



## Q3 AND 9M 2016 TRADING UPDATE

### Sales of the Going Forward Brands Portfolio grew +4.7% in 9M keeping up growth at +3.0% in Q3, at constant exchange rates

**Padua, November 9, 2016** – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved Q3 and 9M 2016 financial results.

#### Financial highlights

| <i>(Euro million)</i>              | 9M 2016      | 9M 2015      | % change         | Q3 2016      | Q3 2015      | % change         |
|------------------------------------|--------------|--------------|------------------|--------------|--------------|------------------|
| <b>Net sales</b>                   | <b>939.1</b> | <b>959.7</b> | -2.2%            | <b>288.0</b> | <b>284.8</b> | +1.1%            |
|                                    |              |              | <b>-1.0% (*)</b> |              |              | <b>+1.7% (*)</b> |
| <b>Gross profit</b>                | <b>564.0</b> | <b>577.4</b> | <b>-2.3%</b>     | <b>169.4</b> | <b>167.5</b> | <b>+1.1%</b>     |
| %                                  | <b>60.1%</b> | <b>60.2%</b> |                  | <b>58.8%</b> | <b>58.8%</b> |                  |
| <b>EBITDA</b>                      | <b>71.0</b>  | <b>75.1</b>  | -5.4%            | <b>18.8</b>  | <b>14.7</b>  | +27.6%           |
| %                                  | <b>7.6%</b>  | <b>7.8%</b>  |                  | <b>6.5%</b>  | <b>5.2%</b>  |                  |
| <b>Adjusted<sup>1</sup> EBITDA</b> | <b>77.4</b>  | <b>77.4</b>  | -                | <b>19.1</b>  | <b>14.7</b>  | <b>+30.0%</b>    |
| %                                  | <b>8.2%</b>  | <b>8.1%</b>  |                  | <b>6.6%</b>  | <b>5.2%</b>  |                  |
| <b>Group net debt</b>              | <b>111.5</b> | <b>97.1</b>  | <b>+14.8%</b>    |              |              |                  |

(\*) Sales performance at constant exchange rates

In the third quarter of 2016, Safilo's total net sales reached Euro 288.0 million, growing 1.1% at current exchange rates and 1.7% at constant exchange rates. In the quarter, sales of the Going Forward Brands Portfolio grew 3.0% at constant exchange rates (+4.3% excl. Retail).

In the first nine months of the year, sales of the Going Forward Brands Portfolio progressed by 4.7% at constant exchange rates (+6.1% excl. Retail).

As a consequence of the negative impact of the brands that the Group stopped/will stop servicing, Safilo's total 9M net sales declined 2.2% at current exchange rates and 1.0% at constant exchange rates, reaching Euro 939.1 million.

## Net sales by geographical area

| Net sales by geographical area |              |            |              |            |              |              |               |
|--------------------------------|--------------|------------|--------------|------------|--------------|--------------|---------------|
| (Euro million)                 | 9M 2016      | %          | 9M 2015      | %          | Change %     | Change % (*) | Change % (**) |
| Europe                         | 399.1        | 42.5       | 378.3        | 39.4       | 5.5%         | 6.6%         | 11.4%         |
| North America                  | 386.3        | 41.1       | 403.6        | 42.1       | -4.3%        | -3.8%        | 0.6%          |
| Asia Pacific                   | 90.1         | 9.6        | 113.0        | 11.8       | -20.2%       | -19.7%       | -10.9%        |
| Rest of the world              | 63.5         | 6.8        | 64.9         | 6.8        | -2.1%        | 4.9%         | 9.0%          |
| <b>Total</b>                   | <b>939.1</b> | <b>100</b> | <b>959.7</b> | <b>100</b> | <b>-2.2%</b> | <b>-1.0%</b> | <b>4.7%</b>   |

| Net sales by geographical area |              |            |              |            |             |              |               |
|--------------------------------|--------------|------------|--------------|------------|-------------|--------------|---------------|
| (Euro million)                 | Q3 2016      | %          | Q3 2015      | %          | Change %    | Change % (*) | Change % (**) |
| Europe                         | 107.6        | 37.4       | 101.7        | 35.7       | 5.9%        | 7.8%         | 9.5%          |
| North America                  | 126.5        | 43.9       | 133.1        | 46.7       | -5.0%       | -4.7%        | -2.2%         |
| Asia Pacific                   | 31.3         | 10.9       | 29.9         | 10.5       | 4.5%        | 2.8%         | -2.5%         |
| Rest of the world              | 22.6         | 7.8        | 20.1         | 7.1        | 12.3%       | 12.0%        | 11.5%         |
| <b>Total</b>                   | <b>288.0</b> | <b>100</b> | <b>284.8</b> | <b>100</b> | <b>1.1%</b> | <b>1.7%</b>  | <b>3.0%</b>   |

(\*) Sales performance at constant exchange rates

(\*\*) Sales performance at constant exchange rates of the Going Forward Brands Portfolio, excluding all brands that Safilo stopped/will stop servicing.

