



## PRESS RELEASE

### **SAFILO GROUP ANNOUNCES 2005 RESULTS: TURNOVER AND OPERATING PROFIT CONTINUE TO GROW ACCOMPANIED BY SIGNIFICANT DEBT REDUCTION**

#### *Main economic figures for 2005*

- *Group consolidated turnover: €1,025.3 million (+8.5% compared to 2004)*
- *EBITDA before non-recurring expenses: € 163.0 million (+11% compared to 2004)*
- *Net profit before non-recurring expenses: € 22.9 million (+21.1% compared to 2004)*
- *Net debt: € 479.0 million (- 40.7% compared to € 807.2 million at the end of 2004)*

Padua, 28 March 2006 – The Board of Directors of Safilo Group today reviewed and approved the draft financial statements for the year 2005 that will be presented to the Shareholders Meeting on 27th April.

#### **Main consolidated results**

Consolidated turnover exceeded for the first time one billion Euro, reaching 1,025.3 million Euro (+8.5% compared to 2004), thanks to the growth recorded in all major markets in which the Group operates, and particularly in Asia (+20%).

Running costs, both operational and financial, were significantly impacted by non-recurring expenses related to the IPO process which was concluded with success in December 2005. Therefore, in order to highlight these costs and to improve the comparison of the figures with last year, the principal economic indicators are shown gross and net of costs related to the IPO.

EBITDA before non-recurring expenses reached 163.0 million Euro, an improvement (+11%) compared to the previous year. The percentage on turnover has therefore increased from 15.5% in 2004 to 15.9% in 2005. This improvement is a consequence both of the market's clear appreciation of the Group's most recent collections and cost cutting policies which, for some time now, are moving towards a clear improvement of economic performance.

EBITDA after non-recurring expenses reached 153.0 million Euro, an increase of 4.3% compared to 2004. The operating result before non-recurring expenses reached 127.9 million Euro (after non-recurring expenses 117.9 million Euro), an improvement of 14.9% compared to 2004.



Financial costs were heavily penalised by exchange rate differences (15.0 million Euro) and by exceptional costs linked to the IPO which led to increased costs and, following repayment of existing loans, acceleration of amortisation costs linked to debt restructuring (for a total of 19.5 million Euro). Net profit before non-recurring expenses is equal to 22.9 million Euro (an improvement of 21.1% compared to the 18.9 million Euro registered in 2004). Net profit after non-recurring expenses is equal to 3.1 million Euro.

Net debt was reduced significantly (-40.7% from 807,2 million Euro to 479,0 million Euro) and this will finally allow the Group to operate in the next few years with a balanced capital structure.

Vittorio Tabacchi, Chairman of Safilo Group, commenting on the results achieved, declared: "2005 was a historic year for our Group. The results achieved and the listing on the Stock Exchange have led to the accomplishment of an organic growth project begun 4 years ago and aimed at strengthening Safilo's shareholding and financial structure. The achievement of these targets allows us to face future challenges with the commitment and the strength that derive from our competitive advantages: product development, selective distribution and customer care".

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

*Present on the international market through exclusive distributors and 28 subsidiaries in the principal countries (in USA , Europe and Far East), Safilo distributes its own brand collections Safilo, Carrera, Smith, Oxydo, Blue Bay, as well as licensed branded collections, Alexander McQueen, Bottega Veneta, Boucheron, Christian Dior, Diesel, 55DSL, Emporio Armani, Giorgio Armani, Gucci, Imatra, Marc Jacobs, Max Mara, Oliver, Pierre Cardin, Polo Ralph Lauren, Stella McCartney, Valentino, Yves Saint Laurent. In addition, the following are exclusively for the American market: Fossil, Juicy Couture, Nine West, Kate Spade, Saks Fifth Avenue, Liz Claiborne and J.Lo by Jennifer Lopez.*

Press office  
Safilo Group  
tel. 0039 049 6985459

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

## Consolidated key figures<sup>1</sup>

Economic data (in Euro million)	2005	%	2004	%
Net sales	1.025,3	100,0	944,7	100,0
Cost of sales	(416,5)	40,6	(381,5)	40,4
Gross profit	608,8	59,4	563,2	59,6
Ebitda before non recurring items <sup>2</sup>	163,0	15,9	146,8	15,5
Ebitda after non recurring items <sup>2</sup>	153,0	14,9	146,8	15,5
Operating profit before non recurring items <sup>2</sup>	127,9	12,5	111,3	11,8
Operating profit after non recurring items <sup>2</sup>	117,9	11,5	111,3	11,8
Pre-tax result before non recurring items <sup>2</sup>	30,6	3,0	41,8	4,4
Pre-tax result after non recurring items <sup>2</sup>	11,1	1,1	41,8	4,4
Group Net profit before non recurring items <sup>2</sup>	22,9	2,2	18,9	2,0
Group Net profit after non recurring items <sup>2</sup>	3,1	0,3	18,9	2,0

