MOLESKINE

# Interim Management Report

as of March 31, 2016

# CONTENTS

# COMPANY INFORMATION

## REGISTERED OFFICE OF THE GROUP HOLDING COMPANY

Moleskine S.p.A.
Viale Stelvio 66 – 20159
Milan

## LEGAL INFORMATION OF THE GROUP HOLDING COMPANY

Approved share capital Euro 2,121,802.05
Subscribed and fully paid-up share capital Euro 2,121,802.05

Milan Company Register no. 07234480965
Milan Economic and Administrative Index (REA) no. 1945400
Tax code and VAT no. 07234480965
Company website www.moleskine.com

# BOARD OF DIRECTORS AND AUDITORS

| | | |
|---|---|---|
| **Board of Directors*** | Marco Ariello | Chairman |
| | Arrigo Berni | Chief Executive Officer |
| | Philippe Claude Sevin | Director |
| | Giuseppe Zocco | Director |
| | Daniele Raynaud | Director |
| | Fabio Brunelli | Independent director |
| | Roberto Spada | Independent director |
| | Maria Ceriani Sebregondi | Director |
| | Orna Ben Naftali | Director |
| **Control and Risk Committee*** | Fabio Brunelli | Chairman |
| | Roberto Spada | |
| | Marco Ariello | |
| **Remunerations Committee*** | Roberto Spada | Chairman |
| | Fabio Brunelli | |
| | Marco Ariello | |
| **Board of Statutory Auditors*** | Paola Maiorana | Chairman |
| | Rocco Santoro | Statutory Auditor |
| | Cristiano Proserpio | Statutory Auditor |
| | Sabrina Pugliese | Alternate Auditor |
| | Antonio Zecca | Alternate Auditor |
| **Independent Auditors** | PricewaterhouseCoopers SpA | |
| **Executive Officer in charge of the financial reports** | Alessandro Poletto | |

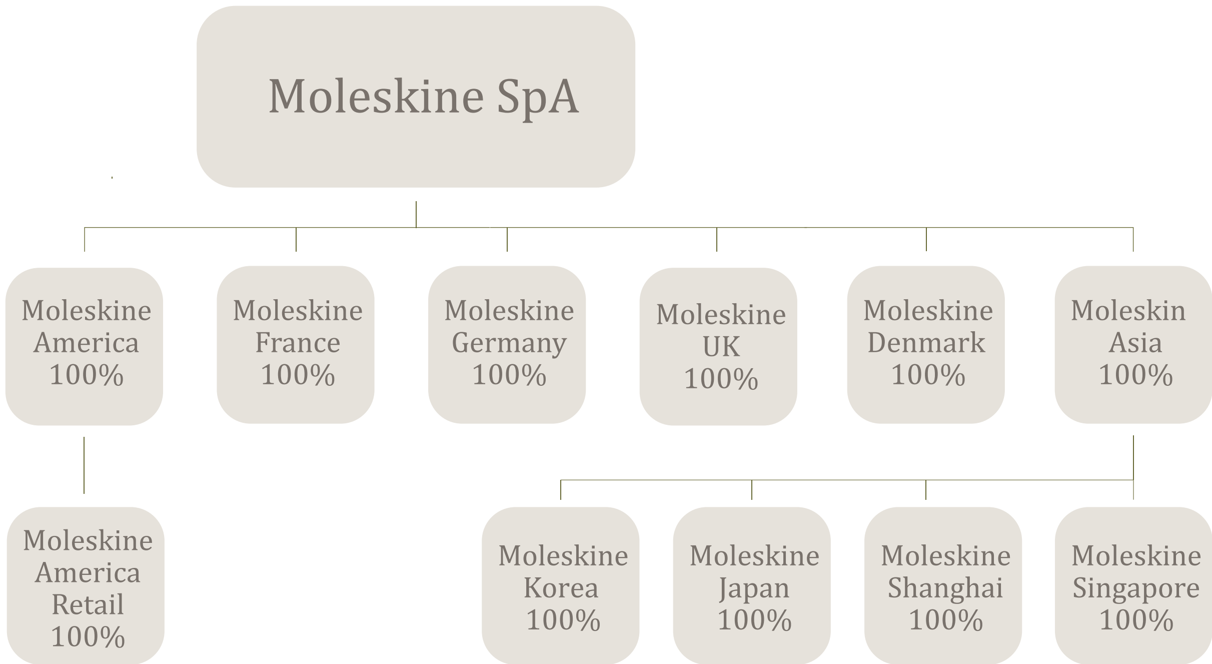
(*) Board of Directors and Auditors duly appointed by the Shareholders' Meeting of Moleskine S.p.A. held on 14 April 2016.

# GROUP STRUCTURE

The Group includes the Holding Company Moleskine S.p.A. ("**Moleskine**" or the "**Company**"), Moleskine America Inc. ("**Moleskine America**"), a wholly owned direct subsidiary headquartered in New York at 210 Eleventh Avenue, Suite 1004, Moleskine America Retail LLC ("**Moleskine America Retail**"), organized in accordance with the laws of the state of the Delaware, and a wholly-owned subsidiary of Moleskine America; it also includes Moleskine Asia Ltd ("**Moleskine Asia**"), headquartered in Hong Kong at Suite 3202A, 32/F, The Centrium, wholly owned by the Company, Moleskine Trade and Commerce Shanghai Co. Ltd, with registered offices in Shanghai at Unit 3506, Tower 2, Grand Gateway Center, No. 3, Hong Qiao Road, Xuhui District ("**Moleskine Shanghai**"), Moleskine Singapore Pte Ltd ("**Moleskine Singapore**"), headquartered in Singapore at 6001 Beach Road HEX 13-04 Golden Mile Tower, Moleskine Japan K. K. ("**Moleskine Japan**"), headquartered in Tokyo at 5-4-35-1301 Minami Aoyama, Minato-ku and Moleskine Korea Co. Ltd ("**Moleskine Korea**"), established in March 2016 with registered offices in Seoul at 10 Bongeunsa-ro 54-gil. These last four companies are wholly owned by Moleskine Asia.

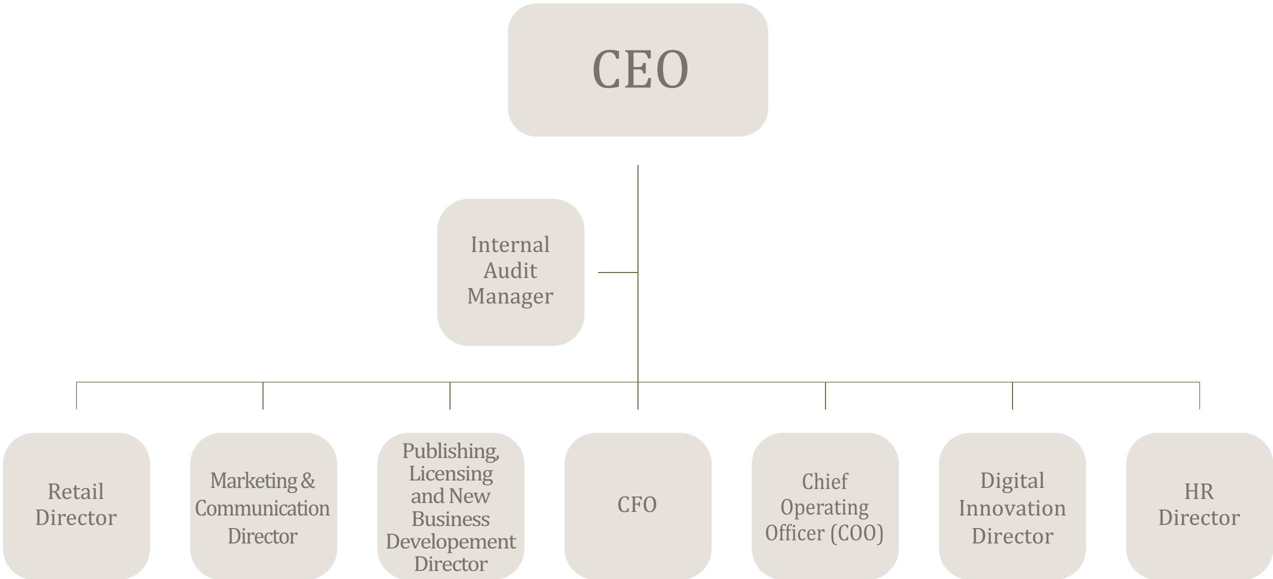
Companies also included within the Group are Moleskine France S.à.r.l ("**Moleskine France**"), headquartered in Paris at 39, rue Beauregard, Moleskine Germany Gmbh ("**Moleskine Germany**"), based in Cologne at Spichernstrasse 73, Moleskine UK Ltd ("**Moleskine UK**"), with registered offices in London on the second floor, Cardiff House, Tilling Road, and Moleskine Denmark ApS ("**Moleskine Denmark**"), with registered offices in Copenhagen, Øster Allé 42, 4, all of which are wholly owned by the group holding company, Moleskine.

The following chart shows the structure of the Group and Moleskine's subsidiaries along with the percentages held.



# GROUP ORGANIZATION CHART

The Group organization chart as of March 31, 2016, is shown below.



# DISTRIBUTION NETWORK

The Group markets its products through various distribution channels. From the perspective of the consumer, the Group is present on the market through:

- the retail distribution channel, i.e. the direct distribution channel (retail) in which the Group relies on stores managed either by third-parties or directly, the latter of which are referred to as Directly Operated Stores (DOSs);
- the wholesale channel, i.e. the channel which makes use of intermediaries to sell to consumers, in which case the Group's customers are these intermediaries;
- the B2B channel, aimed at the direct sale of customized Moleskine products to businesses, institutions and a variety of organizations by way of a combined direct and indirect model;
- the e-Commerce channel, i.e. online product sales through our own websites. This channel also includes the sales of products under the Moleskine+ line, such as software applications with integrated functions for mobile devices, collections with strategic significance in the positioning of the Moleskine brand in the analogue/digital *continuum*.

# Interim Management Report as of March 31, 2016

01

# GROUP OPERATIONS

## INTRODUCTION

With reference to the three months ended March 31, 2016, the figures given in this report, together with the associated remarks, are meant to give an overview of Group's financial performance and standing, the changes that occurred during the period under review, and any significant events that affected these results.

