion is based on an exchange rate of $1.3805 per €1.00 as of October 24, 2013. The Deferred Compensation will not be subject to any adjustments and/or accrual of any interest. The Deferred Compensation will be governed by New York law.

Marcolin Bilateral Facilities

The Issuer is party to various uncommitted bilateral facilities and overdraft lines with local Italian banks (including, among others, Cassa di Risparmio del Veneto S.p.A.) pursuant to which we have obtained short-term working capital, export finance and general corporate purposes facilities to finance our operations and liquidity needs (the ''**Marcolin Bilateral Facilities**''). The Marcolin Bilateral Facilities are unguaranteed and unsecured obligations of the Issuer. The Marcolin Bilateral Facilities generally give us the flexibility to drawdown up to the maximum set amount in one of three ways: (i) revolving financing loans (loans maturing in less than three months), (ii) ''invoice discounting'' financing (assignment of trade receivables to banks or other financial institutions in exchange for cash advances) and (ii) overdraft facilities. Generally the maturities of the drawdowns under our Marcolin Bilateral Facilities are short—usually 12 months or less—as is market standard for such short-term credit lines. In addition, the banks

can withdraw their commitments to provide us with the Marcolin Bilateral Facilities at any time. The underlying agreements are governed by Italian law and do not contain representations, warranties or cross default provisions. We believe that we continue to have strong banking relationships with these lenders and, following the Transactions, expect to continue to utilize such facilities to finance a portion of our operations and short-term liquidity needs.

As of June 30, 2013, €6.9 million was outstanding under the Marcolin Bilateral Facilities. See Note 16 to Cristallo's Unaudited Interim Consolidated Financial Statements as of and for the six months ended June 30, 2013 included elsewhere in this Offering Memorandum. We expect that the Marcolin Bilateral Facilities will be refinanced with part of the proceeds from the Offering.

Marcolin Factoring Operations

The Issuer is party to several factoring agreements with factoring counterparies pursuant to which we make sales of trade receivables to such counterparties. The terms and conditions of the factoring agreement oblige us to take the following actions: continue to administer the collections on the trade receivables, provide any information regarding the creditworthiness of the relevant debtor (customer), and make monthly interest payments to our factoring counterparties calculated as a spread over three-month EURIBOR. In return, at the time of sale of the trade receivables, our factoring counterparties pays to us an amount representing the nominal amount of the total trade receivables minus a certain discount.

As of June 30, 2013, the total book value of the trade receivables sold to factoring counterparties was €4.1 million, as such amount is treated as recourse debt on our statement of financial position. See Note 16 to Cristallo's Unaudited Interim Consolidated Financial Statements as of and for the six months ended June 30, 2013 included elsewhere in this Offering Memorandum.

Viva Capital Leases

Viva is party to a number of capital and operating leases with various expiration dates through 2017 related to building and office and warehouse equipment which will remain outstanding following the Transactions. As of June 30, 2013, the obligations under capital leases, net of current portion, was $3.9 million. We expect that these capital leases will remain outstanding after the Transactions. For more information, see Note 7 to Viva's Viva Unaudited Interim Consolidated Financial Statement as of and for the six months ended June 30, 2013 included elsewhere in this Offering Memorandum.

DESCRIPTION OF NOTES

You will find definitions of certain capitalized terms used in this ''Description of Notes'' under the heading ''Certain Definitions''. For purposes of this ''Description of Notes'', references to the ''Issuer'', ''we'', ''our'', and ''us'' refer to Marcolin S.p.A., a joint stock company (società per azioni) organized under the laws of the Republic of Italy. Cristallo S.p.A. will be merged into the Issuer prior to the Completion Date.

The Issuer will issue €200 million aggregate principal amount of 8.50% Senior Secured Notes due 2019 (the ''Notes'') under an indenture to be dated as of the Issue Date (the ''Indenture''), between, *inter alios*, the Issuer, the Guarantors, The Law Debenture Trust Corporation p.l.c., as trustee (the ''Trustee''), UniCredit Bank AG, Milan Branch as security agent (the ''Security Agent''), Elavon Financial Services Limited, UK Branch, as paying agent and transfer agent, and Marmolada S.p.A solely for purposes of the covenant described below under ''*—Limitation on Activities of Marmolada S.p.A.*'' Upon the initial issuance of the Notes, the Notes will not be guaranteed by any of our Subsidiaries. The Indenture will not incorporate or include or be subject to the U.S. Trust Indenture Act of 1939, as amended.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with the Vendor Financing, cash on balance sheet and a capital increase of the Issuer's share capital funded by the Issuer's indirect parent company, to (i) fund the consideration payable for the shares of the Target, (ii) repay certain existing debt of the Issuer, and (iii) pay the estimated fees and expenses incurred in connection with the Transactions, each as set forth in this Offering Memorandum under the caption ''Use of Proceeds.''

Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit the net proceeds of this offering of the Notes into an escrow account (the ''Escrow Account'') pursuant to the terms of an escrow deed (the ''Escrow Agreement'') dated as of the Issue Date among the Issuer, the Trustee and Elavon Financial Services Limited, U.K. Branch, as escrow agent (the ''Escrow Agent''). If the Acquisition is not consummated on or prior to February 20, 2014 (the ''Escrow Longstop Date''), the Notes will be redeemed at a price equal to 100% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). See ''*—Escrow of Proceeds; Special Mandatory Redemption*.''

Upon the initial issuance of the Notes, the Notes will only be obligations of the Issuer and will not be guaranteed by any Subsidiaries of the Issuer or by the Target or any of its Subsidiaries. Assuming the Completion Date occurs on or prior to the Escrow Longstop Date and the escrowed funds are released from the Escrow Account, certain Subsidiaries of the Issuer and the Target will become a party to the Indenture and will guarantee the Notes on a senior basis on the Completion Date. Prior to the Completion Date, the Issuer will not control the Target or any of its Subsidiaries and none of the Target nor any of its Subsidiaries will be subject to the covenants described in this ''Description of Notes.'' As such, we cannot assure you that prior to the Completion Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to such entity becoming party to the Indenture.

The Indenture will be unlimited in aggregate principal amount, of which €200 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Notes having identical terms and conditions as the Notes (the ''Additional Notes''); *provided*, that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, the Additional Notes will be issued with a separate ISIN code or common code, as applicable, from the Notes. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under ''*—Certain Covenants—Limitation on Indebtedness*'' and ''*—Certain Covenants—Limitation on Liens*''). Except as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this ''Description of Notes'', references to the ''Notes'' include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to

understanding the terms and ranking of the Liens on the Collateral securing the Notes. Please see ''*Description of Certain Financing Arrangements—Intercreditor Agreement*'' for a description of certain terms of the Intercreditor Agreement.

This ''Description of Notes'' is intended to be an overview of the material provisions of the Notes, the Indenture and the Notes Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Notes Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of such documents are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under ''*—Security*'';
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not subordinated to the Notes;
- rank senior in right of payment to any future Indebtedness of the Issuer that is expressly subordinated to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be effectively subordinated to any existing or future Indebtedness or obligation that is secured on a super priority basis, to the extent of the property and assets subject to such super priority;
- on the Completion Date, benefit from guarantee given by Marcolin U.S.A., Inc. (''Marcolin USA''), Marcolin Deutschland GmbH, Marcolin France S.A.S., Marcolin UK Limited, and the Target, which Guarantees are subject to certain limitations on recovery (see ''*—Guarantees*'');
- be effectively subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer, other than the Guarantors;
- mature on November 15, 2019; and
- be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Definitive Registered Notes (see ''*Book-Entry, Delivery and Form*'').

As of the Issue Date, all of our Subsidiaries will be ''Restricted Subsidiaries'' (other than the Target and its Subsidiaries, which will become ''Restricted Subsidiaries'' on the Completion Date). However, under the circumstances described below under ''*—Certain Definitions—Unrestricted Subsidiary*'', we will be permitted to designate certain of our Subsidiaries as ''Unrestricted Subsidiaries''. Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Our subsidiaries, other than the Guarantors (as defined below), will not guarantee the Notes or have any obligations in respect of the Notes. Claims of creditors of our Subsidiaries that have not guaranteed the Notes, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of our creditors, including Holders of the Notes. The Notes therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of our subsidiaries that have not guaranteed the Notes. Although the Indenture will limit the incurrence of Indebtedness and Disqualified Stock or preferred stock of Restricted Subsidiaries, the limitation will be subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the incurrence by

Restricted Subsidiaries of liabilities that are not considered Indebtedness or Disqualified Stock or preferred stock under the Indenture. See ''*—Certain Covenants—Limitation on Indebtedness*''.

As of 30 June 2013, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated Subsidiaries (including the Target and its Subsidiaries) would have had €208.2 million of Indebtedness, of which €200 million is represented by the Notes, and €30.0 million available for drawing under the Revolving Credit Facility.

Principal and Maturity

The Issuer will issue €200 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature at par on November 15, 2019. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate of 8.50% per annum. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on May 15 and November 15, commencing on May 15, 2014;
- be payable to the holder of record of such Notes on the May 1 and November 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on the Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Notes registered in the name of or held by a nominee of a common depository for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest, premium and Additional Amounts if any, on any certificated securities (''Definitive Registered Notes'') will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See ''*—Paying Agent and Registrar for the Notes*''.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London (including the Principal Paying Agent). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of 26 and 27 November 2000 regarding the taxation of savings income (the ''Directive''), or any law implementing or complying with or introduced in order to conform to, such Directive. The initial Paying Agent will be Elavon Financial Services Limited, UK Branch (the ''Principal Paying Agent'').

The Issuer will also maintain a registrar (the ''Registrar'') and a transfer agent (the ''Transfer Agent'') in Dublin, Ireland and the City of London, respectively. The initial Registrar will be Elavon Financial Services Limited and the initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The Registrar and Transfer Agent will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantees

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior secured basis, by Marcolin USA, Marcolin Deutschland GmbH, Marcolin France S.A.S., Marcolin UK Limited and the Target on the Completion Date (collectively, the ''*Initial Guarantors*''), each of which will be guarantors under the Revolving Credit Facility (each a ''Guarantor'' and such guarantee, a ''Guarantee'').

As of and for the twelve months ended June 30, 2013, after giving *pro forma* effect to the Transactions, the Issuer and Guarantors comprised 90% of the Pro forma combined assets prior to capital consolidation, and generated 75% of the Pro forma combined revenue and 83% of the Pro forma combined Adjusted EBITDA of the Group.

In addition, as described below under ''*—Certain Covenants—Additional Guarantees*'' and subject to the Intercreditor Agreement and the Agreed Security Principles, the Target and certain Subsidiaries of the Issuer that guarantee the Revolving Credit Facility in the future or certain other Indebtedness permitted under the Indenture shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes and the Revolving Credit Facility. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, ''thin capitalization'' rules, retention of title claims and similar matters. See ''*—Security*''.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.*'' and ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Local insolvency laws may not be as favorable to you as U.S. bankruptcy laws*.''

A portion of the operations of the Issuer and the Target will be conducted through their Restricted Subsidiaries that will not be Guarantors. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any). As at and for the twelve months ended 30 June 2013, the consolidated total assets prior to capital consolidation, consolidated revenues and

consolidated, Adjusted EBITDA of the non-Guarantor Restricted Subsidiaries represented 25%, 17% and 10% of the Pro forma combined revenue, Pro forma combined Adjusted EBITDA and Pro forma combined assets prior to capital consolidation of the Group, respectively, and, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated Subsidiaries would have had no Indebtedness of Subsidiaries other than the Issuer and the Guarantors. Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See ''*—Certain Covenants—Limitation on Indebtedness*.''

Releases of Guarantees

The Guarantee of any Guarantor will terminate and release upon:

- a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;
- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes, as provided in ''*—Defeasance*'' and ''*—Satisfaction and Discharge*'';
- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under ''*—Amendments and Waivers*'';
- as described in the first paragraph of the covenant described below under ''*—Certain Covenants—Additional Guarantees*'';
- as a result of a transaction permitted by ''*—Merger and Consolidation—The Guarantors*''; or
- upon the solvent liquidation or winding up of a Guarantor.

The Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''144A Global Notes''). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the ''Regulation S Global Notes'' and, together with the 144A Global Notes, the ''Global Notes''). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (''Book-Entry Interests'') will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under ''*Notice to Investors*''. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and

subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the ''144A Book-Entry Interests'') may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the ''Regulation S Book-Entry Interests'') denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a ''qualified institutional buyer'' within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''*Notice to Investors*'' and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under ''*Notice to Investors*''.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes, all the Issuer's Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under ''*—Certain Definitions—Unrestricted Subsidiary*'', the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of the offering of Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the initial purchasers will deposit with the Escrow Agent an amount equal to the net proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The Escrow Account will be pledged on a first-ranking basis in favor of the Trustee for the benefit of the holders of the Notes, pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the ''Escrow Charge''). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the ''Escrowed Property.''

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the ''Release''), the Escrow Agent and the Trustee shall have received from the Issuer, at a time that is on or before the Escrow Longstop Date, an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that:

- the Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following the release of the Escrowed Property, except for any changes or other modifications that will not, individually or when taken as a whole, have a materially adverse effect on the holders of the Notes;
- the Vendor Financing NewCo is the sole obligor under the Vendor Financing;
- immediately after consummation of the Acquisition and giving effect to the elements of the Transfer that occur on the Completion Date, the Issuer will own, directly or indirectly, the entire share capital of the Target;
- the Issuer and the Guarantors (as applicable), will execute and deliver the Notes Security Documents with respect to the Completion Date Collateral (as defined below) and all other relevant documents that, in accordance with the terms of the Indenture and the Escrow Agreement, are to be delivered on or before the Completion Date, subject only, in the case of the Notes Security Documents, to registration formalities (where applicable) that will be completed promptly following the Completion Date; and
- as of the Completion Date, there is no Event of Default under the heading titled ''Events of Default'' below.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the ''*Completion Date*''). Upon the Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date, (d) the Initial Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Event of Default arises under the heading titled ''Events of Default'' on or prior to the Escrow Longstop Date (the date of any such event being the ''Special Termination Date''), the Issuer will redeem all of the Notes (the ''Special Mandatory Redemption'') at a price (the ''Special Mandatory Redemption Price'') equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is

given by the Issuer in accordance with the terms of the Escrow Agreement (the ''Special Mandatory Redemption Date''). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Principal Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property, the Issuer will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes, pursuant to a guarantee it will provide. See ''*Risk Factors—Risks Related to the Transactions—If the conditions to the escrow are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*.''

To secure the payment of the Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the Notes a security interest over the Escrow Account. Receipt by the Trustee of either an Officer's Certificate for the release or a notice of Special Mandatory Redemption (provided funds sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) shall constitute deemed consent by the Trustee for the release of the Escrowed Property from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption.

Security

General

Prior to the Completion Date, the Notes will be secured in favor of the Trustee by a first-ranking pledge over the gross proceeds of the Notes held in the Escrow Account.

On the Completion Date, subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by the following (the ''Completion Date Collateral''):

- pledges over all issued Capital Stock of the Issuer, Marcolin USA, Marcolin Deutschland GmbH, Marcolin France S.A.S. and Marcolin UK Limited;
- an assignment of certain insurance policies;
- an assignment of certain existing and future trade receivables owed to the Issuer having a value higher than €200,000 (the ''Trade Receivables);
- a pledge over the trademark of Web (a proprietary brand owned by the Issuer);
- a pledge and security agreement over all of the material assets of Marcolin USA; and
- security assignments over the Proceeds Loan and the Transfer Loan.

In addition, the Indenture will require that, subject to the Agreed Security Principles, within ten business days from the Completion Date, the Notes be secured on a first-ranking basis by (i) pledges over: (a) all issued Capital Stock of the Target; (b) 65% of the issued Capital Stock of Viva Europa, Inc.; and (c) 65% of the issued Capital Stock of Viva Eyewear Ltd.; and (ii) a pledge and security interest over all the material assets of the Target (the ''Post-Completion Collateral'').The Collateral will also secure on a first-ranking basis the Revolving Credit Facility. In addition, the Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by the Issuer over its movable assets and a mortgage (*ipoteca*) over certain real property of the Issuer. Subject to certain conditions, including compliance with the covenants described under ''*—Certain Covenants—Impairment of Security Interest*'' and ''*—Certain Covenants—Liens*'', the Issuer will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness of the Issuer or Indebtedness of the Restricted Subsidiaries, including any Additional Notes issued by the Issuer, in each case, as permitted under the Indenture and the Intercreditor Agreement. See ''*Risk factors—Risks related to the Notes and the capital structure*''.

Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantees and the Indenture would also constitute ''Collateral''. All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Subject to the Agreed Security Principles, the relevant Security Documents in respect of the Trade Receivables to be entered into on the Completion Date shall provide for (i) the assignment by way of security by the Issuer of all Trade Receivables existing as of 5 Business Days prior to the Completion Date which are freely assignable without the need under the relevant contract or agreement for the consent of, or notice to, the relevant assigned debtor or any other person or, where such consent or notice is required under the relevant contract or agreement to assign the Trade Receivables, such consent is obtained or notice served, (ii) the undertaking to enter into supplemental Security Documents within 5 Business Days after the end of each fiscal quarter in order to assign by way of security all Trade Receivables existing at the end of each fiscal quarter (to the extent not already the subject of any other Security Document) which do not contain any restriction on the right of the Issuer to assign and/or pledge in favor of third parties their respective rights arising under the relevant Trade Receivables and (iii) the undertaking to use its reasonable efforts to procure that any contract or agreement for the delivery of goods or performance of services in excess of €200,000 entered into by the Issuer after the Completion Date does not require the consent of, or notice to, the relevant customer (or any other person) in order to assign the receivables arising thereunder or, when a consent or notice is so required in order to assign the receivables, to obtain such consent or to serve such notice so that the relevant receivables may be assigned.

Under the relevant Security Document, the Issuer will have the right to obtain the release of security and the assignment back to the original assignor of the Trade Receivables in connection with factoring transactions permitted under such agreements or as otherwise permitted by the Indenture and the Intercreditor Agreement, and the Security Agent will do, at the cost and expense of the Issuer, all things reasonably requested to release security in respect of the Trade Receivables that are the subject of such disposal. See ''*—Release of Liens.*''

Notwithstanding the foregoing and the provisions of the covenant described below under ''*—Certain Covenants—limitation on issuances of guarantees of indebtedness*'', certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited, due to, among other things, general statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, fraudulent preference, ''earnings stripping'', ''controlled foreign corporation'' and ''thin capitalisation'' rules, tax restrictions, retention of title claims, employee consultation or approval requirements, capital maintenance rules and similar principles, as well as the fiduciary duties of management; the applicable cost which shall not be disproportionate to the benefit to the Holders of obtaining such guarantee or security; stamp duty, notarisation, registration or other applicable fees, taxes and duties where the benefit to the Holders of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties; where there is material incremental cost involved in creating security over all assets owned in a particular category; where giving a guarantee or security would be either impossible or impractical or would unduly disrupt the business of the relevant person concerned to create security over certain categories of assets; or where assets are subject to contracts, leases, licences, or other third party arrangements which may prevent those assets from being charged; where the grantor is not a Wholly Owned Subsidiary or it is not within the legal capacity of the relevant person or would conflict with fiduciary duties or contravene legal prohibitions or regulatory conditions or would result in (or in a risk of) personal or criminal liability on the part of any officer; where there are joint venture or similar arrangements or any minority interest.

In addition, security over the Trade Receivables will be established by means of assignment in security. Any such assignment will become effective vis-a-vis the assigned debtor or third parties upon notification to the assigned debtor of assignment of the Trade Receivables by an instrument bearing date certain at law (*data certa*), i.e. *piego raccomandato*, court of bailiff (*ufficiale giudiziario*) or certified electronic mail (*posta elettronica certificata*). In accordance with the applicable Security Documents, the assignment will not be notified until an acceleration following an Event of Default (as defined under the Indenture, the Revolving Credit Facility and the Intercreditor Agreement) occurs. As a result, until an acceleration following an Event of Default occurs and notification is delivered to the assigned debtor, the security in respect of the Trade Receivables will not be perfected vis-a-vis the assigned debtor or third parties. See ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral; in particular, the security interests in respect of the trade receivables and insurance policy*

receivables will not be perfected until an acceleration following an Event of Default (as defined under the Indenture or the Revolving Credit Facility) has occurred.''

In relation to any security documents that are subject to Italian law, lists of assets will be provided if, and only to the extent required by local law and local market practice, necessary to perfect or register the relevant security interests and, unless required to be provided by the relevant Security Document, local law or local market practice more frequently, such asset lists will be provided on an annual basis. No perfection action will be required in jurisdictions other than Italy, France, Germany, the United Kingdom or the United States. In addition, guarantees shall not be granted and Transaction Security shall not be created to the extent that it would result, at the time of its execution, in any Tax being payable in Italy other than fixed registration tax (*imposta di registro in misura fissa*) or stamp duty (*imposte di bollo*).

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See ''*—Priority*'' below. See also, ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Creditors under the Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*''. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes*''.

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Notes Security Documents (the ''Security Interests'' and each a ''Security Interest'') as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Notes Security Documents and the security documents relating to the Revolving Credit Facility, and certain Hedging Obligations, which provide among other things that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and certain Hedging Obligations and any future Indebtedness permitted to be secured on a super priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied.

See ''*Description of Certain Financing Arrangements—Intercreditor Agreement*''. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged or assigned to secure other Indebtedness. See ''*—Release of Liens*'', ''*—Certain Covenants—Impairment of Security Interest*'' and ''*—Certain Definitions—Permitted Collateral Liens*''.

Notes Security Documents

The Notes Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent (also as beneficiary of the parallel debt under the Intercreditor Agreement),and the Trustee acting for itself and in its capacity as the Trustee under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code and other creditors mentioned therein.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Notes Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent for the enforcement of security over the Collateral. Under the Intercreditor Agreement,

the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreements in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the relevant Collateral until all obligations under the Notes and the Indenture have been discharged. However, please see the section of this Offering Memorandum entitled ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*''. The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*'' and ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations*.''

The Notes Security Documents will provide that the rights under the Notes Security Documents and the Indenture must be exercised by the Security Agent. Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Notes Security Documents. The Holders may only act through the Trustee, who will instruct the Security Agent in accordance with the terms of the Indenture.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Notes Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Notes Security Documents. See ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*.''

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Notes Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. These limitations are described under ''*Description of Certain Financing Arrangements—Intercreditor Agreement*'' and ''*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations*.'' The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed, also for the purposes of Article 1704 (*Mandato con rappresentanza*) the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Notes Security Documents. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Notes Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Notes Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled ''*Description of Certain Financing Arrangements—Intercreditor Agreement*''.

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and the Notes Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled ''*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Holders of the Notes may not control certain decisions regarding the Collateral*'' and ''*Description of Certain Financing Arrangements—Intercreditor Agreement*''.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under ''*—Certain Covenants—Additional Intercreditor Agreements*''.

Release of Liens

The Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to ''*—Certain Covenants—Merger and Consolidation*''), if such sale or other disposition does not violate the covenant described under ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'' or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary; *provided* that this clause 1(b) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal;

(2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under ''*—Amendments and Waivers*'';

(4) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in ''*—Defeasance*'' and ''*—Satisfaction and Discharge*'';

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement; or

(7) in the case of a merger, consolidation or other transfer of assets in compliance with the covenant described below under ''*Merger and Consolidation*.''

In addition, the Security Interests created by the Notes Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under ''*—Certain Covenants—Impairment of Security Interest*''.

In addition, Liens on property or assets constituting Collateral may also be released to the extent necessary to enable the Issuer or a Restricted Subsidiary to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with (i) factoring transactions undertaken on a non-recourse (*pro soluto*) basis or (ii) any Recourse Factoring or Securitization; *provided* that (a) such sale, transfer or other disposition does not violate the covenant described in ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'' or as otherwise permitted by the Indenture and (b) in the case of clause (ii) only, no more than €5.0 million in Recourse Factoring or Securitization of the Issuer and its Restricted Subsidiaries may be outstanding at any one time. To the extent that the underlying Trade Receivables or intragroup receivables (including the Proceeds Loan and the Transfer Loan) constituting Collateral have been repaid or otherwise satisfied or discharged, the Liens in respect thereof will be released immediately.

The Security Agent and the Trustee (if required) will take, at the cost and expense of the Issuer, all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Notes Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under ''*—Redemption for Taxation Reasons*'', the Notes are not redeemable until November 15, 2016. On and after November 15, 2016 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on November 15 of the years indicated below:

Year	Redemption Price
2016	104.25%
2017	102.125%
2018 and thereafter	100.000%

Prior to November 15, 2016, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including the principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount (the ''Redemption Amount'') not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 108.5% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 65% of the principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to November 15, 2016 the Issuer may redeem all or, from time to time, a part of each of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

''Applicable Premium'' means, with respect to any Note the greater of

(a) 1% of the principal amount of such Note and

(b) the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Note at November 15, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Note to and including November 15, 2016 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(B) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

''Bund Rate'' as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or a member of Senior Management of the

Issuer) most nearly equal to the period from the redemption date to November 15, 2016; *provided, however*, that if the period from the redemption date to November 15, 2016 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to November 15, 2016 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under ''—*Selection and Notice*'' below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Sinking Fund

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On November 15, 2019, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Principal Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which that series of Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Principal Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, shall mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new

Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a ''Tax Redemption Date'') (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under ''Withholding Taxes''), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in, an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a ''Change in Tax Law''),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or any Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under ''*Selection and Notice*''. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer or a successor Person, where applicable, will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the relevant Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor or a successor of any of them (each, a ''Payor'') in respect of the Notes or with respect to any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or

deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made by or on behalf of a Payor (including the jurisdiction of the Paying Agent), or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a ''Relevant Taxing Jurisdiction''),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the ''Additional Amounts'') as may be necessary in order that the net amounts received in respect of such payments, after such withholding, or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, a dependent agent, place of business or a place of management present or deemed present in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or any other person through whom payment can be made addressed to the Holder or beneficial owner, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is permitted or required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, value added, sales, excise, use, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Directive or any law implementing, or complying with, or introduced in order to conform to, such Directive;

(7) except in the case of the liquidation, dissolution or winding-up of the Payor, any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who

would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) any Taxes withheld or deducted pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the ''Code''), or otherwise pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto;

(9) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time (''Legislative Decree No. 239'')) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997; *provided* that:

   (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Payor or their agents; and

   (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (white list) and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of the ministerial Decree to be issued under Art. 168-bis D.P.R. No. 917 of 22nd December 1986 which may amend the list of countries which allow for satisfactory exchange of information with Italy, whereby such holders country of residence does not appear on the new list; or

(10) any combination of the items (1) through (9) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is not the beneficial owner of the Notes, to the extent that the beneficial owner would not have been entitled to Additional Amounts by reason of any of clauses (1) to (10) inclusive above had such beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not reasonably available, other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and copied to the Paying Agent. Such copies or other evidence shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each such certified copy or other evidence of such payments a certificate stating that the amount of withholding Taxes evidenced by the certified copy or other evidence was paid in connection with payments in respect of the principal amount of Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this ''Description of Notes'' there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of any Notes, any Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this Offering) or the receipt of any payments with respect thereto (limited, solely in the case of the receipt of any payments with respect thereto, to taxes not excluded under clauses (1) through (3) or (5) through (9) above or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes or any Guarantee is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading ''Change of Control'', each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any Notes as described under this heading, ''Change of Control'', in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under ''—*Optional Redemption*'' and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under ''—*Optional Redemption*'' and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the ''Change of Control Offer'') to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the ''Change of Control Payment'');

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) and the record date (the ''Change of Control Payment Date'');

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Principal Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions

of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See ''*Risk Factors—Risks related to the Notes, the Guarantees and the Collateral—Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provisions in the Indenture may not necessarily afford you protection in the event of certain important corporate events*'' to finance a change of control offer and certain events that might otherwise constitute a change of control may not trigger a requirement for us to repurchase the Notes if at the time our consolidated leverage ratio is less than certain specified levels''.

The definition of ''Change of Control'' includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase ''substantially all'', there is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of ''all or substantially all'' of the assets of the Issuer and its Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.0 to 1.0; *provided* that the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to this paragraph shall not exceed €10.0 million.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (''Permitted Debt''):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of €30.0 million and 80% of Consolidated EBITDA, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under ''*—Limitation on Liens*'', Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted to be incurred by the Issuer or the relevant Restricted Subsidiary (as applicable) under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) any Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor, which is secured or not expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes and the Guarantees;

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and

(c) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes), (b) any Indebtedness of the Issuer and its Restricted Subsidiaries outstanding on the Issue Date (other than Indebtedness Incurred under clauses (1) or (3) of this paragraph and, as of the Completion Date, other than any Indebtedness of the Issuer and its Restricted Subsidiaries outstanding as of the Issue Date which is refinanced in connection with the Transactions), (c) any other Indebtedness of the Issuer and its Restricted Subsidiaries outstanding on the Completion Date after the completion of the Acquisition as set forth in this Offering Memorandum under the caption ''Capitalization'', (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and (e) Management Advances;

(5) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary; *provided*, *however*, with respect to this clause (5), that at the time of such acquisition or other transaction after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €3.0 million and 8% of Consolidated EBITDA; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is Incurred within 180 days of the purchase of the relevant assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business

or in respect of any governmental requirement, provided, however, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €20.0 million and 55% of Consolidated EBITDA; and *provided* that the aggregate principal amount of Indebtedness Incurred by Restricted Subsidiaries that are not Guarantors pursuant to this paragraph shall not exceed €10.0 million;

(12) Recourse Factoring or Securitization in an amount not to exceed €5.0 million outstanding at any time; and

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under ''*Certain Covenants—Limitation on Restricted Payments*'' to the extent the Issuer or a Guarantor incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under ''*—Certain Covenants—Limitation on Restricted Payments*'' in reliance thereon.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) (a) all Indebtedness outstanding on the Completion Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified pursuant to clause (1) of this paragraph and (b) all Indebtedness incurred under clause (1) of the second paragraph of this covenant that is secured by Liens on the Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Collateral under the Intercreditor Agreement or any Additional Intercreditor Agreement pursuant to clause (1) of the second paragraph may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and

(8) for the purposes of determining ''Consolidated EBITDA'' under clause (1)(ii) of the second paragraph of this covenant, (i) *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Senior Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries and (ii) Consolidated EBITDA shall be measured on the date on which the Issuer obtains new commitments (in the case of revolving facilities) or incurs new Indebtedness (in the case of term facilities).

(9) Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this ''—Limitation on Indebtedness''. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this ''—Limitation on Indebtedness'', the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another

currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target and its Restricted Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee, if any, on substantially identical terms; *provided, however,* that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer;

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other

acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under ''*—Limitation on Indebtedness*'');

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a ''Restricted Payment''), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness under the Fixed Charge Coverage Ratio described under ''*—Limitation on Indebtedness*'' after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (4)(c), (5), (10), (11) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (1) or (6) of the second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions; and

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of ''Permitted Investment''; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary to the extent that such dividend or distribution does not reduce the amount of Investments outstanding under clause (11) of the definition of ''Permitted Investment'';

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds €10.0 million, by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively, ''Permitted Payments''):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares pursuant to clause (12) of this paragraph) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under ''*—Limitation on Indebtedness*'' above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under ''*—Limitation on Indebtedness*'' above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under ''*—Limitation on Sales of Assets and Subsidiary Stock*'' below, but only if the Issuer shall have first complied with the terms described under ''*—Limitation on Sales of Assets and Subsidiary Stock*'' and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to

purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a ''change of control''), but only (i) if the Issuer shall have first complied with the terms described under ''*—Change of Control*'' and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €1.0 million per calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years), plus (b) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under ''*—Limitation on Indebtedness*'';

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under ''*—Limitation on Affiliate Transactions*'';

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount

not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds from such contribution will be excluded from clause (c)(ii) of the preceding paragraph and (b) following the Initial Public Offering, an amount equal to the greater of (A) 6% of the Market Capitalization and (B) 6% of the IPO Market Capitalization; *provided* that in the case of this clause (b) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed €12.5 million;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) [reserved];

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, from such sale of Designated Preference Shares or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the preceding paragraph;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries; and

(17) any Restricted Payment in connection with the Acquisition Agreement Offset.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the ''Initial Lien''), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the

Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under ''*—Security—Release of Liens*''.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Parent or any other Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date in the case of the Issuer and its Restricted Subsidiaries or, in the case of the Target and its Restricted Subsidiaries, on the Completion Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined under ''*—Merger and Consolidation*''), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an ''Initial Agreement'') or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under ''*—Limitation on Indebtedness*'' if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Recourse Factoring or Securitization that, in the good faith determination of the Board of Directors or a member of Senior Management of the Issuer, are necessary or advisable to effect such Recourse Factoring or Securitization; or

(13) any encumbrance or restriction existing by reason of any lien permitted under ''*—Limitation on Liens*.''

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets subject to such Asset Disposition (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary (other than Subordinated Indebtedness and Indebtedness owed to the Issuer or any Restricted Subsidiary) as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed €10.0 million (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under ''*—Limitation on Indebtedness*'' or any Refinancing Indebtedness in respect thereof; (ii) unless included in (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to clause (ii) or (iii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including,

the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (1), (3), (4), (5) or (6) of this paragraph, *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

provided, *however*, if the assets disposed of constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, subject to the Agreed Security Principles, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Collateral as of ten business days after the Completion Date) referred to in this covenant in favor of the Senior Secured Notes on a first-ranking basis.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes ''Excess Proceeds''. Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €15.0 million, the Issuer will be required within 10 Business Days thereof to make an offer (''Asset Disposition Offer'') to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the ''Asset Disposition Offer Period''). No later than five Business Days after the termination of the Asset Disposition Offer Period (the ''Asset Disposition Purchase Date''), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the ''Asset Disposition Offer Amount'') or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an ''Affiliate Transaction'') involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €15.0 million, the Issuer has received a written opinion (a ''Fairness Opinion'') from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under ''*—Limitation on Restricted Payments,*'' any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under ''*—Limitations on*

Restricted Payments'') or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (8), (11) and (14) of the definition thereof);

(2) any issuance or sale of Capital Stock or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction) or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date in the case of the Issuer and its Restricted Subsidiaries or, in the case of the Target and its Restricted Subsidiaries, on the Completion Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business; *provided*, that payments under such Tax Sharing Agreement shall not exceed, and shall not be duplicative of, the amounts described under clause (7) of the definition of the term ''Parent Expenses'' and that the related tax liabilities of the Issuer and its Restricted Subsidiaries are relieved thereby;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity in each case that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €0.3 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors in good faith;

(12) any transactions which the Issuer or a Restricted Subsidiary delivers to the Trustee a written opinion (in form and substance reasonably satisfactory to the Trustee a letter) from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view; and

(13) investments by any of the Initial Investors in securities of the Issuer or any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Initial Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended 31 December 2013, annual reports containing: (i) information substantially comparable in all material respects to that included in the sections entitled ''*Management's discussion and analysis of financial condition and results of operations*'' of this Offering Memorandum; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; and (vi) Consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 90 days following the end of the Issuer's fiscal quarter ending September 30, 2013, a trading update containing: (a) a summary review of the *pro forma* consolidated financial condition and results of operations of the Issuer and its Subsidiaries, giving full effect to the Transactions described in this Offering Memorandum (including by segment and business line), revenues, EBITDA, Adjusted EBITDA, any material changes in liquidity and working capital, cash and Cash Equivalents, outstanding Indebtedness, capital expenditure, Fixed Charges and any material change between the current quarterly period and the corresponding period of the prior year; (b) an update of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments if different from what is described in this Offering Memorandum; and (c) a description of material changes and material subsequent events and developments in the risk factors and business of the Issuer, the Target and their respective Subsidiaries subsequent to the date of this Offering Memorandum;

(3) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended 31 March 2014, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the

end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(4) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the listing agent in Luxembourg.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2), (3) and (4) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided below, no report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.[(4)]

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's (a) total revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this ''*Reports to Holders*'' covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer. For purposes of this covenant and any calculation to be made under the Indenture, the Issuer may use financial statements of a predecessor of the Issuer for reporting or making calculations with respect to periods commencing prior to the Completion Date.

All reports provided pursuant to this ''Reports'' covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if

filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Limitation on Holding Company Activities of Marmolada S.p.A.

Marmolada S.p.A. may not carry on any material business or own any material assets or Incur any Indebtedness other than:

(1) the ownership of shares or other debt or equity interests in the Issuer or its Subsidiaries;

(2) the Incurrence of (A) intra-group debit balances from Restricted Subsidiaries; (B) professional fees and administration costs in the ordinary course of business as a holding company; (C) liabilities for Taxes and under any tax grouping or fiscal unity or other governmental or regulatory payments; and (D) obligations arising by operation of law;

(3) the provision of administrative services, treasury and financing (other than the Incurrence of Indebtedness except as otherwise provided hereunder), managerial, legal, accounting, strategic and advisory services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services, including, but not limited to: (A) in connection with any litigation, arbitration or similar proceedings or investigation; or (B) in connection with any management or employee benefit or incentive schemes;

(4) (A) the pledging of the Capital Stock of the Issuer permitted to be secured by Permitted Collateral Liens pursuant to the Indenture and (B) the incurrence of Liens arising by operation of law that are described in the definition of ''Permitted Liens'';

(5) the execution, delivery and performance of any Tax Sharing Agreement and payments or other transactions or obligations pursuant to any Tax Sharing Agreement entered into with the Issuer and its Subsidiaries and any Parent;

(6) granting the relevant Liens under the applicable Security Documents;

(7) liabilities under and performance of obligations and exercise of rights under the Indenture, the Notes, the Intercreditor Agreement (if applicable), any Additional Intercreditor Agreement (if applicable), the Security Documents (as applicable), the Revolving Credit Facility and any agreement pursuant to which Refinancing Indebtedness in relation to the above Indebtedness is incurred by the Issuer or its Restricted Subsidiaries and other ancillary documents or instruments related thereto;

(8) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments and intra-group credit balances and other credit balances in bank accounts and (ii) other property to the extent contributed substantially concurrently to a Parent;

(9) directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries corporate existence;

(10) pursuant to or in connection with the Transactions and/or the Transfer and any steps otherwise contemplated by the structure memorandum dated on or about the Issue Date prepared in connection with the Transactions;

(11) entry into and performance of obligations in respect of (A) contracts and agreements with its officers, directors and employees, (B) subscription or purchase agreements for securities and/or preferred equity certificates, public offering rights agreements, voting and other stockholder agreements, engagement letters, underwriting agreements, agreements with rating agencies and other agreements in respect of its securities or any offering, issuance or sale thereof and (C) engagement letters and reliance letters in respect of legal, accounting and other advice and/or reports received and/or commissioned by it, in each case, in relation to transactions which are authorized or not prohibited by the Indenture;

(12) paying dividends, making distributions (including assets and properties) and other payments to direct shareholders to the extent received in a transaction undertaken in accordance with the terms of the Indenture and as permitted or not prohibited under the applicable Security Documents or any other security documents to which Marmolada S.p.A. is a party for the pledge of assets permitted to be secured under the Indenture;

(13) (A) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock (including in a Public Offering), including compliance with applicable regulatory and other obligations in connection therewith, (B) using the net cash proceeds of such issuance, or exchanging or converting such instruments, to contribute to the common the equity of its Subsidiaries, to the extent permitted or not prohibited by the Indenture and the relevant Security Documents; and (C) any purchase, repurchase, redemption, or the performance of the terms and conditions of, and exercise of rights in respect of, the foregoing, to the extent such activities are otherwise permitted or not prohibited by the Indenture and the relevant Security Documents, in each case, in relation to transactions authorized or not prohibited by the Indenture;

(14) conducting activities directly related or reasonably incidental to any Initial Public Offering or Equity Offering, including the maintenance of any listing of equity interests issued by any IPO Entity; or

(15) other activities not specifically enumerated above that are incidental to the foregoing or are *de minimis* in nature.

Disapplication of Limitation on Activities of Marmolada S.p.A. on an Initial Public Offering

In connection with an Initial Public Offering but not earlier than the date of completion of such Initial Public Offering, the covenant specifically listed under the caption ''*—Certain Covenants—Limitation on Activities of Marmolada S.p.A*'' in this ''*Description of Notes*'' section of this Offering Memorandum will no longer apply or have any effect.

If the Notes are then listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice of the consummation of an Initial Public Offering in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the matter permitted by the Luxembourg Stock Exchange, post such notice on the official website of the Luxembourg Stock Exchange.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the ''Successor Issuer'') will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Notes Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under ''*—Limitation on Indebtedness*'' or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if

any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase ''substantially all'' under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this ''Merger and Consolidation'' covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under ''*—Limitation on Sales of Assets and Subsidiary Stock*'' or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

  (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

  (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting , surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Notes Security Documents, as applicable (such resulting, surviving or transferee Person, the ''Successor Guarantor''); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

  (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Notes Indenture,

provided however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B) (1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this ''Merger and Consolidation'' covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor, any Additional Intercreditor Agreement and the Notes Security Documents and clauses (1) and (4) under the heading ''—Issuer'' shall apply to such transaction and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading ''—The Issuer'' or ''—The Guarantors'', as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a ''Suspension Event''), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the ''Reversion Date''), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) ''*—Limitation on Restricted Payments*'';

(2) ''*—Limitation on Indebtedness*'';

(3) ''*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*'';

(4) ''*—Limitation on Affiliate Transactions*'';

(5) ''*—Limitation on Sales of Assets and Subsidiary Stock*''; and

(6) the provisions of clause (3) of the first paragraph of the covenant described under ''*—Merger and Consolidation*'',

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The ''Limitation on Restricted Payments'' covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under ''*—Limitation on Indebtedness*''. In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interests with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall

not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Notes Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Indenture, the applicable Notes Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Notes Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Notes Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors, in form and substance reasonably satisfactory to the Trustee, of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Notes Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary's guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obliged to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in:

(1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction;

(2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or

(3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Future Guarantees granted pursuant to this provision shall be released as set forth under ''*—Releases of the Guarantees*''. A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if

such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in ''*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.*''.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the the covenant described under ''*—Limitation on Indebtedness*'', the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an ''Additional Intercreditor Agreement'') or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under ''*Amendments and Waivers*'', and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under ''*—Limitation on Restricted Payments*''.

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional

Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Post-Completion Date Collateral

The Issuer will, as soon as practicable, and in no event more than ten Business Days after the Completion Date, execute and deliver to the Security Agent such Notes Security Documents and other documents to cause first-ranking liens and security interests over the Post-Completion Date Collateral to be provided in respect of the Notes and the Indenture.

Events of Default

Each of the following is an ''Event of Default'' under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

   (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (''payment default''); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the ''cross acceleration provision''),

   and, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €12.5 million or more or (ii) such Indebtedness aggregates €5.0 million or more and is secured by a Permitted Collateral Lien and Incurred pursuant to the first or second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'', and (A) the 30 day consultation period under the Intercreditor Agreement with respect to the enforcement of such Indebtedness has expired, (B) certain insolvency events have occurred or (C) the consultation period under the Intercreditor Agreement does not apply because the Senior Secured Creditors have determined in good faith that to enter into consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Collateral or the realization of proceeds thereof and have instructed the Security Agent as to the enforcement of the Collateral;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the ''bankruptcy provisions'');

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €12.5 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the ''judgment default provision'');

(7) any security interest under the Notes Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Notes Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €3.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Notes Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days;

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days; and

(9) failure by the Issuer or any of the Restricted Subsidiaries to comply with its obligations under the Indenture to grant the Post-Completion Date Collateral as described above under the caption ''—Security—General'' and such Default continues for 30 days.

However, a default under clauses (3), (4) or (6) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under ''*Events of Default*'' has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Notes Security Documents except as provided in such Notes Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security (including by way of prefunding) satisfactory to the Trustee against any

loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or security (including by way of prefunding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an ''Initial Default'') then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled ''—Reports'' or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange

offer for, Notes). However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under ''—*Optional Redemption*'';

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under ''*Withholding Taxes*'' that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under ''*Certain Covenants—Limitation on Indebtedness*'', to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Notes Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Notes Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Notes Security Documents or the Notes to any provision of this ''Description of Notes'' to the extent that such provision in this ''Description of Notes'' was intended to be a verbatim recitation of a provision of the Indenture, the Notes Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Notes Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Notes Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under ''*—Certain Covenants—Impairment of security interest*'' is complied with; or

(10) as provided in ''*—Certain Covenants—Additional Intercreditor Agreements*''.

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www. bourse.lu*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

Without prejudice to the provisions described above under the caption ''*—Amendments and waivers*'', in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened by the directors of the Issuer and/or the Noteholders' Representative (as defined below under the caption ''—Noteholders Representative'') and shall be convened upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting that will be validly held if there are one or more persons present that hold or represent Holders of more than one third of the aggregate principal amount of the outstanding Notes; *provided,*

however, that (a) the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law) and (b) certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under ''*—Amendments and waivers*'', and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75%. See ''*Risk factors—Risks related to the Notes and the capital structure—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the outstanding Notes*''. Any extraordinary resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such extraordinary resolution.

Noteholders' Representative

A representative of the Holders of the Notes (*rappresentante comune*) (the ''Noteholders' Representative'') may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Noteholders in order to represent the interests of the holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the Holders of the Notes of the initial appointment as of the Issue Date of the Trustee as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more holders of the Notes and/or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three years but may be reappointed again thereafter.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture (''legal defeasance'') and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under the covenants described under ''*Certain Covenants*'' (other than clauses (1) and (2) of ''*—Certain covenants—Merger and consolidation*'') and ''*Change of Control*'' and the default provisions relating to such covenants described under ''*Events of Default*'' above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under ''*Events of Default*'' above (''covenant defeasance'').

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under ''*—Certain Covenants—Merger and Consolidation*''), (3), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under ''*Events of Default*'' above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the ''defeasance trust'') with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Notes Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Principal Paying Agent for cancellation; or (b) all Notes not previously delivered to the Principal Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Principal Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the ''Satisfaction and Discharge'' section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer, the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by

reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes of the Issuer will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may also be published on the website of the Luxembourg Stock Exchange (*www. bourse.lu*).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Guarantees including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof.

Enforceability of Judgments

Since a significant portion the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor will appoint Marcolin U.S.A., Inc. as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

''*Acquired Indebtedness*'' means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

''*Acquisition*'' means the acquisition of the Target by Marcolin USA and Marmolada S.p.A. pursuant to the Acquisition Agreement.

''*Acquisition Agreement*'' means the stock purchase agreement dated October 24, 2013, by and among Marcolin USA and Marmolada S.p.A. and HVHC Inc.

''*Acquisition Agreement Offset*'' means the arrangements (i) pursuant to which Marcolin USA will renounce certain claims under the indemnification provisions of the Acquisition Agreement in return for the reduction in an equal amount of the principal of the Vendor Financing as described in this Offering Memorandum under the caption ''*The Acquisition*'' or (ii) with respect to which HVHC Inc. or any of its affiliates offsets any obligations owing by HVHC Inc. or any of its affiliates to the Issuer or any of its Affiliates that are then due under the Supply Agreement against amounts due by Vendor Financing Newco under the Vendor Financing as a consequence of a breach or a failure to pay when due by the Issuer or its Affiliates under the Acquisition Agreement or the Vendor Financing as described in the Offering Memorandum under the caption ''*The Acquisition*''.

''*Affiliate*'' of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, ''control'' when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms ''controlling'' and ''controlled'' have meanings correlative to the foregoing.

''*Agreed Securities Principles*'' means the agreed security principles appended to the Revolving Credit Facility, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

''*Asset Disposition*'' means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a ''disposition'') by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under ''*—Certain Covenants—Merger and Consolidation*'' or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) of less than €5.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under ''*—Certain Covenants—Limitation on Restricted Payments*'' and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'', asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption ''*—Certain Covenants—Limitation on Liens*'';

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale, discount or factoring (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable or related assets arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Recourse Factoring or Securitization, any other factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind, including in connection with the Acquisition Agreement Offset;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €5.0 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale of by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under ''*—Limitation on Indebtedness*'';

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in

joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the ''—Limitation on Sales of Assets and Subsidiary Stock'' covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

''*Associate*'' means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

''*Board of Directors*'' means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

''*Business Day*'' means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, Luxembourg or London, United Kingdom are authorized or required by law to close.

''*Capital Stock*'' of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

''*Capitalized Lease Obligations*'' means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

''*Cash Equivalents*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least ''A-1'' or the equivalent thereof by S&P or at least ''P-1'' or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least ''A-2'' or the equivalent thereof by S&P or ''P-2'' or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the

issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of ''BBB – '' or higher from S&P or ''Baa3'' or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of ''Asset Disposition'', the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date, and by the Target and its Subsidiaries on the Completion Date.

''*Change of Control*'' means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any ''person'' or ''group'' of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the ''beneficial owner'' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

''*Clearstream*'' means Clearstream Banking, *société anonyme,* as currently in effect or any successor securities clearing agency.

''*Consolidated EBITDA*'' for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense or provisions for bad debt;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under ''*—Certain Covenants—Limitation on Affiliate Transactions*'';

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period).

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable (excluding in connection with the Acquisition Agreement Offset) with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; and

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Recourse Factoring or Securitization or other factoring or receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period.

''*Consolidated Income Taxes*'' means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

''*Consolidated Interest Expense*'' means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down

accounting under IFRS, (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS, (v) any non-cash interest that is capitalized during such period relating to Subordinated Shareholder Funding, and (vi) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings that do not constitute Recourse Factoring or Securitization.

''*Consolidated Leverage*'' means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations).

''*Consolidated Leverage Ratio*'' means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the ''Calculation Date''), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under ''*Certain Covenants—Limitation on Indebtedness*'' or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under ''*—Limitation on Indebtedness*''.

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date or thereafter as part of a transaction to which the incurrence of Indebtedness relates, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness,

and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

''*Consolidated Net Income*'' means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*'', any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date or, in respect of the Target and its Subsidiaries, on the Completion Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility and the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*'', except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions), acquisition costs, business optimization, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*'';

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

''*Consolidated Senior Secured Leverage*'' means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents as of such date of determination.

''*Consolidated Senior Secured Leverage Ratio*'' means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio.

''*Contingent Obligations*'' means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (''primary obligations'') of any other Person (the ''primary obligor''), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

''*Credit Facility*'' means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided

under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term ''Credit Facility'' shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

''*Currency Agreement*'' means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

''*Default*'' means any event which is, or after notice or passage of time or both would be, an Event of Default.

''*Deferred Compensation*'' means the arrangement, pursuant to the Acquisition Agreement, whereby Marcolin USA will pay to the seller of the Target deferred compensation in an aggregate of $7.0 million on the schedule described in the Offering Memorandum.

''*Designated Non-Cash Consideration*'' means the fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*''.

''*Designated Preference Shares*'' means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as ''Designated Preference Shares'' pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*''.

''*Disqualified Stock*'' means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption ''*—Certain Covenants—Restricted Payments*''. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

''*Escrowed Proceeds*'' means (other than in respect of the Notes issued on the Issue Date) the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term ''Escrowed Proceeds'' shall include any interest earned on the amounts held in escrow.

''*Equity Offering*'' means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, in each case, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer or any of its Restricted Subsidiaries.

''*Euro Equivalent*'' means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the ''Currency Rates'' section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or a member of Senior Management of the Issuer) on the date of such determination.

''*Euroclear*'' means Euroclear Bank SA/NV or any successor securities clearing agency.

''*European Government Obligations*'' means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

''*Exchange Act*'' means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

''*Excluded Contribution*'' means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

''*fair market value*'' wherever such term is used in this ''*Description of Notes*'' or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this ''*Description of Notes*'' or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

''*Fixed Charge Coverage Ratio*'' means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the ''Calculation Date''), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated

expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under ''*—Certain Covenants—Limitation on Indebtedness*'' (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described above under ''*—Certain Covenants—Limitation on Indebtedness*''.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, or thereafter as part of a transaction to which the incurrence of Indebtedness relates, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

''*Fixed Charges*'' means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

''*Guarantee*'' means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term ''Guarantee'' will not include endorsements for collection or deposit in the ordinary course of business. The term ''Guarantee'' used as a verb has a corresponding meaning.

''*Guarantor*'' means any Restricted Subsidiary that Guarantees the Notes.

''*Hedging Obligations*'' of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

''*Holder*'' means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

''*Holding Company*'' means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

''*IFRS*'' means International Financial Reporting Standards (formerly International Accounting Standards) (''IFRS'') endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date, or with respect to the covenant described under the heading ''*—Certain Covenants—Reports*'', as in effect from time to time.

''*Incur*'' means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms ''Incurred'' and ''Incurrence'' have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be ''Incurred'' at the time any funds are borrowed thereunder.

''*Indebtedness*'' means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person owing in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then-undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements or Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time); and

(10) representing any Recourse Factoring or Securitization.

The term ''Indebtedness'' shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (v) any obligations in respect of the Transfer or (vi) the Deferred Compensation.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(4) payments or other transactions or obligations pursuant to any Tax Sharing Agreement; *provided*, however, that such payments, and the value of such transactions or obligations, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe, without taking into account such Tax Sharing Agreement; or

(5) obligations under or in respect of factoring receivables or securitization financings that do not constitute Recourse Factoring or Securitization.

''*Independent Financial Advisor*'' means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

''*Initial Investors*'' means any funds or limited partnerships managed or advised by PAI partners S.A.S. or any of its respective Affiliates or direct or indirect Subsidiaries or any trust, fund, company or partnership owned, managed or advised by them or any of its respective Affiliates or direct or indirect Subsidiaries or any entity controlled by all or substantially all of the managing directors of such fund or PAI partners S.A.S. from time to time.

''*Initial Public Offering*'' means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the ''IPO Entity'') following which

there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

''*Intercreditor Agreement*'' means the Intercreditor Agreement dated on the Issue Date, by and among, *inter alios*, the Issuer, UniCredit Bank AG, Milan Branch, as senior agent and the Security Agent and The Law Debenture Trust Corporation p.l.c as the Trustee, as amended from time to time.

''*Interest Rate Agreement*'' means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

''*Investment*'' means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption ''*—Certain Covenants—Limitation on Restricted Payments*''.

For purposes of ''*—Certain Covenants—Limitation on Restricted Payments*'':

(1) ''Investment'' will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

''*Investment Grade Securities*'' means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of ''BBB−'' or higher from S&P or ''Baa3'' or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

''*Investment Grade Status*'' shall occur when all of the Notes receive both of the following:

(1) a rating of ''BBB−'' or higher from S&P; and

(2) a rating of ''Baa3'' or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

''*IPO Market Capitalization*'' means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

''*Issue Date*'' means November 14, 2013.

''*Issuer*'' means Marcolin S.p.A. and any of its successors or assigns.

''*Lien*'' means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

''*Management Advances*'' means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €1.0 million in the aggregate outstanding at any time.

''*Management Investors*'' means the officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

''*Market Capitalization*'' means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

''*Moody's*'' means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

''*Nationally Recognized Statistical Rating Organization*'' means a nationally recognized statistical rating organization within the meaning of Rule 436 under the Securities Act.

''*Net Available Cash*'' from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition (other than Capitalized Lease Obligations), in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

''*Net Cash Proceeds'',* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

''*Offering Memorandum*'' means this offering memorandum in relation to the Notes.

''*Officer*'' means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an ''Officer'' for the purposes of the Indenture by the Board of Directors of such Person.

''*Officer's Certificate*'' means, with respect to any Person, a certificate signed by one Officer of such Person.

''*Opinion of Counsel*'' means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

''*PAI*'' means PAI partners S.A.S.

''*Parent*'' means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

''*Parent Expenses*'' means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €0.5 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:

  (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

  (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

  (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

''*Pari Passu Indebtedness*'' means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

''*Paying Agent*'' means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

''*Permitted Collateral Liens*'' means Liens on the Collateral:

(a) that are described in one or more clauses (3), (4), (5), (6), (8), (9), (11), (12) and (18) of the definition of ''Permitted Liens'' and, in each case, that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

  (i) the Notes (including any Additional Notes);

  (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' to the extent incurred by the Issuer or a Guarantor;

  (iii) Indebtedness described under clause (1) of ''*—Permitted Debt*'' to the extent incurred by the Issuer or a Guarantor, which Indebtedness may have super seniority priority status in respect of the proceeds from the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

  (iv) Indebtedness described under clause (2) of ''*—Permitted Debt*'', to the extent incurred by the Issuer or a Guarantor and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

  (v) Indebtedness described under clause (6) of ''*—Permitted Debt*'' to the extent incurred by the Issuer or the Guarantor in respect of Interest Rate Agreements or Currency Agreements; *provided,* that such Indebtedness in respect of Interest Rate Agreements or Currency Agreements relating to the Notes, Additional Notes and any other Indebtedness in the form of bonds or notes that are pari passu with the Notes may have super senior priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

  (vi) Indebtedness described under clauses (5) (*provided* that such Indebtedness is incurred by Issuer or a Guarantor and, *pro forma* for the relevant transaction, the Consolidated Senior

Secured Leverage Ratio is either no greater than 4.0 to 1.0 or no greater than immediately prior to such transaction), (7) (other than with respect to Capitalized Lease Obligations and provided that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property), (11) or (12) of ''—*Permitted Debt*''; and

(vii) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (vi)

provided, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided*, *further*, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or Refinancing Indebtedness secure the Senior Secured Notes and the Indenture on a senior or pari passu basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iii) and (v) above.

''*Permitted Holders*'' means, collectively, (1) the Initial Investors, (2) any Related Person of any Persons specified in clause (1), (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture.

''*Permitted Investment*'' means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments made in connection with any Recourse Factoring or Securitization and any related Indebtedness;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and any advances or loans not to exceed €1.0 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with ''*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*'';

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date in the case of the Issuer and its Restricted Subsidiaries or, in the case of the Target and its Restricted Subsidiaries, on the Completion Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date in the case of the Issuer and its Restricted Subsidiaries or, in the case of the Target and its Restricted Subsidiaries, on the Completion Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with ''*—Certain Covenants—Limitation on Indebtedness*'';

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €15.0 million and 40% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under ''*—Certain Covenants—Limitation on Restricted Payments*'', such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of ''Permitted Investments'' and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of ''Permitted Liens'' or made in connection with Liens permitted under the covenant described under ''*—Certain Covenants—Limitation on Liens*'';

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (4) and (6) of the second paragraph of the covenant described under ''*—Certain Covenants—Limitation on Affiliate Transactions*'';

(15) Guarantees of Indebtedness of the Issuer or its Restricted Subsidiaries permitted to be Incurred by the Issuer and the relevant Restricted Subsidiary (as applicable) under the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments constituting obligations pursuant to Deferred Compensation; and

(17) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes.

''*Permitted Liens*'' means, with respect to any Person:

(1) (a) Liens on assets or property pursuant to a ''*privilegio speciale*'' (or similar successor principles under Italian law providing for floating charges over moveable assets) securing Indebtedness under Credit Facilities (b) Liens on certain real estate of the Issuer securing Indebtedness under Credit Facilities incurred under clause (1) of ''*—Permitted Debt*'' and (c) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under ''*—Certain Covenants—Limitation on Indebtedness*'' and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date or, in the case of the Target and its Restricted Subsidiaries, on the Completion Date after giving *pro forma* effect to the use of the proceeds of the Notes as described in the Offering Memorandum);

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary);

provided, that such Liens do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or that is merged or consolidated into the Issuer or a Restricted Subsidiary;

(15) Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens Incurred in connection with a Recourse Factoring or Securitization permitted under clause (12) of the second paragraph under the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'';

(22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(25) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(26) Liens on the Escrow Account for the benefit of, or to secure, directly or indirectly, the Notes;

(27) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (27) does not exceed €5.0 million;

(28) Liens over bank accounts of the Issuer or any of its Restricted Subsidiaries into which payments on trade receivables which have been previously sold, assigned or transferred by the Issuer or any of its Restricted Subsidiaries on a non-recourse (pro soluto) basis and are also being serviced by the Issuer or any Restricted Subsidiary are made until such amounts are transferred to the factor or its assigns;

(29) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; and (b) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund

the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and

(30) Liens incurred in connection with a cash management program established in the ordinary course of business.

''*Person*'' means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

''*Preferred Stock*'', as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

''*Proceeds Loan*'' means the loan made by the Issuer to Marcolin USA on the Completion Date to finance part of the Acquisition.

''*Public Debt*'' means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

''*Public Market*'' means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

''*Public Offering*'' means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

''*Purchase Money Obligations*'' means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

''*Rating Agencies*'' means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other ''nationally recognized statistical rating organization'' within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

''*Receivables Fees*'' means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any Recourse Factoring or Securitization.

''*Recourse Factoring or Securitization*'' means any transaction or series of transactions involving the sale, assignment, discount of receivables of the Issuer or any of its Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such receivables, including on a *pro solvendo* basis, for which the Issuer or any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); provided that, for the avoidance of doubt, any non-recourse ''*pro soluto*'' factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Issuer or any of its Restricted Subsidiaries pursuant to IFRS shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

''*refinance*'' means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge

mechanism) and the terms ''refinances'', ''refinanced'' and ''refinancing'' as used for any purpose in the Indenture shall have a correlative meaning.

''*Refinancing Indebtedness*'' means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary, but not Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the first Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

''*Related Person*'' with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

''*Related Taxes*'' means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to ''*—Certain Covenants—Limitation on Restricted Payments*''.

''*Replacement Assets*'' means non current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all other businesses that in the good faith judgment of the Board of Directors or any member of Senior Management of the Issuer are reasonably related thereto.

''*Representative*'' means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

''*Restricted Investment*'' means any Investment other than a Permitted Investment.

''*Restricted Subsidiary*'' means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

''*Revolving Credit Facility*'' means the revolving credit facility established pursuant to the super senior revolving facility agreement to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit Bank AG, Milan Branch., as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

''*S&P*'' means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

''*SEC*'' means the U.S. Securities and Exchange Commission.

''*Securities Act*'' means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

''*Senior Management*'' means the officers, directors, and other members of Senior Management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent.

''*Senior Secured Indebtedness*'' means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that (a) is secured by a first-priority Lien on the Collateral or (b) that is incurred by a Restricted Subsidiary that is not a Guarantor and that in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' or clauses (1), (4), (5), (7) (other than with respect to Capitalized Lease Obligations), (11) or (12) of the second paragraph of the covenant described under ''*Certain Covenants—Limitation on Indebtedness*'' (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Notes (excluding Additional Notes)) and any Refinancing Indebtedness in respect thereof.

''*Notes Documents*'' means the Notes (including Additional Notes), the Indenture, the Notes Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

''*Notes Security Documents*'' means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

''*Significant Subsidiary*'' means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

''*Similar Business*'' means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries (including the Target and its Subsidiaries) or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

''*Stated Maturity*'' means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in ''*—Change of Control*'' and the covenant under ''*—Limitation on Sales of Assets and Subsidiary Stock*'', to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

''*Subordinated Indebtedness*'' means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement, including any Subordinated Shareholder Funding.

''*Subordinated Shareholder Funding*'' means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the ''Shareholder Liabilities'' (as defined therein).

''*Subsidiary''* means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly

or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

''*Successor Parent*'' with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, ''beneficially owned'' (as defined below) by one or more Persons that ''beneficially owned'' (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, ''beneficially own'' has the meaning correlative to the term ''beneficial owner'', as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

''*Supply Agreement*'' means the supply agreement, dated as of October 23, 2013, by and among HVHC Inc, as buyer, and the Issuer, Marcolin USA and the Target, collectively as supplier.

''*Target*'' means Viva Optique, Inc.

''*Tax Sharing Agreement*'' means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

''*Taxes*'' means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

''*Temporary Cash Investments*'' means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least ''A'' by S&P or ''A-1'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least ''A'' by S&P or ''A-2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of ''P-2'' (or higher) according to Moody's or ''A-2'' (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least ''BBB−'' by S&P or ''Baa3'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least ''A'' by S&P or ''A2'' by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

''*Transactions*'' shall have the meaning assigned to such term in this Offering Memorandum under the caption ''*Summary—The Transactions*''.

''*Transfer*'' means, collectively, (i) the assignment by Marmolada S.p.A. to Vendor Financing NewCo of Marmolada S.p.A.'s rights and obligations under the Acquisition Agreement to acquire certain Capital Stock of the Target in accordance therewith; (ii) on the Completion Date, the purchase, with proceeds from the Vendor Financing, by Vendor Financing NewCo of such Capital Stock of the Target in accordance with the Acquisition Agreement; (iii) on the Completion Date, the sale by Vendor Financing NewCo of such Capital Stock of the Target to Marcolin USA in exchange for the Transfer Loan; (iv) on the Completion Date, the contribution by Vendor Financing NewCo of its interest in the Transfer Loan to Marmolada S.p.A. in exchange for equity interests in Marmolada S.p.A.; and (v) on the Completion Date, the sale by Marmolada S.p.A. of its interest in the Transfer Loan to the Issuer; *provided*, that Marmolada S.p.A. shall accede to the Intercreditor Agreement as a Shareholder Creditor (as defined in the Intercreditor Agreement) with respect to the consideration for such sale and shall cancel the receivable representing such consideration within ten Business Days of the Completion Date.

''*Transfer Loan*'' means the loan to finance part of the Acquisition made by Vendor Financing NewCo, as lender, to Marcolin USA, as borrower, on the Completion Date and on such date: (i) contributed by Vendor Financing NewCo to Marmolada S.p.A. and (ii) sold by Marmolada S.p.A. to the Issuer (as a result of which, the Issuer becomes the lender under such loan to Marcolin USA).

''*U.S. GAAP*'' means generally accepted accounting principles in the United States of America as in effect from time to time.

''*Unrestricted Subsidiary*'' means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with ''*—Certain Covenants—Limitation on Restricted Payments*''.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under ''*—Certain Covenants—Limitation on Indebtedness*'' or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

''*Uniform Commercial Code*'' means the New York Uniform Commercial Code.

''*Vendor Financing*'' means the loan to be entered into on the Completion Date by and between the seller of the Target and Vendor Financing NewCo, in the amount of $30 million, to partially finance the Acquisition.

''*Vendor Financing NewCo*'' means 3 Cime S.p.A. that will hold the entire Capital Stock of Marmolada S.p.A. and will be the sole obligor under the Vendor Financing.

''*Voting Stock*'' of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

''*Wholly-Owned Subsidiary*'' means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly-Owned Subsidiary) is owned by the Issuer or another Wholly-Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture as described in ''*Description of Notes*.''

Notes sold to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ''**Rule 144A Global Note**''). Notes sold to non-U.S. persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the ''**Regulation S Global Note**'' and, together with the Rule 144A Global Note, the ''**Global Notes**''). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of beneficial interests in the Rule 144A Global Note (''**Rule 144A Book-Entry Interests**'') and ownership of interests in the Regulation S Global Note (the ''**Regulation S Book-Entry Interests**'' and, together with the Rule 144A Book-Entry Interests, the ''**Book-Entry Interests**'') will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants and must be in accordance with applicable transfer restrictions set out in the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under ''*Notice to Investors*.'' Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except under the limited circumstances described below, owners of Book-Entry Interests will not be entitled to receive definitive Notes in registered form (''**Definitive Registered Notes**''). Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or ''holders'' of Notes for any purpose.

So long as the Notes are held in global form, the nominee of the common depositary for Euroclear and/or Clearstream (or its respective nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

The Notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Neither of the Issuer nor the Trustee or any Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or its respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit its participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate unless otherwise required by law or

applicable stock exchange or depositary requirements; *provided*, *however*, that no Book-Entry Interest of less than €100,000 may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and Clearstream. The common depositary will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under ''*Description of Notes—Withholding Taxes*.'' If any such deduction or withholding is required to be made, then, to the extent described under ''*Description of Notes—Withholding Taxes*'' above, as the case may be, the Issuer will pay such Additional Amounts as may be necessary to ensure that the net amounts received by any holder of the relevant Global Notes or owner of Book-Entry Interests after such deduction or withholding are not less than the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee and the relevant Agents will treat the registered holders of the Global Notes (i.e., the nominee of the common depositary for Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Notes will be paid to holders of Book-Entry Interests in such Notes through Euroclear and/or Clearstream in euro.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of a Note (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, Euroclear and Clearstream, at the request of the holders of such Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes, and to distribute such Definitive Registered Notes to their participants, as described in ''*—Issuance of Definitive Registered Notes*.''

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of a Note requires

physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will each bear a legend to the effect set forth under ''*Offering and Transfer Restrictions*.'' Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under ''*Offering and Transfer Restrictions*.''

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a ''qualified institutional buyer'' within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under ''*Offering and Transfer Restrictions*'' and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under ''*Description of Notes—Transfer and Exchange*'' if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See ''*Offering and Transfer Restrictions*.''

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an ''Event of Default'' under and as defined in the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In any such events described in clauses (1) or (2), the Issuer will issue Definitive Registered Notes, registered in the name or names of holders and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture governing the Notes or by applicable law.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the registrar or a transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that a Definitive Registered Note will only be issued in a denomination of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the registrar or at the office of a transfer agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the paying agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by the Issuer in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only in accordance with the Indenture and, if required, only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See ''*Offering and Transfer Restrictions*.''

To the extent permitted by law, the Issuer, the Trustee and the relevant Agents will treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, holders of the Book- Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers are responsible for those operations or procedures.

The Issuer accepts responsibility for the correct extraction and reproduction of the following information concerning the current operations of Euroclear and Clearstream.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or the Agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

EU Directive on the taxation of savings income

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted the European Union Savings Directive (Council Directive 2003/48/EC of 3rd June, 2003 on taxation of savings income in the form of interest payments, the ''**Directive**'') effective from July 1, 2005. Under the Directive, each member state of the European Union (each, a ''**Member State**'') is required to provide to the tax authorities of another Member State details of certain payments of interest and other similar income paid by a paying agent (within the meaning of the Directive) to an individual resident or certain types of entities called ''residual entities'' (within the meaning of the Directive, the ''**Residual Entities**''), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria and Luxembourg may instead impose a withholding system unless during such period they elect otherwise. The Directive does not preclude Member States from levying other types of withholding tax.

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State.

The European Commission has announced on November 13, 2008 proposals to amend the Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. If implemented, the proposed amendments may amend or broaden the scope of the requirements above. Investors who are in any doubt as to their position should consult their professional advisers.

Certain Italian Tax Considerations

Italian tax considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Tax treatment of interest

Italian Legislative Decree No. 239 of April 1, 1996 (''**Decree 239**'') sets forth the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as ''**Interest**'') deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities, issued, *inter alia*, by:

a) Italian companies whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement included in the white list provided for by Article 168-*bis* of Decree 917 (for the time being, reference is to be made to the Ministerial Decree of September 4, 1996, as subsequently amended and supplemented, the ''**White List**''); or

b) Italian companies whose shares are not listed, issuing notes listed upon their issuance on the aforementioned regulated markets or platforms.

For these purposes, pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented (''**Decree 917**'') securities similar to bonds (''*titoli similari alle obbligazioni*'') are securities that incorporate an unconditional obligation for the Issuer to actually pay, at maturity, an amount not lower than their nominal/face value/principal and that do not provide any right of direct or indirect participation in, or control on, the management of the Issuer or of the business in connection with which they are issued.

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident beneficial owner of the Notes (a ''**Noteholder**'') is:

- an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- a non-commercial partnership (*società semplice*);
- a non-commercial private or public institution; or
- an investor exempt from Italian corporate income taxation,

then interest derived from the Notes, and accrued during the relevant holding period, is subject to a withholding tax (*imposta sostitutiva*), levied at a rate of 20%, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the ''*Risparmio Gestito*'' regime provided for by Article 7 of Italian Legislative Decree of November 21, 1997, No. 461—the ''*Risparmio Gestito*'' regime, see also ''*—Capital gains tax*'' below).

Noteholders engaged in an entrepreneurial activity

In the event that the Italian-resident Noteholders mentioned above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Where a Noteholder is an Italian-resident company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to the imposta sostitutiva. Interest must, however, be included in the relevant Noteholder's income tax return and is therefore subject to general Italian corporate income taxation (''**IRES**'') and, in certain circumstances, depending on the status of the Noteholder and also to the Italian regional tax on productive activities (''**IRAP**'').

Real estate investment funds

As clarified by the Italian Revenue Agency through, among others, the Circular dated August 8, 2003, No. 47/E and the Circular dated February 15, 2012, No. 2/E, payments of Interest deriving from the Notes made to Italian- resident real estate collective investment funds established pursuant to Article 37 of Italian Legislative Decree No. 58 of February 24, 1998, as amended and supplemented, and

Article 14-*bis* of Law No. 86 of January 25, 1994, are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund provided that the Notes, together with the relevant coupons, are timely deposited with an authorized intermediary. However, depending on the status of the investor and his sharing ratio, income realized by the real estate investment fund may be subject to a withholding tax at a rate of 20% in the event of distributions, redemption or sale of the units or shares, or directly attributed to the investor irrespective of its actual distribution and in proportion to the percentage of ownership of units on a tax transparency basis.

Funds and SICAVs

As clarified by the Italian Revenue Agency through the Resolution No. 43/E dated July 2, 2013, where an Italian-resident Noteholder is an open-ended or a close-ended collective investment fund (a ''**Fund**'') or a *Società di Investimento a Capitale Variabile* (''**SICAV**'') established in Italy and either (i) the Fund or SICAV or (ii) their manager is subject to a form of prudential supervision by the competent regulatory authority, and the Notes are deposited with an authorized intermediary, Interest accrued on the Notes during the holding period are not be subject to the imposta sostitutiva, but must be included in the management results of the Fund or the SICAV. The Fund or the SICAV will not be subject to taxation on such management results, but a withholding or substitute tax at the rate of 20% will instead apply, in certain circumstances, to distributions made in favor of unitholders or shareholders (as applicable).

Pension funds

Where an Italian-resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to the *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to an 11% substitute tax).

Enforcement of the imposta sostitutiva

Pursuant to Decree 239, the imposta sostitutiva is applied by banks, *società di intermediazione mobiliare* (''**SIM**''), fiduciary companies, *società di gestione del risparmio* (''**SGR**''), stockbrokers and other entities identified by decrees of the Ministry of Finance (each, an ''**Intermediary**'').

An Intermediary must:

a) be resident in Italy, or be a permanent establishment in Italy of a non-Italian-resident financial intermediary; and

b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying the Interest to a Noteholder or, absent that, by the Issuer.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident for tax purposes, an exemption from the *imposta sostitutiva* applies, provided that the non-Italian-resident Noteholder is:

a) a beneficial owner of the payment of Interest and resident, for tax purposes, in a state or territory which allows for a satisfactory exchange of information with Italy and is included in the White List; or

b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

c) an ''institutional investor'', whether or not subject to tax, which is established in a state or territory which allows for a satisfactory exchange of information with Italy and is included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or

d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

In order to ensure gross payment, non-Italian resident Noteholders must promptly deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

(i) an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the ''**First Level Bank**''), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or

(ii) an Italian-resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or brokerage company (SIM), acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the ''**Second Level Bank**''). Organizations and companies not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian-resident bank or SIM, or permanent establishment in Italy of a not resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Italian Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239. In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian- resident Noteholders is conditional upon:

(i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

(ii) the submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by Italian Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point (b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point (d) above. Additional requirements are provided for ''institutional investors'' referred to in point (c) above.

The First Level Bank is obligated to send the above statement to the Second Level Bank within 15 days from receipt. The Second Level Bank files the data relating to the not resident Noteholder together with the data relating to the First Level Bank and of the transactions carried out, via telematic link, to the Italian tax authorities within the first transmission period after receipt of such data. Transmission periods are two-week periods per month during which the Second Level Bank transmits to the Italian tax authorities data relating to Notes transactions carried out during the preceding month. The Italian tax authorities monitor and control such data and any discrepancies thereof.

