

Milan, 24 March 2006

Press release

Marcolin S.p.A. Board of Directors approves the draft statutory and consolidated financial statements for 2005 and moves for a capital increase.

2005 consolidated highlights

Sales: €154 million (€173.4 million in 2004; -11.2%);

EBITDA: -€2.6 million (€17.5 million in 2004)

EBIT: -€12.6 million (€9.2 million in 2004)

Net income (loss): -€16.7 million (€0.9 million in 2004)

Net debt: €45.2 million (€44.5 million at the end of 2004)

At today's meeting chaired by Giovanni Marcolin Coffen, the Board of Directors of Marcolin S.p.A. approved the consolidated financial statements prepared in accordance with international accounting standards (IAS/IFRS) and the draft financial statements of the parent company at 31 December 2005.

As the market was informed during the year, the figures for 2005 reflect a transition phase for the Marcolin Group, which has seen a number of extraordinary events culminating in the termination of its licensing agreements with Dolce & Gabbana. The group is now heavily involved in efforts to boost sales and improve profitability. Appreciable results have already been achieved with the new licensing agreements for the production and international distribution of *Tom Ford Eyewear*, *Just Cavalli Eyewear* in late 2005 and *Ferrari* as from spring 2006, and with the renewal of the agreement for *Roberto Cavalli Eyewear*.

The group will also be focusing on:

- expanding the license portfolio and developing the brands already acquired;
- streamlining structural costs, with a particular emphasis on branch costs and on reducing the parent company's overheads;
- achieving a larger and better distribution network to support growth objectives, especially in the American market;
- reinforcing product conception and development expertise, one of the company's indispensable and distinctive resources;
- expanding the domestic manufacturing base to support the volume growth of Italian-made goods;
- restructuring the subsidiary Céb  through the gradual integration of certain activities with Marcolin S.p.A., in part by redefining managerial responsibilities.

During the meeting, in light of initiatives underway and the group's development plans, the Board of Directors decided to call an extraordinary shareholders' meeting that would authorize the board to conduct one or more rights issues, pursuant to Art. 2443 of the Italian Civil Code, for a maximum increase of €50 (fifty) million.

The purpose of the capital increase would be to strengthen the company's balance sheet, thus supporting the growth targets set by management and putting Marcolin in a better position to exploit the many opportunities offered by the market.



KEY CONSOLIDATED FIGURES

Sales

Group sales for 2005 came to €154 million, compared with €173 million the previous year.

The two main reasons for the decline in revenues are as follows:

- a combined 32.6% drop in sales of *Dolce & Gabbana Eyewear* and *D&G Dolce & Gabbana Eyewear*;
- an 11% reduction for *Cébé*, due to poorer than expected performance of the 2005 sunglasses collection, especially in the subsidiary's home market of France.

Quite successful, on the other hand, were the brands *Roberto Cavalli Eyewear* (+19.9% on 2004), *Montblanc Eyewear* (+15.2%), *Timberland* (+53.3%) and, in the American market, the eyewear section of the *Kenneth Cole* line produced since January 2005.

Late in the year, the group began marketing the new lines *Tom Ford Eyewear* and *Just Cavalli Eyewear*, which made a minor contribution to sales. The real benefits of this are expected to start to emerge in 2006, and expand further in 2007. The group expects to profit handsomely from the marketing of *Tom Ford Eyewear* products, especially in the American market.

EBITDA/EBIT

The year closed with negative EBITDA of €2.6 million (-1.7% of sales), compared with a positive €17.5 million (10.1% of sales) in 2004. The change on the previous year is explained mostly by the following factors:

- the decline in revenues, which increased license management costs and other fixed costs as a percentage of sales;
- lower margins on sales of the *Dolce & Gabbana* lines, due to the natural trend that takes place when a license is being terminated;
- the significant start-up costs incurred for the licenses *Tom Ford Eyewear* and *Just Cavalli Eyewear*, sales of which began only in late 2005.

Net income (loss)

The year ended 31 December 2005 closed with an after-tax loss of €16.7 million (compared with a profit of €0.9 million for 2004), as a result of the factors mentioned above.

Net financial position

Net debt at 31 December 2005 stood at a healthy €45.2 million, with little change since 2004 (€44.5 million), due mainly to the reduction in net working capital.

MAIN FIGURES OF THE PARENT COMPANY, MARCOLIN S.p.A.

Sales

Sales in 2005 came to €86.3 million, down from €98.4 million in 2004 (-12.3%).



EBITDA/EBIT

The year closed with EBITDA of €3.9 million (4.6% of sales), versus €14.9 million (15.2% of sales) in 2004.

EBIT was a negative €1.4 million, compared with a positive €11 million the previous year, when it stood at 11% of sales.

The above trends mirror the circumstances discussed above for the Marcolin Group as a whole.

Net income (loss)

The net loss of €11.1 million (versus net income of €1.7 million in 2004) stems in part from the writedown of equity investments, particularly the subsidiaries Marcolin USA (€6.9 million) and Céb  (€2.9 million).