## OPERATING CONDITIONS AND BUSINESS DEVELOPMENT

Moleskine is the brand through which the Group develops, distributes and sells a family of products for the modern-day nomad: notebooks, journals, diaries, bags, writing instruments and reading accessories inspired by the mobile individual, products that embody personal flair and sophistication in both the real and the digital worlds.

The Group sells two lines of products and services:

i) paper collections ("**Paper Collections**") namely products on paper, such as notebooks, diaries, other home-office products, and gifts. We note that this line also includes the analogue/digital products and services, belonging to the "Moleskine+" category, as these are destined to be positioned in continuum between the analogue and digital sphere.
Some examples of the products included in this category are the Smart Notebook line developed together with Evernote, a notebook designed to work with Livescribe smart pens, as well as the notebook developed in partnership with Adobe, the leader in digital marketing and digital media solutions. The recent launch of the calendar application for iOS Timepage, also falls under this product category.

ii) writing, travel and reading accessories ("**WTR Collections**"), which include items for writing, travel and reading, such as pens, pencils, bags, eyewear and reading lights.

The Group distributes its products to 114 countries:

i) indirectly through a network of 77 distributors (i.e. the wholesale channel), which serve bookshops, department stores, speciality stores, stationers and museums (i.e. retailers); and

ii) a) through a mixed direct and indirect model for the custom editions designed for our business customers (i.e. B2B); b) through our e-Commerce site; and c) through our retail network of 62 single-brand stores (21 in China, 3 in Singapore, 7 in Hong Kong, 10 in Italy, 3 in the U.K., 5 in France, 4 in Germany and 9 in the U.S.).

## ACTIVITIES CARRIED OUT BY THE GROUP TO INCREASE BRAND AWARENESS

The public relations strategy that has always characterised the Moleskine brand focuses on story telling relating to quality, with texts, images, events, videos, inspirational stories, with the distinctive Moleskine features to guarantee that they are instantly recognisable and become viral. The stories and images are circulated through official channels and magnified by the media, fans, systematic product placement and spontaneous ambassadors.

The activities carried out in the first quarter of 2016 to support brand awareness have continued along the main lines pursued in 2015:

- **Limited editions and special cult editions. We note the launch of the Shanghai Tang Limited Edition Collection**. To celebrate the Year of the Monkey, Moleskine has worked in collaboration with Shanghai Tang, the leader in Asian elegance, to create notebooks and diaries inspired by the ancient proverb of the three wise monkeys: "see no evil, hear no evil, speak no evil".

*Shanghai Tang Limited Edition Collection*

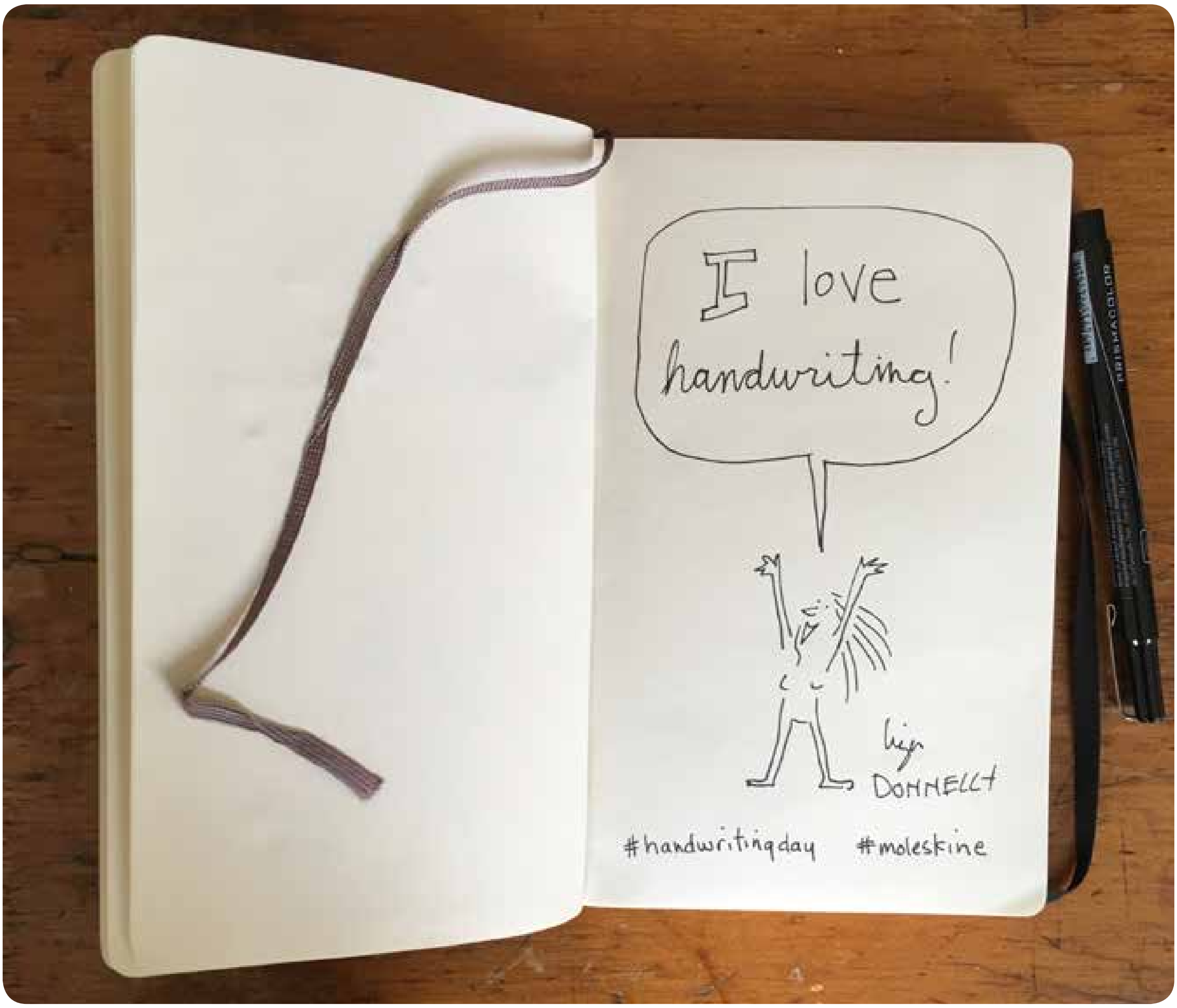
Worthy of mention is the **LINE FRIENDS Limited Edition**, a new limited edition notebook incorporating the characters from the famous Japanese LINE FRIENDS messaging service, paying tribute to pop Asian culture.


*LINE FRIENDS Limited Edition*

Finally, there is the special Moleskine edition **Oscars 2016** notebook. In honour of the 2016 Oscars, and for the first time in Moleskine's history, the pages inside the notebook provide personalized printing with interesting quotations appearing in the handwriting of members of the Academy, including Steven Spielberg, Kate Winslet and Steve McQueen.


*Oscars 2016 Special Edition*

- **Events**. The partnership format normally envisages the following activities: logo placement, supply of special edition notebooks, pens and bags to a selected "influencer" public, combined with providing content such as displays, exhibitions, workshops, talks, videos, and interaction on social media.
  The objective is to establish long-term relationships with selected trend setters and opinion leaders in the world of the creative professions, business and technology innovations, creating a platform to present old and new collections to the selected guests of partner events, and opportunities for B2B business meetings.
  Among the more significant events during the quarter, we highlight:
  - **Handwriting Day**, held on 23 January. This day celebrates the power and magic of hand-written words, and was launched by Moleskine in 2013, enjoying great success among handwriting fans from around the world. A number of famous personalities once again came together at Moleskine to post hand-written messages on various social networks, with the event attracting major media attention;




*Handwriting Day*

- the partnership with **TED** (Technology, Entertainment and Design), an international leader in events exploring technology, creativity and innovation; during the 2016 TED conference, focusing on the intriguing subject of dreams, Moleskine created a gift pack containing a special edition pen and notebook.


*TED 2016 Edition*

- **Media campaigns to support the launch of new products**. A number of new collections were launched during the first quarter of 2016, with the **Lineage Collection** standing out from the rest, offering a premium range of leather bags and wallets featuring a distinctive design.

*Lineage Collection - Briefcase*

The launch of the **Moleskine/Driade capsule collection** created by Philippe Nigro captured the attention of the Italian and international media.

*Moleskine/Driade Collection*

Lastly, Moleskine launched customized products for on-line purchases. Notebooks and diaries can now become personalized, with names or phrases printed on the cover.

# EXPANSION OF BRAND DISTRIBUTION

In line with the strategy for augmenting brand distribution, the Group has increased the number of points of sale served by the wholesale channel and has also intensified its presence and visibility within the Top Retailers, while continuing to invest in trade marketing and visual merchandising using new branded structures such as Ateliers and other displays.
The new installations during the first quarter of 2016 included:
- EMEA, the new Atelier at Stelling in Copenhagen, Denmark;
- in North America at Indigo Ochard Park, Canada;
- in the APAC area, at Galerie Lafayette in Jakarta, Indonesia and Ishimaru Bunko-Do Honten in Nagasaki, Japan.

The Group pressed on with its growth strategy, with the opening of direct single-brand stores under the retail sales channel. There were 6 new stores opening in the first three months of 2016, which included one in Italy on Corso Buenos Aires in Milan, 2 in Germany, with one located in Hamburg Airport and the other at the station in Cologne, 2 in Hong Kong of which one is a free-standing store and the other in the Eslite City Plaza shopping mall, and one in the USA on Fulton Street in New York. 2 points of sale closed down, including the temporary store at Porta Garibaldi in Milan due to the expiry of the relevant contract.


*Moleskine Store – New York Fulton Center*


*Moleskine store – Hamburg Airport*

## EXPANSION OF THE PRODUCT LINE

Moleskine began 2016 by **updating its color palette** for the classic notebook collection, representing the core business of its Paper Collection, by adding four new colors to the traditional black and red.

*Notebook new colors*

The **classic notebook** with the black cover has extended the options available to include an XL size (even in the hard cover version) and a dotted layout (on both the hard and soft covers).


