



## **PRESS RELEASE**

### **SAFILO GROUP ANNOUNCES ITS RESULTS FOR 2006: RECORD SALES AND EXTREMELY STRONG GROWTH IN PROFITS, DISTRIBUTION OF DIVIDENDS PROPOSED**

#### *Main economic indicators for the financial year 2006*

- *Group's consolidated turnover: €1,122 million (+9.4% compared to 2005)*
- *EBITDA: €162.4 million (+6.1% compared to 2005)*
- *Net profit: €37.5 million (ten fold increase compared to 2005)*
- *Net Debt: €532 million (€479 million at the end of 2005)*
- *Shareholders' equity: €839 million (€822 million at the end of 2005)*
  
- *The distribution of a dividend of Euro 0.02 per share is proposed*

**Padova, 23rd March 2007** – The Board of Directors of Safilo Group Spa today reviewed and approved the draft financial results relating to 2006 which will be presented for approval during the Shareholders' meeting called for 24<sup>th</sup> April 2007.

#### **Consolidated results**

Consolidated turnover, as noted in previous press releases, was the highest in the Group's history, totalling 1,122.0 million Euro. The increase in turnover was achieved in every principal worldwide market with particularly significant results in Italy (+15.2%) and in the United States (+9.2%).

The Group's operating result continued to improve despite some exceptional costs, and reached an EBITDA of 162.4 million Euro against the 153.0 million Euro of 2005 (+6.1%). The Group achieved an impressive EBITDA of 34.3 million Euro in the third quarter alone, an increase of 34% compared to the same period of the previous year.

The increase in profitability is due to the excellent sales results and to the first effects of the industrial reorganisation which have compensated for the costs deriving from the termination of a licence agreement. The incidence of sales and general costs on turnover has remained stable.

The management of financial costs and interest has seen the expenses sustained in the year halved compared to 2005. This considerable achievement is due to the positive effects of the increase in capital at the end of 2005 and to the clear improvement in the cost of the indebtedness.

These improvements in all the main areas of company management have allowed for a considerable increase in net profit which reached 37.5 million Euro at the end of the year, a ten fold increase compared to the result achieved in 2005.

The acquisition of the Spanish retail chain Loop Vision and the development of the American chain Solstice have contributed to an increase in the Group's financial position which reflects the need for working capital in order to support the particularly positive growth in sales.

### **Distribution of Dividends**

The Board of Directors has proposed to the Shareholders' Meeting the distribution of a dividend equal to 2 Euro cents per share with detachment of coupons on 21st May 2007 and payment on 24th May 2007.

Vittorio Tabacchi, Chairman of Safilo Group, while commenting on the results achieved, stated:

“The year end results for 2006 confirm that Safilo Group is a solid company, in good financial health and profitable enough to once again distribute a dividend to its shareholders. 2006 was one of the most important years in Safilo's history and I am particularly proud to note how the impressive results announced today are confirmation of the effectiveness of the Group's strategy and the organisational choices made for the company's top management. Significant investments in research and development, an advanced and world class industrial structure, an efficient distribution network, a first rate international brand portfolio; all these elements lead me to believe that 2007 will be a year of even greater achievements for Safilo Group with positive results for both sales and profits. My expectations are furthermore fully confirmed by the extremely positive reaction to the new collections seen during the first months of 2007. Our objective now is to continue to grow. The challenge for 2007 will be to become leader in those markets where we do not yet occupy first place and improve our leadership position in those markets where our first place position is already recognised. Safilo Group's mission is to create and distribute high-end eyewear collections - we intend to maintain our world leader status as such.”

### **Meeting with analysts**

At 12.00 (local time) today a conference call will be held with financial analysts and investors during which the Group's economic and financial results will be discussed. It is possible to connect to the call by dialling the following number: +39 02 802 09 11.

### **Adherence to the Code of Self Discipline**

The Board of Directors of the Company, during today's Board Meeting, has furthermore approved the adherence to the new Code of Self Discipline for listed companies in accordance with the version published on March 14th 2006 by the Committee for Corporate Governance of Borsa Italiana S.p.A..

In the report on Corporate Governance, relating to the financial year 2006, the appropriate information will be provided regarding the adherence to the recommendations of the Code and their application.

