



Longarone, March 18th 2005

Press release

Marcolin approves 2004 year-end financial statements – consolidated sales grew by 10%. Group net profit € 1.2 million.

AGM will be called to approve, among other things, the annual report and to appoint the new Board of Directors and Board of Statutory Auditors, so as to reflect recent changes in the core shareholder group.

2004 consolidated highlights

Sales: € 173.2 million (2003: € 157.3 million, +10%), +12% at straight-line exchange rates

EBITDA: € 17.2 million (2003: € 10 million, +71%)

EBIT: € 9.2 million (2003: € 1 million)

Net profit: € 1.2 million (2003: net loss of € -4.2 million)

Net financial position: € -44.5 million (2003 year-end: € -43.9 million)

The Board of Directors of Marcolin SpA, which met today under the chairmanship of Giovanni Marcolin Coffen, has approved the parent company and consolidated year-end financial statements for the year ending on December 31st 2004.

Main consolidated figures

SALES

Analysis of sales by geographical area shows – as highlighted in Table 1 – the major increase achieved in the domestic market (+23%), the overall recovery achieved in the US market (+2%, about +12% based on straight-line exchange rates), the constant growth achieved in the markets of other European countries (with an increase of some +7%), and the satisfactory performance reported in the rest of the world (+14%).

Table 1

AREA (EUR/thousand)	31 Dec 2004		31 Dec 2003		Difference
	Turnover	% on total	Turnover	% on total	Difference %
Geographical area					
- Italy	40,451	23.35	32,804	20.86	23.31
- Europe	78,644	45.41	73,485	46.72	7.02
- U.S.A.	35,074	20.25	34,380	21.86	2.02
- Rest of the world	19,033	10.99	16,625	10.57	14.48
Totale	173,202	100	157,294	100	10.11

Contributors to the good 2004 sales trend were, thanks to the new collections presented, excellent growth of the “Roberto Cavalli Eyewear” line (+74%) and the good results of the “Dolce & Gabbana Eyewear” line (+24%) and “D&G Dolce & Gabbana Eyewear” line (+11%), as well as the American “Kenneth Cole” line and the launch of Timberland, sales of which started in May 2004.



Conversely, there was a downturn in sales in the sport sector (production and sale of ski goggles, sports eyewear, and accessories – undertaken by the group company Cébé SpA), which slipped by 4% vs. 2003, decreasing from € 24.3 million (mn) to € 23.3 mn. The sales breakdown by business area was as follows:

Table 2

Profit and Loss (EUR/thousand)	Sports eyewear and accessories		Sunglasses and optical frames	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
Turnover	23,284	24,326	149,918	132,968

EBITDA/EBIT

EBITDA amounted to € 17,193 thousand (with a 9.9% margin on sales), up € 7,147 thousand (+71%) over the previous year. EBIT showed significant improvement, increasing from € 1,046 thousand as at December 31st 2003 to some € 9,227 thousand at 2004 year-end.

This clear improvement was largely ascribable to the US subsidiary, which reported EBITDA substantially at breakeven at 2004 year-end as opposed to a negative figure of some € -6,110 thousand as at December 31st 2003.

NET PROFIT

Year-end net profit amounted to some € 1.2 mn vs. a net loss of € -4.2 mn at 2003 year-end.

NET FINANCIAL POSITION

The year-end net financial position amounted to about € -44.5 mn, with a debt/equity ratio of 0.83. It was substantially in line with the 2003 year-end figure despite the increase in business turnover and investments made during the year.

It should in any case be pointed out that the net financial position at the end of 2003 benefited from no-recourse factoring of trade receivables due from third parties of some € 7.7 mn. Given this, on a like-for-like basis improvement in 2004 would have amounted to about € 7.1 mn.

Main figures of the parent company Marcolin SpA

SALES

2004 featured sales of some € 98.4 mn vs. about € 85.8 mn in the year ending on December 31st 2003, with a 15% YoY increase – also thanks to the increase of sales in Italy (+23%), Greece (+11%), and Australia (+45%).

EBITDA/EBIT

EBITDA grew by +24.6% YoY rising from € 12 mn in 2003 to € 14.9 mn in 2004. EBITDA margin on revenues improved by one percent point to 15%. EBIT improved by 45% YoY, growing from € 7.6 mn in 2003 to € 11 mn in 2004.