Q3 2016 total net sales in **Europe** equaled Euro 107.6 million, up 5.9% at current exchange rates and 7.8% at constant exchange rates. Sales of the Going Forward Brands Portfolio increased 9.5% at constant exchange rates in the third quarter.

In the first nine months of 2016, sales of the Going Forward Brands Portfolio increased 11.4% at constant exchange rates, while total net sales in Europe reached Euro 399.1 million, up 5.5% at current exchange rates and 6.6% at constant exchange rates.

Q3 2016 total net sales in **North America** equaled Euro 126.5 million, declining 5.0% at current exchange rates and 4.7% at constant exchange rates.

In the first nine months, total net sales in North America equaled Euro 386.3 million, down 4.3% at current exchange rates and 3.8% at constant exchange rates.

Q3 2016 North American Wholesale revenues were Euro 107.4 million, down 3.2% at current exchange rates and 3.0% at constant exchange rates. In the first nine months, Wholesale revenues reached Euro 328.6 million, down 1.8% at current exchange rates and 1.2% at constant exchange rates.

Wholesale revenues of the Going Forward Brands Portfolio were substantially stable in the third quarter (-0.6% at constant exchange rates), and they grew 3.4% in the first nine months.

Q3 2016 Retail sales in the United States equaled Euro 19.0 million, declining 13.8% at current exchange rates and 13.4% at constant exchange rates. Like for like performance of the 116 Solstice stores at the end of September (126 stores at the end of September 2015) was negative by 9.1% at constant exchange rates.

In the first nine months, Retail sales equaled Euro 57.7 million, declining 16.4% at current exchange rates and 16.3% at constant exchange rates, while the like for like performance was negative by 12.1% at constant exchange rates.

This press release may use 'alternative performance indicators' not foreseen by the IFRS-EU accounting standards (EBITDA, Net debt, 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 on 3<sup>rd</sup> November 2005.

Q3 2016 total net sales in **Asia** equaled Euro 31.3 million, up 4.5% at current exchange rates and 2.8% at constant exchange rates. Sales of the Going Forward Brands Portfolio declined 2.5% at constant exchange rates in the third quarter and 10.9% for the first nine months.

In the first nine months of 2016, total net sales in Asia reached Euro 90.1 million, declining 20.2% at current exchange rates and 19.7% at constant exchange rates.

Q3 2016 total net sales in the **Rest of the World** equaled Euro 22.6 million, up 12.3% at current exchange rates and 12.0% at constant exchange rates, while sales of the Going Forward Brands Portfolio increased 11.5% at constant exchange rates in the third quarter.

In the first nine months of 2016, sales of the Going Forward Brands Portfolio in the Rest of the World increased 9.0% at constant exchange rates, while the total net sales reached Euro 63.5 million, down 2.1% at current exchange rates and up 4.9% at constant exchange rates.

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Q3 2016 **gross profit** equaled Euro 169.4 million, up 1.1% compared to Euro 167.5 million in the third quarter of 2015. Gross margin remained stable at 58.8% of net sales compared to the third quarter of 2015.

In the first nine months of 2016, Gross Profit reached Euro 564.0 million, down 2.3% compared to Euro 577.4 million in the corresponding period of 2015, while gross margin was substantially flat at 60.1% of net sales (60.2% in the first nine months of 2015).

In the first nine months of 2016, Group's EBITDA was affected by non-recurring, restructuring costs of Euro 6.4 million, related mostly to the Group's overhead cost saving initiatives announced in March.

Excluding these items, Q3 2016 **adjusted<sup>1</sup> EBITDA** equaled Euro 19.1 million, up 30.0% compared to the adjusted<sup>1</sup> EBITDA of Euro 14.7 million recorded in the third quarter of 2015. The adjusted<sup>1</sup> EBITDA margin increased to 6.6% of net sales compared to 5.2% in the same period of 2015.

The quarterly result took the first nine months adjusted<sup>1</sup> EBITDA to Euro 77.4 million, in line with the result recorded in the same period of 2015. Also the adjusted<sup>1</sup> EBITDA margin returned in line with last year, at 8.2% of net sales compared to 8.1%.

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At the end of September 2016, Safilo's **Net Debt** stood at Euro 111.5 million, up 8.5% compared to Euro 102.8 million at the end of June 2016, and by 14.8% compared to the end of September 2015.

*Notes:*

<sup>1</sup> In the first nine months of 2016, the adjusted EBITDA does not include non-recurring costs for Euro 6.4 million of which Euro 5.2 million related to overhead cost saving initiatives, such as for example the planned integration of Vale of Leven (Scotland) Polaroid lens production into Safilo's China based corporate supply network, and Euro 1.2 million related to commercial restructuring costs in the EMEA region.