The *imposta sostitutiva* will be applicable at a rate of 20% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, provided that the relevant conditions are satisfied

Tax treatment of capital gains

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to the imposta sostitutiva levied at a rate of 20%. Noteholders may set off any capital losses with their capital gains.

In respect of the application of the imposta sostitutiva, taxpayers may opt—under certain conditions—for any of the three regimes described below.

Tax declaration regime. Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian-resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian-resident individual holding the Notes during any given tax year. Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return, and pay the imposta sostitutiva on such gains, together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Only 62.5% of the capital losses realized before January 1, 2012 may be carried forward to be offset against capital gains of the same nature realized from January 1, 2012.

Risparmio Amministrato Regime. As an alternative to the tax declaration regime, Italian-resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Notes (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:

(i) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries; and

(ii) an express election for the *risparmio amministrato* regime being made in writing in a timely fashion by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the *imposta sostitutiva* to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years, up until the fourth tax year. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains/losses realized within said regime in the annual tax return.

Risparmio gestito regime. In the *risparmio gestito regime*, any capital gains realized by Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 20% substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains or losses realized within said regime in its annual tax return.

Noteholders engaged in an entrepreneurial activity

Any gain obtained from the sale or redemption of the Notes will be treated as part of taxable business income (and, in certain circumstances, depending on the status of the Noteholder, also as part of net value of the production for IRAP purposes), if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian-resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real estate investment funds

Any capital gains realized by a Noteholder which qualifies as an Italian real estate fund accrues to the tax year-end appreciation of the managed assets, which is exempt from any income tax, subject to certain conditions. However, depending on the status of the investor and his sharing ratio, income realized by the real estate investment fund may be subject to a withholding tax at a rate of 20% in the event of distributions, redemption or sale of the units or shares, or directly attributed to the investor irrespective of

its actual distribution and in proportion to the percentage of ownership of units on a tax transparency basis.

Funds and SICAVs

Any capital gains realized by a Noteholder which qualifies as an Italian Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. A 20% withholding tax will apply in certain circumstances to distributions by the Italian Fund or SICAV to unitholders or shareholders (as applicable).

Pension funds

Any capital gains realized by a Noteholder which qualifies as an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to 11% substitute tax.

Non-Italian resident Noteholders

A 20% *imposta sostitutiva* on capital gains may be payable on capital gains realized on the sale or redemption of the Notes by non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, letter f), No. 2 of Italian Presidential Decree no. 917 of December 22, 1986, capital gains realized by non-Italian-resident Noteholders from the sale or redemption of notes issued by an Italian-resident issuer and traded on regulated markets in Italy or abroad are not subject to the imposta sostitutiva, subject to the filing of required documentation in a timely fashion (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this Offering Memorandum, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for this exemption.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian-resident issuer, even if the Notes are not traded on regulated markets, are not subject to the *imposta sostitutiva*, provided that the beneficial owner is:

a) a beneficial owner of the capital gains and resident, for tax purposes, of a state or territory which allows a satisfactory exchange of information with Italy and is included in the White List; or

b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

c) an ''institutional investor'', whether or not subject to tax, which is established in a state or territory which allows a satisfactory exchange of information with Italy and is included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or

d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

Non-Italian resident Noteholders must satisfy the same conditions set forth; to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see ''*—Tax Treatment of Interest*'').

If the above conditions are not met, capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the *imposta sostitutiva* at the current rate of 20%. However, Noteholders might benefit from an applicable tax treaty with Italy, providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Certain reporting obligations for Italian-resident Noteholders

Under article 4, paragraph 1, of Italian Law Decree No. 167 dated June 29, 1990, as amended by Article 9, paragraph 2, letter c), of Law No. 97 dated August 6, 2013, Italian-resident individuals, Italian-resident non commercial entities and Italian-resident non-commercial partnerships, holding financial assets abroad, including the Notes, giving rise to a potential taxable event in Italy, are obliged to give evidence of such assets in their Italian tax return. This requirement also applies to Italian-resident individuals, Italian-resident non commercial entities and Italian-resident non commercial partnerships that, although do not hold such financial assets, are to be considered as the beneficial owners (*titolare effettivo*) of said assets. This obligation does not apply to financial assets (including the Notes), held through an Italian resident intermediary, provided that the latter applied the relevant substitute or withholding tax on the proceeds stemming from such financial assets.

Although Article 9 of Law No. 97 dated August 6, 2013 entered into force on September 4, 2013, forthcoming measures shall establish content of the return. As a consequence, it is currently not clarified the date in which the provisions above shall produce effects (probably as from January 1, 2014 so that new rules will be reflected in tax returns filed in 2015). Until such date, Italian-resident individuals directly holding financial assets, including the Notes, outside Italy (without the intervention of an Italian-resident intermediary) are required to report, in their Italian tax return, the year-end value of their financial assets held abroad, if the overall value of such asset exceeds €10,000.00.

Any transfer of cash, securities and any other financial assets, made from Italy to abroad, from abroad to Italy and from abroad to abroad, in connection with financial assets, including the Notes, held outside of Italy needs to be reported in the Italian tax return of the Italian-resident individual, if the overall value of the transfer affected exceeds €10,000.00.

Italian inheritance tax and gift tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;

b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;

c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and

d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heiress and/or the donee is a person with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance tax or gift tax is applied on the amount of the value of the inheritance or gift that exceeds €1.5 million.

With respect to notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian-resident individuals for notes issued by Italian resident companies.

Wealth tax—direct holding

According to Article 19 of Italian Law Decree No. 201 of December 6, 2011 (''**Decree 201**''), Italian-resident individuals holding financial assets—including the Notes—outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax currently at the rate of 0.15% (the level of tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value of such financial assets held outside Italy. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties—holding through financial intermediary

According to Article 19 of Decree 201, a proportional stamp duty applies on a yearly basis at a rate of 0.15% calculated on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). The stamp duty cannot be lower than €34.20 and from the year 2013 onwards, the stamp duty should not exceed €4,500 if the Notes are held by Noteholders who are not individuals. Stamp duty applies both to Italian-resident holders of the Notes and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary (and not directly held by the Noteholders outside Italy, in which case wealth tax applies, to Italian- resident holders of the Notes only).

Registration tax

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

a) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €168.00; and

b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €168.00 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

General—payments by a Guarantor

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under a Guarantee should not be subject to Italian withholding tax. However, the Italian tax authorities have not officially confirmed the Italian tax regime of payments on notes made by an Italian-resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under the Notes), it is possible that such payments may be subject to withholding tax at applicable rates, pursuant to Italian Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

In accordance with another interpretation, any such payments made by an Italian-resident Guarantor should be treated, in certain circumstances, as a payment by the Issuer and should be subject to the tax regime described above.

Implementation of the EU Savings Directive in Italy

Italy has implemented the Directive (as defined under ''*—EU Directive on the Taxation of Savings Income*'') through Italian Legislative Decree No. 84 of April 18, 2005 (''**Decree No. 84**''). Under Decree No. 84, subject to a number of the important conditions being satisfied, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in a dependent or associated territory under the relevant international agreement, Italian-qualified paying agents (i.e., banks, SIMs (as defined herein), fiduciary companies and SGRs resident for tax purposes in Italy, permanent establishments in Italy of nonresident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) must report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information will be transmitted by the Italian tax authorities to the competent foreign tax authorities of the Member State of residence of the beneficial owner. In certain circumstances the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), entities whose profits are included in business income taxable under general arrangements for business taxation and, in specific cases, UCITs recognized in accordance with Directive 85/611/EEC.

Certain United States Federal Income Tax Considerations

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''**CODE**''); (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on FATCA (as defined under *''—Foreign Account Tax Compliance Act*''), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the Code, Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (''**IRS**'') have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax and persons holding the Notes as part of a ''straddle,'' ''hedge,'' ''conversion transaction'' or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their ''issue price'' (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code.

For purposes of this discussion, a ''U.S. holder'' is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (determined based on the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to the Notes during an accrual period. The U.S. dollar value of such euro-denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered ''passive category income'' or, in the case of certain U.S. holders, ''general category income'' in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income tax by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate of exchange on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election

available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate of exchange on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and, except as discussed below with respect to foreign currency exchange gain or loss, generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, determined at the spot rate of exchange on the date the U.S. holder disposes of the Note (or on the settlement date, if the Notes are traded on an established securities market and the holder is either a cash basis U.S. holder or an electing accrual basis U.S. holder) and the U.S. dollar value of the U.S. holder's purchase price for the Note, determined at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under ''*—Payment of stated interest*''. However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize any foreign currency exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Exchange of foreign currencies

A U.S. holder will have a tax basis in any euros received as stated interest or upon the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the U.S. dollar value thereof at the spot rate of exchange in effect on the date of receipt of the euros. Any gain or loss realized by a U.S. holder on a sale or other disposition of euros, including their exchange for U.S. dollars, will be ordinary income or loss generally not treated as interest income or expense and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax return disclosure requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., $50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange,

retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own ''specified foreign financial assets'' with an aggregate value in excess of $50,000 on the last day of the tax year or more than $75,000 at any time during the tax year (or such larger values as specified in such legislation), generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a U.S. financial institution.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as ''**FATCA**''), a ''foreign financial institution'' may be required to withhold U.S. tax on certain passthru payments made after December 31, 2016 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is the later of (x) six months after the date on which applicable final regulations defining foreign passthru payments are filed and (y) June 30, 2014, generally would be ''grandfathered'' unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would only apply to payments on the Notes if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated November 7, 2013 (the ''**Purchase Agreement**''), by and among the Issuer and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, €200.0 million principal amount of Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Issuer that are substantially similar to the Notes.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act. and may not be offered or sold within the United States except to ''qualified institutional buyers'' in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under ''*Transfer and Offering Restrictions*.'' Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under ''*Transfer and Offering Restrictions*.'' The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering of the Notes may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes are a new issue of securities for which there currently is no market. The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the ''**U.S. Exchange Act**''). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with the Offering of the Notes, Goldman Sachs International (the ''**Stabilizing Manager**''), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels

that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC.

Each of the Initial Purchasers has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States or Italy, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for the purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the section entitled ''*Notice to Investors*'' and ''*Offering and Transfer Restrictions*.''

The Issuer has agreed, and the Guarantors will agree, to indemnify each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that any Initial Purchaser may be required to make in respect thereof. The Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on the Issue Date as specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as ''**T+5**''). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Set forth below are the registered addresses of the Initial Purchasers.

Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom	Banca IMI S.p.A. Largo Mattioli, 3 20121 Milan Italy	Natixis 30, avenue Pierre Mendès France 75013 Paris France	UniCredit Bank AG Arabellastrasse, 12 81925 Munich Germany	IKB Deutsche Industriebank AG Wilhelm-Bötzkes-Strasse, 1 40474 Düsseldorf Germany

From time to time, the Initial Purchasers and their affiliates have provided, and may in the future provide, investment banking services and financial advisory services to the Issuer and its affiliates, and the Initial Purchasers and their affiliates have provided, and may in the future provide, commercial banking services to the Issuer and its affiliates, for which they have received or may receive customary fees and commissions. In addition, affiliates of the Initial Purchasers will act as lenders under the Revolving Credit Facility.

Banca IMI S.p.A. (see ''*—Intesa Sanpaolo Banking Group*''), Natixis, UniCredit Bank AG and IKB Deutsche Industriebank AG are lenders under the Existing Credit Facilities which will be repaid and

cancelled with a portion of the proceeds of the Notes. In addition, UniCredit Bank AG, Milan Branch is acting as Security Agent under the Indenture and Revolving Credit Facility and as RCF Agent under the Revolving Credit Facility.

Intesa Sanpaolo Banking Group

Banca IMI S.p.A is a wholly owned subsidiary of Intesa Sanpaolo S.p.A. (which is the company directing and co-ordinating the parent company of the Intesa Sanpaolo Banking Group) and will be a lender under the Revolving Credit Facility that will be entered into on the Issue Date.

Certain companies being part of the Intesa Sanpaolo Banking Group are lender under the Existing Credit Facilities and have a conflict of interest since part of the proceeds from the Notes will be used to repay in full the outstanding amount under such facilities. In addition, Cassa di Risparmio del Veneto S.p.A., an affiliate of Intesa Sanpaolo S.p.A., is a lender under certain Marcolin Bilateral Facilities that will remain available to the Group following the Transactions.

Banca IMI S.p.A. will receive fees, commissions and expense reimbursements in connection with the Offering.

Furthermore, in October 2012, Cristallo, a company indirectly controlled by investment funds advised or managed by PAI acquired 78.39% of the Issuer's outstanding share capital. In connection with this acquisition, Banca IMI S.p.A. provided advisory services to Cristallo and was global coordinator in connection with the tender offer on the remaining part of the share capital of the Issuer that was publicly traded on the Italian Stock Exchange.

OFFERING AND TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

Neither the Notes nor the Guarantees have been registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, ''**U.S. persons**'' (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes only:

- to U.S. investors that we reasonably believe to be ''**qualified institutional buyers**,'' commonly referred to as ''**QIBs**,'' (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A; and
- outside the United States, to non-U.S. persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act.

We use the terms ''offshore transaction,'' ''U.S. person'' and ''United States'' with the meanings given to them in Regulation S.

If you purchase Notes in this Offering, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Rule 904 of Regulation S under the U.S. Securities Act; or (iii) to the Company, in each case in accordance with any applicable securities laws, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in the legend below.
- You are not our ''affiliate'' (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:
  - a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or
  - you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- You acknowledge that none of the Company, the Guarantors, the Initial Purchasers or any person representing the Company, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Company or the offer or sale of any of the Notes, other than by the Company and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Company, the Guarantors, the Indenture, the Notes, and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Company, the Guarantors and the Initial Purchasers.
- You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act.

- You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the ''**Resale Restriction Termination Date**'') that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''U.S. SECURITIES ACT''), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, PLEDGED, ENCUMBERED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ''U.S. PERSONS'' (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE ''RESALE RESTRICTION TERMINATION DATE'') WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (''RULE 144A''), TO A PERSON IT REASONABLY BELIEVES IS A ''QUALIFIED INSTITUTIONAL BUYER'' AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR

OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

i) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

ii) You acknowledge that:

   a) the Company, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

   b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

      1) you have sole investment discretion; and

      2) you have full power to make the foregoing acknowledgements, representations and agreements.

iii) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

You understand that no action has been taken in any jurisdiction (including the United States) by the Company or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Company or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under ‘‘*Plan of Distribution*.’’

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests and a summary of certain insolvency law considerations in effect in (i) Italy, the jurisdiction where the Issuer is organized and (ii) the jurisdiction where the Guarantors are organized. It is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of organization of a future guarantor of the Notes. This summary is qualified in its entirety by reference to Italian, French, English and German law, as the case may be, and it does not purport to be complete. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

Italy

Under Italian law, the creation of a security interest is subject to compliance with the rules on corporate benefit and corporate authorization. If a security interest is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a security interest must receive a real and adequate benefit in exchange for the security interest. Whilst corporate benefit for down-stream security (i.e., security granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security (i.e., security granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case-by-case basis. In particular, in case of up-stream and cross-stream security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group. Generally, the risk assumed by an Italian grantor of security must not be disproportionate to the direct or indirect economic benefit to it.

Absence of a real and adequate benefit could render the security provided by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation.

It is uncertain and untested in the Italian courts whether under Italian law a security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of The Law Debenture Trust Corporation p.l.c. as the Trustee of the Notes under the Indenture since there is no established concept of ‘‘trust’’ or

‘‘trustee’’ under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Given the above there is a risk that an Italian court may determine that the holders of the Notes at the time of the enforcement are not secured by the security under the Security Documents governed by Italian law and/or cannot enforce that security.

To address this potential issue, the Collateral will be created and perfected in favor of the Trustee acting also in its capacity as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. However, please note that the enforceability of Italian law security granted in favor of a trustee acting as trustee and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian civil Code has not been tested in the Italian courts and, therefore, the risk of unenforceability by the holders of the Notes of the security documents posed by Italian law cannot be eliminated or mitigated.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

In addition, the Intercreditor Agreement provides for the creation of a ‘‘parallel debt.’’ Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent, in its individual capacity acting in its own name and not as agent or representative of the holders of the Notes, becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The Collateral governed by Italian law will then secure such parallel debt to the extent permitted by law. To date, parallel debt structure in financing transactions, including credit facilities and bond issuances, has not been tested in Italian courts. In addition, the validity and enforceability of certain rights of a Security Agent benefiting from a parallel debt structure is untested in Italian courts; accordingly, there can be no assurance that the parallel debt structure will *per se* eliminate or mitigate the risk of unenforceability by the holders of the Notes of Italian law security interests created granted for their benefit. In addition, to the extent that the security interests in the assets subject to the Collateral created under a parallel debt structure are located in Italy, and such security interests are successfully challenged by other parties, there is a risk that holders of the Notes (in relation to which the relevant perfection formalities acknowledging their status of secured creditors are not perfected at the time of the enforcement) do not receive any proceeds from an enforcement of the security interest in the relevant Collateral.

France

Limitation on Guarantee

For a French company to give a guarantee, certain procedural and substantive requirements must be satisfied. As part of these substantive requirements, the granting of a guarantee by such French company must be for its corporate benefit (*intérêt social*). There is no statutory definition of corporate benefit under French law. The existence or the absence of a corporate benefit is assessed on a case-by-case basis and on a company-by-company basis.

In certain circumstances, where a French company acts in breach of its requirement to act for its corporate benefit, its officers may incur civil and/or criminal liability. In addition, under French law, a French court may, under certain circumstances, set aside a guarantee granted by a French company if such company derives no corporate benefit.

While the granting of guarantees by a parent company with respect to the obligations of its subsidiary are deemed to be, in principle, for the corporate benefit of the parent company, the granting of cross or upstream guarantees by a subsidiary may be more problematic from that perspective.

Furthermore, under French financial assistance rules, a company limited by shares may not advance funds, grant loans or grant security for the purposes of the subscription or the acquisition of its own shares by a third party. Breach of French financial assistance rules may result in criminal liability for the officers of the company acting in breach of these rules and their accomplices. The Guarantee of the French Guarantor will be limited to the aggregate amount of the Notes proceeds on-lent, directly or indirectly, to the French Guarantor and outstanding from time to time. Any payment made by the French Guarantor under its Guarantee will reduce the maximum amount of its Guarantee. In addition, the

Guarantee and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by a particular Guarantor without rendering its Guarantee voidable or otherwise ineffective under applicable law.

Based upon the above, guarantee limitation language has been agreed in this transaction with respect to the Guarantees to be granted by Marcolin France (the ''**French Guarantor**'') in respect of the payment obligations of the Issuer under the Notes:

- the obligations and liabilities of the French Guarantor under its Guarantee will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241-3, L. 242-6 or L.244-1 of the French Commercial Code; and
- the obligations and liabilities of a French company under its Guarantee for the obligations of any Issuer under the Notes shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on-lent by such Issuer to the French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and be limited to the amount outstanding, if any, at the time a demand is made from the French Guarantor under its Guarantee; it being specified that:
    - any payment made by the French Guarantor under its Guarantee in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by the French Guarantor to that obligor under the intercompany loan arrangements referred to above; and
    - any payment made by the French Guarantor under the Guarantee and Indemnity provisions of the e New Revolving Credit Facility in respect of the obligations of any other obligor shall (without double-counting) reduce *pro tanto* the outstanding amount of the intercompany loans (if any) due by the French Guarantor to that obligor under the intercompany loan arrangements referred to above.

However, the balance of such inter-company loans, which are financed directly or indirectly with the proceeds of the Notes, will increase and decrease in the ordinary course of business, in line with the needs of the business and availability of such proceeds for other utilizations.

Under French corporate benefit rules, a court could subordinate or declare void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the guarantor did not derive an overall corporate benefit from the transaction involving the grant of the guarantee as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. Based on current case law certain inter-group transactions (including up-stream guarantees) can be in the corporate interest of the relevant company, in particular, where the following four criteria are fulfilled:

- existence of a genuine group of companies to which the guarantor and the person whose obligations are being guaranteed belong operating under a common strategy aimed at a common objective and the guarantee, and the transaction to which it relates, must be entered into in furtherance of the common economic interest of the group as a whole and the liability under the guarantee should be commensurate with such group benefit;
- the risk assumed by a French Guarantor must be proportionate to the benefit;
- the French Guarantor must receive an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee which is commensurate with the liability which it takes on under the guarantee; and
- the obligations of the French Guarantor under the guarantee must not exceed its financial capability.

The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

By virtue of the foregoing limitations, Marcolin France's obligations under the Guarantee could be significantly less than amounts payable with respect to the Notes, or Marcolin France may at any time have effectively no obligation under the Guarantee.

A French insolvency court may also refuse to enforce a guarantee if it is determined that the grantor was insolvent at the time the guarantee was granted and that the relevant secured party had knowledge, at the time the guarantee was granted, of such insolvency.

Limitation on Enforcement of Security Interests

Parallel Debt

Under French law, certain ''accessory'' security interests such as pledges require that the pledge and the creditor be the same person. Such security interests cannot granted to third parties who do not hold the secured claim. The Intercreditor Agreement provides for the creation of a so-called ''parallel debt.'' The beneficial holders of interests in the Notes from time to time will not be parties to the security documents. The pledges governed by French law will directly secure the parallel debt, and will not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holder of the Notes will not be entitled to take enforcement action in respect of such security interests except through the Security Agent.

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. 13 September 2011 n°10-25533 Belvedere) relating to a bond documentation governed by New York law. Such decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a Security Agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there is no assurance that such a structure will be effective in all cases before the French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims.. The French Supreme Court did not uphold generally French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a Security Agent benefiting from a Parallel Debt claim. There is no therefore certainty that the Parallel Debt construct will eliminate the risk of unenforceability under French law.

To the extent that the security interests in the Collateral created under the Parallel Debt construct are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interests in the Collateral. Also, if such construct is further upheld, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as beneficiary of the Parallel Debt.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside of insolvency proceedings, the ''*action paulienne*'' provisions. The action paulienne provisions offer creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*) insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a

Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not the benefit from the Notes or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Notes or the security interests in the Collateral could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer as a result of the fraudulent conveyance.

England

Challenges to Guarantees

Marcolin UK which will guarantee the Notes is a company organized under the laws of England and Wales (Marcolin UK, and any other English company providing a guarantee in the future, the ''**English Guarantor**''). There are circumstances under English insolvency law in which the granting by an English company of guarantees can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set forth in more detail below) of the granting of the guarantee and, in addition, the company was ''unable to pay its debts'' when the guarantee was granted or became ''unable to pay its debts'' as a result.

A company will be ''unable to pay its debts'' if a statutory demand for over £750 is served on the company and remains unsatisfied for three weeks, or an execution on or other process issued on a judgment, decree or order of a court in favor of a creditor is returned unsatisfied in whole or in part, or it is proved to the court's satisfaction that the company is not able to pay its debts as they fall due or that the value of the company's assets is less than the amount of its liabilities (taking into account contingent and prospective liabilities).

If the guarantee or other intercompany obligations granted by the English Guarantor are challenged under the laws of England and Wales, and the court makes certain findings (as described further below), it may be permitted to:

- avoid or invalidate all or a portion of an English Guarantor's obligations under the guarantee provided by such English Guarantor;
- direct that the holders of the Notes return any amounts paid by an English Guarantor under a guarantee to the relevant English Guarantor or to a fund for the benefit of the English Guarantor's creditors; and/or
- take other action that is detrimental to the holders of the Notes.

The following potential grounds for challenge may apply to the Guarantees granted by an English Guarantor:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (or give other relief) if such liquidator or administrator believed that the creation of such security interest or guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the English company is insolvent (as defined in section 240 of the U.K. Insolvency Act (defined under ''*—Certain Insolvency Law Considerations—England*'')). The onset of insolvency is the date of the appointment of an administrator or presentation of an administration application, filing of notice of intention to appoint an administrator or presentation of a winding up petition or passing of a resolution for winding up in a creditors' voluntary liquidation. In addition, the company must be ''unable to pay its debts'' when it grants the guarantee or security or become ''unable to pay its debts'' as a result. The transaction can be challenged if the English company enters into liquidation or administration within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if it involved a gift by a company, if a company received no consideration or if a company received consideration of significantly less value, in money or money's worth, than the consideration

given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business, and that at the time it did so there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the U.K. Insolvency Act (defined under ''*—Certain Insolvency Law Considerations—England*'')), in which case the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a guarantee granted by such company (or give other relief) on the grounds such guarantee constituted a preference. The grant of a guarantee is a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the guarantee had not been granted. The company must have been unable to pay its debts at the time of the transaction or become so unable as a result of the transaction. For a challenge to be made, the decision to enter into the transaction must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the U.K. Insolvency Act) (if the beneficiary of the guarantee is not a connected person) or two years (if the beneficiary is a connected person). A court is unlikely to make an order in respect of a preference unless it is satisfied the company was influenced in deciding to give it by a desire to produce the ''better position'' for the relevant person. Case law suggests there must be a desire to prefer one creditor over another and not just other commercial motives even if they had the inevitable result of producing the better position. Subject to this, if the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the guarantees). In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Transaction Defrauding Creditors

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a victim of the relevant transaction could apply to the court for an order to set aside a guarantee on the grounds the guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue and the court is satisfied the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons in relation to their claim.

If the court determines the transaction was a transaction defrauding creditors it may make such order as it may think fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting aside the guarantees) but there may be protection for a third party acting in good faith, for value without notice of the relevant circumstances. Any ''victim'' of the transaction (with the leave of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings (although general statutory limitation periods will apply) and the relevant company does not need to be unable to pay its debts at the time of the transaction.

Dispositions after Winding-Up

Any dispositions of an English company's property made after a winding-up has commenced is void, unless the court orders otherwise. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any).

Disclaimer

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to an executed contract nor can it be used to disturb accrued rights and liabilities.

Germany

Marcolin Germany (the ''**German Guarantor**'') which will guarantee the Notes is a company organized under the laws of Germany, and in particular, in the form of a company with limited liability (*Gesellschaft mit beschränkter Haftung,* GmbH). Consequently, the grant of a guarantee by the German Guarantor will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the ''**GmbHG**'').

As a general rule, sections 30 and 31 of the GmbHG (''**Sections 30 and 31**'') prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (i.e., assets minus liabilities and liability reserves) is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees granted by a GmbH in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to guarantee liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, and guarantees to contain so-called ''limitation language'' in relation to subsidiaries in the legal form of a GmbH incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees agree to enforce the guarantees against the German subsidiary only to the extent that such enforcement does not result in the subsidiary's net assets falling below, or increasing an existing shortfall of, its stated share capital. Accordingly, as a matter of German corporate law, the documentation in relation to the guarantees, to the extent they concern the German Guarantor, contains such limitation language and such guarantees are limited in the manner described. This could lead to a situation in which the respective guarantee by the German Guarantor cannot be enforced at all.

In addition to the limitations resulting from the capital maintenance rules, the guarantee granted by the German Guarantor will contain additional provisions limiting the enforcement in the event the enforcement would result in an illiquidity of the German Guarantor.

German capital maintenance rules are subject to ongoing court decisions. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a limited liability company, which can negatively affect the ability of the Issuer to make payment on the notes, of the German Guarantor to make payments on the guarantee or of the beneficiaries of the guarantees to enforce the guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court regarding so-called ''destructive interference'' (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee granted by a German guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. Furthermore, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of guarantees by a German guarantor.

Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of

the guarantee or security interest is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Under German law, it is unclear whether all of the security interests in the Collateral give the Security Agent a right to prevent other creditors of the German Guarantor from foreclosing into and realizing the Collateral. Some courts have held that certain types of security interests only give their holders priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by unsecured creditors into the Collateral, even if they consider such foreclosure untimely.

Certain Insolvency Law Considerations

European Union

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the ''**E.U. Insolvency Regulation**''), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's ''**center of main interests**'' (as that term is used in Article 3(1) of the E.U. Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its ''center of main interests'' is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been made in cases that have been brought before the European Court of Justice in relation to questions of interpretation of the effects of the E.U. Insolvency Regulation throughout the European Union.

Although there is a presumption under Article 3(1) of the E.U. Insolvency Regulation that a company has its ''center of main interests'' in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the E.U. Insolvency Regulation states that the ''center of main interests'' of a ''debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties.'' The courts have taken into consideration a number of factors in determining the ''center of main interests'' of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's ''center of main interests'' may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

The E.U. Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the E.U. Insolvency Regulation. If the ''center of main interests'' of a company is in one Member State (other than Denmark) under Article 3(2) of the E.U. Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an ''establishment'' in the territory of such other Member State. An ''establishment'' is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to ''winding up proceedings'' listed in Annex B of the E.U. Insolvency Regulation. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State

which has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

Italy

The insolvency laws of Italy may not be as favorable to investors' interests as those of creditors in other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, the enforcement of security interests by creditors in Italy can be time consuming.

The following is a brief description of certain aspects of insolvency law in Italy.

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the ''**Italian Bankruptcy Law**'') are to maintain employment and to liquidate the debtor's assets for the satisfaction of creditors. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies facing financial difficulties or in a state of temporary crisis, and for insolvent companies.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (Piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor has to verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits).

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)

Out-of-court arrangements for the restructuring of indebtedness entered into with creditors representing at least 60% of the total amount of the company's outstanding debts can be ratified by the court. An

independent expert appointed by the debtor must assess that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as at the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the nonparticipating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court.. Only a debtor who is insolvent or in a situation of ''financial distress'' (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's ratification (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor in relation to pre-existing receivables. Such moratorium of any interim relief and enforcement actions can be requested by the debtor from the court also prior to the above-mentioned publication of the agreement, subject to the fulfillment of certain conditions. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

Such moratorium can also be requested, pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law, by the debtor from the court pending negotiations with creditors (prior to the above-mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days of the filing of the request and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium.

Creditors may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

Moreover, pursuant to Article 182-*quater* financings granted to a debtor ''in view of'' (*in funzione*) a petition for the sanctioning (*omologazione*) of an agreement pursuant to Article 182-*bis* or a *concordato preventivo* procedure benefit of the same super-priority status in case of subsequent bankruptcy of the debtor where such financings are contemplated under the underlying restructuring plan and the super-priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the Article 182-*bis* agreement or the approval of the c*oncordato preventivo* procedure. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Court-supervised pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of ''financial distress'' but has not been declared insolvent by the court has the option to seek an arrangement with its creditors under court supervision in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such arrangement with creditors can be sought by a company which meets any of the following thresholds: (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three preceding fiscal years; (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years'; or (iii) total indebtedness in excess of €0.5 million. Only the debtor company can file a petition for a *concordato preventivo* (together with, *inter alia*, the proposed agreement and a report prepared by an independent expert appointed by the debtor assessing, *inter alia*, the feasibility of the composition proposal). Between the filing of the *concordato preventivo* proposal with the court and its confirmation by the court, all enforcement actions by the creditors (whose title arose before the confirmation of the court) are stayed. The composition proposal may provide for: (i) the restructuring of debts and the

satisfaction of creditors' claims, in any manner, including for example, through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the business involved in the proposed composition agreement; (iii) the division of creditors into classes; and (iv) different treatments for creditors belonging to different classes. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The composition agreement may also propose the continuation of the relevant business activity by the debtor company, the transfer of the business itself or the contribution thereof in one or more companies (even though newly incorporated), without prejudice to the possibility to liquidate the assets which are not necessary to carry out the business (*concordato con continuità aziendale*). In such case, the Italian Bankruptcy Law provides for a specific regime, specifying, *inter alia,* that the relevant composition proposal shall also fully describe the costs and revenues which are expected as a consequence of the continuation of the business activity, of the financial resources which will be necessary and the relevant financial support and that the expert shall certify that the continuation of the business is functional to a better satisfaction of the creditors.

The court determines whether the proposal for the composition is admissible, in which case the court, *inter alia*, delegates a judge (*giudice delegato*) to follow the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditor meeting. During the implementation of the arrangement, the company is managed by its corporate bodies (generally its board of directors) under the surveillance of such judicial officer(s) and under the supervision of such judge delegated by the court.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved by creditors representing a majority of the unsecured creditors entitled to vote or, where different classes of creditors are formed, by the majority of creditors within each class. Those creditors who, being entitled to vote, did not do so and those who did not express their dissent (including failing to notify their objection via telegraph, fax, mail or certified e-mail) within 20 days of the closure of the minutes of the creditors' meeting are deemed to be consenting to the *concordato preventivo.* Secured creditors do not generally vote on the proposal of *concordato preventivo* unless they waive their security or the *concordato preventivo* provides that they will not receive full satisfaction (in which case they can vote only in respect of the part of the debt affected by such proposal). If a creditor of a dissenting class or, if the plan does not provide for more classes of creditors, a number of dissenting creditors representing 20% of the credits admitted to vote, file an opposition to the certification, the competent court may reject such opposition and sanction the *concordato preventivo* if it deems that the relevant credit may be satisfied, as a result of the *concordato preventivo*, for an amount which is not lower than the amount achievable through the alternatives otherwise.

After the creditors' approval, the court (after having settled possible objections raised by the dissenting creditors, if any) must confirm the *concordato preventivo* proposal by issuing a confirmation order.

If the approval of the *concordato preventivo* fails, the court may, upon request by the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

Pre-application for the composition with creditors (concordato preventivo), even in view of a restructuring agreement (accordo di ristrutturazione del debito)

The filing of the application for the certification of a restructuring arrangement (*accordo di ristrutturazione del debito*) and the application for a composition with creditors (*concordato preventivo*) may be pre-empted by the filing by the debtor distressed company of a pre-application for a composition with creditors (*concordato preventivo*). In particular, according to Article 161(6) of the Italian Bankruptcy Law, the distressed company may file a pre-application for the composition with creditors together with (i) the financial statements of the last three financial years and, pursuant to the recent law Italian law decree no 69/2013 as converted into law No. 98 of August 9, 2013 (''**Law Decree 69/2013**'') , (ii) the list of creditors with the reference to the amount of the respective receivables, asking the competent court to set a deadline, between 60 and 120 days (subject to a further extension of up to 60 days where there are reasonable grounds) for the filing of additional documents required for the filing of a petition at court for a *concordato preventivo*. Pursuant to Law Decree 69/2013, the court, if accepts such pre-application, may appoint a judicial commissioner to overview the company, who, in the event that the debtor has carried

out one of the activities under article 173 of the Italian Bankruptcy Law (e.g. concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*. The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the composition with creditors (or the certification of a restructuring arrangement (*accordo di ristrutturazione del debito*)) having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. Non-compliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. Following the filing of the pre-application and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the Court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Receivables arising from acts lawfully carried out by the distressed company are treated as super-senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law.

Pursuant to article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent Court to be authorized to terminate outstanding agreements (*contratti in corso di esecuzione*), except for certain agreements which are excluded from the scope of the above provision (e.g. employment agreements (*rapporti di lavoro subordinato*). The request may be filed with the competent Court at the time of the filing of the application to be admitted to a Court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid as a credit preceding the admission to the pre bankruptcy composition.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the same debtor, any number of creditors and, in certain cases, by the public prosecutor. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only if the company meets any of the following thresholds: (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding € 0.3 million in each of the latest three fiscal years; (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the latest three fiscal years; or (iii) total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. The secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy trustee and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in his or her decision;
- the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver (*curatore fallimentare*); and
- after a declaration of bankruptcy with respect to a creditor, any act (including payments) made by the debtor, other than those made through the receiver, become ineffective. Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of Italian law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Additionally, Italian bankruptcy law provides for the following:

- ***Bankruptcy composition with creditors (concordato fallimentare).*** Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The petition may provide the possibility that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority of claims (and, if classes are formed, by a majority of the claims in a majority of the classes). Final court confirmation is also required.
- ***Statutory priorities.*** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.
- ***Avoidance powers in insolvency.*** Similar to other jurisdictions, there are so-called ''claw-back'' or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions.

In particular, the Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner:

(a) ***Acts ineffective by operation of law.*** (i) Under article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration, and (ii) under article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the

insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request. These can include the following:

(i) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective, unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

- transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, made by the bankrupt entity which were not paid in cash or by other customary means of payment in the year prior to the insolvency declaration;
- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and
- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure mature debts.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
- deeds granting pre-emptive rights in favor of debts (even those of third parties) which are simultaneously created and made within six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account; *provided that* it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-bis of the Royal Decree No. 262 of March 16, 1942 (the ''**Italian Civil Code**''), currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; *provided that*, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;
- transactions entered into, payments made and guarantees issued with respect to the bankrupt entity's goods, provided that they concern the implementation of a plan (*piano attestato*) which permits for the restructuring of the debt and for the improvement of its financial position; *provided that* an ''independent'' (in accordance with article 67 of the Italian Bankruptcy Law) expert registered in the legal register and eligible to be appointed as a bankruptcy receiver pursuant to article 28, paragraphs (a) and (b), of the Italian Bankruptcy Law is certifying the accuracy of the business data and the feasibility of the plan;
- a transaction entered into, payment made or guarantee issued to implement a ''*concordato preventivo*'' or an ''*accordo di ristrutturazione del debito*'' under Article 182-bis of the Italian Bankruptcy Law and transactions entered into,

payments made and security interests granted after the filing for the application for a *concordato preventivo* pursuant to Article 161 of the Italian Bankruptcy Law (see above); and

- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them;

(c) payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared void within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design).

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

An extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises (commonly referred to as the ''*Prodi-bis*'' procedure). Companies must be insolvent although able to demonstrate serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income must have been derived from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Extraordinary administration procedures involve two main phases—an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three such judicial receivers) (*commissiario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days) together with an opinion from the Italian Productive Activities Minister (the ''**Ministry**''). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

Assuming that the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s), appointed by the Ministry, prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the ''**Disposal Plan**'') or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the ''**Recovery Plan**''). It may also include an arrangement with creditors (e.g. debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however' should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003, the industrial restructuring of large solvent companies is also known as the ''*Marzano procedure*.'' It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Fraudulent transfer provisions of general applicability including during bankruptcy

Under Italian law, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke said guarantee, agreement and other act only if it, in addition to ascertaining prejudice (as outlined above), was to make the following two findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non-gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

France

In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors. Consequently, the commencement of insolvency proceedings at the level of a company which has provided security and/or a guarantee in respect of the Notes may limit the ability of holders of the Notes to enforce a guarantee and/or security granted by such company in relation to the Notes. Under the E.U. Insolvency Regulation, French courts may have jurisdiction over the main insolvency proceedings of a company incorporated in the jurisdiction of another Member State (with the exception of Denmark) if the center of main interests of such company is

deemed to be in France. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes in this respect.

Grace periods

A French court may, pursuant to articles 1244-1 *et seq.* of the French Civil Code, in any civil proceedings involving a debtor, whether initiated by the debtor or its creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of the principal. If a court order under articles 1244-1 *et seq.* of the French Civil Code is made, it will suspend any pending enforcement measures that may have been initiated by the creditors, and any contractual interest or penalty for late payment will not accrue or be due during the grace period ordered by the court. A creditor cannot contract out of such grace periods.

Insolvency test

Under French law, a company is deemed insolvent (*en cessation des paiements*) when it is not able to pay its debts which are due with its available assets taking into account credit lines available to it, and debt reschedulings which its creditors have granted to it.

Court-assisted pre-insolvency proceedings

A company that has its center of main interests in France and faces difficulties may request the commencement of court-assisted pre-insolvency proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders under the aegis of a third party moderator (*mandataire ad hoc* or *conciliateur*), whose name can be suggested by the debtor, appointed by the President of the relevant court (usually the Commercial Court). These proceedings are amicable, confidential (subject to the details below as regards conciliation proceedings) and do not involve any automatic stay.

Mandat ad hoc proceedings

In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic, legal or financial nature but are not insolvent. The *mandataire ad hoc*'s duties are determined by the relevant court. This *mandataire ad hoc* is usually appointed in order to facilitate the negotiations with the debtor's main creditors or stakeholders but he cannot coerce the creditors to accept any proposal and the dissenting creditors will not be bound by the arrangement, if any. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they generally abstain from doing so. *Mandat ad hoc* proceedings are confidential and are not limited in time. The agreement reached by the parties (if any) with the help of the *mandataire ad hoc* can be reported by the latter to the President of the court but is not sanctioned by the court or the President of the court.

In any event, the debtor retains the right to petition the relevant judge for a grace period as set forth in articles 1244-1 *et seq*. of the French Civil Code (see ''—*Grace periods*'').

Conciliation proceedings

Conciliation proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which is not insolvent or has not been insolvent for more than 45 days. The debtor petitions the President of the Commercial Court for the appointment of a conciliator in charge of assisting the debtor in negotiating an agreement with all or part of its creditors and stakeholders. *Conciliation* proceedings are confidential (subject to the below) and may last up to five months. During the proceedings, creditors may continue to individually claim payment of their claims. However, if, during the *conciliation* proceedings, a creditor initiates a legal action against the debtor or gives the debtor formal notice to pay, the debtor retains the right to petition the President of the Court for debt rescheduling for a maximum of two years pursuant to articles 1244-1 *et seq*. of the French Civil Code

(see ''*—Limitations on the Validity and Enforceability of the Guarantees and Security Interests—France—Grace periods*''). In that case, the President of the Court who commenced the *conciliation* proceedings has jurisdiction and will take his/her decision after having been informed by the conciliator (*conciliateur*).

Upon its execution, the agreement reached by the parties becomes binding upon them and creditors party thereto may not take action against the company in respect of claims governed by the agreement. In addition, without such formalities being an obligation on the parties, the agreement can be either:

- upon all parties' request, acknowledged (*constaté*) by the President of the court, which makes it immediately enforceable without further recourse (*titre exécutoire*). The acknowledgement of the conciliation agreement keeps the conciliation proceedings confidential; or
- upon the debtor's request, sanctioned (*homologué*) by a decision of the court, subject to the satisfaction of certain conditions (*i.e.*: (i) the debtor is not insolvent or the conciliation agreement puts an end to the debtor's insolvency; (ii) the terms of the conciliation agreement are of such as to ensure that the company will survive as a going concern; and (iii) the agreement does not infringe upon the rights of the non-signatory creditors). The judgment will make the conciliation proceedings public only in respect of the existence of the conciliation proceedings but not in respect of the content of the agreement (except for the guarantees and security interests as well as the amount of ''new money'' detailed below, as provided for in the agreement) which shall have the following specific consequences:
- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-petition and pre-petition claims (other than certain pre-petition employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings (the ''**new money lien**''); and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (*cessation de paiements*) and therefore the starting date of the so-called suspect period (as defined below) cannot be set by the court at a date earlier than the date of the sanction of the agreement by the court, except in the case of fraud (see the definition of the date of the *cessation des paiements* above).

Joint debtors, personal guarantors, or any third party that granted a security interest can benefit from the provisions of the sanctioned or acknowledged agreement. Provided the agreement (whether acknowledged, sanctioned or not) is duly executed, any individual proceedings by creditors with respect to the claims included in the agreement are suspended.

In case of breach of the agreement, any party thereto can petition the court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, except for those amounts already paid to them. See ''*—Grace periods*.''

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings as described below.

Court-administered insolvency proceedings—safeguard, accelerated financial safeguard, reorganization and liquidation proceedings

Court-administered insolvency proceedings may be initiated:

- in the event of safeguard or accelerated financial safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor, the public prosecutor or at the court's own initiative (such an initiative as regards the commencement of the judicial reorganization proceedings having, however, recently been held anti-constitutional by the French Constitutional Court in its decision dated December 7, 2012 (see ''*—Safeguard, accelerated financial safeguard, reorganization and liquidation proceedings*''). The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. It is required to petition for the commencement of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible)

within 45 days of it becoming insolvent (unless it filed for conciliation proceedings in the meantime). If it fails to do so, its directors and officers may incur civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a judicial reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months. During the observation period, a court-appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company. Creditors do not have effective control over the procedure, which remains in the hands of the company and the administrator and is overseen by the court. In safeguard proceedings, the administrator's mission is limited to either supervising or assisting the debtor's management and assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which proposals may include a business continuation plan (equivalent to a safeguard plan) and/or the sale of all or part of the company's business to a third party. In judicial reorganization, the court may also decide that the administrator will manage the company alone in lieu of the debtor's management.

During the safeguard proceedings, payment by the debtor of any debts incurred prior to the opening of the proceedings is prohibited, subject to very limited exceptions. For example, the bankruptcy judge can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). In addition, creditors are required to declare to the *mandataire judiciaire* (explained below) the debts that arose prior to the opening of the procedure (as well as the post-opening non-privileged debts (as defined below)) and are prohibited from engaging any individual lawsuits against the debtor for any payment default in relation to such debts (see ''—Status of Creditors during Safeguard Proceedings, Accelerated Financial Safeguard Proceedings, Judicial Reorganization Proceedings or Judicial Liquidation Proceedings'') and the accrual of interest on loans with a term of less than one year, or payments deferred for less than one year, is stopped. Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the observation period or are for the requirements of the proceedings, or are in consideration for a service rendered to the debtor during this period must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exception such as the ''new money lien'' see ''—*Conciliation Proceedings*'') granted in the context of conciliation proceedings).

At the end of the observation period, if it considers that the company can survive as a going concern, the court will adopt a safeguard or reorganization plan which will essentially entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor's assets and businesses (a sale of the entire business is not possible in a safeguard plan). At any time during safeguard proceedings, the court may convert at its own initiative such proceedings into reorganization proceedings if the debtor becomes insolvent or at the debtor's request, if the approval of a safeguard plan is manifestly impossible and if the company would become insolvent should safeguard proceedings end. At any time during safeguard or reorganization proceedings, the court may also convert such proceedings into liquidation proceedings if the debtor is insolvent and its recovery is manifestly impossible. However, it cannot be ruled out (further to a recent decision from the French Constitutional Court dated December 7, 2012), that the constitutionality of the conversion of safeguard proceedings into judicial reorganization or liquidation proceedings, when it is decided upon the judge's own initiative, may be challenged.

There is no observation period in case of judicial liquidation proceedings being commenced against the debtor. The outcome of these proceedings, which is decided by the court without a vote of the creditors, may be a plan for the sale of the business and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. In case a plan for the sale of the business is considered, the court can authorize a temporary continuation of the business for a maximum period of three months (renewable once at the public prosecutor's request), the effects of which are similar to an observation period.

Creditors' committees and adoption of the safeguard or reorganization plan

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million) or where authorized by the supervising judge for smaller companies, two creditors' committees (one for credit institutions having a claim against the debtor or entities having

granted credit or advances in favor of the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers—the smaller suppliers, if invited by the administrator, may elect to be members of such committee) have to be established.

As a general matter, only the legal owner of the bank debt claim will be invited onto the credit institutions committee. Accordingly, a person holding only an economic interest therein will not itself be a member of the credit institutions committee.

To be eligible to vote, suppliers must have their claims set forth in the list provided by the debtor to the judicial administrator as certified by the debtor's statutory auditor (or, in its absence, its accountant).

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes), a general meeting gathering all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those *obligations* (the ''**bondholders' general meeting**''). The Notes would constitute *obligations* for the purposes of a safeguard or reorganization proceedings and the Noteholders would therefore vote within the bondholders' general meeting.

These two committees and the bondholders' general meeting will be consulted on the safeguard or reorganization plan drafted by the debtor's management, together with the judicial administrator, during the observation period.

The draft plan submitted to the committees and the bondholders:

- must take into account subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may in particular include a rescheduling or cancellation of debts and debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

In the first instance, the plan must be approved by each of the two creditors' committees. Each committee must announce whether its members approve or reject such plan within 20 to 30 days of its proposal to the debtor (such time can be reduced or extended by the supervising judge, at the request of the debtor or the judicial administrator, it being noted that it cannot last less than 15 days). Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee that express a vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two-thirds of the amount of the claims held by bondholders expressing a vote in the bondholders' general meeting. Holders of the Notes could, as member of the general meeting of noteholders, veto such plan if they reach a blocking minority (i.e., their claims represent more than one third of the claims of those creditors casting a vote in the meeting).

The lenders under the Revolving Credit Facility may have interests that are different from the interests of the holders of the Notes.

Creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote. For those creditors outside such committees or where no such committees have been convened, the *mandataire judiciaire* (the bankruptcy official appointed by the court upon commencement of the proceedings in order to act in the collective interest of all creditors) may elect not to consult them.

Following approval by the creditors' committees and the bondholders' general meeting (and approval by each creditor that is not a member of the committees or a bondholder of a proposal, including in particular a rescheduling or a cancellation of part of its debt), the plan has to be approved by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan), as well as those creditors outside such committees / general meeting (it being noted that they can only have imposed upon them debt rescheduling by the court as detailed below).

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan (or has not rendered its decision) within six months of the judgment commencing the proceedings, the plan will not be approved by the court, which can still adopt a safeguard plan in the time remaining until the end of the observation period, in which case a consultation of the creditors on an individual or collective basis will take place. They will be asked whether they accept rescheduling, cancellation of debt and/or debt-for-equity swaps provided for in the draft plan. Where the consultation is in writing, the creditor is deemed to have accepted the debt rescheduling and/or write-off proposal if the creditor fails to respond within thirty days upon receipt of the *mandataire judicaire*'s letter. However, with respect to debt-to-equity swap proposals, the creditors' representative must obtain the agreement of each individual creditor in writing within this 30-day timeframe.

In such circumstances, for those individual creditors who have not reached a negotiated agreement, the court can only impose uniform debt deferrals over a maximum period of 10 years, except for claims with maturity dates of more than 10 years, in which case the maturity date shall remain the same. The court cannot impose on them debt write-offs or debt-to-equity swaps. The same rule applies with respect to creditors who are not members of the committees, or where no such committees or general meeting of bondholders are convened.

The first payment must be made within a year of the judgment adopting the plan (as from the third year included, the minimum annual installment is 5% of the total admitted liabilities), it being noted, however, that if the contractual provisions relating to a debt claim provide that the principal amount of such debt claim is repayable *in fine* and its maturity date falls within the implementation period of the plan, the repayment of such principal amount only starts on the first annual installment date (as set out in the plan) following the original contractual maturity date of that debt claim and such payment follows specific rules.

Court-administered proceedings—accelerated financial safeguard proceedings

A debtor in conciliation proceedings may request commencement of accelerated financial safeguard proceedings. Accelerated financial safeguard proceedings are very similar to safeguard proceedings (see above) but have been designed to ''fast-track'' purely financial difficulties of large companies having (i) either more than 150 employees or a turnover greater than €20 million or (ii) whose total balance sheet exceeds (a) €25 million or (b) €10 million if they control another company (A) which has more than 150 employees or (B) whose turnover for the previous financial year is greater than €20 million or (C) whose total balance sheet exceeds €25 million.

The proceedings apply only to debt owed to financial institutions and bondholders (*i.e.*, debts towards creditors eligible to be part of the credit institutions' committee and bond debts) the payment of which is to be affected by the plan adopted through accelerated financial safeguard proceedings.

Other creditors, such as public creditors (*e.g.*, the tax or social security administration) or suppliers, are not directly impacted by accelerated financial safeguard proceedings. Their debt continues to be due and payable according to their contractual or legal terms. The list of claims of credit institutions and bondholders party to the conciliation proceedings shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims (see below) unless the creditors otherwise elect to make such a filing (see below).

To be eligible to accelerated financial safeguard proceedings, the debtor must fulfill three conditions:

- as is the case for regular safeguard proceedings, the debtor must (i) not be insolvent and (ii) face difficulties which it is not able to overcome;
- the debtor must be subject to ongoing *conciliation* proceedings when it applies for the commencement of the accelerated financial safeguard proceedings;
- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its financial creditors (*i.e.*, credit institutions and bondholders) to render likely its adoption by the credit institutions' committee and the bondholders' meeting, if any, within a maximum of two months of the commencement of the proceedings.

Where accelerated financial safeguard proceedings are commenced, the credit institutions' committee and the bondholders' general meeting are convened and are required to vote on the proposed safeguard plan within a minimum period of eight days of delivery of the proposed plan (as compared to a minimum period of 15 days for regular safeguard proceedings).

The total duration of the accelerated financial safeguard proceedings (*i.e.*, the period between the judgment commencing accelerated financial safeguard proceedings and the judgment adopting the plan) is one month, unless the court decides to extend it by one additional month.

Status of creditors during safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings

Contractual provisions pursuant to which the commencement of the proceedings constitutes an event of default are not enforceable against the debtor, while the judicial administrator can unilaterally request the termination of ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The judicial administrator can, on the contrary, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default prior to commencement of the proceedings, but on the condition that it fully performs its post-petition contractual obligations.

In addition, during the observation period:

- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is deferred by at least one year);
- the debtor is prohibited from paying debts incurred prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge to recover assets for which recovery is justified by the continued operation of the business; and
- creditors may not pursue any individual legal action against the debtor (or, in safeguard or reorganization proceedings, against a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
- to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
- to terminate a contract for non-payment of pre-petition amounts owed to the creditor; or
- to enforce the creditor's rights against any assets of the debtor, except where such asset—whether tangible or intangible, moveable or immoveable—is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency procedure, in accordance with the terms of article 5 of the E.U. Insolvency Regulation).

In accelerated financial safeguard proceedings, the above rules only apply to the creditors which are subject to the proceedings (*i.e*., creditors eligible to the credit institutions' committee and bondholders).

As a general rule, creditors domiciled in France whose claims arose prior to the commencement of proceedings must file their claims with the *mandataire judiciaire* within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions provided the debtor complies with the safeguard or judicial reorganization plan adopted by the court. Employees are not subject to limitations and are preferred creditors under French law.

In accelerated financial safeguard proceedings, a simplified process is applicable to financial creditors that took part in the conciliation proceedings.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

In case of judicial reorganization or liquidation with a continuation of the business, if the court adopts a plan for the sale of the business (*plan de cession*), the proceeds of the sale will be allocated in repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking..

French insolvency law recognizes a priority right of payment of certain creditors over others: employees, post-petition legal costs (essentially fees of the officials appointed by the insolvency court), creditors who, as part of a sanctioned conciliation agreement, have provided new money or goods or services, certain pre-petition secured creditors in judicial liquidation proceedings only, post-petition creditors, the French State (taxes and social charges), other pre-petition secured creditors and pre-petition unsecured creditors.

The ''Suspect Period'' in judicial reorganization or liquidation proceedings

The date of insolvency is generally deemed to be the date of the court ruling commencing proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such ruling. Except for fraud, the date of insolvency may not be set at an earlier date than the date of the final court decision which sanctioned (*homologué*) the conciliation agreement in the context of a conciliation procedure. The period of time starting on such date of insolvency and ending on the date of such ruling is named the ''suspect period'' (''***période suspecte***''). Certain transactions undertaken during the so-called suspect period may become automatically void or voidable as detailed below.

Automatically void transactions include transactions or payments entered into during the so-called suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred, any provisional measures, unless the writ of attachment or seizure predates the date of insolvency (*cessation de paiements*), the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement (*fiducie*) that dedicates assets or rights as a guarantee of pre-existing debts.

Transactions voidable by the court include payments made on accrued debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the so-called suspect period, if the court determines that the creditor knew of the insolvency (*cessation de paiements*) of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the so-called suspect period. (See ''*—Fraudulent Conveyance*.'')

There is no suspect period prior to the commencement of safeguard or accelerated financial safeguard proceedings, since the condition required to commence such proceedings is that the company is not insolvent within the meaning of French law.

Creditors' liability

Pursuant to article L. 650-1 of the French Commercial Code as interpreted by case law, where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if the granting of such facilities was wrongful and in the case of (i) fraud, (ii) interference with the management of the debtor, or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable in such circumstances can be cancelled or reduced by the court.

England

Any insolvency proceedings with respect to the English Guarantor would likely be governed by English insolvency laws, although insolvency proceedings in respect of the English Guarantor could also be based in other jurisdictions in certain circumstances (see further ''*—Cross Border Insolvency*'' below).

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or creditor making an application for administration, in or out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

A company is unable to pay its debts if it is insolvent either on a ''cash-flow'' or ''balance sheet'' basis. A company is cash-flow insolvent if it is unable to pay its debts as they fall due. A company is balance sheet insolvent if the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Administration

The administration of a company must achieve one of the following statutory objectives: (i) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (ii) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the second objective); or (iii) the realization of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the third objective). An administrator must attempt to achieve the objectives of administration in order, unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. Therefore, the administrator cannot pursue the third objective unless he thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

The rights of creditors are particularly curtailed in an administration. Upon the appointment of an administrator, no step may be taken to enforce security over the company's property or legal process (including legal proceedings, execution, distress or diligence) instituted or continued against the company or its property, except with the consent of the administrator or permission of the court. Certain creditors of a company in administration may be able to realise their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a ''security financial collateral agreement'' (generally, cash or financial instruments such as shares, bonds or tradeable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003.

The same requirements for consent or permission apply to the commencement or continuation of legal process (including legal proceedings, execution, distress or diligence) against the company or property of the company. In either case, a court will consider discretionary factors in determining any application for permission in light of the relevant statutory objective of administration described above.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act 1986, to dispose of the property of a company in administration as if it were not subject to a security interest in favor of a third party.

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act 1986, as amended (the ''**U.K. Insolvency Act**''). At the end of the liquidation process the company will be dissolved.

For the holders of the Notes, indirectly benefiting from the guarantees granted by the English Guarantor, the most important consequences of the opening of formal insolvency proceedings in England and Wales against any English Guarantor or other subsidiary subject to the English insolvency regime would be that:

- the appointed insolvency practitioner (such as an administrator or liquidator) would have the right to administer and dispose of assets of the English Guarantor or subsidiary as the representative of the insolvent estate;
- in certain circumstances, an administrator or a liquidator will have powers to challenge the guarantees granted by the English Guarantor and any other subsidiaries in England and Wales and intercompany obligations generally; and
- claims against such English Guarantor or subsidiary in England and Wales may generally only be pursued in accordance with the provisions set forth in the U.K. Insolvency Act and the Insolvency Rules 1986, as amended.
- No steps may be taken to enforce security over an English Guarantor or subsidiary, except with the consent of the administrator or liquidator (as applicable) or leave of the court. This restriction also

applies to the commencement or institution of legal process (including legal proceedings, execution, distress or diligence) against an English Guarantor or subsidiary, or property thereof.

Cross Border Insolvency

Pursuant to the E.U. Insolvency Regulation, where a company incorporated under English law has its ''center of main interests'' in a Member State of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the Member State in which its ''center of main interests'' is located and be subject to the laws of that Member State (see ''—*European Union*''). Although there is a rebuttable presumption that the center of main interests will be in the jurisdiction of a company's incorporation, this presumption is not conclusive.

Similarly, the U.K. Cross Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross Border Insolvency in England, Scotland and Wales, provide that, in circumstances where that jurisdiction has also adopted legislation implementing the UNCITRAL Model Law, a foreign court may have jurisdiction where any English company has its ''center of main interests'' in such foreign jurisdiction, or where it has an ''establishment'' (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). To the extent that the Cross Border Insolvency Regulations 2006 conflict with an obligation of the United Kingdom under the E.U. Insolvency Regulation, however, the requirements of the E.U. Insolvency Regulation will prevail.

Foreign Currency

Under English insolvency law any debt of a company payable in a currency other than pounds sterling (such as euro in the case of the Notes) must be converted into pounds sterling at the ''official exchange rate'' prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The ''official exchange rate'' for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English company which has granted a guarantee goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such English company went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Germany

The German Guarantor is organized under the laws of Germany. Consequently, in the event of an insolvency of any such Guarantor, insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company's ''center of main interests'' is found to be in a member state other than Germany (please see ''—*European Union*''). There are a number of factors that are taken into account to ascertain the ''center of main interests,'' which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which this issue falls to be determined is at the time when the application for the opening of the insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed.

Under German law, insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*) of the debtor, i.e., when the debtor is unable to pay its debts as and when they fall due. The debtor is over-indebted if its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (*überwiegend wahrscheinlich*). If a limited liability company (*Gesellschaft mit beschränkter Haftung*) gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) of such company and, in certain circumstances its shareholders, are obligated to file for the opening of insolvency proceedings without undue delay, however, at the latest within three weeks after the mandatory insolvency reason, i.e., illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both

severe damage claims as well as sanctions under criminal law. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obligated) to file for the opening of insolvency proceedings in the event of an imminent illiquidity.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession proceedings (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—with this petition not being obviously futile. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on the profile of the officeholder to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible, i.e., not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall include a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees. The duty of the preliminary insolvency administrator is, in particular, to safeguard and to preserve the debtor's property (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of the formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets (*Insolvenzmasse*) to cover at least the cost of the insolvency proceedings. If the assets of the debtor are expected not to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court, unless a debtor-in-possession proceedings (*Eigenverwaltung*) are ordered. In the absence of a debtor-in-possession process, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e. sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

Under German insolvency law, termination rights, automatic termination events or ''escape clauses'' entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), who wish to assert claims against the debtor need to

participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g. liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9% of the gross enforcement proceeds plus VAT (if any) and are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor, the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors, will be satisfied on a *pro rata* basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full. Hence, the proceeds resulting from the disposal of the insolvency estate of the debtor may not be sufficient to satisfy the unsecured claims of the holders of the Notes. In addition, it may take several years until an insolvency dividend (if any) is distributed to unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules.

Realizing the value of the insolvency estate for distribution of the proceeds among the creditors is commonly achieved by disposing of the debtor's assets, or, as the case may be, by disposing of the debtor's business as a going concern. Following a recent amendment of German insolvency law, it is also possible to implement a debt-to-equity-swap through an insolvency plan. However, a debtor may not be forced into a debt-to-equity conversion if it has itself filed for the opening of insolvency proceedings due to over-indebtedness or imminent illiquidity and if it filed for preliminary debtor-in-possession proceedings (*Schutzschirmverfahren*). In such case and upon request of the debtor, the court will prohibit enforcement measures (other than with respect to immovable assets) and may implement other preliminary measures to protect the debtor from credit enforcement actions for up to three months if an independent expert testifies that the restructuring of the debtor's business is not obviously futile (*offensichtlich aussichtslos*) and that the debtor is not already illiquid. During such period, the debtor shall, together with its creditors and a preliminary custodian (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal debtor-in-possession proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately on an entity-by-entity basis (i.e., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group (unless they otherwise agree), but rather claims of and *vis-à-vis* each entity have to be dealt with separately.

Pledges

Under German law, a pledge may only be validly created in favor of the creditor(s) of the secured claims and the pledgor will need to notify the relevant debtor of a pledged claim (or, alternatively, the company of pledged shares in relation to the pledge of claims) of such pledge in order to create a valid pledge. Furthermore its validity, extent and enforceability is strictly linked (''accessory'') to the validity, extent and

enforceability of the secured claims. In particular, a pledge may cease to exist if the claims secured by the pledge are transferred to new creditor(s) by way of novation or at a time when no amounts are outstanding under the secured claims. As a result, the security interests granted as pledges have been created in favor of the Security Agent acting in its capacity as creditor of a parallel debt. It is widely believed that a parallel debt can effectively be secured by a pledge, but there are no published court decisions on this issue. See ''Parallel Debt'' below.

Since German law does not generally permit for an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event, an enforcement of a share pledge governed by German law usually requires the sale of the relevant collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply for such disposal process.

Parallel debt

Under German law, certain ''accessory'' security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee who does not itself hold the secured claim. The holders of interests in the notes from time to time will not be party to the security documents. In order to permit the holders of the notes from time to time to have a secured claim the security documents provide for the creation of a ''parallel debt.'' Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the notes. The pledges governed by German law will directly secure the parallel debt. There are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt. Hence there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by German law and that German courts will uphold pledges granted under German law to secure parallel debt.

Hardening periods and fraudulent transfer

In the event that insolvency proceedings with respect to the German Guarantor, which would most likely be based on and governed by the insolvency laws of Germany, the security interests granted as well as the guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Based on these rules, an insolvency administrator may avoid (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and were effected prior to the opening of formal insolvency proceedings during applicable avoidance periods. Generally, if transactions, performances or other acts are successfully avoided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the opening of insolvency proceedings.

In the event of insolvency proceedings based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders of the Notes as well as the granting of security interests for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set forth in the German Insolvency Code. In case the validity or enforceability of the Notes or any security interest in favor of the Notes is avoided successfully, the holder of the Notes may not be able to recover any amounts under the Notes or the security interests. If payments have already been made under the Notes or security interests, any amounts received from a transaction that had been avoided would have to be repaid to the insolvency estate. In this case, the holders of the Notes would only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the repayment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was illiquid (*zahlungsunfähig*), which means such debtor was unable to pay its debt when

due, and the creditor had knowledge of thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge of the illiquidity of the debtor or the filing of such petition;

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner can be avoided if the transaction was effected one month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was illiquid, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor;
- any legal transaction by the debtor which is directly detrimental to the creditors of the debtor can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the legal transaction the debtor was illiquid and the other party to the legal transaction had knowledge of the illiquidity or (ii) after a petition for the opening of insolvency proceedings has been filed and the other party to the legal transaction had knowledge of either the debtor's illiquidity or such filing;
- any act whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*) may be avoided, unless it was it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor during a period of ten years prior to the filing of a petition for the opening of insolvency proceedings or at any time after such filing can be avoided if the debtor acted with the intent to prejudice the insolvency creditors and the beneficiary of the transaction had knowledge of such intent at the time of the transaction;
- any non-gratuitous contract concluded between the debtor and an affiliated party which directly operates to the detriment of the creditors can be avoided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'affiliated party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event of the provision of security, the transaction was effected within the last ten years prior to the filing of a petition for the opening of insolvency proceedings or thereafter, or (ii) in the event of satisfaction, the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter; and
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, ''knowledge'' is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings has been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to disadvantage the insolvency creditors if such person was aware of the debtor's imminent illiquidity and that the transaction disadvantaged the debtor's creditors.

Furthermore, even in the absence of an insolvency proceeding, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction on its enforceable claims by a

levy of execution, under certain circumstances, has the right to avoid certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites differ to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

Finally, the insolvency estate shall serve to satisfy the claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for restitution of a loan replacing equity capital or claims resulting from legal transactions corresponding in economic terms to such a loan.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is organized as a joint stock company (*società per azioni* or S.p.A.) organized under the laws of the Republic of Italy and certain of the Guarantors are organized as a simplified corporation (*société par actions simplifieé*) under the laws of France, a private limited company under the laws of England or a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany.

Service of process

None of the directors, officers and other executives of the Issuer are residents or citizens of the United States. Furthermore, substantially all of the assets of the Issuer are located outside the United States. In addition, substantially all of the directors, officers and other executives of the non-U.S. Guarantors are not residents or citizens of the United States and substantially all of the assets of the non-U.S. Guarantors are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the non-U.S. Guarantors or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the non-U.S. Guarantors have appointed, or will appoint, an agent for the service of process in New York.

It may be possible for investors to effect service of process within Italy, France and England upon those persons or the Issuer, a Guarantor or over other subsidiaries of the Issuer provided that such service of process comply with The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965.

Enforcement of judgments in Italy

We have been advised by Latham & Watkins (London) LLP, our Italian counsel, that final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, *provided that* pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) (the ‘‘**PIL Act**’’) the following conditions are met:

- the relevant U.S. federal or New York state court had appropriate jurisdiction to pass judgment upon the matter (in accordance with the Italian principles on jurisdiction);
- the defendant had received the summons in accordance with the laws of the state in which the proceedings have taken place, and the defendant had not been deprived of his fundamental rights of defense and due process of law;
- the parties had appeared in the proceedings in accordance with the local procedural law, or the proceedings were conducted *in absentia* (*in contumacia*) in accordance with such local procedural law;
- the judgment rendered by the U.S. federal or New York state court must be final and binding and not subject to any further appeal (*passato in giudicato*) according to the law of the state in which it was issued;
- the judgment rendered by the U.S. federal or New York state court is not in conflict with any earlier final and binding judgment issued by an Italian court;
- there are no pending proceedings before any Italian court in relation to the same subject matter and between the same parties which started prior to the proceedings before the relevant U.S. federal or New York state court; and
- the judgment rendered by the U.S. federal or New York state court is not contrary to Italian public policy (*ordine pubblico)*.

In addition, according to Article 67 of the PIL Act, if the judgment rendered by the U.S. federal or New York state court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, proceedings must be instituted before the competent court to this end. The competent court does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above. We have also been advised that an Italian court may refuse to apply the U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

Enforcement of judgments in France

We have been advised by Latham & Watkins AARPI, our French counsel, that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon U.S. Federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- The U.S. judgment is enforceable in the jurisdiction of the court which rendered it;
- the U.S. judgment was rendered by a court having jurisdiction over the matters as the dispute is sufficiently connected with the jurisdiction of the court which rendered it, the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- the U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- the U.S. judgment is not tainted with fraud; and
- the U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the above regulations, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by French Ordinance No. 2011-1012 of August 24, 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rule of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case-by-case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country towards French persons (article 14) and can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country towards the foreign claimant (article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French court's jurisdiction towards French nationals is no longer mandatory to the extent an action has been

commenced before a court in a jurisdiction which has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, the French national may waive its rights to benefit from the provisions of articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

Our French counsel has also advised us that the French Supreme Court (*Cour de Cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (*potestative*). Accordingly, any provisions to the same effect in any relevant documents would not be binding over the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Enforcement of judgments in England

We have been advised by Latham & Watkins (London) LLP, our English counsel, that the United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same amtter; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

Enforcement of judgments in Germany

We have been advised by Latham & Watkins LLP, our German counsel, that there is doubt as to the enforceability in Germany of civil liabilities based on the state of securities laws of the United States, either in an original action or in an action to enforce a judgment obtain in U.S. courts. The United States

and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- the U.S. judgment is final under U.S. law;
- the U.S. court having had jurisdiction over the original proceedings according to German law;
- the defendant have had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court is consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the judgment of the U.S. court is consistent with the procedure of a matter pending before a German court, *provided* that such matter as pending before a German court before the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with German public policy, including the fundamental principles of German law, and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the principle of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicted solely by U.S. federal securities laws.

German courts usually deny the recognition and enforcement of punitive damages. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to the trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for the Issuer by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state, English and Italian law, by TLS—Associazione Professionale di Avvocati e Commercialisti with respect to matters of Italian taxation law, by Latham & Watkins AARPI with respect to matters of French law, by Latham & Watkins LLP with respect to matters of German law, by McCarter & English LLP with respect to matters of New Jersey state law and by Stibbe N.V. with respect to matters of Dutch law.

Certain legal matters will be passed upon for the Initial Purchasers by Linklaters LLP with respect to matters of U.S. federal and New York state law and Studio Legale Associato in association with Linklaters LLP with respect to matters of English and Italian law.

INDEPENDENT AUDITORS

Issuer

The audited consolidated financial statements of the Issuer as of and for the years ended December 31, 2010, 2011 and 2012 have been audited in accordance with IFRS as adopted in the EU by Deloitte & Touche S.p.A., independent auditors at such time when the relevant reports were delivered, as set forth in their reports appearing herein.

Deloitte & Touche S.p.A. is registered under the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) maintained by the Ministry of Economy and Finance, effective from June 7, 2004. Its registered office is at Via Tortona, 25, 20144 Milan, Italy.

Since, May 2013, PricewaterhouseCoopers S.p.A. has been appointed independent auditors of the Issuer. PricewaterhouseCoopers S.p.A. is registered under No. 119644 in The Register of Accountancy Auditors (*Registro dei Revisori Contabili*) held by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January, 2010, No. 39. PricewaterhouseCoopers S.p.A. is also a member of ASSIREVI. Its registered office is at Via Monte Rosa, 91, 20149 Milan, Italy.

Viva

The audited financial statements of Viva as of and for the years ended December 31, 2010, 2011 and 2012 have been audited in accordance with U.S. GAAP by PricewaterhouseCoopers LLP, independent auditors, as set forth in their reports appearing herein.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are ''restricted securities'' within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Mr. Sandro Bartoletti, Investor Relations of the Issuer at fax, +39 0437.777158 or invrel@marcolin.com.

The Issuer is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See ''*Description of Notes—Reports*.''

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the rules and regulations of the Luxembourg Stock Exchange so require, we will make available the notices to the public in a leading newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or in written form at places indicated by announcement, to be so published as previously mentioned, or by any other means considered equivalent by the Luxembourg Stock Exchange.

LISTING AND GENERAL INFORMATION

Admission to trading and listing

Application has been made for the both the Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, in accordance with the rules and regulations of the Luxembourg Stock Exchange.

In addition, application has been made to obtain a secondary listing of the Notes on the ExtraMOT Pro Segment of the Italian Stock Exchange, a multilateral trading facility.

Luxembourg listing information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the offices of the Luxembourg Listing Agent during normal business hours on any weekday (excluding holidays):

- the organizational documents of the Issuer and the Guarantors (in each case, following the granting of their respective Guarantee);
- the bylaws of the Issuer and, following the latter of the Completion Date or the granting of the relevant Guarantee, the Guarantors;
- the financial statements included in this Offering Memorandum;
- any annual and interim condensed consolidated financial statements or accounts of the Issuer dated subsequent to the date of this Offering Memorandum, to the extent available;
- the Indenture;
- the Security Documents (in each case, following the execution thereof); and
- the Intercreditor Agreement.

The Issuer has appointed Société Générale Bank and Trust S.A. as Luxembourg Listing Agent, Elavon Financial Services Limited as Registrar, Elavon Financial Services Limited, UK Branch as Transfer Agent, Paying Agent and Escrow Agent, The Law Debenture Trust Corporation p.l.c., as Trustee and *Rappresentante Comune* and UniCredit Bank AG, Milan Branch, as Security Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Luxembourg Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means considered equivalent by the Luxembourg Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the Issuer's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

Clearing information

The Notes sold pursuant to Regulation S in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common code and ISIN 099175907 and XS0991759076, respectively. The Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common code and ISIN 099181524 and XS0991815241, respectively.

Issuer legal information

General

The Issuer was formed as a private joint stock company (*società per azioni*) under the laws of Italy on February 8, 1983 with a duration until December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. The Issuer's registered offices are located at Zona Industriale Villanova, 4, 32013 Longarone (BL), Italy and it is registered under number 01774690273 with the Companies Register of Belluno (*Registro delle Imprese di Belluno*). As of the date of this Offering

Memorandum, the Issuer has a share capital of €32,312,475.00 which has been fully paid-up, comprised of 61,458,375 ordinary shares, without par value. See ''*Principal Shareholders*'' and ''*Management*'' for further information regarding the Issuer's shareholders, corporate governance and its management.

Pursuant to article 3 of its articles of incorporation (*statuto*), the corporate purposes of the Issuer are to, *inter alia*: (i) study, design (for its own account), manufacturing and production, sale, distribution of eyeglasses and sunglasses, including sports glasses, eyeglasses frames and other components and semi-finished pieces in metal, plastic and any other materials; (ii) the leasing, purchase and management of businesses or business units with the same or related corporate purposes, complementary to or supporting the eyewear or optical industry; (iii) purchases of participations in other companies that carry out activities within the corporate purpose, or are otherwise complementary or related; (iv) provision of technical, production, commercial, administrative and financial services to companies within the same group or affiliates; (v) transport for its own account or for third parties.

The Issuer has obtained or will obtain before the closing of the Offering, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes was authorized by the Issuer's board of directors pursuant to a resolution dated as of October 31, 2013 and confirmed by a decision of the board of directors approving the terms of the issuance dated as of November 7, 2013.

