



## **PRESS RELEASE**

### **SAFILO GROUP ANNOUNCES ITS RESULTS FOR THE FIRST QUARTER OF 2007 RECORD QUARTERLY SALES AND FURTHER IMPROVEMENT IN PROFITABILITY**

#### *Main economic indicators for the first quarter of 2007*

- *Group's consolidated turnover: € 341.4 million (+16.8% at constant exchange rates, +13.0% at current exchange rate)*
- *EBITDA: € 58.5 million (+10.6% compared to the first quarter of 2006)*
- *Net profit: € 20.8 million (+22.4% compared to the first quarter of 2006)*
- *Net debt: € 556 million (€ 532 million at the end of 2006)*
- *Shareholders' equity: € 853 million (€ 839 million at the end of 2006)*

**Padova, 10th May 2007** – The Board of Directors of Safilo Group Spa today reviewed and approved the results relating to the first quarter of 2007 and which highlight once again strong growth in turnover and a corresponding growth in net profit.

#### **Consolidated results**

Consolidated turnover registered an increase of 16.8% at constant exchange rates, and reached a record value of 341.4 million Euro during the quarter. The growth in turnover was achieved in all worldwide markets with especially impressive results in Europe (+35%).

The quarterly performance confirms the recovery in the sale of prescription frames and underlines a balanced growth between house brands and licensed brands.

The Group's operating result has seen an improvement despite the negative impact deriving from the weakness of the US dollar, and has reached an EBITDA of 58.5 million Euro against the 52.9 million Euro of the first quarter of 2006 (+10.6%).

The increase in operating profit, not only boosted by the positive sales results, is due also to the improvements seen in the industrial area and the cost containment policies for general costs.

The management of financial costs and interest has succeeded in containing financial expenses despite the slight increase in net debt due to a seasonal fluctuation of working capital which was more marked than usual.

The overall result of these improvements is a 22.4% increase in net profit, which reached 20.8 million Euro in the first quarter, against the 17.0 million Euro of the same period of the previous year.

On the basis of the first quarter results the necessary conditions exist to achieve the estimated growth as foreseen in the budget, both with regards to turnover with an increase of approximately

7% compared to last year, and with regards to EBITDA which should reach 190 million Euro at the end of 2007, an increase of 17% compared to 2006.

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

“2007 has begun with record sales in the first quarter. The new licences and the increased efficiency achieved in the production process are producing the positive results we expected.

This is further confirmation of the choices made by Safilo and its course for the future: not only have we achieved technological excellence thanks to significant investments in research and development and created a valuable capillary distribution network which we will continue to expand, but we have also a superlative brand portfolio which confirms us as worldwide leader in the high-end and luxury eyewear sector. With these solid foundations we are confident that the company will achieve the important goals it has set itself.”

### **Meeting with analysts**

At 17.00 (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.

*Consolidated statement of operations*

<i>(Euro/000)</i>	<b>Q1 2007</b>	<b>Q1 2006</b>
Net sales	341,395	302,125
Cost of sales	(136,833)	(117,008)
<b>Gross profit</b>	<b>204,562</b>	<b>185,117</b>
Selling and marketing expenses	(123,627)	(111,846)
General and administrative expenses	(32,304)	(29,655)
Other op. income and (expenses), net	279	247
<b>Operating income</b>	<b>48,910</b>	<b>43,863</b>
Share of income (loss) of associates	39	38
Interest expense and other financial charges, net	(12,315)	(13,244)
<b>Income before taxation</b>	<b>36,634</b>	<b>30,657</b>
Income taxes	(14,132)	(12,589)
<b>Net income</b>	<b>22,502</b>	<b>18,068</b>
Net income attributable to minority interests	1,654	1,110
<b>Net income attributable to the Group</b>	<b>20,848</b>	<b>16,958</b>
Basic EPS (Euro)	0.07	0.06
Diluted EPS (Euro)	0.07	0.06