*Dotted Classic Notebook*

We anticipate the launch of a new limited **Toy Story** edition collection towards the end of the first quarter, which will incorporate four notebooks celebrating one of the most famous animated films of all time, developed in conjunction with the Walt Disney Company. The launch will be supplemented by an extra collection for collectors with limited copies, which will only be available through the direct sales channels (e-Commerce and Retail).

*Toy Story Limited Edition*

Similarly to previous years, the diary range introduces new eighteen-month **academic planners** (from July 2016 to December 2017), available in both the classic and limited versions in three different collections: **Batman**, **Petit Prince** and **Peanuts**. It should be noted that the impact of the introduction of this new feature on the United States will only reflect during the second quarter of 2016 due to the different purchasing calendar of Key retailers, as explained in the Revenue section.

*Batman, Petit Prince and Peanuts limited editions*

Moleskine continues to work with **LINE Friends**, the Japanese firm that holds the Line Friends messaging application utilized by 170 million users throughout the world, with the introduction of a limited edition LINE Friends True love notebook, paying tribute to pop Asian culture.

The WTR collection was also augmented during the first quarter of 2016 with a new collection: the **Lineage Collection**, a premium range of leather bags and wallets featuring a distinctive design.


*Lineage Collection - Wallets*

Another interesting addition are the new **Travel Lights** that extend the current range of reading lights, by introducing a multi-functional item that is perfect for travelling or as a gift, with its hi-tech design, 360° swivel and with 4 different lighting options it can serve as a book light, bag light, desk light or bike light.

The Moleskine+ category introduces a new product within the Creative Cloud Connected collection in collaboration with **Adobe**: the **Smart Sketch Album**.

Further to what has been detailed above, we note that the benefits in terms of turnover performance resulting from these new additions for the direct channels, especially Retail, will only become discernible as from the second quarter of 2016.

# PERFORMANCE OF THE GROUP AS OF MARCH 31, 2016

The following tables show *i)* the condensed consolidated income statement and the consolidated income statement as of March 31, 2016, compared to the same period of the previous year, *ii)* the sources and uses of funds statement as of March 31, 2016, compared to December 31, 2015, and *iii)* capital expenditures and cash flow from operating activities during the three months ended March 31, 2016, compared to March 31, 2015.

In addition to the conventional financial statements and indicators required under IFRS, this document also presents some reclassified statements and alternative performance indicators. In order to better assess the Group’s financial performance. Nonetheless, these statements and indicators should not be considered replacements for the conventional ones required by the IFRSs.

It is noted further that the Group's activities are influenced in terms of the different distribution channels used over various months in the year, by the flow of revenue and costs; in particular, we note that based on historic data, the impact of first quarter revenues on the entire year's revenues comes in at between 17% and 19%; this range tends to drop however as a result of the greater weighting from the direct channels, where the contribution in terms of turnover is higher towards the fourth quarter of the year. For this reason, an analysis of financial standing and performance for the period under review should not be considered a fully proportionate share of the entire year.

## CONSOLIDATED INCOME STATEMENT

| | Period ended March 31 | | | | Change | |
|---|---|---|---|---|---|---|
| *In thousands of Euro and percentage of revenues* | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| Revenues | 25,067 | 100.0% | 23,142 | 100.0% | 1,925 | 8.3% |
| Other income | 648 | 2.6% | 3,919 | 16.9% | (3,271) | (83.5%) |
| Finished products, raw materials and consumables | (4,162) | (16.6%) | (6,616) | (28.6%) | 2,454 | (37.1%) |
| Service costs | (10,561) | (42.1%) | (8,865) | (38.3%) | (1,696) | 19.1% |
| Personnel costs | (5,321) | (21.2%) | (4,977) | (21.5%) | (344) | 6.9% |
| Other operating expenses | (1,814) | (7.2%) | (1,724) | (7.4%) | (90) | 5.2% |
| Depreciation, amortization and impairments | (1,057) | (4.2%) | (1,126) | (4.9%) | 69 | (6.1%) |
| **Operating profit** | **2,800** | **11.2%** | **3,753** | **16.2%** | **(953)** | **(25.4%)** |
| Finance expenses | (906) | (3.6%) | (220) | (1.0%) | (686) | 311.8% |
| Finance income | 64 | 0.3% | 637 | 2.8% | (573) | (90.0%) |
| **Profit before taxes** | **1,958** | **7.8%** | **4,170** | **18.0%** | **(2,212)** | **(53.0%)** |
| Income tax expense | (568) | (2.3%) | (1,376) | (5.9%) | 808 | (58.7%) |
| **Net profit** | **1,390** | **5.5%** | **2,794** | **12.1%** | **(1,404)** | **(50.3%)** |

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | Period ended March 31 | | | | Change | |
|---|---|---|---|---|---|---|
| *In thousands of Euro and percentage of revenues* | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| Revenues | 25,067 | 100.0% | 23,142 | 100.0% | 1,925 | 8.3% |
| EBITDA [1] | 3,857 | 15.4% | 4,879 | 21.1% | (1,022) | (20.9%) |
| Operating profit | 2,800 | 11.2% | 3,753 | 16.2% | (953) | (25.4%) |
| Net profit | 1,390 | 5.5% | 2,794 | 12.1% | (1,404) | (50.3%) |
| Adjusted revenues [2] | 25,026 | 100.0% | 23,125 | 100.0% | 1,901 | 8.2% |
| Adjusted EBITDA [3] | 4,027 | 16.1% | 5,260 | 22.7% | (1,233) | (23.4%) |
| Adjusted operating profit [3] | 2,970 | 11.9% | 4,134 | 17.9% | (1,164) | (28.2%) |
| Adjusted net profit [3] | 1,513 | 6.0% | 3,059 | 13.2% | (1,546) | (50.5%) |

(1) The Group defines EBITDA as operating income (EBIT) before depreciation, amortization and impairment of non-current assets. EBITDA is not recognized as a measure of financial performance or liquidity under IFRS; therefore, it should not be considered an alternative measure for assessing the performance of Group operating income. Since the method for calculating EBITDA is not governed by reference accounting standards, the method applied by the Group may not be the same as that adopted by others and therefore may not be comparable.
(2) Adjusted revenues represent revenues from the income statement net of revenues generated by the sale of displays and other income.
(3) Adjusted EBITDA, adjusted EBIT, the adjusted operating income and adjusted net income refer to non-recurring transactions and special items.

## ANALYSIS OF THE SOURCES AND USES OF RESOURCES

| *In thousands of Euro* | **At March 31 2016** | **At December 31 2015** |
|---|---|---|
| **Sources and Uses** | | |
| Uses | | |
| Net working capital | 15,292 | 17,734 |
| Non-current assets | 91,114 | 89,956 |
| Non-current liabilities, net deferred taxes and current provisions for risks and charges | (10,505) | (12,122) |
| **Net invested capital** | **95,901** | **95,568** |
| **Sources** | | |
| Net Financial debt | (14,814) | (13,964) |
| Net Equity | 110,715 | 109,532 |
| **Total sources of financing** | **95,901** | **95,568** |

## OTHER INFORMATION

| | **Position as of** | |
|---|---|---|
| *In thousands of Euro* | **31-mar-16** | **31-mar-15** |
| Capital expenditures [4] | 2,090 | 571 |

(4) Capital expenditures refer to gross investments in property, plant and equipment and in intangible assets, net of the decreases for the period.

* * *

The tables below show how certain adjusted indicators used to represent the Group's operating performance are calculated, net of non-recurring income and expenses and special items identified by Management. These standardise the information used to analyze the Group's performance over the relevant periods.

The Group has calculated adjusted revenues as follows:

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| **Revenues** | **25,067** | **23,142** |
| Revenues from display | (37) | (23) |
| Other income | (4) | 6 |
| **Adjusted revenues** | **25,026** | **23,125** |

Adjusted EBITDA is the net profit gross of amortization of intangible assets, depreciation of property, plant and equipment, impairments, financial income and expense and income tax, gross of non-recurring and extraordinary income and expenses including, but not limited to:

i) severance costs and other costs related to company reorganizations;
ii) legal fees and other costs related to extraordinary transactions (e.g. changes in distribution models, the termination of agreements with distributors/suppliers, lump-sum and other types of costs paid in settlements with third parties, etc.);
iii) costs related to fiscal disputes;
iv) other one-off costs not associated with ordinary operations (e.g. costs related to recalls, costs for adaptations to applicable domestic and/or international laws and regulations, etc.);
v) extraordinary and non-recurring income (e.g. insurance settlements in the event of a natural disaster or warehouse fire).

The Group has calculated adjusted EBITDA as follows:

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| **EBITDA** | **3,857** | **4,879** |
| **Total non-recurring transactions (A)** | **-** | **-** |
| Management incentive plan (Stock Option) | 169 | 85 |
| Change in the business models | - | 52 |
| Other consulting fees | - | 8 |
| Other (revenues)/costs | 1 | 73 |
| Incentives for employees | - | 163 |
| **Total special items (B)** | **170** | **381** |
| **Total non-recurring expenses and special items (A + B)** | **170** | **381** |
| Adjusted **EBITDA** | **4,027** | **5,260** |

The Group has calculated adjusted EBIT as follows:

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| **Operating profit (EBIT)** | **2,800** | **3,753** |
| Total non-recurring transactions and special items[5] | 170 | 381 |
| **Adjusted Operating profit (EBIT)** | **2,970** | **4,134** |

(5) See the reconciliation of adjusted EBITDA.

The Group has calculated adjusted net profit as follows:

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| **Net profit** | **1,390** | **2,794** |
| Total non-recurring transactions and special items | 170 | 381 |
| Income tax effect | (47) | (116) |
| **Adjusted Net Profit [6]** | **1,513** | **3,059** |

(6) Adjusted net profit is therefore calculated net of the effect of non-recurring expenses and income and special items and of the relative tax effect.

## SEASONALITY OF SALES

During the course of the year, the Group's business is marked by the seasonal nature of its sales, which becomes more evident by the increased volumes covered by the direct channels.
In respect of the latter, the Group's sales are highly concentrated over the last quarter of each period, as the Christmas period approaches.
based on historic data, turnover from the first quarter contributes between 17% and 19% to the year's results; the increasing importance of the Retail channel and the acceleration in the opening of new stores (6 opened in the first quarter of 2016 compared to 2 in the first quarter of 2015) resulted in heavier costs in the first three months of the year, which was only partially offset by the additional revenue generated for the period.
Based on this, it follows that the Group's interim results may not contribute evenly to making up the financial results for each period.