NET PROFIT

2004 year-end net profit amounted to € 1.7 mn, as opposed to the net loss of some € -6.1 mn reported at the end of 2003. This result was, however, influenced by the adjustment of the value of some equity investments in subsidiaries for a total of € 5.4 mn
The Board of Directors will not propose any distribution of dividends.

Main events occurring after year-end and expected business progress

First of all it has to be noted that, in October 2004, the licensor Dolce & Gabbana advised of its intention of not renewing the license contract, due to expire on December 31st 2005, for the lines Dolce & Gabbana Eyewear and D&G Dolce & Gabbana Eyewear.

Due to this and to agreement reached with the future licensee, the Luxottica Group, as from October 1st 2005 and until December 31st 2005, although Marcolin will retain ownership of its contract with Dolce & Gabbana with effect until December 31st 2005, the Luxottica Group will take over sale of a significant portion of products, currently made and distributed by Marcolin. This consequently means that Marcolin will make and present its last collections for the Dolce & Gabbana lines during the forthcoming MIDO exhibition in Milan in May 2005. It will be able to sell these until September 30th 2005. After this date the Luxottica Group will take over sale of the aforementioned collections, enabling Marcolin to obtain the benefit (calculated as being some € 1.8 mn) of not paying part of minimum guaranteed royalties for the last quarter to Dolce & Gabbana, plus the possibility of supplying Luxottica (in particular, as regards prescription eyewear) with some products forming part of the last collections created by Marcolin.

This transitional agreement was desirable also so as to avoid incurring significant costs relating to the presentation of new collections close to license expiry, sales of which would in any case be terminated by the end of the year.

The parent company's management, having officially acknowledged non-renewal of the Dolce & Gabbana contract upon expiry – and in order to address the possible decrease in sales and margins and besides having taken immediate action to seek new licenses – also devised a plan, recently approved by Marcolin Spa's Board of Directors, designed to reduce costs. The plan envisages the possibility of making temporary use of the "Cassa Integrazione Guadagni" – i.e. the Italian subsidised temporary lay-off system – at the factories and the logistics area of Vallesella di Cadore and Longarone, for a maximum total of some 180 employees, as from forthcoming months.

Execution of the plan, as regards approach and timing, must be agreed upon with trade-union organisations. The entity of use of the temporary lay-off system will also depend on the company's future order inflows and on the possibility of making agreements to develop new licenses, so as to assure efficient use of the factories in question.

Set against the above, Marcolin nevertheless experienced a series of positive events causing management to look ahead to the group's medium-term prospects with particular confidence. We specifically highlight the following major events:

- On October 6th 2004 an agreement was signed envisaging, as from January 1st 2005, production and distribution in the USA in the optician channel of the prescription eyewear and sunglass lines Kenneth Cole New York and Reaction Kenneth Cole. The contract has a 3-year duration with the possibility of renewal;
- On December 1st 2004 an agreement was signed concerning extension until December 31st 2010 of the license relationship concerning the Roberto Cavalli Eyewear line (expiry of which had originally been set for December 31st 2007). On the same date



we also signed a new license agreement (with expiry once again fixed for December 31st 2010) for the Just Cavalli Eyewear line;

- November 2004 marked the entry into Marcolin SpA's shareholder group of the brothers Diego and Andrea Della Valle (well-known industrialists active in the luxury sector), via the companies they own, with a total equity interest of some 24%. Following this entry, on December 16th an accompanying voting and block pact – concerning Marcolin SpA's controlling shareholding – was concluded between the Della Valle brothers and the Marcolin family – the company's historical key shareholders. The Della Valle brothers' entry into capital will make it possible to make the Marcolin core shareholder group stable over time, also enabling the company to benefit from important contacts and relationships at international level in the fashion and luxury sector. This should facilitate fast-track acquisition of new licenses and further development of those already forming part of our portfolio – as well as making it possible to draw on further managerial skills able to assure the group's medium-term business growth. Stipulation of the accompanying pact, with contribution to the same of some 53.6% of the shares issued by Marcolin SpA, led to the obligation for pact members to launch a mandatory public tender offer (hereinafter "PTO") for all Marcolin SpA shares at a per-share price of €1.40. The PTO ended on February 11th 2005 and payment of shares handed over for the PTO was executed on February 17th 2005. By virtue of this operation, the shares currently contributed to the pact account for approximately 70.872% of share capital. They are evenly divided between the two groups of shareholders, the Marcolin family on the one hand and the Della Valle brothers on the other.