Financial year and accounts

The Issuer's financial year begins on January 1 and ends on December 31 of each year. The Issuer prepares and publishes annual audited financial statements. In addition, for each of the first three fiscal quarters of the Issuer's financial year, the Issuer will prepare unaudited interim condensed consolidated financial statements as required under paragraph 3 under the caption ''Reports'' in ''Description of Notes''. For so long as the rules and regulations of the Luxembourg Stock Exchange require, any future published financial statements prepared by the Issuer will be available, during normal business hours, at the offices of the Luxembourg Listing Agent.

Guarantor legal information

Marcolin U.S.A., Inc.

Marcolin U.S.A., Inc. (''**M-USA**'') was formed as a corporation under the laws of the State of New York, United States on May 15, 2003 with an indefinite duration. M-USA's registered offices are located at 7543 E. Tierra Buena Lane, Scottsdale, Arizona, 85260-1630, United States and it is registered to do business in Arizona under file number F-1077703-6 with the Arizona Corporation Commission. As of the date of this Offering Memorandum, M-USA had a share capital of $214,600 which has been fully paid-up, comprised of 2,146 outstanding shares, with par value of $100 each.

M-USA is 85.40%-owned by the Issuer; the remaining 14.60% is owned by Marcolin International B.V. which is itself a direct, wholly-owned subsidiary of the Issuer.

Pursuant to New York Business Corporations Law Section 201, M-USA's corporate purpose is to undertake any lawful business purpose or purposes, except as prohibited by law.

M-USA has obtained or will obtain before the Completion Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture and the relevant Security Documents.

Marcolin (UK) Limited

Marcolin (UK) Limited (''**Marcolin UK**'') was incorporated as a private limited company under the laws of England on March 28, 1988. Marcolin UK's registered offices are located at Griffin Court 24-32, London Road, Newbury, Berkshire, RG14 1JX, United Kingdom and it is registered with the Companies Register of the United Kingdom under number 02236133. As of the date of this Offering Memorandum, Marcolin UK had a share capital of £850,000 which has been fully paid-up, comprised of 850,000 shares, with par value of £1.00 each.

Marcolin UK is a direct, wholly-owned subsidiary of the Issuer.

According to article 3 of its corporate charter, the corporate purposes of Marcolin UK are to, *inter alia* with all other lawful purposes, to carry on business as general merchants and as manufacturers, preparers for sale of and dealers in all kinds of raw materials, manufactures and semi-manufacturered goods.

Marcolin UK has obtained or will obtain before the Completion Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

Marcolin France S.A.S.

Marcolin France S.A.S. (''**Marcolin France**'') was formed as a corporation (*société anonyme*) under the laws of the Republic of France on December 6, 1979 and was subsequently transformed into a simplified corporation (*société par actions simplifiée*) on November 29, 2008. Marcolin France has a duration until February 9, 2079. Marcolin France's registered offices are located at 86 bis Rue Amelot 75011 Paris, France and it is registered with the Register of Commerce and Companies (*Registre de Commerce et Sociétés*) of Paris under number 317.857.001. As of the date of this Offering Memorandum, Marcolin France had a share capital of €1,054,452 which has been fully paid-up, comprised of 702,968 shares, with par value of €1.50 each.

Marcolin France is 76.89%-owned by the Issuer; the remaining 23.11% is owned by Marcolin International B.V. which is itself a direct, wholly-owned subsidiary of the Issuer.

According to article 3 of its corporate charter (*statut*), the corporate purposes of Marcolin France are to: manufacture and distribute sunglasses, prescription frames, sports glasses and related materials and products; produce, acquire, lease and make use of all manner of commercial and industrial real estate properties related to its corporate purpose; acquire, commercialize and sell intellectual property related to its activities; participate (directly and indirectly) in all transactions and in holding of participations of companies related to its corporate purposes; and all other transactions related thereto.

Marcolin France has obtained or will obtain before the Completion Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

Marcolin (Deutschland) GmbH

Marcolin (Deutschland) GmbH (''**Marcolin Germany**'') is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany on limited liability companies. Marcolin Germany has an indefinite duration. Marcolin Germany's registered offices are located at Monreposstrasse 55, 71634 Ludwisburg, Germany and it is registered with the Commercial Register (*Handelsregister*) of Stuttgart under HRB 206688. As of the date of this Offering Memorandum, Marcolin Germany had a share capital of €300,000 which has been fully paid-up, comprised of one share with par value of €300,000.

Marcolin Germany is a direct, wholly-owned subsidiary of the Issuer.

According to article 2 of its articles of association (*Satzung*), the corporate purposes of Marcolin Germany are the distribution of spectacle frames, sunglasses, spectacles accessories, and other optical products, in particular the distribution of such products of the Issuer, in Germany. Marcolin Germany may further establish, acquire and lease other enterprises, acquire participations of any kind in enterprises or represent such enterprises, as well as establish branches in Germany or abroad. Marcolin Germany also may take all measures that directly or indirectly promote the corporate purposes.

Marcolin Germany has obtained or will obtain before the Completion Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

Viva Optique, Inc.

Viva Optique, Inc. (''**Viva**'') was formed as a corporation under the laws of the State of New Jersey, United States on January 26, 1978 with an indefinite duration. Viva's registered offices are located at 3140 Route 22 W., Somerville, New Jersey 08876-3548 and it is registered under file number 0100055670 with the State of New Jersey Division of Revenue and Enterprise Services. As of the date of this Offering Memorandum, Viva had a share capital of $112,532,000 which has been fully paid-up, comprised of 1,000 shares, with no par value. Prior to the consummation of the Viva Acquisition, the Issuer does not own or control Viva. Following the consummation of the Viva Acquisition and the Transfer, Viva will be a direct, wholly-owned subsidiary of M-USA. See ''*The Acquisition*'' for more information regarding the Viva Acquisition. Within 10 business days from the Completion Date, Viva will accede to the Indenture governing the Notes as Guarantor and to the Revolving Credit Facility Agreement as Obligor, as well as to the Intercreditor Agreement.

Pursuant to article 2 of Viva's certificate of incorporation, the corporate purposes of Viva are: (i) to undertake any undertake any lawful business purpose or purposes except as prohibited by law and (ii) without limiting the generality or scope of the foregoing, to patent, manufacture, buy, sell, import and export, and generally deal in telescopes, microscopes, field glasses, binoculars, magnifying glasses, jena and other glass used in the manufacture of optical instruments, lenses of all kinds and descriptions and for any and all purposes, eye glasses, and spectacles, surveyors' instruments, and any and all optical instruments of whatever kind or description and for whatever use or purpose.

Viva will obtain before the closing of Completion Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Viva Collateral and performance of its obligations under the Indenture and the relevant Security Documents.

Additional disclosure regarding the contribution of certain Subsidiaries to the Group's pro forma results of operations and financial condition

For the year ended December 31, 2012, the M-USA and Viva generated for more than 10% of the Group's Pro forma combined EBITDA (net of intercompany eliminations), generating 26.1% and 27.2% of Pro forma combined EBITDA, respectively for the period. For information on the calculation of Pro forma combined EBITDA, see footnote 1 under ''*Selected Pro Forma and Historical Consolidated Financial Information—Selected Pro Forma Combined Financial Information*.''

As of June 30, 2013, M-USA comprised more than 10% of the Group's Pro forma combined total assets (net of intercompany eliminations), comprising 21.6% of Pro forma combined total assets. For information on the calculation of the Unaudited Pro Forma Consolidated Statement of Financial Position as of June 30, 2013, see page P-4 of this Offering Memorandum.

For more information concerning the registered address, corporate purpose, proportion of share capital held by the Issuer and the issued capital of each of M-USA and Viva, see ''*—Guarantor legal information—Marcolin U.S.A., Inc.*'' and ''*—Guarantor legal information—Viva Optique, Inc.*''

The following table sets forth certain information regarding M-USA and Viva as of and for the periods indicated, as applicable.

	M-USA	Viva
	(Unaudited)	
	(€ in thousands)[1]	
Reserves (as of June 30, 2013)	31,066	6,185
Profit arising out of ordinary activities (for the year ended December 31, 2012)	2,648	1,664
Amount still to be paid up on shares held (as of June 30, 2013)	—[2]	—[2]
Dividends received during last financial year (for the year ended December 31, 2012)	1,299	—[3]

(1) Viva's financial statements are reported in U.S. dollars. For convenience, they have been converted into euro at the following exchange rates: $1.308 per €1.00 as of June 30, 2013 and $1.285 per €1.00 for the year ended December 31, 2012 (the yearly average), in each case as reported by the Bank of Italy. It should be noted that Viva's financial statements were prepared in U.S. GAAP. See ''*Presentation of Financial Information*.''

(2) The shares of each of M-USA and Viva are fully paid up.

(3) For the year ended December 31, 2012, the Issuer did not own Viva and therefore did not receive any dividends. See ''*The Acquisition*'' for a discussion of the Acquisition Agreement which has been signed to purchase Viva and the conditions precedent to the consummation of the Viva Acquisition.

General

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer's financial position since June 30, 2013; and
- neither the Issuer nor any of its subsidiaries has been involved in any litigation, administrative proceedings or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as the Issuer is aware, no such proceedings are pending or threatened.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1. INTRODUCTION

The unaudited consolidated financial information on a pro forma basis of Cristallo S.p.A. (''**Cristallo**'' and together with its subsidiaries the ''**Group**'' or ''**Cristallo Group**'') as of June 30, 2013, for the year ended December 31, 2012, the six months ended June 30, 2013 and the twelve months ended June 30, 2013, has been prepared to represent the pro forma effects of the following operations (together the ''**Operations**''):

- the proposed acquisition (the ''**Target Acquisition**'') by the Group of 100% of the share capital of Viva Optique Inc (''**Viva''** and together with its subsidiaries the ''**Viva Group**'') from HVHC Inc. (the ''**Seller''**). In particular, the majority of the Viva share capital will be acquired directly by the Group, while the remaining portion, for an amount of $30 million, will be initially acquired by 3Cime S.p.A., an indirect parent entity of Cristallo, and immediately after sold to the Group; therefore, Viva will be a wholly owned subsidiary of the Group; and
- the proposed issuance of notes (the ''**Offering**'') by Marcolin S.p.A. (the ''**Issuer**'') and the application of the use of proceeds therefrom. Solely for the purposes of the preparation of this unaudited pro forma consolidated financial information, the aggregate principal amounts of the notes to be issued has been assumed to be €200 million (the ''**Notes**'');

On October 23, 2013, M-USA, one of the Issuer's indirect wholly owned subsidiaries and Marmolada S.p.A. (''**Marmolada**''), the direct parent company of Cristallo, entered into an acquisition agreement (the ''**Acquisition Agreement**'') to acquire the entire issued share capital of Viva, on a cash and debt free basis, from the Seller for an aggregate cash consideration of $142 million (excluding certain closing adjustments described in further details in this document). The completion of the Target Acquisition is subject to satisfaction of certain conditions, including antitrust approval by the U.S. Federal Trade Commission and the Austrian Federal Competition Authority. If the conditions precedent to the closing of the Target Acquisition are not satisfied within 90 days following the signing of the Acquisition Agreement, unless amended, the Acquisition Agreement will terminate. The Acquisition Agreement may also be terminated by either M-USA or the Seller upon receipt of a final, non appealable order by a competent government authority restraining or prohibiting the Target Acquisition.

The unaudited pro forma consolidated financial information includes (a) the unaudited pro forma consolidated statement of financial position as of June 30, 2013, (b) the unaudited pro forma consolidated income statement for the year ended December 31, 2012, (c) the unaudited pro forma consolidated income statement for the six months ended June 30, 2013 and (d) the unaudited pro forma consolidated income statement for the 12 months ended June 30, 2013, with the related explanatory notes (together the ''**Unaudited Pro Forma Consolidated Financial Information**'').

The purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information is to simulate, using accounting principles that are consistent with those used in relation to the preparation of the Group's published historical consolidated financial statements and compliant with the applicable legislation, the main effects of the Operations on the statement of financial position and results of operations of the Group, as if the Operations had occurred on June 30, 2013 for purposes of the unaudited pro forma consolidated statement of financial position and January 1, 2012, January 1, 2013 and July 1, 2012, respectively, for purposes of the unaudited pro forma consolidated income statements described in the previous paragraph.

The Unaudited Pro Forma Consolidated Financial Information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of operations of the Group.

As mentioned above, the Unaudited Pro Forma Consolidated Financial Information represents a simulation, for illustrative purposes only, of the main potential impacts that may derive from the Operations. In particular, as pro forma information is prepared to illustrate retrospectively the effects of transactions that will occur subsequently using generally accepted regulations and reasonable assumptions, there are limitations that are inherent to the nature of pro forma information; hence, had the Operations taken place on the dates assumed above, the actual effects would not necessarily have been the same as those presented in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, in consideration of the different purposes of the Unaudited Pro Forma Consolidated Financial Information as compared to the historical financial statements and the different methods of

1. INTRODUCTION (continued)

calculation of the effects of the Operations on the pro forma consolidated statement of financial position and on the pro forma consolidated income statements, the latter two statements should be read and interpreted without comparisons between them.

Finally, it should be noted that the Unaudited Pro Forma Consolidated Financial Information does not attempt to predict or estimate the future results of the Group and should not be used for this purpose.

The Unaudited Pro Forma Consolidated Financial Information should be read together with:

- the consolidated financial statements of Marcolin S.p.A. and its subsidiaries (the ''**Marcolin Group**'') as of December 31, 2012 and for the year then ended (the ''**2012 Marcolin Consolidated Financial Statements**''), approved by the Board of Directors on April 9, 2013, and audited by Deloitte & Touche S.p.A., which issued its audit report without qualification on April 15, 2013;
- the unaudited condensed consolidated interim financial statements of Marcolin Group as of and for the six-month period ended June 30, 2012 (the ''**Marcolin June 2012 Unaudited Condensed Consolidated Interim Financial Statements**''), approved by the Board of Directors on August 7, 2012. The Marcolin June 2012 Unaudited Condensed Consolidated Interim Financial Statements were subject to limited review procedures by Deloitte & Touche S.p.A., which issued its audit report without qualification on August 10, 2012;
- the unaudited consolidated interim financial statements of Cristallo S.p.A. and its subsidiaries (the ''**Cristallo Group**'') as of and for the six-months period ended June 30, 2013 **(the ''Cristallo June 2013 Unaudited Consolidated Interim Financial Statements**''), approved by the Board of Directors on October 23, 2013. The Cristallo June 2013 Unaudited Consolidated Interim Financial Statements were subject to limited review procedures by PricewaterhouseCoopers S.p.A., which issued its limited review report without qualification on November 1, 2013;
- the consolidated financial statements of Viva and its subsidiaries as of December 31, 2012 and for the year then ended **(the ''2012 Viva Consolidated Financial Statements**'') and audited by PricewaterhouseCoopers LLP, which issued its audit report without qualification on March 11, 2013, and;
- the unaudited condensed consolidated interim financial statements of Viva as of June 30, 2013 and for the six-months period ended June 30, 2013 and 2012 (the ''**Viva June 2013 Unaudited Condensed Consolidated Interim Financial Statements**'').

The unaudited pro forma consolidated financial information has been prepared on a voluntary basis for inclusion in the offering memorandum being prepared in connection with Marcolin S.p.A.'s (the ''**Company**'' or the ''**Issuer**'') proposed issuance of senior secured notes to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act (''**Rule 144A**'') in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S. Application will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange. In addition, application will be made to Borsa Italiana S.p.A. for listing of the Notes on the Extra MOT, upon their issuance.

2. BASIS OF PREPARATION

The Unaudited Pro Forma Consolidated Financial Information is prepared on the basis of the historical financial information derived from the financial statements and information detailed above, adjusted to reflect the effects of the Operations.

The accounting principles used for the preparation of the Unaudited Pro Forma Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements, which have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union (''**IFRS**''). A detail of the accounting policies applied is provided in the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements.

2. BASIS OF PREPARATION (continued)

It should be noted that Viva prepares its consolidated financial statements in accordance with the generally accepted accounting principles in the United States (''**US GAAP**''). A very preliminary high level US GAAP analysis has been performed, as result of which, 1) the historical consolidated income statements and consolidated statement of financial position of Viva have been adjusted, to reflect the different classification adopted by Cristallo in accordance with IFRS compared to those of Viva and 2) an adjustment has been recorded in respect to provisions for long-term taxes (see Note B.4(i) below). It should be noted that further adjustments could be necessary as result of a full US GAAP analysis, which will be performed by the time Viva will be fully consolidated for the first time.

3. PRO FORMA CONSOLIDATED INFORMATION

This section presents the unaudited pro forma consolidated statement of financial position as of June 30, 2013, the unaudited pro forma consolidated income statements for the year ended December 31, 2012, for the six months ended June 30, 2013 and for the twelve month period ended June 30, 2013.

3. PRO FORMA CONSOLIDATED INFORMATION (continued)

3.1 Unaudited Pro Forma Consolidated Statement of Financial Position as of June 30, 2013

The following table presents the pro forma adjustments made in order to present the main potential effect of the Operations on the Cristallo Group's consolidated statement of financial position as of June 30, 2013.

(in thousand of Euro)	Cristallo Group Historical	Viva Group	Pro forma adjustments		Cristallo Group Pro Forma
			Target Acquisition	Offering	
	(A)	*(B)*	*(C.1)*	*(C.2)*	
Assets					
Non-current assets					
Property, plant and equipment	19,694	4,400	—	—	24,094
Intangible assets	21,798	15,945	—	—	37,743
Goodwill	189,063	—	73,576	—	262,639
Investments	88	2,141	—	—	2,229
Deferred tax assets	20,634	3,088	1,200	1,833	26,755
Other non-current assets	8,978	122	—	—	9,100
Total non-current assets	**260,255**	**25,696**	**74,776**	**1,833**	**362,560**
Current assets					
Inventories	39,889	28,241	—	—	68,130
Trade and other receivables	70,276	19,220	—	—	89,496
Other current assets	1,923	2,004	—	—	3,927
Cash and bank balances	21,402	13,433	(70,829)	70,091	34,097
Total current assets	**133,490**	**62,898**	**(70,829)**	**70,091**	**195,650**
Total assets	**393,745**	**88,594**	**3,947**	**71,924**	**558,210**
Equity					
Equity attributable to the Group	184,955	43,331	(3,400)	(4,833)	220,053
Total equity	**184,955**	**43,331**	**(3,400)**	**(4,833)**	**220,053**
Liabilities					
Non-current liabilities					
Long-term borrowings	98,799	2,352	5,071	94,201	200,423
Long-term provisions	17,429	—	—	—	17,429
Deferred tax liabilities	250	1,505	—	—	1,755
Other non-current liabilities	—	3,947	2,276	—	6,223
Total non-current liabilities	**116,478**	**7,804**	**7,347**	**94,201**	**225,830**
Current liabilities					
Trade payables	48,963	20,140	—	—	69,103
Short-term borrowings	21,570	651	—	(17,444)	4,777
Short-term provisions	8,938	—	—	—	8,938
Current tax liabilities	2,463	608	—	—	3,071
Other current liabilities	10,378	16,060	—	—	26,438
Total current liabilities	**92,312**	**37,459**	**—**	**(17,444)**	**112,327**
Total liabilities	**208,790**	**45,263**	**7,347**	**76,757**	**338,157**
Total liabilities and equity	**393,745**	**88,594**	**3,947**	**71,924**	**558,210**

3. PRO FORMA CONSOLIDATED INFORMATION (continued)

3.2 Unaudited Pro Forma Consolidated Income Statement for the year ended December 31, 2012

The following table presents the pro forma adjustments made in order to show the main potential effects of the Operations on the Cristallo Group's consolidated income statement for the year ended December 31, 2012.

(in thousand of Euro)	Marcolin Group Historical	Viva Group	Pro forma adjustments Offering and Target Acquisition	Cristallo Groupo Pro Forma
	(D)	*(E)*	*(F)*	
Revenue	213,963	148,592	—	362,555
Cost of sales	(82,313)	(67,406)	—	(149,719)
Gross profit	**131,650**	**81,186**	**—**	**212,836**
Selling and marketing costs	(98,558)	(56,947)	—	(155,505)
General and administrative expenses	(16,853)	(17,068)	—	(33,921)
Other operating income and expenses	(5,245)	339	—	(4,906)
Effects of accounting for associates	(11)	554	—	543
Operating profit	**10,983**	**8,064**	**—**	**19,047**
Net finance expense	(1,881)	(1,389)	(13,623)	(16,893)
Profit before taxes	**9,102**	**6,675**	**(13,623)**	**2,154**
Income tax expense	(3,124)	(1,858)	3,746	(1,236)
Net profit for the year	**5,978**	**4,817**	**(9,877)**	**918**

3.3 Unaudited Pro Forma Consolidated Income Statement for the six months ended June 30, 2013

The following table presents the pro forma adjustments made in order to present the main potential effects of the Operations on the Cristallo Group's consolidated income statement for the six months ended June 30, 2013.

(in thousand of Euro)	Cristallo Group Historical	Viva Group	Pro forma adjustments Offering and Target Acquisition	Cristallo Group Pro Forma
	(G)	*(H)*	*(F)*	
Revenue	112,221	78,398	—	190,619
Cost of sales	(43,431)	(34,660)	—	(78,091)
Gross profit	**68,790**	**43,738**	**—**	**112,528**
Selling and marketing costs	(49,340)	(29,699)	—	(79,039)
General and administrative expenses	(10,757)	(9,360)	—	(20,117)
Other operating income and expenses	1,173	98	—	1,271
Effects of accounting for associates	1	237	—	238
Operating profit	**9,867**	**5,014**	**—**	**14,881**
Net finance expense	(5,409)	(675)	(2,359)	(8,443)
Profit before taxes	**4,458**	**4,339**	**(2,359)**	**6,438**
Income tax expense	(2,869)	(1,917)	649	**(4,137)**
Net profit for the period	**1,589**	**2,422**	**(1,710)**	**2,301**

3. PRO FORMA CONSOLIDATED INFORMATION (continued)

3.4 Unaudited Pro Forma Consolidated Income Statement for the twelve months ended June 30, 2013

The following table presents the pro forma adjustments made in order to present the main potential effects of the Operations on the Cristallo Group's consolidated income statement for the twelve months ended June 30, 2013.

(in thousand of Euro)	Cristallo Group Historical	Viva Group	Pro forma adjustments Offering and Target Acquisition	Cristallo Group Pro Forma
	(I)	*(J)*	*(F)*	
Revenue	204,688	143,467	—	348,155
Cost of sales	(80,641)	(65,526)	—	(146,167)
Gross profit	**124,047**	**77,941**	**—**	**201,988**
Selling and marketing costs	(96,266)	(55,298)	—	(151,564)
General and administrative expenses	(19,311)	(16,733)	—	(36,044)
Other operating income and expenses	(5,786)	418	—	(5,368)
Effects of accounting for associates	(374)	465	—	91
Operating profit	**2,310**	**6,793**	**—**	**9,103**
Net finance expense	(6,108)	(1,129)	(9,209)	(16,446)
Profit before taxes	**(3,798)**	**5,664**	**(9,209)**	**(7,343)**
Income tax expense	(1,256)	(1,560)	2,533	**(283)**
Net profit (loss) for the year	**(5,054)**	**4,104**	**(6,676)**	**(7,626)**

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following notes include a description of the pro forma adjustments made for the Unaudited Pro Forma Consolidated Financial Information.

4.1. Unaudited pro forma interim consolidated statement of financial position as of June 30, 2013

It should be preliminarily noted that for the purposes of the preparation of the Unaudited Pro Forma Consolidated Financial Information, certain items included in Viva's historical consolidated statement of financial position have been aggregated in order to allow an homogeneous presentation with the one presented by the Group. This aggregation has been made in respect of IFRS and has not affected any of the sub-totals presented.

Column A: **Cristallo Group historical consolidated statement of financial position as of June 30, 2013**

This column includes the Cristallo Group's consolidated statement of financial position as of June 30, 2013 derived from the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

Column B: Viva unaudited pro forma consolidated statement of financial position as of June 30, 2013

This column includes the Viva unaudited pro forma consolidated statement of financial position as of June 30, 2013 prepared as follows:

	Viva Group Historical $/000	Previous goodwill elimination $/000	Note payable to HVHC Inc $/000	Other adjustments $/000	Viva Group $/000	Viva Group €/000
	(B.1)	*(B.2)*	*(B.3)*	*(B.4)*		*(B.5)*
Assets						
Non-current assets						
Property, plant and equipment	5,755	—	—	—	5,755	4,400
Intangible assets	20,856	—	—	—	20,856	15,945
Goodwill	89,334	(89,334)	—	—	—	—
Investments	2,800	—	—	—	2,800	2,141
Deferred tax assets	4,039	—	—	—	4,039	3,088
Other non-current assets	160	—	—	—	160	122
Total non-current assets	**122,944**	**(89,334)**	**—**	**—**	**33,610**	**25,696**
Current assets						
Inventories	36,939	—	—	—	36,939	28,241
Trade and other receivables	25,140	—	—	—	25,140	19,220
Other current assets	2,621	—	—	—	2,621	2,004
Cash and bank balance	40,744	—	(22,024)	(1,150)	17,570	13,433
Total current assets	**105,444**	**—**	**(22,024)**	**(1,150)**	**82,270**	**62,898**
Total assets	**228,388**	**(89,334)**	**(22,024)**	**(1,150)**	**115,880**	**88,594**
Equity						
Equity attributable to the Group	144,129	(89,334)	—	1,881	56,676	43,331
Total equity	**144,129**	**(89,334)**	**—**	**1,881**	**56,676**	**43,331**
Liabilities						
Non-current liabilities						
Long-term borrowings	25,101	—	(22,024)	—	3,077	2,352
Long-term provisions	—	—	—	—	—	—
Deferred tax liabilities	1,969	—	—	—	1,969	1,505
Other non-current liabilities	7,460	—	—	(2,297)	5,163	3,947
Total non-current liabilities	**34,530**	**—**	**(22,024)**	**(2,297)**	**10,209**	**7,804**
Current liabilities						
Trade payables	26,342	—	—	—	26,342	20,140
Short-term borrowings	851	—	—	—	851	651
Short-term provisions	—	—	—	—	—	—
Current tax liabilities	795	—	—	—	795	608
Other current liabilities	21,741	—	—	(734)	21,007	16,060
Total current liabilities	**49,729**	**—**	**—**	**(734)**	**48,995**	**37,459**
Total liabilities	**84,259**	**—**	**(22,024)**	**(3,031)**	**59,204**	**45,263**
Total liabilities and equity	**228,388**	**(89,334)**	**(22,024)**	**(1,150)**	**115,880**	**88,594**

B.1: Viva Group Historical

This column includes Viva's consolidated statement of financial position as of June 30, 2013 expressed in $, derived from the Viva June 2013 Unaudited Condensed Consolidated Interim Financial Statements and reclassified in accordance with the classifications adopted by the Group.

B.2: Previous goodwill elimination

This column relates to the elimination of the goodwill recognized in the Viva June 2013 Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2013, amounting to $89,334 thousand, for the purposes of calculating the goodwill attributable to the Target Acquisition.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

B.3: Note payable to HVHC Inc

This column relates to the settlement of Viva's note payable with the Seller on completion of the Target Acquisition. In this respect, it has been assumed that this note payable will be settled using the existing cash of Viva.

B.4: Other adjustments

This column includes:

(i) reversal of an accrual of $1,881 thousand relating to Viva's provision for long term taxes made in accordance with US GAAP (FIN 48) and related to uncertain tax positions. Such provisions are not allowed under IFRS and therefore have been eliminated with a corresponding adjustment in retained earnings.

(ii) the payment of the accrued management fee payable by Viva to the Seller amounting to $232 thousand, which will be settled in cash prior to closing of the acquisition;

(iii) settlement of the employee incentive plans, which will vest immediately upon the Target Acquisition, amounting to $918 thousand as of June 30, 2013 (the amount that will mature up to the date of payment has not been considered, as it is not estimated to be material). In particular, a pro forma adjustment to cash and cash equivalents and current and non-current liabilities relating to the settlement of obligations under such plans has been recorded.

B.5: Viva Group

The $ amounts have been translated into Euro by applying the $/Euro exchange rate of 1.308 as of June 30, 2013 to the relevant $ amount.

***Column C1:* Target Acquisition**

This column includes the estimated pro forma effects to the Cristallo Group's consolidated statement of financial position as of June 30, 2013 that may derive from the accounting for the Target Acquisition. In particular, below are briefly discussed the pro forma adjustments to account for (i) the determination of the provisional goodwill arising from the Target Acquisition and (ii) the financing of the Target Acquisition.

(i) Determination of provisional goodwill.

According to IFRS 3—*Business combinations*, at the time of the Target Acquisition, that is the date on which the Group will obtain control over Viva Group (the ''**Acquisition Date**''), should the acquisition be successful, the Group shall recognize goodwill as the excess of the consideration transferred over the net of the acquisition date amounts of the fair value of all identifiable assets acquired and the liabilities assumed. In the circumstances, since the fair value of the Viva Group's assets and liabilities is not currently available, in accordance with IFRS 3, paragraph 45, goodwill has been determined on a provisional basis allocating the entire difference between the consideration resulting from the Acquisition Agreement and the book value of Viva Group's net assets as of June 30, 2013, adjusted as result of the factors described under the previous Note B.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

The following table sets forth the determination of the provisional goodwill (in Euro thousand):

Total purchase consideration[(1)]	114,631
Net assets acquired[(2)]	41,055
Provisional goodwill	**73,576**

(1) The purchase consideration has been calculated as follows:

	$'000	€'000[(a)]
Total purchase price[(b)]	142,000	102,930
Change of control license payment[(c)]	2,500	1,812
Cash rolled over[(d)]	17,570	12,736
Capital leases rolled over[(d)]	(3,928)	(2,847)
Total purchase consideration	**158,142**	**114,631**

(a) Amounts have been translated into Euro based on the $/Euro exchange rate of 1.379 which is calculated as follows:

	Exchange rate	$'000	€'000
Purchase consideration hedged with forward currency contract[(i)]	1.3793	125,000	**90,624**
Unhedged portion of purchase consideration[(ii)]	1.3805	33,142	**24,007**
Total purchase consideration	**1.3795**	**158,142**	**114,631**

(i) Marcolin has entered into foreign currency contracts for a notional amount of $125 million at a forward exchange rate of $/Euro 1.379.

(ii) Relates to the portion of the purchase consideration not hedged with foreign currency contracts, amounting to $33.1 million, translated using the spot rate as of October 24, 2013 of $/Euro 1.381.

(b) Based on the purchase price of $142 million on a cash and debt free basis, as set forth in the Acquisition Agreement.

(c) Relates to a payment of $2.5 million which Viva is required to make to one of its licensors in connection with the change of control. The Group has agreed to reimburse the Seller for such amount as part of the purchase consideration.

(d) The Acquisition Agreement stipulates that the purchase price of $142 million is on a cash and debt free basis. Therefore, the purchase price will be adjusted for any cash and debt balances of Viva at the date of acquisition. This pro forma adjustment relates to the Viva capital lease obligations, which will remain outstanding following the Target Acquisition and the cash which will be retained by Viva. See Note B for information relating to the cash and bank balances of Viva and the financial liabilities.

(2) The book net equity value of Viva Group's net assets acquired has been determined as follows:

	Note reference	$/000
Net assets as of June 30, 2013		**144,129**
Pro forma adjustments		
Elimination of previously recognized goodwill	B.2	(89,334)
Elimination of FIN 48 tax liability	B.4 (i)	1,881
Pro forma net assets acquired		**56,676**
Pro forma net assets acquired in Euro thousands		**41,055**

(a) The pro forma net assets has been translated into Euro based on the $/Euro exchange rate of 1.381 as of October 24, 2013.

It should be noted that, in accordance with IFRS 3, the purchase price allocation exercise would be made at the Acquisition Date and would result in the recognition at that date of all identifiable assets acquired and the liabilities or contingent liabilities assumed of Viva Group at fair value, including the relevant deferred taxes, where applicable, with a corresponding adjustment to goodwill. As a consequence, also the consolidated income statement of Cristallo Group will be affected to the fair value

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

allocated to the Viva Group's assets and liabilities or contingent liabilities. Finally, the identifiable assets acquired and liabilities assumed will be measured on the effective exchange rate on the date of acquisition. Therefore, the information set forth above represents a simulation only.

For the purposes of simulating the Target Acquisition, the Viva balance sheet is translated into Euro using the $/Euro exchange rate of 1.308 as of June 30, 2013, which resulted in net assets of €43,331 thousand (as explained in Notes B.1-B.4. above). Goodwill, however, is calculated by translating the net assets at the exchange rate of 1.381 as of October 24, 2013 (i.e. the most updated exchange rate as compared to the estimated Acquisition Date), resulting in net equity of €41,055 thousand; the difference of €2,276 thousand is recorded as a non-current liability.

(ii) The Financing of Target Acquisition

It is expected that the cost for Target Acquisition, amounting to €114,631 thousand as previously indicated, and associated transaction costs, related to professional fees and other expenses directly related to the Target Acquisition, estimated to amount to €3 million, will be financed through:

- Capital injection in the Issuer of €20,000 thousand by Marmolada;
- Equity contribution of the Issuer to Marmolada. In particular, as previously indicated (see Introduction), 3Cime will acquire a portion of the share capital of Viva for a purchase price of $30 million. The shares will be transferred to the Group through a series of transactions which will result, *inter alia*, in a receivable between Marmolada and the Issuer. This receivable will be forgiven by Marmolada resulting in an increase in the Issuer's equity;
- Deferred compensation of $7 million (equal to €5,071 thousand based on the $/Euro exchange rate of 1.381 as of October 24, 2013) of which $2 million payable on the business day following the anniversary of the completion date, $2 million on the business day following the second anniversary of the completion date, and $3 million on the business day following the third anniversary of the completion date of the Target Acquisition. This amount will be recorded based on the relevant present value; however, the effect of the calculation of the present value is estimated not to be material and hence not considered for the purpose of preparation of the Unaudited Pro Forma Consolidated Financial Information;
- For the remaining amount of €70,829 thousand, through a portion of the net proceeds from the Offering.

The net cash outflow is determined as follows:

	$'000	€'000
Purchase consideration[1]	158,142	(114,631)
Transaction costs[2]		(3,000)
Equity contributions[3]		41,731
Deferred compensation[4]	7,000	5,071
Net cash out flow for the Target Acquisition		**(70,829)**

(1) $ amounts have been translated into Euro based on the average exchange rate applicable to the purchase consideration of $/Euro exchange rate of 1.3795 as explained above. See note C1 (i) above

(2) In accordance with IFRS 3, the Target Acquisition related costs will be expensed as incurred. For the purpose of the preparation of the Unaudited Pro Forma Consolidated Financial Information the acquisition costs have been estimated to be €3,000 thousand, gross of the related tax effect, estimated in €1,200 thousand, determined applying the tax rate 40.0%. It has been assumed that the acquisition costs will be settled in cash.

(3) Comprising the capital injection of €20,000 thousand in the Issuer by Marmolada and the forgiveness of the debt to Marmolada for an amount of $30 million (equal to €21,731 thousand applying the $/Euro exchange rate of 1.381 applicable as of October 24, 2013).

(4) Comprising deferred compensation of $7 million (equal to €5,071 thousand based on the $/Euro exchange rate of 1.381 as of October 24, 2013).

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

As a result of the Target Acquisition, the total adjustment to pro forma net equity and financial liabilities are as follows:

	€/000
Equity attributable to the Group	
Elimination of Viva equity	**(43,331)**
Equity contributions	41,731
Transaction costs, net of deferred tax	(1,800)
	(3,400)

	€/000
Financial liabilities	
Deferred compensation	5,071

Column C2: **The Offering**

This column includes the pro forma adjustments to the statement of financial position deriving from the proposed issuance of €200,000 thousand notes and the application of the net proceeds therefrom; the estimated transaction costs are estimated to be €7 million.

The Company intends to use the net proceeds from the Offering to finance the portion of the Target Acquisition to be paid in cash (See Note C1 above) and to refinance the external existing financial indebtedness of the Cristallo Group. The amounts due under factoring contracts of €4.1 million will remain outstanding.

The following table summarizes the pro forma estimated cash impact of settling the existing Cristallo Group financial liabilities that would be paid if the existing indebtedness will be settled:

	€/000
Termination of existing borrowings[1]	116,100
Finance costs[2]	6,666
Termination of derivative contracts[3]	143
Total cash outflow	**122,909**

(1) Relates to the net book value as of June 30, 2013 of the Cristallo Group financial liabilities, which are expected to be settled.

(2) Relates to the unamortized debt issuance costs of the existing borrowings explained in note 1 to this table, which has been recorded in retained earnings for an amount of €4,833 thousand and as deferred tax asset for an amount of €1,833 thousand. The tax effect is calculated using the tax rate of 27.5%.

(3) Relates to the negative fair value as of June 30, 2013 of the interest rate swaps, which will be terminated upon the repayment of the underlying financial liability. Changes subsequent to June 30, 2013 are not considered to be material.

The pro forma estimated net impact on long term and short term borrowings is as follows:

	Short-term borrowings	Long-term borrowings	Total
		€/000	
Termination of existing borrowings	(17,305)	(98,795)	(116,100)
Termination of derivative contract	(139)	(4)	(143)
Notes offered hereby[1]	—	193,000	193,000
Total cash outflow	**(17,444)**	**94,201**	**76,757**

(1) Relates to the gross proceeds from the Offering of €200,000,000 less estimated fees and expenses of €7 million.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

The pro forma estimated net impact on cash is therefore the following:

	€/000
Gross proceeds from the Offering	200,000
Estimated transaction costs associated to the Offering	(7,000)
Repayment of existing debt	(122,909)
Total increase in cash	**70,091**

The pro forma estimated net impact on equity and deferred tax assets is as follows:

	Equity	Deferred tax assets	Total
		€/000	
Finance costs	4,833	1,833	6,666

4.2. Unaudited pro forma consolidated income statements for year ended December 31, 2012, for the six months ended June 30, 2013 and for the twelve months ended 30 June, 2013

***Column D:* Cristallo Group Historical for the year ended December 31, 2012**

This column includes the Marcolin Group's consolidated income statement for the year ended December 31, 2012 derived from the 2012 Marcolin Consolidated Financial Statements. It should be noted that the first consolidated financial statements of Cristallo were prepared as of and for the six months ended June 30, 2013. Cristallo was established on August 2, 2012 to purchase a majority stake in the share capital of Marcolin. In particular, on December 5, 2012 Cristallo purchased 78.601% of the issued share capital of Marcolin. Subsequently a tender offer and squeeze out process was launched for the remaining shareholding and, on February 14, 2013 Cristallo became the sole shareholder of Marcolin. The main income statement components of Cristallo in the period from its establishment until December 31, 2012 relate to transaction costs for the Marcolin acquisition, amounting to €3.6 million, and interest costs in relation to its debt. For the purposes of preparing the pro forma information the finance costs would be eliminated as this debt is being refinanced and the Marcolin acquisition costs would be eliminated as they may be considered as part of the same overall transaction. Therefore, it has not been considered relevant to include the income statement information of Cristallo for the year ended December 31, 2012.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

***Column E:* Viva Group Pro Forma for the year ended December 31, 2012**

The Viva unaudited pro forma consolidated income statement for the year ended December 31, 2012 has been prepared as follows:

		Pro-forma adjustments			
	Viva Group Historical $/000	Reclassifications $/000	Net finance expense $/000	Viva Group $/000	Viva Group €/000
	(E.1.)	*(E.2.)*	*(E.3.)*		*(E.4.)*
Revenue	190,910	—	—	190,910	148,592
Cost of sales	(86,602)	—	—	(86,602)	(67,406)
Gross profit	**104,308**	**—**	**—**	**104,308**	**81,186**
Selling, general and administrative	(90,544)	90,544	—	—	—
Depreciation and amortization	(4,550)	4,550	—	—	—
Selling and marketing costs	—	(73,165)	—	(73,165)	(56,947)
General and administrative expenses	—	(21,929)	—	(21,929)	(17,068)
Other operating income and expenses	169	267	—	436	339
Effects of equity investments	712	—	—	712	554
Operating profit	**10,095**	**267**	**—**	**10,362**	**8,064**
Financial income and costs	(2,338)	(267)	820	(1,785)	(1,389)
Profit before taxes	**7,757**	**—**	**820**	**8,577**	**6,675**
Income tax expense	(2,059)	—	(328)	(2,387)	(1,858)
Net profit for the year	**5,698**	**—**	**492**	**6,190**	**4,817**

E.1: Viva Historical

This column includes the Viva Group consolidated income statement for the year ended December 31, 2012, derived from the 2012 Viva Consolidated Financial Statements.

E.2: Reclassifications

This column includes the reclassifications to classify the Viva income statement consistent with that of Cristallo. Cristallo Group has a classification by function. As a consequence, certain reclassifications have been made in the Viva Group's consolidated income statements in order to make them consistent with the one used for the preparation of the pro forma consolidated income statement.

In particular:

- Cristallo classifies selling and marketing costs on a different line from general and administrative expenses whilst Viva classifies these costs together within selling, general and administration;
- Cristallo allocates depreciation to the individual functions, whilst Viva classifies it as a separate line item;
- Cristallo classifies foreign currency gains and losses as finance income and expense, whilst Viva classifies it within other operating income and expenses.

E.3: Net finance expense

This column includes:

- The elimination of the finance expense recorded by Viva in relation to the HVHC Note payable which will be settled by Viva on completion of the Target Acquisition;

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

- The elimination of finance income on the cash assumed to be used by Viva to settle obligations at closing. In particular as described in Notes B.3. and B.4., Viva is assumed to use cash of $23.2 million to settle the (i) note payable with HVHC, (ii) amounts due under employee incentives and (iii), accrued management fees. The elimination of the finance income has been calculated using the average interest rate applicable to the Viva Group's cash deposits of 0.53%.
- Tax effect of the previously described pro forma adjustments to net finance expense, calculated using the tax rate of 40%.

The adjustment to net finance expense is as follows:

$/000	Six months ended June 30, 2013	Year ended December 31, 2012	Twelve months ended June 30, 2013
Finance expense on HVHC Note payable	471	941	940
Finance income on cash used to settle closing obligations	(60)	(121)	(121)
Net decrease in finance expense	**411**	**820**	**819**

E.4: Viva Group Pro Forma

The $ amounts have been translated into Euro by applying the average $/Euro exchange rate of 1.285 for the year ended December 31, 2012, 1.313, for the six months ended June 30, 2013 and 1.293 for the twelve months ended June 30, 2013 to the relevant $ amount.

Column F: **The Offering and Target Acquisition**

This column includes the pro forma effects of the increase in finance costs as a result of the Offering and the Target Acquisition calculated as follows:

€/000	Six months ended June 30, 2013	Year ended December 31, 2012	Twelve months ended June 30, 2013
Elimination of historical finance costs	6,345	3,953	8,367
The Offering	(8,704)	(17,576)	(17,576)
Net adjustment to finance expense	(2,359)	(13,623)	(9,209)

The Offering: represents the increase in finance costs arising from the Offering. As previously indicated, the aggregate principal amount of the Notes has been estimated to be €200 million for the sole purpose of the preparation of this Unaudited Pro Forma Consolidated Financial Information. For the same purposes the interest payable on the Notes has been illustratively and preliminarily assumed to be 8.50%, only to give effect to the issuance of the Notes on the pro forma income statement, while the expenses associated with the offering have been assumed to be €7 million.

Elimination of historical finance costs: represents the elimination of the finance costs previously recognized in the Group's income statement relating to the Group's financial indebtedness, which will be repaid as a result of the Offering.

Tax impact: the tax effects of the adjustments have been calculated using the tax rate applicable to 27.5%.

Column G: **Cristallo Group Historical for the six months ended June 30, 2013**

This column includes the Cristallo Group's consolidated income statement for the six months ended June 30, 2013 derived from the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

***Column H*: Viva Group Pro Forma for the six months ended June 30, 2013**

The Viva unaudited pro forma consolidated income statement for the six months ended 30 June, 2013 has been prepared as follows:

		Pro-forma adjustments			
	Viva Group Historical $/000	Reclassifications $/000	Net finance expense $/000	Viva Group $/000	Viva Group €/000
	(H.1)		*(E.2.)*	*(E.3.)*	*(E.4.)*
Revenue	102,966	—	—	102,966	78,398
Cost of sales	(45,522)	—	—	(45,522)	(34,660)
Gross profit	**57,444**	**—**	**—**	**57,444**	**43,738**
Selling, general and administrative	(49,067)	49,067	—	—	—
Depreciation and amortization	(2,232)	2,232	—	—	—
Selling and marketing costs	—	(39,006)	—	(39,006)	(29,699)
General and administrative expenses	—	(12,293)	—	(12,293)	(9,360)
Other operating income and expenses	(46)	175	—	129	98
Effects of equity investments	311	—	—	311	237
Operating profit	**6,410**	**175**	**—**	**6,585**	**5,014**
Financial income and costs	(1,122)	(175)	411	(886)	(675)
Profit before taxes	**5,288**	**—**	**411**	**5,699**	**4,339**
Income tax expense	(2,353)	—	(164)	(2,517)	(1,917)
Net profit for the period	**2,935**	**—**	**247**	**3,182**	**2,422**

H.1 Viva Historical

This column includes the Viva Group consolidated income statement for the six months ended June 30, 2013 derived from the Viva June 2013 Unaudited Condensed Consolidated Interim Financial Statements.

***Column J*: Cristallo Group Historical for the twelve months ended June 30, 2013**

This column includes the Cristallo Group's consolidated income statement for the twelve months ended June 30, 2013 which has been prepared as follows:

- Marcolin Group's consolidated income statement for the year ended December 31, 2012, derived from the 2012 Marcolin Consolidated Financial Statements; *plus*
- Cristallo Group's consolidated income statement for the six months ended June 30, 2013, derived from the Cristallo June 2013 Unaudited Consolidated Interim Financial Statements; *minus*
- Marcolin Group's income statement for the six months ended June 30, 2012, derived from the Marcolin June 2012 Unaudited Condensed Consolidated Interim Financial Statements.

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

***Column K*: Viva Group Pro Forma for the twelve months ended June 30, 2013**

The Viva unaudited pro forma consolidated income statement for the twelve months ended 30 June, 2013 has been prepared as follows:

		Pro-forma adjustments			
	Viva Group Historical $/000	Reclassifications $/000	Net finance expense $/000	Viva Group $/000	Viva Group €/000
	(K.1.)		*(E.2.)*	*(E.3.)*	*(E.4.)*
Revenue	185,505	—	—	185,505	143,467
Cost of sales	(84,726)	—	—	(84,726)	(65,526)
Gross profit	**100,779**	**—**	**—**	**100,779**	**77,941**
Selling, general and administrative	(88,616)	88,616	—	—	—
Depreciation and amortization	(4,521)	4,521	—	—	—
Selling and marketing costs	—	(71,501)	—	(71,501)	(55,298)
General and administrative expenses	—	(21,636)	—	(21,636)	(16,733)
Other operating income and expenses	530	11	—	541	418
Effects of equity investments	601	—	—	601	465
Operating profit	**8,773**	**11**	**—**	**8,784**	**6,793**
Financial income and costs	(2,268)	(11)	819	(1,460)	(1,129)
Profit before taxes	**6,505**	**—**	**819**	**7,324**	**5,664**
Income tax expense	(1,690)	—	(328)	(2,018)	(1,560)
Net profit for the period	**4,815**	**—**	**491**	**5,306**	**4,104**

K.1 Viva Historical

This column includes the Viva Group consolidated income statement for the twelve months ended 30 June 2013 prepared as follows:

- Viva Group's consolidated income statement for the year ended December 31, 2012, derived from the 2012 Viva Consolidated Financial Statements; *plus*
- Viva Group's consolidated income statement for the six months ended June 30, 2013, derived from the Viva June 2013 Unaudited Condensed Consolidated Interim Financial Statements; *minus*
- Viva Group's income statement for the six months ended June 30, 2012, derived from the Viva June 2012 Unaudited Condensed Consolidated Interim Financial Statements.

In this respect it should be noted that the Viva Group's consolidated income statement has classification of expenses by nature, while the Cristallo Group has a classification by function. As a consequence certain reclassifications have been made in the Viva Group's consolidated income statements in order to make them consistent with the one used for the preparation of the pro forma consolidated income statement.

* * * * * *

It should be noted that the pro forma consolidated income statements do not show the non-recurring effects on income statement that are closely related to the Operations. Specifically, the following main

4. NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (continued)

non-recurring impacts strictly connected to the Operations were not reflected in the pro-forma consolidated income statements:

- Transaction costs for the Target Acquisition, estimated to be €3,000 thousand, gross of the tax impact, which is estimated to be €1,200 thousand;
- Finance costs related to the early termination of the borrowings, estimated to be €6,666 thousand, gross of the tax impact, which is estimated to be €1,833 thousand;
- Costs reflecting the estimated combination of the two groups and the expected synergies arising from the combination.

Furthermore, it should be noted that, as previously indicated, the completion of the:

- purchase price allocation related to the Target Acquisition, will result in the recognition of all assets and liabilities acquired at the Date of Acquisition, based on the relevant fair value; hence, the future consolidated income statement will be accordingly affected by this exercise;
- the GAAP analysis, which will be performed when Viva will be fully consolidated into the Group's financial statements could impact the future consolidated income statement.

INDEX TO FINANCIAL STATEMENTS

1. Consolidated financial statements of Marcolin Group as of and for the year ended December 31, 2012 . . . . . F-3

a. Report of independent auditors F-4

b. Consolidated statement of financial position F-6

c. Consolidated income statement F-7

d. Consolidated statement of comprehensive income F-8

e. Statement of changes in consolidated equity F-9

f. Consolidated cash flow statement F-10

g. Notes to the consolidated financial statements F-11

2. Consolidated financial statements of Marcolin Group as of and for the year ended December 31, 2011 . . . . . F-47

a. Report of independent auditors F-48

b. Consolidated statement of financial position F-50

c. Consolidated income statement F-51

d. Consolidated statement of comprehensive income F-52

e. Statement of changes in consolidated equity F-53

f. Consolidated cash flow statement F-54

g. Notes to the consolidated financial statements F-55

3. Consolidated financial statements of Marcolin Group as of and for the year ended December 31, 2010 . . . . . F-92

a. Report of independent auditors F-93

b. Consolidated statement of financial position F-95

c. Consolidated income statement F-96

d. Statement of changes in consolidated equity F-97

e. Consolidated cash flow statement F-98

f. Notes to the consolidated financial statements F-99

4. Consolidated interim financial statements of Cristallo Group as of and for the six months ended June 30, 2013 . . . . . F-138

a. Report of independent auditors F-139

b. Consolidated statement of financial position F-140

c. Consolidated income statement F-141

d. Consolidated statement of comprehensive income F-142

e. Statement of changes in consolidated equity F-143

f. Consolidated cash flow statement F-144

g. Notes to the consolidated interim financial statements F-145

5. Interim condensed consolidated financial statements of Marcolin Group as of and for the six months ended June 30, 2012 . . . . . F-181

a. Report of independent auditors F-182

b. Consolidated statement of financial position F-183

c. Consolidated income statement F-184

d. Consolidated statement of comprehensive income F-185
e. Statement of changes in consolidated equity F-186
f. Consolidated cash flow statement F-187
g. Notes to the condensed consolidated semiannual financial statements F-188

6. Consolidated financial statements of Viva Optique, Inc. and its subsidiaries as of and for the year ended December 31, 2012 and 2011 . . . . . F-201
a. Independent auditor's report F-202
b. Consolidated balance sheet F-203
c. Consolidated statement of comprehensive income F-204
d. Consolidated statements of changes in stockholder equity F-205
e. Consolidated statements of cash flows F-206
f. Notes to the consolidated financial statements F-207

7. Condensed consolidated financial statements of Viva Optique, Inc. and its subsidiaries as of and for the six months ended June 30, 2013 . . . . . F-218
a. Condensed consolidated balance sheet F-219
b. Condensed consolidated statements of comprehensive income F-220
c. Condensed consolidated statements of changes in stockholder equity F-221
d. Condensed consolidated statements of cash flows F-222
e. Notes to the condensed consolidated financial statements F-223

Marcolin Group

Consolidated financial statements as of and for the year ended December 31, 2012

Registered Office, Executive Management and Business Offices
Z.I. Villanova, 4—Longarone (BL)
Share capital €32,312,475.00 fully paid in
R.E.A. n. 64334
Tax code and Companies Register n. BL 01774690273
VAT n. 00298010257

Deloitte.

Deloitte & Touche S.p.A.
Via Fratelli Bandiera, 3
31100 Treviso
Italia

Tel +39 0422 587.5
Fax +39 0422 587812
www.deloitte.it

AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
MARCOLIN S.p.A.

1. We have audited the consolidated financial statements of Marcolin S.p.A. and subsidiaries (the ''Marcolin Group''), which comprise the statement of financial position as of December 31, 2012, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 29, 2012.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Marcolin Group as of December 31, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Ancona Ban Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25-20144 Milano - Capitale Sociale: Euro 10.328.120.00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

4. The Directors of Marcolin S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations is consistent with the consolidated financial statements of Marcolin Group as of December 31, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Treviso, Italy
April 15, 2013

This report has been translated into the English language solely for the convenience of international readers. International readers should be aware that (i) the paragraph 4 of the report is required by Italian Law, (ii) the relating audit procedures have been performed under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB, and (iii) the report on operations is not included in the Offering Memorandum.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCOLIN GROUP

(euro/000)	Notes	Dec 31, 2012	Of which related parties	Dec 31, 2011	Of which related parties
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	20,322		20,206	
Intangible assets	6	14,902		13,894	
Goodwill	6	2,450		2,498	
Investments	7	86		96	
Deferred tax assets	8	14,307		14,186	
Other non-current assets	9	14,009		5,335	
Total non-current assets		**66,076**		**56,216**	
CURRENT ASSETS					
Inventories	10	54,237		46,709	
Trade and other receivables	11	63,373	7,116	63,371	1,976
Other current assets	12	1,856		704	
Cash and bank balances	13	13,367		30,986	
Total current assets		**132,833**	**7,116**	**141,770**	**1,976**
TOTAL ASSETS		**198,909**	**1,976**	**197,987**	**1,976**
EQUITY	14				
Share capital		31,958		31,958	
Additional paid-in capital		24,517		24,517	
Legal reserve		3,610		2,403	
Other reserves		510		1,769	
Retained earnings (losses)		26,432		12,808	
Profit (loss) for the year		5,980		20,979	
Non-controlling interests		0		0	
TOTAL EQUITY		**93,006**		**94,435**	
LIABILITIES					
NON CURRENT LIABILITIES					
Long-term borrowings	15.19	20,841		22,452	
Long-term provisions	16	3,836		3,200	
Deferred tax liabilities	8	312		664	
Other non-current liabilities	17	0		0	
Total non-current liabilities		**24,990**		**26,316**	
CURRENT LIABILITIES					
Trade payables	18	55,768	15,505	43,775	132
Short-term borrowings	19	8,605		12,002	
Short-term provisions	20	5,367		8,487	
Current tax liabilities	31	1,797		3,263	
Other current liabilities	21	9,377		9,710	
Total current liabilities		**80,913**	**15,505**	**77,236**	**132**
TOTAL LIABILITIES		**105,903**	**15,505**	**103,552**	**132**
TOTAL LIABILITIES AND EQUITY		**198,909**	**15,505**	**197,987**	**132**

CONSOLIDATED INCOME STATEMENT MARCOLIN GROUP

(euro/000)	Notes	2012	Of which related parties	%	2011	Of which related parties	%
REVENUE	23	**213,963**	1,343	**100.0%**	**224,124**	1,624	**100.0%**
COST OF SALES	24	**(82,313)**	0	**(38.5)%**	**(81,736)**	(164)	**(36.5)%**
GROSS PROFIT		**131,650**		**61.5%**	**142,388**		**63.5%**
Selling and marketing costs	25	(98,558)	(7,316)	(46.1)%	(97,497)	(5,108)	(43.5)%
General and administrative expenses	26	(16,853)		(7.9)%	(18,748)		(8.4)%
Other operating income and expenses	28						
—other operating income		3,998		1.9%	3,401	407	1.5%
—other operating expenses		(9,243)	(8,900)	(4.3)%	(128)		(0.1)%
Total		**(5,245)**		**(2.5)%**	**3,273**		**1.5%**
EFFECTS OF ACCOUNTING FOR ASSOCIATES	29	(11)		(0.0)%	(527)		(0.2)%
EBITDA		**15,575**		**7.3%**	**34,234**		**15.3%**
OPERATING PROFIT—EBIT		**10,984**		**5.1%**	**28,888**		**12.9%**
FINANCIAL INCOME AND COSTS	30						
Financial income		2,072		1.0%	2,955		1.3%
Finance costs		(3,953)		(1.8)%	(4,700)		(2.1)%
TOTAL		**(1,880)**		**(0.9)%**	**(1,745)**		**(0.8)%**
PROFIT BEFORE TAXES		**9,104**		**4.3%**	**27,143**		**12.1%**
Income tax expense	31	(3,124)		(1.5)%	(6,165)		(2.8)%
NON-CONTROLLING INTERESTS		0		0.0%	0		0.0%
NET PROFIT FOR THE YEAR		**5,980**		**2.8%**	**20,979**		**9.4%**
EARNINGS PER SHARE	32	**0.097**			**0.341**		
DILUTED EARNINGS PER SHARE	32	**0.097**			**0.341**		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	2012	Of which related parties	%	2011	Of which related parties	%
PROFIT		**5,980**			**20,979**		
Exchange differences on translating foreign operations		(1,286)			1,050		
Gains/losses) on cash flow hedge reserve		23			128		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,717**			**22,157**		

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(euro/000)	Share capital	Additional paid in capital	Legal Reserve	Other reserves	Retained earnings (losses)	Income (loss) for the period	Non-controlling interest	Total
1-Jan-11	**31,958**	**24,517**	**1,833**	**820**	**885**	**18,606**	**0**	**78,620**
Earnings (losses)	0	0	0	(230)	0	0	0	**(230)**
Stock Option reserve								
Dividends distributed	0	0	0	0	(6,146)	0	0	**(6,146)**
Allocation of 2010 profit	0	0	570	0	18,036	(18,606)	0	**0**
Total comprehensive income	0	0	0	1,178	33	20,979	0	**22,190**
31-Dec-11	**31,958**	**24,517**	**2,403**	**1,769**	**12,808**	**20,979**	**0**	**94,435**
1-Jan-12	**31,958**	**24,517**	**2,403**	**1,769**	**12,808**	**20,979**	**0**	**94,435**
Dividends distributed	0	0	0	0	(6,146)	0	0	**(6,146)**
Allocation of 2011 profit	0	0	1,206	0	19,773	(20,979)	0	**0**
Total comprehensive income	0	0	0	(1,259)	(3)	5,980	0	**4,717**
31-Dec-12	**31,958**	**24,517**	**3,610**	**510**	**26,432**	**5,980**	**0**	**93,006**

CONSOLIDATED CASH FLOW STATEMENT

(euro/000)	2012	2011
OPERATING ACTIVITIES		
Profit for the period	*5,980*	*20,979*
Depreciation and amortization	3,920	3,984
Provisions	3,593	7,282
Impairment losses	46	158
Income tax expense	3,124	6,165
Accrued interest expense	1,095	1,720
Adjustments to other non-cash items	(51)	933
Cash generated by operations	*17,707*	*41,221*
(Increase) decrease in trade receivables	421	(2,749)
(Increase) decrease in other receivables	(9,736)	(32)
(Increase) decrease in inventories	(7,504)	(6,860)
(Decrease) increase in trade payables	15,993	3,019
(Decrease)/increase in other liabilities	(333)	436
(Use) of provisions	(5,961)	(3,777)
(Decrease)/increase in current tax liabilities	3,654	(1,028)
Adjustments to other non-cash items	744	(94)
Income taxes paid	(9,126)	(11,253)
Interest paid	(997)	(1,060)
Cash used for current operations	*(12,847)*	*(23,398)*
Net cash from /(used in) operating activities	**4,860**	**17,822**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(3,455)	(4,028)
Proceeds from the sale of property, plant and equipment	47	3,105
(Purchase) of intangible assets	(5,852)	(6,925)
Net cash from /(used in) investing activities	**(9,260)**	**(7,848)**
FINANCING ACTIVITES		
Loans		
Net increase (decrease) in bank borrowings	561	(57)
Loans		
—raised	39,500	6,000
—repayments	(45,590)	(15,546)
Changes in reserves	(1,282)	1,047
Dividends paid	(6,146)	(6,146)
Net cash from /(used in) financing activities	**(12,957)**	**(14,701)**
Net increase/(decrease) in cash and cash equivalents	**(17,358)**	**(4,727)**
Effect of foreign exchange rate changes	(261)	243
Cash and cash equivalents at beginning of year	**30,986**	**35,471**
Cash and cash equivalents at end of year	**13,367**	**30,986**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE MARCOLIN GROUP

FOR THE YEAR ENDED DECEMBER 31, 2012

INTRODUCTION

These explanatory notes form an integral part of the annual Consolidated Financial Statements of the Marcolin Group.

1. GENERAL INFORMATION

Marcolin S.p.A. (the ''Company'' or ''Parent Company'') is incorporated under Italian law and listed in the Belluno Companies Register with no. 01774690273.

Marcolin S.p.A. is the parent company of the Marcolin Group, which operates in Italy and abroad in the manufacturing and distribution of eyeglass frames and sunglasses.

The addresses of the corporate headquarters and main business offices are listed in the introduction to this Annual Report.

2. ACCOUNTING STANDARDS

Basis of preparation

The 2012 consolidated financial statements were prepared according to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, pursuant to Regulation no. 1606 enacted by the European Parliament and European Council in July 2002 which provided for the compulsory application of IAS/IFRS to the consolidated accounts of companies listed on EU regulated markets starting from 2005. IFRS include all revised international accounting standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC).

These financial statements were prepared on the basis of the going-concern assumption, using the accrual basis of accounting.

The consolidated accounts were prepared on the historical cost basis, revised as required for the measurement of financial instruments, with the exception of some revaluations performed in previous financial years.

The currency used in the primary economic environment in which the Group operates (functional currency) is the Euro.

Due to the fact that the figures are presented in thousands of Euro, differences may emerge due to rounding off.

Financial statement format

In preparing the documents of the consolidated financial statements, the Marcolin Group applied the following policies:

- *Statement of Financial Position*

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

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

  (a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;

  (b) it is held primarily for the purpose of being traded;

  (c) it is expected to be realized within twelve months from the end of the reporting period; or

  (d) it is cash or a cash equivalent.

2. ACCOUNTING STANDARDS (continued)

All other assets are classified as non-current.

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

(a) it is expected to be settled in the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months from the end of the reporting period; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

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

- *Income Statement*

  Costs are classified by function, stating separately the cost of sales, distribution expenses and administration expenses. In view of the business sector, this method is deemed to provide readers with more meaningful and relevant information than the alternative classification of costs by nature. Moreover, it was decided to present two separate statements: the Income Statement and the Statement of Comprehensive Income.

- *Statement of Changes in Equity*

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

- *Cash Flow Statement*

  Cash flows from operating activities are presented using the indirect method, since this is considered to be the most appropriate approach in view of the business sector. Based on this approach, the net profit for the year was adjusted to account for the effects of non-cash items on operating, investing and financing activities.

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries. Below is a list of the companies consolidated on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the companies accounted for using the equity method. Under the equity method, the interest in the company is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition in addition to the effects of other changes in equity.

2. ACCOUNTING STANDARDS (continued)

List of consolidated companies

Company	Headquarters	Currency	Share capital (euro)	Consolidation method	% ownership	
					Direct	Indirect
Eyestyle Retail Srl	Milano	EUR	200,000	Line-by-line	100%	—
Eyestyle.com Srl	Longarone	EUR	150,000	Line-by-line	100%	—
Finitec Srl in liquidazione	Longarone	EUR	54,080	Equity	40%	—
Marcolin Asia Ltd	Hong Kong	USD	198,863	Line-by-line	—	100%
Marcolin Benelux Sprl	Faimes	EUR	280,000	Line-by-line	99.98%	—
Marcolin (Deutschland) GmbH	Ludwigsburg	EUR	300,000	Line-by-line	100%	—
Marcolin do Brasil Ltda	Jundiai	BRL	9,575,240	Line-by-line	99.90%	0.10%
Marcolin France Sas	Parigi	EUR	1,054,452	Line-by-line	76.89%	23.11%
Marcolin GmbH	Fullinsdorf (CH)	CHF	200,000	Line-by-line	100%	—
Marcolin Iberica SA	Barcellona	EUR	487,481	Line-by-line	100%	—
Marcolin International BV	Amsterdam	EUR	18,151	Line-by-line	100%	—
Marcolin Portugal Lda	S. Joao do Estoril	EUR	420,000	Line-by-line	99.82%	—
Marcolin (UK) Ltd	Newbury	GBP	850,000	Line-by-line	99.88%	—
Marcolin Usa Inc	New York	USD	536,500	Line-by-line	85.40%	14.60%

The scope of consolidation had the following changes with respect to December 31, 2011:

- a new company, Eyestyle.com S.r.l., which has not begun to operate yet, was included in the consolidation scope;
- a new company, Eyestyle Retail S.r.l., which began operations in February 2013, was included in the consolidation scope;
- the liquidation procedure for Marcolin Japan Co. Ltd, previously accounted for with the equity method, was completed. This company ceased to be part of the consolidation scope at the end of February 2012.

The consolidation method adopted is as follows: the equity method is used to consolidate the companies in which the Group has more than 20% ownership (''associates'') or over which the Group has significant influence even in another way. Companies are consolidated on a line-by-line basis when the Group exercises control over them (''subsidiaries'') by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, whether directly or indirectly, the company's financial and operating policies, obtaining the related benefits regardless of any equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is acquired and are deconsolidated on the date from which such control ceases to exist.

Business combinations through which control of a company is acquired are accounted for applying the acquisition method, under which the assets and liabilities acquired are initially measured at their fair value on the acquisition date. If positive, the difference between the acquisition cost and the fair value of the assets and liabilities is allocated to goodwill; if negative it is recognized in the income statement. Acquisition cost is determined on the basis of the fair value, on the acquisition date, of assets obtained, liabilities assumed, equity instruments issued and all other related costs.

On consolidation, balances and transactions between consolidated subsidiaries are eliminated in full, specifically the receivables and payables outstanding at the end of the period, expenses and income, and financial costs and income. Significant profits and losses realized between fully consolidated subsidiaries are also eliminated in full.

Any non-controlling interests in equity or net profit are stated separately as non-controlling interests under the consolidated equity.

2. ACCOUNTING STANDARDS (continued)

Dividends distributed by fully consolidated companies are eliminated from the income statement, which incorporates the net profits or losses realized by such companies.

Translation of foreign-currency financial statements

Financial statements presented in a different functional currency are translated into euros under IAS/IFRS as follows:

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

The following table lists the exchange rates used for translation:

		Final exchange rate			Average exchange rate		
Currency	Symbol	Dec. 31, 2012	Dec. 31, 2011	Change	2012	2011	Change
English Pound	GBP	0.816	0.835	(2.3)%	0.811	0.868	(6.6)%
Swiss Franc	CHF	1.207	1.216	(0.7)%	1.205	1.233	(2.2)%
U.S. Dollar	USD	1.319	1.294	2.0%	1.285	1.392	(7.7)%
Brazilian Real	BRL	2.704	2.416	11.9%	2.508	2.327	7.8%
Hong Kong Dollar	HKD	10.226	10.051	1.7%	9.966	10.836	(8.0)%

Property, plant, and equipment (''PP&E'' or ''tangible assets'')

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

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

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

If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach. Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

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

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

2. ACCOUNTING STANDARDS (continued)

Assets held under finance leases are recognized as PP&E against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.

Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the lease.

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

Category	Depreciation Rate
Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.5%
Office furniture and furnishings	12%
Exhibition stands	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

Intangible assets

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

If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognized in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the interest in the equity of the subsidiary or business unit acquired at the acquisition date. Goodwill arising on the acquisition of subsidiaries is stated as ''goodwill'' and is not amortized, but it is subjected to annual impairment testing, unless there are specific indications making interim testing necessary, to determine whether the goodwill has suffered an impairment loss. The profit or loss on disposal of an entity is determined by including the attributable amount of goodwill.

Trademarks and licenses

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

If, aside from amortization, impairment should emerge, the asset is written down accordingly; if the reasons for writedown should cease to exist in future financial years, the carrying amount of the asset is

2. ACCOUNTING STANDARDS (continued)

increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized.

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

Software

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

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

Research & development costs

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

Impairment of tangible and intangible assets

If specific indications of a loss in value should emerge, tangible and intangible assets are tested for impairment.

For the purpose of impairment testing, assets are allocated to the smallest identifiable cash generating units (CGUs) and compared with operating cash flows discounted to the present value generated by such units.

The recoverable value of the asset is estimated and compared with its net carrying value. If an asset's recoverable value is less than its carrying value, the carrying value is reduced to its recoverable value. This reduction is an impairment loss that is recognized as an expense immediately.

For assets that are not subject to depreciation and amortization and for intangible assets not yet available for use, impairment testing is performed at least annually, irrespective of the presence of specific indicators.

The conditions and approach applied by the Group for restoring the value of an asset previously written down, excluding goodwill, which cannot be reversed, are those envisaged by IAS 36 (''Impairment of Assets'').

Financial derivatives

Derivative financial instruments are used solely for hedging purposes, in order to reduce Group's exposure to currency and interest rate risks. All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.

If the hedge is effective, the following accounting policies apply:

Fair value hedge—If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss.

2. ACCOUNTING STANDARDS (continued)

Cash flow hedge—If a financial derivative is designated as a hedge of the exposure to the future cash flow variability of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reversed from equity and recognized in profit or loss in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not occurred yet, the cumulative gain or loss that has remained recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has remained recognized in equity is immediately recognized in the income statement.

If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

Inventories

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

Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products.

Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.

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

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

Financial assets—Receivables and borrowings

Trade receivables, current financial receivables and other current receivables with fixed maturities, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets without fixed maturities are stated at cost. Receivables maturing after more than a year, not accruing interest or accruing interest at below-market rates, are discounted using market rates and recognized as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.

Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Group will not be able to collect the receivable at its original value.

Cash and bank balances

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

2. ACCOUNTING STANDARDS (continued)

Assets held for sale and related liabilities

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

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

Equity

Share capital

Share capital consists of the Parent Company's subscribed paid-up capital.

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

Treasury shares

Treasury shares are stated as a deduction of the Group's equity. The original cost of treasury shares and revenues arising on subsequent sale are recognized as changes in equity. The treasury share reserve of previous financial years is classified within the retained earnings/ (losses) reserve.

Share-based payments (stock option plan)

In 2012 the Group stipulated a cash-settled share-based incentive plan (''Phantom Stock Option Plan'') with the new C.E.O. On December 17, 2012, pursuant to the change in control and the review of all agreements stipulated with the C.E.O. including for remuneration, the Board of Directors decided to introduce a new incentive plan for executive management and to suspend the effects of the Phantom Stock Option Plan. The decision regarding termination of the plan will be taken by the Shareholders.

Employee benefits

Employee benefits paid upon or subsequent to termination of employment under defined-benefit plans (''T.F.R.'', the Italian employee severance indemnity system) are recognized when the right to receive such benefits accrue.

Liabilities relating to defined-benefit plans are calculated using actuarial valuations and are accounted for on an accruals basis consistently with the employee service required to obtain the benefits concerned. The actuarial valuations were performed by independent experts.

Actuarial gains and losses are recognized in the income statement regardless of their value, without using the corridor approach.

The employee severance indemnity provision, a peculiarity of Italian entities, is consistent with the definition of a defined benefit plan. On January 1, 2007, applicable solely to companies with at least 50 employees, the 2007 Financial Law (Law 296 of December 27, 2006 and related enactment decrees) brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose how to allocate his or her indemnities being accrued. Accruing severance pay may be assigned by the employee to selected pension funds or kept within the company (in the latter case the company will pay the severance pay contributions into a treasury account held at the INPS).

Pursuant to these changes, amounts accrued exclusively before January 1, 2007 (and not yet disbursed as at the reporting date) refer to a defined benefit plan, whereas amounts accruing afterward refer to a defined contribution plan.

2. ACCOUNTING STANDARDS (continued)

Regulatory changes led to changes in the actuarial assumptions used for measuring liabilities regarding the provision accrued until December 31, 2006.

The curtailment effect was recorded in 2007, the year in which the accounting effects of the new legislation were recognized for the first time.

Provisions for risks and charges

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

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

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

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

Trade payables and other non-financial liabilities

Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their face value.

Financial liabilities

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

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

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

Revenues and income

Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.

The Group recognizes sales revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement. The revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenues from services are recognized by reference to the state of completion of the transaction at the end of the reporting period.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the Shareholders' Meeting.

2. ACCOUNTING STANDARDS (continued)

Cost of sales

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

Financial income and costs

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract.

Translation of foreign currency amounts

Transactions in currency other than the Euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realized in the period are recognized in the income statement.

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

Income tax expense

Income taxes include all taxes calculated on the taxable income of the Group companies, in compliance with the legislation in force in the individual countries concerned. Income taxes are stated in the income statement, except for those regarding items recognized directly in equity, for which the tax effect is also recognized directly in equity.

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply according to the tax regulations in the countries where the Group operates, in the period when the liability is settled or the asset realized.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying value of deferred tax assets is reviewed at the end of each reporting period and, as necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reductions are reversed if the conditions causing them should cease to exist. Other taxes not relating to income, such as property and equity taxes, are included in the operating items.

Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Recognition of revenues

Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sale of goods and supply of services.

Sales revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods and the amount of revenue can be measured reliably.

Financial income is recognized on a time basis.

2. ACCOUNTING STANDARDS (continued)

NEW IFRS AND IFRIC INTERPRETATIONS

In 2012 no new accounting standards affecting the Company's financial statements entered into force. The Company did not opt for early adoption of any accounting standards that have been issued but are not effective yet.

Below is a list of new accounting standards and other accounting standards which could have been adopted early, none of which affected or are applicable to these financial statements.

Accounting standards, amendments and interpretations that became effective on January 1, 2012 but were not significant for the Group

DOCUMENT	Issuance date	Effective date
Income Taxes—deferred tax relating to investment properties (Amendments to IAS 12)	Dec-10	Jan-12
Financial Instruments—Additional disclosures of transfers (derecognition) of financial assets (Amendments to IFRS 7)	Oct-10	Jan-12

Accounting standards and amendments not applicable yet and not adopted early by the Group

DOCUMENT	Issuance date	Effective date
IFRS 10—Consolidated Financial Statements	May-11	Jan-14
IFRS 11—Joint Arrangements superseding IAS 31	May-11	Jan-14
IFRS 12—Additional disclosures of Interests in Other Entities	May-11	Jan-14
IFRS 13—Fair Value Measurement	May-11	Jan-13
Amendments to IAS 32—Financial Instruments	Dec-11	Jan-14
Amendments to IFRS 7—Financial Instruments: additional disclosures	Dec-11	Jan-13
Amendments to IAS 1—Presentation of Financial Statements	Jun-11	Jul-12
Amendments to IAS 19—Employee Benefits	Jun-11	Jan-13

Accounting standards, amendments and interpretations as yet unapproved by the European Union

DOCUMENT	IASB Issuance date	Effective date
IFRS 9—Financial Instruments, Consolidated Financial Statements	Nov-09	Jan-15
Annual Improvements to IFRSs: 2009-2011	May-12	Jan-13
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	Jun-12	Jan-13
Amendments to IFRS 10, IFRS 12 and IAS 27 ''Investments Entities''	Oct-12	Jan-14
Amendments to IFRS 1, First Time Adoption of IFRS—Government Loans	Mar-11	Jan-13

3. FINANCIAL RISK FACTORS

Market risks

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

The Group also uses some derivative instruments to minimize the impact of such risks on its results. In keeping with its strategy, the Group undertakes derivative transactions solely for hedging purposes. If,

3. FINANCIAL RISK FACTORS (continued)

however, such transactions do not meet all the conditions necessary to qualify for hedge accounting laid down in IAS 39, they are not accounted for as hedging transactions.

