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Consolidated Financial Statements of the Marcolin Group for the year 2001



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MARCOLIN S.p.A.

Registered office:

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Frazione Vallesella, Via Noai 31

Share capital Euro 23.596.560

(Lit. 45.689.311.231) fully paid-in

Fiscal code and Belluno Companies

Register no. 01774690273

Chamber of Commerce registration

no. 64334

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Board Members

Board of Directors

Chairman and Managing Director	Giovanni Marcolin Coffen
Vice-Chairman and Managing Director	Maurizio Coffen Marcolin
Managing Director	Cirillo Coffen Marcolin
Managing Director	Maria Giovanna Zandegiacomo
Board Member	Maurizio Dallochio
Board Member	Cristiana Ruella
Board Member	Emanuele Alemagna

Board of Statutory Auditors

Chairman	Claudio Agostino Zulli
Regular Auditor	Rino Funes
Regular Auditor	Oswaldo Galeazzo D'Ambrosi
Alternate Auditor	Emilio Grazioli
Alternate Auditor	Giannantonio Guazzotti

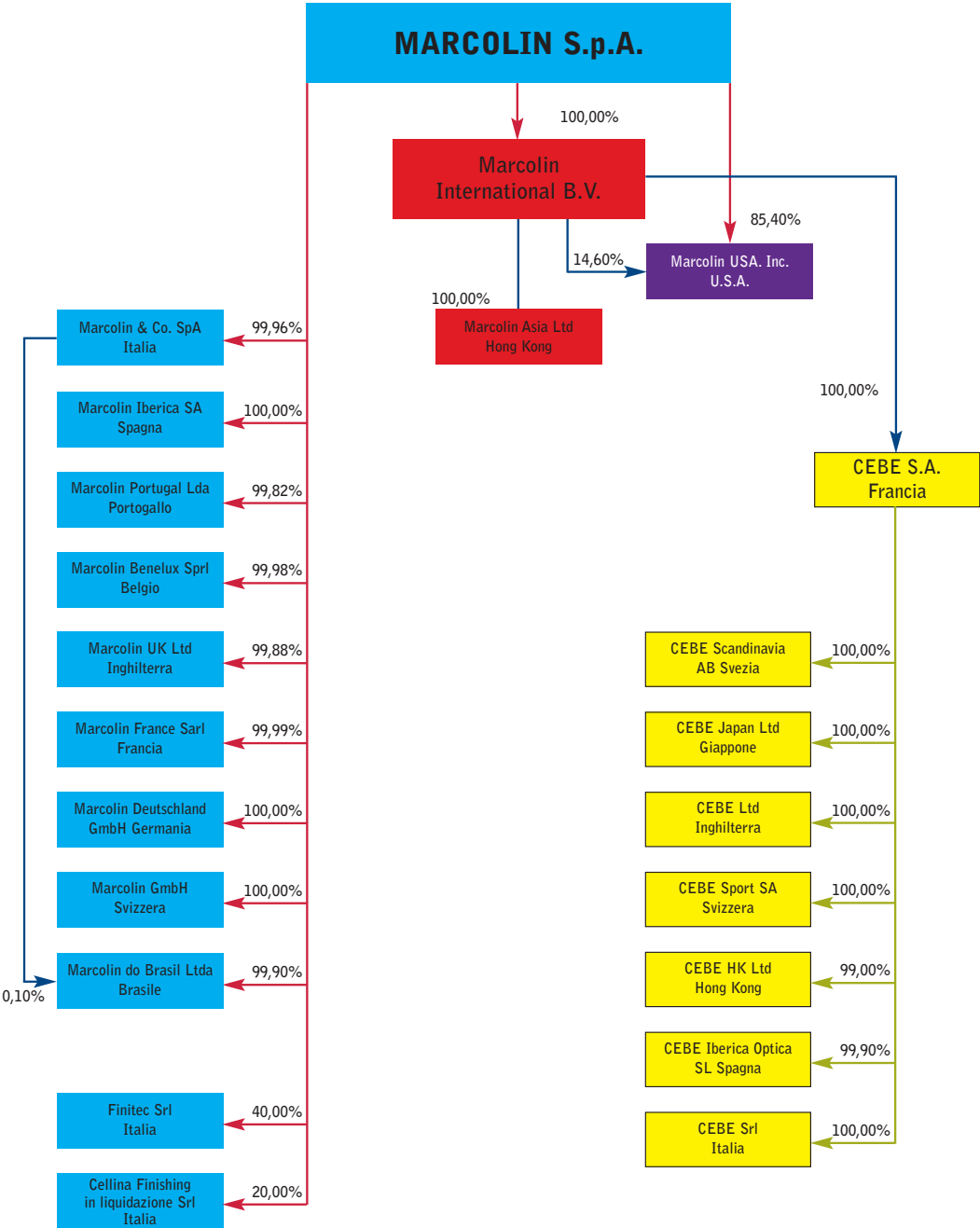
Independent Auditors

PricewaterhouseCoopers S.p.A.

Nature of individual management powers:

Board members Giovanni Marcolin Coffen, Maurizio Coffen Marcolin, Cirillo Coffen Marcolin and Maria Giovanna Zandegiacomo have been granted, within the stated limits, all the powers of ordinary and extraordinary administration which, according to the law, are not restricted to the Board of Directors.

Structure of Marcolin Group



Report on operating performance of the Marcolin Group for the year ended 2001

Shareholders,

Before starting our report we wish to state that the Company has taken advantage of article 82, clause 2 letter b), of Consob Regulation 11971/1999 and subsequent amendments thereto, exonerating it from the obligation to prepare and present a quarterly report for the fourth quarter of 2001. As a result, it has brought forward the publication of its interim report, as required by the above-mentioned legislation.

Preliminary Statement

Acquisition of Creative Optics, Inc.

Considering the importance of this operation for the Group, before proceeding with the analysis of operations relative to the year 2001, we wish to remind you that at the end of February 2001, 100% of Creative Optics Inc., an American leader company in the distribution of eyeglasses with 28 million dollars of sales during the year 2000, was bought through the subsidiary Marcolin USA Inc., for 13 million dollars (around 27 billion lire).

The main reasons which induced the Group to make this acquisition are due to the necessity of developing its presence on the North American market, which is fundamentally important for the continuation of the development of the Group's activities and to search for synergies which are able to improve the efficiency of the operating structure with a consequent reduction in operating costs.

Creative Optics Inc. seemed like the ideal target company for the achievement of these goals since it develops most of its sales through mass distribution channels (a distribution sector in which Marcolin USA only has a very small share) and it also owns a typically American designer labels portfolio which is supplementary to that of the Group. Moreover, Creative Optics has an optimal managerial structure and an efficient organizational structure which has made it possible, among other things, to absorb and handle increased sales volumes without having to apply a significant increase in human resources.

In order to utilize the potential synergies and to reduce operating costs, at the end of the month of May, Creative Optics Inc. was taken over by Marcolin USA Inc.. This operation caused a difference arising from consolidation of 26.822 million which was allocated and amortized according to the indications which will be supplied in the course of this report. During the same period, the transferring process of the operational headquarters of Creative Optics Inc., of the commercial headquarters (Miami, Florida), and the administrative and logistics center (Scottsdale, Arizona) also took place. This centralization led to the closing of Marcolin USA located in New Jersey and the consequent severance of the personnel employed therein. The costs incurred for the restructuring process amount to a total of around Lire 4.094 million and were entirely charged and recorded under the "Extraordinary Charges" item in the consolidated income statement.

Analysis of operations

The financial year which closed on December 31, 2001 shows a positive consolidated net result of around Lire 1.330 million (Lire 8.046 million during the year 2000), on consolidated sales of around Lire 299.035 million compared to consolidated sales of around Lire 231.610 million in the year 2000.

This result is brought about, as is highlighted in the preliminary statement, by the acquisition completed in the USA which contributed, on a financial level, to an increase in sales but which was also the cause of considerable extraordinary charges - linked to the restructuring of activities in the United States - of increased amortization and considerable financial charges. The latter are mainly generated as a consequence of the Parent Company's borrowing from Financial Institutions in view of loans used both for the acquisition of Creative Optics and to equip the American subsidiary with the resources necessary for the integration and development of activities and to make the necessary investments.

Note that during the year 2001, the following operations were carried out within the sphere of Group company reorganization, aimed at achieving total control over its foreign subsidiaries:

- During the month of August 2001 Marcolin S.p.A. acquired 4,04% of the capital of Marcolin USA Inc., against an initial amount of 600.000 American dollars, subject to the payment of two further price adjustments, each amounting to 225.000 USD, once the objectives are achieved;
- During the month of November 2001 the residual share of 30% of the share capital of the Swiss Marcolin G.m.b.H. was acquired, against an amount of around Lire 742 million (including accessory charges).