*Consolidated income statement*

<i>(Euro/000)</i>			<b>4<sup>th</sup> Quarter</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net sales	1.121.983	1.025.274	278.382	248.548
Cost of sales	(458.513)	(416.505)	(123.655)	(107.829)
<b>Gross industrial profit</b>	<b>663.470</b>	<b>608.769</b>	<b>154.727</b>	<b>140.719</b>
Selling and marketing expenses	(415.258)	(379.419)	(99.147)	(91.813)
General and administrative expenses	(118.105)	(102.572)	(31.458)	(33.018)
Other income and expenses, net	1.467	1.069	597	693
Non recurring operating expenses	(6.000)	(9.978)	-	-
<b>Operating income</b>	<b>125.574</b>	<b>117.869</b>	<b>24.719</b>	<b>16.581</b>
Share of income (loss) of associates	1.513	1.532	1.115	-
Interest expense and other financial charges, net	(47.056)	(88.767)	(10.084)	(26.339)
Non recurring financial charges	(8.959)	(19.507)	323	(10.141)
<b>Income before taxation</b>	<b>71.072</b>	<b>11.127</b>	<b>16.073</b>	<b>(19.899)</b>
Income taxes	(30.259)	(4.810)	(6.649)	7.900
<b>Net profit</b>	<b>40.813</b>	<b>6.317</b>	<b>9.424</b>	<b>(11.999)</b>
Net income attributable to minority interests	3.346	3.220	1.063	789
<b>Net income attributable to the Group</b>	<b>37.467</b>	<b>3.097</b>	<b>8.361</b>	<b>(12.788)</b>
<b>Basic EPS (Euro)</b>	<b>0,13</b>	<b>0,02</b>	<b>0,03</b>	<b>(0,06)</b>
<b>Diluted EPS (Euro)</b>	<b>0,13</b>	<b>0,02</b>	<b>0,03</b>	<b>(0,06)</b>

## Consolidated balance sheet

(Euro/000)	31/12/2006	31/12/2005
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and banks	43.433	173.232
Trade receivables, net	319.517	307.558
Inventories	271.573	208.802
Assets available-for-sale	-	2.984
Derivative financial instruments	1.597	-
Other current assets	46.564	31.679
<b>Total current assets</b>	<b>682.684</b>	<b>724.255</b>
<b>Non-current assets</b>		
Tangible fixed assets	201.951	193.603
Intangible fixed assets	22.274	25.580
Goodwill	804.911	797.734
Investments in associates	12.535	13.492
Available-for-sale financial assets	3.472	6.009
Deferred tax assets	81.886	81.263
Derivative financial instruments	1.921	2.506
Other non-current assets	1.974	1.303
<b>Total non-current assets</b>	<b>1.130.924</b>	<b>1.121.490</b>
<b>Total assets</b>	<b>1.813.608</b>	<b>1.845.745</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings	99.677	184.006
Trade payables	228.802	192.286
Tax payables	20.716	20.872
Derivative financial instruments	-	878
Other current liabilities	72.833	82.010
Provisions for risks and charges	828	128
<b>Total current liabilities</b>	<b>422.856</b>	<b>480.180</b>
<b>Non-current liabilities</b>		
Long-term borrowings	475.583	468.242
Employees benefits	40.952	39.424
Provisions for risks and charges	10.478	8.644
Deferred tax liabilities	13.082	10.969
Derivative financial instruments	1.336	4.509
Other non-current liabilities	5.171	6.565
<b>Total non-current liabilities</b>	<b>546.602</b>	<b>538.353</b>
<b>Total liabilities</b>	<b>969.458</b>	<b>1.018.533</b>
<b>Equity</b>		
Share capital	70.843	70.843
Share premium reserve	751.276	751.276
Ret. earnings (accum. losses) and other reserves	(22.684)	358
Fair value and cash flow reserves	1.859	(3.899)
Income attributable to the Group	37.467	3.097
<b>Group shareholders' equity</b>	<b>838.761</b>	<b>821.675</b>
<b>Minority interests</b>	<b>5.389</b>	<b>5.537</b>
<b>Total equity</b>	<b>844.150</b>	<b>827.212</b>
<b>Total liabilities and equity</b>	<b>1.813.608</b>	<b>1.845.745</b>

