**Conference Call Q3 and 9M 2011 Results – November 7, 2011**

**INTRODUCTION by Roberto Vedovotto, CEO**

Good evening to you all and welcome to Safilo's third quarter and first nine months 2011 results conference call.

I'm here tonight with Vincenzo Giannelli and Barbara Ferrante; and together, we will guide you through the results and then we will leave some time for the questions that you might have at the end of the presentation.

**Slide 2**

I would like to start by highlighting the positive results that we have delivered in the nine months of the year. Let me start by saying that organic sales growth was up 6.7%. For the quarter, reported sales stood at €230.2 million, up 4.1% at constant perimeter and exchange rate.

As I'm sure you remember, in the perimeter last year we had, we still had the retail chain, Sunglass Island. And I'm sure you know better than I do that dollar-euro exchange moved quite a lot during Q3, 2011 compared to Q3, 2010.

In terms of sales, both emerging and developing markets performed very well. In particular, Asia and Latin America recorded a double-digit top-line growth all through the year. We've had the most relevant performances in China, Hong Kong, Korea, India, Brazil, and Mexico. Also developing countries like Turkey and Russia were able to deliver a strong growth. In terms of trends, we are particularly glad to see that our top luxury brands are all becoming best sellers in this market.

On top of that, Carrera, we keep achieving very important results with our masterbrand Carrera and I must say also with the majority of our diffusion lines. All of the above is clear confirmation of the strength of our commercial propositions, and it is also the confirmation of our improved marketing capabilities.

Now from a U.S. perspective; we saw there a resilient market. Besides of the uncertain economic environment, the reaction of the U.S. marketplace has been, I would say, reassuring. Sun and prescription frames were satisfactory with volumes being the main driver of growth. While average price was stable.

I'm extremely proud to say that Carrera has now reached a size, which is comparable to the size of some of the top luxury brands. This is a good result, particularly if we see in a very competitive market like the U.S.

On the retail side, Solstice performed well. Like-for-like sales were good, up 7% in the first nine months of this year.

Europe; Europe was unfortunately weaker, still positive; positive 2% in the nine months, negative minus 4.6% in the third quarter. If we compare the quarters, we need to bear in mind that the third quarter of 2010 has registered last year a very strong improvement, plus 11%, and therefore the comparison is clearly, extremely challenging. Despite the fact that we're seeing some positive reaction in Germany, in France and in UK, the reality is that where the marketplace is moving very slowly.

In terms of profitability and financial results, I must say that the business has responded well to all the different actions that we are putting in place. This is clearly proven by the fact that in the first nine months of this year, EBITDA and EBIT both were up double digit with strong improvements registered both at the industrial growth and SG&A levels.

Also operating results improved in the third quarter. And this was possible despite the seasonally lower operating leverage, and despite the fact that we continue to invest in strengthening the activities and the processes at our core wholesale business and particularly in sales and marketing.

Now, we achieved an increase, an exponential increase of profitability also at our Solstice stores in the U.S. And this is mainly due to a much more efficient presence in the market.

We closed the first nine months of the year with a net profitability of 3.2% against a loss of €3.6 million, same period last year. The interest expenses as well declined as occurred for income taxes.

Financial leverage; financial leverage of net debt on EBITDA remains stable and the record level achieved in June 1.95 times. I also wanted to remind you that as you know, in June, we undertook €60 million partial early redemption of the high yield bond.

On the corporate front, as I had announced during the Investor Day, September 29 in Paris, we finally completed our top management team with the appointment of the Global Head of Safilo brand division, Nicola Giorgi. And clearly Safilo brand division is one of the most important area for future growth.

Nicola, who joined us from Tod's Group and was General Manager of Hogan there, previously held a number of very significant positions in the automotive industry. And most recently, he was managing the brand Mini for the BMW Group. I think this is once more underlying the deep and substantial managerial change that we put in place.

Safilo staff management team is today complete and ready to action the announced strategic plan.
With that said, I now hand it over to Vincenzo for some further and more detailed comments on our 2011 third quarter and on the first nine month results.

**Vincenzo Giannelli, Chief Financial Officer**

Thank you, Roberto.

**Slide 3**

Let's now look briefly to slide three, where we have the highlights of our consolidated results.
It is worth reminding you again that this quarterly results have been impacted mainly on the top-line by the devaluation of the main foreign currencies against the euro and on top of this the comparison with the previous year results was also influenced by the sale of the retail chain in Mexico completed at the end of 2010.

The third quarter 2011, reported sales stood at €230.2 million, up 4.1% at constant perimeter and exchange rates year-on-year. In the first nine months, the organic sales growth was equal to 6.7%. The operating performance of the third quarter was driven by the improvement recorded at the gross profit level, plus 60 basis points, partially absorbed by the higher incidence on revenues of the wholesale cost structure. Operating profitability increased by 30 basis points in the quarter leading to a total improvement in the first nine months of 200 basis points from 6.4%, up to 8.4% of sales.

As Roberto mentioned before, this translated into a double digit growth rates for EBIT and EBITDA. In the nine months respectively up 33.7% and 18.4%.
In the third quarter, the net result was negative €4.7 million due to the negative exchange rates differences recorded in the period while the first nine months reached a positive result of €26.6 million.