Due to the above-mentioned operations there is no minority interests share in the companies of the Group and contrary to previous years, there is neither a subscription of shares in shareholders' equity nor a result attributable to minority interests. With reference to the results obtained, we wish to point out that the year 2001 was characterized by a difficult economic situation on a global level whose negative effects have determined a significant decrease in consumer loyalty with a consequent decrease in the domestic demand of Euro Countries. This negative trend was further emphasized by the terrorist attacks on 11 September and by a more aggressive competitive scenario which caused a decrease in sales marginalism.

Within this difficult market scene, the Marcolin Group still distinguished itself, showing a considerable dynamism testified by its search to acquire new market shares (acquisition of Creative Optics Inc.) and the recovery of production and distribution efficiency (reorganization of management procedures of the product life cycle and supply chain redefinition).

The Marcolin Group is composed of two operating areas:

- manufacture and sales of eye/sun glasses (Marcolin)
- manufacture and sales of ski goggles, sports eyeglasses and accessories (Cébé)

Both areas report to the Parent Company Marcolin S.p.A.

Information on the two areas is shown in the table below (millions of Lire):

Balance Sheet (millions of Lire)	Cébé		Marcolin	
	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Assets				
Fixed Assets	2.752	3.205	72.471	42.649
Current Assets	39.155	39.244	187.426	129.179
Accrued Income and Prepaid Expenses	742	618	4.983	1.119
Total Assets	42.649	43.067	264.880	172.947
Shareholders' Equity and Liabilities				
Group Shareholders' Equity	5.119	6.040	126.961	125.873
Share Capital and Reserves attributable to minority interests	0	0	0	1.380
Provision for Risks and Charges	364	518	1.964	1.711
Employee Severance Indemnity Reserve	467	467	6.589	5.906
Payables	36.595	35.469	126.167	37.136
Accrued expenses and Deferred Income	104	574	3.199	943
Total Shareholders' Equity and Liabilities	42.649	43.067	264.880	172.948

Income Statement (millions of Lire)	Cébé		Marcolin	
	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Value of Production	46.102	48.506	265.011	187.911
Cost of Production	-46.018	-45.529	-256.761	-175.513
Financial Income and Expenses	-1.628	-1.383	-1.958	406
Adjustments to value of financial assets	-22	-17	33	45
Extraordinary income and expenses	177	-185	-3.159	137
Income tax for the year	468	-185	-915	-5.980
Profit of Consolidated Companies	-921	1.207	2.251	7.006
Result attributable to minority interests	0	0	0	167
Profit (loss) for the period	-921	1.207	2.251	6.839

Sales breakdown for each geographical area is as follows:

Area (millions of Lire)	31.12.2001		31.12.2000	
	Sales	Percentage of total	Sales	Percentage of total
Italy	42.925	14,35%	41.963	18,12%
European affiliates	107.734	36,03%	101.683	43,90%
Other European countries	11.276	3,77%	11.461	4,95%
U.S.A.	114.974	38,45%	53.046	22,90%
Other	22.127	7,40%	23.456	10,13%
Total	299.035	100,00%	231.610	100,00%

An analysis of the sales breakdown of the Marcolin Group for each geographical area during 2001 and the comparison with the same item of the previous year provides the following information.

Turnover from the American market has increased, due to the above-mentioned acquisition, which made it possible for the Group to enter and control certain market sectors which were not covered by the previous organizational structure of Marcolin USA.

With reference to European subsidiaries the group records a considerable increase in sales (+6% compared to the year 2000) which, even in the presence of a significant slackening in consumption, confirms the consolidation of the market shares obtained by the Marcolin Group.

The different geographical areas commercialize the products through the following types of distributors:

- Italy, European subsidiaries and the North America subsidiary: opticians, sports shops and chains;
- Other countries: chains and dealers

A Sales analysis for each product line shows the favorable performance obtained by the "Roberto Cavalli Eyewear" line and the consolidation of the "Dolce & Gabbana Occhiali", "D&G Dolce & Gabbana Occhiali" and "Chloé lunettes" lines.

Income Statement (millions of Lire)	Marcolin Group	
	31.12.2001	31.12.2000
Value of Production	311.113	236.417
Production costs	302.779	221.042
Difference between value and cost of production	8.335	15.374
EBITDA	25.782	28.380
Net Income	1.330	8.046

The EBITDA represents 8,6% of sales (compared to 12,15% on December 31, 2000) amounting to Lire 25.782 million. The decrease in EBITDA (gross operating spread) is due to the general decrease in the operating results obtained in the various subsidiaries, with the exception of Marcolin USA whose EBITDA, subsequent to the acquisition of Creative, underwent a relative improvement (passing from negative result of around 5.060 million in the year 2000 to a positive result of around Lire 4.241 million in 2001), despite the notorious terrorist acts and the negative macroeconomic trend during 2001. This is particularly important as it testifies the significant restructuring of the Group in this geographical area.

The decrease in the operating result of European subsidiaries is mainly due to the decrease in sales marginalism, which was necessary to keep the market share unaltered in a situation characterized by a decrease in demand.

This is also true as regards the strategy adopted by the main competitors who, in a market situation characterized by a slump, adopted marked price reduction policies.

Therefore it is even more important to evaluate the strategic choices of the Marcolin Group which, even under unfavorable conditions, had the strength and capability to make an important acquisition in the United States which immediately doubled the sales in that market, caused a definite improvement in the Ebitda of the American subsidiary and a complete restructuring of the activities and management organization in that country. The importance of these choices must also be evaluated considering the not so brilliant results which the American subsidiary has obtained in the past.

It is therefore considered that the reorganization of activities in the North American subsidiary, which was totally restructured, makes it possible to take full advantage of the opportunities deriving from the expected economic recovery in this market.

The main operating costs are set out below:

Costs (millions of Lire)	31.12.2001	31.12.2000
Raw and ancillary materials and finished products	-93.415	-54.088
Services rendered	-94.300	-80.784
Leases and rentals	-22.476	-16.599
Payroll	-74.441	-57.011
Depreciation and write-downs	-16.684	-12.434
Interest and other financial charges	-9.499	-4.099
Total	-310.815	-225.014

With reference to the above-mentioned data, we wish to highlight the significant increase in value of the various items which is mainly due to the acquisition, integration and reorganization of the American subsidiary and to the increase in Group turnover.

In particular:

- Costs for raw materials and auxiliary materials and services received: the considerable increase compared to the corresponding period during the year 2000, amounting to around Lire 52.843 (of which around Lire 39.327 regards costs of raw materials and goods and around Lire 13.516 regards services), is mainly due to the increase in Group sales and to the costs connected with the United States operation. It must also be noted that the introduction of new eyeglass models (goggles and frames in precious metals) characterized by improved finishing operations and considerably higher production costs had a negative effect on the increase in the cost of production.
- Leases and rentals: this item increased by around Lire 5.877 million compared to December 31, 2001, of which around Lire 4.741 million regards costs incurred by Marcolin Usa Inc.; this variance is justified by the increase in sales volumes which caused a consequent increase in the royalties paid to dismissed personnel, and an increase in real estate rentals relative to the premises occupied by Creative Optics. Starting from the year 2002 the savings deriving from the disposal, which took place during the financial year 2001, of the premises utilized by Marcolin USA in New Jersey are completely evident.
- Payroll: the increase amounted to around Lire 17.430 million, of which around Lire 15.591 million refer to Marcolin Usa Inc. and around Lire 1.695 million refer to the parent company. With reference to Marcolin S.p.A. there is an introduction of a new Group Administration, Finance and Control manager and a new Group Operations manager.
- Interest and other financial charges: the significant increase of around Lire 5.400 million is mainly due to increased financial charges incurred by the parent company for loan raising operations concerning the acquisition and integration of Creative Optics Inc., as will be explained in greater detail in the statement of cash flow.

Changes in balance sheet items

Financial Position (millions of Lire)	31.12.2001	31.12.2000
Other securities	5.617	5.178
Liquid funds	30.786	28.357
Total financial resources	36.402	33.535
Short term payables to banks	-57.190	-9.440
Medium/long-term payables to banks	-46.945	-11.128
Debts to other financial institutions	-1.884	-3.307
Total Borrowing	-106.020	-23.875
Net Financial Position	-69.617	9.660

The considerable change in the net financial position of Lire 75.884 million is mainly due to the increased borrowing of the Parent Company, which is directly correlated to investments in Creative Optics Inc. by Marcolin USA Inc., completed at the end of February 2001. This transaction was entirely financed by Marcolin S.p.A. - partly from its own financial resources and partly by drawing on external financial sources - which also provided the American subsidiary both with a provision for the payment of the acquisition price and a loan to cover the short-term debts of Creative Optics Inc., for an amount of 19 million US Dollars. In order to provide the American subsidiary with the necessary means for the acquisition, the Parent Company also increased the shareholders' equity of Marcolin U.S.A. with an amount - divided between share capital and share premium - of 6 million dollars and supplied the financial resources destined to support the development of the American subsidiary for an amount of 7 million US Dollars.