*Consolidated cash flow statement*

(Euro/000)	31/12/2006	31/12/2005
<b>A - Opening net cash and cash equivalents (net financial indebtness - short term)</b>	<b>44.546</b>	<b>18.191</b>
<b>B - Cash flow from (for) operating activities</b>		
Net profit for the year (including minority interests)	40.813	6.317
Amortisation & depreciation	36.838	35.197
Stock option	527	1.714
Share income (loss) on equity investments	(1.491)	(726)
Net changes in the employees' benefits provision	4.622	1.605
Net changes in other provisions	2.444	2.232
Interest expenses	49.654	88.114
Income taxes	30.259	4.810
<b>Profit (loss) of operating activities before changes in net working capital</b>	<b>163.666</b>	<b>139.263</b>
(Increase) Decrease in receivables	(41.021)	(28.396)
(Increase) Decrease in inventories	(68.548)	(2.314)
Increase (Decrease) in trade and other payables	18.701	31.611
Interest expenses paid	(35.900)	(71.085)
Income taxes paid	(30.559)	(37.429)
<b>Total (B)</b>	<b>6.339</b>	<b>31.650</b>
<b>C - Cash flow from (for) investing activities</b>		
Investments in tangible fixed assets net of divestments and relative accumulated depreciation provision	(35.137)	(27.737)
Investments in equity holdings and securities	(2.321)	-
Divestments in equity holdings and securities	3.553	-
Increase in intangible fixed assets	(2.969)	(9.602)
<b>Total (C)</b>	<b>(36.874)</b>	<b>(37.339)</b>
<b>D - Cash flow from (for) financing activities</b>		
New loans	320.390	24.967
Repayment of loans to third parties	(327.427)	(190.382)
Current acc. for High Yield reimbursement	-	(105.000)
Current acc. for interests on convertible bonds payment	-	(3.534)
Net increase in share capital	-	313.639
Dividends distribution to minority shareholders	(3.063)	(3.025)
<b>Total (D)</b>	<b>(10.100)</b>	<b>36.665</b>
<b>E - Cash flow for the year (B+C+D)</b>	<b>(40.635)</b>	<b>30.976</b>
Effect of exchange rate	3.078	(4.621)
<b>Total (F)</b>	<b>3.078</b>	<b>(4.621)</b>
<b>G - Closing net cash and cash equivalents (net financial indebtness - short term) (A+E+F)</b>	<b>6.989</b>	<b>44.546</b>

*Sàfilo Group S.p.A. income statement*

<i>(Euro/000)</i>	<b>2006</b>	<b>2005</b>
Net sales	420.000	736.784
Cost of sales	-	-
<b>Gross industrial profit</b>	<b>420.000</b>	<b>736.784</b>
Selling and marketing expenses	-	-
General and administrative expenses	(726.234)	(11.165.467)
Other income and expenses, net	83.148	14.760
Non recurring operating expenses	-	-
<b>Operating income</b>	<b>(223.086)</b>	<b>(10.413.923)</b>
Share of income (loss) of associates	-	-
Interest expense and other financial charges, net	16.185.537	(3.494.732)
Non recurring financial charges	-	-
<b>Income before taxation</b>	<b>15.962.451</b>	<b>(13.908.655)</b>
Income taxes	(137.350)	6.563.139
<b>Net profit</b>	<b>15.825.101</b>	<b>(7.345.516)</b>
Basic EPS (Euro)	0,06	(0,04)
Diluted EPS (Euro)	0,06	(0,04)