The combined effects on the group's business results of all the items highlighted above can be fully estimated presumably only at the end of the first half of 2005, by which time some negotiations underway for new licenses may come to fruition and it will also be possible to assess the full effects of transition of the Dolce & Gabbana licenses.

INTERNATIONAL ACCOUNTING STANDARDS

During 2004 Marcolin continued the process of transition to the international accounting principles (IAS/IFRS). The work currently underway aims to determine P&L and balance-sheet impact, the results of which must be submitted to the independent auditor for review, with the objective of applying the new standards within the terms envisaged by regulations.

SUMMONING OF ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDER MEETING

The Board of Directors had delegated the Chairman to convene an ordinary and extraordinary general shareholder meeting, within the terms envisaged by the corporate events calendar. The meeting date will be punctually announced to the market via a specific communiqué.

The forthcoming shareholder meeting will be called upon, during the extraordinary session, to decide on some amendments to the Articles of Association (basically an increase in the minimum number of Board members) and, during the ordinary session, besides approval of year-end financial statements as at December 31st 2004, it will also be asked to appoint the new Board of Directors and new Board of Statutory Auditors.

As regards the proposed statutory amendment, the Board of Directors has agreed that it is advisable to submit to the shareholder meeting now being convened a proposal to increase the minimum and maximum number of directors in order to (i) achieve Board



membership consistent with the equity ownership structure created as a result of entry into the shareholder group of the companies belonging to the Della Valle brothers and (ii) permit appointment of an adequate number of non-executive and/or independent directors – also so as to facilitate achievement of a Board structure in line with the provisions of the Self-Governance Code of Borsa Italiana. Approval of this proposal will involve amendment of Article 15 of the Articles of Association.

Lastly, the Chairman has disclosed that all members of the Board of Directors and of the Board of Statutory Auditors resigned today in order to enable shareholders to proceed with appointment – at the forthcoming Annual General Meeting – of a new Board of Directors and new Board of Statutory Auditors consistently with the changes mentioned above in the company's shareholder group.

The Marcolin Group is a leading company in the production and marketing of prescription fashion eyewear and sunglasses. It has over 1,100 employees spread between its 4 factories and 14 branches located throughout the world.

Its licensed product portfolio currently includes: Dolce & Gabbana Eyewear, D&G Dolce & Gabbana Eyewear, Roberto Cavalli Eyewear, Just Cavalli Eyewear, Costume National Eyewear, Montblanc Eyewear, Replay Eyes, Miss Sixty Glasses, Timberland, Cover Girl Eyewear, Kenneth Cole, NBA Eyewear, and The North Face Eyequipment. The Group also produces and markets several proprietary brands, including Marcolin and Céb .

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This press release is available on the Web site www.marcolin.com (section in English)

Attachments: summary financial statements of the Marcolin Group and of Marcolin SpA (the figures have not yet been certified by the independent auditor and verified by the Board of Statutory Auditors).

Consolidated Balance Sheet of the Marcolin Group

BALANCE SHEET - ASSETS	(EUR thousand)	31-Dec-04	31-Dec-03	Difference
<i>Intangible fixed assets</i>		13,042	13,257	-1.62%
<i>Tangible fixed assets</i>		12,639	14,211	-11.06%
<i>Financial assets</i>		1,735	2,115	-17.97%
Total fixed assets		27,417	29,583	-7.32%
Total current assets		126,482	128,954	-1.92%
Prepayments and accrued income		2,259	2,419	-6.65%
TOTAL ASSETS		156,157	160,957	-2.98%

Shareholders'equity and liabilities		31-Dec-04	31-Dec-03	Difference
Shareholders'equity		53,584	53,342	0.45%
Share capital & reserves attributable to minority interests				
Total shareholders'equity		53,584	53,342	0.45%
Total provisions		7,272	6,643	9.47%
Total payables		93,690	99,742	-6.07%
Accrued liabilities and deferred charges		1,611	1,230	30.97%
TOTAL LIABILITIES AND DEFERRED CHARGES		156,157	160,957	-2.98%