Whereas, with reference to the financial position of Céb , there is an increase in borrowing of Lire 5.649 million mainly due to the seasonal nature of the activities of the French subsidiary and a slackening in sales during the course of the year. The borrowing necessary in view of the financial needs linked to the above-mentioned acquisition involved an initial short-term loan, the expiry of which was subsequently redefined during the year, through the subscription of new forms of medium/long-term financing. In particular, two financial aids were obtained during the month of December from Credit

Institutions for 14.230.000 Euro, which provided temporary financial resources at the end of the year used, during January 2002, to pay back a short-term loan of 8 million dollars. This has consolidated the payables structure even further.

It must be noted that all loans obtained during the financial year were granted without the issue of any real guarantees.

As a final note to the analysis of the financial status, the ratio of the financial position and net shareholders' equity is 0,52.

Balance Sheet (millions of Lire)	Marcolin Group	
	31.12.2001	31.12.2000
Assets		
Fixed Assets	75.223	45.854
Current Assets	226.581	168.423
Accrued income and prepaid expenses	5.725	1.737
Total	307.529	216.014
Shareholders' Equity and Liabilities		
Net Equity	132.080	131.913
Capital and Reserves attributable to minority interests	0	1.380
Reserves and Payables	172.146	81.206
Accrued expenses and Deferred Income	3.303	1.516
Total	307.529	216.015

The change in the value of fixed assets is generated mainly by the recording of a difference arising from consolidation, net of amortization, of around 25 billion Lire, generated by the acquisition of Creative Optics Inc.. According to an estimation made by the American analysts of Standard & Poor, this difference from consolidation was allocated and amortized in the consolidated financial statements as follows:

- Goodwill 18.693 million amortized over 20 years;
- Own trademarks 4.614 million amortized over 15 years;
- Third party trademarks 3.515 million amortized over 3 years.

Standard & Poor's appraisal suggested a revision in the method of allocation and amortization of the difference arising from consolidation compared to the methods used in the six-monthly report and the third quarterly report for the year 2001. In particular, the difference arising from consolidation, which had previously been recorded entirely under goodwill and amortized over 20 years was broken down in the items indicated previously and amortized at different rates. With this revision larger amounts of amortization were calculated on an annual basis. In view of this, it must be noted that the net shareholders' equity and result for the period in the six-monthly report for the year 2001 were higher due to a decrease in amortization of Lire 529 million; the net shareholders' equity and the result of the period shown in the third quarterly report for the year 2001 were higher due to an decrease in amortization of Lire 794 million;

With reference to current assets, the increased values amounting to a total of Lire 58.159 million, are basically due to the acquisition of Creative Optics Inc., which determined an important increase in inventories, receivables and other current asset items, in view of the increase in the sales volumes of the Group.

With reference to the Reserves and payables item under shareholders' equity and liabilities, it must be noted that the overall increase of Lire 90.941 is due to the expansion of the area of consolidation linked to the entry of Creative Optics in the Group, to the increase in payables on loans contracted by the parent company to make this acquisition and subsequent restructuring (26 million dollars, around Lire 57.124 million) as well as to the increased sales volumes of the Group.

The average number of employees rose from 843 units on December 31, 2000 (of which 80 are employed by Marcolin Usa and 240 by the Cébé Group) to 1.053 units on December 31, 2001 (of which 274 are employed by Marcolin Usa and 245 are employed by the Cébé Group).

The following information is provided as required by Article 2428, clause 2 of the Italian Civil Code and article 40 of the Legislative Decree no. 127/1991:

- During the year, relationships of a commercial and financial nature were maintained with the foreign subsidiaries, commercial relationships were maintained with the associated company Finitec S.r.l., and financial, commercial, management and organizational relationships were maintained with Marcolin & Co. S.p.A.. Financial relationships with the associated company Cellina Finishing S.r.l. persist. All transactions were carried out at normal market conditions;
- no group company has ever bought shares in the Parent Company.

Research & Development

Research and development activities are developed through the styling department of the Parent Company which anticipates market trends, develops product design and is always on the look out for new materials. The research aimed at the identification of new supply and manufacturing strategies (supply-chain) and product life cycle analysis is now in the operative phase with the introduction of specialized personnel and the purchase of specific software and hardware products.

Information regarding the Euro's introduction as the reporting currency

As far as the parent company is concerned, there are no problems worth mentioning as regards the conversion of the accounting data to the new reporting currency.

The necessary updating has also taken place in the other group companies interested in the introduction of the Euro with no particular problems.

In accordance with appendix 3 C, Chart 3 of Consob Rules No. 11971 of May 14, 1999 the following is a list of shareholdings held by the Directors, Statutory Auditors and General Managers at the balance sheet date.

Name	Company	No. of shares held at end of previous year	Number of shares bought	Number of shares sold	No. of shares Held at end of Current year
Giovanni Marcolin Coffen	Marcolin S.p.A.	18.430.416*	0	0	18.430.416*
	Cébé S.A.	1	0	0	1
	Marcolin & Co. S.p.A.	873	0	0	465***
Cirillo Coffen Marcolin	Marcolin S.p.A.	1.704.748	0	0	1.704.748
	Marcolin France S.a.r.l.	4 quote	0	0	4 quote
	Marcolin UK Ltd.	1 quota	0	0	1 quota
	Cébé S.A.	1	0	0	1
	Marcolin Portugal Lda	1 quota	0	0	1 quota
Maurizio Coffen Marcolin	Marcolin S.p.A.	1.704.748	0	0	1.704.748
	Cébé S.A.	1	0	0	1
	Marcolin Benelux S.p.r.l.	1 quota	0	0	1 quota
Maria Giovanna Zandegiacomo	Marcolin S.p.A.	6.894.632**	0	0	6.894.632**
	Cébé S.A.	1	0	0	1
Paul Diaz Asper ⁽¹⁾	Marcolin S.p.A.	0	105.000	0	105.000****

- * The shares held by Mr. Giovanni Marcolin Coffen are divided as follows:
n° 544.524 shares in full ownership,
n° 11.003.016 shares held in trust through related companies,
n° 6.882.876 shares in beneficial interest.
- ** The shares held by Ms. Maria Giovanna Zandegiacomo are divided as follows:
n° 505.476 shares in full ownership,
n° 6.389.156 shares in beneficial interest.
- *** as a result of the reduction in share capital due to losses.
- ⁽¹⁾ C.E.O. of Marcolin USA Inc.
- **** The shares Bought are relative to a shareholders' agreement signed on November 5, 2001, issued in abstract form on November 15, 2001.

Significant subsequent events and outlook for operations

During the first months of the year there was a positive result on the American market, where the results obtained by Marcolin USA Inc. are better than the forecasts, creating a climate of confidence as regards the rest of the year.

On a European level, dealers have expressed excellent opinions regarding the new lines presented by the company, whose products are in the delivery phase and are expected to produce considerable sales volumes in the future.

With reference to the Cébé sub-holding the management is currently studying a series of activities in order to improve the synergy with the industrial and commercial structure of the Parent Company and create an improvement in efficiency and cost optimization.

Other information

Information on irregular or unusual operations and operations with correlated parties.

The necessary information regarding irregular or unusual operations and operations with correlated parties is provided below with reference to the suggestions of the Consob notification no. DAC/98015375 27 February 1998,

Irregular or unusual operations

Marcolin S.p.A. and the subsidiaries belonging to the Marcolin Group have not carried out any operations, during the year 2001, which are external to regular corporate activities or which have a significant impact on the economic situation and financial position of Marcolin S.p.A. and the Group.

Operations with correlated parties.

During the month of August 2001, Marcolin S.p.A. acquired from Mr. Paul Diaz Asper – the current CEO of Marcolin USA - 4,04% of the capital of Marcolin USA Inc., against an initial payment of 600.000 American dollars and the further payment of two possible price adjustments, each amounting to 225.000 USD, once the established objectives have been fulfilled.

The transaction was carried out at normal market conditions.

Information regarding the adherence to the recommendations contained in the Code of Self-Regulation for Listed Companies

Preliminary Statement

The Marcolin Group intends to acknowledge the main and most significant indications of the Code of Self-Regulation of Listed Companies regarding corporate governance through the completion of an updating process of decisional and management mechanisms, which has already been started through specific amendments to the Articles of Association.

The role of the Board of Directors (arts. 1-5 of the Code of Self-Regulation)

The Board of Directors currently holding office up to the shareholders' meeting for the approval of the financial statements at December 31, 2003, is composed of 7 (seven) Directors, 4 (four) of which have powers of administration and representation:

The Chairman (Giovanni Marcolin Coffen), the Vice-Chairman (Maurizio Coffen Marcolin), Cirillo Coffen Marcolin and Maria Giovanna Zandegiacomo. In particular, ample powers of administration and representation have been granted to the Chairman, the Vice-Chairman and the Managing Cirillo Coffen Marcolin.

There are 3 (three) non-executive directors holding office, namely Cristiana Ruella, Maurizio Dallochio and Emanuele Alemagna.

