



press release

SAFILO S.P.A.: FITCH ALZA IL RATING

Padova, 31 marzo 2006 - Il Gruppo Safilo, leader mondiale nel settore dell'occhialeria di alta gamma e lusso, è lieto di apprendere che Fitch ha deciso di innalzare il rating della società a 'BB-', con outlook stabile, da 'B', a 'BB-' da 'CCC+' il rating del prestito obbligazionario di EUR 195 milioni, cedola 9,625% e scadenza 2013, emesso da Safilo Capital International S.A. e a 'BB+' da 'BB-' il rating del debito senior secured. Il rating a breve termine è confermato a 'B'.

La società ritiene che tale miglioramento di giudizio rifletta la maggiore solidità finanziaria del Gruppo conseguente la quotazione presso la Borsa di Milano.

Il Gruppo Safilo è leader nell'occhialeria di alta gamma e ai vertici mondiali nel settore dell'occhialeria da vista, da sole, moda e per lo sport.

Presente sul mercato mondiale attraverso distributori esclusivi e 28 filiali commerciali nei principali Paesi (in U.S.A., Europa ed Estremo Oriente), Safilo commercializza le collezioni a marchio proprio Safilo, Carrera, Smith, Oxydo, Blue Bay, oltre alle linee in licenza, firmate 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. A queste si aggiungono, esclusivamente per il mercato americano, le collezioni: Fossil, Juicy Couture, Nine West, Kate Spade, Saks Fifth Avenue, Liz Claiborne e J.Lo by Jennifer Lopez.

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Il presente comunicato è disponibile anche all'interno del sito Internet www.safilo.com.

Correction: Fitch Upgrades Safilo S.p.A. and Senior Notes to 'BB-'

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Fitch Ratings-London-30 March 2006: This announcement corrects the version issued earlier. It removes all references to Recovery Ratings. In addition, the rating on Safilo's senior secured debt is upgraded from 'BB-' (BB minus) and not 'B+'.

Fitch Ratings has today upgraded Safilo S.p.A.'s Issuer Default Rating ("IDR") to 'BB-' (BB minus) from 'B'. At the same time, Fitch has upgraded Safilo Capital International S.A.'s EUR195 million 9.625% senior notes due 2013 to 'BB-' (BB minus) from 'CCC+', in line with Fitch's Recovery Ratings methodology. Fitch has also upgraded Safilo's senior secured debt to 'BB+' from 'BB-' (BB minus). The

Short-term rating is affirmed at 'B'. All the ratings are removed from Rating Watch Positive, following the completion of the IPO and the publication of Safilo's FY05 results. A Stable Outlook is assigned to the IDR.

The upgrade of Safilo Capital International's senior notes reflects improved recovery prospects following the repayment of EUR178m of Safilo's senior secured bank facility and prepayment of EUR105m of the senior notes, in each case from the primary IPO proceeds.

"The upgrade of Safilo's IDR reflects the higher degree of financial flexibility following the IPO," says Kirsten O'Byrne, Associate Director in Fitch's Leveraged Finance Group. "Reduced debt service costs, together with a continued focus on fixed cost reduction, working capital discipline, and capital expenditure control are key to the company's improved ability to withstand the business cycle and demand volatility." Safilo's free cash flow immediately benefits from savings on interest, expected to be slightly offset by increased cash taxes. Fitch also anticipates a potential reduction in debt service requirements to result from Safilo's ongoing renegotiation of its senior secured bank facility. Cost savings from plant closures completed in January 2006 and anticipated production process improvements will further strengthen future cash flow.

Fitch notes the loss of the Burberry and Ralph Lauren licenses but also recognises the potential contribution of the newly-awarded Hugo Boss license to Safilo's already attractive portfolio of licensed brands as well as the company's track record in securing new licenses. Fitch believes that Safilo's focus on the high-end eyewear market and approach to brand portfolio management has sustainable appeal to licensors.

FY05 results show Safilo remains on track towards increased profitability. Group sales rose 8.5% to EUR1.025 billion, driven by strong growth in sunglasses sales and sales in the Far East and North American markets. FY05 EBITDA reached EUR163m, before extraordinary items related to the IPO, while the margin improved to 15.9% from 15.5% in 2004. Reductions in general and administrative costs were somewhat offset by increased royalties, as well as increased marketing and commercial expenses. Safilo's IPO raised net proceeds of EUR295m for the company, which it applied against debt and EUR10m prepayment premia on the senior notes. As a result of the debt repayments and the improvements in EBITDA, total net leverage has reduced to 2.9x EBITDA at YE05, compared to 5.0x at YE04.

Strong, consistent improvement in profitability and cash flow generation, or further reduction of total gross debt could support a change in Outlook towards a future upgrade. However, the size of the business, as well as the cyclical and volatile demand which characterises the fashion industry, may constrain ratings to the speculative grade. The loss of a key license without replacement, deterioration in profitability or cash flow generation, or increased leverage could place downward pressure on the ratings.

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