**Slide 4**

Moving to slide four, we can look briefly at the main drivers of the top-line anticipated by Roberto.

In the third quarter of 2011, revenues of our core wholesale business were up 3.4% at constant exchange rates, slightly down 1.4% at current currencies. By geography, Asia outperformed once again the other regions, confirming the trends of the previous quarter, up 17.9% at constant exchange rates. The strongest performances were registered in a travel retail business in China, but also in Hong Kong, Korea, and India. Sales trends were driven up by top luxury brands by the continuing growth of Carrera and other brands in the diffusion segment like Marc by Marc Jacobs.

Americas were also satisfactory, up 7.4% in the quarter, local currency; if we exclude Solstice, the wholesale performance of the region was positive by roughly 6%, confirming the strength of the Latin American countries, Brazil and Mexico in particular, and the resilient trends in the U.S. market for all main product categories. Performance was positive also in the main independent opticians channel, where our prescription frames business is particularly important.

In a quarter, Europe was weak, as already illustrated., with trends selectively positive within a more general slowdown of the marketplace. To be noted that the performance of the region was characterized by different trends by product category with positive sales trends, which concentrated on sunglass collections.

All-in-all in the first nine months of 2011, revenues of our core sales business were up 6.2% at constant exchange rates plus 3.6% at current currencies. As far as the retail business is concerned, today it is represented exclusively by Solstice stores in the United States, which posted another good quarter growing by 13.3% in US dollar.

Solstice comp sales were up 7.5% in the third quarter confirming the positive momentum of our sunglass business in the market. The chain is today composed by 156 stores and we expect to continue refocusing the network on the best performing locations.

**Slide 5**

Now, let's move to slide five. And as you can see in this slide, in the third quarter, the EBITDA margin was equal to 7.6% of sales, substantially in line with the Q3, 2010, driven by 60 basis points improvement at the gross profit level from 57.3% to 57.9%.

More specifically, the gross margin benefitted of the higher sales volumes and improved quality of products in stock. On the other hand, the increase of selling, marketing, and staff costs to strengthen and develop the core wholesale business, envisaged the linear trend during the year being less effectively absorbed in the third quarter which, as you know, has been historically affected by the seasonality intrinsic to our wholesale business.
For this reason, the wholesale EBITDA margin experienced the decline from 7.7% to 7% of revenues.

At the retail level, we continued to record strong results from the efficiency actions implemented translating into an EBITDA of Solstice stores growing to 14.7% of sales from 4.9% in Q3, 2010.

First nine months ended with the progression of the total consolidated EBITDA margin of 160 basis points, reaching 11.7% of sales against 10.1% in the first nine months of 2010.

**Slide 6**

Below the operating line and we are at slide six, which was substantially stable in the third quarter, the net result of the period was influenced by the impact of exchange rate differences not yet realized in September, most of them, related to balance sheet items. This accounting adjustment was negative in the third quarter following the relevant revaluation of the euro spot rate against the U.S. dollar at the end of September.

On the positive front, the net result benefited by the continuing decline of interest expenses down in the quarter by 15.5%, thanks to the €60 million partial earlier redemption of a high yield bond undertook on June 16th.
With the tax rate of 39% in the first nine months of 2011, we reached a net result of €26.6 million.

**Slide 7**

Moving to the free cash flow, slide seven, we closed the first nine months of 2011, with the generation of €20.3 million, compared to the €64.5 million of the same period of 2010.
Let me highlight here that the cash flow level, the strong operating performance was partially offset by the different working capital seasonality. Then, net of the one-off investment at the beginning of the year to complete the acquisition of the company's regional headquarters and distribution center in U.S., the cash outflow for investing activities mainly dedicated to maintenance CapEx remain stable compared to the same period of 2010.

## Slide 8

Finally, slide eight, following our quarterly performance; the Group's net debt remain pretty much stable at the level reached at the end of June, €239.4 million, confirming the financial leverage of 1.95 times.

Here I would like to make only one additional comment. If you compare the composition of the gross debt of the last quarters, you will notice that the revolving facility at September was drawn for €50 million compared to €60 million of June. Such facilities committed for a total amount of €200 million and will expire in June 2015.
I now hand it back over to Roberto for his final remarks.

**Roberto Vedovotto, Chief Executive Officer**

Thank you, Vincenzo.

I would like to go through the presentation by highlighting the fact that 2011 has been so far an important step towards the building the Safilo business. And this is true, both from a managerial and financial standpoint. I would like to say that we are starting to be ok with the results that we have achieved. But the reality is that there is still a long journey ahead of us.

Business and market environment remain extremely volatile. We are seeing a situation that is becoming everyday more difficult, and we do expect a slowdown in Europe while Asia and developing markets will continue to deliver growth.

At the same time, the U.S. market should continue to prove its resilience. We as a company, we as a management team are ready to face new challenges and business opportunities as for the strategic guidelines presented during the Investor Day. We strongly believe in our business proposition, being Safilo the partner of choice for the most prestigious luxury brands in the world.