Currency risk

The Group operates on an international level, so it is exposed to foreign exchange risk (particularly as regards the U.S. dollar). Currency risk is managed centrally by the Parent Company, which uses internal facilities to check and monitor fluctuations in the balances of its various foreign currency items in order to evaluate whether to apply hedges through dealings on the derivatives market.

This method makes it possible to keep the main currency positions substantially balanced. According to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's consolidated financial statements.

The Company has a specific policy in place for managing currency risk.

Details of the hedging contracts in place on the reporting date are as follows.

Currency hedges (euro/000) Type	Financial institution	Notional	Currency	Maturity date	Mark to Market EUR
Currency forward purchase	Veneto Banca	2,400	USD	June 28, 2013	12
Currency forward purchase	Veneto Banca	3,000	USD	December 30, 2013	19
Currency forward purchase	Veneto Banca	6,600	USD	July 31, 2014	(68)
Currency forward purchase	Veneto Banca	8,600	USD	December 31, 2014	26

The Group decided to partially hedge its U.S. dollar requirements. In fact, the Group is exposed mainly with the U.S. dollar on purchases of finished and semi-finished products from suppliers in the Far East, net of the cash flows from sales conducted in the U.S. market.

The derivative instruments in place on December 31, 2012 have a negative fair value of € 10 thousand, accounted for in ''current provisions'' in these financial statements.

For the currency derivatives, the potential decrease in the fair value of the currency forwards held by the Group as at December 31, 2012, due to a hypothetical sudden adverse change of 10% in the Euro-to-Dollar exchange rate (depreciation of the Dollar), would be € 1,352 thousand (€ 441 thousand in 2011). Conversely, the potential increase in fair value arising on appreciation of the Dollar would be € 1,734 thousand (€ 522 thousand in 2011).

Interest rate risk

Interest rate risk breaks down into fair value risk and cash flow risk.

The Group is exposed prevalently to cash flow risk originating from loans at variable interest rates.

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

Notes 15 and 19 provide information regarding outstanding loans.

The Group manages interest rate risk by using derivatives, usually interest rate swaps, which allow for reducing the variability of interest rates.

At the time of the change in control, the Company settled some outstanding loans and entered into new loans with variable interest rates for which no hedges had been placed as at December 31, 2012. Hedging instruments are expected to be structured in 2013 in order to reduce the uncertainty of borrowing costs, as defined by contract.

3. FINANCIAL RISK FACTORS (continued)

Interest rate sensitivity analysis

Interest rate sensitivity analysis was performed, assuming 50 basis-point parallel symmetric shifts of the Euribor/Swap yield curves, published by Reuters related to December 31, 2012. In this manner, the Group determined the impact that such changes would have on the income statement and on equity.

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

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

For cash and bank balances, the average balance of the period was calculated using the book values at the beginning and end of the year. The effect on the income statement of a 50 basis-point increase/decrease in the interest rate from the first day of the period was calculated on the amount thus determined.

According to the sensitivity analysis performed on the basis of the above criteria, the Group is exposed to interest rate risk on its expected cash flows. If interest rates should rise by 50 basis points, a loss of € 8 thousand would result in the income statement (€ 172 thousand in 2011) caused primarily by an increase in borrowing costs with banks. Equity would decrease by the same amount.

If interest rates should fall by 50 basis points, a gain of € 1 thousand would result in the income statement (€ 172 thousand in 2011) caused primarily by a decrease in borrowing costs with banks. Equity would increase by the same amount.

Credit risk

The Group has no significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and statistical records.

Guidelines have been implemented for managing customer credit to ensure that sales are conducted only with reasonably reliable and solvent parties, and differentiated credit exposure ceilings are set.

Receivables are set forth below by the main areas in which the Group operates in order to evaluate country risk.

Trade and other receivables by geographical area (euro/000)	December 31, 2012	December 31, 2011
Italy	19,063	18,045
Rest of Europe	13,927	16,137
North America	12,395	10,495
Rest of the World	17,988	18,694
Total	**63,373**	**63,371**

Liquidity risk

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines. Due to the dynamic nature of its business, the Group prefers the flexibility of obtaining funding through the use of credit lines. At present, based on its available sources of funding and credit lines, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned. The types of credit lines available and the base rate on the reference date are reported in Note 19.

3. FINANCIAL RISK FACTORS (continued)

Liquidity analysis

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

None of the cash flows included in the table were discounted.

Fair value measurement of loans

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the measurement date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

Financial payables (euro/000)	Loans	Derivatives	Trade payables	Total
within 3 months	2,013	(1,222)	43,118	**43,909**
from 3 to 6 months	6,767	(1,055)	652	**6,364**
from 3 to 12 months	4,138	(2,118)	0	**2,020**
from 1 to 3 years	16,114	0	5	**16,119**
from 3 to 5 years	4,405	0	0	**4,405**
over 5 years	3,460	0	0	**3,460**
December 31, 2011	**36,897**	**(4,395)**	**43,775**	**76,277**
within 3 months	5,524	1,817	39,648	**46,989**
from 3 to 6 months	813	1,816	10,590	**13,218**
from 3 to 12 months	1,176	4,374	5,523	**11,073**
from 1 to 3 years	6,463	7,566	8	**14,037**
from 3 to 5 years	7,364	0	0	**7,364**
over 5 years	15,468	0	0	**15,468**
December 31, 2012	**36,808**	**15,572**	**55,768**	**108,149**

4. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that could affect the carrying value of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions. The estimates and assumptions are based on data that reflect currently available information.

The estimates and assumptions that involve a significant risk of changes in the carrying values of assets and liabilities are:

- ***Goodwill***

  The Group determines annually whether to review goodwill for impairment, in accordance with the accounting standards adopted.

  Recoverable values are calculated based on their value in use. These calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs, the discount rate and the prospective growth rate to be applied to the forecast cash flows.

4. USE OF ESTIMATES (continued)

- ***Writedowns of non-current assets***

  Under the accounting standards and policies applied by the Group, non-current assets are reviewed to determine whether they have suffered impairment losses when there is indication that their net carrying value exceeds their recoverable value. Recoverable value is the greater of fair value (net of selling costs) and value in use. If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market, and based on the management's knowledge. If indications of impairment should exist, the Group calculates the potential impairment using the valuation techniques it considers to be the most appropriate. Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

- ***Provision for doubtful debts***

  The provision for doubtful debts reflects management's estimates of future losses on trade receivables. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

- ***Provision for inventory impairment***

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

- ***Deferred tax assets***

  Recognition of deferred tax assets is based on expectations of profits in future financial years. Estimates of expected profits for the purpose of deferred tax asset recognition are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

5. PROPERTY, PLANT, AND EQUIPMENT

The composition of and changes in the items for the past two years are set forth below:

Property, Plant and Equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction and advances	Total
Net value at beginning of 2011	**12,102**	**4,450**	**1,331**	**2,212**	**85**	**20,180**
Increses	560	1,160	927	796	585	**4,028**
Decreases	(9)	0	0	(127)	(0)	**(136)**
Depreciation	(544)	(964)	(1,014)	(699)	0	**(3,221)**
Translation difference	0	0	(1)	(3)	19	**14**
Impairment	(158)	0	0	0	0	**(158)**
Reclassification and other movements	101	15	15	20	(653)	**(501)**
Net value at end of 2011	**12,051**	**4,660**	**1,259**	**2,200**	**37**	**20,206**
Net value at beginning of 2012	**12,051**	**4,660**	**1,259**	**2,200**	**37**	**20,206**
Increses	547	1,205	817	735	150	**3,455**
Decreases	(4)	0	0	(40)	(3)	**(47)**
Depreciation	(523)	(1,009)	(905)	(734)	0	**(3,172)**
Translation difference	(1)	0	2	14	0	**15**
Impairment	(46)	0	0	0	0	**(46)**
Reclassification and other movements	(81)	0	(10)	1	0	**(90)**
Net value at end of 2012	**11,944**	**4,856**	**1,163**	**2,175**	**184**	**20,322**

Annual capital expenditures totaled € 3,455 thousand (€ 4,028 thousand in 2011) and were made mainly by Marcolin S.p.A. to:

- purchase plant and machinery for € 1,205 thousand, including € 857 thousand for industrial plant and machinery;
- purchase industrial equipment for € 817 thousand;
- purchase hardware and office furniture, included in other PP&E, totaling € 664 thousand;
- increase assets under construction and advances by € 150 thousand, referring largely to plants under construction.

Depreciation is € 3,172 thousand and includes:

- € 2,450 thousand (2,058 thousand in 2011) recognized in the components of cost of sales;
- € 327 thousand (€ 490 thousand in 2011) recognized in distribution and marketing expenses;
- € 394 thousand (€ 672 thousand in 2011) recognized in general and administration expenses.

Property owned by the Parent Company was appraised at the end of the reporting period by an independent appraiser.

According to the appraisal, the fair value of the building in Domegge di Cadore (former location of Marcolin S.p.A.'s head offices) was € 46 thousand less than its carrying value, so the latter value was written down accordingly.

5. PROPERTY, PLANT, AND EQUIPMENT (continued)

The gross values of property, plant and equipment and their accumulated depreciation as at December 31, 2012 are shown in the following table.

Property, Plant and Equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction and advances	Total
Undepreciated value	19,470	17,803	17,795	10,025	184	65,277
Accumulated depreciation	(7,526)	(12,947)	(16,632)	(7,851)		(44,955)
Net value	**11,944**	**4,857**	**1,163**	**2,175**	**184**	**20,322**

6. INTANGIBLE ASSETS AND GOODWILL

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

Intangible assets and goodwill (euro/000)	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2011	**606**	**2,159**	**55**	**912**	**3,732**	**2,419**
Increses	121	10,255	0	41	**10,417**	0
Decreases	0	(35)	0	0	**(35)**	0
Amortization	(466)	(297)	(1)	0	**(763)**	0
Translation difference	(4)	3	2	0	**1**	79
Reclassification and other movements	386	692	(55)	(481)	**542**	0
Net value at end of 2011	**644**	**12,776**	**2**	**473**	**13,894**	**2,498**
Net value at beginning of 2012	**644**	**12,776**	**2**	**473**	**13,894**	**2,498**
Increses	520	9	0	1,324	**1,852**	0
Decreases	0	0	0	0	**0**	0
Amortization	(426)	(322)	(0)	0	**(748)**	0
Translation difference	20	(115)	(0)	0	**(96)**	(48)
Reclassification and other movements	65	6	0	(71)	**0**	0
Net value at end of 2012	**821**	**12,354**	**1**	**1,726**	**14,902**	**2,450**

Investments of € 1,852 thousand were made in the year (€ 10,417 thousand in 2011), nearly all of which regarded intangible assets under formation and advances, and most of which consisted of investments made by the Parent Company in the future operations of the two new companies, Eyestyle.com S.r.l. and Eyestyle Retail S.r.l. The Parent Company will charge those expenses to those two new companies in the current year, when the companies will be operational.

Amortization is € 748 thousand and consists of:

- € 42 thousand (€ 96 thousand in 2011) recognized in the cost of sales;
- € 579 thousand (€ 559 thousand in 2011) recognized in distribution expenses;
- € 127 thousand (€ 108 thousand in 2011) recognized in general and administration expenses.

6. INTANGIBLE ASSETS AND GOODWILL (continued)

The unamortized value of intangible assets and goodwill and their accumulated amortization as at December 31, 2012 are shown in the following table:

Intangible assets and goodwill (euro/000)	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Intangible assets under formation and advances	Total	Goodwill
Unamortized value	7,303	18,521	83	1,726	27,633	8,123
Accumulated amortization . . .	(6,482)	(6,167)	(83)	—	(12,731)	(5,673)
Net value	**821**	**12,354**	**0**	**1,726**	**14,902**	**2,450**

The accumulated amortization of goodwill refers to amortization calculated up to the date of transition to international accounting standards.

''Concessions, licenses and trademarks'' refers to the Web trademark. This asset, which was obtained in November 2008 for € 1,800 thousand and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years. The value as at December 31, 2012 was tested for impairment on the basis of the Group's plans for the expansion and margins of Web brand collections.

The item includes € 10 million in costs incurred by the Parent Company and by Marcolin U.S.A. to renew licenses. Such costs were capitalized as intangible assets in compliance with IAS 38 on the basis of their future economic lives. Goodwill arose on the previous acquisition of an American company by Marcolin U.S.A., and was tested for impairment based on the enterprise value of the CGU to which it refers, consisting of the American subsidiary.

The impairment test structure and parameters used are described below.

Impairment test structure

Impairment testing, under IAS 36, is performed at least annually for intangible assets with an infinite useful life. Other types of assets are tested when there is external or internal indication that those assets have suffered an impairment loss. In the preparation of the 2012 financial statements, no indications of impairment losses emerged for property, plant and equipment except for the Parent Company's property in Domegge di Cadore (BL), which is no longer used for production. Given the current market conditions, the Group's management decided to obtain an updated appraisal for such property in order to evaluate whether it had suffered an impairment loss and to adjust the book value accordingly.

With respect to the impairment test on goodwill recognized on the American operations, the value in use, which is compared to invested capital, was estimated based on future cash flows determined consistently with the Group's economic and financial forecasts for the American subsidiary for the year 2013. In light of the uncertainty characterizing the current macroeconomic situation, management decided to limit forecast period to a single year.

The budget approved for financial year 2013 takes into account the economic crisis insisting since 2008. Nevertheless it is worth noting that the estimates are based on assumptions regarding future events that could occur with results differing from expectations, possibly causing significant deviations from the forecasts. Value in use was calculated as the sum of the present value of cash flows expected in 2013 and the terminal value determined applying a perpetual return on the basis of the data projections available.

Due to the general uncertainty present, it was considered prudent to use a growth rate of zero in determining the terminal value.

For discounting the cash flows, a rate of 5.87%, net of the tax effect, was used. The rate was determined taking into account the market variables and the specific risks of the area in which the CGU performs.

6. INTANGIBLE ASSETS AND GOODWILL (continued)

Furthermore, three types of sensitivity analyses were carried out on the impairment tests, simulating, respectively, a growth rate change from zero to 1% and a 0.5% change in discount rates, a 1% decrease and increase and a 1.5% increase. No need for writedowns resulted from the sensitivity analysis.

With reference to the Web brand, although the 2012 results were heavily affected by the recession of the Italian market, in which Web-brand product sales are concentrated, and even considering the inevitable uncertainties arising from the current situation, the Directors believe that the net book value of the Web trademark remains consistent with its current market value. Moreover, considerable investments are planned to relaunch the Web brand in 2013, with the objective of bringing sales volumes to satisfactory levels compatible with business equilibrium.

According to the test results, no impairment losses are present either for the goodwill arising on operations in the U.S. market or for the Web trademark.

7. INVESTMENTS IN ASSOCIATES

This item, equal to € 86 thousand, refers to the investment in Finitec S.r.l. in liquidation. Information regarding this associated company is shown below.

Investments in associates (euro/000)	DEC 31, 2012	DEC 31, 2011
Finitec S.r.l. in liquidazione—Share capital 54,080 EUR		
Assets	1,023	1,043
Liabilities	191	183
Equity	832	860
Net sales	30	318
Income (loss) for the period	(27)	(427)
% Ownership	40%	40%

Until May 2011, Finitec S.r.l. in liquidation supplied galvanic and dye treatments for eyewear to the Parent Company. Application of the equity method to measure the associate resulted in an annual cost of € 11 thousand after applying the Group's accounting policies to the associate's financial statements.

The carrying value reflects the interest in equity of the associate, since there was no goodwill for the company.

The liquidation procedure will conclude when buildings owned by the associate are sold. The buildings were recently appraised, and the resulting value was taken into account in the equity value of the associate.

8. DEFERRED TAX ASSETS AND LIABILITIES

On December 31, 2012, the deferred tax assets had a balance of € 14,307 thousand, substantially in line with the December 2011 data.

The amount includes € 5,962 thousand referring to the Parent Company and € 6,523 thousand referring to Marcolin U.S.A., for temporary differences between the value of the assets and liabilities in the financial statements and the value attributed to those assets and liabilities for tax purposes.

It also includes € 1,775 thousand regarding Marcolin France, of which € 575 thousand is accounted for in the reporting period, attributable to tax benefits arising on accumulated tax losses of previous periods. Recognition of deferred tax assets is possible due to the positive results reported by that company in recent years. Considering the current projections, it is likely that taxable income will be made against which the tax benefits shall be recovered within the currently foreseeable future.

There are additional, unrecognized deferred tax assets of € 5,235 thousand (€ 5,201 thousand in 2011) arising on tax losses reported in previous years by some subsidiaries (mainly Marcolin France) which

8. DEFERRED TAX ASSETS AND LIABILITIES (continued)

could reasonably be accounted for in the future if the companies to which they refer should report the earnings anticipated.

On December 31, 2012, the deferred tax liabilities had a balance of € 312 thousand (€ 664 thousand on December 31, 2011), referring to temporary differences between the value of the assets and liabilities in the financial statements and the value attributed to those assets and liabilities for tax purposes.

More information is provided in Note 31 on income tax.

9. OTHER NON-CURRENT ASSETS

This item, which at December 31, 2012 presents a balance of € 14,009 thousand, refers primarily to:

- the Parent Company, for the one-off payment to Tod's Group for the stipulation of a new licensing agreement for the years from 2013 to 2018. € 5,250 thousand is the amount due after one year of the total € 6,300 thousand, fully deferred at the reporting date as it regards the period of effectiveness of the new agreement. The 2013 portion of € 1,050 thousand is recognized as a current asset;
- the Parent Company, for financing granted to a third party on which interest accrues at a market rate, for € 5,000 thousand. The amount shall be repaid with semiannual installments from January 2016 to 2022;
- Marcolin USA, for € 3,535 thousand, for a loan granted to a third party with a repayment plan of semiannual installments from January 2013 to December 31, 2015.

10. INVENTORIES

Inventories are detailed below.

Inventories (euro/000)	December 31, 2012	December 31, 2011
Finished goods	50,806	44,659
Raw material	12,673	12,227
Work in progress	8,914	8,047
Gross inventory	**72,393**	**64,934**
Inventory provision	(18,157)	(18,225)
Net inventory	**54,237**	**46,709**

The net value of inventories rose by € 7,528 thousand due largely to the finished product category, generated by the procurement of finished products on the basis of the sales forecast of the beginning of the year, which envisioned growth for 2012. Finished product inventories decreased in the last quarter of 2012.

The average inventory period rose along with the inventories.

In detail:

- the value of finished products rose by € 6,147 thousand;
- the value of raw materials rose by € 446 thousand;
- the value of work in progress rose by € 866 thousand.

The inventory impairment provision is substantially in line with the December 2011 value. It is still considered to provide adequate coverage for obsolete or slow-moving inventory, taking into account the composition and possibility to sell such inventory.

11. TRADE AND OTHER RECEIVABLES

The details of trade and other receivables are as follows:

Trade and other receivables (euro/000)	December 31, 2012	December 31, 2011
Gross receivables	58,436	64,631
Provision for bad debts	(4,731)	(5,045)
Net trade receivables	**53,705**	**59,586**
Tax receivables	7,377	2,674
Other receivables	2,290	1,111
Total other receivables	**9,668**	**3,785**
Total	**63,373**	**63,371**

The total balance is consistent with that of the prior year.

However, trade receivables alone fell by € 5,881 thousand, reflecting the absolute emphasis on credit management and client selection especially in difficult times for the market such as these, and a significant reduction of the average collection period.

The amount of receivables stated in the financial statements was not discounted, since all receivables are due in the short term.

In contrast, tax receivables present an increase of € 4,703 thousand attributable primarily to Marcolin S.p.A. in relation to tax advances paid during the year in excess of the taxes actually due, and taxes recovered from previous periods on the basis of the IRES tax refund claim filed in March 2013 for the years from 2007 to 2011, pursuant to the recognition of IRAP deductibility for personnel costs.

For the purpose of providing the disclosures required by IFRS 7, the trade receivables are set forth below by geographical area:

Receivables not overdue by geographical area (euro/000)	December 31, 2012	December 31, 2011
Italy	11,762	15,504
Rest of Europe	10,696	13,818
North America	7,076	6,726
Rest of the World	14,895	13,714
Total	**44,429**	**49,763**

11. TRADE AND OTHER RECEIVABLES (continued)

The following table shows the trade receivables due and past due (in an aging analysis) that are not in protest:

Ageing analysis of trade receivables not protested (euro/000)	Gross value	Provision	Net value
December 31, 2011			
Not overdue	49,763	(203)	49,560
Overdue by less than 3 months	5,979	(245)	5,734
Overdue by 3 to 6 months	3,482	(938)	2,544
Overdue by more than 6 months	2,207	(1,216)	991
Total	**61,430**	**(2,601)**	**58,830**
December 31, 2012			
Not overdue	44,429	(183)	44,246
Overdue by less than 3 months	5,606	(412)	5,194
Overdue by 3 to 6 months	3,127	(457)	2,670
Overdue by more than 6 months	2,474	(1,170)	1,304
Total	**55,636**	**(2,222)**	**53,415**

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

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

Trade receivables overdue but not impaired (euro/000)	December 31, 2012	December 31, 2011
Overdue by less than 3 months	5,194	5,734
Overdue by more than 3 months	3,975	3,536
Total	**9,169**	**9,269**

For the sake of exhaustive disclosure, an aging analysis of receivables in protest and the related writedowns is set forth below.

Ageing analysis of trade receivables not protested (euro/000)	Gross value	Provision	Net value
December 31, 2011			
Past due by less than 12 months	200	(184)	16
Past due by more than 12 months	2,393	(2,260)	133
Total	**2,593**	**(2,444)**	**149**
December 31, 2012			
Past due by less than 12 months	319	(234)	84
Past due by more than 12 months	2,482	(2,275)	206
Total	**2,800**	**(2,509)**	**291**

11. TRADE AND OTHER RECEIVABLES (continued)

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

Provision for doubtful debts (euro/000)	2012	2011
Opening amount	5,045	4,657
Allocations	531	1,176
Uses	(718)	(716)
Reclassifications and other changes	(58)	(103)
Translation difference	(68)	31
Total at end of year	**4,731**	**5,045**

The provision for doubtful debts fell by € 314 thousand. The Directors still consider the provision to be adequate for presenting receivables at their realizable value given their composition and age and the related guarantees.

Some trade receivables are covered by the types of guarantees typically used for sales on foreign markets.

12. OTHER CURRENT ASSETS

This item comprises mainly prepaid expenses relating to the Parent Company, including the current portion of € 1,050 thousand of the aforementioned one-off fee for Tod's Group.

13. CASH AND BANK BALANCES

These are the value of cash deposits and highly liquid financial instruments, i.e. those with an original maturity of up to three months.

Cash and bank balances fell by € 17,619 thousand, as shown in the Consolidated Cash Flow Statement, which provides more detailed information on this item.

Part of the balance was used in January 2013 for payments to external suppliers and licensors.

14. EQUITY

The Parent Company's share capital is € 32,312,475.00 and is composed of 62,139,375 ordinary shares with a par value of € 0.52 per share.

Marcolin S.p.A. owns 681,000 treasury shares for a total value of € 947 thousand. The nominal value of € 354 thousand was deducted from the share capital and the remaining € 593 thousand was deducted from the treasury share reserve included with the retained earnings/(losses).

The Statement of Changes in Consolidated Equity provides more detailed information on this item.

15. MEDIUM/LONG-TERM BORROWINGS

In December, pursuant to the aforementioned change in control and change in control clauses, Marcolin S.p.A. settled some of its loan agreements and refinanced part of its loans for an amount of € 24.1 million through the use of new credit facilities made available to the Company by Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A. and UniCredit S.p.A. (the Lending Banks).

Those credit facilities were made available to the Company under agreements stipulated previously by Cristallo S.p.A. and its holding companies with the Lending Banks and include a revolving line of credit designated to finance working capital and ordinary cash requirements relating to the Company's operations.

15. MEDIUM/LONG-TERM BORROWINGS (continued)

All bank loans were taken out by the Parent company. Details of the significant outstanding loans are set forth below:

Bank	Currency	Original amount (euro)	Residual amount (euro)	Maturity date	Interest rate	Notes
Ministry of productive activities (technological innovation)	euro	793,171	326,883	26 June 2016	1.012%	Subsidized loan obtained under law 46/82, repayable in 10 annual installments from June 26, 2007.
Banca IMI S.p.A. IKB Deutsche Industrie- bank AG, Natixis S.A., Unicredit S.p.A.*	euro	11,250,000	11,250,000	05 December 2018	euribor + 6%	Loan stipulated on Dec. 5, 2012, Facility A repayable in 11 semiannual installments from Dec. 5, 2013.
Banca IMI S.p.A. IKB Deutsche Industrie- bank AG, Natixis S.A., Unicredit S.p.A.*	euro	11,250,000	11,250,000	05 December 2019	euribor + 6.25%	Loan stipulated on Dec. 5, 2012, Facility B repayable in 11 semiannual installments from Dec. 5, 2013.

* These loans include covenants regarding key performance and financial indicators of the consolidated financial statements.

The loan agreements between Marcolin S.p.A. and the Lending Banks include obligations regarding operating and financial performance. These are covenants requiring certain financial ratios calculated on the basis of the consolidated accounts of each quarterly reporting date.

If the loan covenants are not complied with, the conditions for continuing with the loan account must be renegotiated with the banks or the loan covenants must be amended. Otherwise, the loan may be asked for early repayment.

The loan covenants are based on main performance and financial indicators.

The net financial position is set forth below. More information is provided in the Report on Operations.

Net financial position (euro/000)	December 31, 2012	December 31, 2011
Cash	45	76
Cash equivalents	13,323	30,910
Short-term borrowings	(8,075)	(4,412)
Current portion of long-term borrowings	(530)	(7,589)
Long-term borrowings	(20,841)	(22,452)
Total	**(16,079)**	**(3,467)**

16. LONG-TERM PROVISIONS

This item represents the employee severance indemnity provision (''TFR'') recognized in the Parent Company's financial statements. It consists of the benefits that accrued to employees until December 31, 2006 under the defined benefit plan, to be paid upon or subsequent to termination of employment. Benefits accruing from January 1, 2007 are treated as a defined contribution plan. By paying the contributions into social security funds (public and/or private), the Group complies with all relevant obligations.

16. LONG-TERM PROVISIONS (continued)

The changes in long-term provisions are shown below:

Long term provisions (euro/000)	Severance indemnity provision
Opening amount	3,200
Use	(277)
Interest	124
Actuarial loss/(gain)	790
Total on Dec. 31, 2012	**3,836**

The following table shows the various parameters used for the relevant actuarial calculation:

Actuarial assumptions	2012
Mortality rate:	RG 48 table of Public Accounting Office
Disability rate:	INPS table by age and gender
Personnel turnover rate:	5.00%
Frequency of severance payment	2.00%
Discount/interest rate:	2.05%
TFR increase rate:	3.00%
Inflation rate:	2.00%

17. OTHER NON-CURRENT LIABILITIES

This item consists primarily of the accrued liabilities and deferred income due after 12 months from the reporting date.

The amount was zero on the reporting date.

18. TRADE PAYABLES

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

Trade payables by geographical area (euro/000)	December 31, 2012	December 31, 2011
Italy	29,632	18,090
Rest of Europe	4,048	5,329
North America	7,416	6,714
Rest of the World	14,672	13,642
Total	**55,768**	**43,775**

Trade payables rose by € 11,993 thousand, impacted by the amount due to Tod's for the aforementioned change to the Tod's and Hogan brand licensing agreements. Excluding this non-recurring effect, the average collection period remained the same.

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

In compliance with the disclosure requirements of IFRS 7, it is reported that on December 31, 2012 there were no past-due trade payables, with the exception of the accounts being protested by the Company with the suppliers.

19. SHORT-TERM BORROWINGS

The amount represents the short-term borrowings of € 8,605 thousand, including the € 225 thousand short-term portion of medium/long-term loans and other financial payables of € 8,380 thousand due within 12 months from the reporting date.

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

Borrowings—Maturity (euro/000)	Credit lines used	Loans	Other financiers	TOTAL
within 1 year	0	11,910	90	12,000
from 1 to 3 years	0	15,019	179	15,198
from 3 to 5 years	0	3,853	165	4,018
more than 5 years	0	3,235	0	3,235
Dec. 31, 2011	**0**	**34,017**	**434**	**34,451**
within 1 year	8,379	145	80	8,605
from 1 to 3 years	0	3,090	162	3,253
from 3 to 5 years	0	4,441	83	4,524
more than 5 years	0	13,064	0	13,064
Dec. 31, 2012	**8,379**	**20,741**	**326**	**29,446**

The disclosures regarding the derivatives in place on December 31, 2012 are presented below. All the contracts in effect were stipulated by the Parent Company, Marcolin S.p.A.

Financial liabilities at fair value through profit and loss.

During the year, the Parent Company stipulated three derivative contracts on the U.S. dollar exchange rate with Veneto Banca Holding to mitigate the risk of exchange rate variability, two contracts of which were still partially in effect on the reporting date.

The fair value of such derivative instruments on December 31, 2012 was a negative € 10 thousand. Although the derivatives were designated to hedge the risk of exchange rate variability on purchases from suppliers in U.S. dollars, they do not qualify for hedge accounting because they do not meet all the conditions required by the applicable accounting standard.

The interest rate swap stipulated with Efibanca was settled by closing the related equity reserve of € 23 thousand.

On the reporting date, no derivatives to hedge against interest rate risk were in place.

20. CURRENT PROVISIONS

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

Short-term provisions (euro/000)	Provision for severance indemnities	Provision for tax liabilities	Other provisions	Total
Jan. 1, 2012	**669**	**189**	**7,629**	**8,487**
Allowances	215	0	964	1,178
Use	(135)	(189)	(4,002)	(4,326)
Actuarial loss (gain)	80	0	0	80
Translation difference	(8)	0	(45)	(53)
Other changes	0	0	0	0
Dec. 31, 2012	**821**	**0**	**4,545**	**5,367**

20. CURRENT PROVISIONS (continued)

The provisions for agency termination and similar obligations consist of the estimated indemnities payable to agencies upon termination, the amount of which was discounted to present value on the basis of long-term use.

The other provisions consist of allowances for risks regarding customer returns and product warranties for an amount of € 3,845 thousand. The provisions were reported largely by Marcolin U.S.A., Marcolin S.p.A. and Marcolin France.

The other items included in the other provisions refer to Marcolin S.p.A. for € 700 thousand, mainly for risks regarding contingent liabilities arising from legal and contractual obligations.

21. OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

Other current liabilities (euro/000)	DEC 31, 2012	DEC 31, 2011
Payables to personnel	6,285	6,504
Social security payables	2,165	1,942
Royalties	0	0
Other accrued expenses and deferred income	927	1,265
Total	**9,377**	**9,710**

The other current liabilities consist primarily of € 6,285 thousand due to personnel and € 2,165 thousand in social security.

The amount due to personnel fell by € 219 thousand from December 31, 2011; the decrease is attributable principally to the Parent Company.

The other accrued expenses and deferred income refer primarily to Marcolin U.S.A. and Marcolin S.p.A.

22. COMMITMENTS AND GUARANTEES

Below are details of the main commitments and guarantees of the Group companies:

Guarantiees issued (euro/000)	December 31, 2012	December 31, 2011
Guarantees to third parties	46	46

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.

Those contracts require payment of guaranteed minimum royalties over the duration of the contracts. On December 31, 2012 the future commitments amounted to € 273 million (€ 255 million in 2011), including € 49 million falling due within the next year.

22. COMMITMENTS AND GUARANTEES (continued)

Details of the rent and operating lease commitments are shown below, in accordance with IAS 17:

Commitments (euro/000)	December 31, 2012	December 31, 2011
Rent		
Within one year	1,054	1,360
From one to five years	2,560	1,782
Over five years	26	31
Total	**3,639**	**3,173**
Operating leases		
Within one year	476	544
From one to five years	126	352
Over five years	0	0
Total	**603**	**895**
TOTAL	**4,242**	**4,069**

The rent commitments refer mainly to the office lease of the American subsidiary.

CONSOLIDATED INCOME STATEMENT MARCOLIN GROUP

(euro/000)	2012	%	2011	%
REVENUE	**213,963**	**100.0%**	**224,124**	**100.0%**
COST OF SALES	**(82,313)**	**(38.5)%**	**(81,736)**	**(36.5)%**
GROSS PROFIT	**131,650**	**61.5%**	**142,388**	**63.5%**
Selling and marketing costs	(98,558)	(46.1)%	(97,497)	(43.5)%
General and administrative expenses	(16,853)	(7.9)%	(18,748)	(8.4)%
Other operating income and expenses				
—other operating income	3,998	1.9%	3,401	1.5%
—other operating expenses	(9,243)	(4.3)%	(128)	(0.1)%
Total	**(5,245)**	**(2.5)%**	**3,273**	**1.5%**
EFFECTS OF ACCOUNTING FOR ASSOCIATES	(11)	(0.0)%	(527)	(0.2)%
EBITDA	**15,575**	**7.3%**	**34,234**	**15.3%**
OPERATING PROFIT—EBIT	**10,984**	**5.1%**	**28,888**	**12.9%**
FINANCIAL INCOME AND COSTS				
Financial income	2,072	1.0%	2,955	1.3%
Finance costs	(3,953)	(1.8)%	(4,700)	(2.1)%
TOTAL	**(1,880)**	**(0.9)%**	**(1,745)**	**(0.8)%**
PROFIT BEFORE TAXES	**9,104**	**4.3%**	**27,143**	**12.1%**
Income tax expense	(3,124)	(1.5)%	(6,165)	(2.8)%
NON-CONTROLLING INTERESTS	0	0.0%	0	0.0%
NET PROFIT FOR THE YEAR	**5,980**	**2.8%**	**20,979**	**9.4%**

23. REVENUE

The following table sets forth the net sales revenue of 2012 by geographical area:

Net sales by geographical area (euro/000)	2012		2011		Difference	
	Turnover	% on total	Turnover	% on total	Turnover	Change
—Europe	99,935	46.7%	119,947	53.5%	(20,013)	(16.7)%
—U.S.A.	52,405	24.5%	46,470	20.7%	5,935	12.8%
—Asia	23,401	10.9%	21,709	9.7%	1,692	7.8%
—Rest of the World	38,223	17.9%	35,998	16.1%	2,225	6.2%
Total	**213,963**	**100.0%**	**224,124**	**100.0%**	**(10,161)**	**(4.5)%**

A description of the 2012 sales performance is provided in the Report on Operations.

24. COST OF SALES

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

Cost of sales (euro/000)	2012	2011	Increase (decrease)	%
Purchases of materials and finished products	57,179	54,032	3,147	5.8%
Changes in inventory	(7,716)	(5,335)	(2,381)	44.6%
Personnel expenses	17,712	16,800	912	5.4%
Outsourcing	7,249	8,602	(1,353)	(15.7)%
Amortization and depreciation	2,492	2,154	338	15.7%
Other expenses	5,397	5,483	(86)	(1.6)%
Total	**82,313**	**81,736**	**577**	**0.7%**

The cost of sales rose by € 577 thousand. It was 38.5% of total sales, an increase of 2% from the 2011 data.

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

25. DISTRIBUTION AND MARKETING EXPENSES

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

Distribution and marketing expenses (euro/000)	2012	2011	Increase (decrease)	%
Personnel expenses	26,674	26,042	632	2.4%
Commissions	7,058	8,674	(1,616)	(18.6)%
Amortization and depreciation	997	1,076	(80)	(7.4)%
Royalties	32,245	32,418	(174)	(0.5)%
Advertising ad PR	17,610	15,091	2,519	16.7%
Other costs	13,975	14,196	(220)	(1.6)%
Total	**98,558**	**97,497**	**1,061**	**1.1%**

Distribution and marketing expenses rose by € 1,061 thousand; they are 46.1% of sales, compared to 43.5% for 2011.

The largest difference is for advertising and public relations (PR) expenses, due to the fact that the Group decided to maintain its advertising investments in order to adequately support its sales; moreover, there was less absorption of the guaranteed minimum royalties referring to licensing agreements.

25. DISTRIBUTION AND MARKETING EXPENSES (continued)

The other expenses consist mainly of sales expenses, including transport, rentals and entertainment expenses.

26. GENERAL AND ADMINISTRATION EXPENSES

The general and administration expenses are set forth below:

General and administrative expenses (euro/000)	2012	2011	Incremento (decremento)	%
Personnel expenses	6,217	6,086	131	2.1%
Bad debt provsion	531	1,176	(645)	(54.9)%
Amortisation and depreciation	571	938	(367)	(39.1)%
Other costs	9,533	10,548	(1,014)	(9.6)%
Total	**16,853**	**18,748**	**(1,896)**	**(10.1)%**

General and administration expenses fell by € 1,896 thousand compared to those of 2011.

Amortization, depreciation and writedowns include € 46 thousand for the adjustment to fair value of the building owned by the Parent Company in Domegge di Cadore, based on an independent appraisal.

The ''other costs'' of € 9,533 thousand consist mainly of the following:

- director, statutory auditor and auditing firm compensation;
- other general and administrative services;
- IT expenses;
- other general and administrative consulting.

27. MARCOLIN GROUP EMPLOYEES

Details of the total number of employees of the various Group companies are shown below:

	Final number		Average number	
Employees Category	Dec 31, 2012	Dec 31, 2011	2012	2011
Senior managers	28	24	27	24
Junior managers	67	86	67	87
Staff	379	458	372	459
Manual workers	403	405	407	402
Total	**877**	**972**	**873**	**972**

28. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other income and expenses (euro/000)	2012	2011
Transportation costs refund	1,186	1,395
Release of provision	155	137
Other income	2,657	1,869
Total other income	**3,998**	**3,401**
Losses on receivables	0	(3)
Other expenses	(9,243)	(125)
Total other expenses	**(9,243)**	**(128)**
Total	**(5,245)**	**3,273**

The balance of this item is a negative € 5,245 thousand, compared to a positive € 3,273 thousand for 2011. The main difference is for operating expenses. Operating expenses include the € 8.9 million early termination fee for the Tod's and Hogan licensing agreements, within the scope of a more comprehensive agreement under which a new licensing agreement was stipulated for the Tod's brand and a supply agreement was stipulated for the Hogan brand.

''Other income'' consists mainly of amounts charged for advertising materials and contingent gains. The contingent gains consist of unrealized charges regarding previous periods, costs that were less than the amount originally estimated for them and insurance compensation.

29. EFFECTS OF ACCOUNTING FOR ASSOCIATES WITH THE EQUITY METHOD

The use of the equity method to account for investments in associates resulted in the recognition of a cost of € 11 thousand in 2012 for Finitec S.r.l. in liquidation, due to the loss reported by that company in the reporting period. The company is not currently operating. It is undergoing a liquidation procedure that should conclude in the medium term without any additional costs.

30. FINANCIAL INCOME AND COSTS

The financial income and costs are set forth below:

Financial income and costs (euro/000)	2012	2011
Financial income	2,072	2,955
Financial costs	(3,953)	(4,700)
Total	**(1,880)**	**(1,745)**

The composition of financial income is shown below:

Financial income (euro/000)	2012	2011
Interest income	0	1
Other income	423	480
Gains on currency exahange	1,650	2,474
Total	**2,072**	**2,955**

30. FINANCIAL INCOME AND COSTS (continued)

The composition of finance costs is shown below:

Financial costs (euro/000)	2012	2011
Interest expense	(1,942)	(1,494)
Cash discounts	(891)	(928)
Lossess on currency exahange	(1,119)	(2,277)
Total	**(3,953)**	**(4,700)**

The item ''financial income and costs'' has a negative balance of € 1,880 thousand, slightly steeper than the negative € 1,745 thousand of 2011.

The tables above show that:

- interest expense rose by € 448 thousand against the 2011 amount. The increase reflects the finance cost of € 669 thousand for actualizing the Parent Company's severance indemnity provision, due to reduced interest rates, offset in part by the € 140 thousand decrease in interest expense with banks;
- currency exchange resulted in a net profit of € 531 thousand, compared to the € 197 thousand net profit of 2011.

31. INCOME TAX EXPENSE

The deferred tax reported in the Statement of Financial Position and the changes thereof are presented in the following tables:

Deferred taxes (euro/000)	Dec 31, 2012	Dec 31, 2011
Temporary differences on non-current assets	14	161
Temporary differences on current assets	4,408	4,252
Temporary differences on allocations to provisions	780	1,598
Tax loss carryforwards	9,105	8,175
Deferred tax assets	**14,307**	**14,187**
Temporary differences on non-current assets	(1,047)	(1,326)
Temporary differences on current assets	735	661
Deferred tax liabilities	**(312)**	**(664)**
Net deferred taxes	**13,995**	**13,522**

Changes in net deferred taxes (euro/000)	2012	2011
Net deferred taxes as at January 1		
Deferred tax assets (liabilities)	13,522	8,526
Recognized in profit or (loss)	882	4,765
Recognized in equity	0	0
Other changes	(410)	231
Foreign exchange differences	0	0
Deferred taxes as at December 31	**13,995**	**13,522**

Potential deferred tax assets of € 5.2 million (same amount of 2011) arising principally on tax losses reported by Marcolin France were not recognized because no forecasts are currently available that reasonably expect recovery of such assets.

31. INCOME TAX EXPENSE (continued)

Some deferred tax assets totaling € 882 thousand (€ 4,765 thousand in 2011) were recognized on temporary differences generated between the value of the assets and liabilities in the financial statements and the value attributed to those assets and liabilities for tax purposes, and the benefit relating to carrying forward tax losses generated in previous financial years by Marcolin France.

The current tax burden was determined on the basis of the taxable income arising from the profit for the year, taking into account the use of any accumulated tax losses and applying the nominal tax rates in force in each country.

Income tax expense (euro/000)	2012	2011
Current taxes	(3,600)	(10,921)
Deferred taxes	882	4,765
Taxes relating to prior year	(406)	(9)
Total income taxes	**(3,124)**	**(6,165)**

Tax rate reconciliation (euro/000)	2011	2010
Profit/(loss) before taxes	9,104	27,143
Tax expected (based on local tax rate)	2,616	9,370
Taxes relating to prior years	406	9
Change in temporary differences	(337)	(1,378)
Use of previously unrecognized tax losses	(546)	(3,387)
Taxes on productive activities and flat-rate taxes	984	1,551
Total income taxes	**3,124**	**6,165**

The theoretical average tax rate of the year is 28.73% (34.52% in 2011), whereas the effective tax rate is 34.31% (22.71% in 2011).

The deferred tax liabilities as at December 31, 2012 were € 1,797 thousand (€ 3,263 thousand as at December 31, 2011) against an allocation for the year of € 3,600 thousand.

32. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Earnings per share are composed of the following:

Earnings per share	2012	2011
Profit for the year (in euros)	5,979,818	20,978,844
Number of shares	62,139,375	62,139,375
Number of treasury shares	681,000	681,000
Net number of shares	61,458,375	61,458,375
Earnings per share	**0.097**	**0.341**
Diluted earnings per share	**0.097**	**0.341**

33. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by standard IFRS category in the table below, which presents their fair value in accordance with IFRS 7.

For the fair value measurement of borrowings, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

The derivatives used by the Group are classified as O.T.C. (over-the-counter) instruments, so they do not have a public price available on official exchange markets. Discounted cash flow models were used to measure these derivatives.

Categories of financial assets (euro/000)	Trade receivables
2011	
Loans and other financial receivables	58,978
Financial assets at fair value through P/L	0
Held-to-maturity investments	0
Total carrying value on Dec. 31, 2011	**58,978**
Fair value	**na**
2012	
Loans and other financial receivables	53,705
Financial assets at fair value through P/L	0
Held-to-maturity investments	0
Total carrying value on Dec. 31, 2012	**53,705**
Fair value	**na**

Categories of financial liabilities (euro/000)	Trade payables	Derivatives	Loans
2011			
Financial liabilities at fair value through P/L	0	(414)	0
Derivatives used for hedging	0	23	0
Other financial liabilities	43,775	0	35,627
Total carrying value on Dec. 31, 2011	**43,775**	**(391)**	**35,627**
Fair value	**na**	**(391)**	**35,627**
2012			
Financial liabilities at fair value through P/L	0	(10)	0
Derivatives used for hedging	0	0	0
Other financial liabilities	55,768	0	29,944
Total carrying value on Dec. 31, 2012	**55,768**	**(10)**	**29,944**
Fair value	**na**	**(10)**	**29,944**

The derivatives presented in the table are classified with borrowings (Note 19).

TRANSACTIONS WITH SUBSIDIARIES ACCOUNTED FOR USING THE EQUITY METHOD, ASSOCIATES AND RELATED PARTIES

In addition to the transactions between the consolidated companies, during the year transactions took place with the equity-accounted associates and other related parties. The effects of such transactions are reported in the table below:

Company (euro/000)	Payables	Receivables	Expenses	Revenues	Type
	Dec 31, 2012		2012		
Tod's S.p.A.	15,505	7,116	16,216	1,343	Related party

The transactions were of a trade nature and took place on an arm's length basis. They regarded in particular the licensing agreement for the brand owned by the associate.

DISCLOSURE OF ATYPICAL AND UNUSUAL TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES.

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

Atypical and unusual transactions

In 2012 there were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A. and the Group, apart from the effects of the previously described renegotiation of licensing agreements with Tod's S.p.A.

Transactions with related parties

Intercompany and related-party transactions are mainly of a trade nature and are conducted on an arm's length basis. In 2012 the Group had transactions with Tod's S.p.A. under a licensing agreement stipulated with that company referable to shareholders Diego Della Valle and Andrea Della Valle (Directors of Marcolin S.p.A.), as shown in the table above.

Significant non-recurring events and transactions

Significant non-recurring events or transactions that impacted the Group's financial position, financial performance or cash flows in 2012 are described in the Report on Operations.

SEGMENT REPORTING

The following information is set forth according to the geographical areas in which the Group operates. The geographical areas have been identified as primary segments of business. The methods used to identify primary business segments have been selected according to the Group's operating policies. The policies provide for aggregation by specific geographical area according to the location of the

Group's companies. Accordingly, the sales by geographical segment refer to the source of the sales rather than to the end market.

	ITALY		FRANCE		REST OF EUROPE		NORTH AMERICA		OTHER & CONSOLIDATION		MARCOLIN GROUP	
(euro/000)	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	127,956	142,619	21,055	22,557	29,979	36,416	66,320	57,907	(31,347)	(35,374)	213,963	224,124
Intersegment sales	0	0	0	0	0	0	0	0	0	0	0	0
Net sales third parties	127,956	142,619	21,055	22,557	29,979	36,416	66,320	57,907	(31,347)	(35,374)	213,963	224,124
Gross profit	58,558	70,118	11,226	12,124	15,888	19,395	39,657	35,213	6,321	5,537	131,650	142,388
in % of net sales	45,8%	49,2%	53,3%	53,7%	53,0%	53,3%	59,8%	60,8%	−20,2%	−15,7%	61,5%	63,5%
Operating profit	6,233	31,753	140	168	1,748	2,203	6,459	5,537	(3,596)	(10,773)	10,984	28,888
Share of P/(L) of associates and Nequity Method	(11)	(527)	0	0	0	0	0	0	11	527	0	0
Assets	196,966	186,534	10,436	8,591	18,970	21,663	49,736	52,877	(77,199)	(71,678)	198,909	197,987
Investment in Associates	258	359	0	0	0	0	0	0	(173)	(263)	86	96
Liabilities	(104,974)	(93,291)	(6,910)	(5,639)	(12,334)	(13,150)	(13,283)	(17,924)	31,599	26,453	(105,903)	(103,552)
Capital expenditure	8,263	8,263	1	1	71	71	925	925	(985)	(985)	8,274	8,274
Amortization and depreciation	(3,388)	4,342	(58)	(31)	(359)	(760)	(603)	(776)	(184)	(8,119)	(4,591)	(5,345)
Other non cash items	371	(625)	30	(175)	243	(180)	(188)	(178)	(301)	(74)	155	(1,232)

There were no secondary segments as at the reporting date.

Marcolin Group

Consolidated financial statements as of and for the year ended December 31, 2011

Registered Office, Executive Management and Business Offices
Z.I. Villanova, 4—Longarone (BL)
Share capital €32,312,475.00 fully paid in
R.E.A. n. 64334
Tax code and Companies Register n. BL 01774690273
VAT n. 00298010257

Deloitte.

Deloitte & Touche S.p.A.
Via Fratelli Bandiera, 3
31100 Treviso
Italia

Tel: +39 0422 587.5
Fax: +39 0422 587812
www.deloitte.it

AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
MARCOLIN S.p.A.

1. We have audited the consolidated financial statements of Marcolin S.p.A. and subsidiaries (the ''Marcolin Group''), which comprise the statement of financial position as of December 31, 2011, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 6, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Marcolin Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Ancona Ban Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25-20144 Milano - Capitale Sociale: Euro 10.328.120.00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

4. The Directors of Marcolin S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the Investor Relations section within the Internet site of Marcolin S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), 1), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the infomation reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), 1), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of Marcolin Group as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Treviso, Italy
March 29, 2012

This report has been translated into the English language solely for the convenience of international readers. International readers should be aware that (i) the paragraph 4 of the report is required by Italian Law, (ii) the relating audit procedures have been performed under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB, and (iii) the report on operations is not included in the Offering Memorandum.

Marcolin Group consolidated statement of financial position

(euro/000)	Note	Dec. 31, 2011	Of which due from/to related parties	Dec. 31, 2010	Of which due from/to related parties
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	20,206		20,180	
Intangible assets	6	13,894		3,732	
Goodwill	6	2,498		2,419	
Investments in associates	7	96		334	
Deferred tax assets	8	14,186		9,500	
Other non-current assets	9	5,335		5,404	
Total non-current assets		**56,216**		**41,569**	
CURRENT ASSETS					
Inventories	10	46,709		41,073	
Trade and other receivables	11	63,371	1,976	62,306	1,109
Other current assets	12	704		383	
Cash and bank balances	13	30,986		35,471	
Total current assets		**141,770**	**1,976**	**139,233**	**1,109**
Assets held for sale		**0**		**2,969**	
TOTAL ASSETS		**197,987**	**1,976**	**183,771**	**1,109**
EQUITY	14				
Share capital		31,958		31,958	
Additional paid-in capital		24,517		24,517	
Legal reserve		2,403		1,833	
Other reserves		1,769		820	
Retained earnings/(losses)		12,808		885	
Profit/(loss) for the year		20,979		18,606	
Non-controlling interests		0		0	
TOTAL EQUITY		**94,435**		**78,620**	
LIABILITIES					
NON-CURRENT LIABILITIES					
Medium/long-term borrowings	15,19	22,452		27,450	
Long-term provisions	16	3,200		3,240	
Deferred tax liabilities	8	664		974	
Other non-current liabilities	17	0		0	
Total non-current liabilities		**26,316**		**31,663**	
CURRENT LIABILITIES					
Trade payables	18	43,775	132	36,756	852
Short-term borrowings	19	12,002		16,652	
Short-term provisions	20	8,487		6,191	
Current tax liabilities	31	3,263		4,614	
Other current liabilities	21	9,710		9,274	
Total current liabilities		**77,236**	**132**	**73,487**	**852**
TOTAL LIABILITIES		**103,552**	**132**	**105,150**	**852**
TOTAL LIABILITIES AND EQUITY		**197,987**	**132**	**183,771**	**852**

Marcolin Group consolidated income statement

(euro/000)	Note	2011	Of which from/with related parties	%	2010	Of which from/with related parties	%
REVENUE	23	**224,124**	1,624	**100.0%**	**205,651**	2,227	**100.0%**
COST OF SALES	24	**(81,736)**	(164)	**(36.5)%**	**(79,033)**	(783)	**(38.4)%**
GROSS PROFIT		**142,388**		**63.5%**	**126,617**		**61.6%**
Distribution and marketing expenses	25	(97,497)	(5,108)	(43.5)%	(88,069)	(3,794)	(42.8)%
General and administration expenses	26	(18,748)		(8.4)%	(16,580)		(8.1)%
Other operating income and expenses:	28						
—other operating income		3,401	407	1.5%	3,762		1.8%
—other operating expenses		(128)		(0.1)%	(721)		(0.4)%
Total		**3,273**		**1.5%**	**3,041**		**1.5%**
EFFECTS OF ACCOUNTING FOR ASSOCIATES	29	**(527)**		**(0.2)%**	**(59)**		**(0.0)%**
EBITDA		**34,234**		**15.3%**	**29,932**		**14.6%**
OPERATING PROFIT—EBIT		**28,888**		**12.9%**	**24,949**		**12.1%**
FINANCIAL INCOME AND COSTS	30						
Financial income		2,955		1.3%	2,672		1.3%
Finance costs		(4,700)		(2.1)%	(4,468)		(2.2)%
TOTAL		**(1,745)**		**(0.8)%**	**(1,796)**		**(0.9)%**
PROFIT BEFORE TAXES		**27,143**		**12.1%**	**23,153**		**11.3%**
Income tax expense	31	(6,165)		(2.8)%	(4,547)		(2.2)%
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**0**		**0.0%**	**0**		**0.0%**
NET PROFIT FOR THE YEAR		**20,979**		**9.4%**	**18,606**		**9.0%**
EARNINGS PER SHARE	32	**0.341**			**0.303**		
DILUTED EARNINGS PER SHARE	32	**0.341**			**0.300**		

Consolidated statement of comprehensive income

(euro/000)	Note	2011	Of which from/with related parties	%	2010	Of which from/with related parties	%
PROFIT		**20,979**			**18,606**		
Exchange differences on translating foreign operations		1,083			2,343		
Net gain/ (loss) on cash flow hedge reserve		128			183		
TOTAL COMPREHENSIVE INCOME		**22,190**			**21,132**		

Consolidated statement of changes in equity

(euro/000)	Share capital	Additional paid-in capital	Legal Reserve	Other reserves	Retained earnings/ (losses)	Profit/ (loss) for the year	Non-controlling interests in equity	Total
Jan. 1, 2010	**31,958**	**24,517**	**1,776**	**(1,770)**	**(6,117)**	**7,080**	**0**	**57,445**
Profit/(loss) on stock option plan	0	0	0	44	0	0	0	44
Allocation of 2009 profit	0	0	57	21	7,002	(7,080)	0	0
Total comprehensive income	0	0	0	2,526	0	18,606	0	21,132
Dec. 31, 2010	**31,958**	**24,517**	**1,833**	**820**	**885**	**18,606**	**0**	**78,620**
Jan. 1, 2011	**31,958**	**24,517**	**1,833**	**820**	**885**	**18,606**	**0**	**78,620**
Profit/(loss) on stock option plan	0	0	0	(230)	0	0	0	(230)
Dividends distributed	0	0	0	0	(6,146)	0	0	(6,146)
Allocation of 2010 profit	0	0	570	0	18,036	(18,606)	0	0
Total comprehensive income	0	0	0	1,178	33	20,979	0	22,190
Dec. 31, 2011	**31,958**	**24,517**	**2,403**	**1,769**	**12,808**	**20,979**	**0**	**94,435**

Consolidated cash flow statement

(euro/000)	2011	2010
OPERATING ACTIVITIES		
Profit/(loss) for the year	*20,979*	*18,606*
Depreciation and amortization	3,984	3,610
Increase/(decrease) in provisions	7,282	5,280
Writedown resulting from impairment	158	0
Income tax expense	6,165	4,547
Accrued interest expense	1,720	1,857
Adjustments to other non-cash items	933	13
Cash generated by operations	*41,221*	*33,913*
(Increase)/decrease in trade receivables	(2,749)	(986)
(Increase)/decrease in other assets	(32)	478
(Increase)/decrease in inventories	(6,860)	(3,171)
(Decrease)/increase in trade payables	3,019	4,001
(Decrease)/increase in other liabilities	436	2,206
(Use) of provisions	(3,777)	(2,647)
(Decrease)/increase in current tax liabilities	(1,028)	(367)
Adjustments to other non-cash items	(94)	(3,785)
Income taxes paid	(11,253)	(1,303)
Interest paid	(1,060)	(1,488)
Cash used for current operations	*(23,398)*	*(7,061)*
Net cash from /(used in) operating activities	**17,822**	**26,851**
INVESTING ACTIVITIES		
(Purchases) of property, plant and equipment	(4,028)	(8,264)
Proceeds on disposal of property, plant and equipment	3,105	15
(Purchases) of intangible assets	(6,925)	(1,153)
Net cash from /(used in) investing activities	**(7,848)**	**(9,403)**
FINANCING ACTIVITIES		
Loans —granted	0	(5,000)
Net increase/(decrease) in bank borrowings	(57)	(91)
Loans —raised	6,000	12,000
Loans —repayments	(15,546)	(16,286)
Changes in reserves	1,047	2,377
Dividends paid	(6,146)	0
Net cash from /(used in) financing activities	**(14,701)**	**(7,000)**
Net increase/(decrease) in cash and cash equivalents	**(4,727)**	**10,448**
Effect of foreign exchange rate changes	243	672
Cash and cash equivalents at beginning of year	**35,471**	**24,351**
Cash and cash equivalents at end of year	**30,986**	**35,471**

INTRODUCTION

The explanatory notes set out below form an integral part of the annual Consolidated Financial Statements of the Marcolin Group.

1. GENERAL INFORMATION

Marcolin S.p.A. (the ''Parent Company'') is incorporated under Italian law, listed in the Belluno Companies Register with no. 01774690273 and has shares traded in Italy on the electronic stock exchange (*Mercato Telematico Azionario*) organized and managed by Borsa Italiana S.p.A.

Marcolin S.p.A. is the parent company of the Marcolin Group, which operates in Italy and abroad in the manufacturing and distribution of eyeglass frames and sunglasses.

The addresses of the corporate headquarters and business offices are listed on the introductory page of this Annual Report.

2. ACCOUNTING STANDARDS

Basis of preparation

The 2011 consolidated financial statements were prepared according to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, pursuant to Regulation 1606 issued by the European Parliament and the European Council in July 2002 which provided for the compulsory application of IAS/IFRS to the consolidated accounts of companies listed on EU regulated markets starting from 2005. The IFRS include all revised international accounting standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC).

These financial statements were prepared on the basis of the going-concern assumption, using the accrual basis of accounting.

The consolidated accounts were prepared on the historical cost basis, revised as required for the measurement of financial instruments, with the exception of some revaluations performed in previous financial years.

The currency used in the primary economic environment in which the Group operates (''functional currency'') is the Euro. Due to the fact that the figures are shown in thousands of Euro, differences may emerge due to rounding off.

Financial statement format

In preparing the documents of the consolidated financial statements, the Marcolin Group applied the following policies:

- *Statement of Financial Position*

  Assets and liabilities are distinguished between current and non-current as envisaged by IAS 1.

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

  (a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;

  (b) it is held primarily for the purpose of being traded;

  (c) it is expected to be realized within twelve months after the end of the reporting period; or

  (d) it is cash or a cash equivalent.

  All other assets are classified as non-current.

2. ACCOUNTING STANDARDS (continued)

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

(a) it is expected to be settled in the entity's normal operating cycle;

(b) it is held primarily for the purpose of being traded;

(c) it is due to be settled within twelve months after the end of the reporting period; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

All other liabilities are classified as non-current.

In accordance with IFRS 5, any assets (and related liabilities) for which the book value will be recovered mainly through sale rather than continuing use have been classified as ''Assets held for sale'' and ''Liabilities relating to assets held for sale''.

- *Income statement*

  Costs are classified by function, stating separately the cost of sales, distribution expenses and administration expenses. Considering the business sector, this method is deemed to provide readers with more meaningful and relevant information than the alternative classification of costs by nature. Moreover, it was decided to present two separate statements: the Income Statement and the Statement of Comprehensive Income.

- *Statement of changes in equity*

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

- *Cash flow statement*

  The cash flows from operating activities are presented using the indirect method, since this is considered to be the approach most appropriate for the business sector. Based on this approach, the net profit for the year was adjusted for the effects of non-cash items on operating, investing and financing activities.

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries. Below is a list of investments consolidated on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the investments accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

2. ACCOUNTING STANDARDS (continued)

List of consolidated companies

Company	Headquarters	Currency	Share capital	Consolidation method	% ownership	
					Direct	Indirect
Marcolin Asia Ltd.	Hong Kong	USD	198,863	Line-by-line	—	100.00%
Marcolin Benelux Sprl	Faimes	EUR	280,000	Line-by-line	99.98%	—
Marcolin do Brasil Ltda	Jundiai	BRL	9,575,240	Line-by-line	99.90%	0.10%
Marcolin (Germany) GmbH . .	Ludwigsburg	EUR	300,000	Line-by-line	100.00%	—
Marcolin GmbH	Fullinsdorf (CH)	CHF	200,000	Line-by-line	100.00%	—
Marcolin Iberica SA	Barcellona	EUR	487,481	Line-by-line	100.00%	—
Marcolin International BV . .	Amsterdam	EUR	18,151	Line-by-line	100.00%	—
Marcolin Portugal Lda	S. Joao do Estoril	EUR	420,000	Line-by-line	99.82%	—
Marcolin (UK) Ltd	Newbury	GBP	850,000	Line-by-line	99.88%	—
Marcolin Usa Inc.	New York	USD	536,500	Line-by-line	85.40%	14.60%
Marcolin France Sas	Paris	EUR	1,054,452	Line-by-line	76.89%	23.11%
Marcolin Japan Co Ltd in liquidation	Tokyo	JPY	99,000,000	Equity	40.00%	—
Finitec Srl in liquidation . . .	Longarone	EUR	54,080	Equity	40.00%	—

The scope of consolidation had the following changes with respect to December 31, 2010:

- Finitec S.r.l, which supplied galvanic and dye treatments for eyewear, went into liquidation in May 2011;
- Marcolin Japan Co. Ltd, which marketed eyeglass and sunglass frames on the Japanese market, went into liquidation in September 2011.

The consolidation method adopted is as follows: the equity method is used to consolidate the companies in which the Group has more than 20% ownership (associates) or over which the Group has significant influence even in another way. Companies are consolidated on a line-by-line basis when the Group exercises control over them (''subsidiaries'') by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, directly or indirectly, the company's financial and operating policies, obtaining the related benefits thereof regardless of the equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is acquired and are deconsolidated on the date from which such control ceases to exist.

Business combinations through which control of a company is acquired are accounted for applying the acquisition method, under which the assets and liabilities acquired are initially measured at their fair value on the acquisition date. If positive, the difference between the acquisition cost and the fair value of the assets and liabilities is allocated to goodwill; if negative it is recognized in the income statement. Acquisition cost is determined on the basis of the fair value, on the acquisition date, of assets obtained, liabilities assumed, equity instruments issued and all other related costs.

On consolidation balances and transactions between consolidated subsidiaries are eliminated in full, specifically the receivables and payables outstanding at the end of the period, expenses and income, and financial costs and income. Significant profits and losses made between fully consolidated subsidiaries are also eliminated in full.

Any non-controlling interests in equity or net profit are shown separately in the consolidated statement of equity, under non-controlling interests.

Dividends distributed by fully consolidated companies are eliminated from the income statement, which incorporates the relevant companies' results.

2. ACCOUNTING STANDARDS (continued)

Translation of foreign-currency financial statements

Financial statements presented in a different functional currency are translated into euros under IAS/IFRS as follows:

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

The following table lists the exchange rates used for translation:

		Closing exchange rate			Average exchange rate		
Currency		Dec. 31, 2011	Dec. 31, 2010	Change	2011	2010	Change
English pound	GBP	0.835	0.861	(3.0)%	0.868	0.858	1.2%
Swiss franc	CHF	1.216	1.250	(2.8)%	1.233	1.380	(10.7)%
U.S. dollar	USD	1.294	1.336	(3.2)%	1.392	1.326	5.0%
Brazilian real	BRL	2.416	2.218	8.9%	2.327	2.331	(0.2)%
Hong Kong dollar	HKD	10.051	10.386	(3.2)%	10.836	10.299	5.2%
Japanese yen	JPY	100.200	108.650	(7.8)%	110.959	116.239	(4.5)%

Property, plant, and equipment (''PP&E'' or ''tangible assets'')

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

PP&E are stated net of depreciation and any impairment losses, with the exception of land, which is not depreciated.

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

If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach. Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

Capital grants relating to PP&E are recorded as deferred revenues and credited to the income statement over the depreciation period of the assets concerned.

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

Assets held under finance leases are recognized as PP&E against the related liability. The lease payment is broken down into finance cost, recognized in the income statement, and repayment of principal, recognized as reduction of the relevant financial liability.

2. ACCOUNTING STANDARDS (continued)

Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the lease term.

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

Category	Rate
Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.5%
Office furniture and furnishings	12%
Exhibition stands	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

Intangible assets

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

If there any indication that the assets have suffered impairment losses, the recoverable amount of the asset is estimated and any impairment loss is charged to the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income immediately.

Goodwill

Goodwill is the excess of the cost of acquisition over the Group's interest in the fair value of the subsidiary at the date of acquisition, or of the business unit acquired. Goodwill arising on the acquisition of subsidiaries is stated as ''goodwill'' and is not amortized, but it is subjected to annual impairment testing, unless there are specific indications making interim testing necessary, to determine whether the goodwill has suffered an impairment loss. The profit or loss on disposal of an entity is determined by including the attributable amount of goodwill.

Trademarks and licenses

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

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

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

2. ACCOUNTING STANDARDS (continued)

Software

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

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

Research and development costs

Research and development costs for new products and/or processes are recognized an expense in the period incurred unless they meet the conditions for capitalization under IAS 38.

Impairment of tangible and intangible assets

If specific indications of a loss in value should emerge, tangible and intangible assets are tested for impairment.

For the purpose of impairment testing, assets are allocated to the smallest identifiable cash generating units (CGUs) and compared with operating cash flows discounted to the present value generated by such units.

The recoverable value of the asset is estimated and compared with its net carrying value. If an asset's recoverable value is less than its carrying value, the carrying value is reduced to its recoverable value. This reduction is an impairment loss that is recognized as an expense immediately.

For assets that are not subject to depreciation and amortization and for intangible assets not yet available for use, impairment testing is performed at least annually, irrespective of the presence of specific indicators.

The conditions and approach applied by the Group for restoring the value of an asset previously written down, excluding that of goodwill, which cannot be reversed, are those envisaged by IAS 36 (''Impairment of Assets'').

Financial derivatives

Derivative financial instruments are used only for hedging purposes, in order to reduce Group's exposure to currency and interest rate risks. All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.

If the hedge is effective, the following accounting policies apply:

Fair value hedge—If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to the fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss.

Cash flow hedge—If a financial derivative is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reclassified from equity into profit or loss in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction

2. ACCOUNTING STANDARDS (continued)

has not occurred yet, the cumulative gain or loss that has remained recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has remained recognized in equity is immediately recognized in the income statement.

If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

Inventories

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

Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products.

Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses less trade discounts.

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

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

Financial assets—Receivables and borrowings

Trade receivables, current financial receivables and other current receivables with a fixed payment term, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets with no fixed payment term are valued at cost. Receivables maturing after more than a year, not accruing interest or accruing interest below market rates, are discounted using market rates and are stated as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.

Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Group will not be able to collect the receivable at its original value.

Cash and bank balances

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

Assets held for sale and related liabilities

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

If these assets (or disposal groups) should cease to be classified as assets held for sale, the amounts are neither reclassified nor resubmitted for comparative purposes with the classification in the most recently presented Statement of Financial Position.

2. ACCOUNTING STANDARDS (continued)

Equity

Share capital

Share capital consists of the Parent Company's subscribed paid-up capital.

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

Treasury shares

Treasury shares are stated as a deduction of the Group's equity. The original cost of treasury shares and revenues arising on subsequent sale are recognized as changes in equity. The treasury share reserve of previous financial years is classified within the retained earnings/ (losses) reserve.

Share-based payments (stock option plan)

In 2008 the Group approved a stock option plan for the Parent Company's C.E.O. This plan represents a component of the beneficiary's remuneration package. The cost is represented by the fair value of the stock options at the grant date, and it is recognized as an expense between the grant date and the expiration date with the corresponding increase recognized directly in equity. Changes in the fair value of the options after the grant date do not affect the initial value.

In 2011 the plan expired and the related payments were made to the beneficiary. The stock option plan had been identified as an equity-settled share-based payment transaction because the terms provide the beneficiary with the possibility of requesting the Company to settle the transaction with equity instruments or with cash, and the Company had the possibility of accepting or not accepting the beneficiary's request. In 2011, upon expiration of the stock option plan, the beneficiary requested a cash payment and the Company approved such request. The difference between the amount paid and the amount allotted over the vesting period under IFRS 2, ''Share-based Payment'', was recognized in the income statement of the period. In 2012 the Group stipulated a cash-settled incentive plan that will be recognized in the 2012 financial statements. On December 31, 2011 no stock option plans were in place.

Employee benefits

Employee benefits paid upon or subsequent to termination of employment under defined-benefit plans (''T.F.R.'', the Italian employee severance indemnity system) are recognized when the right to such benefits accrues.

Liabilities relating to defined-benefit plans are calculated using actuarial valuations and are accounted for on an accruals basis consistently with the employee service required to obtain the benefits concerned. The actuarial valuations were performed by independent experts.

Actuarial gains and losses are recognized in the income statement regardless of their value, without using the corridor approach.

The employee severance indemnity provision, a peculiarity of Italian entities, is consistent with the definition of defined-benefit plans. On January 1, 2007, applicable only to companies with at least 50 employees, the 2007 Financial Law (Law 296 of December 27, 2006 and related enactment decrees) brought significant changes to employee severance indemnity regulations, including the possibility of the employee to choose how to allocate accruing indemnity. Accruing severance pay may be assigned by the employee to selected pension funds or kept within the company (in which case the latter will pay the severance pay contributions into a treasury account held at the INPS).

Pursuant to these changes, the amounts accrued exclusively before January 1, 2007 (and not yet paid as at the reporting date) refer to a defined benefit plan, whereas amounts accruing afterward refer to a defined contribution plan.

2. ACCOUNTING STANDARDS (continued)

Regulatory changes led to variations in the actuarial assumptions used for measuring liabilities regarding provisions accrued until December 31, 2006.

The curtailment effect was recorded in 2007, the year in which the accounting effects of the new legislation were recognized for the first time.

Provisions for risks and charges

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

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

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

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

Trade and other non-financial payables

Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their face value.

Financial liabilities

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

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

Loans are derecognized when they are extinguished or when all risks and costs associated with them have been transferred to third parties.

Revenues and income

Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.

The Group recognizes sales revenues when all risks and rewards of ownership of the goods are effectively transferred to customers according to the terms of the sales agreement. These revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenues from services are recognized by reference to the state of completion of the transaction at the end of the reporting period.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the Shareholders' Meeting.

2. ACCOUNTING STANDARDS (continued)

Cost of sales

The cost of sales includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing, and expenses directly associated with production. It also includes the depreciation and amortization of tangible and intangible assets used in production and writedowns of inventories.

Financial income and costs

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract.

Translation of foreign currency amounts

Transactions in currency other than the Euro are translated to the local currency using the exchange rates in force on the transaction date. Foreign exchange differences arising in the period are recognized in the income statement.

Foreign currency receivables and payables are adjusted to the exchange rate in force on reporting date, recognizing the profit or loss arising on exchange as financial income or costs in the income statement.

Income tax expense

Income taxes include all taxes calculated on Group companies' taxable income, in compliance with the legislation in force in the individual countries concerned. Income taxes are stated in the income statement, except for those regarding items recognized directly in equity, for which the tax effect is also recognized directly in equity.

Deferred taxes are calculated based on the temporary differences generated between the value of the assets and liabilities in the financial statements and the value attributed to those assets/liabilities for tax purposes.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply, according to the taxation regulations in the countries where the Group operates, in the period when the liability is settled or the asset realized.

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

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

Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Recognition of revenues

Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sales of goods and supply of services.

Sales revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods and the amount of revenue can be measured reliably.

2. ACCOUNTING STANDARDS (continued)

Financial income is recognized on a time basis.

NEW IFRS AND IFRIC INTERPRETATIONS

In 2011 no new accounting standards affecting the Company's financial statements entered into force. The Company did not opt for early adoption of any accounting standards that have been issued but are not effective yet.

Below is a list of new accounting standards and other accounting standards which could have been adopted early, none of which affected or were applicable to these financial statements.

Accounting standards, amendments and interpretations that became effective on January 1, 2011 but were not significant for the Group

DOCUMENT	Issuance date	Effective date
Amendment to IAS 32—Classification of Rights Issues	Oct-09	Feb-10
Amendment to IFRIC 14—Prepayments of a Minimum Funding Requirement	Nov-09	Jan-11
IFRIC 19—Extinguishing Financial Liabilities with Equity Instruments	Nov-09	Jul-10
Amendments to IFRS 1 and IFRS 7—Limited Exemption from Comparative Disclosure Requirements of IFRS 7 for First-time Adopters	Jan-10	Jul-10
IAS 24 (revised in 2009)—Related Party Disclosures	Nov-09	Jan-11
	May-10	Jul-10
Improvements to IFRSs (2010)		Jan-11

Accounting standards and amendments not applicable yet and not adopted early by the Group

DOCUMENT	IASB issuance date	Effective date
Standards and Interpretations		
IFRS 10—Consolidated Financial Statements	May-11	Jan-13
IFRS 11—Joint Arrangements	May-11	Jan-13
IFRS 12—Disclosures of Interests in Other Entities	May-11	Jan-13
IFRS 13—Fair Value Measurement	May-11	Jan-13
IAS 27—Separate Financial Statements	May-11	Jan-13
IAS 28—Investments in Associates and Joint Ventures	May-11	Jan-13
IFRIC 20—Stripping Costs in the Production Phase of a Surface Mine	Oct-11	Jan-13
Amendments		
Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12)	Dec-10	Jan-12
Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendments to IFRS 1)	Dec-10	Jan-11
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	Jun-11	Jul-12
Amendments to IAS 19—Employee Benefits	Jun-11	Jan-13

3. FINANCIAL RISK FACTORS

Market risks

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

The Group also uses some derivative instruments to minimize the impact of such risks on its results. In keeping with its strategy, the Group undertakes derivative transactions solely for hedging purposes. If, however, such transactions do not meet all the conditions necessary to qualify for hedge accounting laid down in IAS 39, they are not accounted for as hedging transactions.

Currency risk

The Group operates on an international level and so is exposed to foreign exchange risk (particularly as regards the US dollar). Currency risk is managed centrally by the parent company, which uses internal facilities to check and monitor fluctuations in the balances of its various foreign currency items in order to evaluate whether to apply hedges through dealings on the derivatives market.

This method makes it possible to maintain a substantial balance of the main currency positions. According to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's consolidated financial statements.

The Company has a specific policy in place for managing currency risk.

Details of the hedging contracts in place on the reporting date are as follows.

