



The Board of Directors of Safilo Group approves the results for the first six months of 2007

SAFILO GROUP: GROWTH OF CONSOLIDATED TURNOVER (668 MILLION EURO, + 10.3%) AND NET PROFIT (33 MILLION EURO, +52.5%) COMPARED TO THE SAME PERIOD OF 2006

- *Net sales: 667.8 million Euro, +10.3% (+14.2% at constant exchange rates)*
- *EBITDA: 100.5 million Euro, +6.2% (equal to 15.1% of sales)*
- *Operating Profit: 81.2 million Euro, +6.1% (equal to 12.2% of sales)*
- *Net profit: 33.3 million Euro, +52.5% (equal to 5.0% of sales)*
- *Net financial position: 520.7 million Euro (531.8 million at the end of 2006)*

Padova, 31st July 2007 – The Board of Directors of SAFILO GROUP S.p.A. today reviewed and approved the results relating to the first six months of 2007 which confirm strong growth of both turnover and net profit.

“I would like to express my satisfaction for the growth achieved by Safilo Group in these six months – commented Vittorio Tabacchi, Chairman of Safilo Group - especially in consideration of the particularly strong results achieved in the preceding quarters.

These results in fact confirm the effectiveness of the decisions we have taken. Our history and our passion have lead us to focus the activities of Safilo Group on the creation, development and distribution of high end products, in collaboration with the most celebrated international fashion brands.

I am confident therefore that 2007 will be another positive year for Safilo following on from the constant growth which accompanies us. The Group can, in fact, count on a consolidated management team committed to the improvement of our results and the growth of the business. A year on from their appointment, I am convinced that the Chief Executive Officer Claudio Gottardi and the Co-Chief Executive Officer Massimiliano Tabacchi have given a decisive boost to the company’s progress.”

Consolidated Income Statement

Key Operating data of Safilo Group			
(in millions of euro)	1 Half 2007	1 Half 2006	% Change
Net sales	667.8	605.4	+10.3%
Gross profit	393.5	365.0	+7.8%
%	58.9%	60.3%	
EBITDA	100.5	94.7	+6.2%
%	15.1%	15.6%	
Operating profit	81.2	76.5	+6.1%
%	12.2%	12.6%	
Net profit attrib. to the Group	33.3	21.8	+52.5%
%	5.0%	3.6%	

Safilo Group's **Net sales** registered an increase of 10.3%, (+14.2% at constant exchange rates), reaching 667.8 million Euro compared to 605.4 million Euro in the same period of the previous year. In the second quarter turnover grew by 7.6% to 326.4 million Euro (+10,9% at constant exchange rates) compared to 303.3 million Euro in the second quarter of 2006.

All world markets have seen increases in sales, with significant results achieved in Asia (+13.1% in the first six months of 2007, +22.0% at constant exchange rates), thanks above all to the positive performances of the Armani, Dior and Gucci brands.

During the first six months of 2007 Europe registered a growth in sales of 25.4%, continuing to benefit from the recovery in the sale of prescription frames together with a balanced growth of both house brands and licensed brands.

Sales in America also increased, at constant exchange rates, and saw a growth of 2.7% in the first semester of 2007 (-4.7% at current exchange rates) due also to the contribution of the new licences A/X Armani Exchange and Marc by Marc Jacobs.

Sales performance during the period was influenced by the following factors:

- the positive result achieved by the strategic brands and new licences;
- the greater contribution from the retail channel which closed the first six months of 2007 with 100 directly managed Solstice shops in the United States and 63 Loop shops in Spain (the chain was purchased at the end of 2006);
- the unfavourable trend of exchange rates (in particular the US dollar);
- the sale of stock and returns of finished products relating to a brand which is no longer part of the Group's portfolio.

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Gross profit reached 393.5 million Euro against the 365.0 million Euro of the first six months of 2006, registering an increase of 7.8% and a margin on sales of 58.9% (60.3% in the first six months of 2006) which was negatively impacted by the weakness of the US dollar and the effects mentioned above resulting from the termination of a licence.

Operating profit in the first six months of 2007 was equal to 81.2 million Euro, an increase of 6.1% compared to the same period of 2006. The margin on sales was 12.2% (12.6% in the first six months of 2006). The development of the retail channel resulted in an increase of the incidence of general, administrative and sales costs.

Ebitda registered an increase of 6.2% reaching 100.5 million Euro compared to the 94.7 million of the first semester of 2006, with a margin on sales of 15.1% (15.6% in the first semester of 2006).

Net profit attributable to the Group was 33.3 million Euro compared to 21.8 million Euro during the same period of 2006, with an increase of 52.5% and an incidence on sales of 5.0% (3.6% in the first semester of 2006), thanks to the considerable reduction of net financial expenses which in the first semester of 2006 were increased by the non-recurring costs relating to the re-financing transaction. The tax rate during the six month period fell to 39.0% compared to 41.3% in the first semester of 2006.