*Sàfilo Group S.p.A. balance sheet*

(Euro/000)	31/12/2006	31/12/2005
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and banks	7.790.241	22.213.897
Trade receivables, net	-	-
Inventories	-	-
Derivative financial instruments	-	-
Other current assets	21.229.856	1.712.415
<b>Total current assets</b>	<b>29.020.097</b>	<b>23.926.312</b>
<b>Non-current assets</b>		
Tangible fixed assets	-	-
Intangible fixed assets	-	-
Goodwill	-	-
Investments in associates	805.025.463	805.025.463
Available-for-sale financial assets	-	-
Deferred tax assets	30.714.440	31.984.229
Derivative financial instruments	-	-
Other non-current assets	-	-
<b>Total non-current assets</b>	<b>835.739.903</b>	<b>837.009.692</b>
<b>Total assets</b>	<b>864.760.000</b>	<b>860.936.004</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Short-term borrowings	14.200.000	700.000
Trade payables	486.445	9.653.491
Tax payables	39.572	2.262
Derivative financial instruments	-	-
Other current liabilities	507.248	16.353.492
<b>Total current liabilities</b>	<b>15.233.265</b>	<b>26.709.245</b>
<b>Non-current liabilities</b>		
Long-term borrowings	-	-
Employees benefits	72.316	59.049
Provisions for risks and charges	-	-
Deferred tax liabilities	-	-
Derivative financial instruments	-	-
Other non-current liabilities	19.757.720	20.300.000
<b>Total non-current liabilities</b>	<b>19.830.036</b>	<b>20.359.049</b>
<b>Total liabilities</b>	<b>35.063.301</b>	<b>47.068.294</b>
<b>Equity</b>		
Share capital	70.843.213	70.843.213
Share premium reserve	751.276.368	751.276.368
Ret. earnings (accum. losses) and other reserves	(8.247.983)	(906.355)
Income (loss) attributable to the Group	15.825.101	(7.345.516)
<b>Total equity</b>	<b>829.696.699</b>	<b>813.867.710</b>
<b>Total liabilities and equity</b>	<b>864.760.000</b>	<b>860.936.004</b>

*Sàfilo Group S.p.A. cash flow statement*

<i>(Euro/000)</i>	<b>31/12/2006</b>	<b>31/12/2005</b>
<b>A - Opening net cash and cash equivalents (net financial indebtness - short term)</b>	<b>18.679.431</b>	<b>40.465</b>
<b>B - Cash flow from (for) operating activities</b>		
Net profit for the year	15.825.101	(7.345.516)
Net changes in the employees' benefits provision	19.070	59.049
Interest expenses	127.277	3.521.851
Income taxes	137.350	(6.563.139)
<b>Profit (loss) of operating activities before changes in net working capital</b>	<b>16.108.798</b>	<b>(10.327.755)</b>
(Increase) Decrease in receivables	(19.195.368)	(27.133.645)
Increase (Decrease) in trade and other payables	(21.304.132)	39.813.050
Interest expenses paid	1.512	-
Income taxes paid	-	-
<b>Total (B)</b>	<b>(24.389.190)</b>	<b>2.351.650</b>
<b>C - Cash flow from (for) investing activities</b>		
Investments in equity holdings and securities	-	(294.713.575)
<b>Total (C)</b>	<b>-</b>	<b>(294.713.575)</b>
<b>D - Cash flow from (for) financing activities</b>		
New loans	14.200.000	600.000
Current acc. for interests on convertible bonds payment	-	(3.534.466)
Repayment of loans	(700.000)	-
Net increase in share capital	-	313.935.357
<b>Total (D)</b>	<b>13.500.000</b>	<b>311.000.891</b>
<b>E - Cash flow for the year (B+C+D)</b>	<b>(10.889.190)</b>	<b>18.638.966</b>
<b>G - Closing net cash and cash equivalents (net financial indebtness - short term) (A+E+F)</b>	<b>7.790.241</b>	<b>18.679.431</b>



*The Safilo Group is leader in premium eyewear and maintains a leadership position in the sector of prescription, sunglasses, fashion and sports eyewear.*

*Present on the international market through exclusive distributors and 30 subsidiaries in primary markets (U.S.A., Europe and Far East), Safilo distributes proprietary branded collections Safilo, Carrera, Smith, Oxydo, Blue Bay, as well as licensed branded collections, including Alexander McQueen, Bottega Veneta, Boss Hugo Boss, Boucheron, Diesel, 55DSL, Dior, Emporio Armani, Giorgio Armani, Gucci, Imatra, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max&Co., Oliver, Pierre Cardin, Stella McCartney, Valentino and Yves Saint Laurent. In addition, the following collections are exclusively for the American market: Fossil, Juicy Couture, Nine West, Kate Spade, Saks Fifth Avenue, Liz Claiborne, J.Lo by Jennifer Lopez, A/X Armani Exchange and Banana Republic.*

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*This press release is also available on the web site [www.safilo.com](http://www.safilo.com).*