Consolidated Profit & Loss Account of the Marcolin Group

Profit and Loss (EUR/thousand)	31-Dec-2004		31-Dec-2003		Difference
Revenues form sales and services	173,202	100%	157,294	100%	10.1%
Other income	2,617	1.5%	2,557	1.6%	2.4%
Total revenues	175,819	101.5%	159,850	101.6%	10%
Cost of sales	-118,241	68.3%	-108,111	68.7%	9.4%
Value added	57,578	33.2%	51,739	32.9%	11.3%
Personnel Costs	-40,385	23.3%	-41,693	26.5%	3.1%
Gross operating margin (EBITDA)	17,193	9.9%	10,046	6.4%	71.1%
Provisions and depreciations	-2,394	1.4%	-2,166	1.4%	10.5%
Amortizations	-5,573	3.2%	-6,833	4.3%	18.4%
Operating profit (EBIT)	9,227	5.3%	1,046	0.7%	781.7%
Financial income and charges	-3,071	1.8%	-4,767	3%	35.6%
Extraordinary income and expenses	-132	01%	-140	0.1%	6%
Profit (loss) before taxes	6,024	3.5%	-3,861	2.5%	256%
Income taxes for the period	-4,865	2.8%	-291	0.2%	1573.2%
Profit (loss) for the period	1,159	0.7%	-4,152	2.6%	127.9%

Consolidated cash flow statement

31 Dec 2004		
Consolidated Statement of Cash Flows		
(thousand euro)	31 Dec 2004	31 Dec 2003
<i>Financial standing at the beginning of the period</i>	-43,908	-38,736
Total cash flow generated from operations	7,717	4,081
Total cash flow generated from working capital	-4,012	-1,165
Total cash flow from (for) investment activities	-3,406	-2,609
Total cash flow generated from equity movements	-917	-5,480
<i>Financial standing at the end of the period</i>	-44,526	-43,908

Statutory Balance Sheet of Marcolin SpA

BALANCE SHEET - ASSETS	31-Dec-04	31-Dec-03	Difference
(EUR thousand)			
<i>Intangible fixed assets</i>	3,423	1,986	72%
<i>Tangible fixed assets</i>	5,896	4,268	38%
<i>Financial assets</i>	36,207	37,384	-3%
Total fixed assets	45,526	43,638	4%
Total current assets	89,112	87,092	2%
Prepayments and accrued income	580	972	-40%
TOTAL ASSETS	135,217	131,702	3%
BALANCE SHEET - SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' equity	53,766	52,111	3%
Total provisions	7,513	6,041	24%
Total payables	73,323	73,016	0%
Accrued liabilities and deferred charges	616	534	15%
TOTAL LIABILITIES AND DEFERRED CHARGES	135,217	131,702	3%



Statutory Profit & Loss Account of Marcolin SpA

Profit and Loss (EUR thousand)	31-Dec-04		31-Dec-03		Difference
Revenues form sales and services	98,371	100.0%	85,794	100.0%	14.7%
Other income	2,056	2.1%	1,388	1.6%	48.1%
Total revenues	100,427	102.1%	87,182	101.6%	15.2%
Cost of sales	69,230	70.4%	59,281	69.1%	16.8%
Value added	31,196	31.7%	27,901	32.5%	11.8%
Personnel Costs	16,259	16.5%	15,912	18.5%	2.2%
Gross operating margin (EBITDA)	14,938	15.2%	11,989	14,0%	24.6%
Provisions and depreciations	1,490	1.5%	1,259	1.5%	18.3%
Amortizations	2,486	2.5%	3,165	3.7%	-21.5%
Operating profit (EBIT)	10,962	11.1%	7,564	8.8%	44.9%
Financial income and charges	(6,040)	6.1%	(14,182)	16.5%	-57.4
Extraordinary income and expenses	1,393	1.4%	(318)	0.4%	-538.7%
Profit (loss) before taxes	6,315	6.4%	(6,935)	8.1	-191.1%
Income taxes for the period	4,661	4.7%	(787)	0.9	-691.9%
Profit (loss) for the period	1,654	1.7%	(6,148)	7.2	-126.9%

Statutory Cash Flow statement of Marcolin SpA

31 Dec 2004
Marcolin S.p.A. Statement of Cash Flows

(EUR thousand)	31-Dec-2004	31-Dec-2003
Financial standing at the beginning of the period	(35,979)	(29,092)
Total cash flow generated from operations	10,912	9,306
Total cash flow generated from working capital	(6,302)	(10,304)
Total cash flow from (for) investment activities	(9,006)	(4,594)
Total cash flow from equity movements	0	(1,295)
Financial standing at the end of the period	(40,375)	(35,979)