Currency hedges (euro/000) Type	Financial institution	Notional USD	Currency	Maturity date	Mark to Market EUR
Currency forward purchase	Veneto Banca	1,200	USD	March 30, 2012	58
Currency forward purchase	Veneto Banca	5,000	USD	Dec. 31, 2012	356

The Group decided to partially hedge its U.S. dollar requirements. In fact, the Group is exposed mainly to the U.S. dollar on purchases of finished and semi-finished products from suppliers in the Far East, net of the cash flows from sales conducted on the U.S. market.

The derivative instruments in place on December 31, 2011 have a positive fair value of € 414 thousand, recognized as ''other receivables'' in the financial statements.

For the currency derivatives, the potential decrease in the fair value of the currency forwards held by the Group as at December 31, 2011, due to a hypothetical sudden adverse change of 10% in the Euro-to-US Dollar exchange rate (depreciation of the US Dollar), would be € 441 thousand (€ 117 thousand in 2010). Conversely, the potential increase in fair value arising on appreciation of the US Dollar would be € 522 thousand (€ 790 thousand in 2010).

Interest rate risk

Interest rate risk breaks down into fair value risk and cash flow risk.

The Group is exposed prevalently to cash flow risk originating from loans at variable interest rates.

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

Notes 15 and 19 provide information on outstanding loans.

The Group manages interest rate risk by using derivatives, usually interest rate swaps, which allow for reducing the variability in interest rates.

3. FINANCIAL RISK FACTORS (continued)

Details of the derivative contracts as at the reporting date are as follows.

Interest rate hedge (euro/000) Type	Financial institution	Notional	Currency	Maturity date	Mark to Market
Interest Rate Swap	Efibanca	1,500	EUR	June 27, 2012	(23)

The interest rate derivatives as at December 31, 2011 had a negative fair value of € 23 thousand, recognized in the financial statements as amounts due to banks within twelve months, included with short-term bank borrowings.

Interest rate sensitivity analysis

Interest rate sensitivity analysis was performed, assuming 50 basis point parallel and symmetric shifts of the Euribor—Eurirs yield curves, published by provider Reuters related to December 31, 2011. In this manner, the Group determined the impact that such changes would have on the income statement and on equity.

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

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

For interest rate derivatives, the interest pertaining to the year was recalculated based on the foregoing assumptions. At year end, derivative contracts were measured at their fair value using interest rate curves modified on the basis of the foregoing assumptions. For the cash flow hedge, the gain or loss from remeasuring at fair value is recognized in a specific equity reserve, assuming that the hedging relationship is highly effective.

For cash and bank balances, the average balance for the period was calculated using the values in the financial statements at the beginning and end of the year. The effect on the income statement of a 50 basis point increase/decrease in the interest rate from the first day of the period was calculated on the amount thus determined.

According to the sensitivity analysis performed on the basis of the above criteria, the Group is exposed to interest rate risk on its expected cash flows. If interest rates should rise by 50 basis points, a loss of € 172 thousand would result (€ 191 thousand in 2010) caused primarily by an increase in finance costs associated with bank borrowings, which would only partly be offset by an improved interest margin on derivatives and higher interest income on cash and bank balances. Equity would remain substantially the same (whereas in 2010 it would have improved by € 22 thousand), due to the remeasurement of the cash flow hedge, which is however close to its maturity date and thus rather insensitive to changes in the market interest rate curve.

If interest rates should fall by 50 basis points, a gain of € 172 thousand would result (€ 191 thousand in 2010) caused primarily by a decrease in finance costs associated with bank borrowings, which would only partly be offset by a worse interest margin on derivatives, losses on derivatives held for trading and lower interest income on cash and bank balances. Even in this case, equity would remain substantially the same (whereas in 2010 it would have decreased by € 21 thousand) since the cash flow hedge is close to its maturity date.

Credit risk

The Group has no significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and statistical records. Guidelines have been implemented for managing customer credit to

3. FINANCIAL RISK FACTORS (continued)

ensure that sales are conducted only with reasonably reliable and solvent parties, and differentiated credit exposure ceilings are set.

Receivables are set forth below by the main areas in which the Group operates in order to evaluate country risk.

Trade and other receivables by geographical area (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Italy	18,045	19,580
Rest of Europe	16,137	17,301
North America	10,495	9,966
Rest of World	18,694	15,459
Total	**63,371**	**62,306**

Liquidity risk

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines. Due to the dynamic nature of its business, the Group prefers the flexibility of obtaining funding through the use of credit lines. At present, based on its sources of funding and available credit lines, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the investments planned. The types of credit lines available and the base rate on the reference date are reported in Note 19.

Liquidity analysis

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

For derivatives, the expected cash flows were used based on the same market variables.

None of the cash flows included in the table were discounted.

Fair value measurement of loans

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the measurement date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

3. FINANCIAL RISK FACTORS (continued)

Fair value measurement of derivatives

The derivatives used by the Group are classified as OTC (over-the-counter) instruments, so they have no public price available on official exchange markets. Discounted cash flow models were used to measure these derivatives.

Financial payables (euro/000)	Loans	Derivatives	Trade payables	Total
within 3 months	1,817	(1,222)	35,273	35,868
from 3 to 6 months	8,237	(1,142)	1,323	8,418
from 6 to 12 months	7,574	(2,297)	161	5,438
from 1 to 3 years	16,321	24	0	16,345
from 3 to 5 years	8,740	0	0	8,740
after 5 years	4,997	0	0	4,997
Total as at Dec. 31, 2011	**47,687**	**(4,638)**	**36,756**	**79,805**
within 3 months	2,013	(1,222)	43,118	43,909
from 3 to 6 months	6,767	(1,055)	652	6,364
from 6 to 12 months	4,138	(2,118)	0	2,020
from 1 to 3 years	16,114	0	5	16,119
from 3 to 5 years	4,405	0	0	4,405
after 5 years	3,460	0	0	3,460
Total as at Dec. 31, 2011	**36,897**	**(4,395)**	**43,775**	**76,277**

4. USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that could affect the carrying value of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions. The estimates and assumptions are based on data reflecting currently available information.

The estimates and assumptions involving a significant risk of changes in the carrying values of assets and liabilities are:

- *Goodwill*

  The Group determines annually whether to review goodwill for impairment, in accordance with the accounting standards.

  Recoverable values are calculated based their value in use. These calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs, the discount rate and the prospective growth rate to be applied to the forecast cash flows.

- *Writedowns of non-current assets*

  Under the accounting standards and policies applied by the Group, non-current assets are reviewed to determine whether they have suffered impairment losses when there is indication that their net carrying value exceeds their recoverable value. Recoverable value is the greater of fair value (net of selling costs) and value in use. If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market, based on the management's knowledge. The Group calculates potential impairment using the

4. USE OF ESTIMATES (continued)

valuation techniques it considers to be the most appropriate. Proper identification of indication of impairment and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

- *Provision for doubtful debts*

  The provision for doubtful debts reflects management's estimates of future losses on trade receivables. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

- *Provision for inventory impairment*

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

- *Deferred tax assets*

  Recognition of deferred tax assets is based on expectations of profits in future financial years. Estimates of expected profits for the purpose of deferred tax asset recognition are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

5. PROPERTY, PLANT, AND EQUIPMENT

The composition of and changes in the items for the past two years are set forth below:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction and advances	Total
Net value at beginning of 2010	**9,451**	**2,162**	**1,559**	**1,779**	**2,475**	**17,425**
Increases	3,689	2,557	885	1,074	59	**8,264**
Decreases	(7)	0	0	(18)	0	**(25)**
Depreciation	(490)	(749)	(1,116)	(629)	0	**(2,983)**
Translation difference	471	0	3	32	0	**506**
Reclassifications and other changes	(1,013)	479	1	(26)	(2,449)	**(3,008)**
Net value at end of 2010	**12,102**	**4,450**	**1,331**	**2,212**	**85**	**20,180**
Net value at beginning of 2011	**12,102**	**4,450**	**1,331**	**2,212**	**85**	**20,180**
Increases	560	1,160	927	796	585	**4,028**
Decreases	(9)	0	0	(127)	0	**(136)**
Depreciation	(544)	(964)	(1,014)	(699)	0	**(3,221)**
Translation difference	0	0	(1)	(3)	19	**14**
Impairment	(158)	0	0	0	0	**(158)**
Reclassifications	89	15	15	(9)	(653)	**(542)**
Net value at end of 2011	**12,051**	**4,660**	**1,259**	**2,199**	**37**	**20,207**

The investments of the year totaled € 4,028 thousand (€ 8,264 thousand in 2010) and were made mainly by Marcolin S.p.A. for:

- the purchase of systems and machines for € 1,160 thousand;
- the purchase of industrial equipment for € 843 thousand;

5. PROPERTY, PLANT, AND EQUIPMENT (continued)

- additional investments of € 314 thousand in the new logistics center built in 2010. The building has enabled centralizing the Group's shipping activities (improving the logistics service and customer service) and raising productive capacity, and of € 162 thousand to restructure the external area of the main offices;
- the purchase of IT equipment and office furniture, included in other PP&E, totaling € 344 thousand.

The € 101 thousand reclassification of land and buildings refers to the Parent Company's completion of the aforementioned new building, which was in progress at the end of the previous year.

Depreciation is € 3.221 thousand and includes:

- € 2,058 thousand (€ 2,983 thousand in 2010) recognized in the components of cost of sales;
- € 490 thousand (€ 490 thousand in 2010) recognized in distribution expenses;
- € 672 thousand (€ 474 thousand in 2010) recognized in general and administration expenses.

Property owned by the Parent Company was appraised at the end of the reporting period by an independent appraiser. According to the appraisal, the fair value of the building in Domegge di Cadore (former location of Marcolin S.p.A.'s head offices) was € 158 thousand less than its carrying value, so the latter value was written down accordingly.

The undepreciated values of property, plant and equipment and their accumulated depreciation as at December 31, 2011 are shown in the following table:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction and advances	Total Dec. 31, 2011
Undepreciated value	18,944	16,598	17,016	10,015	37	62,610
Accumulated depreciation	(6,892)	(11,937)	(15,758)	(7,816)		(42,403)
Net value	**12,051**	**4,661**	**1,258**	**2,199**	**37**	**20,206**

The assets held for sale as at December 31, 2010 had included a building owned by the Swiss subsidiary with a value of € 2,969 thousand. In March 2011 the building was sold for an amount consistent with its carrying value.

6. INTANGIBLE ASSETS AND GOODWILL

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

Intangible assets and goodwill (euro/000)	Patent and intellectual property rights	Concessions, licenses, trademarks	Other intangible assets	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2010	**741**	**2,340**	**69**	**0**	**3,150**	**2,243**
Increases	210	7	2	902	1,122	0
Amortization	(387)	(216)	(24)	0	(627)	0
Translation difference	3	48	6	0	56	175
Reclassifications and other changes	38	(20)	4	10	32	0
Net value at end of 2010	**606**	**2,159**	**55**	**912**	**3,732**	**2,419**
Net value at beginning of 2011	**606**	**2,159**	**55**	**912**	**3,732**	**2,419**
Increases	121	10,255	0	41	10,417	0
Disposals and use of provisions	0	(35)	0	0	(35)	0
Amortization	(466)	(297)	(1)	0	(763)	0
Translation difference	(4)	3	2	0	1	79
Reclassifications and other changes	386	692	(55)	(481)	542	0
Net value at end of 2011	**644**	**12,776**	**2**	**473**	**13,894**	**2,498**

6. INTANGIBLE ASSETS AND GOODWILL (continued)

Investments of € 10.417 thousand (€ 1.122 thousand in 2010) were made in the year by Marcolin S.p.A. and Marcolin U.S.A., nearly all of which regarded ''concession, licenses and trademarks'' with respect to costs incurred to renew licenses. Such costs were capitalized as intangible assets under IAS 38 on the basis of their future economic lives.

Amortization is € 763 thousand and includes:

- € 96 thousand (€ 105 thousand in 2010) recognized in the cost of sales;
- € 559 thousand (€ 457 thousand in 2010) recognized in distribution expenses;
- € 108 thousand (€ 65 thousand in 2010) recognized in general and administration expenses.

The unamortized value of intangible assets and goodwill and their accumulated amortization as at December 31, 2011 are shown in the following table:

Intangible assets and goodwill (euro/000)	Patent and intellectual property rights	Concessions, licenses, trademarks	Other intangible assets	Intangible assets under formation and advances	Total Dec. 31, 2011	Goodwill
Unamortized value	6,779	18,634	84	473	25,970	8,720
Accumulated amortization . .	(6,135)	(5,858)	(83)		(12,076)	(6,222)
Net value	**643**	**12,776**	**2**	**473**	**13,894**	**2,498**

The accumulated amortization of goodwill refers to amortization calculated up to the date of transition to international accounting standards.

''Concessions, licenses and trademarks'' includes the Web trademark. This asset, which was obtained in November 2008 and whose purchase price was determined by an independent appraiser, is amortized over 18 years. The value as at December 31, 2011 was tested for impairment on the basis of the Group's plans for the development and margins of Web brand collections.

Goodwill arose on the previous acquisition of an American company by Marcolin U.S.A., and was tested for impairment based on the determination of the enterprise value of the CGU to which it refers, consisting of the American subsidiary. The impairment test structure and parameters used are described below.

Impairment test structure

Impairment testing, under IAS 36, is performed at least annually for intangible assets with an indefinite useful life. Other types of assets are tested when there is external or internal indication that those assets have suffered an impairment loss. In the preparation of the 2011 financial statements, no indications of impairment losses emerged for property, plant and equipment except regarding the Parent Company's property in Domegge di Cadore, which is currently only partially used as a warehouse and is no longer is used for production. Given the current market conditions, the Group's management decided to obtain an updated appraisal of such property in order to evaluate whether it had suffered an impairment loss. With respect to the impairment test for the goodwill recognized on the American operations, the value in use, which is compared with invested capital, was estimated based on future cash flows determined consistently with the Group's economic and financial forecasts for the American company for the year 2012. In consideration of the uncertainty characterizing the current macroeconomic situation, management decided to limit the forecasts to a single year.

The approved budget for 2012 takes into account the economic crisis that has been ongoing since 2008. However, the estimates are based on evaluations regarding future events that could occur with results differing from expectations, possibly causing significant deviations from the forecasts. Value in use was calculated as the sum of the present value of cash flows expected in 2012 and the terminal value was

6. INTANGIBLE ASSETS AND GOODWILL (continued)

determined on the basis of the data projections available. Due to the general uncertainty present, it was considered prudent to use a growth rate of zero in determining the terminal value.

For discounting the cash flows, a rate of 6.76%, net of the tax effect, was used. The rate was determined taking into account the market variables and the specific risks of the area in which the CGU performs.

Furthermore, three types of sensitivity analyses were carried out on the impairment tests, simulating, respectively, a growth rate change from zero to 1% and a 0.5% change in discount rates, a 1% decrease and increase and a 1.5% increase. No need for writedowns emerged from the sensitivity analysis.

With reference to the Web trademark, updated forecast data prepared by management was used over a medium-term timescale. Forecasts were prepared for the residual period of amortization of the asset, using assumptions held to be prudent that reflect the expected brand life cycle and, in particular, a decrease in volumes, margins and investments after the development phase expected in the medium term.

A rate of 8.90%, net of taxes, was used to discount the cash flows, which reflects current market valuations of the cost of money and of the specific risks associated with the Italian market, in which the sales primarily take place.

According to the test results, no impairment losses are present either for the goodwill regarding the operations on the U.S. market or for the Web trademark.

7. INVESTMENTS IN ASSOCIATES

This item, totaling € 96 thousand, refers to the investment in Finitec S.r.l. in liquidation. The investment in Marcolin Japan Co. Ltd. in liquidation was written off due to the losses reported by such associate.

Information regarding investments in associates is shown below.

Investments in associates (euro/000)	**Dec. 31, 2011**	**Dec. 31, 2010**
Finitec S.r.l. in liquidation—Share capital € 54,080		
Assets	1,043	1,967
Liabilities	183	681
Equity	860	1,286
Revenue	318	1,271
Profit/(loss) for the year	(427)	(109)
% ownership	40%	40%

	Dec. 31, 2011	**Dec. 31, 2010**
Marcolin Japan Co. Ltd. in liquidation—Share capital JPY 99,000,000		
Assets	1,374	3,334
Liabilities	2,076	3,082
Equity	(702)	252
Revenue	2,185	3,863
Profit/(loss) for the year	(895)	(39)
% ownership	40%	40%

Until May 2011, Finitec S.r.l. in liquidation supplied galvanic and dye treatments for eyewear to the Parent Company. The Group's interest in the annual loss was € 136 thousand, after adjusting the company's accounting policies to those of the Group.

The Group's interest in the equity of Marcolin Japan Co. Ltd. in liquidation was a negative € 281 thousand at the end of 2011 and was allocated to a risk provision.

7. INVESTMENTS IN ASSOCIATES (continued)

The carrying values of both associates reflect the interests in equity of the associates, since there was no goodwill regarding such companies. The use of the equity method to account for the companies resulted in a € 136 thousand cost for Finitec S.r.l. in liquidation and € 390 thousand for Marcolin Japan Co. Ltd. in liquidation.

8. DEFERRED TAX ASSETS AND LIABILITIES

On December 31, 2011, the deferred tax assets had a balance of € 14,186 thousand, up by € 4,686 thousand from December 31, 2010.

The amount includes € 5,977 thousand referring to the Parent Company and € 6,975 thousand referring to subsidiary Marcolin U.S.A., for temporary differences between the value of the assets and liabilities accounted for in the financial statements and the value attributed to those assets and liabilities for tax purposes.

It also includes € 1,200 thousand regarding Marcolin France, which accounted for deferred tax assets in connection with tax benefits arising on accumulated tax losses. Recognition of deferred tax assets was possible due to the positive results reported by the company in recent years. Considering the current projections, it is likely that taxable income will be made against which the tax benefits shall be recovered within the currently foreseeable future.

There are additional, unrecognized deferred tax assets of € 5,201 thousand (€ 7,716 thousand in 2010) arising on tax losses reported in previous years by some subsidiaries (mainly Marcolin France) which could reasonably be accounted for in the future if the companies to which they refer should report the profits expected.

On December 31, 2011, the deferred tax liabilities had a balance of € 664 thousand (€ 974 thousand on December 31, 2010), referring to temporary differences between the value of the assets and liabilities accounted for in the financial statements and the value attributed to those assets and liabilities for tax purposes. More information is provided in Note 31 on Income tax.

9. OTHER NON-CURRENT ASSETS

This item refers almost entirely to a loan granted by subsidiary Marcolin U.S.A. to a third party which bears interest at a market rate. The loan shall be repaid with semi-annual installments from 2013 to 2015.

10. INVENTORIES

Details of inventories are shown below.

Inventories (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Finished products	44,659	35,049
Raw materials	12,227	11,980
Work in progress	8,047	10,965
Gross inventories	**64,934**	**57,994**
Inventory impairment provision	(18,225)	(16,921)
Net inventories	**46,709**	**41,073**

The net value of inventories rose by € 5,636 thousand due largely to the increase in the finished products of the new collections in stock, which will be sold from the initial months of the current year. The work in progress declined.

The average inventory period rose along with the increase in inventories.

10. INVENTORIES (continued)

In detail:

- the value of finished products rose by € 9,611 thousand;
- the value of raw materials rose by € 247 thousand;
- work in progress fell by € 2,918 thousand;
- the inventory impairment provision rose by € 1,304 thousand, mainly due to prudent valuations of finished products.

11. TRADE AND OTHER RECEIVABLES

The details of trade and other receivables are as follows:

Trade and other receivables (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Gross receivables	64,631	64,124
Provision for doubtful debts	(5,045)	(4,657)
Net trade receivables	**59,586**	**59,467**
Tax receivables	2,674	2,289
Other receivables	1,111	550
Total other receivables	**3,785**	**2,839**
Total	**63,371**	**62,306**

The total balance rose by € 1,065 thousand during the year, at a lower rate than the increase in sales.

The net trade receivables are substantially consistent with those reported as at December 31, 2010 as a result of the constant emphasis on credit management, with improvement in the average collection period, even in this difficult economy, and without credit losses exceeding their average rate.

The amount of receivables stated in the financial statements was not discounted, since all receivables are due in the short term.

For the purpose of providing the disclosures required by IFRS 7, the trade receivables are set forth below by geographical area:

Payables by geographical area (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Italy	15,504	17,026
Rest of Europe	13,818	12,072
North America	6,726	6,819
Rest of World	13,714	12,937
Total	**49,763**	**48,854**

11. TRADE AND OTHER RECEIVABLES (continued)

The following table shows the trade receivables due and past due (in an aging analysis) that are not in protest:

Aging analysis of trade receivables not in protest (euro/000)	Gross value	Provision	Net value
Dec. 31, 2010			
Not past due	48,854	(96)	48,758
Past due by less than 3 months	5,077	(211)	4,867
Past due by 3 to 6 months	3,429	(682)	2,746
Past due by more than 6 months	3,909	(1,815)	2,094
Total	**61,268**	**(2,803)**	**58,465**
Dec. 31, 2011			
Not past due	49,763	(203)	49,560
Past due by less than 3 months	5,979	(245)	5,734
Past due by 3 to 6 months	3,482	(938)	2,544
Past due by more than 6 months	2,207	(1,216)	991
Total	**61,430**	**(2,601)**	**58,830**

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

The balance of these trade receivables are set forth in the table below by past due bracket.

Trade receivables past due but not impaired (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Past due by less than 3 months	5,734	4,867
Past due by more than 3 months	3,536	4,840
Total	**9,269**	**9,707**

For the sake of exhaustive disclosure, an aging analysis of receivables in protest and the related writedowns is set forth below.

Aging analysis of receivables in protest (euro/000)	Gross value	Provision	Net value
Dec. 31, 2010			
Past due by less than 12 months	443	(410)	33
Past due by more than 12 months	1,636	(1,444)	192
Total	**2,079**	**(1,853)**	**226**
Dec. 31, 2011			
Past due by less than 12 months	200	(184)	16
Past due by more than 12 months	2,393	(2,260)	133
Total	**2,593**	**(2,444)**	**149**

11. TRADE AND OTHER RECEIVABLES (continued)

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

Provision for doubtful debts (euro/000)	2011	2010
Opening amount	4,657	4,533
Allocations	1,176	1,365
Uses	(716)	(1,350)
Reclassifications and other changes	(103)	(6)
Translation difference	31	114
Total	**5,045**	**4,657**

The provision for doubtful debts increased by € 388 thousand from the previous year. The provision was used primarily by Marcolin U.S.A. and the Parent Company.

Some of the trade receivables are covered by guarantees typically used for sales on foreign markets.

12. OTHER CURRENT ASSETS

This item comprises mainly prepaid expenses relating to insurance premiums and advance rent payments.

13. CASH AND BANK BALANCES

The item represents the value of cash deposits and highly liquid financial instruments, i.e. with an original maturity of three months maximum.

The cash and bank balances fell by € 4,485 thousand, as shown in the Cash Flow Statement, which provides more detailed information on this item.

Part of the balance was used in January 2012 for payments to outside suppliers and licensors.

14. EQUITY

The Parent Company's share capital amounts to € 32,312,475.00 and is composed of 62,139,375 ordinary shares with a par value of € 0.52 per share.

Marcolin S.p.A. owns 681,000 treasury shares for a total value of € 947 thousand. The nominal value of € 354 thousand was deducted from share capital and the remaining € 593 thousand was deducted from the treasury share reserve included with the retained earnings/ (losses).

The statement of changes in equity provides more detailed information.

Stock option reserve

In accordance with IFRS 2, at the end of the previous reporting period the stock option reserve included in the ''other reserves'' had been stated at the imputed cost, equivalent to the fair value of the options on the grant date, recognized in the income statement over the vesting period. This reserve was used entirely to settle the stock option plan, which expired at the end of April 2011.

15. MEDIUM/LONG-TERM BORROWINGS

The December 31, 2011 balance of long-term borrowings consists almost entirely of loans granted to Marcolin S.p.A. by Cassa di Risparmio del Veneto S.p.A., Mediocredito Italiano (both of the Intesa San Paolo Group) and Banca Nazionale del Lavoro (BNP Paribas Group).

In July and December 2011, Marcolin S.p.A. received the remaining € 6 million portion of the credit line granted by Banca Nazionale del Lavoro (BNP Paribas Group), for a total € 10 million, for the purpose of investing in the Group's growth.

All bank loans were taken out by the Parent company. Details of the significant outstanding loans are set forth below:

Bank	Currency	Original amount (euro)	Residual amount (euro)	Maturity date	Interest rate	Notes
EFIBANCA*	EUR	(credit line) 30,000,000	4,392,857	June 27, 2012	6-month Euribor + 0.8%	A term loan facility of € 15,000,000, granted on June 27, 2007, repayable in 10 semiannual installments from Dec. 27, 2007 and a standby loan facility of € 15,000,000, repayable in 7 semiannual installments
Ministry of Productive Activities (Technological Innovation)	EUR	793,171	406,567	June 26, 2016	1,012%	Subsidized loan obtained under Law 46/82, repayable in 10 annual installments from June 26, 2007.
Cassa di Risparmio del Veneto* (formerly Banca Intesa)	EUR	(credit line) 15,000,000	10,500,000	March 31, 2015	6-month Euribor + 0.95%	Loan granted on Oct. 26, 2010, repayable in 10 semiannual installments from Sept.30, 2010.
Mediocredito Italiano	EUR	10,000,000	9,117,647	Sept. 30, 2019	3-month Euribor + 1.70%	Mortgage loan granted on Dec. 22, 2009, repayable in 34 quarterly installments from June 30, 2011.
Banca Nazionale del Lavoro*	EUR	10,000,000	10,000,000	Dec. 31, 2014	6-month Euribor + 1.70%	Loan of € 10,000,000 granted on Jan. 21, 2010, repayable in 6 semiannual installments from June 30, 2012.

* These loans include covenants regarding key performance and financial indicators of the consolidated financial statements.

The loan agreements between Marcolin S.p.A. and Cassa di Risparmio del Veneto (Intesa San Paolo Group), Efibanca S.p.A. and Banca Nazionale del Lavoro (BNP Paribas Group) include obligations regarding operating and financial performance. These are covenants requiring that certain financial ratios calculated from the consolidated accounts of each annual reporting date be met.

If the loan covenants are not complied with, the conditions for continuing with the loan must be renegotiated with the banks or the loan covenants must be amended. Otherwise, the loan may have to be repaid early.

The loan covenants are based on main performance and financial indicators (Ebitda, net financial position and equity).

As at December 31, 2011 and during the year, the covenants were consistently complied with.

15. MEDIUM/LONG-TERM BORROWINGS (continued)

The net financial position is set forth below. More information is provided in the Report on Operations.

Net financial position/(indebtedness) (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Cash	76	71
Cash equivalents	30,910	35,400
Short-term borrowings	(4,412)	(7,038)
Current portion of long-term borrowings	(7,589)	(9,614)
Long-term borrowings	(22,452)	(27,450)
Total Net Financial Position	**(3,467)**	**(8,631)**

16. LONG-TERM PROVISIONS

This item represents the employee severance indemnity provision (TFR) recognized in the Parent Company's financial statements. It consists of the benefits that accrued to employees until December 31, 2006 under the defined benefit plan, to be paid upon or subsequent to termination of employment. Benefits accruing from January 1, 2007 are treated as a defined contribution plan. By paying the contributions into social security funds (public and/or private), the Group complies with all relevant obligations.

The changes in the long-term provisions are shown below:

Long term provisions—severance indemnity provision (euro/000)	
Opening amount	3,240
Use	(293)
Interest	147
Actuarial loss/(gain)	106
Total on Dec. 31, 2011	**3,200**

The following table shows the various parameters used for the relevant actuarial calculation:

Actuarial assumptions	2011
mortality rate:	RG 48 Table of Public Accounting Office
disability rate:	INPS Table by age and gender
personnel turnover rate:	5.00%
frequency of severance payment advances:	2.00%
discount/interest rate:	4.25%
TFR increase rate:	3.00%
inflation rate:	2.00%

17. OTHER NON-CURRENT LIABILITIES

This item consists primarily of the accrued liabilities and deferred income due more than 12 months after the reporting date. The amount was zero on the reporting date.

18. TRADE PAYABLES

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

Trade payables by geographical area (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Italy	18,090	20,552
Rest of Europe	5,329	2,405
North America	6,714	995
Rest of World	13,642	12,805
Total	**43,775**	**36,756**

Trade payables rose by € 7,019 thousand, including € 4 million attributable to the residual investments made by the Parent Company and Marcolin U.S.A. in license renewals; the remainder of the increase is due to greater purchases of production materials in the period.

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

In compliance with the disclosure requirements of IFRS 7, it is reported that on December 31, 2011 there were no past-due trade payables, with the exception of the accounts being protested by the Company with the suppliers.

19. SHORT-TERM BORROWINGS

The amount represents short-term borrowings of € 12,002 thousand, including the € 7,589 thousand short-term portion of medium/long-term loans, and other financial payables of € 4,412 thousand due within 12 months from the reporting date.

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

Borrowings—Maturity (euro/000)	Loans	Other financiers	TOTAL
within 1 year	16,564	88	16,652
from 1 to 3 years	14,751	188	14,939
from 3 to 5 years	7,853	163	8,016
more than 5 years	4,412	83	4,495
Dec. 31, 2010	**43,579**	**523**	**44,102**
within 1 year	11,912	90	12,002
from 1 to 3 years	15,019	179	15,198
from 3 to 5 years	3,853	165	4,018
more than 5 years	3,235	0	3,235
Dec. 31, 2011	**34,019**	**434**	**34,453**

The disclosures regarding the derivatives in place on December 31, 2011 are presented below. All the contracts in effect were drawn up by the Parent Company, Marcolin S.p.A.

Financial liabilities at fair value through profit and loss

During the year, the Parent Company stipulated three derivative contracts on the U.S. dollar exchange rate with Veneto Banca Holding to mitigate the risk of exchange rate variability, two contracts of which were still partially in effect on the reporting date.

19. SHORT-TERM BORROWINGS (continued)

The fair value of such derivative instruments on December 31, 2011 was a positive € 414 thousand. Although the derivatives were designated to hedge the risk of exchange rate variability on purchases from suppliers in U.S. dollars, they do not qualify for hedge accounting because they do not meet all the conditions required by the applicable accounting standard.

Financial liabilities at fair value through equity

On July 30, 2007, a derivative contract on interest rates (IRS) was stipulated with Efibanca to hedge the risk of interest rate variability on a loan granted by Efibanca.

This instrument was classified and accounted for by the Company as a hedging instrument since it meets the conditions laid down in IAS 39. In fact:

- it was contractually designated, at the time the loan was granted, to hedge the interest rate risk of at least 50% of the notional value of the loan;
- the maturity of the derivative contract coincides with that of the hedged loan;
- the derivative instrument and the underlying loan have the same Euribor calculation dates.

The fair value of the hedging instrument as at December 31, 2011 is a negative € 23 thousand, completely short-term. The fair value as at December 31, 2010 was a negative € 151 thousand. The fair value change was recognized in equity in the ''other reserves'' (presented in the statement of changes in equity).

During the year, the finance costs deriving from the periodic liquidation of the reciprocal positions on the two interest rate derivatives totaled € 122 thousand.

20. CURRENT PROVISIONS

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

Short-term provisions (euro/000)	Provision for agency termination and similar obligations	Provision for tax liabilities	Other provisions	Total
Jan. 1, 2011	656	0	5,535	6,191
Allowances	125	175	3,913	4,214
Use	(168)	0	(1,922)	(2,089)
Translation difference	0	14	432	446
Other changes	55	0	(330)	(275)
Dec. 31, 2011	**669**	**189**	**7,629**	**8,487**

The provisions for agency termination and similar obligations consist of the estimated indemnities payable to agencies upon termination, the amount of which was discounted to present value on the basis of long-term use.

The other provisions consist of allowances for risks regarding customer returns and product warranties for an amount of € 4,327 thousand. The provisions were reported largely by Marcolin U.S.A., Marcolin S.p.A. and Marcolin France.

The other items includes in the other provisions refer to Marcolin S.p.A. for € 3,021 thousand, mainly for risks regarding contingent liabilities arising from legal and contractual obligations.

21. OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

Other current liabilities (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Due to personnel	6,504	6,618
Social security	1,942	1,875
Royalties	0	96
Other accrued expenses and deferred income	1,265	686
Total	**9,710**	**9,274**

The other current liabilities consist primarily of € 6,504 thousand due to personnel and € 1,942 thousand in social security.

The amount due to personnel fell by € 114 thousand from December 31, 2010; this decrease is attributable principally to the Parent Company.

The other accrued expenses and deferred income refer primarily to Marcolin U.S.A. and Marcolin S.p.A.

22. COMMITMENTS AND GUARANTEES

Below are details of the main commitments and guarantees of Group companies:

Guarantees issued (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Sureties to third parties	46	1,048

As is known, the Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.

The contracts require payment of guaranteed minimum royalties over the duration of the contracts. On December 31, 2011 these future commitments amounted to € 255 million (€ 189 million in 2010), including € 58 million falling due within the next year.

Details of the rent and operating lease commitments are shown below, in accordance with IAS 17:

Commitments (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Rent		
Within one year	1,360	1,005
From one to five years	1,782	1,410
Over five years	31	59
Total	**3,173**	**2,474**
Operating leases		
Within one year	544	512
From one to five years	352	291
Over five years	0	4
Total	**895**	**806**
Total commitments	**4,069**	**3,280**

The commitments relating to rent costs mainly refer to the office lease of the American subsidiary.

22. COMMITMENTS AND GUARANTEES (continued)

INCOME STATEMENT

(euro/000)	2011	%	2010	%
REVENUE	**224,124**	**100.0%**	**205,651**	**100.0%**
COST OF SALES	**(81,736)**	**(36.5)%**	**(79,033)**	**(38.4)%**
GROSS PROFIT	**142,388**	**63.5%**	**126,617**	**61.6%**
Distribution and marketing expenses	(97,497)	(43.5)%	(88,069)	(42.8)%
General and administration expenses	(18,748)	(8.4)%	(16,580)	(8.1)%
Other operating income and expenses:				
—other operating income	3,401	1.5%	3,762	1.8%
—other operating expenses	(128)	(0.1)%	(721)	(0.4)%
Total	**3,273**	**1.5%**	**3,041**	**1.5%**
EFFECTS OF ACCOUNTING FOR ASSOCIATES	**(527)**	**(0.2)%**	**(59)**	**(0.0)%**
EBITDA	**34,234**	**15.3%**	**29,932**	**14.6%**
OPERATING PROFIT—EBIT	**28,888**	**12.9%**	**24,949**	**12.1%**
FINANCIAL INCOME AND COSTS				
Financial income	2,955	1.3%	2,672	1.3%
Finance costs	(4,700)	(2.1)%	(4,468)	(2.2)%
Total	**(1,745)**	**(0.8)%**	**(1,796)**	**(0.9)%**
PROFIT BEFORE TAXES	**27,143**	**12.1%**	**23,153**	**11.3%**
INCOME TAX EXPENSE	**(6,165)**	**(2.8)%**	**(4,547)**	**(2.2)%**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**0**	**0.0%**	**0**	**0.0%**
NET PROFIT FOR THE YEAR	**20,979**	**9.4%**	**18,606**	**9.0%**

The 2010 data presented in the tables of the Income Statement section differs from the data published in last year's financial statements due to a different classification of some items in 2011. The comparative data has been reclassified for the purpose of consistency.

In 2011 sales to suppliers of semi-finished products that were subsequently repurchased as finished products upon completion of the outsourced processing were reclassified as a component of the cost of sales. In 2010 these sales, totaling € 2,028 thousand, had been included with the sales revenues.

The EBITDA reclassification regarded the allocation of certain costs, which previously had been excluded from EBITDA. These were the allowances for returns, legal risks and additional client expenses, which in 2010 had totaled € 1,086 thousand.

23. REVENUE

The following table sets forth the sales revenues of 2011 by geographical area:

Net sales by geographic area (euro/000)	2011		2010		Increase	
	Turnover	% on total	Turnover	% on total	Turnover	Change
—Europe	119,947	53.5%	114,694	55.8%	5,253	4.6%
—U.S.A.	46,470	20.7%	44,820	21.8%	1,651	3.7%
—Asia	21,709	9.7%	14,808	7.2%	6,901	46.6%
—Rest of World	35,998	16.1%	31,329	15.2%	4,669	14.9%
Total	**224,124**	**100.0%**	**205,651**	**100.0%**	**18,474**	**9.0%**

23. REVENUE (continued)

The Report on Operations describes the 2011 sales performance.

24. COST OF SALES

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

Cost of sales (euro/000)	2011	2010	Increase (decrease)	%
Purchases of materials and finished products	54,032	50,195	3,837	7.6%
Changes in inventories	(5,335)	(1,896)	(3,439)	181.4%
Cost of personnel	16,800	15,965	835	5.2%
Outsourced processing	8,602	6,878	1,724	25.1%
Amortization, depreciation and writedowns	2,154	2,123	31	1.5%
Other costs	5,483	5,767	(285)	(4.9)%
Total	**81,736**	**79,033**	**2,703**	**3.4%**

The cost of sales rose by € 2,703 thousand. However, it was 36.5% of total sales, an improvement of 2% from the 38.4% of 2010.

As described in the Report on Operations, these results were achieved due mainly to initiatives implemented in previous periods to improve margins (focusing on product costs, internal productivity and quality, which enhanced efficiency) and to the increased sales of products with the new brands, which yield higher margins.

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

25. DISTRIBUTION AND MARKETING EXPENSES

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

Distribution and marketing expenses (euro/000)	2011	2010	Increase (decrease)	%
Cost of personnel	26,042	24,712	1,330	5.4%
Commissions	8,674	8,866	(192)	(2.2)%
Amortization, depreciation and writedowns	1,076	947	130	13.7%
Royalties	32,418	26,477	5,941	22.4%
Advertising and PR	15,091	13,850	1,240	9.0%
Other costs	14,196	13,217	978	7.4%
Total	**97,497**	**88,069**	**9,428**	**10.7%**

Distribution and marketing expenses rose by € 9,428 thousand; these expenses are 43.5% of sales, compared to 42.8% for 2010.

The largest difference is for royalties due in substance to higher sales and non-absorption of guaranteed minimum royalties referring to some licensing agreements.

The other expenses consist mainly of sales expenses, including transport, rentals and entertainment expenses.

26. GENERAL AND ADMINISTRATION EXPENSES

The general and administration expenses are set forth below:

General and administration expenses (euro/000)	2011	2010	Increase (decrease)	%
Cost of personnel	6,086	5,524	562	10.2%
Writedowns of receivables	1,176	1,365	(189)	(13.8)%
Amortization, depreciation and writedowns	938	547	391	71.5%
Other expenses	10,548	9,144	1,404	15.4%
Total	**18,748**	**16,580**	**2,168**	**13.1%**

General and administration expenses rose by € 2,168 thousand compared to those of 2010.

Amortization, depreciation and writedowns include € 158 thousand for the adjustment to fair value of the building owned by the Parent Company in Domegge di Cadore, on the basis of an independent appraisal.

The ''other expenses'' of € 10,548 thousand consist mainly of the following:

- director and statutory auditor compensation;
- other services;
- IT expenses;
- administration charges;
- other administrative consulting.

The director compensation includes the € 1,700 thousand settlement of stock options under the incentives plan exercised at the end of April 2011. This amount is the difference between the amount allotted for such item in a specific reserve during the vesting period, in compliance with IFRS 2, and the amount effectively paid by the Parent Company to the beneficiary.

Pursuant to Article 149-duodecies of the CONSOB Issuer Regulations (resolution 11971 of March 14, 1999 and subsequent amendments and integrations), the total 2011 fees due to the independent auditors of the Parent Company and to the member firms for the subsidiaries are disclosed as € 258 thousand for audit services.

27. MARCOLIN GROUP EMPLOYEES

Details of the total number of employees of the various Group companies are shown below:

Employees—Average number Category	2011	2010
Senior managers	24	24
Middle managers	87	83
White-collar employees	459	454
Blue-collar employees	402	408
Total	**972**	**969**

27. MARCOLIN GROUP EMPLOYEES (continued)

Year-end number Category	Dec. 31, 2011	Dec. 31, 2010
Senior managers	24	24
Middle managers	86	86
White-collar employees	458	456
Blue-collar employees	405	386
Total	**972**	**952**

28. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other operating income and expenses (euro/000)	2011	2010
Refunded transport costs	1,395	1,342
Provisions released	137	379
Other income	1,869	2,041
Total other income	**3,401**	**3,762**
Writedowns of receivables	0	(3)
Other expenses	(128)	(718)
Total other expenses	**(128)**	**(721)**
Total	**3,273**	**3,041**

The balance of this item is a positive € 3,273 thousand, an increase of € 232 thousand from 2010.

''Other income'' includes € 730 thousand in costs for advertising materials and other costs charged to the Parent Company.

The contingent gains consist primarily of costs regarding previous years, referring to the Parent Company, that were less than the amount originally estimated for them.

29. EFFECTS OF ACCOUNTING FOR ASSOCIATES WITH THE EQUITY METHOD

The use of the equity method to account for investments in associates resulted in the recognition of costs of € 532 thousand in 2011, including € 136 thousand for Finitec S.r.l. in liquidation and € 390 thousand for Marcolin Japan Co. Ltd. in liquidation, due to the losses reported by these associates in the reporting period. These companies are not currently operating. They are undergoing the liquidation procedure, which should conclude in the short term without any additional costs.

30. FINANCIAL INCOME AND COSTS

The financial income and costs are set forth below:

Financial income and costs (euro/000)	2011	2010
Financial income	2,955	2,672
Finance costs	(4,700)	(4,468)
Total financial income and costs	**(1,745)**	**(1,796)**

30. FINANCIAL INCOME AND COSTS (continued)

The composition of financial income is shown below:

Financial income (euro/000)	2011	2010
Interest income	1	153
Other income	480	238
Gains on currency exchange	2,474	2,281
Total financial income	**2,955**	**2,672**

The composition of finance costs is shown below:

Finance costs (euro/000)	2011	2010
Interest expense	(1,494)	(1,777)
Financial discounts	(928)	(875)
Losses on currency exchange	(2,277)	(1,816)
Total finance costs	**(4,700)**	**(4,468)**

The item ''financial income and costs'' has a negative balance of € 1,745 thousand, which is substantially consistent with the negative balance of € 1,796 thousand reported for 2010.

The tables above show that:

- interest expense fell by € 283 thousand against the 2010 amount, mainly as a result of the reduced borrowings;
- currency exchanges resulted in a fairly even balance, with a € 197 thousand net profit, compared to a € 465 thousand net profit for 2010.

31. INCOME TAX EXPENSE

The deferred tax reported in the Statement of Financial Position and the changes thereof are presented in the following tables:

Deferred taxes (euro/000)	Dec. 31, 2011	Dec. 31, 2010
Temporary differences on non-current assets	161	126
Temporary differences on current assets	4,252	3,836
Temporary differences on allocations to provisions	1,598	974
Tax loss carryforwards	8,175	4,564
Deferred tax assets	**14,187**	**9,501**
Temporary differences on non-current assets	(1,326)	(1,454)
Temporary differences on current assets	661	480
Deferred tax liabilities	**(664)**	**(974)**
Net deferred taxes	**13,522**	**8,527**

31. INCOME TAX EXPENSE (continued)

Changes in net deferred taxes (euro/000)	2011	2010
Net deferred taxes as at January 1		
Deferred tax assets (liabilities)	8,526	6,262
Recognized in profit or (loss)	4,765	2,060
Recognized in equity	0	0
Other changes	231	10
Foreign exchange differences	0	195
Deferred taxes as at December 31	**13,522**	**8,526**

Potential deferred tax assets of € 5.2 million (€ 7.7 million in 2010) arising principally on tax losses reported by Marcolin France were not recognized because no forecasts are currently available that reasonably expect recovery of such assets.

Some deferred tax assets totaling € 3,611 thousand (€ 2,074 thousand in 2010) were recognized on temporary differences generated between the value of the assets and liabilities in in the financial statements and the value attributed to those assets/liabilities for tax purposes and the benefit relating to accumulated tax losses generated in previous financial years by Marcolin U.S.A. and Marcolin France. Recognition was possible because these subsidiaries have been reporting profits regularly for the past few years, thus meeting the conditions for recognition. The amount recognized refers to the assets expected to be recovered in the upcoming financial years based on the forecasts prepared by management.

The current tax burden was determined on the basis of the taxable income arising from the profit for the year, taking into account the use of any accumulated tax losses and applying the nominal tax rates in force in each country.

Income tax expense (euro/000)	2011	2010
Current taxes	(10,921)	(6,603)
Deferred taxes	4,765	2,060
Taxes relating to prior year	(9)	(4)
Total income taxes	**(6,165)**	**(4,547)**

Tax rate reconciliation (euro/000)	2011	2010
Profit/(loss) before taxes	27,143	23,153
Tax expected (based on local tax rate)	9,370	5,253
Taxes relating to prior years	9	4
Change in temporary differences	(1,378)	(181)
Use of previously unrecognized tax losses	(3,387)	(1,879)
Taxes on productive activities and flat-rate taxes	1,551	1,350
Total income taxes	**6,165**	**4,547**

The theoretical average tax rate of the year is 34.52% (22.69% in 2010), whereas the effective tax rate is 22.71% (19.64% in 2010), due primarily to the recognition in the year of the benefit relating to tax loss carryforwards.

The deferred tax liabilities as at December 31, 2011 were € 3,263 thousand (€ 4,614 thousand as at December 31, 2010) against an allocation for the year of € 10,921 thousand.

32. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Earnings per share are composed of the following:

Earnings per share	2011	2010
Profit for the year (in euros)	20,978,844	18,606,136
Number of shares	62,139,375	62,139,375
Number of treasury shares	681,000	681,000
Net number of shares	61,458,375	61,458,375
Earnings per share	**0.341**	**0.303**
Diluted earnings per share	**0.341**	**0.300**

The diluted earnings per share were calculated by dividing the profit by the number of shares outstanding net of treasury shares (in 2010 they were increased by the shares involved in the stock option plan).

33. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by standard IFRS category in the table below, which presents their fair value in accordance with IFRS 7.

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

The derivatives used by the Group are classified as OTC (over-the-counter) instruments, so they have no public price available on official exchange markets. Discounted cash flow models were used to measure these derivatives.

Categories of financial assets (euro/000)	Trade receivables
2010	
Loans and receivables	58,690
Financial assets at fair value through profit or loss	0
Held-to-maturity investments	0
Available-for-sale financial assets	0
Total carrying value on Dec. 31, 2010	**58,690**
Fair value	**na**
2011	
Loans and receivables	58,978
Financial assets at fair value through profit or loss	0
Held-to-maturity investments	0
Available-for-sale financial assets	0
Total carrying value on Dec. 31, 2011	**58,978**
Fair value	**na**

33. FINANCIAL INSTRUMENTS BY TYPE (continued)

Categories of financial liabilities (euro/000)	Trade payables	Derivatives	Loans
2010			
Financial liabilities at fair value through profit or loss	0	291	0
Derivatives used for hedging	0	151	0
Other financial liabilities	36,756	0	46,222
Available-for-sale financial liabilities	0	0	0
Total carrying value on Dec. 31, 2011	**36,756**	**442**	**46,222**
Fair value	**na**	**442**	**46,222**
2011			
Financial liabilities at fair value through profit or loss	0	(414)	0
Derivatives used for hedging	0	23	0
Other financial liabilities	43,775	0	35,627
Available-for-sale financial liabilities	0	0	0
Total carrying value on Dec. 31, 2011	**43,775**	**(391)**	**35,627**
Fair value	**na**	**(391)**	**35,627**

The derivatives presented in the table are classified with borrowings (Note 19).

Transactions with subsidiaries accounted for using the equity method and other related parties

Transactions took place between consolidated companies during the year, and with equity-accounted associates and other related parties. The effects of the latter transactions are reported in the table below:

Company (euro/000)	Payables	Receivables	Expenses	Revenues	Type
	Dec. 31, 2011		2011		
Tod's S.p.A.	39	972	5,108	1,512	Related party
Finitec S.r.l in liquidation	0	66	161	2	Associate
Marcolin Japan Co. Ltd. in liquidation	93	937	1	518	Associate

The related transactions regarded sales and took place on an arm's length basis.

DISCLOSURE OF ATYPICAL AND UNUSUAL TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with CONSOB Communication nos. DAC/98015375 of February 27, 1998 and DEM/6064293 of July 28, 2006, the information with respect to atypical and unusual transactions and transactions with related parties is provided below.

Atypical and unusual transactions

In 2011 there were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A. and the Group.

Transactions with related parties

Intercompany and related-party transactions are mainly of a trade nature and are conducted on an arm's length basis. In 2011 Tod's S.p.A. was a supplier for the Group under a licensing agreement stipulated with such company referable to its shareholders, Diego Della Valle and Andrea Della Valle (Directors of Marcolin S.p.A.), as shown in the table above.

On the basis of the foregoing, the resulting balances are not considered to have a significant impact on the Group's financial position, financial performance or cash flows.

Significant non-recurring events and transactions

There were no significant non-recurring events or transactions that impacted the Group's financial position, financial performance or cash flows in 2011 other than those presented in the consolidated income statement.

SEGMENT REPORTING

The following information is set forth according to the geographical areas in which the Group operates. The geographical areas have been identified as primary segments of business. The methods used to identify primary business segments have been selected according to the Group's operating policies. The policies provide for aggregation by specific geographical area according to the location of the Group's companies. Accordingly, the sales by geographical segment refer to the source of the sales rather than the end market.

Segment reporting (euro/000)	ITALY		FRANCE		REST OF EUROPE		U.S.A.		OTHER & CONSOLIDATION		MARCOLIN GROUP	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net sales	142,619	126,547	22,557	21,858	36,416	35,663	57,907	53,023	(35,374)	(31,440)	224,124	205,651
Inter-segment sales	0	0	0	0	0	20	0	0	0	(20)	0	0
Revenues from third parties	142,619	126,547	22,557	21,858	36,416	35,643	57,907	53,023	(35,374)	(31,420)	224,124	205,651
Gross margin	70,118	57,969	12,124	11,591	19,395	18,512	35,213	32,364	5,537	6,182	142,388	126,617
In % of net revenues	49.2%	45.8%	53.7%	53.0%	53.3%	51.9%	60.8%	61.0%	−15.7%	−19.7%	63.5%	61.6%
Operating profit	31,753	18,249	168	177	2,203	1,574	5,537	4,509	(10,773)	440	28,888	24,949
Share of profits/(losses) of equity-accounted companies	(527)	139	0	0	0	0	0	0	527	(139)	0	0
Segment assets	186,534	173,066	8,591	8,041	21,663	24,572	52,877	41,030	(71,678)	(62,938)	197,987	183,771
Investments in equity-accounted associates	359	359	0	0	0	0	0	0	(263)	(25)	96	334
Segment liabilities	(93,291)	(97,698)	(5,639)	(6,290)	(13,150)	(17,519)	(17,924)	(12,879)	26,453	29,236	(103,552)	(105,150)
Capital expenditures	8,263	8,263	1	1	71	71	925	925	(985)	(985)	8,274	8,274
Amortization, depreciation and writedowns	4,342	(1,829)	(31)	(296)	(760)	(687)	(776)	(898)	(8,119)	(1,273)	(5,345)	(4,983)
Other non-cash (costs)/ revenues	(625)	(1,456)	(175)	49	(180)	(12)	(178)	830	(74)	0	(1,232)	(588)

There were no secondary segments as at the reporting date.

Marcolin Group

Consolidated financial statements as of and for the year ended December 31, 2010

Registered Office, Executive Management and Business Offices
Z.I. Villanova, 4—Longarone (BL)
Share capital €32,312,475.00 fully paid in
R.E.A. n. 64334
Tax code and Companies Register n. BL 01774690273
VAT n. 00298010257

Deloitte.

Deloitte & Touche S.p.A.
Via Fratelli Bandlera, 3
31100 Treviso
Italia

Tel. +39 0422 587.5
Fax: +39 0422 587812
www.deloitte.it

AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
MARCOLIN S.p.A.

1. We have audited the consolidated financial statements of Marcolin S.p.A. and subsidiaries (the ''Marcolin Group''), which comprise the statement of financial position as of December 31, 2010, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 31, 2010.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Marcolin Group as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Ancona Ban Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25-20144 Milano - Capitale Sociale: Euro 10.328.120.00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

4. The Directors of Marcolin S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the Investor Relations section within the Internet site of Marcolin S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), 1), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), 1), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of Marcolin Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Treviso, Italy
April 6, 2011

This report has been translated into the English language solely for the convenience of international readers. International readers should be aware that (i) the paragraph 4 of the report is *required by Italian Law, (ii) the relating audit procedures have been performed under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB, and (iii) the report on operations is not included in the Offering Memorandum.*

Consolidated balance sheet

(euro/000)	Note	DEC 31, 2010	Of which related parties	DEC 31, 2009	Of which related parties
ASSETS					
NON CURRENT ASSETS					
Property, plant and equipment	5	20,180		17,425	
Intangible assets	6	3,732		3,150	
Goodwill	6	2,419		2,243	
Investments	7	334		372	
Deferred tax assets	8	9,500		7,031	
Other non current assets	9	5,404		630	
Total non current assets		**41,569**		**30,851**	
CURRENT ASSETS					
Inventories	10	41,073		38,318	
Trade and other receivables	11	62,306	1,109	62,302	470
Other current assets	12	383		596	
Cash and cash equivalents	13	35,471		24,351	
Total current assets		**139,233**	**1,109**	**125,567**	**470**
Assets held for sale	13	**2,969**		**0**	
TOTAL ASSETS		**183,771**	**1,109**	**156,418**	**470**
SHAREHOLDERS' EQUITY	14				
Share capital		31,958		31,958	
Additional paid in capital		24,517		24,517	
Legal reserve		1,833		1,776	
Other reserves		820		(1,770)	
Retained earnings (losses)		885		(6,117)	
Profit (loss) for the period		18,606		7,080	
Minority interests		0		0	
TOTAL SHAREHOLDERS' EQUITY		**78,620**		**57,445**	
LIABILITIES					
NON CURRENT LIABILITIES					
Long term borrowings	15,19	27,450		29,254	
Long term provisions	16	3,240		3,784	
Deferred tax liabilities	8	974		769	
Other non current liabilities	17	0		28	
Total non current liabilities		**31,663**		**33,835**	
CURRENT LIABILITIES					
Trade payables	18	36,756	852	32,755	2,209
Short term borrowings	19	16,652		18,936	
Short term provisions	20	6,191		4,490	
Income taxes	31	4,614		1,917	
Other current liabilities	21	9,274		7,040	
Total current liabilities		**73,487**	**852**	**65,138**	**2,209**
TOTAL LIABILITIES		**105,150**	**852**	**98,973**	**2,209**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**183,771**	**852**	**156,418**	**2,209**

Consolidated income statement

(euro/000)	Note	2010	Of which related parties	%	2009	Of which related parties	%
NET SALES	23	**207,679**	2,227	**100.0%**	**180,321**	997	**100.0%**
COST OF SALES	24	**(81,062)**	(783)	**(39.0)%**	**(78,229)**	(1,355)	**(43.4)%**
GROSS PROFIT		**126,617**		**61.0%**	**102,092**		**56.6%**
Selling and marketing costs	25	(88,069)	(3,794)	(42.4)%	(80,704)	(1,440)	(44.8)%
General and administrative expenses	26	(16,580)		(8.0)%	(15,755)		(8.7)%
Other income and expenses	28	2,901		1.4%	2,750		1.5%
Other non recurrent operating income and expenses	29	81		0.0%	1,005		0.6%
OPERATING PROFIT—EBIT		**24,949**		**12.0%**	**9,388**		**5.2%**
FINANCIAL INCOME AND EXPENSES	30	(1,796)		(0.9)%	(2,137)		(1.2)%
NET RESULT BEFORE TAXES		**23,153**		**11.1%**	**7,251**		**4.0%**
Income taxes	31	(4,547)		(2.2)%	(171)		(0.1)%
Minority interests		0		0.0%	0		0.0%
NET RESULT		**18,606**		**9.0%**	**7,080**		**3.9%**
EBITDA		31,018		14.9%	15,126		8.4%
EPS *(in euro)*	32	**0.303**			**0.115**		
EPS diluted *(in euro)*	32	**0.300**			**0.114**		
Statement of comprehensive income							
NET RESULT		**18,606**			**7,080**		
Currency translation		2,343			186		
Net gain (loss) of cash flow hedge		183			17		
NET COMPREHENSIVE INCOME		**21,132**			**7,283**		

Statement of changes in consolidated equity

(euro/000)	Share capital	Additional paid in capital	Legal reserve	Other reserves	Retained earnings (losses)	Income (loss) for the period	Minorities interest	Total
JAN 2009	**31,958**	**24,517**	**1,703**	**(2,064)**	**(12,164)**	**6,124**	**0**	**50,074**
Earnings (losses) stock option reserve	0	0	0	91	0	0	0	91
Allocation of 2008 profit	0	0	73	0	6,051	(6,124)	0	0
Net Comprehensive Income	0	0	0	207	(4)	7,080	0	7,283
DEC 2009	**31,958**	**24,517**	**1,776**	**(1,770)**	**(6,117)**	**7,080**	**0**	**57,445**
JAN 2010	**31,958**	**24,517**	**1,776**	**(1,770)**	**(6,117)**	**7,080**	**0**	**57,445**
Earnings (losses) stock option reserve	0	0	0	44	0	0	0	44
Allocation of 2009 profit	0	0	57	21	7,002	(7,080)	0	0
Net Comprehensive Income	0	0	0	2,526	0	18,606	0	21,132
DEC 2010	**31,958**	**24,517**	**1,833**	**820**	**885**	**18,606**	**0**	**78,620**

Consolidated cash flow statement

(euro/000)	2010	2009
OPERATING ACTIVITIES		
Income (loss) for the period	18,606	7,080
Depreciation and Amortisation	3,610	4,501
Provisions	5,280	6,305
Income taxes	4,547	171
Interest expenses	1,857	2,229
Other non-cash items	13	(647)
Operating profit before working capital changes	*33,913*	*19,639*
(Increase) decrease trade receivables	(986)	(5,157)
(Increase) decrease other receivables	478	97
(Increase) decrease inventory	(3,171)	9,870
(Decrease) increase trade payables	4,001	(1,905)
(Decrease) increase other payables	2,206	(854)
(Utilisation) of provisions	(2,647)	(1,425)
(Decrease) increase tax payables	(367)	6,146
Other non-cash items	(3,785)	(4,796)
Income taxes paid	(1,303)	(5,669)
Interest paid	(1,488)	(1,422)
Cash flows provided (used) by working capital changes	*(7,061)*	*(5,115)*
Cash flows provided by operating activities	**26,851**	**14,524**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(8,264)	(6,049)
Proceeds from the sale of property, plant and equipment	15	818
(Purchase) of intangible assets	(1,153)	(330)
Cash flows (used) in investing activities	**(9,403)**	**(5,561)**
FINANCING ACTIVITES		
Loan		
—Increase	(5,000)	0
—Decrease	0	0
Net increase (decrease) bank borrowings	(91)	(2,076)
Borrowings		
—Increase	12,000	28,150
—Decrease	(16,286)	(24,145)
Changes in reserves	2,377	182
Cash flows (used) in financing activities	**(7,000)**	**2,111**
Cash and cash equivalents increase (decrease)	**10,448**	**11,073**
Effect of exchange rates on cash	672	119
Cash and cash equivalents at beginning of year	**24,351**	**13,159**
Cash and cash equivalents at year end	**35,471**	**24,351**

Notes to the Consolidated Financial Statements of the Marcolin Group

at 31 December 2010

INTRODUCTION

The Explanatory Notes set out below form an integral part of the Annual Consolidated Financial Statements of the Marcolin Group.

1. GENERAL INFORMATION

Marcolin S.p.A. (hereinafter referred to as the ''Parent Company'') is incorporated under Italian law, registered in the Belluno Companies Register with no. 01774690273 and has shares are traded in Italy on the electronic stock exchange (Mercato Telematico Azionario) organised and managed by Borsa Italians SpA.

Marcolin S.p.A. is the parent company of the Marcolin Group, which operates in Italy and abroad in the production and marketing of eyewear.

The addresses of the Company's registered office and of the locations where its main activities take place are shown on the introductory page of the Annual Report.

2. ACCOUNTING STANDARDS

Basis of preparation

The 2010 consolidated financial statements have been prepared according to the International Accounting Standards (''IFRS'') issued by the International Accounting Standards Board (''IASB'') and approved by the European Union, as Regulation no. 1606 issued by the European Parliament and the European Council in July 2002 provided for the compulsory application of the IAS/IFRS to the consolidated accounts of companies listed on EU regulated marketed as from 2005. The IFRS are also deemed to include all the revised international accounting standards (''IAS'') and all the interpretations of the International Financial Reporting Interpretations Committee (''IFRIC''), previously called the Standing Interpretations Committee (''SIC'').

These accounts have been prepared with the going concern assumption, using the accrual basis of accounting.

The consolidated accounts have been prepared on a historic cost basis, amended as required for the evaluation of financial instruments, with the exception of some revaluations performed in previous financial years.

The currency used in the economic area in which the Group mainly operates is the Euro. Due to the fact that the figures are shown in thousands of Euro, differences may emerge due to rounding the totals up or down.

In preparing the formats of the documents forming the consolidated year-end financial statements, the Marcolin Group has applied the following policies:

- *Statement of Financial Position*

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

  More specifically, an asset must be classified as current when it meets one of the following criteria, i.e. when it is:

  (a) Held for collection, sale or consumption during the entity's normal operating cycle;

  (b) Held primarily for the purpose of trading;

  (c) Assumed to be realized within 12 months after the reporting date;

  (d) cash or a cash equivalent.

  All other assets have been classified as non-current.

2. ACCOUNTING STANDARDS (continued)

A liability must be classified as current when it meets one of the following criteria i.e. when it is:

(a) Expected to be settled within an entity's normal operating cycle;

(b) Held primarily for the purpose of trading;

(c) Due to be settled within 12 months after reporting date;

(d) A liability for which the entity does not have an unconditional right to defer settlement beyond 12 months.

All other liabilities have been classified as non-current.

Moreover, on the basis of IFRS 5, any assets (and related liabilities) for which the book value will be recovered mainly through sale rather than continuing use have been classified as ''Assets held for sale'' and ''Liabilities relating to assets held for sale''.

- *Income statement*

  Costs have been classified by function, indicating separately the costs of sales, distribution costs and administrative costs, since it is believe that this method, for the Company's business sector, provides readers with more meaningful and relevant information than the alternative classification of costs by nature. In addition, it was decided to present two distinct documents: the Income Statement and the Statement of Comprehensive Income.

- *Statement of changes in equity*

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

- *Cash flow statement*

  The cash flow statement is presented based on the indirect method, since this is considered to be the most appropriate approach for the business sector in which the Company operates. Based on this approach, the net profit or loss is adjusted for the effects of non-monetary transactions on operating, investing and financing transactions.

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries. Below we provide a list of investments consolidated on a 100% line-by-line basis and, for the sake of comprehensive disclosure, a list of the investments accounted for using the equity method. The latter method requires the investment to initially be recognised at cost, and then to subsequently increase or decrease the carrying value to recognise the relevant share of profit or loss after acquisition date, as well as the effects of other equity movements.

2. ACCOUNTING STANDARDS (continued)

List of consolidated companies

Company (euro)	Headquarters	Currency	Share capital	Consolidation method	% ownership	
					Direct	Indirect
Marcolin Asia Ltd	Hong Kong	USD	198.863	Line-by-line	—	100.00%
Marcolin Benelux Sprl	Faimes	EUR	280.000	Line-by-line	100.00%	—
Marcolin do Brasil Ltda	Jundiai	BRL	9.575.240	Line-by-line	99.90%	0.10%
Marcolin (Deutschland) GmbH	Ludwigsburg	EUR	300.000	Line-by-line	100.00%	—
Marcolin GmbH	Fullinsdorf (CH)	CHF	200.000	Line-by-line	100.00%	—
Marcolin Iberica SA	Barcelona	EUR	487.481	Line-by-line	100.00%	—
Marcolin International BV . . .	Amsterdam	EUR	18.151	Line-by-line	100.00%	—
Marcolin Portugal Lda	S. Joao do Estoril	EUR	420.000	Line-by-line	99.82%	—
Marcolin (UK) Ltd	Newbury	GBP	850.000	Line-by-line	100.00%	—
Marcolin Usa Inc	New York	USD	536.500	Line-by-line	85.40%	14.60%
Marcolin France Sas	Paris	EUR	1.054.452	Line-by-line	76.89%	23.11%
Marcolin Japan Co Ltd	Tokyo	JPY	99.000.000	Equity	40.00%	—
Finitec Srl	Longarone	EUR	54.080	Equity	40.00%	—

No changes to the scope of consolidation of the Marcolin Group occurred in 2010.

The consolidation method adopted is as follows: Companies are consolidated on a 100% line-by-line basis when the Group exercises control over them (''subsidiaries'') by virtue of direct or indirect ownership of the majority of shares with voting rights and exercise of dominant influence expressed by the power to govern, directly or indirectly, the company's financial and operating policies, obtaining the related benefits thereof regardless of the equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is acquired and are deconsolidated as from the date when such control ceases to exist.

Business combinations through which control of a company is acquired are accounted for applying the acquisition method, under which the assets and liabilities acquired are initially measured at their fair value on the acquisition date. If positive, the difference between the acquisition cost and the fair value of the assets and liabilities is allocated to goodwill; if negative it is recognised in the income statement. Acquisition cost is determined on the basis of the fair value, at the acquisition date, of assets obtained, liabilities assumed, equity instruments issued and all other related costs.

During consolidation amounts stemming from transactions between consolidated subsidiaries are eliminated, specifically the receivables and payables outstanding at the end of the period, costs and revenues, and financial expense and income. Similarly, significant profits and losses made between fully consolidated subsidiaries are eliminated.

Any non-controlling interest in equity or earnings is shown separately in the statement of consolidated equity, under Non-controlling Interest.

Dividends paid by fully consolidated companies are eliminated from the income statement, which incorporates the relevant companies' results.

Translation of foreign-currency financial statements

Financial statements presented in a different reporting currency are translated into euro according to IAS/IFRS as follows:

- Assets and liabilities are translated at the current exchange rates in force on the reporting date;

2. ACCOUNTING STANDARDS (continued)

- Revenues, costs, income and charges are translated at the average exchange rate for the period considered to be a reasonable approximation of the actual exchange rates at which the individual transactions took place;
- Foreign exchange rate changes arising from translation of opening shareholders' equity and the annual changes therein are charged to the item ''Reserve for translation differences'' included in the item ''Other reserves''.

The following table shows the exchange rates used for translation:

		Final exchange rate			Average exchange rate		
Currency		DEC 31, 2010	DEC 31, 2009	Change	DEC 31, 2010	DEC 31, 2009	Change
English pound	GBP	0.861	0.888	(3.1)%	0.858	0.891	(3.7)%
Swiss franc	CHF	1.250	1.484	(15.7)%	1.380	1.510	(8.6)%
US dollar	USD	1.336	1.441	(7.2)%	1.326	1.395	(5.0)%
Brazilian real	BRL	2.218	2.511	(11.7)%	2.331	2.767	(15.8)%
Hong Kong dollar	HKD	10.386	11.171	(7.0)%	10.299	10.811	(4.7)%
Japanese yen	JPY	108.650	133.16	(18.4)%	116.239	130.34	(10.8)%

Property, plant, and equipment

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

Tangible assets are shown net of depreciation and of any impairment of value, with the exception of land, which is not depreciated.

Costs borne for ordinary and/or planned maintenance and repairs are recognized directly in the income statement of the financial year in which they are incurred. Costs concerning the extension, modernisation or upgrading of owned or leased assets are capitalised to the extent that they can be separately classified as an asset or part of an assets. The amount initially recognised undergoes systematic straight-line depreciation, calculated over the asset's useful life.

If the depreciated asset is composed of items that can be identified separately, with a significantly different useful life from that of the other items of the asset, depreciation is calculated separately for each of the items forming the asset according to the component approach. Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

Capital grants relating to property, plant and equipment are recorded as deferred income in the income statement over the depreciation period of the assets concerned.

Finance expenses relating to purchases of fixed assets are recognized in the income statement unless they are directly attributable to the acquisition, construction or production of an asset, In which case they are capitalised.

Assets acquired by way of a finance lease are recognised as tangible assets set against the related liability. Lease cost is broken down into finance expense—recognised in the income statement—and repayment of principal—recognised as reduction of the relevant financial liability.

Leases in which the lessor does not substantially transfer all the risks and benefits connected with ownership of the assets are classified as operating leases. The costs of operating leases are recognised linearly in the income statement for the term of the lease contract.

2. ACCOUNTING STANDARDS (continued)

Depreciation is calculated on a straight-line basis over the assets' estimated useful life, at the depreciation rates indicated below:

Category	Rate
Buildings	3%
Non operating machinery	10%
Depreciable equipments	40%
Operating machines	15.5%
Office furniture	12%
Stand	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

Intangible fixed assets

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

If any indications emerge suggesting impairment of value, the asset's recoverable value is estimated, charging any impairment loss to the income statement. If the reasons for previous write-downs cease to exist, the carrying value is written back, recognising this in the income statement, to the extent of the net carrying value the asset would have had if there had been no impairment loss and the asset had been amortised.

Goodwill

Goodwill is the excess of the purchase cost over the Group's interest in the fair value of the subsidiary at the acquisition date, or of the business branch acquired. Goodwill deriving from the acquisition of subsidiaries is posted in the ''Goodwill'' account and is not amortised but subjected to annual testing—unless there are specific indicators making interim testing necessary—to ascertain the existence of impairment of value (i.e. impairment testing). Gains or losses on the sale of an entity are calculated considering the goodwill value of the entity sold.

Trademarks and licences

Trademarks and licences are recognised at cost. They have a finite useful life and are measured at cost net of accumulated amortisation. Amortisation is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses according to their residual possibility of use.

If impairment is found in addition to the amortisation already charged, the value of the asset is written down; if the reasons for the write-down cease to exist in future financial years, the value is written back to the net book value that the asset would have had without the write-down but with amortisation.

Trademarks are amortised on a straight-line basis over their estimated useful life of 15 to 20 years.

Software

Software licences acquired are capitalised on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortisation is calculated on a straight-line basis over their

2. ACCOUNTING STANDARDS (continued)

estimated useful life (from 3 to 5 years). Costs associated with software development and maintenance are posted as costs when they are incurred.

Direct costs include the cost for the employees who develop the software.

Research & development costs

Research and development costs for new products and/or processes are expensed when they are incurred if the conditions for capitalisation laid down by IAS 38 are not present.

Impairment

In the presence of specific indications of loss of value, tangible and intangible assets are subject to impairment testing. For the purposes of impairment testing, assets are allocated to the smallest identifiable cash generating units (CGUs) and compared with operating cash flows discounted to the present value generated by such units.

Testing consists of estimating the asset's recoverable value and comparing it with the net carrying value. If an asset's recoverable value is lower than its carrying value, the carrying value is reduced to the recoverable value. This reduction is an impairment loss that is charged to the income statement.

For assets that are not subject to depreciation and amortisation and for intangible assets not yet available for use, impairment testing is performed at least annually, irrespective of the presence of specific indicators.

The requisites and approach applied by the Group for restoring the value of an asset previously written down, excluding that of goodwill, which cannot be reversed—are those envisaged by IAS 36 (Impairment of Assets).

Financial derivatives

Derivative financial instruments are used only with the intention of hedging, in order to reduce Group exposure to exchange rate and interest rate risks. All financial derivatives are measured at fair value, as provided for by IAS 39. In accordance with IAS 39, financial derivatives may only be entered in the accounts according to the hedge accounting method when, on commencement of hedging, the instruments are designated as hedges and documentation on the hedging relationship exists, it is presumed that hedging will be highly effective, the effectiveness can be reliably measured and the hedging itself is highly effective in the various accounting periods for which it is designated.

If the hedge is effective, the following accounting policies apply:

Fair value hedge—If a financial derivative is designated to hedge the exposure to variations of the fair value of an asset or a liability attributable to a particular risk which may affect the income statement, the profit or loss deriving from the subsequent valuations of the fair value of the hedging instrument is recognised in the income statement. The hedged item is adjusted to the fair value for the portion of risk hedged, and is the adjustment is recognised in profit or loss.

Cash flow hedge—if a derivative financial instrument is designated to hedge exposure to the variability of future cash flows of an asset or liability, the actual portion of the fair value changes of the derivative financial instrument is recorded in shareholders' equity. The cumulative profit or loss is transferred from the equity and entered in the income statement in the same period as that in which the transaction hedged took place. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedge instrument or a hedge account is closed, but the transaction hedged has not yet been realised, the cumulative profits or losses, recognised in equity up until then, are shown in the income statement at the time the relevant transaction takes place. If the transaction hedged is no longer considered likely, the profits or losses not yet realised and outstanding in the equity are booked to the income statement immediately.

2. ACCOUNTING STANDARDS (continued)

If hedge accounting cannot be applied, the profits or losses deriving from the fair value measurement of the financial derivative are recognised in the income statement immediately.

Inventories

Inventories are measured at the lower of average purchase or production cost and estimated realisable value based on market trends. Estimated realisable value is calculated as the estimated of selling price in normal market conditions net of direct selling costs.

Purchase cost has been used for products purchased for resale and for materials for direct or indirect use, purchased and used in the production process, whereas, for finished products or semi-finished products in process, production cost is used.

The purchase cost takes into account the price effectively paid, inclusive of directly attributable ancillary costs, including freight costs and customs duties net of trade discounts.

In production cost, besides the cost of materials used, as defined above, direct and indirect manufacturing costs are included.

Obsolete or slow-moving inventories are written down according to their possibility of use or realisation.

Financial assets—Receivables and borrowings

Trade receivables, current financial receivables and other current receivables, except for assets deriving from financial derivatives and all financial assets for which prices on an active market are not available and the fair value of which cannot be determined reliably, are measured, if they have a prefixed maturity, at amortised cost calculated using the effective-interest method. When the financial assets do not have a prefixed maturity, they are valued at cost. Receivables maturing after more than a year that are non-Interest bearing or that bear interest below the market rate are discounted by applying the market rates and are entered as non-current assets. Valuations are regularly made in order to check whether there is any objective evidence that the financial assets taken individually or as a group of assets may have fallen in value. If such evidence exists, impairment is shown as a cost in the income statement for the period.

Trade receivables are adjusted to realisable value by means of a provision for irrecoverable amounts when objective indications are present that the Group will not be able to collect the receivable at its original value.

Cash & banks

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

Assets held for sale and related liabilities

These items include non-current assets (or groups of assets and liabilities for sale) with a carrying value that will be recovered mainly through sale rather than through continuing use. Assets held for sale (or a disposal group) are measured at the lower of their net carrying value and the fair value less costs to sell.

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

2. ACCOUNTING STANDARDS (continued)

Equity

Share capital

Share capital consists of the parent company's subscribed and paid-up capital.

Costs strictly related to the issue of new shares are deducted directly from equity net of deferred taxes.

Treasury shares

Treasury shares are shown as a deduction of the Group's equity. The original cost of the treasury shares and revenues stemming from any subsequent sales of treasury shares are recognised as changes in equity. The treasury share reserve of previous years is classified within the retained earnings (losses) reserve.