The above-mentioned board members are considered "independent" with respect to property and company management, in adherence to the recommendations of the Code of Self-Regulation of the Listed Companies and all participate assiduously to the activities of the Board.

As a rule the Board of Directors holds at least five meetings a year, but consultations among the board members take place more frequently.

The Board of Directors examines and approves strategic, industrial and financial plans, organizational proposals and general policies regarding human resources management, Group company structure, the trend of operations and quarterly and six-monthly results and grants and revokes delegated powers.

The Board of Directors pays particular and specific attention to important operations especially those which involve correlated parties.

According to the Articles of Association the Board of Directors is composed of a minimum of 3 and a maximum of 7 re-eligible Directors, who may be nominated for a period of not more than 3 years.

At the next shareholders' meeting the board of directors will make a proposal to increase the maximum number of board members from seven to nine.

The managing directors keep the Board of Directors regularly and suitably informed on the main operations which they put into effect on the basis of the respective powers of administration and representation, with particular attention to any irregular or unusual operations and operations with correlated parties.

Remuneration Committee and Nominating committee (arts. 7 and 8 of the Code of Self-Regulation).

The overall remuneration is determined by the shareholders' meeting in adherence to art. 2389 paragraph I of the civil code and the articles of association, while the Directors' remuneration is established by the Board of Directors. The Board of Directors also decides on the remuneration of directors performing special functions in adherence to art. 2389 paragraph II of the civil code and the articles of association.

The overall remuneration is indicated in the Notes to the Consolidated Financial Statements of the Marcolin Group.

The Board of Directors intends to set up a Remuneration Committee with the task of formulating remuneration proposals regarding Company Directors performing special functions.

The nomination of Directors is currently decided by the shareholders' meeting in compliance with the articles of associations on the basis of their curriculum vitae.

In the next shareholders' meeting the Board of Directors will propose an amendment to article 15 of the articles of association in order to introduce the list vote for directors' election.

Internal Auditing (arts. 9 and 10 of the Code of Self-Regulation)

The Company has an internal auditing system for the treatment of forecasted and actual information of the Parent Company and subsidiaries and for the drawing up of the consolidated financial statements.

The Managing Director makes sure that the internal auditing system is functional and suitable.

The Company intends to nominate Internal Auditing operators and define their relative tasks.

Likewise, an Internal Auditing Committee will also be set up.

Treatment of Confidential Information (art. 6 of the Code of Self-Regulation).

The Managing Directors along with the Chairman are responsible for the handling of confidential information.

The Managing Directors supervise the application of provisions regarding company background information, providing and coordinating any internal structure interventions.

Press releases relative to resolutions for the approval of financial statements for the year, six monthly reports, quarterly reports as well as extraordinary operations or decisions are subject to the managing directors' approval.

Communication and relations with press agencies and institutional investors are restricted to the managing directors and the investor relator.

An internal regulation for the treatment of confidential information will also be introduced.

Relations with institutional investors and with other shareholders (arts. 11 and 12 of the Code of Self-Regulation).

Dialogue and relations with shareholders, press agencies and institutional investors are restricted to managing directors and the investor relator.

Among other things, the investor relator coordinates activities with financial market operators.

At the next shareholders' meeting the Board of Directors will present the regulations for the orderly and effective conduct of the General Meeting of Shareholders for the shareholders' approval. This regulation is not to be considered an amendment to the articles of association.

Auditors (art. 13 of the Code of Self-Regulation)

The current articles of association provide for the nomination of the components of the Board of Statutory Auditors through the presentation of special lists, preceded by the presentation of the candidates' curriculum vitae.

There have been no other post-balance sheet events which could have a material effect on the Company's results or financial position.

The Board would like to thank all of the staff for their devoted service, as well as the Board of Statutory Auditors and the Independent Auditors for their supervision and control, and for the suggestions they have made.

Longarone, March 26, 2002
Chairman of the Board of Directors
GIOVANNI MARCOLIN COFFEN

Consolidated Balance Sheet
at December 31, 2001
(amount in ITL)

Consolidated balance sheet at December 31, 2001

Balance sheet	31.12.2001	31.12.2000
ASSETS		
A SHARE CAPITAL ISSUED AND NOT PAID		
B FIXED ASSETS		
I Intangible fixed assets		
1 Start up and expansion costs	1.730.839.359	2.705.731.637
2 Research, development and advertising costs	1.031.379.547	1.721.905.093
3 Industrial and other patent rights	456.243.715	414.216.885
4 Concessions, licenses, trademarks and similar rights	12.662.734.016	5.948.443.304
5 Goodwill		
6 Assets under construction and advances	74.421.885	38.014.031
7 Other intangible assets	292.646.277	796.104.445
8 Difference of currency conversion	20.944.873.119	3.105.204.505
Total intangible assets	37.193.137.918	14.729.619.900
II Tangible fixed assets		
1 Land and buildings	14.016.988.325	14.707.715.131
2 Plant and machinery	4.560.345.861	5.352.714.839
3 Industrial and commercial equipment	3.359.876.612	2.538.785.892
4 Other tangible assets	8.856.402.832	6.195.859.129
5 Construction in progress and advances	414.197.003	140.212.046
Total tangible assets	31.207.810.633	28.935.287.037
III Financial assets		
1 Investments		
a) subsidiaries		
b) associated companies	953.745.606	1.260.884.459
c) parent companies		
d) other companies	77.440	3.545.533
Total investments	953.823.046	1.264.429.992
2 Receivables		
a) from subsidiaries	within 12 months	
	after 12 months	
b) from associated companies	within 12 months	
	after 12 months	
c) from parent companies	within 12 months	
	after 12 months	
d) other	within 12 months	13.539.137
	after 12 months	431.192.097
Total receivables	5.193.256.005	491.568.885
3 Other securities	5.206.795.142	922.760.982
4 Long-term investments with guarantee deposit	510.085.099	
	151.625.816	1.830.128
Total investments	6.822.329.103	2.189.021.102
TOTAL FIXED ASSETS	75.223.277.654	45.853.928.039

Balance sheet		31.12.2001	31.12.2000
C Current assets			
I Inventory			
1 Raw materials, auxiliary materials and spare parts		11.110.153.516	9.925.219.801
2 Work in progress		5.437.500.172	6.966.795.258
3 Contract work in progress			
4 Finished goods		65.457.326.761	35.980.246.742
5 Advances			
Total inventory		82.004.980.449	52.872.261.801
II Receivables			
1) Trade receivables	within 12 months	98.620.884.151	76.667.310.412
	after 12 months	65.229.225	254.196.370
2) Receivables from subsidiaries	within 12 months		
	after 12 months		
3) Receivables from associated companies	within 12 months		
	after 12 months		
4) Receivables from parent companies	within 12 months		
	after 12 months		
5) Other receivables	within 12 months	5.031.869.008	4.313.888.256
	after 12 months	4.455.764.457	780.335.383
Total receivables		108.173.746.841	82.015.730.421
III Short-term Investments			
1 Investments in subsidiaries			
2 Investments in associated companies			
3 Investments in parent companies			
4 Other investments			
5 Treasury stocks			
6 Other securities		5.616.679.336	5.177.550.147
Total short-term investments		5.616.679.336	5.177.550.147
IV Cash and Banks			
1 Bank and postal deposits		29.355.878.679	28.019.848.924
2 Cheques		1.358.465.987	198.671.949
3 Cash in hand		71.452.158	138.561.259
Total cash and banks		30.785.796.824	28.357.082.132
TOTAL CURRENT ASSETS		226.581.203.450	168.422.624.501
D PREPAYMENTS AND ACCRUED INCOME		5.724.766.051	1.737.228.084
TOTAL ASSETS		307.529.247.155	216.015.010.609