Proposal for coverage of the year's loss

The Board of Directors will recommend that a dividend not be paid and that the loss for the year, €11.1 million, be covered by unallocated earnings and through the partial use of the share premium reserve.

SIGNIFICANT SUBSEQUENT EVENTS AND BUSINESS FORECAST

In February 2006, the parent company Marcolin S.p.A. took out an unsecured €25 million loan from Banca Intesa S.p.A. under ordinary market conditions, with the aim at consolidating its medium – long term debt and supporting the group's future development.

As for the business forecast, the early months of 2006 have confirmed the success of the new *Just Cavalli Eyewear* and *Tom Ford Eyewear* collections. Roberto Cavalli's addition of eyewear to his range of designer products for the young, and Tom Ford's comeback in the world of fashion, are events that have resonated around the world and bolstered expectations for these new brands.

The Marcolin Group's results for 2005 and the outlook for the current year suggest that 2006 will also close with a consolidated loss, but of a lesser extent than in 2005 thanks to the forecast increase in sales.

CONVENING OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Board of Directors has called an ordinary and extraordinary shareholders' meeting for 27 April 2006 (first call) and, if necessary, for 28 April 2006 (second call). During the ordinary part of the meeting, among various items on the agenda, the shareholders will be asked to vote pursuant to Civil Code Arts. 2357 and 2357 *ter* on the motion to purchase treasury shares and on the means for their subsequent disposal, within the legally mandated limit of 10% of the share capital. One of the items on the agenda of the extraordinary session, pursuant to Civil Code Art. 2443, will be a vote regarding the proposal to delegate the Board of Directors to conduct one or more resolutions over a period of five years, to increase the share capital by payments



up to a maximum (including premiums, if any) of €50 (fifty) million. Should the shareholders approve the delegation of powers, the Board of Directors, consistent with the performance of the financial market and the established protocol, believes that the capital increase could take place at least in part during the first half of 2006 and in any case by the end of the year.

General Manager Antonio Bortuzzo made the following comment:

"In 2006 the group will recover much of the sales and profitability that were lost along with the Dolce & Gabbana license, whose termination strongly influenced our results for 2005. The group will profit considerably from sales of the product lines recently acquired under license: Tom Ford Eyewear, Just Cavalli Eyewear and Ferrari. To increase momentum further, management is working hard to acquire new licenses that will complement the rest of our portfolio. Mostly, we are looking for luxury brands with an international following. We will also move ahead with the reorganization, giving the group a better, more flexible structure that fully responds to our objectives."

Marcolin, listed on the Milan Stock Exchange, is a leading eyewear company that stands out in the luxury market for premium quality, attention to detail, and first-rate distribution. In 2005 it produced and distributed 6.3 million eyeglass frames and sunglasses in some 400 models.

Its licensed product portfolio includes Costume National Eyewear, Cover Girl Eyewear, Ferrari, Just Cavalli Eyewear, Kenneth Cole Eyewear, Miss Sixty Glasses, Montblanc Eyewear, Replay Eyes, Roberto Cavalli Eyewear, The North Face Eyeequipment, Timberland, and Tom Ford Eyewear. The Group's proprietary brands include Marcolin and C  b  .

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This press release is available at www.marcolin.com (English section).

Attached: condensed financial statements of the Marcolin Group and Marcolin S.p.A. (not yet subject to internal or independent auditing).

Consolidated balance sheet of the Marcolin Group (IAS/IFRS).

CONSOLIDATED BALANCE SHEET MARCOLIN GROUP

(in euro thousands)

	31-dec-05	31-dec-04
ASSETS		
NON CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	16.046	17.115
INTANGIBLE ASSETS	5.096	6.946
GOODWILL	2.740	2.575
INVESTMENTS	1.123	560
DEFERRED TAX ASSETS	5.328	5.674
OTHER NON CURRENT ASSETS	1.527	2.733
TOTAL NON CURRENT ASSETS	31.860	35.604
CURRENT ASSETS		
INVENTORIES	41.496	47.526
TRADE AND OTHER RECEIVABLES	57.352	63.914
OTHER CURRENT ASSETS	722	1.466
CASH AND CASH EQUIVALENTS	10.071	9.280
TOTAL CURRENT ASSETS	109.641	122.186
TOTAL ASSETS	141.500	157.790
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	23.242	23.597
ADDITIONAL PAID IN CAPITAL	21.950	21.950
OTHER RESERVES	94	(1.079)
RETAINED EARNINGS (LOSSES)	8.097	7.796
PROFIT (LOSS) FOR THE PERIOD	(16.690)	915
MINORITY INTERESTS	0	0
TOTAL SHAREHOLDERS' EQUITY	36.693	53.178
LIABILITIES		
NON CURRENT LIABILITIES		
LONG TERM BORROWINGS	2.607	29.031
LONG TERM PROVISIONS	4.414	4.300
DEFERRED TAX LIABILITIES	2.664	2.181
OTHER NON CURRENT LIABILITIES	20	602
TOTAL NON CURRENT LIABILITIES	9.705	36.114
CURRENT LIABILITIES		
TRADE PAYABLES	30.683	29.646
SHORT TERM BORROWINGS	53.642	25.721
SHORT TERM PROVISIONS	2.975	2.080
INCOME TAXES	1.237	4.966
OTHER CURRENT LIABILITIES	6.565	6.084
TOTAL CURRENT LIABILITIES	95.102	68.498
TOTAL LIABILITIES	104.807	104.612
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	141.500	157.790

Consolidated profit and loss of the Marcolin Group (IAS/IFRS).