## ANALYSIS OF REVENUES

Revenues increased from Euro 23,142 thousand in the first three months of 2015, to Euro 25,067 thousand in the first three months of 2016, recording an 8.3% increase of Euro 1,925 thousand. Adjusted revenues went from Euro 23,125 thousand in the first three months of 2015 to Euro 25,026 thousand in the same period in 2016 for an increase of 8.2%: at constant exchange rates, this increase compared with the same period last year would be 7.8%.

The increase in sales revenue is mainly attributable to the improved channel and product mix.

A positive effect was also seen in sales from the change in certain business models, namely in Italy, Canada and Scandinavia, where a different mainly direct and partly indirect based distribution structure was introduced. Reference is made in this regard to the section on Revenue by distribution channel.

This quarter recorded a positive trend in all geographic areas, more especially in the EMEA and APAC, whereas an analysis according to sales channels shows the strong acceleration in the Retail channel (+59.7%), due to the new store openings as well as the increase in sales on a comparable basis.

## REVENUES BY GEOGRAPHICAL AREA

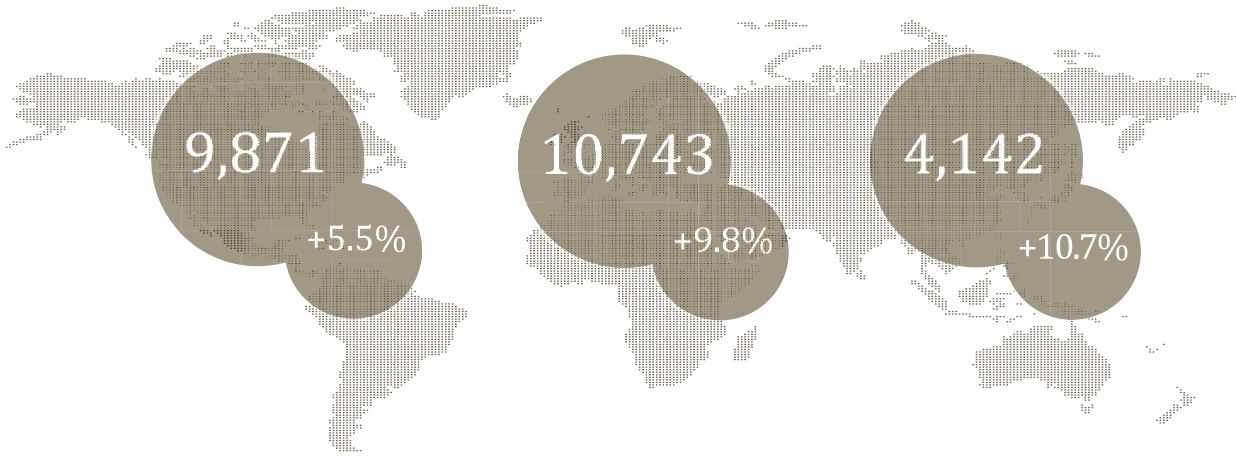
The following tables show the breakdown by geographical area of revenues and adjusted revenues for the three months ended March 31, 2016 and 2015:

| *In thousands of Euro* | **Period ended March 31** | | | | **Change** | |
|---|---|---|---|---|---|---|
| **Revenues by geographical area** | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| EMEA (Europe, Middle East, Africa) | 10,772 | 43.0% | 9,805 | 42.4% | 967 | 9.9% |
| Americas (USA, Canada, Latin America) | 9,871 | 39.4% | 9,353 | 40.4% | 518 | 5.5% |
| APAC (Asia Pacific) | 4,424 | 17.6% | 3,984 | 17.2% | 440 | 11.0% |
| **Total Revenues** | **25,067** | **100.0%** | **23,142** | **100.0%** | **1,925** | **8.3%** |

## ADJUSTED REVENUES BY GEOGRAPHICAL AREA

AMERICAS 39.4% | EMEA 43.0% | APAC 17.6%

*In thousands of Euro*



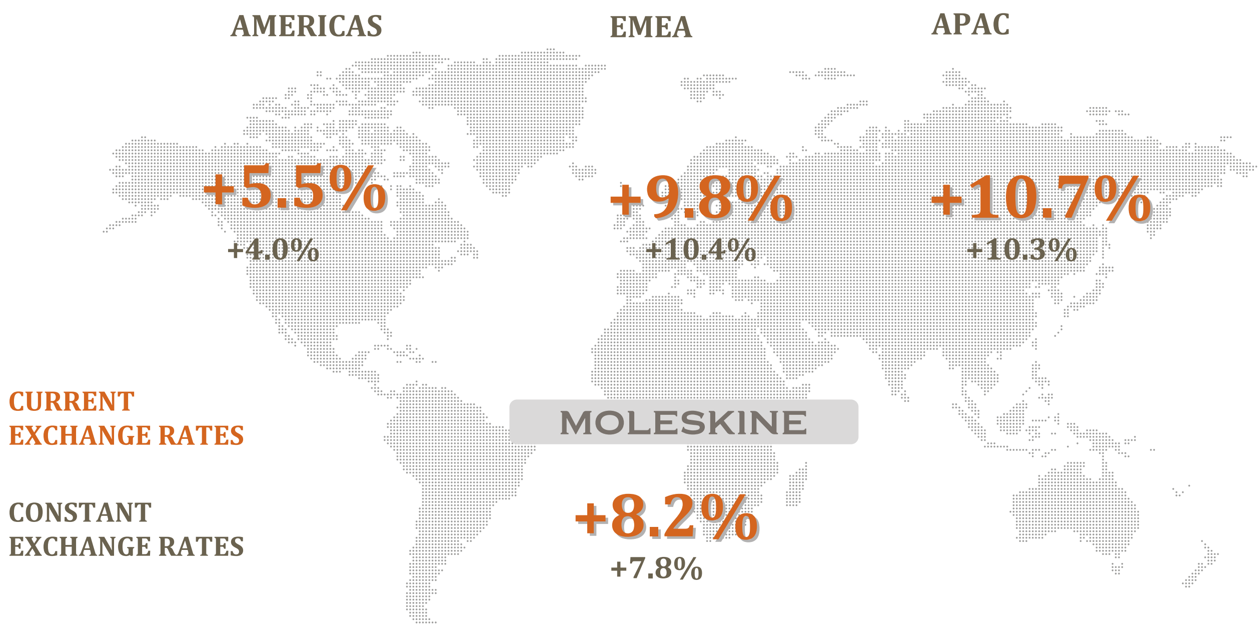

| *In thousands of Euro* | Period ended March 31 | | | | Change | |
|---|---|---|---|---|---|---|
| **Adjusted revenues by geographical area** | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| EMEA (Europe, Middle East, Africa) | 10,743 | 43.0% | 9,788 | 42.3% | 955 | 9.8% |
| Americas (USA, Canada, Latin America) | 9,871 | 39.4% | 9,353 | 40.4% | 518 | 5.5% |
| APAC (Asia Pacific) | 4,412 | 17.6% | 3,984 | 17.2% | 428 | 10.7% |
| **Total Adjusted Revenues** | **25,026** | **100.0%** | **23,125** | **100.0%** | **1,901** | **8.2%** |

Revenues in the EMEA area came to Euro 10,772 thousand in the first three months of 2016 (vs. Euro 9,805 thousand in the first three months of 2015), up Euro 967 thousand (+9.9%) compared to the previous year, whereas net of special items, the growth in revenues would be 9.8%. This increase was driven by all distribution channels, especially the B2B channel, resulting from effective marketing initiatives undertaken in respect of new and existing customers, the Retail channel following the new store openings and the positive results recorded in existing stores, and the e-Commerce channel relating to increased traffic on the Web.

Sales in the Americas grew by Euro 518 thousand (+5.5%) compared to the previous period and remains unchanged net of special items. This increase involved all channels with the exception of the Wholesale channel, which was impacted by the different timing for purchasing the 18-month diaries that shifted over to the second quarter, as well as the different schedule used by the key retailers, which also moved over to the next quarter. The impact of the different timing for the 18-month diary sales impacted for around Euro 817 thousand in the first quarter of 2015, thus making the two periods comparable, with growth that would be at 15.4%.

The APAC area posted an increase of Euro 440 thousand (+11.0%) which, net of special items, would have been 10.7%. This growth was driven by the excellent performance recorded by the channels, and partly held back by the contraction in sales through the Wholesale channel, mainly due to the Japanese market, with this only partially offset by higher growth than expected in Australia and Korea.
Finally, the B2B channel was affected by the special one-off Samsung project implemented in the first quarter of 2015.

The following is a breakdown of the growth in revenues at current and constant exchange rates by geographical area.