Shareholders' equity and liabilities

Balance sheet	31.12.2001	31.12.2000
A Shareholders' equity		
1 Share capital	45.689.311.231	45.689.311.231
2 Share premium reserve	42.501.193.259	42.501.193.259
3 Revaluation reserve		
4 Legal reserve	2.540.410.337	2.175.267.277
5 Reserve for treasury stocks		
6 Statutory reserves		
7 Other reserves	3.351.939.920	5.020.568.772
8 Profits (losses) carried forward	36.666.608.438	28.481.067.499
9 Profit (loss) for the year	1.330.483.975	8.045.663.053
Total shareholders' equity	132.079.947.160	131.913.071.091
Result attributable to minority interests		166.972.529
Share capital and reserves attributable to minority interests		1.212.848.297
Total shareholders' equity	132.079.947.160	133.292.891.917
B Provisions for contingencies and commitments		
1 provision for severance indemnities and similar commitments	826.529.517	622.443.130
2 Provision for deferred taxes	473.599.659	425.220.312
3 Other provision	1.027.722.488	1.180.833.666
Total provisions for contingencies and liabilities	2.327.851.664	2.228.497.108
C Staff leaving indemnity	7.056.595.285	6.372.915.442
D Payables		
1) Bonds and debentures		
within 12 months		
after 12 months		
2) Convertible bonds		
within 12 months		
after 12 months		
3) Bank loans and overdrafts		
within 12 months	57.190.427.287	9.439.867.360
after 12 months	46.945.435.736	11.127.587.421
4) Other financing payables		
within 12 months	524.915.855	1.406.955.863
after 12 months	1.359.080.273	1.900.369.762
5) Advances		
within 12 months		147.591
after 12 months		
6) Trade payables		
within 12 months	35.560.203.507	33.038.357.659
after 12 months		
7) Notes payables		
within 12 months	2.689.834.143	2.881.976.397
after 12 months	1.052.597.172	
8) Payables to subsidiaries		
within 12 months		
after 12 months		
9) Payables to associated companies		
within 12 months	1.291.008.395	1.165.579.125
after 12 months		
10) Payables to parent companies		
within 12 months		
after 12 months		
11) Taxes payable		
within 12 months	5.665.161.402	4.198.275.712
after 12 months		
12) Social security payables		
within 12 months	2.133.637.622	2.872.208.969
after 12 months		
13) Other payables		
within 12 months	8.234.130.603	4.573.126.850
after 12 months	115.507.107	
Total payables	162.761.939.102	72.604.452.709
E Accrued liabilities and deferred charges	3.302.913.944	1.516.253.433
TOTAL LIABILITIES AND SHAREHOLDERS'E EQUITY	307.529.247.155	216.015.010.609
MEMORANDUM ACCOUNTS		
Received Guarantees	600.285.422	518.715.003
Lend guarantees	21.863.555.425	22.535.140.600
TOTAL	22.463.840.847	23.053.855.603

Consolidated income statement for the year 2001

Income Statement	31.12.2001	31.12.2000
A Value of production		
1 Revenues from sales and services	299.035.472.608	231.609.603.579
2 Changes in work in progress and finished goods	6.389.238.792	1.532.836.799
3 Variations in contracted work in progress		
4 Increase in internal construction capitalized	881.441.596	785.760.016
5 Other income		
a) grants and subsidies		
b) other	4.807.052.267	2.488.406.945
Total other income	4.807.052.267	2.488.406.945
Total value of production	311.113.205.263	236.416.607.339
B Cost of Production		
6 Cost of raw materials, auxiliary materials, spare parts and goods	93.414.814.900	54.087.701.773
7 Cost for services	94.299.987.055	80.783.941.327
8 Leasing and rentals	22.476.214.442	16.599.400.004
9 Personnel costs		
a) salaries and wages	55.059.042.797	44.297.178.366
b) social contributions	16.598.678.428	9.593.025.131
c) staff leaving indemnity	1.349.875.323	1.286.748.901
d) other social contributions	350.350.378	330.985.610
e) other costs	1.082.946.888	1.503.217.242
Total personnel costs	74.440.893.814	57.011.155.250
10 Depreciation and write-downs		
a) amortization of intangible assets	6.706.593.858	2.987.465.053
b) depreciation of tangible assets	8.176.022.988	7.878.650.121
c) her write-downs of assets	13.792.997	5.856.455
d) write-downs of receivables recorded among current assets	1.787.958.591	1.561.612.940
Total depreciation and write-downs	16.684.368.434	12.433.584.569
11 Change in inventory of raw materials, auxiliary materials, spare parts and goods	1.018.438.103	1.376.766.911
12 Accruals for contingencies	762.707.273	344.015.898
13 Other accruals		228.374.934
14 Other operating charges	1.718.069.586	930.948.351
Total cost of production	302.778.617.401	221.042.355.195
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	8.334.587.862	15.374.252.144

Income Statement	31.12.2001	31.12.2000
C Financial income and charges		
15 Income from investments		
a) dividends from subsidiaries		
b) dividends from associated companies		
c) dividends from other investments		
d) other income from investments		
Total income from investments		
16 Other financial income		
a) from receivables recorded as fixed assets		
- subsidiaries		
- associated companies		
- parent companies		
- other	477.865.800	159.671.675
Subtotal 16 a)	477.865.800	159.671.675
b) from securities recorded as fixed assets	154.079.559	96.875.654
c) from securities recorded as current assets	31.249.861	20.937.116
d) other financial income		
- from subsidiaries		
- from associated companies		
- from parent companies		
- exchange gains	4.556.908.738	1.664.663.574
- other	692.696.576	1.179.744.966
Subtotal 16 d)	5.249.605.314	2.844.408.540
Total other financial income	5.912.800.534	3.121.892.985
17 Interest and other financial charges		
a) from subsidiaries		
b) from associated companies		
c) from parent companies		
d) exchange losses	2.293.166.917	1.096.431.959
e) interest payable	4.361.100.596	1.334.602.560
f) other	2.844.794.805	1.667.638.384
Total interest and other financial charges	9.499.062.318	4.098.672.903
Total (15+16-17)	3.586.261.784	976.779.918

Income Statement	31.12.2001	31.12.2000
D Adjustments to the value of financial investments		
18 Revaluation		
a) investments in share capital	11.000.740	47.109.460
b) other investments		
c) securities recorded as current assets		
Total revaluation	11.000.740	47.109.460
19 Write-downs of:		
a) investments in share capital		1.986.612
b) securities recorded as fixed assets		
c) dsecurities recorded as current assets		17.131.478
Total write-downs		19.118.090
Total adjustments (18-19)	11.000.740	27.991.370
E Extraordinary income and expenses		
20 Income		
a) capital gains on disposal of assets	206.565.544	171.065.779
b) other extraordinary income	1.826.750.998	984.331.499
Total extraordinary income	2.033.316.542	1.155.397.278
21 Expenses		
a) losses on disposal of assets	610.027.054	72.406.499
b) taxes relating to previous periods	60.420.236	76.429.035
c) other extraordinary expenses	4.345.423.228	1.054.518.957
Total extraordinary expenses	5.015.870.518	1.203.354.491
Total extraordinary items (20-21)	2.982.553.976	47.957.213
Profit (loss) before taxes (A-B± C± D± E)	1.776.772.842	14.377.506.383
22 Income taxes for the period	446.288.867	6.164.870.801
23 Net profit of consolidated companies	1.330.483.975	8.212.635.582
Result attributable to minority interests		166.972.529
23 Profit (loss) for the period	1.330.483.975	8.045.663.053

Financial statements
for the year ended
December 31, 2001



Report on operations for the year ended December 31, 2001

Shareholders,

Before starting our report, we wish to state that the Company has taken advantage of article 82.2.b of Consob Regulation 11971/99 and subsequent amendments thereto, exonerating it from the obligation to prepare and present a quarterly report for the fourth quarter of 2001. As a result, it has brought forward the publication of its annual report, as required by Consob.

The year to December 31, 2001 closed with net income of Lire 9.861 million (Lire 7.303 million as of December 31, 2000) and sales of Lire 108.661 million (Lire 100.913 million in the corresponding period of 2000). This income was also positive influenced by certain elements outside the usual management procedure. In particular, the dividends distributed by the English subsidiary and the associated company Finitec S.r.l., amounting to around Lire 3.648 million (including dividends distributed during the previous year for around Lire 3.509 million). The good progress in sales is mainly due to the further success of the *Dolce & Gabbana eyewear*, *D&G Dolce & Gabbana eyewear*, *Chloé lunettes* and *Roberto Cavalli Eyewear* lines.

Sales are analyzed by geographic area as follows:

Area (L/million)	31.12.2001		31.12.2000	
	Sales	Percentage of total	Sales	Percentage of total
Italy	42.925	39,5%	39.980	39,6%
Subsidiaries	46.327	42,6%	40.365	40,0%
Other	19.409	17,9%	20.568	20,4%
Total	108.661	100,0%	100.913	100,0%

An analysis of the data in the above table shows an increase in sales amounting to around Lire 7.748 million (+7,7%) compared to the same item in the year 2000 and a sales break down by geographical area which is basically in line with that of the previous year.

Statement of income L/million	Marcolin S.p.A.	
	31.12.2001	31.12.2000
Value of production	115.515	107.415
Production costs	107.855	98.066
Difference between value and cost of production	7.660	9.349
Net income	9.861	7.303

The main operating costs are set out below:

Costs (L/million)	31.12.2001	31.12.2000
Payroll	24.685	22.990
Raw and ancillary materials	36.816	34.951
Services rendered	33.653	29.386
Leases and rentals	6.323	5.958
Depreciation and amortization	6.006	5.608

The difference between the value and cost of production comes to Lire 7.660 million and represents 7% of sales, compa-

red with 9,3% as of December 31, 2000.

The extremely competitive context characterized by competitors' implementation of aggressive commercial policies in terms of prices and sales conditions which the company had to conform itself to must be considered when analyzing the net operating margin (EBIT).

The cost of outsourcing raw materials, semi-finished and finished goods, shows an increase of Lire 1.865 which is due to higher production volumes and a greater use of external manufacturers. The impact of this item on sales is equal to that of the previous year.

