

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

SOLA INTERNATIONAL INC

CIK: **912088** | IRS No.: **943189941** | State of Incorpor.: **DE** | Fiscal Year End: **0331**
Type: **8-K** | Act: **34** | File No.: **001-13606** | Film No.: **04588532**
SIC: **3851** Ophthalmic goods

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 12, 2004

SOLA International Inc.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

1-13606
(Commission File Number)

94-3189941
(I.R.S. Employer
Identification No.)

10590 West Ocean Air Drive, Suite 300
San Diego, CA 92130
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (858) 509-9899

None

(Former name or former address, if changed since last report.)

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Item 12. Results of Operations and Financial Condition

On February 12, 2004, the registrant released earnings for the third quarter fiscal 2004.

The earnings release contains certain non-GAAP measures, which are financial measures of the Company' s performance that exclude or include amounts thereby differentiating these measures from the most directly comparable measures presented in financial statements that are calculated and presented in accordance with Generally Accepted Accounting Principles (GAAP). Pursuant to the requirements of Regulation G, the Company has provided reconciliations within its earnings release to the most directly comparable GAAP measures for these non-GAAP measures.

The Company issued the press release attached as Exhibit 99.1 hereto and incorporated herein by reference.

The information in this Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Report shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SOLA International Inc.

Date: February 12, 2004

By: /s/ Ronald F. Dutt

Ronald F. Dutt
Executive Vice President and
Chief Financial Officer

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INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release issued February 12, 2004 (furnished solely pursuant to Item 12 of Form 8-K)

NEWS RELEASE
FOR IMMEDIATE RELEASE

Contact: Jeff Cartwright
Director, Investor Relations
Phone: (858) 509-9899
jcartwright@sola.com

SOLA INTERNATIONAL ANNOUNCES FISCAL 2004 THIRD QUARTER RESULTS

Net Sales Increase 17.8%

Adjusted Net Income of \$7.6 million Exceeds First Call Estimates of \$7.0 million

Increases Fourth Quarter Adjusted Net Income Guidance from
\$13.0 million to \$16.4 million

Completes Recapitalization

Acquires Great Lakes Coating Laboratory

SAN DIEGO, CA February 12, 2004 - SOLA International Inc. (NYSE: SOL) today announced the following fiscal year 2004 third quarter results.

- Net sales of \$159.3 million compared with \$135.2 million in the year ago period, an increase of 17.8%.
- Adjusted net income of \$7.6 million compared to consensus First Call estimates of \$7.0 million and year ago adjusted net income of \$5.8 million, an increase of 31.0%.
- Debt reduced by \$48.3 million from the prior quarter.

FOURTH QUARTER FISCAL 2004 GUIDANCE

The Company is raising fiscal 2004 fourth quarter guidance and now expects adjusted net income to reach \$16.4 million, up \$3.4 million from prior guidance. This new estimate assumes that the Company will continue to benefit from the current interest rate of approximately 3.6% on its \$175 million term loan.

THIRD QUARTER FISCAL 2004 MANAGEMENT COMMENTARY

Commenting on the fiscal 2004 third quarter, Chief Executive Officer Jeremy Bishop said, "This has been a landmark quarter for SOLA. Our successful operating strategy provided us with a financial performance that allowed us to recapitalize the Company. This increased liquidity in our common stock, strengthened our balance sheet, reduced interest expense and improved earnings and cash flow. Also, because virtually all of our remaining debt is US Dollar denominated, the transparency of our future financial statements improves."

"Net sales, excluding the impact of currency, increased 7.4% in the quarter with North America increasing 9.3%, Europe increasing 9.1% and Rest of World increasing 0.4%.

The quarter provided continuing sales growth from each of our 4 key product areas:

- Progressive lenses which were supported by new product launches including SOLAOne(TM) and AO Easy.
- High index lenses which included the launch of a 1.67 index progressive lens during the quarter.
- Photochromic lenses which continued to expand volume and sales at double-digit growth rates.
- Anti-reflection coated lenses which continued to benefit from increased sales of Teflon(R) EasyCare lenses.