Balance sheet data (in Euro million)	2005	%	2004	%
Total assets	1.844,5	100,0	1.604,2	100,0
Net working capital	245,1	13,3	229,3	14,3
Net financial position	479,0	26,0	807,2	50,3
Consolidated net equity	827,2	44,8	445,4	27,8
Total capital employed	238,7	12,9	234,1	14,6

Financial data (in Euro million)	2005	2004
Cash F. from op. act. before changes in O.W.C.	35,6	61,2
Changes in Operating Working Capital	(2,3)	(5,2)
Cash flow from (for) investing activities	(37,3)	(28,6)
Cash flow from (for) financing activities	39,6	(19,1)

Stock exchange	2005	2004
Basic EPS	0,02	0,10
Diluted EPS	0,02	0,10
Shares maximum price	4,940	nd
Shares minimum price	4,713	nd
Average number of shares	151.978.671	nd
Number of shares in common stock <sup>3</sup>	283.372.852	49.200.000

<sup>1</sup> Some accounts relating to the financial year ended December 31, 2004 were adjusted compared to those reported in the Information Prospectus prepared for the IPO, following the European Community's approval of the amendment to IAS 39 issued on April 14, 2005 and relating to cash flow hedges on inter-company transactions.

<sup>2</sup> Non-recurring Operating and Financial expenses refer to costs related to the IPO such as consultancy expenses, personnel compensation, greater interest paid on early reimbursement of loans, and the accelerated depreciation of fees.

<sup>3</sup> At December 31, 2004 the nominal value of shares included in common stock was equal to Euro 1 while at December 31, 2005 the above value amounts to Euro 0.25.

*Consolidated income statement as at December 31, 2005 and December 31, 2004*

<b>(Euro/000)</b>	<b>2005</b>	<b>2004</b>
Net sales	1.025.274	944.740
Cost of sales	(416.505)	(381.529)
<b>Gross industrial profit</b>	<b>608.769</b>	<b>563.211</b>
Selling and marketing expenses	(379.419)	(344.067)
General and administrative expenses	(102.572)	(106.964)
Other income and expenses, net	1.069	(866)
Non recurring operating expenses <sup>5</sup>	(9.978)	-
<b>Operating income</b>	<b>117.869</b>	<b>111.314</b>
Share of income (loss) of associates	1.532	(42)
Interest expense and other financial charges, net	(88.767)	(69.428)
Non recurring financial charges <sup>5</sup>	(19.507)	-
<b>Income before taxation</b>	<b>11.127</b>	<b>41.844</b>
Income tax expenses	(4.810)	(19.855)
<b>Net profit</b>	<b>6.317</b>	<b>21.989</b>
Net income attributable to minority interests	3.220	3.123
<b>Net income attributable to the Group</b>	<b>3.097</b>	<b>18.866</b>
<b>Basic EPS (Euro)<sup>6</sup></b>	<b>0,02</b>	<b>0,10</b>
<b>Diluted EPS (Euro)<sup>6</sup></b>	<b>0,02</b>	<b>0,10</b>

<sup>4</sup> Some accounts relating to the financial year ended December 31, 2004 were adjusted compared to those reported in the Information Prospectus prepared for the IPO, following the European Community's approval of the amendment to IAS 39 issued on April 14, 2005 and relating to cash flow hedges on inter-company transactions.

<sup>5</sup> Non-recurring Operating and Financial expenses refer to costs related to the IPO such as consultancy expenses, personnel compensation, greater interest paid on early reimbursement of loans, and the accelerated depreciation of fees.

<sup>6</sup> At December 31, 2004 the nominal value of shares included in common stock was equal to Euro 1 while at December 31, 2005 the above value amounts to Euro 0.25.