The increase in cost of services was a result of:

- the increase in variable sales costs connected to the increase in sales, such as commissions payable and sharing in licensors' admissible advertising costs;
- expenses incurred for the review and redefinition of the product life cycle and supply chain. The entire project, which has a considerably optimizing effect on the productive efficiency of the company, improving the services offered to consumers and with consequent benefits in terms of competitiveness, also included the purchase of specific software (some of which is recorded under intangible assets) for production and commercial planning management.
- the increase in outsourcing for processing and finishing, in connection with the launch of new products requiring particular production processes;

The change in the cost of leases and rentals in respect to the previous year was due to an increase in royalties generated by higher sales and the launching of new brands.

Change in balance sheet items (in millions of Lire)

Financial position	31.12.2001	31.12.2000
Financial resources	19.064	18.347
Liquid funds	19.064	18.347
Short-term payables to banks	35.081	0
Long-term payables to banks	35.181	0
Total Borrowing	70.262	0
Net financial position	-51.198	18.347

The considerable change in the net financial position, equal to around Lire 69.545 million, is mostly due to borrowing operations from credit institutions directly correlated with investments in Creative Optics Inc. by Marcolin USA Inc., completed at the end of February 2001. This transaction was entirely financed by Marcolin S.p.A. which also provided the American subsidiary both with a provision for the payment of the acquisition price and a loan to cover the short-term debts of Creative Optics Inc., (for an amount of 19 million US Dollars). In order to provide the American subsidiary with the necessary means for the acquisition, Marcolin S.p.A also increased the shareholders' equity of Marcolin U.S.A. with an amount - divided between share capital and share premium - of 6 million dollars.

The parent company also supplied Marcolin USA with the financial resources destined to support both extraordinary structure integration and reorganization costs the development of the American subsidiary for an amount of 7 million US Dollars. This choice was mainly possible due to the parent company's better financial standing and ability in obtaining more favorable conditions from the Italian credit system with respect to those obtained by Marcolin U.S.A. in the United States.

The initial raising of short-term loans in view of financial needs linked to the above-mentioned acquisition were mostly redefined within the end of the year, through the subscription of new forms of medium/long-term financing. This gave rise to

temporary financial resources at the end of the year, as shown in the statement, mostly utilized during the month of January 2002 to pay back a short-term loan of 8 million dollars, which further consolidated the structure of payables. All loans raised during the year were granted at normal market conditions with no issue of any real guarantees. The financial position is well-balanced with a ratio of financial position to net shareholders' equity of 0,44.

Balance Sheet L/million	Marcolin S.p.A.	
	31.12.2001	31.12.2000
Assets:		
Fixed assets	102.201	36.988
Current assets	119.728	106.249
Accrued income & prepaid expenses	2.313	692
Total	224.242	143.929
Shareholders' equity & liabilities:		
Shareholders' equity	115.437	107.773
Reserves & payables	107.981	36.018
Accrued income & prepaid expenses	824	138
Total	224.242	143.929

The relevant increase in fixed assets is due to both the increase in loans granted to the subsidiary Marcolin U.S.A. at the Libor rate of + 1%, for the acquisition of Creative Optics Inc. as is described in more detail above, and the increase in the investments item linked to the subscription of an increase in the share capital of Marcolin U.S.A. Inc. (6 million dollars) and the purchase of the residual 4,04% of the same (600.000 dollars).

Investments in fixed assets during 2000 amounted to Lire 3.703 million and were mainly to renew and upgrade plant and machinery and production equipment.

The increase in current assets was determined by higher inventories (Lire 5.123 million) and trade receivables (Lire 4.890 million) generated by the increase in the volume of business.

The relevant increase in the Reserves and Payables item is basically due to financial resources of third parties as is explained in more detail in the statement of cash flow.

In order to obtain total control during the year 2001 the Company acquired the following from third parties:

- 4,04% of the capital of Marcolin U.S.A. Inc., during August 2001, for an initial payment of 600.000 American dollars subject to the payment of two further price adjustments, each amounting to 225.000 American dollars, once the stated objectives have been fulfilled;
- 30% of the share capital of the Swiss subsidiary Marcolin G.m.b.h., during November 2001, for around Lire 746 million including accessory charges.

Moreover, within the sphere of the company reorganization process aimed at the integration of the Cébé Group into the Marcolin Group, during December 2001, the company acquired the line Cebe s.r.l. which consists mostly of trade receivables, payables to Cébé S.A. and a list of agents and also acquired official capacity for sales network relationships. The acquisition price has temporarily been established at Lire 150 million on the basis of the financial position at December 12, 2001 and will be definitely established by the end of March on the basis of the financial position at December 22, 2001 which is the date when the transfer of the line is effective.

The number of employees decrease from 449 at December 31, 2000 to 446 at December 31, 2001.

PricewaterhouseCoopers S.p.A. continue to be our auditors for the certification of our annual and six-monthly reports. They

have been reappointed and their engagement will expire with the audit of our financial statements for the year ending December 31, 2001.

The following information is provided as required by Article 2428, clause 2 of the Italian Civil Code:

- no group company has ever bought shares in the Parent Company;
- the Company's headquarters are located in Longarone (Belluno);
- during the year, relationships of a commercial and financial nature were maintained with the foreign subsidiaries, commercial relationships were maintained with Finitec S.r.l. and financial, commercial, organizational and management relationships were maintained with Marcolin & Co. S.p.A.. All transactions were carried out at normal market conditions.

Research & Development

Research and Development activities play a strategic role in the Marcolin Group to improve the manufacturing processes, analyzing the array of products and quality of services offered to the consumer.

The company gives maximum attention to the maintenance and development of existing products (currently composed of 11 product lines, including 9 designer labels and 2 c.d. house brands) and to the planning of new lines aimed at the medium-high level of the market.

3 collections for each product line are presented each year, planned and launched on the market by the research and development division which interprets and anticipates consumer needs in the various market segments in which the company operates.

Reorganization of product life cycle management

Given that the ability to manage the life cycle of current and potential products is considered one of the critical success factors, in 2000 the Group implemented a project that is geared to optimizing the different activities that have to be performed during the various phases of the product's life cycle: from research into new models to the development and industrialization of prototypes, to their launch on the market and their eventual elimination. The purpose of rationalizing these activities is to enable the company to plan and develop products that are always in line with market trends and to launch them at the right time and under the best conditions.

The project was also successfully completed during the year with regard to organizational structure through the introduction of the figure of the brand manager who is in charge of all the product development phases, from the initial marketing analysis to the auditing of the net sales result of the models, thus reducing the time to market required for the launching of new lines.

Moreover, the company has started the initial project integration phase through new data processing instruments for the implementation of new procedures to improve the planning of production and commercial activities.

The following table shows the total volume of transactions subsidiary and affiliated companies (in millions of Lire):

Income Relationships of subsidiaries and affiliates	31.12.2001	31.12.2000
Sales	46.327	40.365
Other income	7.345	4.775
Costs charged by subsidiaries and affiliates	13.305	8.810

The sales item reflects the products sold to foreign subsidiaries.

The other income is mainly due to dividends received from the parent company Marcolin UK Ltd and the associated company Finitec S.r.l amounting to around Lire 3.648 million (gross of tax credit), to interest income on loans granted for around Lire 2.586 million and to new debiting to subsidiaries of transport and advertising expenses amounting to around Lire 612 million.

The costs charged are relative to purchase of finished products from foreign subsidiaries, Lire 10.206 millions, relate to processing carried out by the affiliate Finitec S.r.l., for Lire 2.598 millions and to the business rent paid to Marcolin & Co. S.p.A. of Lire 140 million.

Debit and credit balances with Group companies are listed in the notes and refer mainly to loans granted to Group companies to provide them with sufficient funds to finance their operations at the best possible cost, trading and the business rented from Marcolin & Co. S.p.A..

All financial relationships with subsidiaries and affiliates were carried out at normal market conditions.

In accordance with appendix 3C, Chart 3 of Consob Rules No. 11971 of May 14, 1999 the following is a list of shareholdings held by the Directors, Statutory Auditors and General Managers at the balance sheet date.

Name	Company	No. of shares held at end of previous year	Number of shares bought	Number of shares sold	No. of shares Held at end of Current year
Giovanni Marcolin Coffen	Marcolin S.p.A.	18.430.416*	0	0	18.430.416*
	Cébé S.A.	1	0	0	1
	Marcolin & Co. S.p.A.	873	0	0	465**
Cirillo Coffen Marcolin	Marcolin S.p.A.	1.704.748	0	0	1.704.748
	Marcolin France S.a.r.l.	4 quote	0	0	4 quote
	Marcolin UK Ltd.	1 quota	0	0	1 quota
	Cébé S.A.	1	0	0	1
	Marcolin Portugal Lda	1 quota	0	0	1 quota
Maurizio Coffen Marcolin	Marcolin S.p.A.	1.704.748	0	0	1.704.748
	Cébé S.A.	1	0	0	1
	Marcolin Benelux S.p.r.l.	1 quota	0	0	1 quota
Maria Giovanna Zandegiacomo	Marcolin S.p.A.	6.894.632***	0	0	6.894.632***
	Cébé S.A.	1	0	0	1
Paul Diaz Asper ⁽¹⁾	Marcolin S.p.A.	0	105.000	0	105.000****

- * The shares held by Mr. Giovanni Marcolin Coffen are divided as follows:

n° 544.524 shares in full ownership,
n° 11.003.016 shares held in trust through related companies,
n° 6.882.876 shares in beneficial interest.