Stock options

The Group offers additional benefits to the Parent Company's C.E.O. through a stock option plan approved in 2008. In accordance with IFRS 2—Stock Options, these plans represent a component of the beneficiary's compensation. Hence, the cost is represented by the fair value of the stock option at the date it is assigned, and it is recorded in the income statement over the period starting on the assignment date and ending on the mature date, with the counter value registered directly in equity. Variations in the fair value of the options after the assignment date do not affect the initial value.

Employee benefits

Employee benefits that are paid out upon or after termination of employment under defined-benefit plans (the Italian employee severance indemnity system) are recognised at the time such benefits accrue.

Liabilities relating to defined-benefit plans are calculated on the basis of actuarial valuations and are posted on an accrual basis consistently with the employee service necessary to obtain the benefits concerned. Our actuarial valuations have been made by independent experts.

Gains and losses stemming from actuarial valuations are posted in the income statement regardless of their value, without using the corridor approach.

The employee severance indemnity provision, a peculiarity of the Italian system, falls within the definition of a defined-benefit plan. As from 1 January 2007 and only for companies with at least 50 employees, Financial Law 2007 (Law no. 296 of 27 December 2006, and related decrees) brought significant changes to the regulation of employee severance indemnity, including the possibility of the employee to choose how to allocate accruing indemnity. In particular, new severance pay flows may be assigned by the worker to selected forms of pension funds or kept within the company (in which case the latter will pay the severance pay contributions into a treasury account held at the INPS).

In light of these changes, under the legislation the defined benefits plan refers exclusively to the amounts accrued before 1 January 2007 (and not yet paid at the reporting date), while afterwards a defined contribution plan is used.

The regulatory changes led to variations in the actuarial assumptions used for measuring liabilities regarding provisions accruing up to 31 December 2006.

The effects of these variations were recorded in 2007, which was the first year the accounting effects of this reform were in effect, as well as its relative expenses (the curtailment effect).

2. ACCOUNTING STANDARDS (continued)

Provisions for risks and charges

Provisions for risks and charges comprise provisions stemming from present obligations (either legal or constructive) to third parties as a result of a past event, settlement of which is likely to require an outflow of financial resources, the amount of which can be reliably estimated.

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

Changes in estimates are reflected in the income statement for the period in which the change occurred.

The risks for which the existence of a liability is only possible are reported in the section relating to commitments and guarantees without making any provision.

Trade and other non-financial payables

Payables with due dates consistent with normal terms of trade are not discounted to present value and are recorded at their face value.

Financial liabilities

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

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

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

Revenues and income

Revenues are measured at fair value net of returns, discounts, allowances and bonuses.

More specifically, the Group recognises sales revenues when all risks and rewards of the goods' ownership are actually transferred to customers according to the terms of the sales agreement. These revenues are recognised net of an allocation which represents the best estimate of profit margins lost due to customers returning merchandise. This allocation is based on specific statistics.

Revenue arising from the performance of services is recognised with reference to the state of completion of the transaction at the reporting date.

Interest income is calculated on a time basis and according to the effective yield of the asset to which such income refers. Dividends are recognised when the shareholder's right to receive payment is established. This normally corresponds to the shareholders' resolution on dividend distribution at the Annual General Meeting.

Cost of sales

Cost of sales includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing, and expenses directly associated with production. This includes amortisation of property, plant, and equipment and intangible assets used in production and write downs of warehouse inventories.

2. ACCOUNTING STANDARDS (continued)

Financial income and expenses

Interest is recognised on an accrual basis and is booked on the basis of the interest rate established by contract.

Translation of foreign currency amounts

Transactions in currency other than the Euro are translated to the local currency using exchange rates in force at the transaction date. Foreign exchange differences arising in the period are recognised through profit or loss.

Foreign currency receivables and payables are adjusted using the exchange rate in force at the reporting date, recognising the all exchange differences in the income statement as finance income and expense.

Income taxes

Income taxes include all taxes calculated on Group companies' taxable income, in compliance with legislative requirements in force in the individual countries concerned. Income taxes are recognised in the income statement, with the exception of those concerning items directly debited or credited to equity, in which case the tax effect is recognised directly in equity.

Deferred taxes are calculated based on the temporary differences generated between the value of the assets and liabilities included in the company accounts and the value attributed to those assets/liabilities for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable, according to the respective regulations in countries where the Group operates, in the financial years when temporary differences will be utilised or settled.

Deferred tax assets (prepaid taxes) are recognised to the extent that it is likely that future taxable profit will be made against which they will be able to be recovered. The carrying value of deferred tax assets is reviewed at each reporting date and, if necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be made to allow partial or total recovery of the assets. Any such reductions are reversed if the conditions causing them cease to exist. Other taxes not relating to income, such as property tax and equity tax, are included in the operating accounts.

Earnings per share

Earnings per share are calculated by dividing the Group's net income by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

Recording of revenues

Revenues are recorded net of returns, discounts, vouchers, bonuses and taxes directly connected with the sales of goods and provision of services.

Revenues from sales are recorded when the Company has transferred the significant risks and rewards of ownership of the goods and the amount of revenue can be reliably determined.

Revenue of a financial nature is recognised on a time basis.

2. ACCOUNTING STANDARDS (continued)

NEW IFRS AND IFRIC INTERPRETATIONS

Accounting principles, amendments, and interpretations effective from 1 January 2010

The following amendments, improvements, and interpretations, effective from 1 January 2010, govern situations and cases not relevant to the Group as of the date of the present financial statements, but that could have effects on the accounting of future transactions or agreements:

IFRS 3 (2008)—Business combinations

Business combinations. The updated version of IFRS 3 introduced important changes, which mainly regard: regulations regarding step acquisitions; the faculty to measure any non-controlling interests obtained through a partial acquisition at fair value; recognising acquisition-related costs in the income statement and recognition of contingent consideration at the acquisition date.

Step acquisitions

In the case of acquiring a subsidiary in stages, IFRS 3 (2008) establishes that a business combination occurs only at the moment in which control is acquired and that, in that moment, all the identifiable net assets of the acquired company must be valued at fair value. Non-controlling interests must be measured on the basis of their fair value or on the basis of their proportional share of the fair value of the identifiable net assets of the acquired company (method allowed under the previous version of IFRS 3).

In a step acquisition of the control an investee, the previously held interest, up to that time accounted for in accordance with IAS 39—Financial Instruments: Recognition and Measurement, or IAS 28—Investments in Associates, or IAS 31—Interests in Joint Ventures, must be treated as if it had been sold and then reacquired on the date on which control is acquired. The minority interest must hence be measured at fair value at the date of acquisition and the profits and losses ensuing from such measurement must be booked to the income statement. In addition, any value previously booked to equity under ''Other comprehensive income/ (losses),'' which should be booked to the income statement following transfer of the asset to which it refers, must be reclassified to the income statement.

Goodwill or income deriving from the acquisition of control over a subsidiary must be determined by the sum of the price paid to obtain control, the value of the non-controlling interest (measured using measured one of the methods allowed under the accounting standard), the fair value of the previously held non-controlling interest, less the fair value of the identifiable net assets acquired.

In the previous version of the accounting standard, step acquisition of control was booked transaction by transaction, as a series of separate acquisitions which generated an overall goodwill determined as the sum of the goodwill generated by the individual transactions.

Acquisition-related costs

IFRS 3 (2008) establishes that ancillary costs for business combination operations are booked to the income statement for the period in which they are incurred. In the previous version of the accounting standard, said costs were included in the determination of the acquisition cost of the net assets of the acquired company.

Contingent consideration. IFRS 3 (2008) provides that contingent consideration is part of the price to transfer the net acquired assets and that it is measured at the fair value of the acquisition date. Similarly, if the business combination contract establishes the right to be refunded for certain components of the price if certain conditions should occur, the right is classified as an asset of the purchaser. Any changes that may occur to the fair value must adjust for the original entry only if they are due to additional or improved information regarding the fair value and if such occurs within 12 months of the date of acquisition. All other changes must be booked to the income statement.

2. ACCOUNTING STANDARDS (continued)

The previous version of the standard envisaged that contingent consideration was recognised the acquisition date only if it was likely to be paid and its amount could be determined in a reliable manner. Each successive change in the value of the contingent consideration was accounted for as an adjustment of goodwill.

The above changes to accounting policies deriving from the adoption of IFRS 3 (2008) determine the following impacts for accounting:

IAS 27 (2008)—Consolidated and Separate Financial Statements

Amendments to IAS 27 mainly regard the accounting treatment of transactions or events which change the percentage interest in subsidiaries and the attribution of losses of the subsidiary to non-controlling interests. In accordance with the transition rules of the accounting standard, the amendments to IAS 27 affect the accounting treatment of certain acquisitions and transfers of non-controlling interests in subsidiaries.

IAS 27 (2008) establishes that, once control of a company is obtained, the transactions in which the controlling company acquires or transfers additional non-controlling interests without modifying the control exercised over the subsidiary are transactions with shareholders and hence must be booked to equity. It follows that the accounting value of controlling interests and non-controlling interests must be adjusted to reflect the change in interest of the controlled party and each difference between the amount of the adjustment made to the non-controlling interest and the fair value of the price paid or received for said transaction is booked directly to equity and is attributed to the shareholders of the controlling company. There will not be adjustments to goodwill and profit or losses booked to the income statement. In addition, ancillary costs deriving from said operations must be booked to equity in accordance with IAS 32, paragraph 35.

2008 Improvement to IFRS 5—Non Current Assets Held for Sale and Discontinued Operations

Amendments to IAS 28—Investments in Associates and to IAS 31—Interests in Joint Ventures, consequent to the amendments made to IAS 27.

Improvements made to IAS/IFRS (2009).

Amendment to IFRS 2—Share-Based Payments: Payments based on Group shares regulated as cash.

IFRIC 17—Distributions of Non Cash Assets to Owners.

IFRIC 18—Transfers of Assets from Customers.

Amendment to IAS 39—Financial instruments: Recognition and measurement—Eligible hedged items.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance

On 8 October 2009, IASB issued an amendment to IAS 32—Financial Instruments: Presentation: Classification of rights issued for the purposes of regulating accounting of rights issuance (rights, options, or warrants) issued in a currency other than that of the issuer's functional currency. Previously such rights were accounted for as liabilities from derivative financial instruments. The amendment changes this to require that under certain conditions, the rights be classified to equity regardless of the currency in which the exercise price is declared.

The amendment in question must be applied as of 1 January 2011, according to the retrospective method. The adoption of this amendment should not lead to any significant effects for the Group's financial statements.

On 4 November 2009, the IASB issued a reviewed version of IAS 24—Related Party Disclosures, which simplified the type of information requested in the case of transactions with related parties controlled by

2. ACCOUNTING STANDARDS (continued)

the State and clarified the definition of related parties. The accounting standard is to be applied as of 1 January 2011. The adoption of said change will not produce any effects in terms of valuating financial statement items.

On 12 November 2009 the IASB published IFRS principle 9—Financial Instruments: the same accounting standard was then amended on 28 October 2010. The accounting standard, applicable as of 1 January 2013, represents the first part of a multi-stage process that has the aim of entirely replacing IAS 29 and that introduces new criteria for the classification and valuation of financial assets and liabilities and for the derecognition of financial assets from financial statements.

In particular, for financial assets the new accounting standard uses a single approach based on management methods for financial instruments and the characteristics of contractual cash flows for the same financial assets in order to determine valuation criteria, replacing the various rules of IAS 39. On the other hand, for financial liabilities, the main change regards the accounting treatment of changes in fair value for financial liabilities designated as a financial liability measured at fair value through profit and loss, in the case that these are due to changes in the credit quality of the liability itself. According to the new accounting standard, said changes must be booked under ''Other comprehensive income/(losses)'' and will no longer appear in the income statement. As of the date of these financial statements, the competent bodies of the European Union have not yet completed the process of standardisation necessary for the application of the new accounting standard.

On 26 November 2998, the IASB issued a minor amendment to IFRIC 14—Limits on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction, allowing companies to book minimum contributions paid in advance as an asset. The amendment must be applied as of 1 January 2011. The adoption of the amendment should not create any significant effects for the Group's financial statements.

On 26 November 2009, IFRIC issued the interpretation of IFRIC 19—Extinguishing Financial Liabilities with Equity Instruments, which provided guidelines with regards to accounting for the extinguishing of financial liabilities through the issuance of equity instruments. The interpretation establishes that if a company renegotiates the conditions of extinguishing a financial liability and its creditor accepts extinguishing through the issuing of company shares, then the shares issued by the company shall become part of the price paid to extinguish the financial liability and must be measured at fair value. The difference between the accounting value of the extinguished financial liability and the initial value of the equity instruments issued must be booked to the income statement for the period.

The interpretation must be applied as of 1 January 2011. The adoption of this interpretation should not lead to any significant effects for the Group's financial statements.

On 6 May 2010 the IASB issued a collection of amendments to the IFRS (Improvements), which will be applicable as of 1 January 2011. Below we note those which will cause a change in the presentation, recognition, and valuation of financial statement items, disregarding those which lead to only changes in terminology or editorial changes with minimal effects in accounting terms, as well as those which have effects for standards and/or interpretations which are not applicable to the Group:

IFRS 3 (2008)—Business combinations: the amendment clarifies that the components of non-controlling interests which do not establish the right of the owners to receive a proportional share of the net assets of the subsidiary must be valued at fair value or in accordance with that required by the applicable accounting standards. Hence, for example, a stock option plan granted to employees must be measured, in the case of business combinations, in accordance with the rules of IFRS 2 and the equity share of a convertible bond instrument must be measured in accordance with IAS 32. In addition, the Board went into more detail with regards to the theme of payment plans based on shares which are replaced in the context of a business combination, adding a specific guide to clarify the accounting treatment of such.

2. ACCOUNTING STANDARDS (continued)

IFRS 7—Financial Instruments: Disclosures: the change emphasizes the interaction between qualitative and quantitative disclosures required under the accounting standard with regards to the nature and size of the risks inherent to financial instruments. This should help users of financial statements to understand the information presented and to create a general description with regards to the nature and size of the risks deriving from the financial instruments. In addition, disclosures regarding financial assets that have matured but have been renegotiated or written down and the fair value of collateral are no longer required.

IAS 1—Presentation of the interim financial report: this change requires that reconciliation of the changes in each component of shareholders' equity be presented in the notes or in the financial statement schedules.

IAS 34—Interim Financial Reports: through the use of examples, clarifications have been inserted regarding the additional information that must be presented in Interim Financial Reports.

The adoption of these improvements should not lead to any significant effects for the Group's financial statements.

On 7 October 2010, the IASB published amendments to IFRS principle 7—Financial Instruments: Disclosures, applicable for the accounting periods which will start on or after 1 July 2011. The amendments were issued with the intention of improving comprehension of financial asset transfer transactions, including comprehension of possible effects deriving from any risks remaining for a company after transfer of the assets. The amendments also require additional information in the case in which an amount disproportionate to the transactions is entered at the end of an accounting period. As of the date of these financial statements, the competent bodies of the European Union have not yet completed the process of standardisation necessary for the application of these amendments.

On 20 December 2010, the IASB issued a minor amendment to IFRS 1—First time Adoption of International Financial Reporting Standards, to eliminate the reference to the date of 1 January 2004 as the date of transition to IFRS and to provide a guide for the presentation of financial statements in accordance with the IFRS after a period of hyperinflation. These amendments will be applicable as of 1 July 2011. As of the date of these financial statements, the competent bodies of the European Union have not yet completed the process of standardisation necessary for the application of these amendments described above.

On 20 December 2010, the IASB issued a minor amendment to IAS 12—Income taxes, which requires companies to measure deferred taxes deriving from an asset using the method under which the accounting value of the underlying asset is recovered (through continuing use or through sale). Consequent to the amendment, SIC-21—Income Taxes—Recovery of Revalued Non-Depreciable Assets will no longer be applicable. The amendment will be applicable as of 1 January 2012. As of the date of these financial statements, the competent bodies of the European Union have not yet completed the process of standardisation necessary for the application of the amendment described above.

3. FINANCIAL RISK FACTORS

Market risks

Management of financial risks is an integral part of the Marcolin Group's activities and is performed centrally by the parent company, based on guidelines covering some specific areas, i.e. hedging of foreign exchange risks and of risks stemming from fluctuations in interest rates.

The Group seeks to minimise the impact of such risks on its results also through use of some derivative instruments.

Consistent with its chosen strategy, the Company undertakes derivative transactions for the sole economic purpose of hedging. If, however, according to application of the appropriate accounting standards (IAS 39—Financial Instruments: Recognition and Management) such transactions cannot be technically recognised in accounts as hedging transactions, they are not qualified as hedging transactions.

3. FINANCIAL RISK FACTORS (continued)

Currency risk

The Group operates internationally and is exposed to foreign exchange risk (particularly as regards the US dollar), centralised management of which is entrusted to the Parent Company. The latter has the task, via its internal facilities, of examining and monitoring the evolution of the amounts of the various foreign currency items and, consequently, of evaluating possible stipulation of appropriate contracts for hedging purposes via negotiation of the same on the derivatives market.

This method makes it possible to maintain a balance of the key currency positions and based on sensitivity analysis of the change in exchange rates, it is held that a change in exchange rates does not significantly impact the Group's consolidated financial statements.

In fact, the Company has adopted a specific policy for foreign exchange risk management.

Details of the hedging contracts existing at year-end are as follows.

Covering contracts for the currency risk (/000) Type	Institute	Notional USD		Expiration date	Mark to Market EUR
Forward purchase of currency	Veneto Banca	3,000	USD	30-06-11	(195)
Forward purchase of currency	Veneto Banca	3,000	USD	31-12-11	(96)

With reference to operations with exchange rate derivatives, the potential fair value loss of the currency forward contract held by the Group at 31 December 2010, consequent to a hypothetical unfavourable and sudden 10% change in the Euro/Dollar exchange rate (and in particular a devaluing of the US currency), or in an unfavourable and sudden change in the Euro/Swiss Franc rate would total overall about €719 thousand, while the potential profit after a revaluation of the Dollar, or a devaluation of the Swiss currency would total overall about €753 thousand. The data relative to 31 December 2009 is not shown because it is not considered significant.

Interest rate risk

Interest-rate risk is split into fair value risk and cash flow risk.

The Group is exposed predominantly to cash-flow risk originating from financial loans at variable interest rates.

The section related to the risk of liquidity provides information on the quantitative analysis of the exposure to cash-flow risk of the Group, related to interest rates on loans.

For details of the loans in question, see paragraphs 15 and 19 of this document.

The Group manages interest rate risk through the use of derivative contracts, generally interest rate swaps, which allow for mitigating the variations in interest rates.

Details of the derivative contracts existing at year-end are as follows.

Covering contracts for the interest rate risk (euro/000) Type	Institute	Notional		Expiration date	Mark to Market
Interest Rate Swap	Efibanca	4,500	EUR	27-06-12	(151)

Sensitivity analysis on interest rates

Sensitivity analysis on the interest rate was conducted, assuming a parallel and symmetric shift of 50 basis points of the Euribor/Swap Eur interest rate curves, published by provider Bloomberg related to 31 December 2010 and at 31 December 2009. In this way, the Group determined the impact on the income statement and shareholders' equity that changes would have had.

3. FINANCIAL RISK FACTORS (continued)

The analysis did not include financial instruments not significantly exposed to changes in interest rates, such as short-term trade receivables and payables

Interest on loans secured with banks was recalculated based on the above-mentioned assumptions and the position in the year, re-determining the higher/lower financial charges calculated on an annual basis.

As regards interest rate derivatives, the interest pertaining to the year was recalculated based on the assumptions above. At year-end, derivative contracts were valued at the fair value using the interest rate curves modified based on the aforementioned assumptions. For derivative contracts hedging cash flow, the opposite value of the fair value assessment is represented by the specific shareholders' equity reserve, assuming full effectiveness of the report, while for the hedging derivatives, the value of the assessment to fair value is represented by the income statement.

For cash and cash equivalents, the average balance for the period was calculated considering the values in the financial statements at the start and end of the year. On the amount calculated in this way, the income statement was affected by an increase/decrease in the interest rate of 50 basis points beginning on the first day of the period.

The sensitivity analysis, conducted according to the above criteria, indicates that the Group is exposed to interest rate risk in relation to expected cash flows. If interest rates rise by 50 basis points, the income statement would show a negative change equal to €191 thousand (€-55 thousand in 2009) caused mainly by the increase in financial charges relating to bank borrowings, which is only partly offset by the improvements in the interest rate of derivatives, the positive revaluation of trading derivatives and the higher interest income relating to cash. In contrast, shareholders' equity would increase by € 22 thousand (€38 thousand in 2009) due to the revaluation of cash-flow hedges.

If interest rates fall by 50 basis points, the income statement would show a positive change equal to €191 thousand (€20 thousand in 2009) caused mainly by the decrease in financial charges generated by bank borrowings, partly offset by the decline of the interest rate on derivatives, the positive revaluation of trading derivatives and the lower interest income relating to cash. In contrast, shareholders' equity would increase by €21 thousand (€38 thousand in 2009) due to the revaluation of cash-flow hedges.

Credit risk

The Group has no significant concentration of credit risk. Assets are recognised in accounts net of any write-downs calculated based on the risk of counterparty non-performance determined based on the information available on the client's solvency and historic data.

Guidelines have been implemented for managing customer credit to ensure that sales are undertaken only with reasonably reliable and solvent parties, also via the creation of given and differentiated credit exposure ceilings.

Below is the schedule with the breakdown of receivables by key areas in which the Company operates in order to evaluate country risk.

Receivables not overdue by geographical area (euro/000)	**31-dec-2010**	**31-dec-2009**
Italy	19,580	22,747
Rest of europe	17,301	17,340
North america	9,966	8,555
Rest of the world	15,459	13,660
Total	**62,306**	**62,302**

3. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Prudent management of the liquidity risk implies maintenance of an adequate level of cash and cash equivalents and the availability of funds obtainable to deal with needs for working capital through adequate credit lines. Due to the dynamic nature of its business, the Group gives preference to flexibility in funding via the use of credit lines. At present, the Group believes it has sufficient access to funds from available income and credit lines to meet the financial needs of ordinary business requirements. The types of credit lines available and the base rate on the reference date are shown below in paragraph 19 of the present document.

Liquidity analysis

Liquidity analysis regards loans, derivatives, and trade payables. Loans secured have been indicated by time period, with principal repayments and non-discounted interest. Future interest flows are determined based on the forward interest rates taken from the curve of spot rates published by Bloomberg at year-end.

As regards derivatives, expected cash flows were considered based on the same market variables.

None of the cash flows included in the table were subject to discounting.

For the assessment of the fair value of loans secured, future cash flow was estimated on the basis of forward interest rate implicit in the interest rate relative to the valuation date and, as regards calculation of the coupon in progress, the most recent fixing available of the Euribor.

The values calculated using this method were discounted based on the discount factors related to the various expiration dates of the cash flow mentioned above.

The derivatives used by the Group are classified as OTC (over the counter) derivatives and therefore, there is no officially recognised public price formed on the trading markets. To value these derivatives, the Company used, respectively, discounted cash flow and Black & Scholes methods for interest rate swaps and for the Cap and Floor, based on input data published by Bloomberg.

Financial payables (euro/000)	Loans	Derivatives	Commercial payables	Total
within 3 months	155	0	29,093	**29,248**
from 3 to 6 months	9,701	188	3,109	**12,998**
from 3 to 12 months	9,772	184	553	**10,509**
from 1 to 3 years	21,363	48	0	**21,411**
from 3 to 5 years	7,358	0	0	**7,358**
over 5 years	3,001	0	0	**3,001**
Total 31.12.2009	**51,350**	**420**	**32,755**	**84,525**
within 3 months	1,817	(1,222)	35,273	**35,868**
from 3 to 6 months	8,237	(1,142)	1,323	**8,418**
from 3 to 12 months	7,574	(2,297)	161	**5,437**
from 1 to 3 years	16,321	24	0	**16,345**
from 3 to 5 years	8,740	0	0	**8,740**
over 5 years	4,997	0	0	**4,997**
Total 31.12.2010	**47,687**	**(4,638)**	**36,756**	**79,805**

4. USE OF ESTIMATES

Preparation of the consolidated year-end accounts makes it necessary for management to make estimates that could affect the carrying value of some assets and liabilities and reported costs and revenues, as well as disclosures concerning potential assets/liabilities as at reporting date.

Estimates mainly refer to valuation of the recoverability of intangible assets, definition of tangible assets' useful lives, the recoverability of receivables (by prepaid taxes as well) and warehouse stock, and recognition or measurement of provisions. Estimates and assumptions are based on data reflecting the present status of information at hand.

The estimates and assumptions causing a significant risk of changes in the carrying values of assets and liabilities are:

- *Goodwill*

  The Group annually checks to see whether goodwill has to be subjected to impairment testing in accordance with accounting standards.

  Recoverable values have been calculated based on determination of ''value in use''. These calculations require the use of estimates of the future economic performance of the CGUs to which the goodwill refers, and on the discounting rate and prospective growth rate to be applied to the prospective cash flows.

- *Write-downs of non-current assets*

  In accordance with the accounting standards and policies applied by the Group, non-current assets are subjected to testing to see whether value has been impaired, when indicators suggest that net carrying value exceeds relevant recoverable value, consisting of the higher of fair value (net of selling costs) and value in use. Verification of the effective materiality of such indicators requires directors to make subjective evaluations based on information available inside the Group and on market information, as well as on management's knowledge. In the presence of potential impairment of value, the Group calculates this using valuation techniques deemed to be appropriate. Proper identification of indicators of the existence of potential impairment of value and estimates to calculate it depend on factors that may vary over time, affecting the valuations and estimates made by directors.

- *Doubtful accounts*

  The doubtful accounts reflect management's estimates regarding losses relative to the trade receivables. The estimate of the doubtful accounts is based on expected losses by the Group, determined according to past experience for similar receivables, current and historic past-due receivables, losses and receivables, careful monitoring of credit quality and projections regarding economic and market conditions.

- *Obsolete and slow-moving goods*

  Obsolete and slow-moving goods reflect management's estimates regarding the expected loss of value for the Group, determined according to past experience and historical and expected market performance.

- *Taxes*

  Recognition of deferred tax assets is based on expectations of income in future financial years. Assessment of expected income for the purposes of recognition of deferred tax assets depends on factors that may vary over time and have significant effects on the assessment of deferred tax assets.

5. PROPERTY, PLANT AND EQUIPMENT

These assets featured the following breakdown and changes:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction	Total
Opening 2009	**9,029**	**2,510**	**1,794**	**1,440**	**27**	**14,800**
Increases	1,100	253	1,053	1,183	2,460	**6,049**
Decreases	(38)	(292)	(7)	(1,246)	0	**(1,582)**
Amortisation	(547)	(309)	(1,321)	402	0	**(1,775)**
Translation difference	1	0	0	3	0	**4**
Impairment	(98)	0	0	0	0	**(98)**
Other movements	4	0	39	(4)	(12)	**28**
Net value at end of 2009	**9,451**	**2,162**	**1,559**	**1,779**	**2,475**	**17,425**
Opening 2010	**9,451**	**2,162**	**1,559**	**1,779**	**2,475**	**17,425**
Increases	3,689	2,557	885	1,074	59	**8,264**
Decreases and utilization	(7)	0	0	(18)	0	**(25)**
Amortisation	(490)	(749)	(1,116)	(629)	0	**(2,983)**
Translation difference	471	0	3	32	0	**506**
Reclassification	1,956	479	11	0	(2,446)	**0**
Other movements	(2,969)	0	(10)	(26)	(4)	**(3,008)**
Net value at end of 2010	**12,102**	**4,450**	**1,331**	**2,212**	**85**	**20,180**

The investments made over the course of the year totalled €8.264 million (€6.049 million in 2009) and were mainly related to the Parent Company for:

- Completion of a new building that allows centralisation of the Group's shipping activities (improving logistics and after sales) and an increase in production capacity totalling €3.689 million;
- Purchase of systems and machines totalling €2.557 million;
- Purchase of commercial and industrial equipment totalling €814 thousand;
- Purchase of office furniture in the category Other assets totalling €815 thousand.

Disposals relative to the item buildings refers to Marcolin S.p.A. for the write-off of leasehold improvements, relative to a building for which the lease was cancelled following completion of the new property referred to above.

Reclassification relative to the item land and buildings, in the amount of €1.956 million, refers to the Parent Company and can be traced to the completion of investments on the new property in progress at the end of the previous year.

The other movements mainly regard the property owned by the subsidiary Marcolin Switzerland, for a value equal to 3.712 million Swiss francs, net of accumulated depreciation, (€2.969 million at 31 December 2010), which was booked at the end of the year to assets held for sale. During the year it was decided to sell the property and in the month of March 2011, the sale of the building was formalised for an amount of 3.8 million Swiss francs.

Depreciation totalled €2.983 million and included:

- for €2.019 million (2.109 million in 2009) amongst cost of sales;
- for €490 thousand (771 thousand in 2009) amongst distribution costs;
- for €474 thousand (329 thousand in 2009) amongst general and administrative costs.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The impairment shown with reference to the year 2009 refers to the mark-to-market value made to the building owned by Marcolin Switzerland, following the estimate of an independent appraiser which demonstrated a fair value of €98 thousand less than the accounting value. The building is question was reclassified to assets held for sale, as noted above. The other properties owned by the parent company were also expertly assessed at the end of 2010. For these, no situations emerged which would have justified write-downs of the book value.

The gross value of property, plant and equipment and the value of the associated accumulated depreciation at December, 2010 are shown in the following table:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction	Total
Historical cost	18,312	15,423	15,941	9,617	85	59,378
Accumulated amortisation	(6,210)	(10,973)	(14,611)	(7,405)		(39,199)
Net book value	**12,102**	**4,450**	**1,331**	**2,212**	**85**	**20,180**

During the year, financial charges of €68 thousand relative to the construction of the new industrial building in Longarone were capitalised. As a whole, the net book value of financial charges capitalised at 31 December 2010 included in the value of the properties totalled €67 thousand.

6. INTANGIBLE ASSETS AND GOODWILL

These assets featured the following breakdown and changes:

Intangible assets and goodwill (euro/000)	Industrial and other patent rights	Concessions, licenses and trademarks	Other	Assets under construction	Total	Goodwill
Opening 2009	**1,239**	**2,818**	**74**	**0**	**4,131**	**2,322**
Increases	293	18	19	0	**330**	0
Amortisation	(803)	(465)	(23)	0	**(1,291)**	0
Translation difference	4	(21)	(2)	0	**(19)**	(78)
Other movements	10	(10)	0	0	**0**	0
Net value at end of 2009	**741**	**2,340**	**69**	**0**	**3,150**	**2,243**
Opening 2010	**741**	**2,340**	**69**	**0**	**3,150**	**2,243**
Increases	210	7	2	902	**1,122**	0
Decreases	0	0	0	0	**0**	0
Amortisation	(387)	(216)	(24)	0	**(627)**	0
Translation difference	3	48	6	0	**56**	175
Reclassification	10	(20)	0	10	**0**	0
Other movements	28	0	4	0	**32**	0
Net value at end of 2010	**606**	**2,159**	**55**	**912**	**3,732**	**2,418**

During the e year, investments totalling €1.122 million were made (€330 thousand in 2009), mainly by the subsidiary Marcolin USA to implement an ERP SAP (''Go Live'' as of 1 January 2011, already adopted by almost all Group companies), and by the Parent Company for software updates.

Amortisation totalled €627 thousand and was booked:

- for €105 thousand (187 thousand in 2009) in the item cost of sales;
- for €457 thousand (895 thousand in 2009) in the item distribution costs;
- for the remaining €65 thousand (210 thousand in 2009) in the item general and administrative costs.

6. INTANGIBLE ASSETS AND GOODWILL (continued)

The gross value and accumulated amortisation of intangible assets and goodwill are shown in the table below:

Intangible assets and goodwill (euro/000)	Industrial and other patent rights	Concessions, licenses and trademarks	Other	Assets under construction	Total	Goodwill
Historical cost	6,326	7,533	287	912	15,059	8,042
Accumulated amortisation	(5,720)	(5,374)	(232)		(11,327)	(5,623)
Net book value	**606**	**2,159**	**55**	**912**	**3,732**	**2,419**

The goodwill accumulated amortisation refers to amortisation calculated up until the date of transition to the international accounting standards.

The item concessions, licenses and trademarks includes the Web trademark. This activity, acquired in November 2008 and whose purchase value has been specifically and expertly estimated by an independent professional, given that it is a transaction with an associated party, is subjected to amortisation over a period of 18 years. The value as of 31st December 2010 has also been subjected to impairment testing on the basis of the Group plans with regards to the development and margins of Web trademark production. From this calculation, it is held that there has been no loss of value with reference to this asset.

The item goodwill is relative to the previous acquisition of an American company by Marcolin USA, which was subjected to an appropriate impairment test based on determination of the enterprise value of the CGU to which it refers, consisting of the American subsidiary. The test structure and parameters utilised are described below.

Impairment test structure

The impairment test, according to the requirements of IAS 36, is performed at least once a year, with reference to intangible assets with an indefinite useful life, and with reference to other types of assets, is performed in the presence of external or internal indicators that may cause the belief that a loss of value exists.

In particular, for preparation of the financial statements for the year 2010, there were no indicators that suggested the presence of a loss of value with reference to tangible assets.

With regards specifically to the goodwill booked in the current consolidated financial statements with reference to assets in the US market, the verification of a loss of values was performed with regards to the totality of the American subsidiary. It was hence retained opportune to estimate the value in use of the CGU identified with the company Marcolin USA based on the parameters specified below.

The value in use, which is compared with invested capital, was estimated based on future financial cash flows congruent with the economic and financial forecasts of the Group with reference to financial year 2011. In consideration of the uncertain conditions that characterise the current macroeconomic situation, the Directors found it opportune to limit financial predictions to a single financial year.

The approved budget for financial year 2011 takes into account the economic crisis that took hold during 2008. However, it should be noted that the estimates are based on valuations relative to future events that could occur with effects different from those that are expected, causing the possibility of changes, possibly significant, with respect to the forecasted data considered here. The value in use was determined as the sum of the actual value of cash flows predicted for 2011 and the terminal value determined based on the forecast data available.

Due to the generalised conditions of uncertainty, it was held to be prudent to use a growth rate of zero in determining the terminal value.

6. INTANGIBLE ASSETS AND GOODWILL (continued)

With reference to the Web trademark, updated forecast data was used, as prepared by management, with reference to a medium-term timescale. Forecasts have therefore been prepared for the residual period of amortisation of the asset, using assumptions held to be prudent, and which reflect the expected brand life cycle and, in particular, a decrease in volumes, margins and investments after the initial launch phase forecast for the medium-term.

For discounting of the cash flows, a rate of 8.97%, net of the tax effect, was used, which reflects current market valuations for the cost of money and the specific risks connected with operations activities.

From the performance of this test it emerged that no losses of value exist with reference to the goodwill relative to activities in the US market, nor for the Web trademark.

Furthermore, three sensitivity analyses were carried out on the impairment test, simulating, respectively, a growth rate change from zero to 1% and a change in discounting rates of 0.5% down, and up by 1% and 1.5%. None of these scenarios led to results in which write-downs would be necessary.

7. INVESTMENTS IN ASSOCIATES

This item, in total amounting to €334 thousand, refers to the associates Finitec S.r.l. for €233 thousand and Marcolin Japan Co. Ltd. for €101 thousand.

Information on interests in associated companies is shown below.

Interest in associates (euro/000)	DEC 31, 2010	DEC 31, 2009
Finitec S.r.l. Share Capital 54.080 EUR		
Assets	1,967	2,482
Liabilities	681	1,087
Shareholders' equity	1,286	1,395
Net sales	1,271	1,583
Income (loss) for the period	(109)	(284)
% Ownership	40%	40%

	DEC 31, 2010	DEC 31, 2009
Marcolin Japan Co. Ltd. Share Capital 99.000.000 JPY		
Assets	3,334	2,422
Liabilities	3,082	2,184
Shareholders' equity	252	238
Net sales	3,863	2,663
Income (loss) for the period	(39)	(76)
% Ownership	40%	40%

The year loss pertaining to the Group amounts to €44 thousand. This is after having adapted the statutory financial statements of the associate to the Group's accounting standards.

The value of the equity pertaining to the company Marcolin Japan Co. Ltd., pertaining to the Group, totalled €101 thousand at the end of 2010, compared to €95 thousand at 31 December, 2009.

For both of the subsidiaries, the book value precisely reflects the percentage of equity pertaining to the subsidiary, as goodwill pertaining to said company has not been identified. Valuation using the net equity method during the period led to costs of €44 thousand for Finitec S.r.l. and costs of €16 thousand for Marcolin Japan. With reference to the latter, the valuation also led to a positive change in equity of €21 thousand due to changes in exchange rates.

8. DEFERRED TAX ASSETS AND LIABILITIES

As of 31st December 2010, the item 'deferred tax assets' had a balance of €9.5 million, up by €2.47 million from December 2009.

The item is mainly due to the parent company, for temporary differences, amounting to €4.901 million, and to Marcolin USA that has booked, for the year, assets that led to temporary differences and tax benefits linked to tax losses generated in previous years, for €4.564 million. The deferred tax assets, relative to tax losses matured, were made possible by the fact that the US subsidiary has regularly made profits for some years.

Assets of €7.716 million are not expressed (€9.2 million), mainly arising on tax losses of Marcolin France and Marcolin USA in past years which it is held could reasonably be accounted for in future years to the extent that the recent positive economic performance of the branches continues.

With regards to deferred tax liabilities, the balance is €974 thousand (€769 thousand at 31 December 2009), due to temporary differences between values recognisable for tax purposes and values booked to the financial statements. For more information, please refer to the table under note 31 on income tax.

9. OTHER NON-CURRENT ASSETS

This item pertains almost entirely to a loan granted by the subsidiary Marcolin USA to a third party and which bears interest at a market rate. Reimbursement will occur over several years, starting in 2013, with semi-annual instalments maturing in 2015.

10. INVENTORIES

Details of inventories are shown below.

Inventories (euro/000)	31-dec-2010	31-dec-2009
Finished goods	35,049	36,811
Raw material	11,980	10,289
Work in progress	10,965	7,623
Gross inventory	**57,994**	**54,723**
Inventory provision	(16,921)	(16,405)
Net inventory	**41,073**	**38,318**

Comparing warehouse stock values, we can see an increase in net inventories with respect to the previous year, in the amount of €2.755 million, which can be traced to the procuring of materials at the end of the period for the launch of the new collections for the first months of 2011.

More generally, management of inventories became more efficient during the period, thanks to the introduction of a new demand planning system which made it possible to additionally decrease stocks of finished products which was more evident during 2009.

More in detail, we have seen:

- a decrease in the value of the item finished products and goods amounting to €1.762 million;
- an increase in the value of raw materials in the amount of €1.691 million;
- an increase in the item products under construction equal to €3.342 million.

The value of the inventories impairment reserve as of 31st December 2010 increased by €516 thousand, mainly by effect of the prudent assessments of the inventories of raw materials and semi-finished products.

11. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

Trade and other receivables (euro/000)	31-dec-2010	31-dec-2009
Gross receivables	64,124	63,008
Provision for bad debts	(4,657)	(4,533)
Net trade receivables	**59,467**	**58,475**
Tax receivables	2,289	3,320
Other receivables	550	508
Total other receivables	**2,839**	**3,827**
Total	**62,306**	**62,302**

The balance of net trade receivables increased by just €992 thousand with respect to the previous financial year, despite the notable increase in revenues. An improvement in the average collection period was also recorded, despite the particularly difficult overall economic environment and without booking losses beyond the company's historical average. This is a very important fact which testifies to the constant attention focused on customer payables.

The amount of receivables stated on the financial statements has not been discounted, as all receivables are due in the short-term.

With a view to providing the information requested under IFRS 7, below is a detail of the trade receivables ''falling due'', split by geographical area:

Receivables not overdue by geographical area (euro/000)	31-dec-2010	31-dec-2009
Italy	17,026	19,092
Rest of europe	12,072	11,110
North america	6,819	5,913
Rest of the world	12,937	11,595
Total	**48,854**	**47,709**

The following table provides a breakdown of due dates for trade receivables that are not subjected to protest.

Ageing commercial receivable not protested (euro/000)	Gross value	Provision	Net value
31-dec-2009			
Not overdue	47,709	(92)	47,617
Overdue less than 3 months	5,278	(145)	5,133
Overdue from 3 to 6 months	3,432	(520)	2,911
Overdue over 6 months	3,800	(1,613)	2,187
Total	**60,219**	**(2,370)**	**57,848**
31-dec-2010			
Not overdue	48,854	(96)	48,758
Overdue less than 3 months	5,077	(211)	4,867
Overdue from 3 to 6 months	3,429	(682)	2,746
Overdue over 6 months	3,909	(1,815)	2,094
Total	**61,268**	**(2,803)**	**58,465**

11. TRADE AND OTHER RECEIVABLES (continued)

In some markets where the Group operates, company policy dictates that receivables are collected beyond the due date foreseen by contract without this leading to financial difficulties or liquidity problems on the part of customers. Hence, there are balances relative to receivables from clients which were not subject to write-downs, even if the terms for payment had already ended.

The table below illustrates the balance of these trade receivables, divided into uniform time classes.

Trade receivables overdue and not written-down (euro/000)	31-dec-2010	31-dec-2009
Overdue less than 3 months	4,867	5,133
Overdue over 3 months	4,840	5,098
Total	**9,707**	**10,231**

For the sake of full disclosure, below is an illustration of the maturity of the receivables submitted to protest.

Ageing protested receivable (euro/000)	Gross value	Provision	Net value
DEC 31, 2009			
Overdue less than 12 months	278	(269)	9
Overdue over 12 months	2,080	(1,894)	186
Total	**2,358**	**(2,163)**	**195**
DEC 31, 2010			
Overdue less than 12 months	443	(410)	33
Overdue over 12 months	1,636	(1,444)	192
Total	**2,079**	**(1,853)**	**226**

Below is an explanation of the changes in the allowance for doubtful accounts.

Provision for bad debts (euro/000)	2010	2009
Opening	4,533	4,330
Allowance	1,365	1,429
Utilisation	(1,350)	(1,165)
Reclassification and other movements	(6)	(49)
Translation difference	114	(12)
Total	**4,657**	**4,533**

The allowance for doubtful accounts increases by €124 thousand as compared with last year. It should be noted that it was used prevalently for the subsidiary Marcolin USA and the Parent Company.

The amounts reported with trade receivables are not subject to guarant.

12. OTHER CURRENT ASSETS

This item mainly comprises prepaid expenses relating to insurance premiums and rents paid on an advance basis.

13. CASH & CASH EQUIVALENTS

The item represents the value of cash balances and of highly liquid financial instruments, i.e. with an original maturity of less than three months.

13. CASH & CASH EQUIVALENTS (continued)

The increase totals €11.120 million, as can be also seen in the cash flow statement.

Part of the balance was used in January 2011 for payments to suppliers and licensors.

14. EQUITY

The Parent Company's share capital amounts to € 32,312,475.00 and is composed of 62,139,375 ordinary shares with a par value of € 0.52 per share.

Marcolin S.p.A. holds 681,000 treasury shares in portfolio with an overall equivalent value of € 947 thousand, used to reduce the share capital by a nominal value of € 354 thousand and the remaining € 593 thousand to reduce the treasury reserve included in retained earnings.

For details of changes in the items forming the equity, refer to the relevant table.

Stock option reserve

The stock option reserve, included in the equity item ''Other reserves'', is calculated in accordance with IFRS 2. In fact, adoption of a stock option plan brings with it the necessity of recording for accounting purposes a cost equal to the fair value of the options at the date of allocation. This cost is recognised in the income statement for the duration of the period in which the conditions for use of such options matures, and a counter value is placed in the associated equity reserve.

At 31 December, 2010, the third financial year in which this reserve is booked, it amounted to €230 thousand, with a counter value booked to the income statement for the year in the amount of €44 thousand, completely traceable to the stock option plan approved over the course of 2008 for the C.E.O. of the Parent Company.

15. MEDIUM- AND LONG-TERM BORROWINGS

The balance for long-term loans (including the relative short-term share) at 31 December 2010 was almost entirely represented by financing provided by Efibanca S.p.A. (Arranger of a syndicated loan), by Cassa di Risparmio del Veneto S.p.A., from Mediocredito Italiano (both part of the Intesa San Paolo Group), and by a loan opened in January 2010 with Banca Nazionale del Lavoro (BNP Paribas Group). For details, please see not 19 'Short-term loans'.

The last loan of €10 million was used in the amount of €4 million at 31 December 2010.

Below the composition of the net financial position is illustrated. For more information please refer to the Report on Operations.

Net financial position (euro/000)	**DEC 31, 2010**	**DEC 31, 2009**
Cash	71	198
Cash equivalents	35,400	24,153
Short term borrowings	(2,905)	(9,322)
Current portion of long term borrowings	(13,747)	(9,614)
Long term borrowings	(27,450)	(29,254)
Total	**(8,631)**	**(23,839)**

15. MEDIUM- AND LONG-TERM BORROWINGS (continued)

The following provides the characteristics of the main loans issued to the Group:

Bank	Currency	Starting amount (euro)	Residual amount (euro)	Expiration date	Interest rate	Notes
EFIBANCA*	EUR	(credit line) 30,000,000	13,178,571	JUN 27, 2012	Euribor 6 months + 0.8%	A ''Term Loan Facility'' of 15,000,000, dated JUN 27, 2007, refundable in 10 half-year installments from DEC 27, 2007 and a ''Stand by Facility'' loan of 15,000,000, refundable in 7 half-year installments from JUN 27, 2009.
Ministero delle attività produttive (Innovazione Tecnologica)	EUR	793,171	485,452	JUN 26, 2016	1.012%	Subsidized loan in accordance with the Law no. 46, 1982, refundable in 10 year installments from JUN 26, 2007.
Unicredit Banca (ex Unicredit Corporate Banking)	CHF	3,500,000	3,500,000	APR 18, 2011	1.54%	Short term borrowings dated JAN 29, 2008.
Cassa di Risparmio del Veneto* (ex Banca Intesa)	EUR	(credit line) 15,000,000	13,500,000	MAR 31, 2015	Euribor 6 months + 1.70%	Loan dated OCT 26, 2010, refundable in 10 half-year installments from SEP 30, 2010.
Mediocredito Italiano	EUR	10,000,000	10,000,000	SEP 30, 2019	Euribor 3 months + 1.70%	Real-estate loan dated DEC 22, 2009, refundable in 34 quarterly installments from JUN 30, 2011.
Benca Nazionale del Lavoro*	EUR	4,000,000	4,000,000	DEC 31, 2014	Euribor 6 months + 1.70%	Loan of 10,000,000, dated JAN 21, 2010, refundable in 8 half-year installments from JUN 30, 2011.

* These loans envisage contractual covenants as detailed in the explanatory notes to the accounts of Marcolin Group.

All loans in place were granted at arm's length market conditions without provision of collateral.

Contractual agreements in relation to loans granted to Marcolin S.p.A. by the Cassa di Risparmio del Veneto (Intesa San Paolo Group), by Efibanca and by Mediocredito Italiano (Intesa San Paolo Group), and by Banca Nazionale del Lavoro (BNP Paribas Group) include a series of obligations concerning operative and financial aspects. In particular, several financial economic indexes (''covenants'') need to be observed, calculated in the consolidated financial statements at the end of each year. The agreement signed with Cassa di Risparmio del Veneto (Intesa San Paolo Group) also envisages compliance with the parameters at the end of the six-month period of each year.

If these parameters are not observed, the conditions under which the loan agreements will continue will have to be negotiated, or the relevant changes made to the aforesaid parameters. Otherwise, the amounts granted may have to be repaid early.

The covenants are calculated on the main financial economic indicators (Ebitda, net financial position and equity). At 31 December, 2010 and over the course of the financial year, the covenants were constantly respected.

16. LONG-TERM PROVISIONS

The item is totally represented by the employee severance indemnity provision (TFR) posted in the financial statements of the parent company. It expresses the balance of the defined benefit plan to be supplied during or subsequent to termination of the employment accrued as of 31 December 2006. In actual fact, the TFR accrued as from 1st January 2007 is treated as a defined contribution plan and as such, with payment of the contributions to social security funds (public and/or private), the Group complies with all relevant obligations.

The changes in the aforesaid provisions are shown below:

Long term provisions—Staff leaving indenities (euro/000)	
Opening	3,784
Utilization	(870)
Interest	145
Actuarial loss (gain)	181
DEC 31, 2010	**3,240**

The following table shows the various parameters assumed for the relevant actuarial calculation:

Actuarial assumptions	2010
mortality rate:	Table RG 48
disabilty rate:	Table INPS
personnel turnover rate:	5.00%
severance prepaiments:	2.00%
discount rate:	4.60%
wages increase rate:	3.00%
inflation rate:	2.00%

17. OTHER NON-CURRENT LIABILITIES

This item consists mainly of the value of accrued liabilities and deferred income falling due more than 12 months after reporting date.

18. TRADE PAYABLES

The following table details trade payables by geographical area:

Payables by geographical area (euro/000)	31-dec-2010	31-dec-2009
Italy	20,552	19,945
Rest of europe	2,405	2,703
North america	995	869
Rest of the world	12,805	9,239
Total	**36,756**	**32,755**

The increase in the value of trade payables of €4.001 million is due to the increased purchases of production materials during the period.

The trade payables disclosed in the Statement of Financial Position were not subject to discounting, as the amount is a reasonable representation of the fair value in consideration of the fact that there are no past-due payables.

19. SHORT-TERM BORROWINGS

The value shown represents the balance of short-term borrowings and other financial liabilities that mature within 12 months after the reporting date.

The following table contains details of the maturity of the financial liabilities, whose value is entered either in current liabilities or in non-current liabilities.

Borrowings (euro/000)	Bank loans and overdrafts	Bank borrowings	Other financial institutions	TOTAL
within 1 year	0	18,847	89	18,936
between 1 and 3 years	0	19,644	178	19,821
between 3 and 5 years	0	6,471	179	6,650
over 5 years	0	2,618	165	2,783
DEC 31, 2009	**0**	**47,579**	**611**	**48,190**
within 1 year	0	16,564	88	16,652
between 1 and 3 years	0	14,751	188	14,939
between 3 and 5 years	0	7,853	163	8,016
over 5 years	0	4,412	83	4,495
DEC 31, 2010	**0**	**43,579**	**523**	**44,102**

The following is a disclosure on derivatives in place as of 31st December 2010. All the contracts in place were drawn up by the parent company, Marcolin S.p.A.

Financial liabilities at fair value through profit and loss.

During the year, the Parent Company stipulated two derivatives contracts on the exchange rate with the US dollar, with Veneto Banca Holding, in order to protect itself from risks related to changes in the exchange rate.

The fair value of said derivative instruments at 31 December 2010 was negative for €291 thousand. These derivatives, while created for the purpose of covering the risk of changes in the exchange rate for purchases from suppliers in US dollars, were not considered hedging instruments for accounting purposes.

At the end of the year, a derivatives contract on interest rates (IRS) stipulated by the parent company with the Cassa di Risparmio del Veneto (formerly Banca Intesa) on 28 April 2006, in order to protect itself against risk related to variations in interest rates, matured. This contract referred to the variable interest rate financing obtained from the bank, which had been paid off at 31 December 2010.

The fair value of this derivatives contract at 31 December 2009 was negative by €80 thousand.

This derivative, while created in order to cover the risk associated with interest rate variations, was not considered as a hedge accounting item for IAS purposes , as it calls for a Knock Out barrier, which impeded the creation of an effective hedging instrument according to IAS 39.

Financial liabilities measured at fair value recognised in equity.

On 30 July, 2007, a derivatives contract on interest rates (IRS) was stipulated with Efibanca in order to cover risks related to interest rate variations on financing provided by Efibanca.

This instrument was classified and accounted for by the Company as a hedging instrument in that it respects the provisions of IAS 39. In fact:

- it was contractually established, at the moment the financing was provided, to cover the tax risk of at least 50% of the notional value of said financing;
- the maturity of the derivative contract corresponds to that of the hedged financing;

19. SHORT-TERM BORROWINGS (continued)

- the set dates for calculation of Euribor are the same as those for the derivative instrument and the underlying financing.

The instrument's fair value at 31 December 2010 was negative by €151 thousand, of which €129 thousand short-term, and €22 thousand long-term. Fair value at 31 December 2009 was negative by €334 thousand. Fair value variations were booked to equity in an associated reserve (see the statement of changes in equity).

During the year, total financial charges deriving from periodic liquidation of reciprocal positions on two interest rate derivative instruments amounted to €330 thousand.

20. CURRENT PROVISIONS

Below is a table containing the most significant changes occurring during the financial year:

Short term provisions (euro/000)	Provision for severance indemnities	Other provisions	Total
Opening 2010	589	3,901	4,490
Allowance	150	2,141	2,292
Utilisation	(24)	(734)	(758)
Actuarial loss (gain)	(60)	0	(60)
Translation difference	0	126	126
Other movements	0	101	101
Closing 2010	**656**	**5,535**	**6,191**

The Provisions for termination indemnities and similar obligations consists of estimated provisions for agent indemnities payable upon termination, the amount of which has been discounted to present value on the basis of long-term use. The Other provisions amount consists of provisions made against the risk of customer returns (€ 4.461 million) and of risk provisions for other liabilities arising from present legal or constructive obligations (€ 1.074 million).

21. OTHER CURRENT LIABILITIES

Below are the details of other liabilities:

Other current liabilities (euro/000)	DEC 31, 2010	DEC 31, 2009
Payables to personnel	6,618	4,682
Social security payables	1,875	1,846
Royalties	96	194
Other accrued expenses and deferred income	686	318
Total	**9,274**	**7,040**

The item Other current liabilities mainly consists of payables to personnel which increased by €1.936 million and payables to social security institutions which remained essentially unchanged.

22. COMMITMENTS AND GUARANTEES

Below are details of the main commitments and guarantees of Group companies:

Contingencies (euro/000)	2010	2009
Fidejussioni verso terzi	1,048	1,473

22. COMMITMENTS AND GUARANTEES (continued)

Contracts are in place for the use of trademarks owned by third parties for the production and sale of spectacle frames and sunglasses.

These contracts require payment by the Marcolin Group of guaranteed minimum royalties throughout their duration. As at 31 December 2010 the total of these future commitments amounted to €189 million (€222 million in 2009), of which €38 million falling due within the next 12 months.

Details of the rent and leasing commitments are shown below, in accordance with IAS 17:

Commitments (euro/000)	2010	2009
Rents		
Within one year	1,005	676
From one to five years	1,410	2,415
Over five years	59	0
Total	**2,474**	**3,090**
Operating leases		
Within one year	512	35
From one to five years	291	23
Over five years	4	0
Total	**806**	**58**
TOTAL	**3,280**	**3,148**

The commitments relating to lease charges mainly refer to a lease contract for the American subsidiary.

INCOME STATEMENT

(euro/000)	2010	%	2009	%
NET SALES	**207,679**	**100.0%**	**180,321**	**100.0%**
COST OF SALES	**(81,062)**	**(39.0)%**	**(78,229)**	**(43.4)%**
GROSS PROFIT	**126,617**	**61.0%**	**102,092**	**56.6%**
Selling and marketing costs	(88,069)	(42.4)%	(80,704)	(44.8)%
General and administrative expenses	(16,580)	(8.0)%	(15,755)	(8.7)%
Other income and expenses	2,901	1.4%	2,750	1.5%
Other non recurrent operating income and expenses	81	0.0%	1,005	0.6%
OPERATING PROFIT—EBIT	**24,949**	**12.0%**	**9,388**	**5.2%**
FINANCIAL INCOME AND EXPENSES	(1,796)	(0.9)%	(2,137)	(1.2)%
NET RESULT BEFORE TAXES	**23,153**	**11.1%**	**7,251**	**4.0%**
Income taxes	(4,547)	(2.2)%	(171)	(0.1)%
Minority interests	0	0.0%	0	0.0%
NET RESULT	**18,606**	**9.0%**	**7,080**	**3.9%**
EBITDA	**31,018**	**14.9%**	**15,126**	**8.4%**
EPS *(in euro)*	0.303		0.115	
EPS diluted *(in euro)*	0.300		0.114	

23. NET SALES

The breakdown of net sales as at 31 December 2010 is as follows:

Net sales by geographic area (euro/000)	2010		2009		Increase Turnover	(decrease) Change
	Turnover	% on total	Turnover	% on total		
—Italy	42,325	20.4%	40,515	22.5%	1,810	4.5%
—Europe	65,409	31.5%	62,965	34.9%	2,443	3.9%
—USA	44,820	21.6%	39,603	22.0%	5,217	13.2%
—Rest of the world	55,126	26.5%	37,238	20.7%	17,888	48.0%
Total	**207,680**	**100.0%**	**180,321**	**100.0%**	**27,358**	**15.2%**

For comments regarding revenues performance during the period, please refer to the information provided by the Directors in the Report on Operations.

Sales for the eyewear sector are mainly concentrated in the first half of the year.

24. COST OF SALES

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

Cost of sales (euro/000)	2010	2009	Increase (decrease)	%
Purchase of material and finished goods	52,224	37,508	14,716	39.2%
Changes in inventory	(1,896)	13,056	(14,952)	(114.5)%
Personnel expenses	15,965	14,743	1,221	8.3%
Outworks	6,878	6,090	789	13.0%
Amortisation and depreciation	2,123	2,296	(173)	(7.5)%
Other expenses	5,767	4,536	1,232	27.2%
Total	**81,062**	**78,229**	**2,833**	**3.6%**

The value of cost of sales, in absolute terms, increased by €2.833 million (an increase of €5.146 million in 2009). This was equal to 39% of sales, with respect to the 43.4% of 2009.

The main increase is related to purchases of materials and finished products which increase more than proportionally with respect to the increase in revenues.

For comments regarding the reasons behind improvements in margins during the period, please refer to the information provided by the Directors in the Report on Operations.

25. DISTRIBUTION & MARKETING COSTS

Below is the detailed breakdown of distribution & marketing costs:

Selling and marketing costs (euro/000)	2010	2009	Increase (decrease)	%
Personnel expenses	24,712	21,264	3,448	16.2%
Commissions	8,866	8,675	191	2.2%
Amortisation and depreciation	947	1,665	(719)	(43.2)%
Royalties	26,477	24,563	1,915	7.8%
Advertising and PR	13,850	12,709	1,142	9.0%
Other costs	13,217	11,828	1,390	11.7%
Total	**88,069**	**80,704**	**7,365**	**9.1%**

Overall, this item increased by €7.365 million, or 9.1% (in 2009, it increased by €1.641 million, equal to 2.1%). In absolute value, the greatest change can be traced to personnel costs which increased in the

25. DISTRIBUTION & MARKETING COSTS (continued)

amount of €3.448 million, in line with the growth in revenues. On the other hand, costs for fees and royalties rose by a percentage that was less than proportional to the change in revenues, thanks to amendments made to certain contractual agreements and improved efficiency due to increased revenues.

26. GENERAL & ADMINISTRATIVE COSTS

Breakdown of general overheads and administrative costs:

General and administrative expenses (euro/000)	2010	2009	Increase (decrease)	%
Personnel expenses	5,524	5,130	394	7.7%
Bad debt provsion	1,365	1,429	(64)	(4.5)%
Amortisation and depreciation	547	640	(93)	(14.5)%
Other costs	9,144	8,556	588	6.9%
Total	**16,580**	**15,755**	**826**	**5.2%**

The total value of the item in question increased by €826 thousand with respect to the previous year, showing an increase much lower than that of the revenues.

The item Other costs increased by €588 thousand and mainly includes:

- directors' fees;
- other services;
- EDP costs;
- legal and administrative consulting.

Pursuant to Article 149-duodecies of the Regulations, the 2010 fees due to the independent auditors of the parent company, and to its members firms for the subsidiaries amounted to €350 thousand for audit services.

27. MARCOLIN GROUP EMPLOYEES

Details of the total number of employees of the various Group companies are shown below:

Employees—Average number Category	2010	2009
Managers	24	23
First line managers	83	69
Employees	454	459
Workers	408	419
Total	**969**	**970**

Employees—Final number Category	DEC 31, 2010	DEC 31, 2009
Managers	24	23
First line managers	86	68
Employees	456	453
Workers	386	418
Total	**952**	**962**

28. OTHER REVENUES AND COSTS

The details of Other operating revenues and costs were as shown below:

Other income and expenses (euro/000)	2010	2009
Transport refund	1,342	1,315
Release of provision	379	884
Other income	1,250	884
Total other income	**2,971**	**3,084**
Loss on credits	0	(3)
Loss on investments	(71)	(331)
Total other (expenses)	**(71)**	**(334)**
Total	**2,901**	**2,750**

The balance of said item was positive for €2.901 million, an increase of €151 thousand with respect to 31 December 2009. The item Other revenues mainly consists of re-debited costs for advertising materials in the amount of €744 thousand.

Write-downs of investments in associates takes into account the economic effects of valuation using the net equity method of the associated companies and includes €44 thousand for Finitec and €16 thousand for Marcolin Japan as a consequence of the negative results recorded by these subsidiaries during the period.

29. NON-RECURRENT OPERATING COSTS AND REVENUES

Below is the schedule with a detail of each item:

Non-recurring operating income and expenses (euro/000)	2010	2009
Non-recurring income	791	1,378
Non-recurring expenses	(710)	(373)
Total	**81**	**1,005**

The item in question mainly consists of windfall gains and losses and has a positive balance of €81 thousand, with respect to the €1.005 million balance in 2009. In the previous year, the figure included profits deriving from the sale of the Cebe brand in the amount of €600 thousand.

30. FINANCE INCOME AND EXPENSE

The detail of the item Finance income and expense is as follows:

Financial income and expenses (euro/000)	2010	2009
Financial income	2,672	1,856
Financial expenses	(4,468)	(3,993)
Total	**(1,796)**	**(2,137)**

30. FINANCE INCOME AND EXPENSE (continued)

Finance income is described in detail in the following table:

Financial income (euro/000)	2010	2009
Interes income	153	169
Other income	238	73
Gains on exchage rate differences	2,281	1,614
Total	**2,672**	**1,856**

Finance expense is described in detail in the following table:

Financial expenses (euro/000)	2010	2009
Interest expenses	(1,777)	(1,776)
Other expenses	0	(53)
Cash discounts	(875)	(765)
Losses on exchage rate differences	(1,816)	(1,398)
Total	**(4,468)**	**(3,993)**

The item Finance income and expenses has an overall negative balance of €1.796 million, with respect to a negative value of €2.137 million at 31 December 2009. The positive difference of €341 thousand is mainly due to currency differences, which improved by €250 thousand.

31. INCOME TAX

The breakdown of deferred taxes and income tax for the year was as follows:

Deferred taxes (euro/000)	2010	2009
Non current assets	126	47
Current assets	3,836	3,666
Provisions	974	828
Tax losses carried forward	4,564	2,490
Deferred tax assets	**9,501**	**7,031**
Non current assets	(1,454)	(1,518)
Current assets	480	748
Deferred tax liabilities	**(974)**	**(769)**
Total deferred tax	**8,527**	**6,262**

Net deferred taxes movements (euro/000)	2010	2009
Net deferred taxes at 1 January		
Positive (negative) deferred taxes	6,262	2,635
Credit (debit) to Income Statements	2,060	3,628
Other movements	10	0
Translation differences	195	0
Net deferred taxes at 31 December	**8,526**	**6,262**

31. INCOME TAX (continued)

In relation to carrying forward of tax losses, deferred tax assets for a total of €7.7 million were not recorded (€9.2 million in 2009), which can mainly be traced to fiscal losses suffered by Marcolin France and Marcolin USA.

Moreover, part of the deferred tax assets were posted for the year (amounting to €2.074 million), resulting from temporary differences and the possibility of posting the tax losses generated in the previous financial year by Marcolin USA, due to the fact that the United States subsidiary regularly produces profit, thus creating the conditions required for this entry.

For current taxes, the tax burden was determined according to the taxable income arising from the year's result, taking into account use of any prior tax losses and applying the statutory tax rates in force in each country.

Income taxes (euro/000)	2010	2009
Current taxes	(6,603)	(3,630)
Deferred taxes	2,060	3,627
Taxes relating to prior period	(4)	(168)
Total income taxes	**(4,547)**	**(171)**

Tax rate reconciliation (euro/000)	2010	2009
Income (loss) before taxes	23,153	7,251
Tax expected	5,253	2,836
Taxes relating to prior periods	4	168
Permanent differences	(181)	(1,133)
Utilisation previous years losses	(1,879)	(2,495)
Taxes on operations	1,350	794
Total income taxes	**4,547**	**171**

The theoretical year tax rate is 22.69% (39.11% in 2009), whilst the effective tax rate is 19.64% (2.36% in 2009) due to the positive tax effects deriving from previous years.

Deferred tax liabilities at 31 December 2010 amounted to €4.614 million (€1.917 million at 31 December 2009) against an allocation for the year of €6.603 million.

32. EARNINGS PER SHARE

Base earnings per share (EPS) are given by the ratio of parent company shareholder earnings to the weighted average number of ordinary share outstanding during the financial year, with the exclusion of treasury shares.

The result per share is as follows:

Income (Loss) per share	2010	2009
Income (Loss) for the period (in euro thousands)	18,606,136	7,080,037
Number of shares	62,139,375	62,139,375
Trasury stock	681,000	681,000
Net number of shares	61,458,375	61,458,375
Diluted income (loss) per share	**0.303**	**0.115**
Income (Loss) per share	**0.300**	**0.114**

The diluted profits have been calculated by dividing the net income by the number of shares in circulation, net of treasury stock, increased by the shares involved in the stock option plan.

33. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are shown by uniform classes in the table below which shows the fair value in accordance with IFRS 7.

For the assessment of the fair value of loans, future cash flow was estimated on the basis of forward interest rate implicit in the interest rate curve at year end and, as regards calculation of the coupon in progress, of the most recent fixing available of the Euribor.

The values calculated using this method were discounted based on the discount factors related to the various maturity dates of the cash flow mentioned above.

The derivatives used are classified as OTC (over the counter) derivatives and therefore there is no officially recognised public price formed on the trading markets. To value these derivatives, the Company used, respectively, discounted cash flow and Black & Scholes methods for interest rate swaps and for the Cap and Floor, based on input data published by Bloomberg.

Classes of financial assets (euro/000)	Trade receivables	Derivatives
2009		
Loans and receivables	58,043	0
Assets at fair value through the profit and loss	0	0
Investments hold to maturity	0	0
Available for sale	0	0
Total value	**58,043**	**0**
Fair value	**na**	
2010		
Loans and receivables	58,690	0
Assets at fair value through the profit and loss	0	0
Investments hold to maturity	0	0
Available for sale	0	0
Total value	**0**	**0**
Fair value	**na**	

Classes of financial liabilities (euro/000)	Trade payable	Derivatives	Loans
2009			
Liabilities at fair value through the profit and loss	0	80	0
Derivatives used for hedging	0	334	0
Other financial liabilities	32,755	0	47,776
Available for sale	0	0	0
Total value	**32,755**	**414**	**47,776**
Fair value	**na**	**414**	**na**
2010			
Liabilities at fair value through the profit and loss	0	291	0
Derivatives used for hedging	0	151	0
Other financial liabilities	36,756	0	46,222
Available for sale	0	0	0
Total value	**36,756**	**442**	**46,222**
Fair value	**na**	**442**	**46,222**

The derivates shown in the table are classified amongst loan liabilities (note no. 19).

33. FINANCIAL INSTRUMENTS BY TYPE (continued)

TRANSACTIONS WITH SUBSIDIARIES ACCOUNTED FOR USING THE EQUITY METHOD, RELATED AND ASSOCIATED COMPANIES AT 31 DECEMBER 2010

Company (euro/000)	Expenses	Revenues	Receivables	Payables	Relation
Finitec Srl	783	10	218	2	Associated
Marcolin Japan	219	971	109	775	Associated
Tod's SpA	3,575	1,246	525	332	Correlated

INFORMATION ON ABNORMAL AND UNUSUAL TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with CONSOB Circulars nos. DAC/98015375 of 27 February 1998 and DEM/6064293 of 28 July 2006, the necessary information on atypical and unusual transactions and transactions with related parties is provided below.

Atypical and unusual transactions

No abnormal and/or unusual transactions were reported, between Group companies, during the course of 2010, nor were there any extraordinary business activities, or activities that might have a significant effect on the financial position or results of operations of Marcolin S.p.A. and the Group.

Transactions with related parties

Transactions with Group companies are mainly commercial and take place on an arm's length basis.

During 2010, the Group had supply relations with the company Tod's S.p.A. by virtue of the licensing agreement signed with the company and referable to the shareholders Diego Della Valle (Director of Marcolin S.p.A.) and Andrea Della Valle, as detailed in the above table.

In view of the foregoing, it is believed that the aforesaid transactions did not have a significant effect on the financial position or results of operations of the Group.

Non-recurrent significant events and operations

No significant non-recurrent events or operations occurred that had effects upon the Group's financial position or results of operations over the course of 2010, beyond those that have already been noted in the associated items in the Consolidated Income Statement.

SEGMENT REPORTING

The following information specifically regards the geographical areas in which the Group operates. The geographical areas have been identified as primary segments of business. The methods used to identify primary business segments have been selected also in consideration of the Group's operating policies. More specifically, these policies are based on grouping by geographical area defined according to the location of the registered head offices of the companies of the Group. Consequently, the sales indicated

on the basis of this segmentation are calculated according to the billing source and not according to end-use market.

Segmental Information by Region (euro/000)	ITALY		FRANCE		REST OF EUROPE		NORTH AMERICA		OTHER & CONSOLIDATION		MARCOLIN GROUP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	128,575	112,626	21,858	17,660	35,663	31,240	53,023	46,763	(31,440)	(27,968)	207,679	180,321
Intersegment sales	0	0	0	0	20	20	0	0	(20)	(20)	0	0
Net sales third parties	128,575	112,626	21,858	17,660	35,643	31,220	53,023	46,763	(31,420)	(27,948)	207,679	180,321
Gross profit	57,969	44,422	11,591	8,983	18,512	15,315	32,364	27,318	6,182	6,055	126,617	102,092
in % of net sales	45.1%	39.4%	53.0%	50.9%	51.9%	49.0%	61.0%	58.4%	−19.7%	−21.6%	61.0%	56.6%
Operating profit	18,249	4,696	177	139	1,574	(193)	4,509	3,728	440	1,018	24,949	9,388
Share of P/(L) of associates and net equity method	139	(114)	0	0	0	0	0	0	(139)	59	0	0
Assets	173,066	156,448	8,041	6,521	24,572	24,315	41,030	30,223	(62,938)	(61,088)	183,771	156,418
Investment in Associates	359	557	0	0	0	0	0	0	(25)	(186)	334	372
Liabilities	(97,698)	(92,713)	(6,290)	(4,769)	(17,519)	(18,836)	(12,879)	(10,029)	29,236	27,374	(105,150)	(98,973)
Capital expenditure	8,263	6,074	1	1	70	131	925	120	(985)	(224)	8,274	6,102
Amortization and depreciation	(2,388)	(2,642)	(296)	(147)	(687)	(747)	(898)	(71)	(1,800)	(2,131)	(6,069)	(5,738)
Other non cash items	(1,456)	(2,480)	49	(221)	(12)	(315)	830	(110)	0	0	(588)	(3,125)

As at reporting no secondary segmentation had been identified.

Cristallo Group

Consolidated interim financial statements as of and for the six months ended June 30, 2013

Via San Primo, 4—Milano
Share capital €1,200,000.00 fully paid in
R.E.A. n. 1992244
Tax code, Companies Register and VAT n. 07938490963

REVIEW REPORT

To the Board of Directors of Marcolin SpA

Introduction

We have reviewed the accompanying consolidated interim financial statements of Cristallo SpA and its subsidiaries (''Cristallo Group''), which comprise the consolidated statement of financial position as at June 30, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated cash flow statement for the six months then ended and related notes (the ''Consolidated interim financial statements'').

Management's responsibility for the Consolidated interim financial statements

Management is responsible for the preparation and fair presentation of these Consolidated interim financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Scope

Our responsibility is to express a conclusion on the accompanying Consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the Consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Consolidated interim financial statements do not present fairly, in all material respects, the financial position of Cristallo Group as at June 30, 2013, and its financial performance and cash flows for the six months then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Bologna, November 1, 2013

PricewaterhouseCoopers SpA

/s/Edoardo Orlandoni
Edoardo Orlandoni
(Partner)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)	Notes	As of Jun 30, 2013 (unaudited)	As of Dec 31, 2012 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	7	19,694	20,322
Intangible assets	8	21,798	21,202
Goodwill	6, 8	189,063	189,063
Investments	9	88	86
Deferred tax assets	10, 29	20,634	22,244
Other non-current assets	11	8,978	8,759
Total non-current assets		**260,255**	**261,676**
Current assets			
Inventories	12	39,889	46,868
Trade and other receivables	13	70,276	63,917
Other current assets	14	1,923	1,130
Cash and cash equivalents		21,402	45,200
Total current assets		**133,490**	**157,115**
Total assets		**393,745**	**418,791**
Equity	15		
Share capital		1,200	1,200
Additional paid-in capital		159,660	159,660
Legal reserve		0	0
Other reserves		27,317	0
Retained earnings (losses)		(3,222)	(4,811)
Total equity		**184,955**	**156,049**
Liabilities			
Non-current liabilities			
Long-term borrowings	16	98,799	101,719
Long-term provisions	17, 19	17,429	18,697
Deferred tax liabilities	10, 29	250	312
Total non-current liabilities		**116,478**	**120,728**
Current liabilities			
Trade payables	18	48,963	58,790
Short-term borrowings	16	21,570	8,605
Short-term provisions	19	8,938	9,495
Current tax liabilities		2,463	1,900
Other current liabilities	20	10,378	63,224
Total current liabilities		**92,312**	**142,014**
Total liabilities		**208,790**	**262,742**
Total liabilities and equity		**393,745**	**418,791**

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	For the six months ended Jun 30, 2013 (unaudited)
Revenue	22	112,221
Cost of sales	23	(43,431)
Gross profit		**68,790**
Selling and marketing costs	24	(49,340)
General and administrative expenses	25	(10,757)
Other operating income and expenses	27	
—Other operating income		*1,540*
—Other operating expenses		*(367)*
Total Other operating income and expenses		1,173
Effects of accounting for associates		1
Operating profit—EBIT		**9,867**
Financial income and costs	28	
Financial income		936
Financial costs		(6,345)
Net financial costs		**(5,409)**
Profit before taxes		**4,458**
Income tax expense	10, 29	**(2,869)**
Non-controlling interests		**0**
Net profit for the period		**1,589**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	For the six months ended Jun 30, 2013 (unaudited)
Net profit for the period	**1,589**
Cash flow hedge—net of tax of €39 thousand	(104)
Currency translation differences	(9)
Total item that may be reclassified subsequently to profit or loss	**(113)**
Actuarial gain on defined benefit plans—net of tax of €49 thousand	130
Total items that will not be reclassified to profit or loss	**130**
Total other comprehensive income (loss) for the period	**17**
Total comprehensive income for the period	**1,606**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(€/000)	Share capital	Additional paid-in capital	Other reserves				Retained earnings (losses)	Total
			Capital contribution payment	Cash flow hedge reserve	Actuarial gains / (losses) reserve	Translation differences reserve		
Balance as of Dec 31, 2012	**1,200**	**159,660**					**(4,811)**	**156,049**
Capital contribution payment—February 06, 2013			27,300					**27,300**
Profit for the period							1,589	1,589
Other comprehensive income (loss) for the period				(104)	130	(9)		17
Total comprehensive income (loss) for the period				**(104)**	**130**	**(9)**	**1,589**	**1,606**
Balance as of Jun 30, 2013	**1,200**	**159,660**	**27,300**	**(104)**	**130**	**(9)**	**(3,222)**	**184,955**

(This page has been left blank intentionally.)