*Consolidated balance sheet as at December 31, 2005 and December 31, 2004*

(Euro/000)	31/12/2005	31/12/2004
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and banks	173.232	33.835
Trade receivables, net	307.558	274.067
Inventories	208.802	192.196
Assets available-for-sale	2.984	0
Other current assets	31.679	31.746
<b>Total current assets</b>	<b>724.255</b>	<b>531.844</b>
<b>Non-current assets</b>		
Tangible fixed assets	193.603	195.768
Intangible assets	25.580	21.226
Goodwill	797.734	795.774
Investments in associates	13.492	10.167
Available-for-sale financial assets	6.009	6.897
Deferred tax assets	81.263	40.663
Other non-current assets	2.571	1.826
<b>Total non-current assets</b>	<b>1.120.252</b>	<b>1.072.321</b>
<b>Total assets</b>	<b>1.844.507</b>	<b>1.604.165</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short term borrowings	184.006	122.981
Trade payables	192.286	173.606
Tax payables	20.872	19.183
Other short-term liabilities	82.888	67.421
Provision and similar liabilities	128	136
<b>Total current liabilities</b>	<b>480.180</b>	<b>383.327</b>
<b>Non-current liabilities</b>		
Long term borrowings	468.242	718.006
Employee benefits	39.424	34.607
Provisions for risks and charges	8.644	6.356
Deferred tax liabilities	10.969	8.019
Other non-current liabilities	9.836	8.479
<b>Total non-current liabilities</b>	<b>537.115</b>	<b>775.467</b>
<b>Total liabilities</b>	<b>1.017.295</b>	<b>1.158.794</b>
<b>Shareholders' equity</b>		
Share capital	70.843	49.200
Share premium reserve	751.276	406.217
Ret. earnings (accum. losses) and other reserves	358	(27.643)
Fair value and cash flow reserves	(3.899)	(6.342)
Income attributable to the Group	3.097	18.866
<b>Group shareholders' equity</b>	<b>821.675</b>	<b>440.298</b>
<b>Minority interests</b>	<b>5.537</b>	<b>5.073</b>
<b>Total shareholders' equity</b>	<b>827.212</b>	<b>445.371</b>
<b>Total liabilities and shareholders' equity</b>	<b>1.844.507</b>	<b>1.604.165</b>



*Consolidated Cash Flow Statement as at December 31, 2005  
and December 31, 2004*

<b>(Euro/000)</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
<b>A - Opening net cash and cash equivalents (net financial indebtness - short term)</b>	<b>18.191</b>	<b>23.636</b>
<b>B - Cash flows from (for) operating activities</b>		
Net profit (loss) for the year (including minority interests)	6.317	21.989
Amortisation & depreciation	35.197	35.505
Share income (loss) on equity investments	2.644	770
Net changes in the employees' benefits provision	4.812	6.217
Net changes in other provisions	2.232	(4.476)
Interest expenses	88.114	67.586
Income taxes	4.810	19.855
<b>Profit (loss) of operating activities before changes in working capital</b>	<b>144.126</b>	<b>147.446</b>
(Increase) Decrease in receivables	(28.396)	8.213
(Increase) Decrease in inventories	(2.314)	(37.153)
Increase (Decrease) in trade and other payables	28.423	23.727
Interest expenses paid	(71.085)	(59.947)
Income taxes paid	(37.429)	(26.642)
<b>Total (B)</b>	<b>33.325</b>	<b>55.644</b>
<b>C - Cash flow from (for) investing activities</b>		
Investments in tangible fixed assets net of divestments and relative accumulated depreciation provision	(27.737)	(26.643)
Investments in equity holdings and securities	-	287
Divestments in equity holdings and securities	-	227
Increase in intangible assets	(9.602)	(2.491)
<b>Total (C)</b>	<b>(37.339)</b>	<b>(28.620)</b>
<b>D - Cash flow from (for) financing activities</b>		
New loans	24.967	29.864
Repayment of loans to third parties	(190.382)	(49.003)
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 to minority shareholders	(3.025)	(3.149)
<b>Total (D)</b>	<b>36.665</b>	<b>(22.288)</b>
<b>E - Cash flow for the year (B+C+D)</b>	<b>32.651</b>	<b>4.736</b>
Effect of exchange rate	(4.621)	(4.735)
Other net equity changes	(1.675)	(5.446)
<b>Total (F)</b>	<b>(6.296)</b>	<b>(10.181)</b>
<b>G - Closing net cash and cash equivalents (net financial indebtness - short term) (A+E+F)</b>	<b>44.546</b>	<b>18.191</b>