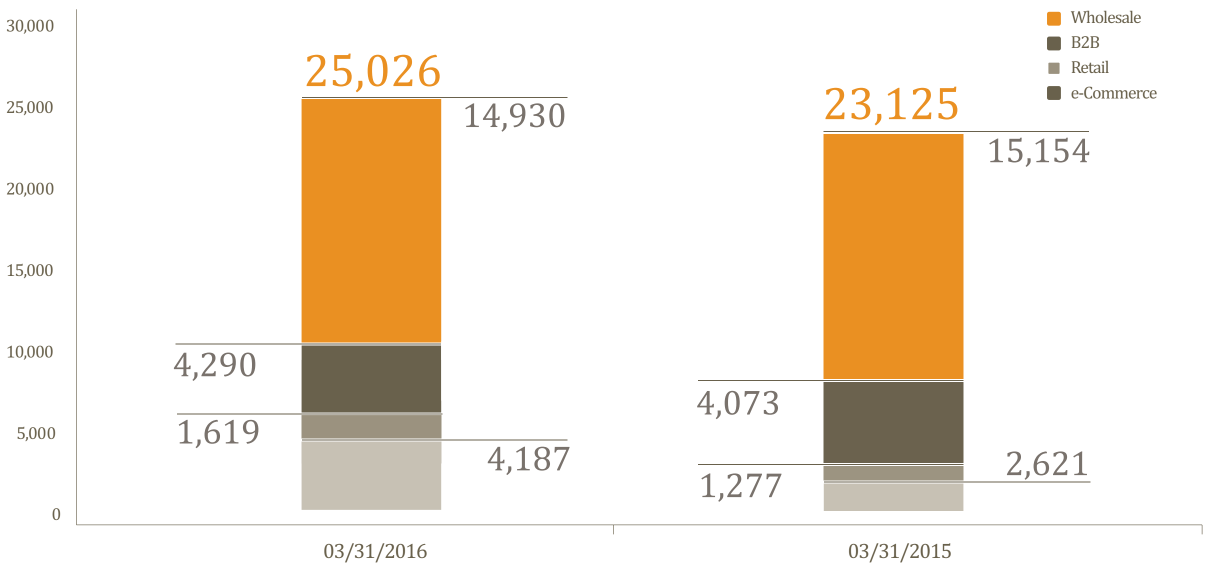
# REVENUES BY DISTRIBUTION CHANNEL

The following tables show the breakdown by distribution channel of revenues and adjusted revenues for the three months ended March 31, 2016 and 2015:

| *In thousands of Euro* | Period ended March 31 | | | | Change | |
|---|---|---|---|---|---|---|
| **Revenues by distribution channel** | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| Wholesale | 14,962 | 59.7% | 15,172 | 65.6% | (210) | (1.4%) |
| B2B | 4,299 | 17.1% | 4,073 | 17.6% | 226 | 5.5% |
| e-Commerce | 1,619 | 6.5% | 1,277 | 5.5% | 342 | 26.8% |
| Retail | 4,187 | 16.7% | 2,621 | 11.3% | 1,566 | 59.7% |
| **Total Revenues** | **25,067** | **100.0%** | **23,142** | **100%** | **1,925** | **8.3%** |

| *In thousands of Euro* | Period ended March 31 | | | | Change | |
|---|---|---|---|---|---|---|
| **Adjusted Revenues by distribution channel** | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| Wholesale | 14,930 | 59.7% | 15,154 | 65.5% | (224) | (1.5%) |
| B2B | 4,290 | 17.1% | 4,073 | 17.6% | 217 | 5.3% |
| e-Commerce | 1,619 | 6.5% | 1,277 | 5.5% | 342 | 26.8% |
| Retail | 4,187 | 16.7% | 2,621 | 11.3% | 1,566 | 59.7% |
| **Total Adjusted Revenues** | **25,026** | **100.0%** | **23,125** | **100.0%** | **1,901** | **8.2%** |

## ADJUSTED REVENUES BY DISTRIBUTION CHANNEL




### *Wholesale*

Revenues and adjusted revenues through the Wholesale channel came down by 1.4% and 1.5% respectively compared to the first three months of 2015. This result reflects the combined effect of the growth in the EMEA area, driven by the Italian, German and Scandinavian markets, and is also linked to the change in certain business models and the new channels that were set up (including the food and electronics channels). This growth was more than offset in the other geographical areas, namely in America and APAC, due to the combined effect of the factors referred to previously, namely the delayed introduction of academic diaries in the American market (started in the second and not the first quarter as in 2015), as well as the restocking differences to major American retailers and the Japanese distributor.

### *B2B*

Revenues through the B2B channel increased by Euro 226 thousand (+ 5.5%), from Euro 4,073 thousand in the first three months of 2015 to Euro 4,299 thousand in the first three months of 2016, whereas the increase in adjusted revenues for the B2B channel came in at 5.3%. Growth was recorded across all geographic areas with the exception of the APAC area, reflecting the positive results from the direct channel, more specifically in the Italian, French and Canadian markets.
With regard to the Asian market, we remind you that the first quarter in 2015 had benefited from the significant one-off effect of the special Samsung project for Euro 143 thousand, without which the growth in this channel would have come in at 9.4%.

### *e-Commerce*

Revenues and adjusted revenues for the e-Commerce channel grew by 26.8% from Euro 1,277 thousand in the first three months of 2015 to Euro 1,619 thousand in the first three months of 2016. Growth was seen across all geographic areas, and was driven especially by the positive performance in China and the EMEA countries, related to Web Marketing initiatives and the increase in on-line traffic.

### *Retail*

During the quarter, the Group continued to pursue its strategy in the Retail channel of opening DOSs, where all categories of Moleskine products are distributed directly to end consumers. Opening these points of direct sale corresponds with the Group strategy of providing the end consumer with a wide range and variety, while at the same time, promoting brand and product awareness, by bringing these within reach of the end consumer. Revenues generated through the retail channel in the first three months of 2016 stood at Euro 4,187 thousand, up by Euro 1,566 thousand from the previous year (+59.7%). Positive results were recorded in all geographic areas, especially in America, as well as Germany and China, closing off the quarter with 62 DOSs, confirming the solid strategy of further developing the stores network.

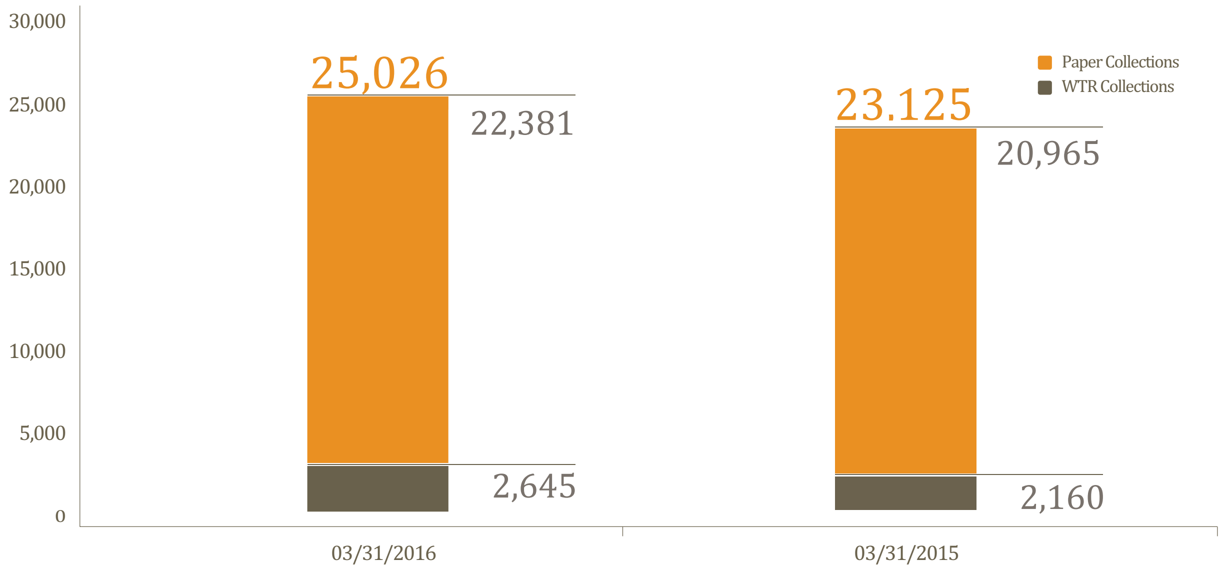
## REVENUES BY PRODUCT LINE

The following tables show the breakdown of revenues and adjusted revenues by product line for the three months ended March 31, 2016 and 2015:

| *In thousands of Euro* | **Period ended March 31** | | | | **Change** | |
|---|---|---|---|---|---|---|
| **Revenues by product line** | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| Paper collection | 22,418 | 89.4% | 20,980 | 90.7% | 1,437 | 6.9% |
| WTR collection | 2,649 | 10.6% | 2,162 | 9.3% | 488 | 22.6% |
| **Total Revenues** | **25,067** | **100.0%** | **23,142** | **100.0%** | **1,925** | **8.3%** |

| *In thousands of Euro* | **Period ended March 31** | | | | **Change** | |
|---|---|---|---|---|---|---|
| **Adjusted Revenues by product line** | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| Paper collection | 22,381 | 89.4% | 20,965 | 90.7% | 1,416 | 6.8% |
| WTR collection | 2,645 | 10.6% | 2,160 | 9.3% | 485 | 22.5% |
| **Total Adjusted Revenues** | **25,026** | **100.0%** | **23,125** | **100.0%** | **1,901** | **8.2%** |

## ADJUSTED REVENUES BY PRODUCT LINE




## PAPER COLLECTION

With reference to the range of products offered in the Paper Collection and, in particular, the new Chapters Collection, the revenues generated by this product line grew by 6.9%, whereas the growth net of the special items would have been 6.8%. During the first three months of 2016, the Group continued developing its offering with the launch of new products and expanded product ranges, with reference made to the items above in this regard.

## WTR COLLECTION

With regard to the WTR collection, the focus during the first three months of 2016 was on expanding the collection of bags with the introduction of the **Lineage** and **Travel Light** collections. Revenues generated by the WTR Collections increased by 22.6%, while net of the special items, the increase in revenues was 22.5%. In the first quarter of 2016, the Writing, Travelling and Reading Collection contributed 10.6% to the Group's total revenues, up by 9.3% on the corresponding period in the previous year.

## OTHER OPERATING INCOME

Other operating income, equal to Euro 648 thousand at March 31, 2016, includes mainly realized and unrealized foreign currency gains for Euro 617 thousand resulting from fluctuations in exchange rates that impact on the Group's Balance Sheet. To understand the comparative data correctly, we note that the figure for Other operating income at March 31, 2015 was influenced by the significant one-off effect of the exchange rate associated with the appreciation in the Euro/US dollar exchange rate as a result of which overall gains on foreign currencies stood at Euro 3,806 thousand, of which Euro 3,637 were unrealized.
In order to correctly interpret the impact from foreign currency fluctuations on the Group's Income Statement at 31 March 2016, we need to consider that the positive effect from the foreign currency gains is more than offset by realized and unrealized losses on exchange rates, stated under Other operating expenses for Euro 1,423 thousand. The "net" negative effect of the exchange rate fluctuations therefore reflected on the Group's operating result in the Income Statement for Euro 806 thousand.