- *** The shares held by Ms. Maria Giovanna Zandegiacomo are divided as follows:

n° 505.476 shares in full ownership,
n° 6.389.156 shares in beneficial interest.

- ** as a result of the reduction in share capital due to losses.

- ⁽¹⁾ C.E.O. of Marcolin USA Inc.

- **** The shares Bought are relative to a shareholders' agreement signed on November 5, 2001, issued in abstract form on November 15, 2001.

Information regarding the Euro's introduction as the reporting currency

The company adopted the Euro as the reporting currency as of January 1, 2002.

On March 16, 2000, the Parent Company's Board of Directors voted to convert its share capital into Euros using the simplified procedure allowed under Decree 213 dated June 24, 1998. As a result of this resolution, the company's share capital consists of 45.378.000 ordinary shares of par value Euro 0,52 each, making a total value of Euro 23.596.560. The increase in share capital of around Lire 311 million is entirely due to the translation difference and has been transferred from retained earnings.

Significant subsequent events and outlook for operations

During the first months of 2002 the Company obtained further medium/long-term loans for a total of 10.000.000 Euro without the issue of any real guarantee.

Further Information

Information regarding the adherence to the recommendations contained in the Code of Self-Regulation for Listed Companies

(Section IA.2.12 of Regulation Instructions issued by Borsa Italiana S.p.A.)

Preliminary Statement

The Marcolin Group intends to acknowledge the main and most significant indications of the Code of Self-Regulation of Listed Companies regarding corporate governance through the completion of an updating process of decisional and management mechanisms, which has already been started through specific amendments to the Articles of Association.

The role of the Board of Directors (arts. 1-5 of the Code of Self-Regulation)

The Board of Directors currently holding office up to the shareholders' meeting for the approval of the financial statements at December 31, 2003, is composed of 7 (seven) Directors, 4 (four) of which have powers of administration and representation:

The Chairman (Giovanni Marcolin Coffen), the Vice-Chairman (Maurizio Coffen Marcolin), Cirillo Coffen Marcolin and Maria Giovanna Zandegiaco. In particular, ample powers of administration and representation have been granted to the Chairman, the Vice-Chairman and the Managing Cirillo Coffen Marcolin.

There are 3 (three) non-executive directors holding office, namely Cristiana Ruella, Maurizio Dallochio and Emanuele Alemagna.

The above-mentioned board members are considered "independent" with respect to property and company management, in adherence to the recommendations of the Code of Self-Regulation of the Listed Companies and all participate assiduously to the activities of the Board.

As a rule the Board of Directors holds at least five meetings a year, but consultations among the board members take place more frequently.

The Board of Directors examines and approves strategic, industrial and financial plans, organizational proposals and general policies regarding human resources management, Group company structure, the trend of operations and quarterly and six-monthly results and grants and revokes delegated powers.

The Board of Directors pays particular and specific attention to important operations especially those which involve correlated parties.

According to the Articles of Association the Board of Directors is composed of a minimum of 3 and a maximum of 7 re-eligible Directors, who may be nominated for a period of not more than 3 years.

At the next shareholders' meeting the board of directors will make a proposal to increase the maximum number of board members from seven to nine.

The managing directors keep the Board of Directors regularly and suitably informed on the main operations which they put into effect on the basis of the respective powers of administration and representation, with particular attention to any irregular or unusual operations and operations with correlated parties.

Remuneration Committee and Nominating committee (arts. 7 and 8 of the Code of Self-Regulation)

The Directors' fees are fixed by the Board of Directors, which fees are subject to prior shareholders' meeting agree, in adherence to art. 2389, clause I of the civil code and the articles of association. The Board of Directors also decides on the remuneration of directors performing special functions in adherence to art. 2389 paragraph II of the civil code and the articles of association.

The overall remuneration is indicated in the Notes to the Consolidated Financial Statements of the Marcolin Group.

The Board of Directors intends to set up a Remuneration Committee with the task of formulating remuneration proposals regarding Company Directors performing special functions.

The nomination of Directors is currently decided by the shareholders' meeting in compliance with the articles of associations on the basis of their curriculum vitae.

In the next shareholders' meeting the Board of Directors will propose an amendment to article 15 of the articles of association in order to introduce the list vote for directors' election.

Internal Auditing (arts. 9 and 10 of the Code of Self-Regulation)

The Company has an internal auditing system for the treatment of forecasted and actual information of the Parent Company and subsidiaries and for the drawing up of the consolidated financial statements.

The Managing Director makes sure that the internal auditing system is functional and suitable.

The Company intends to nominate Internal Auditing operators and define their relative tasks.

Likewise, an Internal Auditing Committee will also be set up.

Treatment of Confidential Information (art. 6 of the Code of Self-Regulation)

The Managing Directors along with the Chairman are responsible for the handling of confidential information.

The Managing Directors supervise the application of provisions regarding company background information, providing and coordinating any internal structure interventions.

Press releases relative to resolutions for the approval of financial statements for the year, six monthly reports, quarterly reports as well as extraordinary operations or decisions are subject to the managing directors' approval.

Communication and relations with press agencies and institutional investors are restricted to the managing directors and the investor relator.

An internal regulation for the treatment of confidential information will also be introduced.

Relations with institutional investors and with other shareholders (arts. 11 and 12 of the Code of Self-Regulation)

Dialogue and relations with shareholders, press agencies and institutional investors are restricted to managing directors and the investor relator.

Among other things, the investor relator coordinates activities with financial market operators.

At the next shareholders' meeting the Board of Directors will present the regulations for the orderly and effective conduct of the General Meeting of Shareholders for the shareholders' approval. This regulation is not to be considered an amendment to the articles of association.

Auditors (art. 13 of the Code of Self-Regulation)

The current articles of association provide for the nomination of the components of the Board of Statutory Auditors through the presentation of special lists, preceded by the presentation of the candidates' curriculum vitae.

There have been no other post-balance sheet events which could have a material effect on the Company's results or finan-

cial position.

The Board would like to thank all of the staff for their devoted service, as well as the Board of Statutory Auditors and the Independent Auditors for their supervision and control, and for the suggestions they have made.

Proposed allocations of income

Shareholders,

You are invited to approve the 2001 financial statements, which show net income of Lire 9.860.942.457 (euros 5.092.751,76).

Given that there are sufficient reserves to cover the start-up and expansion costs, research and development costs, and advertising costs which are still to be amortized, the Board of Directors proposes allocating net income, after having appropriated Lire 493.047.123 (euros 254.637,59) to the legal reserve, as follows:

- a dividend of 0.025 Euro (Lire 48.40675) on the 45,378,000 ordinary shares, totaling Lire 2.196.601.501
- carried forward Lire 7.171.293.833 (Euro 3.703.664,18);

The shares will go ex-dividend on May 13, 2002 and the dividends will be paid on May 16, 2002 and attracting a full tax credit.

Longarone, March 26, 2002
Chairman of the Board of Directors
GIOVANNI MARCOLIN COFFEN

Balance Sheet at
December 31, 2001
(amount in ITL)

Balance Sheets at December 31, 2001

Balance Sheets	31.12.2001	31.12.2000
ASSETS		
A SHARE CAPITAL ISSUED AND NOT PAID		
B FIXED ASSETS		
I Intangible fixed assets		
1 Start up and expansion costs	1.726.435.115	2.698.684.980
2 Research, development and advertising costs	1.031.379.547	1.721.905.093
3 Industrial and other patent rights	456.243.715	414.216.885
4 Concessions, licenses, trademarks and similar rights	288.407.412	
5 Goodwill	43.351.331	
6 Assets under construction and advances	74.418.541	
7 Other intangible assets	305.573.493	108.705.700
Total intangible assets	3.925.809.154	4.943.512.658
II Tangible fixed assets		
1 Land and buildings	4.059.877.062	4.226.636.004
2 Plant and machinery	2.521.264.107	2.502.034.285
3 Industrial and commercial equipment	941.900.900	764.057.681
4 Other tangible assets	912.462.705	1.265.427.578
5 Construction in progress and advances		45.159.900
Total tangible assets	8.435.504.774	8.803.315.448
III Financial assets		
1 Investments		
a) subsidiaries	23.987.866.914	6.312.383.896
b) associated companies	500.000.000	504.000.000
c) parent companies		
d) other companies	77.440	77.440
Total investments	24.487.944.354	6.816.461.336
2 Receivables		
a) from subsidiaries	65.016.186.059	16.042.852.760
	within 12 months	
	after 12 months	
b) from associated companies		
	within 12 months	
	after 12 months	
c) from parent companies		
	within 12 months	
	after 12 months	
d) other		
	within 12 months	
	after 12 months	
Total receivables	65.352.071.652	16.424.393.549
3 Other securities		
4 Long-term investments with guarantee deposit		
Total investments	89.840.016.006	23.240.854.885
TOTAL FIXED ASSETS	102.201.329.934	36.987.682.991