Further, as reported net sales in our global prescription laboratory network increased 35% compared to the prior year quarter. This success continues to confirm the attractiveness of expanding our global prescription laboratory network. As such, I am pleased to announce that effective February 6, 2004, SOLA has acquired 100% of the stock of Great Lakes Coating Laboratory. The purchase price consisted of \$15.3 million in cash consideration and the assumption of \$1.9 million in debt. Contingent payments total an additional \$3.8 million. Great Lakes is located in Troy, Michigan, has annual sales of approximately \$11.5 million and is considered by many to be the premier coating lab in the United States. We anticipate that this acquisition will further improve our ability to distribute Teflon EasyCare lenses in North America."

RECAPITALIZATION

As previously announced, a recapitalization of the Company was completed during the third quarter. In a series of transactions, the Company issued 6.9 million shares of common stock at \$17.50 per share and entered into a new senior credit facility consisting of a \$175 million six-year term loan and a \$50 million five-year revolving credit facility. Net proceeds from these transactions were used to repurchase Euro 195 million of the Company's 11% notes and for general working capital purposes. As a result, total debt at December 31, 2003 was \$290.6 million compared to \$338.9 million at September 30, 2003 and, as a percent of capital, debt at December 31 was 43.3% compared to 54.4% at September 30.

THIRD QUARTER RESULTS

Reported earnings under Generally Accepted Accounting Principles ("GAAP"), which include the realized foreign currency loss on the Company's net long-term Euro-denominated debt, special charges and the loss on early extinguishment of debt, was a net loss of \$25.3 million in the fiscal 2004 third quarter compared to a net loss of \$5.2 million in the year ago period. In accordance with GAAP, the Company is required to re-measure its Euro-denominated debt into U.S. Dollars for financial reporting purposes. As a result of re-measuring its net long-term Euro-denominated debt into U.S. Dollars, the Company recorded a net after-tax foreign exchange loss of \$1.5 million in the third quarter compared to an after-tax foreign exchange loss of \$11.0 million in the year ago quarter.

Also, as a result of the Company's recapitalization, a \$28.7 million after-tax loss on early extinguishment of debt was recorded in the third quarter of fiscal 2004. The components of this charge included an after-tax loss of \$22.5 million relating to the tender premium paid on the repurchase of Euro 195 million principal amount of the Company's 11% Euro-denominated notes and an after-tax loss of \$6.2 million relating to the write-off of prior period debt issuance costs and

tender fees. Finally, during the third quarter of fiscal 2004, after-tax special charges of \$3.2 million were recorded which related to workforce reductions, facility closures and the impairment of certain assets.

Operating expense on an as reported basis was \$49.4 million, or 31.0% of sales in the third quarter fiscal 2004 compared to \$42.0 million, or 31.1% of sales, in the year ago quarter. Excluding special charges of \$4.6 million and the translation impact of foreign currency of \$3.3 million, operating expense in the third quarter fiscal 2004 decreased approximately \$0.5 million from the comparable year ago period.

Adjusted operating income, excluding special charges of \$4.6 million, was \$20.0 million, or 12.6% of sales, in the third quarter of fiscal 2004 compared to \$14.0 million, or 10.4% of sales, in the year ago period, an increase of 43.0%. Adjusted EBITDA was \$26.4 million, or 16.6% of sales, in the third quarter of fiscal 2004 compared to \$19.1 million, or 14.2% of sales, in the year ago period.

BALANCE SHEET AND CASH FLOW

Ron Dutt, Executive Vice President and Chief Financial Officer of SOLA commented, "I am encouraged by our working capital performance, which continued to improve in the quarter. Inventory, excluding the translation effect of foreign currency, decreased \$6.9 million compared to the second quarter of fiscal 2004. This decrease occurred despite additional inventory required to support new product launches including Teflon EasyCare lenses, AO Easy and

SOLAOne. On a year-to-date basis, and excluding the impact of currency, inventory has increased \$2.4 million. Finished goods inventory turnover was 4.5 times in the quarter, which compares to 3.9 times in the comparable year ago period and 4.4 times in the second quarter of this fiscal year."