Consolidated Balance Sheet

Key Financial data of Safilo Group				
(in millions of Euro)	1 Half 2007	2006	Var.	1 Half 2006
Net working capital	409.0	362.3	46.7	355.0
Tangible and intangible fixed assets	1,021.0	1,029.1	(8.1)	1,012.2
Financial fixed assets	16.0	16.0	0	18.2
Other assets/(liabilities)	(56.7)	(31.4)	(25.3)	(48.3)
Net Capital employed	1,389.3	1,376.0	13.3	1,337.1
Net financial position	520.7	531.8	(11.1)	490.5
Minority interests	6.8	5.4	1.4	5.8
Group shareholders' equity	861.8	838.8	23.0	840.8

Net working capital registered an increase of 54 million Euro if compared to the figure at June 30th 2006, and was influenced by the following factors:

- The improved trade receivables management, which increased less than sales, benefiting from the improved payment conditions and the greater retail incidence;
- The increase of inventory owing to the development of the retail channel and to the activities undertaken in the second half of 2006 which aimed at guaranteeing improved customer service;
- The increase of trade payables in support of business's growth.

Net capital employed at 30th June 2007 reached 1,389.3 million Euro compared to 1,376.0 million Euro at 31st December 2006, boosted by the normal growth of net working capital.

Group shareholders' equity at 30th June 2007 reached 861.8 million Euro, an increase of 23 million compared to 31st December 2006, while the **Net financial position** at 30th June 2007 fell to 520.7 million Euro compared to 531.8 million Euro at 31st December 2006, benefiting from the improved working capital management.

Consolidated Cash Flow

Key Cash flow data of Safilo Group		
(in millions of Euro)	1 Half 2007	1 Half 2006
Cash flow from operating activities before changes in working capital	60.6	56.5
Changes in working capital	(27.8)	(46.7)
Cash flow from (for) operating activities	32.8	9.8
Cash flow from (for) investment activities	(22.7)	(13.2)
Free Cash Flow	10.1	(3.4)

The Cash flow from operating activities increased during the first six months of 2007 to 32.8 million Euro (9.8 million Euro in the first six months 2006), benefiting above all from the greater profits of the period and the improved working capital management.

In the first six months of 2007, **the Free Cash Flow** was equal to 10.1 million Euro compared to an absorption of 3.4 million Euro registered in the corresponding semester of the previous year and despite the greater investments of the period, destined, above all, to the opening of new Solstice shops and the normal replacement of production machinery and equipment.

Outlook for the year

On the basis of the factors which have influenced the results of the first six months of 2007, the estimate for the current financial year confirms a growth in the level of sales of approximately 7% compared to the previous financial year, while EBITDA should reach 180 million Euro against the 190 million Euro previously indicated.

ALTERNATIVE PERFORMANCE INDICATORS

The definitions of the “Alternative Performance Indicators”, not foreseen by the IFRS-EU accounting principles and used in this press release to allow for an improved evaluation of the trend of economic-financial management of the Group, are provided below:

- Ebitda (gross operating profit) is calculated by Safilo by adding to the Operating profit, depreciation and amortization;
- The net financial position is for Safilo the sum of bank borrowings and short, medium and long-term loans, net of cash in hand and at bank;
- The net capital employed for Safilo is the sum of current assets and non-current assets net of current liabilities and non current liabilities, with the exception of the items previously considered in the Net Financial Position;
- The Free Cash Flow for Safilo is the sum of the cash flow from/(for) operating activities and the cash flow from /(for) investing activities.

Disclaimer

This document contains forward-looking statements, in particular in the Management Expectations section, relating to future events and operating, economic and financial results for Safilo Group. Such forecasts, due to their nature, imply a component of risk and uncertainty due to the fact that they depend on the occurrence of certain future events and developments. The actual results may therefore vary even significantly to those announced in relation to a multitude of factors.

Conference Call

At 3.00pm CET, 9:00am EST today a conference call will be held with the financial community 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>	1st semester			2nd quarter		
	2007	2006	Change %	2007	2006	Change %
Net sales	667,812	605,405	10.3%	326,417	303,280	7.6%
Cost of sales	(274,322)	(240,446)	14.1%	(137,489)	(123,438)	11.4%
Gross profit	393,490	364,959	7.8%	188,928	179,842	5.1%
Selling and marketing expenses	(242,605)	(223,598)	8.5%	(118,978)	(112,778)	5.5%
General and administrative expenses	(69,599)	(66,369)	4.9%	(37,295)	(35,688)	4.5%
Other op. income and (expenses), net	(121)	1,477	n.s.	(400)	1,230	n.s.
Operating profit	81,165	76,469	6.1%	32,255	32,606	-1.1%
Share of income (loss) of associates	224	(24)	n.s.	185	(62)	n.s.
Interest expense and other financial charges, net	(22,602)	(26,830)	-15.8%	(10,287)	(13,586)	-24.3%
Non-recurring financial charges, net	-	(9,282)	n.s.	-	(9,282)	n.s.
Profit before taxation	58,787	40,333	45.8%	22,153	9,676	n.s.
Income taxes	(22,906)	(16,676)	37.4%	(8,774)	(4,087)	n.s.
Net profit	35,881	23,657	51.7%	13,379	5,589	n.s.
Net profit attributable to minority interests	2,581	1,828	41.2%	927	718	29.1%
Net profit attributable to the Group	33,300	21,829	52.5%	12,452	4,871	n.s.
Basic EPS (Euro)	0.12	0.08		0.05	0.02	
Diluted EPS (Euro)	0.12	0.08		0.05	0.02	