*Consolidated balance sheet*

<i>(Euro/000)</i>	<b>31/03/2007</b>	<b>31/12/2006</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash in hands and at banks	53,596	43,433
Trade receivables, net	369,972	319,517
Inventory, net	273,450	271,573
Derivative financial instruments	1,133	1,597
Other current assets	37,598	46,564
<b>Total current assets</b>	<b>735,749</b>	<b>682,684</b>
<b>Non-current assets</b>		
Tangible fixed assets	201,377	201,951
Intangible fixed assets	22,634	22,274
Goodwill	799,795	804,911
Investments in associates	12,381	12,535
Financial assets available-for-sale	3,756	3,472
Deferred tax assets	78,553	81,886
Derivative financial instruments	1,272	1,921
Other non-current assets	2,098	1,974
<b>Total non-current assets</b>	<b>1,121,866</b>	<b>1,130,924</b>
<b>Total assets</b>	<b>1,857,615</b>	<b>1,813,608</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings	117,494	99,677
Trade payables	209,265	228,802
Tax payables	31,957	20,716
Other current liabilities	75,575	72,833
Provisions for risks and charges	848	828
<b>Total current liabilities</b>	<b>435,139</b>	<b>422,856</b>
<b>Non-current liabilities</b>		
Long-term borrowings	492,204	475,583
Employee benefit liability	41,772	40,952
Provisions for risks and charges	10,531	10,478
Deferred tax liabilities	11,326	13,082
Derivative financial instruments	992	1,336
Other non-current liabilities	5,413	5,171
<b>Total non-current liabilities</b>	<b>562,238</b>	<b>546,602</b>
<b>Total liabilities</b>	<b>997,377</b>	<b>969,458</b>
<b>Equity</b>		
Share capital	70,843	70,843
Share premium reserve	751,276	751,276
Retained earnings and other reserves	8,194	(22,684)
Fair value and cash flow reserves	2,076	1,859
Income attributable to the Group	20,848	37,467
<b>Group Shareholders' equity</b>	<b>853,237</b>	<b>838,761</b>
<b>Minority interests</b>	<b>7,001</b>	<b>5,389</b>
<b>Total Shareholders' equity</b>	<b>860,238</b>	<b>844,150</b>
<b>Total liabilities and equity</b>	<b>1,857,615</b>	<b>1,813,608</b>

*Consolidated statement of cash flow*

(Euro/000)	Q1 2007	Q1 2006
<b>A - Opening net cash and cash equivalents (net financial indebtness - short term)</b>	<b>6,989</b>	<b>44,546</b>
<b>B - Cash flow from (for) operating activities</b>		
Net income for the period (including minority interests)	22,502	18,068
Amortization & depreciation	9,632	9,078
Stock option	139	389
Share income (loss) on equity investments	(39)	(38)
Net movements in the employee benefit liability	822	819
Net movements in other provisions	79	83
Interest expenses	9,576	10,955
Income taxes	14,132	12,589
<b>Income from operating activities prior to movements in net working capital</b>	<b>56,843</b>	<b>51,943</b>
(Increase) Decrease in trade and other current receivables	(38,718)	(34,325)
(Increase) Decrease in inventory, net	(3,007)	(5,967)
Increase (Decrease) in trade and other current payables	(22,049)	(8,022)
Interest expenses paid	(3,382)	(6,546)
Income taxes paid	(4,705)	(5,020)
<b>Total (B)</b>	<b>(15,018)</b>	<b>(7,937)</b>
<b>C - Cash flow from (for) investing activities</b>		
Purchase of tangible fixed assets (net of disposals)	(9,091)	(7,084)
Purchase of intangible fixed assets	(1,417)	(481)
<b>Total (C)</b>	<b>(10,508)</b>	<b>(7,565)</b>
<b>D - Cash flow from (for) financing activities</b>		
Proceeds from borrowings	18,325	11,423
Repayment of borrowings	(300)	(542)
Bank deposit for interests on convertible bond payment	-	(3,534)
Dividends distribution to minority Shareholders	(103)	(249)
<b>Total (D)</b>	<b>17,922</b>	<b>7,098</b>
<b>E - Cash flow for the period (B+C+D)</b>	<b>(7,604)</b>	<b>(8,404)</b>
Translation exchange difference	254	(341)
<b>Total (F)</b>	<b>254</b>	<b>(341)</b>
<b>G - Closing net cash and cash equivalents (net financial indebtness - short term) (A+E+F)</b>	<b>(361)</b>	<b>35,801</b>

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

*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 by Hugo Boss, Boucheron, Diesel, 55DSL, Dior, Emporio Armani, Giorgio Armani, Gucci, Hugo by Hugo Boss, 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).*