"Receivables, excluding the translation effect of foreign currency, increased \$1.5 million compared to the second quarter of fiscal 2004. This increase primarily reflects the normal seasonal slowdown we experience in collection activity at the end of December. On a year-to-date basis, and excluding the impact of currency, receivables have decreased \$0.2 million despite a comparable year-to-date sales increase of 6.8%. Days sales outstanding ("DSO") of 71.2 this quarter compares to 72.5 in the prior year quarter and 67.0 in the second quarter of this fiscal year."

"Cash Flow from operations on an as reported basis was \$16.7 million in the third quarter of fiscal 2004 compared to \$9.7 million in the year ago period. Excluding the effect of the Company's recapitalization and special charges, cash flow from operations in the third quarter fiscal 2004 was \$15.1 million, or an increase of \$5.3 million from the third quarter last year."

NINE MONTHS YEAR-TO-DATE

Net sales for the nine months ended December 31, 2003 were \$471.9 million compared to \$408.9 million for the nine months ended December 31, 2002, an increase of 15.4%.

Adjusted operating income, excluding special charges of \$4.6 million, for the nine months ended December 31, 2003 was \$60.5 million, or 12.8% of sales, compared to \$44.0 million, or 10.8% of sales, in the year ago period. Adjusted EBITDA for the nine months ended December 31, 2003 was \$78.6 million, or 16.7% of sales, compared to \$59.5 million, or 14.6% of sales, in the year ago period. Adjusted net income was \$22.6 million for the nine months ended December 31, 2003 compared to \$17.3 million in the comparable year ago period.

USE OF NON-GAAP MEASURES

The Company believes that non-GAAP measures of sales, operating expenses, operating income, EBITDA, net income, inventory and accounts receivable adjusted for the translation

effect of foreign currency, special charges and costs associated with the recapitalization are appropriate measures for evaluating the operating performance of the Company because this information provides investors and other interested parties with a measure of operating results that allows them to evaluate the Company's results of operations with those of other companies on a more comparable basis.

CONFERENCE CALL

The Company will host a conference call on February 12, 2004 at 11:00 a.m. Eastern Standard Time (8:00 a.m. Pacific Standard Time). In addition, investors and interested parties may listen to the call via webcast at www.sola.com or www.companyboardroom.com. A replay of the call will be available starting at 1:00 p.m. Eastern Standard Time, February 12, 2004 through 1:00 p.m. Eastern Standard Time, February 19, 2004. The replay number is 800-633-8284 and the access code is 21182103.

This press release includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, including statements relating to SOLA's potential growth prospects. Such forward-looking statements are subject to various risks and uncertainties, many of which are beyond the control of SOLA. Actual results could differ materially from the forward-looking statements as a result of, among other things, the highly competitive nature of the eyeglass lens and coating industry; SOLA's need to develop new products; potential adverse developments in the domestic and foreign economic and political environment, including exchange rates, tariffs and other trade barriers and potentially adverse tax consequences; potential difficulties in staffing and managing foreign operations; and the other factors described in SOLA's Form 10-K for the fiscal year ended March 31, 2003. The words "believe", "expect", "will", "anticipate", "estimate", "plan", "expectation", "intention", "guidance" and similar expressions identify forward-looking statements. SOLA undertakes no obligation to publicly update or revise any forward-looking

statements, whether as a result of new information, future events or otherwise.

SOLA International Inc. designs, manufactures and distributes a broad range of eyeglass lenses, primarily focusing on the faster-growing plastic lens segment of the global lens market, and particularly on higher-margin value-added products. SOLA's strong global presence includes manufacturing and distribution sites in three major regions: North America, Europe and Rest of World (primarily Australia, Asia and South America) and approximately 6,800 employees in 25 countries servicing customers in over 50 markets worldwide. For additional information, visit the Company's web site at www.sola.com.