This press release uses some 'alternative performance indicators' not foreseen by the IFRS-EU accounting standards (EBITDA, Net Financial Position, Net Capital Employed and Free Cash Flow), and whose meaning and contents are illustrated in the specific section of the press release and in accordance with the CESR/05-178b recommendation published 3rd November 2005.

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Consolidated balance sheet

<i>(Euro/000)</i>	30/06/2007	31/12/2006
ASSETS		
Current assets		
Cash in hand and at banks	56,125	43,433
Trade receivables, net	366,999	319,517
Inventory, net	262,962	271,573
Derivative financial instruments	385	1,597
Other current assets	30,543	46,564
Total current assets	717,014	682,684
Non-current assets		
Tangible fixed assets	202,684	201,951
Intangible fixed assets	23,353	22,274
Goodwill	794,983	804,911
Investments in associates	12,391	12,535
Financial assets available-for-sale	3,657	3,472
Deferred tax assets	78,659	81,886
Derivative financial instruments	2,254	1,921
Other non-current assets	3,033	1,974
Total non-current assets	1,121,014	1,130,924
Total assets	1,838,028	1,813,608
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	100,805	99,677
Trade payables	220,959	228,802
Tax payables	26,253	20,716
Other current liabilities	77,823	72,833
Provisions for risks and charges	963	828
Total current liabilities	426,803	422,856
Non-current liabilities		
Long-term borrowings	475,980	475,583
Employee benefit liability	37,894	40,952
Provisions for risks and charges	11,325	10,478
Deferred tax liabilities	12,546	13,082
Derivative financial instruments	48	1,336
Other non-current liabilities	4,893	5,171
Total non-current liabilities	542,686	546,602
Total liabilities	969,489	969,458
Equity		
Share capital	71,349	70,843
Share premium reserve	747,471	751,276
Retained earnings and other reserves	7,565	(22,684)
Fair value and cash flow reserves	2,086	1,859
Profit attributable to the Group	33,300	37,467
Group shareholders' equity	861,771	838,761
Minority interests	6,768	5,389
Total shareholders' equity	868,539	844,150
Total liabilities and equity	1,838,028	1,813,608

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Consolidated statement of cash flow

<i>(Euro/000)</i>	1 st semester 2007	1 st semester 2006
A - Opening net cash and cash equivalents (net financial indebtness - short term)	6,989	44,546
B - Cash flow from (for) operating activities		
Net profit for the period (including minority interests)	35,881	23,657
Amortization & depreciation	19,367	18,231
Stock option	279	389
Share income (loss) on equity investments	(224)	24
Net movements in the employee benefit liability	(3,016)	1,225
Net movements in other provisions	995	571
Interest expenses	18,694	31,712
Income taxes	22,906	16,676
Income from operating activities prior to movements in net working capital	94,882	92,485
(Increase) Decrease in trade and other current receivables	(30,694)	(50,647)
(Increase) Decrease in inventory, net	6,270	(14,095)
Increase (Decrease) in trade and other current payables	(3,346)	17,994
Interest expenses paid	(18,191)	(20,503)
Income taxes paid	(16,169)	(15,414)
Total (B)	32,752	9,820
C - Cash flow from (for) investing activities		
Purchase of tangible fixed assets (net of disposals)	(18,940)	(12,307)
Disposal of investments in associates and financial assets	-	209
Purchase of intangible fixed assets	(3,717)	(1,119)
Total (C)	(22,657)	(13,217)
D - Cash flow from (for) financing activities		
Proceeds from borrowings	24,192	304,447
Repayment of borrowings	(12,090)	(304,209)
Share capital increase	6,243	-
Dividends distribution to minority shareholders	(6,907)	(1,478)
Total (D)	11,438	(1,240)
E - Cash flow for the period (B+C+D)	21,533	(4,637)
Translation exchange difference	(261)	2,071
Total (F)	(261)	2,071
G - Closing net cash and cash equivalents (net financial indebtness - short term) (A+E+F)	28,261	41,980

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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, Balenciaga, Bottega Veneta, Boss by Hugo Boss, Boucheron, Diesel, 55DSL, Dior, Emporio Armani, Giorgio Armani, Gucci, Hugo by Hugo Boss, Imatra, Jimmy Choo, 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.

This press release is also available in the website www.safilo.com

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