# OPERATING RESULTS

The following table provides a breakdown of the operational profitability indicators EBITDA and EBIT and their respective adjusted figures:

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| Operating profit (EBIT) | 2,800 | 3,753 |
| + Depreciation, amortizations and impairments | 1,057 | 1,126 |
| **EBITDA (*)** | **3,857** | **4,879** |
| + Non-recurring transactions and special items | 170 | 381 |
| **Adjusted EBITDA** | **4,027** | **5,260** |
| *As % of Adjusted revenues* | 16.1% | 22.7% |
| **Adjusted Operating profit (EBIT)** | **2,970** | **4,134** |
| *As % of Adjusted revenues* | 11.9% | 17.9% |

(*) The Group defines EBITDA as operating income (EBIT) before depreciation, amortization and impairment of non-current assets. EBITDA is not recognized as a measure of financial performance or liquidity under IFRS; therefore, it should not be considered an alternative measure for assessing the performance of Group operating income. Since the method for calculating EBITDA is not governed by reference accounting standards, the method applied by the Group may not be the same as that adopted by others and therefore may not be comparable.

EBITDA came down by 20.9%, from Euro 4,879 thousand in the first three months of 2015 to Euro 3,857 thousand at March 31, 2016.

At March 31, 2016, Adjusted EBITDA came to Euro 4,027 thousand, equal to 16.1% of the adjusted revenues, which was down on the 22.7% recorded for the corresponding period the previous year.

The above trends seen in EBITDA, both in terms of absolute value and the percentage impact on revenues are impacted significantly on a comparative basis with the results of the corresponding period the previous year by the trend in the Euro/US dollar and related currencies exchange rates, which in the first quarter of 2015 recorded a strong appreciation in the US dollar against the Euro, and consequently a corresponding increase in the translated value into Euro in the Holding Company's posting in respect of subsidiaries represented in dollars, with a consequent positive impact on the operating results generated by the foreign currency effect.
We note furthermore that this benefit recorded in the first quarter of 2015 then translated into foreign currency gains that were effectively realized during the remainder of the period, as seen by the figures in the annual Financial Statements at December 31, 2015.

The following comparative table is provided for a clearer understanding of the effective trend in Adjusted EBITDA:

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| (+) Adjusted EBITDA | 4,027 | 5,260 |
| *as % of adjusted revenues* | *16.1%* | *22.7%* |
| (-) Unrealized exchange gains* | (548) | (3,637) |
| (+) Unrealized exchange losses** | 1,278 | 323 |
| (+) Adjusted EBITDA without effects of unrealized exchanges | 4,757 | 1,946 |
| % of Adjusted revenues without effects of unrealized exchanges | 19.0% | 8,4% |

* Included in the Income Statement item Other operating income.
** Included in the Income Statement item Other operating expenses.

Consequently by following the table shown above, we note that by clearing the economic indicators from the one-off effects associated with the postings' figures, the Adjusted EBITDA shows signs of improvement both in terms of absolute value and in the impact percentage on turnover, which was driven by the increase in sales and effective management of the cost structure.

The operating result that was also affected by the trends referred to above, went from Euro 3,753 thousand at March 31, 2015 to Euro 2,800 thousand at March 31, 2016. Net of special items, the Adjusted operating result stands at Euro 2,970 thousand at March 31, 2016 (Euro 4,134 thousand at March 31, 2015).

Below is a combined analysis of costs for finished products, raw materials and consumables and the costs for external processing for the three month period ended 2016 and 2015. This approach is used for a better understanding of the dynamics of these costs.

| | Period ended March 31 | | | | Change | |
|---|---|---|---|---|---|---|
| *In thousands of Euro and percentage of revenues* | **2016** | **%** | **2015** | **%** | **2016 vs 2015** | **%** |
| **Revenues** | **25,067** | **100.0%** | **23,142** | **100.0%** | **1,925** | **8.3%** |
| Finished products, raw materials and consumables | (4,162) | (16.6%) | (6,616) | (28.6%) | 2,454 | (37.1%) |
| Processing costs (7) | (350) | (1.4%) | (270) | (1.2%) | (80) | 29.6% |
| **Total purchases of finished products, raw materials, consumables and processing costs** | **(4,512)** | **(18.0%)** | **(6,886)** | **(29.8%)** | **2,374** | **(34.5%)** |

(7) Included in the Income Statement item Service costs.

Considering the trend of the two cost items together, we note a significant decrease in their impact on revenues compared to the corresponding previous quarter (29.8% at March 31, 2015 and 18% at March 31, 2015). This impact benefits from the positive effect on the channel mix, resulting from the increased weighting of the direct channels, and the change in the Italian and Canadian distribution models; these effects more than proportionally counterbalance the negative foreign currency effects recorded on the cost of sales, which was heavily impacted in the first quarter of 2015.

# NET INCOME

The trend in net income is mainly due to the growth factors highlighted above in the analysis on the operating results in addition to the negative financial impact of exchange rates, as highlighted in the comparative table below that shows the cleansing logic from the exchange rate effects mentioned previously:

| | **Period ended March 31** | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| Adjusted Net profit | 1,513 | 3,059 |
| Unrealized exchange gains* | (548) | (3,637) |
| Financial gains on exchanges ** | - | (620) |
| Unrealized exchange losses * | 1,278 | 323 |
| Financial losses on exchanges ** | 763 | - |
| Income tax effect | (433) | 1,298 |
| Adjusted net profit without effects of unrealized exchanges | 2,573 | 423 |

* Included in the Income Statement item Other income and Other operating expenses.
** Included in the Income Statement item Financial expenses and Financial income.

The items Financial gains and losses on exchanges refer mainly to the adjustment of exchange rates at the reporting date exchange rates at March 31, 2016 on current accounts in currencies other than the Euro held by the Holding Company, in particular on USD and GBP currency accounts, equal to Euro 763 million in losses on exchanges, explaining the reasons for the increase of the net Financial expenses on the Income Statement compared to 31 March 2015, in which the financial management benefited from Euro 620 million of earnings on unrealized exchanges.

Net of these negative exchange rates the net financial expenses at 31 March 2016 would be lower compared to the period the previous year, due to the positive trend in interest rates on existing loans, and the improved contract conditions relating to the debt structure at March 31, 2015, prior to the restructuring and refinancing operations that took place during the second quarter of 2015.

# ANALYSIS OF FINANCIAL POSITION

## NET WORKING CAPITAL

The breakdown of the Group's net working capital as of March 31, 2016, December 31, 2015, and March 31, 2015, is provided below:

| *In thousands of Euro* | **As of March 31 2016** | **As of December 31 2015** | **As of March 31 2015** |
|---|---|---|---|
| **Uses** | | | |
| Inventories | 24,066 | 20,622 | 20,559 |
| Trade receivables | 19,049 | 24,714 | 23,223 |
| Trade payables | (19,322) | (18,862) | (19,300) |
| **Net Commercial Working Capital (A)** | **23,793** | **26,474** | **24,482** |
| Other current assets | 2,417 | 2,266 | 2,418 |
| Income tax payables | (7,329) | (5,829) | (819) |
| Income tax receivables | 511 | - | - |
| Other current liabilities | (4,100) | (5,177) | (4,911) |
| **Other components of Net Working Capital (B)** | **(8,501)** | **(8,740)** | **(3,312)** |
| **Net Working Capital (A + B)** | **15,292** | **17,734** | **21,170** |

The impact of individual items on sales in the past 12 months should also be considered in an analysis of trade working capital trends as shown below:

| *In thousands of Euro* | **As of March 31 2016** | **%** | **As of March 31 2015** | **%** |
|---|---|---|---|---|
| **Uses** | | | | |
| Inventories | 24,066 | 18.5% | 20,559 | 19.7% |
| Trade receivables | 19,049 | 14.6% | 23,223 | 22.2% |
| Trade payables | (19,322) | (14.9%) | (19,300) | (18.5%) |
| **Net Commercial Working Capital (A)** | **23,793** | **18.3%** | **24,482** | **23.4%** |
| **Adjusted revenues LTM** | **130,035** | | **104,473** | |

The table illustrates the impact of Trade working capital on total sales for the period improving by 5.1 percentage points compared to the corresponding period the previous year, resulting from the combined effect of the trend in the items it comprises, as shown below:

1) inventories at March 31, 2016 increased compared to March 31, 2015 + Euro (+3,507 thousand or +17.1%). This increased is explained by the combined effect of several factors outlined below:
   - volumes effect, namely the increase in stock is associated with the expected increase in business for 2016;
   - supply chain strategy undertaken with increased vertical integration of the logistics network, both for the Retail channel with the network of DOSs, and the Wholesale channel;
   - expansion of the range of products offered with these directed increasingly at the introduction of new innovations, limited edition collections that in turn imply more materials managed at stock level to manage the higher rate of product innovation;
   - foreign currency exchange effect: inventories at March 31, 2015 were purchased at a much lower Euro/US dollar exchange rate compared to the inventories figure at March 31, 2016, consequently this trend had the opposite effect in terms of the percentage impact on turnover, which for the same reason, is lower by 1.2 percentage points.
2) trade receivables came down by Euro 5,665 thousand (-22.9%) compared to December 31, 2015 and by Euro 4,174 thousand (-18.0%) compared to the corresponding period the previous year; even though these benefited from the appreciation of the Euro against the dollar and linked currencies in terms of the conversion of receivables in currencies other than the Euro, this relates mainly to the significant drop in the average collection times (DSO) largely associated with the greater relevance given to the direct channels.
3) the figure for trade payables at March 31, 2016 is essentially in line with the figure at March 31, 2015 (+0.1%), resulting in no impact on the trend for Trade payables Trade Working Capital at the level of absolute value, but rather only in terms of the percentage weighting on turnover in the last 12 months, going from -18.5% at March 31, 2015 to -14.9% at March 31, 2016.
   While influenced by the increase in the absolute values for inventory procurements as shown above, this trend reflects the drop in average payment times associated with the greater impact of the direct channels, which according to the relevant business model, are characterised by less deferred payments.

## CAPITAL EXPENDITURES

Capital expenditures during the first three months of 2016 totalled Euro 2,090 thousand (Euro 571 thousand in the first three months of 2015).
Capital expenditures on tangible assets for the first quarter of 2016, in the amount of Euro 1,518 thousand, relate primarily to the investments in the Retail channel for furniture, furnishings and improvements to premises for new points of sale that opened during the period, investments in displays/atelier and investments in moulds for the WTR collections.
Capital expenditures on intangible assets for the first three months of 2016 for Euro 572 thousand, refer mainly to projects to implement the new ERP (SAP ECC), which is more functional and better meets the Company's analysis and reporting requirements, to a new customer relationship management (CRM) software, as well as the continuation of the project initiated during 2014 relating to the Datawarehouse and Business Intelligence.