SOLA International Inc.
Unaudited Statements of Operations
(Amounts in thousands, except per share data)

	Third Quarter 2004	Third Quarter 2003
	-----	-----
<S>	<C>	<C>
Net sales	\$ 159,286	\$ 135,241
Cost of sales	94,513	79,200
	-----	-----
Gross profit	64,773	56,041
	-----	-----
Research and development expenses	2,583	3,440
Selling and marketing expenses (a)	31,446	26,502
General and administrative expenses (b)	15,343	12,081
	-----	-----
Operating expenses	49,372	42,023
	-----	-----
Operating income	15,401	14,018
	-----	-----
Interest income	278	311
Interest expense	(8,364)	(8,499)
Loss on early extinguishment of debt	(40,980)	-
Foreign currency loss	(3,379)	(13,198)
	-----	-----
Loss before benefit for income taxes and minority interest	(37,044)	(7,368)
Income tax benefit	11,752	2,210
Minority interest	(38)	(80)
	-----	-----
Net loss	\$ (25,330)	\$ (5,238)
	=====	=====
Net loss per share - basic	\$ (0.91)	\$ (0.21)
	=====	=====
Weighted average common shares outstanding	27,799	24,584
	=====	=====
Net loss per share - diluted	\$ (0.91)	\$ (0.21)
	=====	=====
Weighted average common and dilutive securities outstanding	27,799	24,584
	=====	=====

</TABLE>

(a) Selling and marketing expenses for the third quarter ended 2004 included special charges of \$521

(b) General and administrative expenses for the third quarter ended 2004 included special charges of \$4,120

SOLA International Inc.
Unaudited Statements of Operations
(Amounts in thousands, except per share data)

<TABLE>
<CAPTION>

Nine months ended

Nine months ended

	December 31, 2003	December 31, 2002
<S>	<C>	<C>
Net sales	\$ 471,928	\$ 408,904
Cost of sales	282,120	241,282
Gross profit	189,808	167,622
Research and development expenses	7,485	9,917
Selling and marketing expenses (a)	87,778	78,502
General and administrative expenses (b)	38,689	35,164
Operating expenses	133,952	123,583
Operating income	55,856	44,039
Interest income	1,013	1,174
Interest expense	(26,753)	(24,507)
Loss on early extinguishment of debt	(40,980)	-
Foreign currency loss	(15,544)	(25,850)
Loss before benefit for income taxes and minority interest	(26,408)	(5,144)
Income tax benefit	8,667	1,543
Minority interest	(388)	(459)
Net loss	\$ (18,129)	\$ (4,060)
Net loss per share - basic	\$ (0.70)	\$ (0.17)
Weighted average common shares outstanding	25,790	24,561
Net loss per share - diluted	\$ (0.70)	\$ (0.17)
Weighted average common and dilutive securities outstanding	25,790	24,561

</TABLE>

(a) Selling and marketing expenses for the nine months ended 2004 included special charges of \$521

(b) General and administrative expenses for the nine months ended 2004 included special charges of \$4,120

SOLA International Inc.
Balance Sheet Data
(Amounts in thousands)
(Unaudited)

<TABLE>

<CAPTION>

	December 31, 2003	March 31, 2003	December 31, 2002
<S>	<C>	<C>	<C>
Cash and cash equivalents	\$102,036	\$ 58,679	\$ 61,864
Trade accounts receivable, net	132,510	123,088	117,536
Inventories	98,762	91,442	97,917
Other assets	510,435	485,870	471,958
Total assets	\$843,743	\$759,079	\$749,275
Trade payables, accruals and other current liabilities	\$140,154	\$135,724	\$128,976
Notes payable and other debt	290,571	328,236	331,537
Other liabilities	32,002	33,162	32,731
Total liabilities	462,727	497,122	493,244

Stockholders' equity	381,016	261,957	256,031
	-----	-----	-----
Total liabilities and stockholders' equity	\$843,743	\$759,079	\$749,275
	=====	=====	=====