CONSOLIDATED INCOME STATEMENT MARCOLIN GROUP

(in euro thousands)

	2005	%	2004	%
NET SALES	153.963	100,0%	173.355	100,0%
COST OF SALES	(78.121)	-50,7%	(72.644)	-41,9%
GROSS PROFIT	75.842	49,3%	100.711	58,1%
SELLING AND MARKETING COSTS	(73.840)	-48,0%	(75.391)	-43,5%
GENERAL AND ADMINISTRATIVE EXPENSES	(17.309)	-11,2%	(18.100)	-10,4%
OTHER INCOME AND EXPENSES	2.733	1,8%	1.976	1,1%
OPERATING PROFIT	(12.575)	-8,2%	9.196	5,3%
FINANCIAL INCOME AND EXPENSES	(2.120)	-1,4%	(3.324)	-1,9%
NET RESULT BEFORE TAXES	(14.694)	-9,5%	5.872	3,4%
INCOME TAXES	(1.996)	-1,3%	(4.957)	-2,9%
MINORITY INTERESTS	0	0,0%	0	0,0%
NET RESULT	(16.690)	-10,8%	915	0,5%
EARNINGS (LOSSES) PER SHARE	(0,373)		0,020	

Consolidated cash flow statement of the Marcolin Group (IAS/IFRS).

Consolidated Cash Flow statement

<i>(In euro thousands)</i>	2005	2004
Operating activities :		
Operating profit before working capital changes	1.056	14.829
Cash flows provided (used) by working capital changes	1.089	(11.050)
Cash flows provided by operating activities	2.145	3.779
Cash flows used in investing activities	(3.806)	(4.389)
Cash flows provided (used) in financing activities	2.142	(4.379)
Cash and cash equivalents increase (decrease)	482	(4.990)
Effect of exchange rates on cash	310	(169)
Cash and cash equivalents at beginning of year	9.280	14.439
Cash and cash equivalents at year end	10.071	9.280

Statutory Balance sheet of the Marcolin SpA

Balance Sheet - Assets		
(Euro '000)	31 Dec 2005	31 Dec 2004
Total intangible assets	2.849	3.423
Total tangible assets	5.994	5.896
Total financial assets	42.037	36.207
Total Fixed assets	50.880	45.526
Total Current assets	77.969	89.112
Prepayments and accrued income	478	580
Total Assets	129.327	135.217
Balance Sheet - Liabilities		
(Euro '000)	31 Dec 2005	31 Dec 2004
Total Shareholders' equity	42.686	53.766
Total Provisions	8.448	7.513
Total Payables	77.856	73.323
Accrued liabilities and deferred charges	337	616
Total Shareholders' equity and Liabilities	129.327	135.217

Statutory Profit and Loss of the Marcolin SpA

Profit & loss statement				
(Euro '000)	31 Dec 2005		32 Dec 2004	
Revenues from sales and services	86.277	100%	98.371	100,0%
Other income	1.755	2,0%	2.056	2,1%
Total revenues	88.031	102,0%	100.427	102,1%
Cost of sales	67.798	78,6%	69.230	70,4%
Value added	20.233	23,5%	31.196	31,7%
Personnel costs	16.296	18,9%	16.259	16,5%
Gross operating margin (EBITDA)	3.937	4,6%	14.938	15,2%
Provision and depreciation	2.233	2,6%	1.490	1,5%
Amortizations	3.098	3,6%	2.486	2,5%
Operating profit (EBIT)	(1.395)	-1,6%	10.962	11,1%
Financial income and charges	(9.407)	-10,9%	(6.040)	-6,1%
Extraordinary income and expenses	203	0,2%	1.393	1,4%
Profit (loss) before taxes	(10.599)	-12,3%	6.315	6,4%
Income taxes for the period	481	0,6%	4.661	4,7%
Result of the period	(11.080)	-12,8%	1.654	1,7%

Statutory Cash flow of the Marcolin SpA

MARCOLIN S.p.A. December 31, 2005
Cash flow statement
(Short form)

<i>(In euro thousands)</i>	31 Dec 2005	31 Dec 2004
Financial standing at the beginning of the period	(10.756)	(10.396)
Total cash flow generated form operations	4.267	10.912
Total cash flow generated from working capital	8.729	(6.302)
Total cash flow from (for) investment activities	(20.197)	(4.787)
Total cash flow from financial activities	(26.889)	(183)
Increase (decrease) of cash and cash equivalents	(34.090)	(360)
Cash flow at year end	(44.846)	(10.756)
Cash and cash equivalent	1.578	3.226
Banks short-term payable	(46.425)	(13.982)
Cash and cash equivalent at year end	(44.846)	(10.756)