In the first nine months of 2015, the adjusted EBITDA did not include non-recurring costs related to the commercial restructuring costs in the EMEA region for Euro 1.2 million and other non-recurring costs for Euro 1.2 million mainly related to the consolidation of the Group's North American distribution network into its Denver facility.)

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Today, the Board of Directors has also approved a reorganization of Safilo's corporate structure. The objective is to drive consistency between the Group's Global Business Model and its Legal Entity structure, thereby guaranteeing a close alignment with the choices of the Group's 2020 Strategic Plan.

As a result of this intervention, the Group's business units will each be focused on, and be accountable for specific unique business activities, organised as follows:

- **Safilo Group S.p.A.**, as the "Holding Company", will host the Corporate Functions that provide corporate services to the entire Group;
- **Safilo S.p.A.** affirms its role as the "Strategic Company" that leads the global business, with namely Global Brand Management, Product Design & Creation, Sourcing, Quality Assurance, Sales Operations & Delivery, and Logistics;
- **Safilo Industrial S.r.l.** - newly created and wholly controlled by Safilo S.p.A. - will be the Italian "Manufacturing Company" that comprises Safilo's Italian plants of Santa Maria di Sala, Martignacco, and Longarone, along with the related employees. Safilo Industrial will thus operate within the Group's global industrial footprint, alongside the other manufacturing plants in China, Slovenia, and the USA.

This new corporate setup has the purpose to crystallise more efficiently unique deliverables and responsibilities among the business activities performed across the Group, and will enable a more immediate reading of the performance of the different business units.

The transfer of the employees involved will occur at current terms, maintaining the legal, economic and social conditions for all employees.

Implementation is planned for January 2017 via two one-off transactions: a transfer of going concern from Safilo S.p.A. to Safilo Group S.p.A., and a contribution in kind of going concern by Safilo S.p.A. into Safilo Industrial S.r.l..

This transformation of the corporate structure takes place within a broader, ongoing overall Legal Entity simplification. In that context, the Group will end the current year with 49 legal entities vs. 52 at the end of 2015, contributing to cost savings and efficiencies thanks to resulting additional synergies.

Statement by the manager responsible for the preparation of the company's financial documents

The manager responsible for the preparation of the company's financial documents, Mr. Gerd Graehsler, hereby declares, in accordance with paragraph 2 article 154 bis of the "Testo Unico della Finanza", that the accounting information contained in this press release corresponds to the accounting results, registers and records.

Disclaimer

This document contains forward-looking statements, 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.

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:

- Sales performance of the Going Forward Brands Portfolio is calculated by excluding all brands that Safilo stopped/will stop servicing (i.e. small Kering brands, Gucci and other minor discontinued brands);
- EBITDA is calculated by Safilo by adding to the Operating profit, depreciation and amortization;
- The net debt is for Safilo the sum of bank borrowings and short, medium and long-term loans, net of cash in hand and at bank.

Conference Call

Today, at 6.30 pm CET (5.30pm GMT; 12.30pm EDT) a conference call will be held with the financial community during which Q3 and 9M 2016 trading update will be discussed.

It is possible to follow the conference call by calling +39 02 99749000, +44 203 4270503 o +1 646 2543366 (for journalists +39 02 87500876) and entering the access code 5733323.

A recording of the conference call will be available until November 11, 2016 on 39 02 30413127, +44 203 4270598 or +1 347 3669565 (access code: 5733323).

The conference call can be followed also via webcast at [www.safilogroup.com/en/investors.html](http://www.safilogroup.com/en/investors.html). The presentation is available and downloadable from the Company's website.

**About Safilo Group**

Safilo Group is the fully integrated Italian eyewear creator and worldwide distributor of quality and trust, leader in the premium sector for sunglasses, optical frames and sports eyewear. Design inspired and brand driven, Safilo translates extraordinary design into excellent products created thanks to a superior craftsmanship expertise dating back to 1878. With an extensive wholly owned global distribution network in 39 countries – in North and Latin America, Europe, Middle East and Africa, and Asia Pacific and China – Safilo is committed to quality distribution of its products all around the world. Safilo's portfolio encompasses Carrera, Polaroid, Smith, Safilo, Oxydo, Dior, Dior Homme, Fendi, Gucci, Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Céline, Elie Saab, Fossil, Givenchy, havaianas, Jack Spade, Jimmy Choo, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Max Mara, Max&Co., Pierre Cardin, Saks Fifth Avenue, Swatch, and Tommy Hilfiger.

Listed on the Italian Stock Exchange (ISIN code IT0004604762, Bloomberg SFL.IM, Reuters SFLG.MI), in 2015 Safilo recorded net revenues for Euro 1,279 million.

*Contacts:*

***Safilo Group Investor Relations***

Barbara Ferrante

Ph. +39 049 6985766

<http://investors-en.safilogroup.com>

***Safilo Group Press Office***

Antonella Leoni

Milan – Ph. +39 02 77807607

Padua – Ph. +39 049 6986021