</TABLE>

SOLA International Inc.
Cash Flow Data
(Amounts in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Third Quarter 2004	Third Quarter 2003
	-----	-----
<S>	<C>	<C>
Net loss	\$ (25,330)	\$ (5,238)
Depreciation and amortization	6,390	5,119
Amortization of debt issuance costs	804	773
Write-off of debt issuance costs	7,720	-
Cash portion of loss on debt extinguishment	33,260	-
Non-cash portion of special charges	3,500	-
Changes in trading assets and liabilities	(9,672)	9,177
	-----	-----
Net cash provided by operating activities	16,672	9,831
	-----	-----
Purchases of businesses	-	(405)
(Investment in)/disposal of joint ventures	1,447	(88)
Capital expenditures	(3,798)	(6,253)
Mold expenditures	(1,523)	(220)
Foreign exchange gain on hedge of senior notes	10,910	-
Other	453	128
	-----	-----
Net cash used in investing activities	7,489	(6,838)
	-----	-----
Net proceeds from the issuance of common stock	113,342	-
Proceeds from bank debt	175,000	10,000
Repayment of senior notes	(238,679)	-
Tender premium on repayment of senior notes	(33,154)	-
Other	(420)	1,580
	-----	-----
Net cash provided by financing activities	16,089	11,580
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	2,015	1,144
	-----	-----
Net increase in cash and equivalents	\$ 42,265	\$ 15,717
	=====	=====

</TABLE>

SOLA International Inc.
Cash Flow Data
(Amounts in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Nine months ended 2004	Nine months ended 2003
	-----	-----
<S>	<C>	<C>
Net loss	\$ (18,129)	\$ (4,060)
Depreciation and amortization	18,140	15,475
Amortization of debt issuance costs	2,454	2,289
Write-off of debt issuance costs	7,720	-
Cash portion of loss on debt extinguishment	33,260	-
Non-cash portion of special charges	3,500	-
Changes in trading assets and liabilities	(23,858)	193
	-----	-----
Net cash provided by operating activities	23,087	13,897

Purchases of businesses	(888)	(17,643)
(Investment in)/disposal of joint ventures	3,082	(123)
Capital expenditures	(10,551)	(15,430)
Mold expenditures	(3,654)	(1,441)
Foreign exchange gain on hedge of senior notes	10,910	-
Other	724	379
Net cash used in investing activities	(377)	(34,258)
Net proceeds from the issuance of common stock	113,342	-
Proceeds from bank debt	175,000	10,000
Repayment of senior notes	(238,679)	-
Tender premium on repayment of senior notes	(33,154)	-
Other	572	1,133
Net cash provided by financing activities	17,081	11,133
Effect of exchange rate changes on cash and cash equivalents	3,566	2,673
Net increase/(decrease) in cash and equivalents	\$ 43,357	\$ (6,555)

</TABLE>

SOLA International Inc.
Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Third Quarter 2004 ----	Third Quarter 2003 ----
<S>	<C>	<C>
CALCULATION OF ADJUSTED NET INCOME:		
Net loss, as reported	\$ (25,330)	\$ (5,238)
Adjustments to compute adjusted net loss, net of income tax benefit:		
Foreign currency loss on net long-term Euro-denominated debt	(1,522)	(11,011)
Loss on early extinguishment of debt	(28,686)	-
Interest expense savings	519	-
Special charges	(3,249)	-
Adjusted net income	\$ 7,608	\$ 5,773
Adjusted net income per adjusted share-diluted	\$ 0.30	\$ 0.23
Weighted average common shares outstanding	27,799	24,584
Add: effect of dilutive securities	408	279
Less: weighted average shares outstanding pursuant to third quarter 2004 common stock offering	(2,850)	-
Adjusted weighted average common and dilutive securities outstanding	25,357	24,863
CALCULATION OF ADJUSTED OPERATING INCOME:		
Operating income, as reported	\$ 15,401	\$ 14,018
Adjustments to as reported operating income:		
Special charges included in selling and marketing expenses	521	-
Special charges included in general and administrative expenses	4,120	-
Adjusted operating income	\$ 20,042	\$ 14,018
Adjusted operating income % growth over prior period	43.0%	
CALCULATION OF ADJUSTED EBITDA:		
Net loss	\$ (25,330)	\$ (5,238)
Net interest expense	8,068	8,188
Income tax benefit	(11,752)	(2,210)