## NET FINANCIAL POSITION

The following table shows a breakdown of the net financial position as of March 31, 2016 and December 31, 2015, calculated in accordance with CONSOB Regulation No. 6064293 of July 28, 2006, and the ESMA/2013/319 Recommendations, and as it relates to the Group's net financial position:

*In thousands of Euro*

| **Net Financial position** | **At March 31 2016** | **At December 31 2015** |
|---|---|---|
| A. Cash and cash equivalents | 48,224 | 47,382 |
| B. Other cash equivalents | 17 | 915 |
| C. Financial assets available-for-sale | - | - |
| **D. Cash and cash equivalents (A) + (B) + (C)** | **48,241** | **48,297** |
| **E. Short term financial receivables** | **996** | **-** |
| F. Short term loans | - | - |
| G. Long term loans (current portion) | (7,614) | (7,609) |
| H. Other current financial payables | (235) | (126) |
| **I. Current financial position (F) + (G) + (H)** | **(7,849)** | **(7,735)** |
| **J. Net current financial position (I) + (E) + (D)** | **41,388** | **40,562** |
| K. Long term loans (non-current portion) | (31,611) | (31,602) |
| L. Bonds issued | - | - |
| M. Other non-current payables | - | - |
| **N. Non-current financial position (K) + (L) + (M)** | **(31,611)** | **(31,602)** |
| **O. Net financial position (J) + (N)** | **9,777** | **8,960** |
| **Relationship with Group's net financial position:** | | |
| Non-current financial receivables | 5,037 | 5,004 |
| **Non-current financial assets** | **5,037** | **5,004** |
| **Net Financial position** | **14,814** | **13,964** |

Net financial position is intended as Gross Financial debt net of cash, bank deposits, other cash and cash equivalents in general including Government securities and other listed securities that can easily be liquidated, and other current and non-current financial receivables.

Gross financial debt is intended as any monetary obligation, even if not yet due and payable and only possible, relating to:

i) the return of capital obtained by way of funding (including discounting and factoring, advances subject to collection and bank receipts), irrespective of the technical format under which these were undertaken and irrespective of the qualification of the relationship assumed by the Parties, including the payment of interest and commissions;
ii) the capital and interest on bonds and similar securities;
iii) the debt resulting from financial leasing (calculated according to IAS 17).

"Other cash and cash equivalents" recognises the amount of Euro 17 thousand deposited on the liquidity account held with Exane S.A., a company that is part of BNP Paribas Securities Services, based on an agreement signed on July 2, 2015, referred to as the Liquidity Agreement, pertaining to the liquidity support provided to the ordinary treasury shares in compliance with the provisions under practice No. 1 of Consob Resolution No. 16839 of March 19, 2009.
We note further that once again on the basis of the above agreement, Current financial receivables include Euro 996 thousand by way of an investment in the liquidity provision aimed at temporarily incorporating the cash surplus relating to the sale of treasury shares.

Net financial position as of March 31, 2016 improved by Euro 850 thousand compared to December 31, 2015, standing at Euro 14,814 thousand, reflecting the significant generation of cash in the period.

# SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The shareholders of the Group Holding Company, at their meeting held on April 14, 2016 approved the separate financial statements of Moleskine S.p.A. at December 31, 2015, and resolved to allocate the profit for the year, in the amount of Euro 29,351,799 as follows:

- Euro 652,179 as unrealized exchange gains;
- a maximum total of Euro 10,054,777 as dividends;
- Euro 18,644,843 as retained earnings.

The shareholders therefore approved the distribution of a gross dividend of Euro 0.047 per ordinary share for a total amount of Euro 9,971,636. The dividend was paid on April 20, 2016 with the ex-coupon date April 18, and the record date of April 19.

During this meeting, the shareholders also approved the authorization for the purchase and disposal of treasury shares after prior cancellation of the authorization to purchase and dispose of ordinary treasury shares resolved by the Company's ordinary Shareholders' Meeting held on April 15, 2015. The objective of the authorization is to provide the Company with an agile investment instrument to be used for purposes permitted by applicable laws and, including the purposes set out in the "market practices" permitted by CONSOB, pursuant to Article 180, paragraph 1 point c), of the Consolidated Law on Finance by resolution No. 16839 of March 19, 2009 and in Regulation (EC) No. 22/2003 of December 22, 2003, and therefore, also to support liquidity and share based incentive plans.
Authorization was granted for the purchase, on one or more occasions, of ordinary Moleskine shares up to a maximum number no greater than the maximum limit permitted by applicable laws in force at the time of purchase, taking into consideration the ordinary Moleskine shares held in the portfolio at any given time by the Group Holding company or its subsidiaries.
The Board of Directors has been given a mandate to identify the amount of shares to be purchased in relation to each of the above purposes prior to the start of each individual purchase program, and at a purchase price not exceeding the higher of the price of the last independent transaction and the current independent bid price in the trading venues where the purchase will be made. Notwithstanding the foregoing, the price paid may not exceed a price per unit of more than 15% below or more than 15% above the arithmetic average of official Moleskine share prices over the ten days preceding each purchase transaction.
The Shareholders' Meeting has furthermore authorized the Board of Directors pursuant to Art. 2357-ter of the Italian Civil Code, to dispose at any time, in whole or in part, on one or more occasions, of the treasury shares acquired by means of (i) an allocation to the beneficiaries of the 2016–2020 Stock Option Plan referred to above, based on the terms and conditions stipulated in the Plan, at the price that will be fixed according to the average official weighted prices at close recorded by Moleskine ordinary shares in the thirty days the Stock Exchange was open prior to the allocation date for the Options referring to the Plan and (ii) by selling them in or out the stock exchange, also by means of assignment of real and/or personal rights, including but not limited to, the loan of securities in compliance with the pro tempore laws and regulations in force and in pursuit of the purposes referred to in this resolution. The authorization for the purchase of treasury shares is valid for eighteen months, effective from April 14, 2016, whereas the authorization for the disposal of treasury shares has no time limit.

The Shareholders' Meeting approved an incentive and loyalty plan for 2016–2020 aimed at executive directors and employees of Moleskine S.p.A. and its direct and indirect subsidiaries.
In accordance with common practices on the international front, and based on the practices implemented

by the Company in previous years, the Company believes that the 2016–2020 Stock Option Plan provides a tool that can focus the attention of beneficiaries towards factors with strategic importance, improve loyalty and incentivize employees to stay with the Company. The 2016–2020 Stock Option Plan also represents an ongoing incentive for those covering strategic and determining roles for the success of the Group and Company to maintain adequate management standards and improve the Group's performance by increasing its competitiveness and creating value for shareholders.
There are a total maximum of 5,160,000 ordinary Moleskine shares that service the 2016–2020 Stock Option Plan.
The Plan will be carried out by purchasing the Holding Company treasury shares as per the Shareholders' Meeting authorization, with the objective of eliminating the dilution effect associated with implementing the Plan, and at the same time, making effective use of the excess cash generated by the Holding Company.

Another significant event after the quarter was the cooperation agreement signed with Bric's, a leading Italian company in the luggage and accessories sector, to create a capsule collection of items combining the cultural values of Moleskine with the craftsmanship excellence of Bric's travel products. The two brands share similar values and the same objective of how best to serve the mobility of young creative professionals, of contemporary nomads that are citizens of the world and constantly connected.
This cooperation combines Moleskine's values of culture, creativity and personal identity with Bric's experience to create elegant, functional reliable and innovative collections. The Moleskine collection by Bric's was launched in the spring of 2016 and will be distributed by Bric's in its stores and through its distribution network, and by Moleskine through its direct channels.

Finally, we note the establishment of the company Moleskine Cafè S.r.l. on April 21, 2016. The main objective of the company is to provide food and drink to the public, representing an important step in the Group's growth and business diversification strategy.

# BUSINESS OUTLOOK

Based on the results achieved as of March 31, 2016, and on current market trends, the forecasts for the whole of 2016 that were formulated when presenting the 2014–2016 Strategic Plan and reconfirmed with the 2016–2018 Strategic Plan, remain valid.

Specifically during 2016, we expect to post revenues of between Euro 148 and 153 million based on constant exchange rates compared to 2015 and adjusted EBITDA of between Euro 46 and 48 million.

# PRINCIPLES APPLIED IN PREPARING THE INTERIM REPORT

The Group's interim management report as of March 31, 2016 was prepared in accordance with Article 154-ter, paragraph 5, of the Consolidated Law on Finance ("TUF"), introduced by Italian Legislative Decree no. 195/2007 in the implementation of Directive 2004/109/EC. This interim management report was approved by the Moleskine S.p.A. Board of Directors on May 10, 2016, at which time the Board also approved its publication.

The Group's interim management report as of March 31, 2016 has not been submitted for an independent audit.

# ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

The accounting standards followed in preparing the financial statements for the period ended March 31, 2016 include the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS), and related interpretations as issued by the IASB and endorsed by the European Union as of the reporting date of this document.

The accounting standards and consolidation principles adopted for the purpose of preparing the interim management report as of March 31, 2016 are the same as those adopted for the consolidated financial statements as of December 31, 2015, which should be referred to for complete information, with the exception of:

1. income tax expense, which is recognized based on the best estimate of the weighted-average rate expected for the entire year;
2. the elements noted in the principles and amendments indicated below, which are applicable as of January 1, 2016, as they became compulsory following completion of the endorsement procedures by the competent authorities.

These principles have been adopted solely for the financial statements as of March 31, 2016, and not applied in their entirety to the disclosures required under these principles.

The preparation of this interim report requires that management make certain estimates and assumptions that have an impact on revenues and costs, assets and liabilities, and on the disclosures related to contingent assets and liabilities as of the date of this interim report. Although based on the best knowledge available to management, should these estimates and assumptions prove to differ in the future from the actual circumstances, they will be appropriately adjusted in the period in which such circumstances arise.