Balance sheet	31.12.2001	31.12.2000
C Current assets		
I Inventory		
1 Raw materials, auxiliary materials and spare parts	7.852.688.515	7.211.812.539
2 Work in progress	3.235.953.437	5.216.414.703
3 Contract work in progress		
4 Finished goods	21.379.579.096	14.917.225.879
5 Advances		
Total inventory	32.468.221.048	27.345.453.121
II Receivables		
1) Trade receivables		
	within 12 months	
	after 12 months	
2) Receivables from subsidiaries		
	within 12 months	
	after 12 months	
3) Receivables from associated companies		
	within 12 months	
	after 12 months	
4) Receivables from parent companies		
	within 12 months	
	after 12 months	
5) Other receivables		
	within 12 months	
	after 12 months	
Total receivables	68.195.420.876	60.556.564.368
III Short-term Investments		
1 Investments in subsidiaries		
2 Investments in associated companies		
3 Investments in parent companies		
4 Other investments		
5 Treasury stocks		
6 Other securities		
Total short-term investments		
IV Cash and Banks		
1 Bank and postal deposits	17.898.093.388	18.327.520.111
2 Cheques	1.162.526.286	1.653.960
3 Cash in hand	3.453.052	18.115.579
Total cash and banks	19.064.072.726	18.347.289.650
TOTAL CURRENT ASSETS	119.727.714.650	106.249.307.139
D PREPAYMENTS AND ACCRUED INCOME	2.312.806.072	692.095.921
TOTAL ASSETS	224.241.850.656	143.929.086.051

Shareholders' equity and liabilities

Balance sheet	31.12.2001	31.12.2000
A Shareholders' equity		
1 Share capital	45.689.311.231	45.689.311.231
2 Share premium reserve	42.501.193.259	42.501.193.259
3 Revaluation reserve		
4 Legal reserve	2.540.410.337	2.175.267.277
5 Reserve for treasury stocks		
6 Statutory reserves		
7 Other reserves		
8 Profits (losses) carried forward	14.845.278.590	10.104.161.949
9 Profit (loss) for the year	9.860.942.457	7.302.861.202
Total shareholders' equity	115.437.135.874	107.772.794.918
B Provisions for contingencies and commitments		
1 provision for severance indemnities and similar commitments	789.933.233	588.222.844
2 Provision for deferred taxes		
3 Other provision	622.805.110	590.924.699
Total provisions for contingencies and liabilities	1.412.738.343	1.179.147.543
C Staff leaving indemnity	6.589.321.462	5.905.642.336
D Payables		
1) Bonds and debentures		
	within 12 months	
	after 12 months	
2) Convertible bonds		
	within 12 months	
	after 12 months	
3) Bank loans and overdrafts		
	within 12 months	35.081.192.700
	after 12 months	35.180.660.300
4) Other financing payables		
	within 12 months	
	after 12 months	
5) Advances		
	within 12 months	
	after 12 months	
6) Trade payables		
	within 12 months	19.027.334.794
	after 12 months	21.170.365.669
7) Notes payables		
	within 12 months	
	after 12 months	
8) Payables to subsidiaries		
	within 12 months	4.326.524.205
	after 12 months	2.572.877.540
9) Payables to associated companies		
	within 12 months	1.291.008.395
	after 12 months	1.165.579.125
10) Payables to parent companies		
	within 12 months	
	after 12 months	
11) Taxes payable		
	within 12 months	915.934.063
	after 12 months	852.577.778
12) Social security payables		
	within 12 months	1.335.684.047
	after 12 months	1.203.371.703
13) Other payables		
	within 12 months	2.820.116.609
	after 12 months	1.968.724.851
Total payables	99.978.455.113	28.933.496.666
E Accrued liabilities and deferred charges	824.199.864	138.004.588
TOTAL LIABILITIES AND SHAREHOLDERS'E EQUITY	224.241.850.656	143.929.086.051
Received Guarantees	15.261.255.600	15.155.590.600
Lend guarantees	3.565.871.322	4.338.144.353

Consolidated income statement for the year 2001

Income Statement	31.12.2001	31.12.2000
A Value of production		
1 Revenues from sales and services	108.660.726.991	100.912.874.800
2 Changes in work in progress and finished goods	4.481.891.951	4.270.858.961
3 Variations in contracted work in progress		
4 Increase in internal construction capitalized	881.441.596	688.816.934
5 Other income		
a) grants and subsidies		
b) other	1.490.885.661	1.542.674.377
Total other income	1.490.885.661	1.542.674.377
Total value of production	115.514.946.199	107.415.225.072
B Cost of Production		
6 Cost of raw materials, auxiliary materials, spare parts and goods	36.816.275.199	34.951.284.698
7 Cost for services	33.653.322.920	229.385.533.991
8 Leasing and rentals	6.323.243.550	5.958.205.967
9 Personnel costs		
a) salaries and wages	17.592.843.622	16.031.070.283
b) social contributions	5.728.261.484	5.383.350.136
c) staff leaving indemnity	1.346.512.770	1.239.214.268
d) other social contributions		
e) other costs	17.293.630	336.385.581
Total personnel costs	24.684.911.506	22.990.020.268
10 Depreciation and write-downs		
a) amortization of intangible assets	2.259.541.404	2.048.838.509
b) depreciation of tangible assets	3.746.134.693	3.558.695.387
c) her write-downs of assets		
d) write-downs of receivables recorded among current assets	319.832.880	300.224.920
Total depreciation and write-downs	6.325.508.977	5.907.758.816
11 Change in inventory of raw materials, auxiliary materials, spare parts and goods	(640.875.976)	(2.364.173.725)
12 Accruals for contingencies		40.864.299
13 Other accruals	271.700.955	270.681.579
14 Other operating charges	421.016.564	926.140.666
Total cost of production	107.855.103.695	98.066.316.559
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	7.659.842.504	9.348.908.513

Income Statement	31.12.2001	31.12.2000
C Financial income and charges		
15 Income from investments		
a) dividends from subsidiaries	3.148.406.500	3.509.061.731
b) dividends from associated companies	500.000.000	
c) dividends from other investments		
d) other income from investments		
Total income from investments	3.648.406.500	3.509.061.731
16 Other financial income		
a) from receivables recorded as fixed assets		
- subsidiaries	2.585.944.296	607.030.169
- associated companies		
- parent companies		
- other		
Subtotal 16 a)	2.585.944.296	607.030.169
b) from securities recorded as fixed assets	154.079.559	96.875.654
c) from securities recorded as current assets		
d) other financial income		
- from subsidiaries		
- from associated companies		
- from parent companies		
- exchange gains	1.355.780.866	105.999.128
- other	243.844.393	573.510.147
Subtotal 16 d)	1.599.625.259	679.509.275
Total other financial income	4.339.649.114	1.383.415.098
17 Interest and other financial charges		
a) from subsidiaries	85.913.411	9.794.521
b) from associated companies		
c) from parent companies		
d) exchange losses	524.237.833	201.505.623
e) interest payable	2.417.124.730	26.717.599
f) other	486.522.644	408.307.157
Total interest and other financial charges	3.513.798.618	646.324.900
Total (15+16-17)	4.474.256.996	4.246.151.929

Income Statement	31.12.2001	31.12.2000
D Adjustments to the value of financial investments		
18 Revaluation		
a) investments in share capital		
b) other investments		
c) securities recorded as current assets		
Total revaluation		
19 Write-downs of:		
a) investments in share capital		3.019.732.194
b) securities recorded as fixed assets		
c) securities recorded as current assets		
Total write-downs		3.019.732.194
Total adjustments (18-19)		(3.019.732.194)
E Extraordinary income and expenses		
20 Income		
a) capital gains on disposal of assets		
b) other extraordinary income	227.356.144	117.398.591
Total extraordinary income	227.356.144	117.398.591
21 Expenses		
a) losses on disposal of assets		
b) taxes relating to previous periods	1.465.000	19.007.686
c) other extraordinary expenses	73.771.187	233.603.951
Total extraordinary expenses	75.236.187	252.611.637
Total extraordinary items (20-21)	152.119.957	(135.213.046)
Profit (loss) before taxes (A-B± C± D± E)	12.286.219.457	10.440.115.202
22 Income taxes for the period	2.425.277.000	3.137.254.000
23 Profit (loss) for the period	9.860.942.457	7.302.861.202