Depreciation and amortization	6,390	5,119
	-----	-----
EBITDA	(22,624)	5,859
Loss on early extinguishment of debt	40,980	-
Foreign currency loss	3,379	13,198
Special charges	4,641	-
Minority interest	38	80
	-----	-----
Adjusted EBITDA	\$ 26,414	\$ 19,137
	=====	=====
Adjusted EBITDA margin %	16.6%	14.2%
	=====	=====
Adjusted EBITDA % growth over prior period	38.0%	
	=====	

CALCULATION OF ADJUSTED OPERATING CASH FLOW:

Operating cash flow, as reported	16,672	9,831
Adjustments to as reported operating cash flow:		
Less: recapitalization during Third Quarter 2004	(1,600)	-
	-----	-----
Adjusted operating cash flow	\$ 15,072	\$ 9,831
	=====	=====

</TABLE>

SOLA International Inc.
Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Third Quarter 2004 ----	Third Quarter 2003 ----
<S>	<C>	<C>
SOLAINTERNATIONAL CALCULATION OF CONSTANT CURRENCY SALES:		
Net sales, as reported	\$ 159,286	\$ 135,241
Impact of currency fluctuations on net sales during period (c)	-	13,004
	-----	-----
Third Quarter 2004 net sales, excluding currency impact	\$ 159,286	\$ 148,245
	=====	=====
Constant currency net sales % growth over prior period	7.4%	
	=====	
"NORTH AMERICA" REGION CALCULATION OF CONSTANT CURRENCY SALES:		
Net sales, as reported	\$ 63,493	\$ 58,668
Impact of currency fluctuations on net sales during period (c)	-	(592)
	-----	-----
Third Quarter 2004 net sales, excluding currency impact	\$ 63,493	\$ 58,076
	=====	=====
Constant currency net sales % growth over prior period	9.3%	
	=====	
"EUROPE" REGION CALCULATION OF CONSTANT CURRENCY SALES:		
Net sales, as reported	\$ 65,725	\$ 51,242
Impact of currency fluctuations on net sales during period (c)	-	8,975
	-----	-----
Third Quarter 2004 net sales, excluding currency impact	\$ 65,725	\$ 60,217
	=====	=====
Constant currency net sales % growth over prior period	9.1%	
	=====	
"REST OF WORLD" REGION CALCULATION OF CONSTANT CURRENCY SALES:		
Net sales, as reported	\$ 30,068	\$ 25,332
Impact of currency fluctuations on net sales during period (c)	-	4,620
	-----	-----
Third Quarter 2004 net sales, excluding currency impact	\$ 30,068	\$ 29,952
	=====	=====

Constant currency net sales % growth over prior period

0.4%

</TABLE>

(c) Based on Third Quarter 2004 monthly average exchange rates

SOLA International Inc.
Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>

<S>

CALCULATION OF CONSTANT CURRENCY ACCOUNTS RECEIVABLE:

Second Quarter 2004 net trade accounts receivable, as reported
Impact of currency fluctuations on accounts receivable during period (d)

<C>
\$ 124,723
6,292

Second Quarter 2004 net trade accounts receivable,
excluding currency impact

\$ 131,015
=====

Third Quarter 2004 net trade accounts receivable, as reported

\$ 132,510
=====

Increase in trade accounts receivable, exclusive
of foreign currency impact during period

\$ 1,495
=====

CALCULATION OF CONSTANT CURRENCY INVENTORIES:

Second Quarter 2004 inventories, as reported
Impact of currency fluctuations on inventories during period (d)

\$ 101,776
3,890

Second Quarter 2004 inventories, excluding currency impact

\$ 105,666
=====

Third Quarter 2004 inventories, as reported

\$ 98,762
=====

Decrease in inventories, exclusive of
foreign currency impact during period

\$ (6,904)
=====

</TABLE>

(d) Based on Third Quarter 2003 closing exchange rates

SOLA International Inc.
Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>

<CAPTION>

<S>

CALCULATION OF ADJUSTED NET INCOME:

Net loss, as reported
Adjustments to compute adjusted net loss, net of income tax benefit:
Foreign currency loss on net long-term Euro-denominated debt
Loss on early extinguishment of debt
Interest expense savings
Special charges

Nine months ended 2004

Nine months ended 2003

<C>

<C>

\$ (18,129) \$ (4,060)
(9,301) (21,336)
(28,686) -
519 -
(3,249) -

Adjusted net income

\$ 22,588 \$ 17,276
=====

Adjusted net income per adjusted share-diluted

\$ 0.90 \$ 0.70
=====

Weighted average common and dilutive securities outstanding	25,790	24,561
Add: effect of dilutive securities	387	283
Less: weighted average shares outstanding pursuant to third quarter 2004 common stock offering	(953)	-
	-----	-----
Adjusted weighted average common and dilutive securities outstanding	25,224	24,844
	=====	=====
CALCULATION OF ADJUSTED OPERATING INCOME:		
Operating income, as reported	\$ 55,856	\$ 44,039
Adjustments to adjusted operating income:		
Special charges included in selling and marketing expenses	521	-
Special charges included in general and administrative expenses	4,120	-
	-----	-----
Adjusted operating income	\$ 60,497	\$ 44,039
	=====	=====
Adjusted operating income % growth over prior period	37.4%	
	=====	
CALCULATION OF ADJUSTED EBITDA:		
Net loss	\$ (18,129)	\$ (4,060)
Net interest expense	25,740	23,333
Income tax benefit	(8,667)	(1,543)
Depreciation and amortization	18,140	15,475
	-----	-----
EBITDA	17,084	33,205
Loss on early extinguishment of debt	40,980	-
Foreign currency loss	15,544	25,850
Special charges	4,641	-
Minority interest	388	459
	-----	-----
Adjusted EBITDA	\$ 78,637	\$ 59,514
	=====	=====
Adjusted EBITDA margin %	16.7%	14.6%
	=====	=====
Adjusted EBITDA % growth over prior period	32.1%	
	=====	

</TABLE>

SOLA International Inc.
Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>		<C>
<S>		
CALCULATION OF CONSTANT CURRENCY ACCOUNTS RECEIVABLE:		
March 31, 2003 net trade accounts receivable, as reported		\$ 123,088
Impact of currency fluctuations on accounts receivable during period (d)		9,654

March 31, 2003 net trade accounts receivable, excluding currency impact		\$ 132,742
		=====
Third Quarter 2004 net trade accounts receivable, as reported		\$ 132,510
		=====
Decrease in trade accounts receivable, exclusive of foreign currency impact during period		\$ (232)
		=====
CALCULATION OF CONSTANT CURRENCY INVENTORIES:		
March 31, 2003 inventories, as reported		\$ 91,442
Impact of currency fluctuations on inventories during period (d)		4,904

March 31, 2003 inventories, excluding currency impact		\$ 96,346
		=====
Third Quarter 2004 inventories, as reported		\$ 98,762
		=====

Increase in inventories, exclusive of
foreign currency impact during period

\$ 2,416
=====

</TABLE>

(d) Based on Third Quarter 2003 closing exchange rates

SOLA International Inc.
Reconciliation of Non-GAAP Financial Measures
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

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SOLAINTERNATIONAL CALCULATION OF CONSTANT CURRENCY SALES:

Net sales, as reported

Impact of currency fluctuations on net sales during period (e)

Nine months ended 2004 net sales, excluding currency impact

Constant currency net sales % growth over prior period

</TABLE>

Nine months ended
2004

<C>

\$ 471,928

-

\$ 471,928
=====

6.8%
=====

Nine months ended
2003

<C>

\$ 408,904

32,842

\$ 441,746
=====

(e) Based on the Nine Months ended 2004 monthly average exchange rates