CONSOLIDATED CASH FLOW STATEMENT

(€/000)	For the six months ended Jun 30, 2013 (unaudited)
Operating activities:	
Net profit for the period	1,589
Depreciation and amortization	2,571
Provisions	(927)
Income taxes	2,869
Interest expenses	4,796
Other non-cash items	286
Operating profit before working capital changes	*11,184*
(Increase) decrease in trade receivables	(1,468)
(Increase) decrease in other receivables	251
(Increase) decrease in inventory	7,442
(Decrease) increase in trade payables	(9,828)
(Decrease) increase in other payables	618
(Utilization) of provisions	(1,168)
(Decrease) increase in tax payables	(254)
Other non-cash items	(76)
Income taxes paid	(1,623)
Interest paid	(4,184)
Cash flows used by working capital changes	*(10,290)*
Cash flows generated from operating activities	**894**
INVESTING ACTIVITIES	
(Purchase) of property, plant and equipment	(1,011)
Proceeds from the sale of property, plant and equipment	96
(Purchase) of intangible assets	(1,693)
Cash out for business combination net of cash acquired (Marcolin Group)	(53,619)
Cash flows used in investing activities	**(56,227)**
FINANCING ACTIVITES	
Net increase (decrease) in bank borrowings	897
Borrowings	
—Increase	24,800
—Decrease	(21,430)
Capital contribution payment	27,300
Changes in reserves	0
Dividend paid	0
Cash flows generated by financing activities	**31,567**
Cash and cash equivalents increase (decrease)	**(23,766)**
Effect of exchange rates on cash	(32)
Cash and cash equivalents at the beginning of the period	**45,200**
Cash and cash equivalents at the end of the period	**21,402**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2013

1 INTRODUCTION

Cristallo S.p.A. (''the Company'' and together with its subsidiaries the ''Group'') is a company which is incorporated under Italian Law with registered office at Via San Primo, 4 Milano and is indirectly controlled by Tofane SA, a company incorporated under Luxemburg Law. Tofane SA is directly controlled by investment funds managed by PAI Partners SAS (''PAI''), a French company, with registered office at 232, Rue de Rivoli F75054, Paris. The Company was incorporated on August 2, 2012 and has prepared its first statutory stand alone financial statements as of December 31, 2012. The Company was established by PAI to purchase a majority stake in the share capital of Marcolin S.p.A. (''Marcolin''), an Italian eyewear manufacturer, from Marcolin's former controlling shareholders.

In particular, on December 5, 2012 the Company acquired 48,842,131 Marcolin shares, representing 78.601% of its issued share capital for a cash consideration of €207.6 million. Following this purchase, in accordance with the Italian Stock Exchange market rules, the Company performed a mandatory full public tender offer for the entire issued share capital of Marcolin, at an offer price equal to €4.25 per share.

On February 8, 2013, through the tender offer, the Company acquired an additional 10,367,974 shares representing 16.685% of the share capital of Marcolin, for a consideration of €44.1 million.

After the tender offer, the Company held 59,891,105 shares (including 681,000 of treasury shares) representing 96.382% of the share capital of Marcolin and, in accordance with the Italian legislation, acquired the remaining share capital of 2,248,270 shares for a total consideration of €9.6 million (€4.25 per share).

As a result of these transactions the Company became the sole shareholder of Marcolin and on February 14, 2013 Marcolin was delisted from the Italian Stock Exchange. The total consideration paid for the acquisition amounted to €261.2 million.

Within the end of October 2013 the Company is expected to merge with and into Marcolin in connection with a corporate re-organization.

The Group is a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. Marcolin is the world's fourth largest eyewear wholesale player by revenue, with a broad portfolio of licensed brands that appeal to key demographics across five continents.

As previously indicated, the Company was incorporated and registered in Italy on August 2, 2012 for the purpose explained above.

These interim financial statements as at and for the six months ended June 30, 2013 (the ''June 2013 Interim Financial Statements'') have been prepared on a voluntary basis and are the first prepared by the Company for the purpose of inclusion in the offering memorandum being prepared in connection with Marcolin's issuance of senior secured notes to qualified institutional buyers, as defined in Rule 144A of the U.S. Securities Act, and to non-US persons outside the United States in offshore transactions in reliance on Regulation S. Application will be made to list the notes on the Official List of the Luxemburg Stock Exchange for trading on the Euro MTF Market. In particular, the expected proceeds from the abovementioned notes will be used:

i) to finance the proposed acquisition from HVHC, Inc. of 100% of the share capital of Viva Optique Inc, whose group operates in the same sector as Marcolin and is a major player in the U.S., with several licensed brands, recording annual revenue of approximately 190 million dollars. The operation will have important synergies for the Group, both with respect to suppliers and general and administrative expenses; and

ii) to refinance all of the existing financial indebtedness of the Group.

As regards to the comparative period, only the consolidated statement of financial position as at December 31, 2012 has been presented, as the information for the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement for the period from August 2, 2012 to December 31, 2012, would not be significant in the circumstance.

1 INTRODUCTION (continued)

The June 2013 Interim Financial Statements were approved by the Company's Board of Directors on October 23, 2013.

2 ACCOUNTING STANDARDS

Basis of preparation

June 2013 Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board (''IASB'') and approved by the European Union with Regulation (EC) n. 1606/2002.

The June 2013 Interim Financial Statements have been prepared on the basis of the going-concern assumption, using the accrual basis of accounting. Management believes that there are no indicators that may cast significant doubt upon the Group's ability to continue as a going concern, in particular, over the next twelve months.

The June 2013 Interim Financial Statements have been prepared on the historical cost basis, revised as required for the measurement of financial instruments.

The currency used in the primary economic environment in which the Group operates (functional currency) is the Euro.

Format of financial statements

The June 2013 Interim Financial Statements are composed of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and accompanying notes.

- *Consolidated statement of financial position*

  Assets and liabilities are classified as either current or non-current as prescribed by IAS 1. An asset is classified as current when it satisfies any of the following criteria:

  (a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;

  (b) it is held primarily for the purpose of being traded;

  (c) it is expected to be realized within twelve months from the end of the reporting period; or

  (d) it is cash or a cash equivalent.

  All other assets are classified as non-current.

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

  (a) it is expected to be settled in the entity's normal operating cycle;

  (b) it is held primarily for the purpose of being traded;

  (c) it is due to be settled within twelve months from the end of the reporting period; or

  (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

  All other liabilities are classified as non-current.

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

2 ACCOUNTING STANDARDS (continued)

- *Consolidated income statement*

  Costs are classified by function, stating separately the cost of sales, selling and marketing costs, and general and administrative expenses.

  In view of the business sector, this method is deemed to provide readers with more meaningful and relevant information than the alternative classification of costs by nature. Moreover, it was decided to present two separate statements: the consolidated income statement and the consolidated statement of comprehensive income.

- *Statement of changes in consolidated equity*

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

- *Consolidated cash flow statement*

  Cash flows from operating activities are presented using the indirect method, since this is considered to be the most appropriate approach in view of the business sector. Based on this approach, the net profit for the period was adjusted to account for the effects of non-cash items on operating, investing and financing activities.

  As of June 30, 2013 cash and cash equivalents include only cash and demand deposits at banks.

  Unless otherwise stated all amounts are disclosed in thousands of Euro.

Basis of consolidation

The consolidation method adopted is as follows: the equity method is used to consolidate the companies in which the Group has more than 20% ownership (''associates'') but for which the Group does not have the control or over which the Group has significant influence. Companies are consolidated on a line-by-line basis when the Group exercises control over them (''subsidiaries'') by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, whether directly or indirectly, the company's financial and operating policies, obtaining the related benefits regardless of any equity ownership. Any potential voting rights are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is acquired and are deconsolidated on the date from which such control ceases to exist.

Business combinations through which control of a company is acquired are accounted for applying the acquisition method, under which the assets and liabilities acquired are initially measured at their fair value on the acquisition date. If positive, the difference between the acquisition cost and the fair value of the assets and liabilities is allocated to goodwill; if negative it is recognized in the income statement. Acquisition cost is determined on the basis of the fair value, on the acquisition date, of assets obtained, liabilities assumed, equity instruments issued and all other related costs.

On consolidation, balances and transactions between consolidated subsidiaries are eliminated in full, specifically the receivables and payables outstanding at the end of the period, expenses and income, and financial costs and income. Significant profits and losses realized between fully consolidated subsidiaries are also eliminated in full.

Any non-controlling interests in equity or net profit are stated separately as non-controlling interests under the consolidated equity.

Dividends distributed by fully consolidated companies are eliminated from the consolidated income statement, which incorporates the net profits or losses realized by such companies.

2 ACCOUNTING STANDARDS (continued)

Under the equity method, the interest in the company is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition in addition to the effects of other changes in equity.

The scope of consolidation includes direct and indirect subsidiaries. Below is a list of the consolidated companies on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the companies accounted for using the equity method.

List of consolidated companies:

Company	Headquarters	Currency	Share capital	Consolidation method	% ownership	
					Direct	Indirect
Cristallo S.p.A.	Milano	EUR	1,200,000	Line-by-line	Parent company	
Marcolin S.p.A.	Longarone	EUR	31,958,355	Line-by-line	100%	—
Eyestyle Retail Srl	Milano	EUR	200,000	Line-by-line	—	100%
Eyestyle.com Srl	Longarone	EUR	150,000	Line-by-line	—	100%
Eyestyle Trading Co. Ltd	Shanghai	CNY	3,000,000	Line-by-line	—	100%
Finitec Srl in liquidazione	Longarone	EUR	54,080	Equity	—	40%
Marcolin Asia Ltd.	Hong Kong	USD	198,863	Line-by-line	—	100%
Marcolin Benelux Sprl	Faimes	EUR	280,000	Line-by-line	—	100%
Marcolin (Deutschland) GmbH	Ludwigsburg	EUR	300,000	Line-by-line	—	100%
Marcolin do Brasil Ltda	Jundiai	BRL	9,575,240	Line-by-line	—	100%
Marcolin France Sas	Paris	EUR	1,054,452	Line-by-line	—	100%
Marcolin GmbH	Fullinsdorf (CH)	CHF	200,000	Line-by-line	—	100%
Marcolin Iberica SA	Barcelona	EUR	487,481	Line-by-line	—	100%
Marcolin International BV	Amsterdam	EUR	18,151	Line-by-line	—	100%
Marcolin Portugal Lda	Lisbon	EUR	420,000	Line-by-line	—	100%
Marcolin (UK) Ltd	Newbury	GBP	850,000	Line-by-line	—	100%
Marcolin USA Inc	New York	USD	536,500	Line-by-line	—	100%

During the period Marcolin S.p.A. incorporated a new company (Eyestyle Trading Co. Ltd, in Shanghai), which as of June 30, 2013 was not yet operational.

Translation of foreign-currency financial statements

Financial statements presented in a different functional currency are translated into Euro as follows:

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

The currency exchange rates applied are set forth below:

Currency		Reporting date exchange rate		Average exchange rate for the six months ended
		Jun 30, 2013	Dec 31, 2012	Jun 30, 2013
British Pound	GBP	0.8572	0.8161	0.8512
Swiss Franc	CHF	1.2338	1.2072	1.2299
U.S. Dollar	USD	1.3080	1.3194	1.3134
Brazilian Real	BRL	2.8899	2.7036	2.6688
Hong Kong Dollar	HKD	10.1477	10.2260	10.1908

2 ACCOUNTING STANDARDS (continued)

Property, plant and equipment ("PP&E" or "tangible assets")

Property, plant and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use.

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

Costs incurred for routine and/or cyclical maintenance and repairs are recognized directly in the income statement of the period in which they are incurred. Costs relating to the extension, renovation or upgrading of owned or leased assets are capitalized to the extent that they can be separately classified as an asset or part of an asset. Depreciation is charged using the straight-line method calculated on the basis of estimated useful life.

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

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

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

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

Assets held under finance leases are recognized as PP&E against the related liability. The lease payment is broken down into a financial cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.

Leases in which the lessor does not substantially transfer all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the lease.

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

Category	Rate
Buildings	3%
Non operating machinery	10%
Depreciable equipments	40%
Operating machines	15,5%
Office furniture	12%
Stand	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

Intangible assets

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

2 ACCOUNTING STANDARDS (continued)

If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognized in the income statement. If an impairment loss subsequently reversed, the carrying amount of the asset is increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the interest in the equity of the subsidiary or business unit acquired at the acquisition date. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The profit or loss on disposal of an entity is determined by including the attributable amount of goodwill.

Trademarks and licenses

Trademarks and licenses are recognized at cost. They have a definite useful life and are recognized at cost net of accumulated amortization. Amortization is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses over their remaining useful lives.

If an impairment is identified, the asset is written down accordingly; if the reasons for impairment should cease to exist in future financial years, the carrying amount of the asset is restated to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized.

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

Software

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

Research & development costs

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

Impairment of tangible and intangible assets

If impairment indicators are identified, tangible and intangible assets are tested for impairment.

For the purpose of impairment testing, assets are allocated to the smallest identifiable cash generating units (''CGU''s) and compared with operating cash flows discounted to the present value generated by such units.

The recoverable value of the asset is estimated and compared with its net carrying value. If an asset's recoverable value is less than its carrying value, the carrying value is reduced to its recoverable value. This reduction is an impairment loss that is recognized as an expense immediately.

For assets that are not subject to depreciation and amortization and for intangible assets not yet available for use, impairment testing is performed at least annually, irrespective of the presence of specific indicators.

2 ACCOUNTING STANDARDS (continued)

The conditions and approach applied by the Group for restoring the value of an asset previously written down, excluding goodwill, which cannot be reversed, are those prescribed by IAS 36 (''Impairment of Assets'').

Financial derivatives

Derivative financial instruments are used solely for hedging purposes, in order to reduce Group's exposure to currency and interest rate risks. All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.

If the hedge is effective, the following accounting policies apply:

Fair value hedge—Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge—The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedges is recognized directly in equity. Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is recognized in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not yet been performed, the cumulative gain or loss recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has remained recognized in equity is immediately recognized in the income statement.

If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

More information is provided in Note 4.

Inventories

Inventories are stated at the lower of average purchase or production cost and net realizable value. Net realizable value represents the estimated selling price in normal market conditions less all direct selling costs.

Purchase cost was adopted for products purchased for resale and for materials directly or indirectly purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products.

Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.

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

Obsolete and slow-moving inventories are written down to reflect their net realizable value.

Financial assets—Receivables and borrowings

Trade receivables, current financial receivables and other current receivables with fixed maturities, excluding financial derivative assets and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets without fixed maturities are stated at cost. Receivables maturing after more than a year, not accruing interest or accruing interest at below-market

2 ACCOUNTING STANDARDS (continued)

rates, are discounted using market rates and recognized as non-current assets. Reviews are performed regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is recognized in the income statement for the period.

Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Group will not be able to collect the receivable at its original value.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at banks, other highly liquid short-term investments, i.e. with an original duration of three months or less.

Assets held for sale and related liabilities

Assets held for sale and related liabilities include non-current assets (or disposal groups of assets and liabilities) whose carrying value will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognized at the lower of their net carrying value or fair value less costs to sell.

Equity

Share capital

Share capital consists of the Company's subscribed paid-up capital.

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

Employee benefits

Employee benefits paid upon or subsequent to termination of employment under defined-benefit plans (''T.F.R.'', the Italian employee severance indemnity system) are recognized when the right to receive such benefits occurs.

Liabilities relating to defined-benefit plans are calculated using actuarial valuations and are accounted for on an accruals basis consistently with the employee service required to obtain the benefits concerned. The actuarial valuations were performed by independent experts.

Actuarial gains and losses are recognized in other comprehensive income.

The employee severance indemnity provision complies with the definition of a defined benefit plan.

Starting from January 1, 2007, the 2007 Financial Law (Law 296 of December 27, 2006 and related enactment decrees), which applies only to companies with at least 50 employees, brought significant changes to employee severance indemnity regulations, including the introduction of the option for employees to allocate the amounts accruing to them from January 1, 2007 in a complementary pension scheme, or with the Company (in the latter case the Company will pay the severance pay contributions into a treasury account held at the Italian social security institution ''INPS'').

Pursuant to these changes, amounts accrued up to December 31, 2006 (and not yet disbursed as at the reporting date) are accounted for as defined benefit plans, whereas amounts accruing from January 1, 2007 are accounted for as defined contribution plans.

2 ACCOUNTING STANDARDS (continued)

Provisions for risks and charges

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

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

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

Risks for which a liability is possible are identified as contingent liabilities in the section relating to commitments and guarantees, but are not recognized on the consolidated statement of financial position.

In compliance with IAS 37, if a contract signed by the Group is defined as onerous, present obligation under the contract is recognized and measured as a provision. An onerous contract is defined as a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Trade payables and other non-financial liabilities

Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their face value.

Financial liabilities

Borrowings are initially recognized at fair value, net of the transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the nominal value is recognized in the income statement over the life of the borrowing, using the effective interest method. If management expects a change in the forecasted cash flows related to the borrowing, the value of borrowings is recalculated to reflect such changes.

Loans are classified as current liabilities if they have a maturity of 12 months or less, from the end of the reporting period and if the Group does not have an unconditional right to defer their payment for at least 12 months.

Loans are derecognized when they have been settled, or when all related risks and costs have been transferred to third parties.

Revenue and income

Revenue are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.

The Group recognizes revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement. Revenue are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenue from services are recognized by reference to the state of completion of the transaction at the end of the reporting period.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the shareholders' meeting.

2 ACCOUNTING STANDARDS (continued)

Cost of sales

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

Royalty expenses

Royalty expenses are included in ''Selling and marketing costs''.

The Group has entered into several licensing agreements with certain designers for the use of their brands in the design, production and distribution of sunglasses and prescription frames. Under these licensing agreements the Group is required to pay a royalty calculated as a percentage of net sales. Certain contracts also provide for the payment of minimum annual guaranteed (see Note 21 for details about the future commitments).

The Group recognizes royalty expenses in accordance with the accruals principle and in compliance with the substance of the contracts agreed.

Financial income and costs

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract.

Translation of foreign currency amounts

Transactions in currency other than the Euro are translated into local currency using the exchange rates of the transaction date. Foreign exchange differences realized in the period are recognized in the consolidated income statement.

Foreign currency receivables and payables are adjusted at the exchange rate as of the reporting date, recognizing the profit or loss arising on exchange as financial income or costs in the consolidated income statement.

Income tax expense

Income taxes include all taxes calculated on the taxable income of the Group companies, in compliance with the legislation in force in the individual countries concerned. Income taxes are recognized in the consolidated income statement, except for those related to items recognized directly in equity, for which the tax effect is also recognized directly in equity.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply according to the tax regulations in the countries where the Group operates, in the period in which the liability is expected to be settled or the asset expected to be realized.

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

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

The Italian companies of the Group have adhered to the national tax consolidation regime, according to the offer made by the consolidating company, Marmolada S.p.A.. The balances deriving from the participation in the consolidation are regulated by specific contractual agreements, approved and signed by all adhering companies.

3 RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting policies, amendments and interpretations adopted from January 1, 2013 that are not significant for the Group

Amendments to IAS 1—*Presentation of Financial Statements*, which requires companies to group all items presented in ''Other comprehensive income/(loss)'' on the basis of whether or not they may be subsequently reclassified to profit or loss. This amendment is applicable to annual accounting periods beginning on or after July 1, 2012. The Group adopted this amendment as of January 1, 2013, with no impact on the valuation of financial statement items and a limited effect on the disclosures provided in these June 2013 Interim Financial Statements.

Amendments to IAS 19—*Employee benefits*, which requires that the expense for a funded benefit plan includes net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. Furthermore actuarial gains and losses are recognized immediately in ''other comprehensive income/loss'' (OCI) and will not be recycled to profit and loss in subsequent periods. The amendments, endorsed by the European Union in 2012, are applied retrospectively.

Amendments to IFRS 7—*Financial Instruments*: *Disclosures*, requiring disclosure of the effects or potential effects of the right to offset financial assets and financial liabilities in the statement of financial position. This amendment is applicable to annual accounting periods beginning on or after January 1, 2013 and subsequent interim reporting periods. The adoption of this amendment had no impact on the disclosures provided in these June 2013 Interim Financial Statements.

IFRS 13—*Fair Value Measurement*, which explains how fair value should be determined for financial reporting purposes and applies to all IFRSs that require or permit fair value measurement or disclosures based on fair value. This principle is applicable prospectively from January 1, 2013. See Note 4 for the disclosure in accordance with the standard.

On May 17, 2012, the IASB issued a set of amendments to the IFRSs (''Annual Improvements to IFRSs 2009–2011 Cycle'') that are applicable retrospectively as of January 1, 2013. The amendments applicable to the Cristallo Group are summarized below. The amendments which resulted in changes in terminology, with a negligible accounting impact have not been summarized.

IAS 1—*Presentation of Financial Statements*. This amendment explains how comparative information should be presented when an entity modifies applied accounting principles and performs a retrospective restatement or reclassification and in cases in which an entity provides additional financial statement schedules beyond those required by the standard. This amendment had no impact on the disclosures provided in June 2013 Interim Financial Statements.

IAS 16—*Property, Plant and Equipment*. This amendment clarifies that spare parts and replacement equipment can be capitalized only when they qualify as ''Property, plant and equipment''; otherwise they should classified as ''Inventory''. The adoption of this amendment had no impact on June 2013 Interim Financial Statements.

IAS 32—*Financial Instrument: Presentation*. This amendment eliminates an inconsistency between IAS 12—*Income Taxes* and IAS 32 with regard to the recognition of income taxes on distributions to shareholders, ruling that these taxes should be recognized in profit or loss to the extent that the distribution involves income arising from transactions originally recognized in profit or loss. The adoption of this amendment had no impact on the valuation of financial statement items included in these June 2013 Interim Financial Statements.

Accounting standards and amendments not applicable yet and not adopted early by the Group

IFRS 9—*Financial Instruments*; this standard was later amended. This standard, which is applicable retrospectively starting on January 1, 2015, represents the first part of a project aimed at replacing IAS 39 and introducing new criteria for the classification and measurement of financial assets and liabilities. Specifically with regard to financial assets, the new principle uses a single approach, based on the way an entity manages its financial instruments and the contractual cash flow characteristics, to determine

3 RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

the valuation criterion, replacing the various rules provided by IAS 39. For financial liabilities, the main change relates to the accounting treatment of changes in their fair value of a financial liability designated as measured at fair value through profit or loss if such changes are due to a difference in the credit rating of the liability itself. Under the new principle, such changes must be recognized in ''Other comprehensive income/loss'' and will no longer be reflected in the consolidated income statement. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

IFRS 10—*Consolidated Financial Statements*, which will replace SIC-12 Consolidation—Special Purpose Entities, and parts of IAS 27—*Consolidated and Separate Financial Statements*, which will be renamed ''*Separate Financial Statements*'' and will govern the accounting treatment of investments in subsidiaries in separate financial statements. The new standard builds on existing principles by identifying the concept of control as the key factor for determining whether or not a company should be consolidated in its parent's consolidated financial statements. The new standard also provides guidance on determining the existence of control when this is difficult to ascertain. This standard is applicable from January 1, 2014. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

IFRS 11—*Joint Arrangements*, which will replace IAS 31—*Interests in Joint Venture* and SIC-13—*Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. The new standard provides criteria for identifying joint arrangements based on the rights and obligations under such arrangements, rather than on their legal form, and establishes the equity method as the only method for accounting for investments in joint ventures in the consolidated financial statements. This principle is applicable from January 1, 2014. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

IFRS 12—*Disclosure of Interests in Other Entities*, which is a new and complete standard on the disclosures relating to interests in other entities, including interests in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. This principle is applicable from January 1, 2014. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

Amendments to IFRS 10, 11 and 12. The amendments provide guidelines on the comparative information. The standard, published in July 2012, was endorsed by the European Union in April 2013 and is effective for the annual period beginning no later than January 1, 2014. The adoption of the standard will not have a significant impact on the consolidated financial statements of the Group.

IAS 27 (revised 2011)—*Separate financial statements*. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard, published in May 2011, was endorsed by the European Union in December 2012 and is effective for the annual period beginning no later than January 1, 2014. The adoption of the standard will have no impact on the consolidated financial statements of the Group.

IAS 28 (revised 2011)—*Associates and Joint ventures*. The standard includes the requirements for joint ventures, as well as associates, to be accounted using the equity method following the issue of IFRS 11. The standard, published in May 2011, was endorsed by the European Union in December 2012 and is effective for the annual period beginning no later than January 1, 2014. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

Amendments to IAS 32—*Financial Instruments: Presentation* and IFRS 7—*Financial Instruments: Disclosures* relating to the rules on offsetting of financial assets and financial liabilities and to disclosures about derivative financial instruments subject to master netting arrangements and similar agreements, even if not offset under IAS 32. The amendments to the disclosures regarding offsetting of financial instruments are required in the financial statements for annual accounting periods beginning on or after January 1, 2013 (with retrospective application of the comparative disclosures). The amendments to IAS 32 are applicable to financial statements for annual accounting periods beginning on January 1,

3 RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

2014. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

Amendments to IFRS 10, 12 and IAS 27. The amendments provide that many funds and similar entities, that meet the definition of investment entity, will be exempt from consolidating most of their subsidiaries. The amendments, not yet endorsed by the European Union, are effective for the annual period beginning on or after January 1, 2014. The adoption of the standard will not have a significant impact on the consolidated financial statements of the Group.

Amendments to IAS 36—*Impairment of assets*. The amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost to sell. The amendments, not yet endorsed by the European Union, are effective for the annual period beginning on or after January 1, 2014. The Group is currently evaluating the impact of this standard on the consolidated financial statements.

4 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Management of financial risks is an integral part of the Group's activities and is performed centrally by Marcolin S.p.A. based on guidelines covering certain specific areas, such as the hedging of foreign currency risks (particularly with the U.S. dollar) and interest rate risks.

The Group seeks to mitigate the impact of such risks on its results through the use of derivative instruments exclusively for hedging purposes.

(a) Market risks

Currency risk

The Group operates on an international level and is exposed to foreign exchange risk. Currency risk is managed centrally by Marcolin S.p.A., which uses internal facilities to check and monitor fluctuations in the balances of its various foreign currency items in order to evaluate whether to enter into derivative transactions.

The Group decided to partially hedge its U.S. dollar requirements. The Group is primarily exposed to the U.S. dollar on purchases of finished and semi-finished products from suppliers in the Far East, net of the cash flows from sales conducted in the U.S. market.

The derivative instruments in place on June 30, 2013 have a positive fair value of €116 thousand, accounted for within other current and non-current assets in these financial statements.

Under the applicable accounting policies (IAS 39), the hedging transactions do not qualify for hedge accounting even though they were entered into for hedging purposes. The Group does not enter into derivative instruments for speculative purposes.

4 FINANCIAL RISK MANAGEMENT (continued)

Details of the hedging contracts in place as of June 30, 2013, even if not qualified for hedge accounting as explained above, are as follows:

Currency hedges (euro/000) Contract date	Type	Financial institution	Notional	Currency	Maturity date	Mark to Market
March 27, 2012	Currency forward purchase	Veneto Banca	3,000	USD	between July 31, 2013 and December 31, 2013	47
September 19, 2012	Currency forward purchase	Veneto Banca	5,400	USD	between July 31, 2013 and July 31, 2014	(9)
December 20, 2012	Currency forward purchase	Veneto Banca	7,400	USD	between July 31, 2013 and December 31, 2014	78
						116

The effect on the consolidated income statement of changes in fair value of derivative financial instruments to manage foreign exchange risk held by the Group as at June 30, 2013, as a result of a hypothetical 5% depreciation of the US dollar, would be negative for a approximately €566 thousand, against a positive effect of €626 thousand if the change was an appreciation.

Interest rate risk

Interest rate risk can be broken down into fair value risk and cash flow risk.

The Group is exposed predominantly to cash flow risk originating from loans at variable interest rates. The loans are described in Note 16.

The Group manages interest rate risk by using derivatives, (interest rate swaps), with the objective of reducing the variability in interest rates.

Interest Rate Swap contracts meet the criteria established by IAS 39 and therefore they are booked according to the hedge accounting method.

Interest rate sensitivity analysis has been performed, assuming 25 basis-point increase / 10 basis-point decrease of the Euribor/Swap yield curves, related to June 30, 2013. The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables, financial assets with a fixable interest rate and trade payables. The interest on bank borrowings was recalculated using the above assumptions and the investment position in the period, recalculating the higher/lower finance costs. For Cash and cash equivalents, the average balance of the period was calculated using the book values at the beginning and end of the period. The effect on the income statement of a 25 basis-point increase / 10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.

This hypothetical, instant and unfavorable (favorable) change in the level of short-term interest rates applicable to the variable-rate financial assets and liabilities would entail a greater pre-tax net expense, for the period, of around €84 thousand (or rather a lesser expense for €34 thousand). This analysis is based on the assumption of a general and instantaneous change in the interest rates level of reference.

4 FINANCIAL RISK MANAGEMENT (continued)

The figures reported above exclude the impact of interest rate swaps in hedge accounting. The effect of changes in interest rates on the fair value of derivatives in interest rates would be determinate exclusively on equity at June 30, 2013.

	Change on cash flow hedge reserve (equity effect)	
(euro/000)	− 10 bps	+ 25 bps
Sensitivity analysis at June 30, 2013	(195)	484

(b) Credit risk

The Group does not have a significant concentration of credit risk. Receivables are recognized net of write downs for risk of counterparty default, calculated based on available information regarding the customer's solvency, statistical records and the respective market risk.

Guidelines have been implemented for managing customer credit to ensure that sales are conducted only with reasonably reliable and solvent parties, and differentiated credit exposure ceilings are set.

The following table sets forth receivables by geographical area:

Trade and other receivables by geographical area (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Italy	18,926	19,607
Rest of Europe	16,904	13,927
North America	15,165	12,395
Rest of World	19,281	17,988
Total trade and other receivables	**70,276**	**63,917**

For the aging of trade and other receivables see Note 13.

(c) Liquidity risk

Prudent management of liquidity risk entails maintaining a sufficient level of liquidity and having sources of funding available including by means of adequate credit lines. Due to the dynamic nature of the business, the Group is used funding through flexible credit lines. Currently, based on available sources of funding and credit lines, the Group considers its access to funding to be sufficient to meet the financial requirements of ordinary operations. The types of credit lines available and the base rate on the reference date are reported in Note 16.

The table below sets forth an analysis of the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis as their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, except for trading derivatives, which are included at their fair value. As a result, these amounts will not reconcile to the

4 FINANCIAL RISK MANAGEMENT (continued)

amounts disclosed on the consolidated statement of financial position except for short-term payables where discounting is not applied.

(€/000)	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)[1]	7,614	6,157	8,882	38,221	65,963
Interest expenses[2]	110	7,729	7,701	20,672	7,368
Finance lease liabilities	3	10	13	35	
Trade payables	42,073	6,885	6		

(1) The values are stated at the nominal value.

(2) This value has been calculated by applying the forward curve at June 30, 2013 to the loan depreciation plan. Concerning to the Revolving Facilities, it's assumed an average utilization equal to the outstanding amount on June 30, 2013. Furthermore the aggregate includes the value resulting from future cash flows from derivatives contracts with a negative fair value at the reporting date.

Fair value estimation

The table below sets forth an analysis of financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Inputs are quoted prices in an active market for identical assets or liabilities;
- Level 2: Inputs used in the valuations, other than the prices listed in Level 1, are observable for each financial asset or liability, both directly (prices) and indirectly (derived from prices); and
- Level 3: Unobservable inputs used when observable inputs are not available in situations where there is little, if any, market activity for the asset or liability.

The following table sets forth the Group's assets and liabilities that are measured at fair value at June 30, 2013:

(€/000)		Jun 30, 2013	Level 1	Level 2	Level 3
Foreign Exchange Contracts	Other Current Assets	116	—	116	—
Interest rate derivatives	Long-term borrowings	4	—	4	—
Interest rate derivatives	Short-term borrowings	139	—	139	—

In order to determine the fair value of foreign exchange contracts and interest rate derivatives, the Group utilizes valuation techniques which are based on observable market data. These techniques therefore fall within Level 2 of the hierarchy of Fair Values identified by IFRS 7.

As of June 30, 2013 and December 31, 2012, the Group did not have any Level 3 fair value measurements.

The Group maintains policies and procedures with the aim of valuing the fair value of assets and liabilities using the best and most relevant data available.

The Group portfolio of foreign exchange derivatives includes only forward foreign exchange contracts on the most traded currencies with. The fair value of the portfolio is valued using observable market inputs including yield curves and foreign exchange spot and forward prices.

The fair value of the interest rate derivatives portfolio is calculated using internal models that maximize the use of observable market inputs including interest rates, yield curves and foreign exchange spot prices.

5 USE OF ESTIMATES

In preparing the June 2013 Interim Financial Statements, management has applied estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and disclosures regarding contingent assets and liabilities at the reporting date.

Estimates were used mainly to determine the recoverability of intangible assets and goodwill, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories, the recognition or measurement of provisions and all the amounts relating to the business combination (see Note 6). The estimates and assumptions are based on data that reflect currently available information.

The estimates and assumptions that involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

- ***Goodwill***

  The Group tests goodwill annually for impairment, in accordance with the accounting standards adopted.

  The recoverable values of the CGUs are calculated based on their value in use. These calculations require using estimates of the future performance of the CGUs to which goodwill has been allocated, of the discount rate and of the prospective growth rate to be applied to the forecast cash flows.

- ***Write downs of non-current assets***

  In accordance with the accounting standards and policies applied by the Group, non-current assets are reviewed to determine whether they have suffered impairment losses when there is indication that their net carrying value exceeds their recoverable value. Recoverable value is the greater of fair value (net of selling costs) and value in use. If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market. If impairment has been identified, the Group calculates the adjustment required using the valuation techniques it considers to be the most appropriate. Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

- ***Provision for doubtful debts***

  The provision for doubtful debts reflects management's estimates of future losses on trade receivables. The Group estimates the provision for doubtful debts on the basis of expected losses, determined in accordance with past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

- ***Provision for inventory impairment***

  The provision for inventory impairment reflects management's estimates related to the losses expected by the Group on slow moving or obsolete inventory, and is determined on the basis of past experience and both past and anticipated market trends.

- ***Deferred tax assets***

  Recognition of deferred tax assets is based on expectations of profits in future financial years. Estimates of expected profits for the purpose of deferred tax asset recognition are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

6 BUSINESS COMBINATION

As described in Note 1 on December 5, 2012 the Company acquired the majority of shares of Marcolin S.p.A. and on such date also obtained control, as defined by IFRS 3.

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date:

(€/000)	Marcolin Group book value as at the date of Acquisition	Previous Goodwill Adjustment	Fair Value Adjustments	Deferred Tax Assets	Marcolin Group provisional fair value as at the date of Acquisition
Property, plant and equipment	20,322				20,322
Intangible assets	14,902				14,902
Goodwill	2,450	(2,450)			—
Investments	86				86
Deferred tax assets	14,307			7,937	22,244
Inventories	54,237		(7,369)		46,868
Cash and cash equivalents	13,367				13,367
Trade and other receivables	63,373				63,373
Other current and non-current assets	15,865				15,865
Total Assets	**198,909**	**(2,450)**	**(7,369)**	**7,937**	**197,027**
Borrowings	29,446				29,446
Provisions	9,203		18,989		28,192
Deferred tax liabilities	312				312
Trade payables	55,768				55,768
Other current liabilities	11,174				11,174
Total Liabilities	**105,903**	**—**	**18,989**	**—**	**124,892**
Adjusted Net Assets					**72,135**
Cash consideration paid in 2012 for the Acquisition					207,579
Contingent liability on Acquisition date (paid in 2013)					53,619
Total consideration					**261,198**
Provisional Goodwill					**189,063**

Subsequent to the acquisition of 78.601% of Marcolin S.p.A.'s share capital on December 5, 2012, Cristallo S.p.A. was legally required to perform a tender offer for the remaining share capital of Marcolin S.p.A; such obligation met the definition of contingent liability as at the acquisition date (€53,619 thousand).

In accordance with IFRS 3, the net assets of Marcolin S.p.A. as of December 31, 2012 have been adjusted to reflect certain facts and circumstances that existed as at the acquisition date.

The valuation process has not been concluded as of the date that these June 2013 Financial Statements were authorized for issue, and the above net assets acquired and the goodwill have been determined provisionally. In accordance with IFRS 3, the fair value of the net assets acquired will be defined within 12 months from the acquisition date.

The difference between the consideration paid and the net assets acquired was provisionally recorded as goodwill for €189,063 thousand. The above goodwill is not tax deductible and primarily reflects the ability of the Group to generate cash flows in the future.

7 PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the movements in property, plant and equipment for the period:

Property, plant and equipment (€/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction and advances	Total
Net book value as of Dec 31, 2012	**11,943**	**4,856**	**1,164**	**2,175**	**184**	**20,322**
Increases	133	91	249	521	17	**1,011**
Decreases	(20)	—	—	(50)	(24)	**(94)**
Depreciation	(261)	(498)	(426)	(298)	—	**(1,483)**
Translation difference	2	—	—	(3)	—	**(1)**
Reclassification and other movements	(61)	10	6	43	(59)	**(61)**
Net book value as of Jun 30, 2013	**11,736**	**4,459**	**993**	**2,388**	**118**	**19,694**

Investments in property, plant and equipment for the six months ended June 30, 2013 amounted to €1,011 thousand and primarily related to purchase of hardware and office furniture, included in other PP&E, totaling €521 thousand and industrial equipment for €249 thousand.

Depreciation amounted to €1,483 thousand and includes:

- €1,080 thousand recognized in cost of sales;
- €155 thousand recognized in selling and marketing costs;
- €248 thousand recognized in general and administrative expenses.

The net book value of property, plant and equipment and the accumulated depreciation as at June 30, 2013 are shown in the following table.

Property, plant and equipment (€/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP&E	Assets under construction and advances	Total
Cost	19,571	17,904	18,025	10,385	118	66,003
Accumulated depreciation	(7,835)	(13,445)	(17,032)	(7,997)	—	(46,309)
Net book value as of Jun 30, 2013	**11,736**	**4,459**	**993**	**2,388**	**118**	**19,694**

8 INTANGIBLE ASSETS AND GOODWILL

The following table sets forth the movements in intangible assets and goodwill for the period:

Intangible assets and goodwill (€/000)	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Intangible assets in progress and advances	Total intangible assets	Goodwill
Net book value as of Dec 31, 2012	**821**	**12,354**	**6,301**	**1,726**	**21,202**	**189,063**
Increases	341	—	708	644	1,693	—
Decreases	—	—	—	—	—	—
Amortization	(245)	(161)	(682)	—	(1,088)	—
Translation difference	23	28	—	—	51	—
Reclassification and other movements	554	122	1,071	(1,807)	(60)	—
Net book value as of Jun 30, 2013	**1,494**	**12,343**	**7,398**	**563**	**21,798**	**189,063**

Investments in intangible assets amounted to €1,693 thousand for the six months ended June 30, 2013.

''Other intangible assets'' refers mainly to a one-off payment to Tod's Group for the signing of a new licensing agreement for the years from 2013 to 2018 made at the end of 2012 for a total amount of €6,300 thousand. This asset is amortized in 6 years until 2018 (amortization for the six months ended in June 30, 2013 amounted to €525 thousand).

''Concessions, licenses and trademarks'' includes the Web trademark, which was acquired in November 2008 for €1.8 million and for which the purchase price was determined by an independent professional appraisal. This trademark is amortized over 18 years. ''Concessions, licenses and trademarks'' includes also €10 million related to the purchase of an option, which allows the Group to extend a license agreement, at its sole discretion, from the original expiration date in 2015 to December 31, 2022. Such costs were capitalized as intangible assets in compliance with IAS 38 on the basis of their future economic lives and will be amortized in 7 years starting from 2016.

Goodwill relates to the acquisition of the Marcolin Group as described in Note 6.

Amortization amounted to €1,088 thousand and includes:

- €46 thousand recognized in cost of sales;
- €381 thousand recognized in selling and marketing costs;
- €661 thousand recognized in general and administrative expenses.

The net book value of intangible assets and goodwill and the accumulated amortization as of June 30, 2013 are shown in the following table:

Intangible assets and goodwill (€/000)	Patent and intellectual property rights	Concessions, licenses and trademarks	Other intangible assets	Intangible assets in progress and advances	Total	Goodwill
Cost	8,183	18,738	8,080	563	35,564	189,063
Accumulated amortization	(6,689)	(6,395)	(682)	—	(13,766)	—
Net book value as of Jun 30, 2013	**1,494**	**12,343**	**7,398**	**563**	**21,798**	**189,063**

8 INTANGIBLE ASSETS AND GOODWILL (continued)

Impairment test structure

Impairment testing, under IAS 36, is performed at least annually for intangible assets with an indefinite useful life. Since the goodwill recognized in the June 2013 Interim Financial Statements derives from the business combination described in Note 6, the first impairment test will be performed as at December 31, 2013.

Other types of assets are tested when there is external or internal indication that those assets have suffered an impairment loss.

9 INVESTMENTS IN ASSOCIATES

Investments in associates, amounting to €88 thousand, relates to the investment in Finitec S.r.l. in liquidazione. Information regarding this associated company is shown below.

Finitec S.r.l. in liquidazione (€/000)	Jun 30, 2013	Dec 31, 2012
Assets	1,018	1,023
Liabilities	179	191
Equity	839	832
Net Sales	10	30
Income (loss) of the period	6	(27)
% ownership	40%	40%

Until May 2011, Finitec S.r.l. in liquidazione supplied galvanic and dye treatments for eyewear to Marcolin S.p.A..

Application of the equity method to measure the associate resulted in a cost for the six months ended June 30, 2013 of €1 thousand after applying the Group's accounting policies to the associate's financial statements.

The carrying value reflects the interest in equity of the associate, since there was no goodwill for the company.

The liquidation procedure will conclude when buildings owned by the associate will be sold.

10 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets amounted to €20,634 thousand as of June 30, 2013, decreasing of €1,610 thousand, from €22,244 thousand as of December 31, 2012.

The amount includes:

— €5,477 thousand related to Marcolin S.p.A. and €3,035 thousand referring to Marcolin USA Inc, for temporary differences between the tax base and carrying value of the assets and liabilities in the financial statements;

— €1,484 thousand regarding Marcolin France Sas and €3,451 thousand regarding Marcolin USA Inc attributable to tax benefits arising on accumulated tax losses of previous periods. Deferred tax assets have been recognized on the basis considering the current projections, it is probable that taxable income will be made against which the tax benefits shall be recovered within the currently foreseeable future;

— €7,083 thousand arising from the purchase price allocation described in Note 6.

There are additional, unrecognized deferred tax assets of € 4,699 thousand arising on tax losses reported in previous years by some subsidiaries (mainly Marcolin France Sas) which may be recognized in the future if the companies to which they relate should report the sufficient earnings.

As of June 30, 2013, deferred tax liabilities amounted to €250 thousand (€312 thousand as of December 31, 2012), relating to temporary differences between the value of the assets and liabilities in the consolidated statement of financial position and the value attributed to those assets and liabilities for tax purposes.

More information is provided in Note 29 on income tax expense.

11 OTHER NON-CURRENT ASSETS

Other non-current assets amounted to €8,978 thousand as of June 30, 2013, increasing of €219 thousand, from December 31, 2012.

The balance mainly consists of:

- €5,000 thousand (same amount on December 31, 2012): relating to a loan granted by Marcolin S.p.A. to a third party which bears interest at Libor 360 + 1% with a cap at 3%; the amount shall be repaid in semi-annual instalments from January 2016 to 2022;
- €2,600 thousand (€3,400 thousand on December 31, 2012): relating to a loan granted to a third party by Marcolin USA Inc which bears interest at a fixed rate of 2.5% with a repayment plan of semi-annual instalments from January 2013 to December 31, 2015.

12 INVENTORIES

The details of inventories are as follows:

Inventories (€/000)	As of Jun 30, 2013	As of Dec 31, 2012
Raw materials	12,444	12,673
Work in progress	9,298	8,914
Finished goods	43,205	50,806
Gross inventory	**64,947**	**72,393**
Inventory provision	(25,058)	(25,525)
Net Inventory	**39,889**	**46,868**

The table below sets forth the movements of the period in inventory provision:

(€/000)	Row material	Work in progress	Finished goods	Business combination effects	Total inventory provision
As of Dec 31, 2012	**4,647**	**2,623**	**10,885**	**7,369**	**25,525**
Accruals	85	998	—	—	1,083
Use	—	—	(648)	(900)	(1,548)
Translation difference	—	—	(2)	—	(2)
As of Jun 30, 2013	**4,732**	**3,621**	**10,235**	**6,469**	**25,058**

13 TRADE AND OTHER RECEIVABLES

The details of trade and other receivables are as follows:

Trade and other receivables (€/000)	As of Jun 30, 2013	As of Dec 31, 2012
Gross Receivables	64,067	58,438
Provision for bad debts	(4,605)	(4,731)
Net trade receivables	**59,462**	**53,707**
Tax receivables	7,525	7,921
Other receivables	3,289	2,289
Total other receivables	**10,814**	**10,210**
Total	**70,276**	**63,917**

Net trade receivables amounted to €59,462 thousand as of June 30, 2013, increasing of €5,755 thousand, from €53,707 thousand as of December 31, 2012. The increase was due to the seasonality of the revenues (see Note 33).

13 TRADE AND OTHER RECEIVABLES (continued)

All receivables are due within one year.

For the purpose of providing the disclosures required by IFRS 7, the trade receivables by geographical area are set forth below:

Receivables not overdue by geographical area (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Italy	10,559	11,762
Rest of Europe	13,893	10,696
North America	10,862	7,076
Rest of World	13,541	14,895
Total	**48,855**	**44,429**

The following table sets forth an analysis of the ageing of trade receivables due and past due:

Ageing analysis of trade receivables not protested (€/000)	Gross value	Provision	Net Value
December 31, 2012			
Not overdue	44,429	(183)	44,246
Overdue by less than 3 months	5,607	(412)	5,195
Overdue by 3 to 6 months	3,127	(457)	2,670
Overdue by more than 6 months	2,474	(1,170)	1,304
Total	**55,637**	**(2,222)**	**53,415**
June 30, 2013			
Not overdue	48,855	(76)	48,779
Overdue by less than 3 months	9,415	(367)	9,048
Overdue by 3 to 6 months	1,107	(389)	718
Overdue by more than 6 months	2,276	(1,611)	665
Total	**61,653**	**(2,443)**	**59,210**

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

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

Trade receivables overdue but not impaired (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Overdue by less than 3 months	9,048	5,194
Overdue by more than 3 months	1,382	3,974
Total	**10,430**	**9,168**

13 TRADE AND OTHER RECEIVABLES (continued)

In order to provide more detailed disclosure, an aging analysis of receivables in protest and the related write downs are set forth below.

Ageing analysis of trade receivables in protest (€/000)	Gross value	Provision	Net Value
December 31, 2012			
Past due less than 12 months	319	(234)	85
Past due more than 12 months	2,482	(2,275)	207
Total	**2,801**	**(2,509)**	**292**
June 30, 2013			
Past due less than 12 months	134	(99)	35
Past due more than 12 months	2,280	(2,063)	217
Total	**2,414**	**(2,162)**	**252**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Trade and other receivables by currency (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
EUR, Euro	44,170	40,626
USD, US Dollar	19,528	16,226
GBP, English Pound	2,001	1,726
CHF, Swiss Franc	232	174
JPY, Japanese Yen	11	11
BRL, Brazilian Real	2,763	3,885
Other currencies	1,571	1,269
Total	**70,276**	**63,917**

The movements for the period in the provision for bad debts are set forth below.

Provision for doubtful debts (€/000)	
As of Dec 31, 2012	**4,731**
Allocations	86
Uses	(187)
Reclassification and other changes	—
Translation difference	(25)
As of Jun 30, 2013	**4,605**

Management consider the provision to be reasonable based on currently available information.

The overdue trade receivables referred to in the tables above covered by guarantee are as follows:

Guarantees on overdue trade receivables (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Bank guarantee	90	514
Signed personal guarantee	138	167
Total trade receivables covered by guarantee	**228**	**681**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above except for the above receivables covered by guarantee.

14 OTHER CURRENT ASSETS

Other current assets amounted to €1.923 thousand as of June 30, 2013, increasing of €793 thousand, from €1,130 thousand as of December 31, 2012. The balance mainly consists of prepaid expenses for €1,755 thousand relating in particular to insurance expenses, rents and financial commission sustained for the obtaining of the medium and long term revolving credit lines better described in Note 16.

15 EQUITY

Share capital of the Company amounts to €1,200 thousand and is composed of 1.2 million ordinary shares fully paid with a par value of €1 per share.

On February 6, 2013 the Company's sole shareholder made a capital contribution of €27.3 million. This amount is included in ''other reserves'' as at June 30, 2013.

The Statement of changes in consolidated equity provides more detailed information on this item.

16 BORROWINGS

The following table sets forth a breakdown of borrowings as at June 30, 2013 (figures are expressed in thousands of Euro):

Company	Original Lenders	Currency	Original nominal value	Book value short term	Book value long term	Maturity date	Interest	Notes
Cristallo S.p.A.	Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., Unicredit S.p.A.	€	87,500	3,712	78,198	Jun 5, 2014	Euribor + 6.25%	(1)
Marcolin S.p.A	Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., Unicredit S.p.A.	€	22,500	1,034	20,390	Dec 5, 2019	Euribor + 6.25%	(2)
Marcolin S.p.A	Other financial institutions	€		91	207			(3)
Cristallo S.p.A.	Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., Unicredit S.p.A.	€	1,600	1,600	—	Jun 5, 2014	Euribor + 5.75%	(4)
Marcolin S.p.A	Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., Unicredit S.p.A.	€	4,000	4,000	—	Dec 5, 2018	Euribor + 5.75%	(5)
Marcolin S.p.A	Cassa di Risparmio del Veneto	€	3,350	3,350	—	Aug 17, 2013	3.15%	(6)
Marcolin S.p.A	BCC Factoring S.p.A., Factorit S.p.A., Ifitalia—International Factors Italia S.p.A.	€	n/a	4,126	—			
Marcolin S.p.A	Others—overdrafts	€	n/a	3,518	—			
	Total borrowings			**21,431**	**98,795**			
	Hedging instruments on interest rates			**139**	**4**			
	Total financial liabilities			**21,570**	**98,799**			

(1) The amount represents Facility A2 and Facility B2 of the Bridge Facility Agreement, which was entered into on December 5, 2012 for a total amount of €96,5 million, due to the acquisition of Marcolin Group (this agreement includes covenants regarding key performance and financial indicators of the consolidated financial statements). When the merger between Cristallo S.p.A. and Marcolin S.p.A. will take place, the maturity date of the Bridge Facility Agreement will be changed in December 5, 2019.

(2) The amount represents Facility A1 and Facility B1 of the Medium Term Facility Agreement, which was entered into on December 5, 2012 for a total amount €33,5 million (this agreement includes covenants regarding key performance and financial indicators of the consolidated financial statements).

(3) This item includes a Subsidized loan obtained under law 46/82 from Ministry of productive activities (technological innovation), repayable in 10 annual installments from June 26, 2007, with a residual outstanding amount of €246 thousand as of June 30, 2013. The remaining amount relates to finance lease contracts (€52 thousand on June 30, 2013).

(4) The amount is referred to the outstanding amount of the Bridge Revolving Facility related to the Bridge Facility Agreement.

(5) The amount is referred to the outstanding amount of the Revolving Facility related to the Medium Term Facility Agreement.

(6) Short term loan entered into on June 17, 2013 with Cassa di Risparmio del Veneto for €3.3 Million on June 30, 2013.

As of June 30, 2013, the Group was fully in compliance with the financial covenants under the Bridge and Medium Term Facility Agreements.

16 BORROWINGS (continued)

The following table sets forth the maturities of the financial payables, irrespective of they are classified as either current liabilities or non-current liabilities.

BORROWINGS—MATURITY (€/000)	Credit line used	Loans	Other borrowings	Hedging instruments on interest rates	TOTAL
within 1 year	12,468	4,746	4,217	139	21,570
from 1 to 3 years	—	16,509	198	4	16,711
from 3 to 5 years	—	22,680	9	—	22,689
more than 5 years	—	59,399	—	—	59,399
as of Jun 30, 2013	**12,468**	**103,334**	**4,424**	**143**	**120,369**

The average interest rate on credit lines provided to the Group as at the date of June 30, 2103 amounted to 7.71%.

17 LONG-TERM PROVISIONS

This line-item consists of:

- Non-current portion of a provision for an onerous contract (license agreement) with a negative fair value (see also Note 6) for €12,643 thousand as at June 30, 2013. For the current portion of the provision see Note 19;
- A provision to cover tax risks for €1,158 thousand;
- Employee severance indemnity provision (Italian ''TFR'') for €3,628 thousand (see Note 19).

18 TRADE PAYABLES

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

Trade payables by geographical area (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Italy	29,615	32,654
Rest of Europe	6,819	4,048
North America	4,965	7,416
Rest of World	7,564	14,672
Total	**48,963**	**58,790**

The decrease in trade payables in mainly due to a non recurring transaction for the renewal of the Tod's and Hogan licensing agreement, whose liability was booked at December 2012 and partially paid during the first half of 2013.

Trade payables are all short-term in nature.

In compliance with the disclosure requirements of IFRS 7, it is reported that on June 30, 2013 there were no past-due trade payables, with the exception of the accounts being protested by Marcolin S.p.A. with the suppliers.

19 SHORT-TERM PROVISIONS

The table below sets forth the most significant changes of the period:

(€/000)	Provisions for severance indemnities (TFR)	Provisions for severance indemnities (others)	Provision for onerous contract	Provision for tax risks	Channel clean-up provision	Other provisions	TOTAL
As of Dec 31, 2012	3,836	821	—	—	—	4,546	9,203
Business combination effects	—	—	15,274	1,158	2,557	—	18,989
Provisions as of Dec 31, 2012	**3,836**	**821**	**15,274**	**1,158**	**2,557**	**4,546**	**28,192**
Short-term provisions	*—*	*821*	*1,571*	*—*	*2,557*	*4,546*	*9,495*
Long-term provisions	*3,836*	*—*	*13,703*	*1,158*	*—*	*—*	*18,697*
Accruals	*—*	*49*	*—*	*—*	*—*	*737*	*786*
Use	*(120)*	*(107)*	*(1,571)*	*—*	*(250)*	*(556)*	*(2,604)*
Actuarial loss (gain)	*(134)*	*(45)*	*—*	*—*	*—*	*—*	*(179)*
Interest	*39*	*—*	*—*	*—*	*—*	*—*	*39*
Translation difference	*—*	*(3)*	*—*	*—*	*—*	*8*	*5*
Other changes	*7*	*—*	*—*	*—*	*—*	*121*	*128*
Provisions as of Jun 30, 2013	**3,628**	**715**	**13,703**	**1,158**	**2,307**	**4,856**	**26,367**
Short-term provisions	*—*	*715*	*1,060*	*—*	*2,307*	*4,856*	*8,938*
Long-term provisions	*3,628*	*—*	*12,643*	*1,158*	*—*	*—*	*17,429*

The following table shows the various parameters used for the relevant actuarial calculation for the employee severance indemnity provision (''TFR'').

Actuarial Assumptions	Jun 30, 2013
Mortality rate	RG 48 table of Public Accounting Office
Disability rate:	INPS table by age and gender
Personnel turnover rate:	5.00%
Frequency of severance payment	2.00%
Discount/interest rate:	2.45%
TFR increase rate:	3.00%
Inflation rate:	2.00%

The provision for onerous contract is related to the current portion of a provision for an onerous contract (license agreement) with a negative fair value for €1,060 thousand. For the non-current portion see Note 17.

The provisions for agency termination and similar obligations consist of the estimated indemnities payable to agencies upon termination, the amount of which was discounted to present value on the basis of long-term use.

The other provisions consist of allowances for risks regarding customer returns and product warranties for an amount of €4,167 thousand. The provisions were reported largely by Marcolin USA Inc, Marcolin S.p.A. and Marcolin France Sas.

The other items included in the other provisions refer to Marcolin S.p.A. and Marcolin USA Inc for a total amount of €689 thousand, mainly for risks regarding contingent liabilities arising from legal, tax and contractual obligations.

20 OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

Other current liabilities (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Payables to personnel	8,177	6,285
Social security payables	1,508	2,165
Other accrued expenses and deferred income	693	1,155
Contingent liability related to tender offer	—	53,619
Total other current liabilities	**10,378**	**63,224**

The other current liabilities consist primarily of €8,177 thousand due to personnel and €1,508 thousand to social security.

The increase in Payables to personnel of €1,892 thousand mainly relates to vacation accrued and deferred wages.

21 COMMITMENTS AND GUARANTEES

Below are detailed the main commitments and guarantees of the Group companies:

Guarantees issued (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Guarantees to third parties	161	46

The Group operates with several contracts for the use of trademarks owned by third parties for the production and distribution of prescription frames and sunglasses.

Those contracts require payment of guaranteed minimum royalties per annum over the duration of the contracts, as set forth in the table below:

Royalties (€/000)	As of	
	Jun 30, 2013	Dec 31, 2012
Within one year	44,758	47,391
From one to five years	139,494	157,184
Over five years	62,418	63,882
Total	**246,670**	**268,457**

On June 30, 2013 the future commitments amounted to €247 million (€268 million on December 31, 2012), including €45 million falling due within the next year.

21 COMMITMENTS AND GUARANTEES (continued)

Details of the rent and operating lease commitments are set forth below, in accordance with IAS 17:

Commitments (€/000)	As of Jun 30, 2013	As of Dec 31, 2012
Rent		
Within one year	1,490	1,054
From one to five years	2,716	2,560
Over five years	160	26
Total	**4,366**	**3,640**
Operating leases		
Within one year	615	476
From one to five years	509	126
Over five years	11	—
Total	**1,135**	**602**
TOTAL	**5,501**	**4,242**

The rent commitments refer mainly to the lease of the offices and warehouse of the American subsidiary.

Classification of financial assets and liabilities

In order to complete the disclosure on financial risks, below is a reconciliation of classes of financial assets and liabilities, as identified in the consolidated statement of financial position and the type of financial assets and liabilities identified on the basis of the requirements of IFRS7 as at June 30, 2013:

(€/000)	Assets at fair value through P&L	Loans and receivables	Assets held to maturity	Assets available for sale	Liabilities at fair value through P&L	Liabilities at amortized cost	Liabilities according to IAS 17	Total
Current assets								
Trade and other receivables	—	70,276	—	—	—	—	—	70,276
Other current assets	116	303	—	—	—	—	—	419
Cash and cash equivalents	—	21,402	—	—	—	—	—	21,402
Non-current assets								
Other non-current assets	—	8,978	—	—	—	—	—	8,978
Current liabilities								
Trade payables	—	—	—	—	—	48,963	—	48,963
Short-term borrowings	—	—	—	—	139	21,421	10	21,570
Non-current liabilities								
Long-term borrowings	—	—	—	—	4	98,753	42	98,799

22 REVENUE

The following table sets forth a geographical analysis of revenue for the period:

(€/000)	For the six months ended June 30, 2013
Europe	51,276
U.S.A.	29,432
Asia	11,573
Rest of the World	19,940
TOTAL	**112,221**

Revenue are presented based on the country of the final customer.

23 COST OF SALES

The following table sets forth a breakdown of cost of sales for the period:

(€/000)	For the six months ended June 30, 2013
Purchase of materials and finished goods	21,399
Personnel expenses	8,576
Changes in inventory	6,720
Outsourcing	3,323
Amortization and depreciation	1,126
Other expenses	2,287
Total	**43,431**

The cost of sales was 38.7% of total sales.

Other expenses refer principally to purchasing charges (freight and customs duties) and industrial consulting services.

24 SELLING AND MARKETING COSTS

The following table sets forth a breakdown of selling and marketing costs for the period:

(€/000)	For the six months ended June 30, 2013
Personnel expenses	14,808
Royalties	14,715
Advertising and PR	8,921
Commissions	3,374
Amortization and depreciation	536
Other costs	6,986
Total	**49,340**

The other costs consist mainly of sales expenses, including transport and rentals.

25 GENERAL AND ADMINISTRATIVE EXPENSES

The following table sets forth a breakdown of general and administrative expenses for the period:

(€/000)	For the six months ended June 30, 2013
Personnel expenses	4,170
Amortization and depreciation	909
Bad debt provision	86
Other costs	5,592
Total	**10,757**

The ''other costs'' of €5,592 thousand consist mainly of the following:

- costs for consulting services and fees paid for the acquisition of Marcolin Group;
- directors, statutory auditor and auditing firm compensation;
- IT expenses;
- other general and administrative services.

26 EMPLOYEES

Details of the total number of employees of the Group are shown below:

	Final Number		Average number
Employees Category	Jun 30, 2013	Dec 31, 2012	Jun 30, 2013
Senior Managers	29	28	27
Junior Managers	69	67	68
Staff	422	379	419
Manual workers	369	403	365
Total	**889**	**877**	**879**

The compensation paid or payable to key management for employee services rendered in the period (salaries, other short-term employee benefits, termination benefits and post-employment benefits) amounted to €2,426 thousand.

27 OTHER OPERATING INCOME AND EXPENSES

The following table sets forth a breakdown of other operating income and expenses for the period:

(€/000)	For the six months ended June 30, 2013
Refunded transport costs	652
Provisions released	158
Other income	730
Total other income	**1,540**
Write downs of receivables	(20)
Other expense	(347)
Total other expenses	**(367)**
Total	**1,173**

Other income consists principally of costs for advertising materials and other costs charged to third parties by Marcolin S.p.A..

28 FINANCIAL INCOME AND COSTS

The following table sets forth the breakdown of financial income and costs:

Financial income and costs (€/000)	For the six months ended June 30, 2013
Financial income	936
Financial costs	(6,345)
Total	**(5,409)**

The following table sets forth the breakdown of financial income:

Financial income (€/000)	For the six months ended June 30, 2013
Interest income	115
Other income	214
Gains on currency exchange	607
Total	**936**

The following table sets forth the breakdown of financial costs:

Financial costs (€/000)	For the six months ended June 30, 2013
Interest expenses	(4,999)
Cash discount	(447)
Losses on currency exchange	(899)
Total	**(6,345)**

Financial costs refers mostly to the interest paid for the new credit facilities made available to the Group under Bridge Facility Agreement and Medium Term Facility Agreement entered into at the end of 2012.

29 INCOME TAX EXPENSE

The deferred tax assets and liabilities reported in the consolidated statement of financial position and the changes thereof are presented in the following tables:

Deferred taxes (€/000)	As of Jun 30, 2013
Temporary differences on non-current assets	(301)
Temporary differences on current assets	9,545
Temporary differences on allocation of provisions	6,455
Tax losses carry forwards	4,935
Deferred tax assets	**20,634**
Temporary differences on non-current assets	(1,112)
Temporary differences on current assets	862
Deferred tax liabilities	**(250)**
Net deferred tax assets	**20,384**

29 INCOME TAX EXPENSE (continued)

Changes in net deferred tax assets (€/000)	
Net deferred tax assets as at Dec 31, 2012	**21,932**
Recognized in profit or (loss)	(1,595)
Recognized in equity	(10)
Other changes	—
Foreign exchange differences	57
Net deferred tax assets as at Jun 30, 2013	**20,384**

Potential deferred tax assets of €4,699 thousand arising on tax losses reported principally by Marcolin France Sas and Marcolin GmbH were not recognized because no forecasts are currently available that reasonably expect recovery of such assets.

Current taxes were determined on the basis of the taxable income arising from the profit for the period, taking into account the use of any accumulated tax losses and applying the nominal tax rates in force in each country.

Income tax expense (€/000)	As of Jun 30, 2013
Current taxes	(2,426)
Deferred taxes	(1,595)
Income from participation in tax consolidation	1,268
Taxes relating to prior years	(116)
Total income taxes	**(2,869)**

Tax rate reconciliation (€/000)	As of Jun 30, 2013
Profit/(loss) before taxes	4,458
Tax expected (based on local tax rate)	1,810
Taxes relating to prior years	116
Tax effect on permanent differences	305
Taxes on productive activities and flat-rate taxes	638
Total income taxes	**2,869**

The theoretical average tax rate of the period is 40.6%, whereas the effective tax rate is 64.4%.

30 OTHER INFORMATION

Disclosure of atypical, unusual and related-party transactions

Information with respect to atypical and unusual transactions and transactions with related parties is provided below.

Atypical and unusual transactions

For the six months ended June 30, 2013 there were no atypical and/or unusual transactions, including with other Group companies, nor there were any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Cristallo S.p.A. and the Group, except for the business combination described in Note 6.

Transactions with related parties

Cristallo S.p.A. is controlled by Marmolada S.p.A., a company subject to Italian Law, which is indirectly controlled by Tofane SA, a company incorporated under Luxemburg Law. Tofane SA in directly

30 OTHER INFORMATION (continued)

controlled by investment funds managed by PAI Partners SAS (''PAI''), a French company, with registered office at 232, Rue de Rivoli F75054, Paris.

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

The following table sets forth the balances and transactions with associates and other related parties:

COMPANY (€/000)	Receivables as of		Payables as of	
	Jun 30, 2013	Dec 31, 2012	Jun 30, 2013	Dec 31, 2012
Tod's S.p.A.	496	7,116	11,140	15,505
O.T.B. Group	40	—	69	—
PAI Partners SAS	9	—	—	—
Coffen Marcolin Maurizio	3	—	30	—
Coffen Marcolin Cirillo	—	—	5	—
Marmolada S.p.A.	1,268	—	—	—

COMPANY (€/000)	Expenses	Revenues
	For the six months ended June 30, 2013	For the six months ended June 30, 2013
Tod's S.p.A.	1,320	967
O.T.B. Group	1,297	633
PAI Partners SAS	—	9
Coffen Marcolin Maurizio	193	25
Coffen Marcolin Cirillo	52	—
Marmolada S.p.A.	—	1,268

The transactions with Tod's S.p.A. and O.T.B. Group related to the licensing agreements for the brand owned by the licensors.

The amounts with Marmolada S.p.A. derive from the participation of the Italian companies in the national tax consolidation regime (see Notes 2 and 29).

The amounts with Coffen Marcolin Maurizio and Coffen Marcolin Cirillo related to consulting services and director emolument, respectively.

On the basis of the foregoing, the resulting balances are not considered to have a significant impact on the Group's financial position, financial performance or cash flows.

31 SEGMENT REPORTING

The following information is set forth according to the geographical areas in which the Group operates. The geographical areas have been identified as primary segments of business. The methods used to identify primary business segments have been selected according to the Group's operating policies. The policies provide for aggregation by specific geographical area according to the location of the Group's companies. Accordingly, revenue are segmented by reference to geographical area in which the reporting entity resides.

(€/000)	For the six months ended June 30, 2013						
	Italy	France	Rest of Europe	North America	Rest of World	Other	Cristallo Group
Revenue	44,892	11,504	15,968	36,696	3,161		112,221
Gross profit	22,948	8,126	11,543	23,745	1,580	848	68,790
in % of revenue	51.1%	70.6%	72.3%	64.7%	50.0%	n/a	61.3%
Total assets	320,657	7,018	13,219	47,118	5,733		393,745

32 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There were no significant non-recurring events or transactions that impacted the Group's financial position, financial performance or cash flows in the six months ended June 30, 2013, except for the business combination described in Note 6.

33 SEASONALITY

The business is 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 consumers purchase new sunglasses in anticipation of the spring months. Such seasonality results in greater revenue recorded in the first half of the year than the second half, while operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause working capital requirements to vary from period on period, depending on the variability in the volumes and timing of sales of sunglasses, in particular, trade receivables are generally higher at June 30, than at December 31.

34 SUBSEQUENT EVENTS

No significant or noteworthy events occurred after the reporting date that could have an impact on these June 2013 Interim Financial Statements.

Semiannual Financial Statements
Marcolin Group
June 30, 2012

Registered Office, Executive Management and Business Offices
Z.I. Villanova, 4—Longarone (BL)
Share capital € 32,312,475.00 fully paid in
R.E.A. n. 64334
Tax code and Companies Register n. BL 01774690273
VAT n. 00298010257

Deloitte.

Deloitte & Touche S.p.A.
Via Fratelli Bandiera, 3
31100 Treviso
Italia

Tel: +39 0422 587.5
Fax:+39 0422 587812
www.deloitte.it

AUDITORS' REVIEW REPORT ON THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
MARCOLIN S.p.A.

1. We have reviewed the half-yearly condensed consolidated financial statements of Marcolin S.p.A. and subsidiaries (the ''Marcolin Group''), which comprise the balance sheet as of June 30, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and the related explanatory notes. The Company's directors are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue a report on these half-yearly condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (''Consob'') for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of gathering information on the captions of the half-yearly condensed consolidated financial statements and assessing whether accounting policies have been consistently applied through enquiries of management responsible for financial and accounting matters and in applying analytical procedures to the underlying financial data. The review excluded audit procedures such as tests of controls and substantive procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike in our auditors' report on the year-end consolidated financial statements, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

   As far as comparative figures related to the year ended December 31, 2011 and the six-month period ended June 30, 2011 are concerned, reference should be made to our auditors' report dated March 29, 2012 and our auditors' review report dated August 25, 2011, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half yearly condensed consolidated financial statements of Marcolin Group as of June 30, 2012 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Beciani
Partner

Treviso, Italy
August 10, 2012

This report has been translated into the English language solely for the convenience of international readers.

Ancona Ban Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25-20144 Milano - Capitale Sociale: Euro 10.328.120.00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

Marcolin Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	Note	JUN 30, 2012	Of which related parties	DEC 31, 2011	Of which related parties	JUN 30, 2011	Of which related parties
ASSETS							
NON CURRENT ASSETS	3.1						
PROPERTY, PLANT AND EQUIPMENT		20,276		20,206		20,045	
INTANGIBLE ASSETS		14,271		13,894		13,363	
GOODWILL		2,567		2,498		2,236	
INVESTMENTS		97		96		101	
DEFERRED TAX ASSETS		16,589		14,186		11,224	
OTHER NON CURRENT ASSETS		4,368		5,335		5,148	
TOTAL NON CURRENT ASSETS		**58,168**		**56,216**		**52,117**	
CURRENT ASSETS	3.2						
INVENTORIES		47,120		46,709		38,163	
TRADE AND OTHER RECEIVABLES		67,878	106	63,371	1,976	70,840	725
OTHER CURRENT ASSETS		1,030		704		1,006	
CASH AND CASH EQUIVALENTS		24,268		30,986		29,223	
TOTAL CURRENT ASSETS		**140,296**	**106**	**141,770**	**1,976**	**139,232**	**725**
TOTAL ASSETS		**198,463**	**106**	**197,987**	**1,976**	**191,349**	**725**
SHAREHOLDERS' EQUITY							
SHARE CAPITAL		31,958		31,958		31,958	
ADDITIONAL PAID IN CAPITAL		24,517		24,517		24,517	
LEGAL RESERVE		3,610		2,403		2,403	
OTHER RESERVES		2,606		1,769		(1,834)	
RETAINED EARNINGS (LOSSES)		26,440		12,808		12,771	
PROFIT (LOSS) FOR THE PERIOD		12,620		20,979		15,871	
MINORITY INTERESTS		0		0		0	
TOTAL SHAREHOLDERS' EQUITY		**101,751**		**94,435**		**85,687**	
LIABILITIES							
NON CURRENT LIABILITIES	3.3						
LONG TERM BORROWINGS		20,264		22,452		21,212	
LONG TERM PROVISIONS		3,410		3,200		3,133	
DEFERRED TAX LIABILITIES		662		664		979	
OTHER NON CURRENT LIABILITIES		0		0		0	
TOTAL NON CURRENT LIABILITIES		**24,337**		**26,316**		**25,324**	
CURRENT LIABILITIES	3.4						
TRADE PAYABLES		40,734	1	43,775	132	38,871	194
SHORT TERM BORROWINGS		7,763		12,002		13,749	
SHORT TERM PROVISIONS		6,898		8,487		6,732	
INCOME TAXES		6,118		3,263		9,625	
OTHER CURRENT LIABILITIES		10,862		9,710		11,362	
TOTAL CURRENT LIABILITIES		**72,376**	**1**	**77,236**	**132**	**80,338**	**194**
TOTAL LIABILITIES		**96,712**	**1**	**103,552**	**132**	**105,662**	**194**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**198,463**	**1**	**197,987**	**132**	**191,349**	**194**

Marcolin Group

CONSOLIDATED INCOME STATEMENT

(euro/000)	Note	H1 2012	Of which related parties	%	H1 2011	Of which related parties	%
NET SALES	4.1	**121,496**	**632**	**100.0%**	**124,924**	**754**	**100.0%**
COST OF SALES	4.2	**(45,103)**		**(37.1)%**	**(43,016)**	**(161)**	**(34.4)%**
GROSS PROFIT		**76,392**		**62.9%**	**81,908**		**65.6%**
SELLING AND MARKETING COSTS	4.3	(51,632)	(3,506)	(42.5)%	(51,976)	(2,525)	(41.6)%
GENERAL AND ADMINISTRATIVE EXPENSES	4.4	(8,299)		(6.8)%	(9,940)		(8.0)%
OTHER OPERATING INCOME AND EXPENSES	4.5						
OTHER OPERATING INCOME		1,849		1.5%	1,698		1.4%
OTHER OPERATING EXPENSES		(135)		(0.1)%	(82)		(0.1)%
TOTAL		**1,714**		**1.4%**	**1,616**		**1.3%**
EFFECTS OF ACCOUNTING FOR ASSOCIATES	4.6	364		0.3%	(226)		(0.2)%
EBITDA		**20,661**		**17.0%**	**23,706**		**19.0%**
OPERATING PROFIT—EBIT		**18,539**		**15.3%**	**21,381**		**17.1%**
FINANCIAL INCOME AND EXPENSES	4.7						
FINANCIAL INCOME		749		0.6%	1,066		0.9%
FINANCIAL EXPENSES		(1,931)		(1.6)%	(2,143)		(1.7)%
TOTAL		**(1,182)**		**(1.0)%**	**(1,077)**		**(0.9)%**
NET RESULT BEFORE TAXES		**17,357**		**14.3%**	**20,304**		**16.3%**
INCOME TAXES		(4,737)		(3.9)%	(4,433)		(3.5)%
MINORITY INTERESTS		0		0.0%	0		0.0%
NET RESULT		**12,620**		**10.4%**	**15,871**		**12.7%**
EPS (Euro)	5	**0.205**			**0.258**		
EPS diluted (Euro)		**0.205**			**0.258**		

Marcolin Group
STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Note	H1 2012	Of which related parties	%	H1 2011	Of which related parties	%
NET RESULT		**12,620**			**15,871**		
CURRENCY TRANSLATION DIFFERENCES		842			(2,512)		
NET GAIN (LOSS) OF CASH FLOW HEDGE		0			87		
NET COMPREHENSIVE INCOME		**13,462**			**13,446**		

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(euro/000)	Issued capital	Additional paid in capital	Legal Reserve	Other reserves	Retained earnings (losses)	Income (loss) for the period	Minorities Interest	Total
1 Jan 2011	**31,958**	**24,517**	**1,833**	**820**	**885**	**18,606**	**0**	**78,620**
Earnings (losses) Stock Option reserve	0	0	0	(230)	0	0	0	**(230)**
Dividends distributed	0	0	0	0	(6,146)	0	0	**(6,146)**
Allocation of 2010 profit	0	0	570	0	18,036	(18,606)	0	**0**
Comprehensive result	0	0	0	(2,424)	0	15,871	0	**13,446**
30 Jun 11	**31,958**	**24,517**	**2,403**	**(1,834)**	**12,771**	**15,871**	**0**	**85,687**
1 Jan 12	**31,958**	**24,517**	**2,403**	**1,769**	**12,808**	**20,979**	**0**	**94,435**
Dividends distributed	0	0	0	0	(6,146)	0	0	**(6,146)**
Allocation of 2011 profit	0	0	1,206	0	19,773	(20,979)	0	**0**
Comprehensive result	0	0	0	837	5	12,620	0	**13,462**
30 Jun 2012	**31,958**	**24,517**	**3,610**	**2,606**	**26,440**	**12,620**	**0**	**101,751**

CONSOLIDATED CASH FLOW STATEMENT

(euro/000)	H1 2012	H1 2011	2011
Operating activities :			
Income (loss) for the period	12,620	15,871	20,979
Depreciation and Amortisation	1,940	2,019	3,984
Provisions	1,950	1,758	7,282
Impairment	0	0	158
Income taxes	4,737	4,433	6,165
Interest expenses	642	408	1,720
Other non-cash items	49	(78)	933
Operating profit before working capital changes	*21,939*	*24,412*	*41,221*
(Increase) decrease trade receivables	(4,685)	(8,940)	(2,749)
(Increase) decrease other receivables	673	(543)	(32)
(Increase) decrease inventory	(981)	3,629	(6,860)
(Decrease) increase trade payables	959	(1,885)	3,019
(Decrease) increase other payables	1,152	2,088	436
(Utilisation) of provisions	(2,684)	(1,029)	(3,777)
(Decrease) increase tax payables	11	4,034	(1,028)
Other non-cash items	(1,371)	(2,952)	(94)
Income taxes paid	(3,349)	(1,312)	(11,253)
Interest paid	(451)	(386)	(1,060)
Cash flows provided (used) by working capital changes	*(10,724)*	*(7,296)*	*(23,398)*
Cash flows provided by operating activities	**11,215**	**17,115**	**17,822**
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	(1,692)	(1,408)	(4,028)
Proceeds from the sale of property, plant and equipment	30	2,964	3,105
(Purchase) of intangible assets	(4,576)	(6,100)	(6,925)
Cash flows (used) in investing activities	**(6,238)**	**(4,544)**	**(7,848)**
FINANCING ACTIVITES			
Loan			
Net increase (decrease) bank borrowings	(54)	(3,167)	(57)
Borrowings			
—Increase	0	0	6,000
—Decrease	(6,561)	(6,266)	(15,546)
Changes in reserves	814	(2,512)	1,047
Dividend paid	(6,146)	(6,146)	(6,146)
Cash flows (used) in financing activities	**(11,946)**	**(18,090)**	**(14,701)**
Cash and cash equivalents increase (decrease)	**(6,968)**	**(5,519)**	**(4,727)**
Effect of exchange rates on cash	250	(729)	243
Cash and cash equivalents at beginning of year	**30,986**	**35,471**	**35,471**
Cash and cash equivalents at year end	**24,268**	**29,223**	**30,986**

NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AS AT JUNE 30, 2012

1. INTRODUCTION

1.1. The Group's business

MarcolinS.p.A. (''the Company'' or ''the parent company'') is the parent company of the Marcolin Group, which operates in Italy and abroad in the manufacturing and distribution of eyeglass frames and sunglasses.

2. ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

2.1. Accounting policies

The Group's consolidated financial statements are prepared according to the International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board (''IASB'') and approved by the European Union with Regulation (EC) n. 1606/2002. The condensed consolidated semiannual financial statements were prepared in compliance with International Accounting Standard (''IAS'') 34 (Interim Financial Reporting). Accordingly, the condensed semiannual financial statements do not include all the disclosures required for annual financial statements and should be read together with the annual financial statements for the year ended December 31, 2011. The accounting and consolidation policies adopted to prepare the condensed semiannual financial statements are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2011, which should be referred to in this respect, except as concern the amendments and interpretations adopted from January 1, 2012.

Pursuant to Consob Resolution n. 15519 of July 27, 2006, the Group elected to use the following financial statement formats, which comply with IAS 1:

- the income statement that classifies costs by their function, and a separate 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 uses columns, with reconciliation of the opening and closing balances for each item of equity;
- the cash flow statement prepared with the indirect method, which presents cash flows by operating, investing and financing activity for the period.

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

The same types of financial statements were used to prepare the annual consolidated financial statements as at December 31, 2011.

Accounting policies, amendments and interpretations adopted from January 1, 2012 that are not significant for the Group

TITLE	Date of publication	Effective date
Amendments		
IFRS 7 Financial Instruments: Disclosures	Oct-10	Jan-12

2. ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION (continued)

Accounting standards and amendments not applicable yet and not adopted early by the Group

TITLE	Date of publication from IASB	Effective date
Standards and Interpretations		
IFRS 9 Financial Instruments	Oct-09	Jan-15
IFRS 10 Consolidated Financial Statements	May-11	Jan-13
IFRS 11 Joint Arrangements	May-11	Jan-13
IFRS 12 Disclosures of Interests in Other Entities	May-11	Jan-13
IFRS 13 Fair Value Measurement	May-11	Jan-13
IAS 27 Separate Financial Statements	May-11	Jan-13
IAS 28 Investments in Associates and Joint Ventures	May-11	Jan-13
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Oct-11	Jan-13
Amendments to IFRS (2012)	May-12	Jan-13
Amendments		
Presentation of items of Other Comprehensive Income (Amendments to IAS 1)	June-11	July-12
Amendments to IAS 19 Employee Benefits	June-11	Jan-13
Amendments to IFRS 7 Financial Instruments: Disclosures	Dec-11	Jan-13
Amendments to IAS 32 Financial Instruments	Dec-11	Jan-14
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	June-12	Jan-13

Use of estimates

In preparing the condensed consolidated semiannual financial statements, management made measurements, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and disclosures regarding contingent assets and liabilities at the reporting date. Actual results could differ from those estimates.

The valuation process, especially in the more complex areas, such as in determining whether fixed assets and equity interests have suffered impairment losses, can be completed only at the time the annual consolidated financial statements are prepared, when all necessary information is available, unless indications of impairment are present that require immediately assessing any losses in value.

2.2. Basis of consolidation

The Marcolin Group's condensed consolidated semiannual financial statements as at June 30, 2012 reflect the consolidation scope at such date, i.e. MarcolinS.p.A. (Parent Company) and its Italian and foreign subsidiaries and companies over which it has to power to exercise dominant influence, whether directly or indirectly.

2. ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION (continued)

The companies consolidated on a line-by-line basis and those accounted for using the equity method are listed below:

Company	Headquarters	Currency	Share capital	Consolidated method	% ownership	
					Direct	Indirect
EYESTYLE.COM Srl	Longarone	EUR	150,000	Line-by-line	100.00%	—
Marcolin Asia Ltd	Hong Kong	USD	198,863	Line-by-line	—	100.00%
Marcolin Benelux Sprl	Faimes	EUR	280,000	Line-by-line	99.98%	—
Marcolin do BrasilLtda	Jundiai	BRL	9,575,240	Line-by-line	99.90%	0.10%
Marcolin (Deutschland) GmbH	Ludwigsburg	EUR	300,000	Line-by-line	100.00%	—
Marcolin GmbH	Fullinsdorf (CH)	CHF	200,000	Line-by-line	100.00%	—
MarcolinIberica SA	Barcellona	EUR	487,481	Line-by-line	100.00%	—
Marcolin International BV	Amsterdam	EUR	18,151	Line-by-line	100.00%	—
Marcolin Portugal Lda	Lisbona	EUR	420,000	Line-by-line	99.82%	—
Marcolin (UK) Ltd	Newbury	GBP	850,000	Line-by-line	99.88%	—
MarcolinUsaInc	New York	USD	536,500	Line-by-line	85.40%	14.60%
Marcolin France Sas	Parigi	EUR	1,054,452	Line-by-line	76.89%	23.11%
Finitec Srl in liquidation	Longarone	EUR	54,080	Equity	40.00%	—

The following events changed the scope of consolidation with respect to December 31, 2011:

- a newly founded company EYESTYLE.COM S.r.l., which is not operating yet, became part of the consolidation scope;
- the liquidation procedure for Marcolin Japan Co. Ltd, an associated company, was completed, so since the end of February 2012 this company has no longer been included within the consolidation scope.

The currency exchange rates used are set forth below:

	Currency	Final exchange rate			Average exchange rate		
		30.06.2012	30.06.2011	Change	H1 2012	H1 2011	Change
Pound Sterling	GBP	0.807	0.903	(10.6)%	0.823	0.868	(5.3)%
Swiss Franc	CHF	1.203	1.207	(0.3)%	1.205	1.269	(5.1)%
U.S.Dollar	USD	1.259	1.445	(12.9)%	1.296	1.403	(7.6)%
Brazilian Real	BRL	2.579	2.260	14.1%	2.414	2.288	5.5%
Hong Kong Dollar	HKD	9.766	11.248	(13.2)%	10.062	10.921	(7.9)%

Financial Risk Factors

Market risks

Management of financial risks is an integral part of the Marcolin Group's activities and is performed centrally by the parent company based on guidelines covering some specific areas, such as the hedging of foreign currency risks (particularly with the U.S. Dollar) and interest rate risks.

The Group seeks to minimize the impact of such risks on its results, including through the use of some derivative instruments exclusively for hedging purposes. However, under the applicable accounting policies (IAS 39), the hedging transactions do not qualify for hedge accounting even though they were entered into for hedging purposes.

2. ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION (continued)

Currency risk

The Group operates on an international level and is exposed to foreign exchange risk. Currency risk is managed centrally by the parent company, which uses internal resources to check and monitor fluctuations in the balances of its various foreign currency items in order to evaluate whether to apply hedges through dealings on the derivatives market.

The Company has a specific policy in place for managing currency risk.

Details of the hedging contracts in place on June 30, 2012 are as follows:

CURRENCY HEDGES (euro/000)

Type	Financial institution	Notional	Currency	Maturity date	Mark to Market
Currency forward purchase . .	Veneto Banca	3,000	USD	December 31, 2012	246
Currency forward purchase . .	Veneto Banca	2,400	USD	June 28, 2013	72
Currency forward purchase . .	Veneto Banca	3,000	USD	December 30, 2013	93
					411

The contracts had a positive fair value of € 411 thousand on June 30, 2012 that was accounted for under ''other receivables'' in the statement of financial position, and the € 3 thousand change with respect to December 31, 2011 was recognized as a loss on currency exchange rates.

Interest rate risk

Interest rate risk can be broken down into fair value risk and cash flow risk.

The Group is exposed predominantly to cash flow risk originating from loans at variable interest rates.

The loans are described subsequently in these notes to the financial statements.

The Group manages interest rate risk by using derivatives, usually interest rate swaps, which allow for reducing the variability in interest rates. There were no such derivatives in place on June 30, 2012.

Credit risk

The Group does not have a significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency, statistical records and the respective market risk.

Guidelines have been implemented for managing customer credit to ensure that sales are conducted only with reasonably reliable and solvent parties, and differentiated credit exposure ceilings are set.

Liquidity risk

Prudent management of liquidity risk entails maintaining a sufficient level of liquidity and having sources of funding available including by means of adequate credit lines. Due to the dynamic nature of its business, the Group prefers the flexibility of obtaining funding through the use of credit lines. At present, based on its available sources of funding and credit lines, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations. The types of credit lines available and the base rate on the reference date are reported subsequently in these notes.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1. Non-current assets

The composition of non-current assets is shown below:

NON CURRENT ASSETS (euro/000)	June 30, 2012	December 31, 2011	June 30, 2011
PROPERTY, PLANT AND EQUIPMENT	20,276	20,206	20,045
INTANGIBLE ASSETS	14,271	13,894	13,363
GOODWILL	2,567	2,498	2,236
INVESTMENTS	97	96	101
DEFERRED TAX ASSETS	16,589	14,186	11,224
OTHER NON CURRENT ASSETS	4,368	5,335	5,148
TOTAL	**58,168**	**56,217**	**52,117**

The total value of non-current assets rose by € 1,951 thousand from December 31, 2011.

The most significant changes refer to:

- deferred tax assets, which rose by € 2,403 thousand. The amount refers primarily to Marcolin U.S.A. (€ 8,273 thousand) and the parent company (€ 5,977 thousand) for deferred tax assets arising on temporary differences between the value of the assets and liabilities accounted for in the financial statements and the value attributed to those assets and liabilities for tax purposes. It also includes € 2,305 thousand relating to Marcolin France in connection with benefits arising on accumulated tax losses. Recognition of the deferred tax assets was possible thanks to the positive results reported by the French company recently; considering the current projections, it is likely that taxable income will be made against which the reported deferred tax assets shall be recovered within the currently foreseeable future. The benefit recognized for the first six months of 2012 is € 1,074 thousand;
- intangible assets, which rose by € 377 thousand from December 31, 2011 due mainly to intangible assets under formation and advances for some projects being implemented by the parent company;
- other non-current assets, which fell by € 967 thousand, refer almost entirely to a loan granted by subsidiary Marcolin U.S.A. to a third party which bears interest at market rates. The reduction is attributable to the reclassification of the short-term part of the loan to ''current assets'', given that the loan shall be repaid with semi-annual installments from 2013 to 2015.

The following table sets forth the property, plant and equipment and intangible assets of the first half of 2012 against the corresponding period of 2011.

(euro/000)	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	GOODWILL
Net value at beginning of 2011	20,180	3,732	2,419
Increases	1,408	10,490	0
Decreases	(90)	(93)	0
Amortization and other movements	(1,453)	(766)	(183)
Net value at 30.06.2011	**20,045**	**13,363**	**2,236**
Net value at beginning of 2012	20,206	13,894	2,498
Increases	1,692	576	0
Decreases	(29)	0	0
Amortization and other movements	(1,593)	(199)	69
Net value at 30.06.2012	**20,276**	**14,271**	**2,567**

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

3.2. Current assets

The composition of current assets is shown below:

CURRENT ASSETS	June 30, 2012	December 31, 2011	June 30, 2011
(euro/000)			
INVENTORIES	47,120	46,709	38,163
TRADE AND OTHER RECEIVABLES	67,878	63,371	70,840
OTHER CURRENT ASSETS	1,030	704	1,006
CASH AND CASH EQUIVALENTS	24,268	30,986	29,223
TOTAL	**140,296**	**141,770**	**139,232**

The total value of current assets fell by € 1,474 thousand from December 31, 2011. This is the result of the following:

- the value of inventory rose by € 411 thousand mainly as a result of seasonal factors; the considerable increase of € 8,957 million from June 30, 2011 is attributable entirely to finished products of new collections created in the second half of the prior year for sale in the current year;
- trade and other receivables rose by € 4,507 thousand due to seasonal factors; the average collection period improved compared to June 30, 2011;
- cash and bank balances fell by € 6,718 thousand largely as a result of loan repayments made in the period.

Trade receivables and inventories are shown net of their respective provisions, which on June 30, 2012 were as follows:

- the provision for doubtful accounts was € 4,842 thousand (€ 5,045 thousand as at December 31, 2011);
- the inventory obsolescence provision was € 18,854 thousand (€ 18,225 thousand as at December 31, 2011).

3.3. Non-current liabilities

The composition of non-current liabilities is shown below:

NON CURRENT LIABILITIES	June 30, 2012	December 31, 2011	June 30, 2011
(euro/000)			
LONG TERM BORROWINGS	20,264	22,452	21,212
LONG TERM PROVISIONS	3,410	3,200	3,133
DEFERRED TAX LIABILITIES	662	664	979
TOTAL	**24,337**	**26,316**	**25,324**

Non-current liabilities fell by € 1,979 thousand from December 31, 2011; the decrease refers primarily to medium/long-term borrowings due to repayments of loan installments under the respective repayment plans.

The long-term provisions represent essentially the employee severance indemnity provision (TFR), which is subject to actuarial valuations on the basis of parameters that were consistent with those used for the 2011 annual financial statements except for the discount rate, which was reduced from the 4.25% of December 31, 2011 to 3.90% as at June 30, 2012.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

All bank loans were taken out by the parent company. The main loans are described in detail below:

BANK	CURRENCY	ORIGINAL AMOUNT	RESIDUAL AMOUNT	MATURITY DATE	INTEREST RATE	NOTES
Ministry of productive activities (technological innovation) . .	euro	793,171	326,883	26 June 2016	1.012%	Subsidized loan obtained under law 46/82, repayable in 10 annual installments from June 26, 2007.
*Cassa di Risparmio del Veneto * (ex BancaIntesa)*	euro	(CREDIT LINE) 15,000,000	9,000,000	31 March 2015	Euribor 6 months + 0.95%	Loan dated Oct. 26, 2009, refundable in 10 half-year installments from Sep. 30, 2010.
MediocreditoItaliano	euro	10,000,000	8,529,412	30 September 2019	Euribor 3 months + 1.70%	Real-estate loan dated December 22, 2009 refundable in 34 quarterly installments from June 30, 2011
BancaNazionale del Lavoro * .	euro	10,000,000	10,000,000	31 December 2014	Euribor 6 months + 1.70%	Loan of 10,000,000, dated January 21, 2010, refundable in 6 half-year installments from June 30, 2012

The loan agreements with Cassa di Risparmio del Veneto (Intesa San Paolo Group) and BancaNazionale del Lavoro (BNP Paribas Group) include obligations regarding operating and financial performance. These are covenants that require meeting certain financial ratios based on key performance and financial indicators (Ebitda, net financial position and equity) calculated on the basis of the consolidated accounts of each annual reporting date.

3.4. Current liabilities

Current liabilities are set forth below:

CURRENT LIABILITIES	June 30, 2012	December 31, 2011	June 30, 2011
(euro/000)			
TRADE PAYABLES	40,734	43,775	38,871
SHORT TERM BORROWINGS	7,763	12,002	13,749
SHORT TERM PROVISIONS	6,898	8,487	6,732
INCOME TAXES	6,118	3,263	9,625
OTHER CURRENT LIABILITIES	10,862	9,710	11,362
TOTAL	**72,376**	**77,236**	**80,338**

Current liabilities at June 30, 2012 show a decrease of € 4,860 thousand from December 31, 2011. This is the result of the following:

- a € 3,041 thousand decrease in trade payables, influenced by the payment of the residual € 4 million portion of investments relating to license renewals made by the parent company and Marcolin U.S.A.; there was also an increase in the average payment period;
- a € 4,238 thousand decrease in short-term borrowings attributable to the parent company paying off a bank loan;
- a € 1,589 thousand decrease in short-term provisions, as specified below;
- a € 2,856 thousand increase in the current tax liability, mainly attributable to Marcolin S.p.A.;
- a € 1,152 thousand increase in other current liabilities mainly on account of the payables due to employees.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

The movements in short-term provisions for the first six months of the year are shown in the following table:

Short term provisions (euro/000)	Provision for severance indemnities	Provision for taxes	Other provisions	TOTAL
01.01.2012	**669**	**189**	**7,629**	**8,487**
Allowance	59	0	482	541
Actuarial loss (gain)	1	(189)	(2,003)	(2,191)
Utilisation	(10)	—	—	(10)
Translation difference	(5)	0	76	71
Other movements	0	0	0	0
30.06.2012	**714**	**0**	**6,184**	**6,898**

The provisions for agency termination and similar obligations consist of the estimated indemnities payable to agencies upon termination; the amount is discounted to present value on the basis of the estimated time of payment at a rate consistent with the rate used for the actuarial valuation of the provision for post-employment benefits.

The other provisions of € 6,184 thousand consist of provisions for customer returns and product warranties totaling € 4,587 thousand reported primarily by subsidiary Marcolin U.S.A., parent Marcolin S.p.A. and subsidiary Marcolin France.

The items included in the other provisions refer to Marcolin S.p.A. primarily for potential sales risks.

4. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

(euro/000)	H1 2012	%	H1 2011	%
NET SALES	**121,496**	**100%**	**124,924**	**100%**
GROSS MARGIN	**76,392**	**62.9%**	**81,908**	**65.6%**
EBITDA	**20,661**	**17.0%**	**23,706**	**19.0%**
EBIT	**18,539**	**15.3%**	**21,381**	**17.1%**
FINANCIAL INCOME AND EXPENSES	**(1,182)**	**(1.0)%**	**(1,077)**	**(0.9)%**
NET RESULT BEFORE TAXES	**17,357**	**14.3%**	**20,304**	**16.3%**
NET RESULT	**12,620**	**10.4%**	**15,871**	**12.7%**

The 2011 half-year data presented in the table above differs from the data published in last year's financial statements due to a different classification of some items. The comparative data has been reclassified for the purpose of consistency.

In particular, sales to suppliers of semi-finished products that were subsequently repurchased as finished products upon completion of the outsourced processing were reclassified as a component of the cost of sales. These sales, which had been included with the sales revenues in the first quarter of 2011, were for € 246 thousand.

The Ebitda reclassification regarded the allocation of certain costs, which previously had been excluded from Ebitda. These were the allowances for returns, legal risks and additional client expenses, which in first quarter 2011 had totaled € 855 thousand.

4. CONSOLIDATED INCOME STATEMENT (continued)

4.1. Net sales

Net sales are broken down by geographical segment below:

Net sales by geographical area (euro/000)	H1 2012		H1 2011		Increase (Decrease)	
	Turnover	% on total	Turnover	% on total	Change	%
—Europa	58,869	48.5%	69,228	55.4%	(10,359)	(15.0)%
—U.S.A.	29,812	24.5%	24,773	19.8%	5,039	20.3%
—Asia	14,195	11.7%	12,660	10.1%	1,535	12.1%
—Rest of the World	18,620	15.3%	18,262	14.6%	358	2.0%
TOTAL	**121,496**	**100.0%**	**124,924**	**100.0%**	**(3,428)**	**(2.7)%**

The foregoing report on operations provides additional information on this item.

4.2. Cost of sales

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

Cost of sales (euro/000)	H1 2012	H1 2011	Increase (decrease)	%
Purchase of materials and finished goods	27,822	24,915	2,907	11.7%
Changes in inventory	(6)	1,847	(1,853)	(100.3)%
Personnel expenses	9,240	8,397	842	10.0%
Outsourcing	4,028	4,174	(145)	(3.5)%
Amortization and depreciation	1,177	1,071	106	9.9%
Other expenses	2,843	2,611	231	8.9%
Total	**45,103**	**43,016**	**2,088**	**4.9%**

The cost of sales rose from 34.4% of sales for the first six months of 2011 to 37.1% for the first six months of 2012, an increase of more than 2%,

The cost of sales is € 2,088 thousand higher than for the first six months of 2011, mainly due to greater purchases of materials and finished products, which rose by € 2,907 thousand.

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

4.3. Distribution and marketing expenses

The composition of distribution and marketing expenses is shown below:

Distribution and marketing expenses (euro/000)	H1 2012	H1 2011	Increase (decrease)	%
Personnel expenses	14,228	13,639	590	4.3%
Commissions	3,983	5,160	(1,178)	(22.8)%
Amortization and depreciation	542	556	(14)	(2.5)%
Royalties	16,629	16,296	333	2.0%
Advertising ad PR	9,207	8,864	344	3.9%
Other costs	7,043	7,462	(419)	(5.6)%
Total	**51,632**	**51,976**	**(344)**	**(0.7)%**

Distribution and marketing expenses remained fairly consistent, with a slight decrease representing approximately 1% of sales.

4. CONSOLIDATED INCOME STATEMENT (continued)

The sales commissions paid to agents fell partly on account of the lower sales reported in the European market, in which the Group is present with direct affiliates, due to the different sales mix.

Moreover, increases are reported for the following items:

- royalties as a percentage of sales, because the lower sales resulted in less absorption of guaranteed minimum royalties due under some licensing agreements;
- advertising expenses because the Group went ahead with the advertising investments planned to adequately promote its sales.

The other expenses consist mainly of business expenses, including entertainment expenses and rentals.

4.4. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	H1 2012	H1 2011	Increase (decrease)	%
Personnel expenses	3,296	3,073	223	7.2%
Bad debt provision	150	294	(144)	(48.9)%
Amortisation and depreciation	253	404	(151)	(37.5)%
Other costs	4,601	6,169	(1,568)	(25.4)%
Total	**8,299**	**9,940**	**(1,641)**	**(16.5)%**

General and administrative expenses fell by € 1,641 thousand compared to the first half of 2011.

''Other expenses'' include compensation for Directors and Statutory Auditors, IT consulting fees and service fees.

The cost of Director remuneration includes € 17 thousand for a share-based compensation plan, the ''Phantom Stock Option Plan'', for the C.E.O. More information is provided in the Regulations approved by the Board of Directors published on the corporate website.

The € 1,568 thousand decrease compared to the first six months of 2011 is attributable entirely to the stock option settlement payment to the former C.E.O. of the Marcolin Group.

4.5. Other operating income and expenses

The other operating income and expenses are set forth below:

Other income and expenses (euro/000)	H1 2012	H1 2011
Transportation costs refund	640	747
Release of provision	95	65
Other income	1,115	887
Total other income	**1,849**	**1,699**
Losses on receivables	(20)	0
Other expenses	(115)	(82)
Total other expenses	**(135)**	**(82)**
TOTAL	**1,714**	**1,617**

The balance of this item rose by € 97 thousand from the first six months of 2011.

4. CONSOLIDATED INCOME STATEMENT (continued)

The residual ''other income'' consists principally of costs for advertising materials and other costs charged by the parent company.

4.6. Effects of accounting for associates with the equity method

The use of the equity method to account for investments in associates resulted in the recognition of income of € 364 thousand for the first half of 2012, compared to a cost of € 226 thousand for the first half of 2011.

The breakdown by company is shown below:

EFFECTS OF ACCOUNTING FOR ASSOCIATES

(euro/000)	H1 2012	H1 2011
Finitec Srl in liquidation	0	(141)
Marcolin Japan Co Ltd liquidated	364	(85)
TOTAL	**364**	**(226)**

Marcolin Japan Co. Ltd, whose liquidation procedure was completed at the end of February 2012, is no longer within the scope of consolidation; the closing balance of the associate's assets and liabilities and the items entered in the consolidated financial statements as at December 31, 2011 resulted in the recognition of income of € 364 thousand.

4.7. Financial income and costs

Financial income and costs are set forth below:

Financial income and costs (euro/000)	H1 2012	H1 2011
Financial income	749	1,066
Financial costs	(1,931)	(2,143)
Total	**(1,182)**	**(1,077)**

The net financial cost has increased by € 105 thousand.

The composition of financial income is shown below:

Financial income (euro/000)	H1 2012	H1 2011
Other income	168	261
Gains on currency exchange rates	581	805
Total	**749**	**1,066**

The composition of financial costs is shown below:

Financial expense (euro/000)	H1 2012	H1 2011
Interest expense	(807)	(677)
Cash discounts	(519)	(491)
Losses on currency exchange rate	(605)	(975)
Total	**(1,931)**	**(2,143)**

4. CONSOLIDATED INCOME STATEMENT (continued)

The tables above show that:

- interest expense rose by € 130 thousand against the total for the first six months of 2011. The increase is the result of discounting the parent company's employee severance indemnity provision by € 221 thousand, offset partly by a € 91 thousand decrease in bank interest expense.
- currency exchanges resulted in a fairly even balance, with a € 24 thousand net loss compared to a net gain of € 170 thousand as at June 30, 2011.

5. EARNINGS PER SHARE

The composition of earnings per share is shown below:

Earnings per share	H1 2012	H1 2011
Profit for the year (in euros)	12,619,732	15,870,856
Number of shares	62,139,375	62,139,375
Number of treasury shares	681,000	681,000
Net number of shares	61,458,375	61,458,375
Earnings per share	**0.205**	**0.258**
Diluted earnings per share	**0.205**	**0.258**

6. OTHER INFORMATION

Disclosure of atypical, unusual and related-party transactions

Information with respect to atypical and unusual transactions and transactions with related parties is provided below.

Atypical and unusual transactions

In the first six months of 2012 there were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A. and the Group.

Transactions with related parties

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

The following table sets forth the balances and transactions with associates and other related parties:

COMPANY (euro/000)	Receivables	Payables	Expenses	Revenues	Relation
	30.06.2012		H1 2012		
Tod'sS.p.A.	106	(1)	3,506	632	Correlata

On the basis of the foregoing, the resulting balances are not considered to have a significant impact on the Group's financial position, financial performance or cash flows.

Significant non-recurring events and transactions

There were no significant non-recurring events or transactions that impacted the Group's financial position, financial performance or cash flows in the first six months of 2012.

6. OTHER INFORMATION (continued)

In compliance with CONSOB Communication 6064293 of July 28, 2006 requiring corporate disclosures of issuers listed on the stock exchange and issuers with financial instruments held by the public under Article 116 of the Consolidated Financial Act, pursuant to Legislative Decree 58/98, Article 114, paragraph 5, it is reported that during the six-month period no new shares or other equity instruments were issued or repurchased.

Subsequent events

No significant or noteworthy events occurred after the reporting date that could have an impact on these condensed consolidated semiannual financial statements.

Longarone; August 7, 2012
Chairman of the Board of Directors
GIOVANNI MARCOLIN COFFEN

Viva Optique, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2012 and 2011

Independent Auditor's Report

To the Board of Directors and Stockholder of
Viva Optique, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Viva Optique, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, stockholder's equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Viva Optique, Inc. and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP
New York, NY
March 11, 2013

Viva Optique, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 30,760,514	$ 25,737,335
Accounts receivable, net	15,589,518	14,672,088
Inventories, net	38,892,459	43,394,911
Prepaid expenses and other current assets	2,623,913	2,901,314
Related party receivables	3,631,093	2,755,163
Current taxes recoverable	593,876	217,362
Deferred income tax assets, net	4,251,479	4,067,170
Total current assets	96,342,852	93,745,343
Property and equipment, net	6,337,686	7,328,960
Investments in joint ventures	3,124,342	3,346,596
Goodwill	89,334,307	89,334,307
Intangible assets, net	22,327,209	24,646,784
Other assets	112,701	109,554
Total assets	$217,579,097	$218,511,544
Liabilities and Stockholder's Equity		
Current liabilities		
Current portion of obligations under capital leases	$ 850,109	$ 1,024,482
Trade and accounts payable	19,131,211	21,126,762
Accrued expenses and other current liabilities	20,693,392	15,685,161
Related party payables	336,695	378,591
Income taxes payable, net	—	2,502,097
Total current liabilities	41,011,407	40,717,093
Notes payable, Parent	22,024,250	22,024,250
Obligations under capital leases, net of current portion	3,521,194	4,371,303
Deferred income tax liabilities	2,306,402	2,326,341
Other long-term liabilities	6,785,948	13,397,280
Total liabilities	75,649,201	82,836,267
Commitments and contingencies (Note 12)		
Stockholder's equity		
Common stock and stated value, no par value, 1,000 shares authorized; 100 shares issued and outstanding	112,532,000	112,532,000
Retained earnings	29,757,469	24,058,577
Accumulated other comprehensive loss	(359,573)	(915,300)
Total stockholder's equity	141,929,896	135,675,277
Total liabilities and stockholder's equity	$217,579,097	$218,511,544

The accompanying notes are an integral part of these consolidated financial statements.

Viva Optique, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2012 and 2011

	2012	2011
Net sales	$190,909,825	$199,297,821
Cost of goods sold	86,601,602	85,121,505
Gross profit	104,308,223	114,176,316
Operating expenses (income)		
Selling, general and administrative	90,543,612	92,323,188
Depreciation and amortization	4,550,064	4,559,694
Equity in earnings of joint ventures	(711,735)	(708,082)
Income from operations	9,926,282	18,001,516
Interest expense	2,338,597	2,849,251
Other (income) expenses, net	(169,926)	803,856
Income before income taxes	7,757,611	14,348,409
Income tax provision	2,058,719	4,324,065
Net income	5,698,892	10,024,344
Other comprehensive income, net of tax		
Foreign currency translation adjustments, net of tax of $370,485 and ($124,690) in 2012 and 2011, respectively.	555,727	(187,035)
Total comprehensive income	$ 6,254,619	$ 9,837,309

The accompanying notes are an integral part of these consolidated financial statements.

Viva Optique, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity

Years Ended December 31, 2012 and 2011

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Total Stockholder's Equity
Balance at December 31, 2010	$14,034,233	$(728,265)	$112,532,000	$125,837,968
Comprehensive income				
Net income	10,024,344	—	—	10,024,344
Other comprehensive (loss)	—	(187,035)	—	(187,035)
Total comprehensive income	10,024,344	(187,035)	—	9,837,309
Balance at December 31, 2011	24,058,577	(915,300)	112,532,000	135,675,277
Comprehensive income				
Net income	5,698,892	—	—	5,698,892
Other comprehensive income	—	555,727	—	555,727
Total comprehensive income	5,698,892	555,727	—	6,254,619
Balance at December 31, 2012	$29,757,469	$(359,573)	$112,532,000	$141,929,896

The accompanying notes are an integral part of these consolidated financial statements.

Viva Optique, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Net income	$ 5,698,892	$ 10,024,344
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,550,064	4,559,694
Provision for doubtful accounts	88,083	(410,931)
Loss on sale of property and equipment	2,701	12,924
Equity in earnings of joint ventures	(711,735)	(708,082)
Dividends received from joint ventures	1,085,175	509,635
Deferred income taxes	(756,014)	(1,551,194)
Increase (decrease) due to changes in:		
Accounts receivable	(2,641,494)	1,707,746
Inventories	4,948,775	(2,879,884)
Prepaid expenses and other current assets	308,631	(620,513)
Related party receivables	331,203	1,649,780
Advances to joint ventures	301,903	1,083,164
Other assets	42,126	(84,928)
Accounts payable	(2,295,918)	(3,517,159)
Accrued expenses and other current liabilities	5,017,709	270,028
Income taxes payable/receivable	(2,537,083)	2,875,704
Other long-term liabilities	(6,771,385)	895,501
Net cash provided by operating activities	6,661,633	13,815,829
Cash flows from investing activities		
Purchases of property and equipment	(1,124,791)	(940,670)
Proceeds from sales of property and equipment	428	—
Net cash used in investing activities	(1,124,363)	(940,670)
Cash flows from financing activities		
Principal repayments to parent	—	(10,568,750)
Principal repayments on long-term debt	—	(316,608)
Principal repayments on capital lease obligations	(1,024,482)	(897,059)
Net cash used in financing activities	(1,024,482)	(11,782,417)
Effect of exchange rate changes on cash and cash equivalents	510,391	42,240
Net increase in cash and cash equivalents	5,023,179	1,134,982
Cash and cash equivalents		
Beginning of year	25,737,335	24,602,353
End of year	$30,760,514	$ 25,737,335
Supplemental disclosures of cash flow information		
Interest paid	$ 770,997	$ 1,417,813
Income taxes paid	5,067,353	2,759,374

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business and Basis of Presentation

Viva Optique, Inc. (''Viva'') is a wholly owned subsidiary of HVHC Inc. (''Parent'' or ''HVHC''), ultimately wholly owned by Highmark Inc (''Highmark''). Viva is engaged in the design and distribution of ophthalmic eyewear and sunglasses, incorporating the use of licensee brands.

Principles of Consolidation

The consolidated financial statements include the accounts of Viva and its wholly owned subsidiaries, Viva IP Corp., Miracle Optics, Viva Europa, Inc., Viva Canada, Inc., Viva Italia, S.r.l., Viva France S.A.S., Viva Eyewear UK Limited, Viva Eyewear Hong Kong Limited, Viva International, Inc., and Viva Brazil Industria Optica Ltda (collectively, the ''Company''). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Revenue Recognition

Sales are recognized when title and the risk of loss transfers to the customer, there is evidence of a contractual arrangement and collectibility of the resulting receivable is reasonably assured. Sales are recorded net of returns and allowances, which are estimated based on historic trends, seasonal results and an evaluation of current economic conditions.

Inventories

Inventories, which consist primarily of eyewear frames and cases, are stated at the lower of cost or market. Cost is determined primarily using the weighted average method, which approximates net realizable value.

Accounts Receivable

In the normal course of business, the Company extends credit to customers that satisfy credit criteria. Accounts receivable is presented net of allowances for sales returns and doubtful accounts of $9,072,785 and $1,078,610, respectively at December 31, 2012 and $9,311,917 and $1,242,282, respectively, at December 31, 2011. The Company estimates allowances for doubtful accounts taking into account historical bad debt factors, current economic trends and factors related to specific customers' ability to pay. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible.

Property and Equipment, Net

Property and equipment are recorded at cost. Depreciation of property and equipment is computed utilizing the straight-line method over the estimated useful lives of the related assets for all assets. Amortization of leasehold improvements is computed utilizing the straight-line methods over the shorter of their estimated useful life or remaining lease term. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the determination of net income. Repairs and maintenance are expensed when incurred.

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or circumstances change such that there is an indication that the carrying amounts may not be recoverable. If the estimated cash flows from the use of an asset and its eventual disposition are below its carrying value, then the asset is deemed to be impaired and written down to its estimated fair value.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Some of the more significant estimates include allowances for returns, credits and doubtful accounts, inventory obsolescence, useful lives of long-lived assets, and the valuation of deferred tax assets. Actual results could differ from those estimates.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets of the acquired business at the date of acquisition. Goodwill is not amortized, but is subject to an annual assessment for impairment using a two-step fair value-based test, which the Company performs at the operating unit level. The Company has determined that its individual lines of business represent its reporting units for the purpose of assessing goodwill impairments. This assessment is performed annually, or more frequently if events or circumstances exist which indicate that goodwill may be impaired. The first step of the two-step fair value-based test involves comparing the fair value of each of the Company's reporting units with its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the reporting unit's goodwill to the implied fair value of the goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss would be recorded as a reduction to goodwill with a corresponding charge to operating expense. Based on the analysis at December 31, 2012 the Company believes that no impairment of goodwill exists and there are no indicators of impairments since this assessment. Accumulated impairments recorded against goodwill are $0.3 million through December 31, 2012.

The Company determines the fair value of its reporting units using the discounted cash flow method, as in management's opinion, this method currently results in the most accurate calculation of a reporting unit's fair value. Determining the fair value of a reporting unit requires judgment and the use of significant estimates and assumptions. Such estimates and assumptions include revenue growth rates, operating margins, discount rates, weighted average costs of capital and future market conditions, among others. The Company believes the estimates and assumptions used in its impairment assessments are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

Under the discounted cash flow method, the Company determines fair value based on the five-year estimated future cash flows of each reporting unit, discounted to present value using risk-adjusted industry discount rates, which reflect the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. The discount rates used were 9.17% in 2012 and 9.31% in 2011. Cash flows projections are derived from budgeted amounts and operating forecasts (a three-year model) plus an estimate of later period cash flows, all of which are evaluated by management. Subsequent period cash flows are developed for each reporting unit using growth rates that management believes are reasonably likely to occur along with a terminal value derived from the reporting unit's earnings before interest, taxes, depreciation and amortization (''EBITDA'').

Intangible assets that are not deemed to have an indefinite life are amortized on a straight line basis over their estimated useful lives. Intangible assets are reflected at cost less accumulated amortization.

Cash and Cash Equivalents

All highly liquid investments purchased with maturities of three months or less at the date of acquisition are considered cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Costs incurred for shipping and handling fees are included in cost of goods sold. When shipping costs are charged to customers, such amounts are included in revenues.

Advertising Costs

Costs incurred for advertising are expensed as incurred and are included in selling expenses. Advertising costs was $13,147,877 and $13,659,928 for the years ended December 31, 2012 and 2011, respectively.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents accounts receivable and accounts payable approximate fair value based on the short-term nature of the accounts. The carrying value of the Company's long-term debt and note payable to parent approximates the fair value, based on interest rates available to the Company for debt with comparable maturities.

Income Taxes

The Company is included in a consolidated Federal income tax return filed by Highmark. The Company's Federal income tax provision is provided on a separate return basis. All Federal income tax liabilities are paid by Highmark. State, local and foreign income taxes are provided on a separate company basis.

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using tax rates and laws that are expected to be in effect when the difference is reversed. The Company records a valuation allowance against its deferred tax assets when it determines that it is more likely than not that the entire deferred tax asset will not be recognized.

Foreign Currency Translation

The financial position and results of operations of Viva's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of the foreign subsidiaries are translated into the United States dollar at the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate during the year. Translation gains and losses are reported in accumulated other comprehensive loss within shareholder's equity. Foreign currency transaction gains and losses are included in net income. Foreign currency transaction (losses) was ($266,946) and ($756,598) for the years ended December 31, 2012 and 2011, respectively.

Recently Issued Accounting Pronouncements

In July 2012, Financial Accounting Standards Board (''FASB'') issued new guidance that allows an entity to evaluate qualitative factors to determine if there is a greater than fifty percent likelihood that an intangible asset is impaired in order to bypass the fair value calculation of the intangible asset. The guidance also updates the events and circumstances for consideration in the impairment process. The new guidance is effective for fiscal years beginning after September 15, 2012. The Company does not expect adoption of the new guidance to have an impact on the financial position or results of operations.

In December 2011, FASB issued amended guidance that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The new guidance is effective for fiscal periods beginning on or after January 1, 2013. The Company does not expect adoption of the new guidance to have an impact on the financial position or results of operations.

2. Summary of Significant Accounting Policies (continued)

In September 2011, FASB issued new guidance that allows an entity to evaluate qualitative factors to determine if there is a greater than fifty percent likelihood that the fair value of a reporting unit is greater than its carrying value in order to bypass the two-step goodwill impairment test. The guidance also updates the events and circumstances for consideration in the impairment process. The adoption of this guidance on January 1, 2012 did not have an impact on the financial position or results of operations.

In June 2011, FASB issued new guidance to require nonowner changes in equity be presented in one continuous statement of comprehensive income or two separate consecutive statements removing the option for presentation in the statement of changes in equity. The guidance also requires that reclassification adjustments between other comprehensive income and net income are presented on the face of the financial statements. Most of the new guidance became effective for the fiscal year ending December 15, 2012. The adoption of the new guidance did not have an impact on the financial position or results of operations.

In May 2011, FASB amended current guidance to clarify fair value measurement application standards and expand fair value disclosures to increase comparability between GAAP and International Financial Reporting Standards. The new guidance was adopted by the Company during 2012. The guidance did not have an impact on the financial position or the results of operations.

Subsequent Events

In connection with the preparation of the consolidated financial statements, the Company evaluated events subsequent to the balance sheet date of December 31, 2012 through the financial statement issuance date of March 11, 2013 and determined that all material transactions have been recorded and disclosed properly.

3. Property and Equipment

Property and equipment consist of the following as of December 31, 2012 and 2011:

	Estimated Useful Lives in Years	2012	2011
Land and buildings	12-25	$ 8,122,444	$ 8,122,444
Leasehold improvements	Shorter of lease term or useful life	1,587,832	1,584,175
Machinery and equipment	3-10	910,516	1,003,887
Furniture and fixtures	3-10	1,645,876	1,298,595
Computer software and equipment	3-5	6,436,977	6,162,833
Show booths	7	1,992,684	2,101,859
Total property and equipment		20,696,329	20,273,793
Less: accumulated depreciation and amortization		14,358,643	12,944,833
Property and equipment, net		$ 6,337,686	$ 7,328,960

Property and equipment includes amounts acquired under capital leases of $8,846,652 at December 31, 2012 and 2011, with accumulated depreciation of $6,233,253 and $5,278,607 at December 31, 2012 and 2011, respectively.

Depreciation and amortization expense was $2,112,638 and $2,101,779 for the years ended December 31, 2012 and 2011, respectively.

4. Investments in Joint Ventures

The Company has a 50% investment in the following joint ventures: Viva Optique de Mexico, S.A. de C.V., Viva Eyewear Pty Limited Australia, Viva Deutschland GmbH, Viva Schweiz AG, Viva Nederland B.V., and Viva Eyewear Brillenvertriebs GmbH. These entities are not deemed variable interest entities that would require consolidation. The Company accounts for its investments in these joint ventures under the equity method of accounting. Under the equity method, the investment includes the cost of acquisition plus the Company's equity in undistributed earnings or losses since acquisition. At December 31, 2012 and 2011, the aggregate investment in joint ventures was $3,124,342 and $3,346,596, respectively.

A summary of select aggregated financial information for the Company's investments in joint ventures at December 31, 2012 and 2011 and for the years then ended is as follows:

	2012	2011
Current assets	$ 8,135,099	$10,904,077
Total assets	8,522,403	11,271,008
Total liabilities	2,273,719	5,393,087
Stockholders' equity	6,248,684	5,877,921
Revenues	16,365,735	16,682,201
Net Income	1,423,469	1,416,165
Company's share of net income	711,735	708,082

5. Goodwill

Goodwill consisted of the following at December 31:

Goodwill balance at December 31, 2011	$89,334,307
Impairment	—
Other Adjustments	—
Goodwill balance at December 31, 2012	$89,334,307

6. Intangible Assets

Intangible assets at December 31, 2012 and 2011 were as follows:

	2012		
	Useful Lives in Years	Gross Carrying Amount	Accumulated Amortization
Exclusive contracts with licensors	3-13	$23,700,000	$16,547,798
Guess contract	16	16,719,312	3,118,870
Distribution relationships	3-12	6,000,000	4,936,941
Trademarks	13	1,300,000	788,494
Noncompete agreements	3-5	500,000	500,000
Total		$48,219,312	$25,892,103

6. Intangible Assets (continued)

	2011		
	Useful Lives in Years	Gross Carrying Amount	Accumulated Amortization
Exclusive contracts with licensors	3-13	$23,700,000	$15,508,123
Guess contract	16	16,596,580	2,074,572
Distribution relationships	3-12	6,000,000	4,678,607
Trademarks	13	1,300,000	688,494
Noncompete agreements	3-5	500,000	500,000
Total		$48,096,580	$23,449,796

The gross carrying value of the Guess intangible fluctuates yearly based on the exchange rates at December 31 of each year end for each subsidiary. The impact of gains (losses) on changes in exchange rate to the gross carrying values as of December 31, 2012 and 2011 was $122,732 and ($278,828), respectively.

Amortization expense was $2,437,426 and $2,457,915 for the years ended December 31, 2012 and 2011, respectively.

Estimated annual amortization expense of the Company's intangible assets in each of the five years subsequent to December 31, 2012 is as follows:

Years ending	
2013	$ 2,444,197
2014	2,444,198
2015	2,316,039
2016	1,947,707
2017	1,719,099
Thereafter	11,455,969
	22,327,209

7. Accrued Liabilities

Accrued liabilities at December 31 consisted of the following:

	2012	2011
Licensor contract payable	$ 6,802,150	$ —
Accrued royalties	6,121,240	6,143,927
Accrued payroll, benefits, and bonuses	3,947,042	4,709,610
Sales and use tax payable	770,642	754,190
Other	3,052,318	4,077,434
Total accrued liabilities	$20,693,392	$15,685,161

8. Related Party Transactions

The Company is charged for certain direct charges and services incurred on the Company's behalf, including costs for insurance, certain payroll and related benefits which have been incurred by Highmark. For the years ended December 31, 2012 and 2011 the aggregate expense charged to the Company was $631,332 and $889,090, respectively.

8. Related Party Transactions (continued)

The Company is also charged management fees by Highmark, for administrative and other related expenses. Total management fees charged for the years ended December 31, 2012 and 2011 was $600,000 and $577,200, respectively.

The Company is charged for certain direct charges and services incurred on the Company's behalf, including costs for insurance, certain payroll and related benefits which have been incurred by HVHC. For the years ended December 31, 2012 and 2011 the aggregate expense charged to the Company was $3,255,818 and $3,900,538, respectively.

The Company is also charged management fees by HVHC, for administrative and other related expenses. Total management fees charged for the years ended December 31, 2012 and 2011 was $1,613,494 and $1,771,895, respectively.

The Company sold products to affiliates of HVHC aggregating sales of approximately $16,348,101 and $20,901,493 for the years ended December 31, 2012 and 2011, respectively. Accounts receivable due from the affiliates at December 31, 2012 and 2011, was $2,336,753 and $2,709,856, respectively, which has been included in related party receivables.

In addition, the Company has recorded a reserve for future markdowns on sales to related parties. The amounts as of December 31, 2012 and 2011 were $2,249,054 and $1,508,887, respectively. The markdown expense amount recorded for the periods ending December 31, 2012 and December 31, 2011 were $2,681,546 and $2,870,975, respectively.

9. Income Taxes

For the years ended December 31, 2012 and 2011, the Company's income before income taxes was comprised of pre-tax income from its domestic operations of $3,012,920 and $9,272,474 and pre-tax income from its foreign operations of $4,744,691 and $5,075,935 respectively.

The components of the income tax provision were as follows for the years ended December 31:

	2012	2011
Federal		
Current	$ 845,930	$ 2,630,188
Deferred	(51,714)	(1,510,024)
	794,216	1,120,164
Foreign		
Current	1,685,831	2,275,059
Deferred	(292,314)	(26,066)
	1,393,517	2,248,993
State		
Current	282,972	970,011
Deferred	(411,986)	(15,103)
	(129,014)	954,908
Total income tax provision	$2,058,719	$ 4,324,065

9. Income Taxes (continued)

The components of deferred income were as follows, at December 31:

	2012	2011
Deferred tax assets		
Allowance for doubtful accounts	$ 79,851	$ 109,339
Inventory	1,428,524	1,534,023
Net operating loss carryforwards	1,734	1,687
Accrued expenses	4,351,506	4,599,333
Property and equipment	(1,128,262)	(1,807,582)
Other	405,389	856,455
Total deferred tax assets	5,138,742	5,293,255
Less: Valuation allowance	(1,734)	(183,003)
Total deferred tax assets, net	5,137,008	5,110,252
Deferred tax liabilities		
Intangibles	1,055,643	1,706,904
Prepaid	109,886	102,057
Investment in foreign subsidiaries	2,026,402	1,559,069
Other	—	1,393
Total deferred tax liabilities	3,191,931	3,369,423
Deferred income taxes, net	$ 1,945,077	$ 1,740,829
Reported as		
Current deferred tax assets	$ 4,251,479	$ 4,067,170
Long-term deferred tax liabilities	(2,306,402)	(2,326,341)
Deferred income taxes, net	$ 1,945,077	$ 1,740,829

In addition to the income tax provision for the years ended December 31, 2012 and 2011, a deferred income tax expense of $239,715 and $610,200, respectively, was included in stockholder's equity as a result of the tax effect of the currency translation loss and other adjustments.

The valuation allowance is recognized primarily to reflect the uncertainty surrounding the realizability of state net operating loss and foreign tax credit carryforwards. The realization of net deferred tax assets is dependent on the Company's ability to generate sufficient taxable income in future periods. The amount of deferred tax assets considered realizable, however, could change if estimates of future taxable income change.

A reconciliation of income tax expense recorded in the consolidated statements of operations and comprehensive income and amounts computed at the statutory federal rate for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Income taxes at statutory rate	35.0%	35.0%
State taxes, net of federal benefit	(1.1)%	4.3%
Changes in FIN 48 Reserve	0.0%	(0.6)%
Foreign subsidiaries	(7.3)%	(11.0)%
Other	3.1%	2.4%
Effective tax rate	29.7%	30.1%

At December 31, 2012 and 2011, various subsidiaries of Viva had foreign and state net operating loss carryforwards totaling $43,719, which expire in various amounts between 2020 and 2025 and should be

9. Income Taxes (continued)

available to offset the respective future foreign and/or state taxable income of the subsidiary that generated the loss carryforward.

Uncertain Tax Positions

The Company adopted the guidance of accounting for uncertainty in income taxes, effective January 1, 2007. The consolidated federal income tax return has been examined by the IRS through 2010. Additionally, the Company conducts business in many states. While the Company is not currently under any significant state income tax examinations, 2008 and beyond are generally open for state tax audits. The Company does not anticipate that any significant increase or decrease to unrecognized tax benefits will be recorded during the next twelve months.

	2012	2011
Beginning balance at January 1	$1,438,198	$1,204,828
Additions for current year tax positions	383,529	438,093
Settlements—compliance	(223,046)	(2,841)
Statute of limitation expiration	(175,101)	(201,882)
Ending balance at December 31	$1,423,580	$1,438,198

The Company accrues interest and penalties associated with unrecognized tax benefits in income tax expense in the consolidated statements of operations, and the corresponding liability in accrued taxes or other long-term liabilities in the consolidated balance sheets. The expense for interest and penalties reflected in the consolidated statements of operations for the year ended December 31, 2012 and December 31, 2011, respectively, was $205,724 and $277,069 (interest net of related tax benefits). The corresponding liabilities in the consolidated balance sheets were $1,217,856 and $1,161,129 at December 31, 2012 and December 31, 2011, respectively. The preceding year reduction is due to lapse of applicable state statute limitations and audit closure.

10. Note Payable Parent

	2012	2011
Note payable, parent	$22,024,250	$22,024,250
Less, current maturities	—	—
Total note payable, parent	$22,024,250	$22,024,250

On January 1, 2010, in connection with the HVHC $400,000,000 senior secured credit agreement, as amended and restated to date (‘‘the A&R Credit Agreement’’), HVHC allocated $32,593,000 of the outstanding credit facility to the Company under a note payable (the ‘‘HVHC Note’’).

The A&R Credit Agreement consists of a senior secured revolving credit facility, which expires on June 24, 2016 at which time HVHC must repay all loans made under the A&R Credit Agreement together with all outstanding interest thereon.

Outstanding borrowings on the HVHC Note bear interest at various variable rates, which reflect the actual rates incurred by HVHC, as outlined in the A&R Credit Agreement and related interest rate swap agreements. The outstanding principal balance approximates fair value. Principal repayment is required at the time of expiration; however, the Corporation can make voluntary prepayments throughout the note term. Under the terms of the HVHC Note, the outstanding borrowings can be increased up to a maximum of $36,590,000 at HVHC’s discretion (as defined in the HVHC Note).

Interest expense for the years ended December 31, 2012 and 2011 was $849,588 and $1,295,728, respectively. At December 31, 2012 and 2011 amounts outstanding under the HVHC Note were $22,024,250.

10. Note Payable Parent (continued)

HVHC is in full compliance with the Credit Agreement which has an outstanding balance of $210,050,000 as of December 2012 and 2011.

11. Employee Incentive and Retirement Plans

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code for all qualified employees. Effective January 1, 2011, the Plan assets of Visionworks, Davis and Viva, were transferred to the HVHC Inc. 401(k) Savings Plan. Employee contributions are matched by the Company at 60% of the first 3% and 50% of the remaining up to 6% of compensation that a participant contributes to the Plan. The Company's contributions to these 401(k) plans totaled $425,424 and $370,097 for the years ended December 31, 2012 and 2011, respectively.

The Company covers certain eligible employees under an annual executive incentive plan (''AEIP''), a long term incentive plan (''LTIP'') and an executive retirement plan (''ERP''). The AEIP is a performance based bonus. The LTIP provides certain executives a bonus upon fulfillment of pre-determined goals, set at three year intervals. The ERP is a retirement program in which eligible participants receive 11% to 15% of their annual salary based on the age of the participant and five years vesting service. The Company's expense related to these plans totaled $229,991 and $1,747,118 for the years ended December 31, 2012 and 2011, respectively. The related current obligations under these plans of $901,144 and $1,552,938 at December 31, 2012 and 2011, respectively, were included in accrued liabilities on the consolidated balance sheets. The non-current obligations under these plans of $227,527 and $891,821 at December 31, 2012 and 2011, respectively, were included as long-term liabilities on the consolidated balance sheets.

12. Commitments and Contingencies

Leases

The Company has non-cancelable capital and operating lease agreements for a building and office and warehouse equipment, which expire at various dates through 2017. The building lease is with a former shareholder. Some leases include provisions for annual increases in rental payments.

Aggregate future minimum lease payments under capital and operating leases in each of the five years subsequent to December 31, 2012 and thereafter are as follows:

Years ending	Capital Leases	Operating Leases
2013	$1,546,823	$ 789,599
2014	1,476,792	322,315
2015	1,476,792	273,618
2016	1,476,792	288,243
2017	168,848	296,324
Thereafter	—	750,305
Total minimum lease payments	6,146,047	$2,720,404
Less: Amount representing interest	1,774,744	
Present value of minimum lease payments	4,371,303	
Less: Current portion of obligations under capital leases	850,109	
Obligations under capital leases, net of scurrent portion	$3,521,194	

Rent expense charged to operations amounted to $1,331,377 and $1,333,006 for the years ended December 31, 2012 and 2011, respectively.

12. Commitments and Contingencies (continued)

License Agreements

The Company has various license agreements to sell its merchandise under the licensor's trademark. The agreements expire on various dates through 2020 and require the Company to pay royalty payments ranging from 5% to 12% and advertising payments ranging from 1% to 2% of licensed sales, as defined. For the years ended December 31, 2012 and 2011, royalty expense recorded as selling expense was $19,554,479 and $19,228,381, respectively and advertising payment expense recorded as marketing expense was $2,922,131 and $2,769,879, respectively. The Company has a single license agreement from which it derived 63% and 59% of total annual net sales in 2012 and 2011, respectively.

The aggregate future minimum royalty and advertising payments in each of the five years subsequent to December 31, 2012 are as follows:

Years ending	
2013	$18,078,372
2014	16,374,757
2015	15,600,671
2016	14,040,986
2017	14,205,546
Thereafter	47,060,199

Litigation

The Company is subject to other legal proceedings and claims arising in the ordinary course of business. Management believes that the disposition of these matters will not have a material adverse effect on the Company's financial position or results of its operations.

Employment Agreements

The Company has employment and severance agreements with certain officers and key employees. These agreements provide for minimum salaries, incentive bonuses and severance payments in the event of termination of employment.

Viva Optique, Inc. and Subsidiaries

Condensed Consolidated Financial Statements

June 30, 2013

(Unaudited)

Viva Optique, Inc. and Subsidiaries

Condensed Consolidated Balance Sheet

June 30, 2013

(Unaudited)

Assets	
Current assets	
Cash and cash equivalents	$ 40,743,905
Accounts receivable, net	22,206,844
Inventories, net	36,939,444
Prepaid expenses and other current assets	2,620,919
Related party receivables	2,933,467
Deferred income tax assets, net	4,038,919
Total current assets	109,483,498
Property and equipment, net	5,754,824
Investments in joint ventures	2,800,462
Goodwill	89,334,307
Intangible assets, net	20,856,403
Other assets	160,286
Total assets	$228,389,780
Liabilities and Stockholder's Equity	
Current liabilities	
Current portion of obligations under capital leases	$ 851,920
Trade and accounts payable	25,927,111
Accrued expenses and other current liabilities	21,741,087
Related party payables	415,379
Income taxes payable, net	794,874
Total current liabilities	49,730,371
Notes payable, Parent	22,024,250
Obligations under capital leases, net of current portion	3,076,640
Deferred income tax liabilities	1,969,109
Other long-term liabilities	7,460,138
Total liabilities	84,260,508
Commitments and contingencies (Note 7)	
Stockholder's equity	
Common stock and stated value, no par value, 1,000 shares authorized; 100 shares issued and outstanding	112,532,000
Retained earnings	32,691,928
Accumulated other comprehensive loss	(1,094,656)
Total stockholder's equity	144,129,272
Total liabilities and stockholder's equity	$228,389,780

The accompanying notes are an integral part of these condensed consolidated financial statements.

Viva Optique, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

Six months Ended June 30, 2013 and 2012

(Unaudited)

	2013	2012
Net sales	$102,965,766	$108,370,750
Cost of goods sold	45,522,356	47,398,344
Gross profit	57,443,410	60,972,406
Operating expenses (income)		
Selling, general and administrative	49,067,097	50,994,597
Depreciation and amortization	2,231,864	2,260,578
Equity in earnings of joint ventures	(310,798)	(422,207)
Income from operations	6,455,247	8,139,438
Interest expense	1,121,855	1,191,617
Other expenses	46,264	406,536
Income before income taxes	5,287,128	6,541,285
Income tax provision	2,352,669	2,721,789
Net income	2,934,459	3,819,496
Other comprehensive (loss) income, net of tax		
Foreign currency translation adjustments, net of tax of ($490,055) and $40,919 in 2013 and 2012, respectively	(735,083)	61,378
Total comprehensive income	$ 2,199,376	$ 3,880,874

The accompanying notes are an integral part of these condensed consolidated financial statements.

Viva Optique, Inc. and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholder's Equity

Six Months Ended June 30, 2013

(Unaudited)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Total Stockholder's Equity
Balance at December 31, 2012	$29,757,469	$ (359,573)	$112,532,000	$141,929,896
Net income	2,934,459	—	—	2,934,459
Other comprehensive loss	—	(735,083)	—	(735,083)
Balance at June 30, 2013	$32,691,928	$(1,094,656)	$112,532,000	$144,129,272

The accompanying notes are an integral part of these condensed consolidated financial statements.

Viva Optique, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

Six Months Ended June 30, 2013 and 2012

(Unaudited)

	2013	2012
Cash flows from operating activities		
Net income	$ 2,934,459	$ 3,819,496
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,231,864	2,260,578
Provision for doubtful accounts	247,438	(40,275)
Loss on sale of property and equipment	707	1,118
Equity in earnings of joint ventures	(310,798)	(422,207)
Dividends received from joint ventures	516,135	740,713
Deferred income taxes	342,090	(394,209)
Increase (decrease) due to changes in:		
Accounts receivable	(7,592,121)	(6,084,510)
Inventories	1,250,433	2,786,863
Prepaid expenses and other current assets	(80,984)	647,367
Related party receivables	1,238,459	673,611
Advances to joint ventures	(533,069)	(237,601)
Other assets	(48,874)	(2,489)
Accounts payable	7,152,429	223,012
Accrued expenses and other current liabilities	1,249,201	815,730
Income taxes payable/receivable	1,945,130	(401,443)
Other long-term liabilities	217,085	429,643
Net cash provided by operating activities	10,759,584	4,815,397
Cash flows from investing activities		
Purchases of property and equipment	(445,641)	(798,863)
Proceeds from sales of property and equipment	1,528	—
Net cash used in investing activities	(444,113)	(798,863)
Cash flows from financing activities		
Principal repayments on capital lease obligations	(442,743)	(495,009)
Net cash used in financing activities	(442,743)	(495,009)
Effect of exchange rate changes on cash and cash equivalents	110,663	273,792
Net increase in cash and cash equivalents	9,983,391	3,795,317
Cash and cash equivalents		
Beginning of period	30,760,514	25,737,335
End of period	$40,743,905	$29,532,652
Supplemental disclosures of cash flow information		
Interest paid	$ 478,007	$ 395,556
Income taxes paid	374,175	3,279,363

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Basis of Presentation

The accompanying condensed consolidated financial statements of Viva Optique, Inc. and subsidiaries (''Viva'' or the ''Company'') as of June 30, 2013 and for the six month periods ended June 30, 2013 and 2012 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial position and results of operations for such periods. These condensed consolidated financial statements have been prepared by the Company. Certain information and footnote disclosures normally included in financial statements prepared on an accrual basis in accordance with generally accepted accounting principles in the United States (''GAAP'') have been condensed or omitted. The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and related notes as of and for the years ended December 31, 2012 and 2011. The results of operations for the six months ended June 30, 2013 and 2012 are not necessarily indicative of the results expected for the full year or other future periods.

Principles of Consolidation

The consolidated financial statements include the accounts of Viva and its wholly owned subsidiaries, Viva IP Corp., Miracle Optics, Viva Europa, Inc., Viva Canada, Inc., Viva Italia, S.r.l., Viva France S.A.S., Viva Eyewear UK Limited, Viva Eyewear Hong Kong Limited, Viva International, Inc., and Viva Brazil Industria Optica Ltda (collectively, the ''Company''). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Recently Issued Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (''FASB'') issued Accounting Standards Update (''ASU'') No. 2013-02, ''Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income'', which expands the disclosure requirements for amounts reclassified out of accumulated other comprehensive income. The update requires an entity to present either parenthetically on the face of the financial statement where net income is presented or in the notes to the financial statements, the effect of significant items reclassified in their entirety from accumulated other comprehensive income and identification of the respective line items effecting net income for instances when reclassification is required under GAAP. For items that are not required by GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures as required by GAAP. The update does not change the current requirements for reporting net income or other comprehensive income in financial statements and is effective for annual and interim reporting periods beginning after December 15, 2012. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, ''Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.'' The ASU clarifies that when a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Accounting Standards Codification 830-30 to release any related cumulative translation adjustment into net income. The ASU provides that the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. ASU 2013-05 is effective for the Company for years beginning after December 15, 2013, and interim reporting periods within those years, with early adoption permitted. Management is currently evaluating the impact of ASU No. 2013-05 and does not expect that it will have a significant impact on the Company's consolidated financial statements.

2. Recently Issued Accounting Pronouncements (continued)

In July 2013, the FASB issued ASU 2013-11, ''Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists'', which requires that an unrecognized tax benefit, or portion of an unrecognized tax benefit, be presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. If an applicable deferred tax asset is not available or a company does not expect to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. ASU 2013-11 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date; however retrospective application is permitted. Management is in the process of evaluating ASU 2013-11 and does not expect that it will have a significant impact on the Company's consolidated financial statements.

Other recently issued accounting pronouncements did not, or are not believed by management to likely have a material impact on the Company's current or future consolidated financial statements.

3. Accrued Liabilities

Accrued liabilities at June 30, 2013 consisted of the following:

Licensor contract payable	$ 7,000,000
Accrued royalties	6,913,948
Accrued payroll, benefits, and bonuses	4,335,371
Sales and use tax payable	661,458
Other	2,830,310
Total accrued liabilities	$21,741,087

4. Related Party Transactions

The Company is charged for certain direct charges and services incurred on the Company's behalf, including costs for insurance, certain payroll and related benefits which have been incurred by Highmark. For the periods ended June 30, 2013 and 2012 the aggregate expense charged to the Company was $608,960 and $320,575, respectively.

The Company is also charged management fees by Highmark, for administrative and other related expenses. Total management fees charged for the periods ended June 30, 2013 and 2012 was $315,000 and $300,000, respectively.

The Company is charged for certain direct charges and services incurred on the Company's behalf, including costs for insurance, certain payroll and related benefits which have been incurred by HVHC. For the periods ended June 30, 2013 and 2012 the aggregate expense charged to the Company was $1,830,904 and $1,876,652, respectively.

The Company is also charged management fees by HVHC, for administrative and other related expenses. Total management fees charged for the periods ended June 30, 2013 and 2012 was $1,029,349 and $968,468, respectively.

The Company sold products to affiliates of HVHC aggregating sales of $8,477,447 and $9,887,462 for the periods ended June 30, 2013 and 2012, respectively. Accounts receivable due from the affiliates at June 30, 2013, was $1,956,454, which has been included in related party receivables.

4. Related Party Transactions (continued)

In addition, the Company has recorded a reserve for future markdowns on sales to related parties in the amount of $1,885,085 at June 30, 2013. The markdown expense amount recorded for the periods ending June 30, 2013 and 2012 were $1,000,483 and $1,197,080, respectively.

5. Note Payable Parent

Note payable, parent	$22,024,250
Less, current maturities	—
Total note payable, parent	$22,024,250

On January 1, 2010, in connection with the HVHC $400,000,000 senior secured credit agreement, as amended and restated to date (''the A&R Credit Agreement''), HVHC allocated approximately $32,593,000 of the outstanding credit facility to the Company under a note payable (the ''HVHC Note'').

The A&R Credit Agreement consists of a senior secured revolving credit facility, which expires on June 24, 2016 at which time HVHC must repay all loans made under the A&R Credit Agreement together with all outstanding interest thereon.

Outstanding borrowings on the HVHC Note bear interest at various variable rates, which reflect the actual rates incurred by HVHC, as outlined in the A&R Credit Agreement and related interest rate swap agreements. The outstanding principal balance approximates fair value. Principal repayment is required at the time of expiration; however, the Corporation can make voluntary prepayments throughout the note term. Under the terms of the HVHC Note, the outstanding borrowings can be increased up to a maximum of $36,590,000 at HVHC's discretion (as defined in the HVHC Note).

Interest expense for the periods ended June 30, 2013 and 2012 was $419,983 and $425,706, respectively.

HVHC is in full compliance with the Credit Agreement which has an outstanding balance of $180,050,000 as of June 30, 2013.

6. Employee Incentive and Retirement Plans

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code for all qualified employees. Effective January 1, 2011, the Plan assets of Visionworks, Davis and Viva, were transferred to the HVHC Inc. 401(k) Savings Plan. Employee contributions are matched by the Company at 60% of the first 3% and 50% of the remaining up to 6% of compensation that a participant contributes to the Plan. The Company's contributions to these 401(k) plans totaled $201,715 and $240,271 for the periods ended June 30, 2013 and 2012, respectively.

The Company covers certain eligible employees under an annual executive incentive plan (''AEIP''), a long term incentive plan (''LTIP'') and an executive retirement plan (''ERP''). The AEIP is a performance based bonus. The LTIP provides certain executives a bonus upon fulfillment of pre-determined goals, set at three year intervals. The ERP is a retirement program in which eligible participants receive 11% to 15% of their annual salary based on the age of the participant and five years vesting service. The Company's expense related to these plans totaled $675,928 and $861,006 for the periods ended June 30, 2013 and 2012, respectively. The related current obligations under these plans of $634,922 at June 30, 2013 was included in accrued liabilities on the consolidated balance sheets. The non-current obligations under these plans of $282,481 at June 30, 2013 was included as long-term liabilities on the consolidated balance sheets.

7. Commitments and Contingencies

Leases

The Company has non-cancelable capital and operating lease agreements for a building and office and warehouse equipment, which expire at various dates through 2017. The building lease is with a former shareholder. Some leases include provisions for annual increases in rental payments.

Aggregate future minimum lease payments under capital and operating leases in each of the twelve month periods subsequent to June 30, 2013 and thereafter are as follows:

June 30	Capital Leases	Operating Leases
2014	$1,476,792	$1,144,907
2015	1,476,792	648,862
2016	1,476,792	501,922
2017	907,244	298,028
2018	—	300,070
Thereafter	—	599,950
Total minimum lease payments	5,337,620	$3,493,739
Less: Amount representing interest	1,409,060	
Present value of minimum lease payments	3,928,560	
Less: Current portion of obligations under capital leases	851,920	
Obligations under capital leases, net of current portion	$3,076,640	

Rent expense charged to operations amounted to $692,674 and $663,544 for the periods ended June 30, 2013 and 2012, respectively.

License Agreements

The Company has various license agreements to sell its merchandise under the licensor's trademark. The agreements expire on various dates through 2020 and require the Company to pay royalty payments ranging from 5% to 12% and advertising payments ranging from 1% to 2% of licensed sales, as defined. For the periods ended June 30, 2013 and 2012, royalty expense recorded as selling expense was $10,464,707 and $10,759,766, respectively and advertising payment expense recorded as marketing expense was $1,638,614 and $1,621,526, respectively. The Company has a single license agreement from which it derived 64% and 63% of total semi-annual net sales in 2013 and 2012, respectively.

The aggregate future minimum royalty and advertising payments in each of the twelve month periods ended subsequent to June 30, 2013 are as follows:

June 30	
2014	$16,514,089
2015	15,773,798
2016	14,820,151
2017	14,141,950
2018	14,269,777
Thereafter	39,909,093

8. Subsequent Events

On October 23, 2013, the Company's parent, HVHC Inc., entered into an agreement to sell 100% of its interest in the Company. The transaction is expected to be completed by December 31, 2013.

In connection with the preparation of the condensed consolidated financial statements, the Company evaluated events subsequent to the balance sheet date of June 30, 2013 through the financial statement issuance date of October , 2013 and determined that all material events transactions have been recorded and disclosed properly.

REGISTERED OFFICE OF THE ISSUER

Marcolin S.p.A.
Zona Industriale Villanova, 4
32013 Longarone (BL)
Italy

LEGAL ADVISORS TO THE ISSUER

As to U.S. federal, New York state and Italian law

Latham & Watkins (London) LLP
Corso Matteotti, 22
20121 Milan
Italy

As to English law

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to Italian taxation law

TLS—Associazione Professionale di Avvocati e Commercialisti
Via Monte Rosa, 91
20149 Milan
Italy

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. federal and New York state law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Italian and English law

Studio Legale Associato in association with Linklaters
Via Broletto, 9
20121 Milan
Italy

INDEPENDENT AUDITORS

to the Issuer

PricewaterhouseCoopers S.p.A.
Via Monte Rosa, 91
20149 Milan
Italy

to Viva Optique, Inc.

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017
United States

TRUSTEE AND RAPPRESENTANTE COMUNE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

SECURITY AGENT

UniCredit Bank AG, Milan Branch
Via Broletto, 16
20121 Milan
Italy

ESCROW AGENT, PAYING AGENT AND TRANSFER AGENT

Elavon Financial Services Limited, UK Branch
Fifth Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

REGISTRAR

Elavon Financial Services Limited
Block E
Cherrywood Business Park
Loughlinstown
Dublin
Ireland

LEGAL ADVISOR TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

LUXEMBOURG LISTING AGENT

Société Générale Bank and Trust S.A.
11, avenue Emile Reuter
L-2420 Luxembourg
Grand Duchy of Luxembourg

Merrill Corporation Ltd, London
13ZCY13401

You should rely only on the information contained in this Offering Memorandum or to which we have referred you. We have not authorized anyone to provide you with information that is different. This Offering Memorandum may only be used in jurisdictions where it is legal to offer and sell the Notes. The information in this Offering Memorandum may only be accurate on the date of this Offering Memorandum.

TABLE OF CONTENTS

NOTICE TO INVESTORS i
FORWARD-LOOKING STATEMENTS v
INDUSTRY AND MARKET DATA vii
CERTAIN DEFINITIONS ix
PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA xiii
EXCHANGE RATE INFORMATION xvi
SUMMARY 1
CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS 14
THE OFFERING 17
SUMMARY PRO FORMA AND HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA 24
RISK FACTORS 37
THE ACQUISITION 73
USE OF PROCEEDS 77
CAPITALIZATION 79
SELECTED PRO FORMA AND HISTORICAL CONSOLIDATED FINANCIAL INFORMATION . . . 80
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF MARCOLIN 93
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VIVA 132
INDUSTRY OVERVIEW 148
MARCOLIN'S BUSINESS 152
VIVA'S BUSINESS 176
MANAGEMENT 185
PRINCIPAL SHAREHOLDERS 190
RELATED PARTY TRANSACTIONS 193
DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS 194
DESCRIPTION OF NOTES 213
BOOK-ENTRY, DELIVERY AND FORM 292
TAX CONSIDERATIONS 297
PLAN OF DISTRIBUTION 309
OFFERING AND TRANSFER RESTRICTIONS 312
LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS 315
SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS 345
LEGAL MATTERS 349
INDEPENDENT AUDITORS 349
AVAILABLE INFORMATION 350
LISTING AND GENERAL INFORMATION 351
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION P-1
INDEX TO FINANCIAL STATEMENTS F-1

€200,000,000

8.50% Senior Secured Notes due 2019

MARCOLIN
EYEWEAR

Global Coordinator and Bookrunner

Goldman Sachs International

Joint Bookrunners

Banca IMI

Natixis

UniCredit Bank

IKB Deutsche Industriebank

November 7, 2013

OFFERING MEMORANDUM