## Accounting standards, amendments and interpretations applied as of January 1, 2016

There are no new or revised principles of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which must be applied beginning on January 1, 2016. The new or revised standards that must be applied beginning on January 1, 2015, and which were therefore already adopted in the financial statements as of December 31, 2015 are outlined below.

| Description | Endorsed as of the date of this document | Effective date stated in the standard |
|---|---|---|
| *Amendment to IAS 19, 'Employee Benefits', regarding defined benefit plans* | February 2015 | Financial years as from January 1, 2015 |
| *Annual improvements cycles 2010–2012* | February 2015 | Financial years as from January 1, 2015 |
| *Annual improvements cycles 2011-2013* | January 2015 | Financial years as from January 1, 2015 |

The adoption of the accounting standards, amendments and interpretations referred to in the table above did not impact significantly on the Group's financial position or results.

**New accounting standards, interpretations and amendments not yet applicable or not yet adopted by the Group.**

The table below shows the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions included in standards or interpretations of the IASB, with an indication of those which have and have not been adopted for use in Europe at the date of these financial statements:

| Description | Endorsed as of the date of this document | Effective date stated in the standard |
|---|---|---|
| *Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', on depreciation and amortisation* | *Yes* | *Financial years as from January 1, 2016* |
| *Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation* | *Yes* | *Financial years as from January 1, 2016* |
| *IFRS 14 'Regulatory deferral accounts'* | *No* | *Financial years as from January 1, 2016* |
| *Amendment to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants* | *Yes* | *Financial years as from January 1, 2016* |
| *Annual improvements 2012–2014* | *Yes* | *Financial years as from January 1, 2016* |
| *Amendments to IAS 27, 'Separate financial statements' on the equity method* | *Yes* | *Financial years as from January 1, 2016* |
| *Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'* | *No* | *Effect deferred to the completion of the IASB project on the equity method* |
| *Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative* | *Yes* | *Financial years as from January 1, 2016* |
| *Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception* | *No* | *Financial years as from January 1, 2016* |
| *IFRS 15 'Revenue from contracts with customers'* | *No* | *Financial years as from January 1, 2018* |
| *IFRS 9 'Financial Instruments'* | *No* | *Financial years as from January 1, 2018* |
| *IAS Amendment to IAS 7, Statement of cash flow on disclosure initiative* | *No* | *Financial years as from January 1, 2017* |
| *Amendment to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses* | *No* | *Financial years as from January 1, 2017* |
| *IFRS 16 'Leases'* | *No* | *Financial years as from January 1, 2016* |

The Group did not adopt any accounting standards and/or interpretations earlier where the application is obligatory for periods commencing subsequent to March 31, 2016.

The Group is assessing the effects of the application of the new standards and amendments above, which are currently not considered to be material.

# RELATED-PARTY TRANSACTIONS

As of March 31, 2016, there were no other transactions with related parties that were atypical in terms of their characteristics or significant in terms of their amount, other than those that are of a recurring nature.

# Consolidated Financial Statements as of March 31, 2016

02

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | At March 31 | | At December 31 | |
|---|---|---|---|---|
| *In thousands of Euro* | **2016** | *of which with related parties* | **2015** | *of which with related parties* |
| Property, plant and equipment | 7,368 | | 6,831 | |
| Goodwill and trademarks | 76,777 | | 76,801 | |
| Other intangible assets | 4,257 | | 3,961 | |
| Other non-current assets | 2,712 | | 2,363 | |
| Deferred tax assets | 7,472 | | 6,211 | |
| Non-current financial assets | 5,037 | | 5,004 | |
| **Total non-current assets** | **103,623** | | **101,171** | |
| Inventories | 24,066 | | 20,622 | |
| Trade receivables | 19,049 | | 24,714 | |
| Income tax receivables | 511 | | | |
| Other current assets | 2,417 | | 2,266 | |
| Current financial assets | 996 | | | |
| Cash and cash equivalents | 48,241 | | 48,297 | |
| **Total current assets** | **95,280** | | **95,899** | |
| **TOTAL ASSETS** | **198,903** | | **197,070** | |
| Share Capital | 2,122 | | 2,122 | |
| Other reserves | 107,203 | | 80,286 | |
| Net profit | 1,390 | | 27,124 | |
| **TOTAL NET EQUITY** | **110,715** | | **109,532** | |
| Non-current financial liabilities | 31,611 | 29 | 31,602 | 34 |
| Other non-current liabilities | 817 | | 748 | |
| Deferred tax liabilities | 14,393 | | 14,415 | |
| Post-employment and other employee benefits | 1,803 | 136 | 1,721 | 217 |
| Non-current provisions for risks and charges | 62 | | 62 | |
| **Total non-current liabilities** | **48,686** | | **48,548** | |
| Trade payables | 19,322 | 19 | 18,862 | 5 |
| Income tax payables | 7,329 | | 5,829 | |
| Current financial liabilities | 7,849 | 28 | 7,735 | 30 |
| Current provisions for risks and charges | 902 | | 1,387 | |
| Other current liabilities | 4,100 | 70 | 5,177 | 174 |
| **Total current liabilities** | **39,502** | | **38,990** | |
| **TOTAL LIABILITIES** | **88,188** | | **87,538** | |
| **TOTAL LIABILITIES AND EQUITY** | **198,903** | | **197,070** | |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Period ended March 31 | | | |
|---|---|---|---|---|
| *In thousands of Euro* | **2016** | *of which with related parties* | **2015** | *of which with related parties* |
| Revenues | 25,067 | | 23,142 | |
| Other income | 648 | | 3,919 | |
| Finished products, raw materials and consumables | (4,162) | | (6,616) | |
| Service costs | (10,561) | (19) | (8,865) | (29) |
| Personnel costs | (5,321) | (827) | (4,977) | (722) |
| Other operating expenses | (1,814) | (33) | (1,724) | (30) |
| Depreciation, amortization and impairments | (1,057) | | (1,126) | |
| **Operating profit** | **2,800** | | **3,753** | |
| Finance expenses | (906) | (8) | (220) | (13) |
| Finance income | 64 | | 637 | |
| **Profit before taxes** | **1,958** | | **4,170** | |
| Income tax expense | (568) | | (1,376) | |
| **Net profit** | **1,390** | | **2,794** | |
| **EARNINGS PER SHARE** | | | | |
| Basic (Euro) | 0.007 | | 0.013 | |
| Diluted (Euro) (*) | 0.007 | | 0.013 | |
| **Other comprehensive income** | | | | |
| **- items that may be reclassified subsequently to profit or loss:** | | | | |
| Foreign exchange from the translation of fin stat in currencies other than Euro | (698) | | 514 | |
| **Total items that may be reclassified subsequently to profit or loss** | **(698)** | | **514** | |
| **- items that will not be reclassified to profit or loss:** | | | | |
| Actuarial gain/losses on post-employment and other employee benefits | (69) | | (62) | |
| Actuarial gain/losses on post-employment and other employee benefits-tax effect | 22 | | 20 | |
| **Total items that will not be reclassified to profit or loss** | **(47)** | | **(42)** | |
| **Other comprehensive income** | **(745)** | | **472** | |
| **Total comprehensive income for the period** | **645** | | **3,266** | |

(*) There are no significant diluted effects and, therefore, diluted earnings per share corresponds with basic earnings per share.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Period ended March 31 | |
|---|---|---|
| *In thousands of Euro* | **2016** | **2015** |
| ***Cash flow from operating activities prior to working capital adjustments*** | **4.258** | **4,156** |
| ***Cash flow from operating activities*** | **4,106** | **370** |
| ***Cash flow used in investing activities*** | **(2,090)** | **(571)** |
| ***Cash flow used in financing activities*** | **(932)** | **(47)** |
| **Change in cash and cash equivalents** | **1,084** | **(248)** |
| Cash and cash equivalents at the beginning of the year | 48,297 | 23,353 |
| Exchange differences in cash and cash equivalents | (1,140) | 1,004 |
| Cash and cash equivalents at the end of the period | 48,241 | 24,109 |

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| *In thousands of Euro* | Share Capital | Share Premium Reserve | Currency Translation Reserve | Cash Flow Hedge reserve | Other reserves | Net profit | Total equity |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2015** | **2,122** | **90,406** | **503** | **-** | **(10,623)** | **27,124** | **109,532** |
| Net profit for the period | | | | | | 1,390 | 1,390 |
| Currency Translation Reserve | | | (698) | | | | (698) |
| Actuarial gains/losses on post-employment and other employee benefits | | | | | (48) | | (48) |
| **Comprehensive income for the period** | **-** | **-** | **(698)** | **-** | **(48)** | **1,390** | **644** |
| Allocation of net profit 2015 | | | | | 27,124 | (27,124) | - |
| Share buyback | | | | | 97 | | 97 |
| Incentives for Management | | | | | 442 | | 442 |
| **As of March 31, 2016** | **2,122** | **90,406** | **(195)** | **-** | **16,992** | **1,390** | **110,715** |

| *In thousands of Euro* | Share Capital | Share Premium Reserve | Currency Translation Reserve | Cash Flow Hedge reserve | Other reserves | Net profit | Total equity |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2014** | **2,122** | **90,406** | **338** | **-** | **(20,331)** | **16,525** | **89,060** |
| Net profit for the period | | | | | | 2,794 | 2,794 |
| Currency Translation Reserve | | | 515 | | | | 515 |
| Actuarial gains/losses on post-employment and other employee benefits | | | | | (43) | | (43) |
| **Comprehensive income for the period** | **-** | **-** | **515** | **-** | **(43)** | **2,794** | **3,266** |
| Allocation net profit 2014 | | | | | 16,525 | (16,525) | - |
| Incentives for Management | | | | | 57 | | 57 |
| **As of March 31, 2015** | **2,122** | **90,406** | **853** | **-** | **(3,792)** | **2,794** | **92,383** |

# Statement pursuant to Art. 154 (2)-bis of the TUF

03

# STATEMENT PURSUANT TO ARTICLE 154 (2)-BIS OF THE TUF

In accordance with Article 154-bis, paragraph 2, of the Consolidated Law on Finance ("TUF"), the Executive Officer in charge of the financial reports hereby declares that the financial information provided herein corresponds to the underlying accounting entries and records.

*Alessandro Poletto*

**Executive Officer in charge of the financial reports**