CONFERENCE CALL Q1 2013 RESULTS – APRIL 22, 2013

Roberto Vedovotto, Chief Executive Officer

Thank you very much. Good evening to all of you and welcome to Safilo Group Q1 2013 financial results conference call. As usual, I have the pleasure to be here with Vincenzo Giannelli, Safilo Group CFO; and Barbara Ferrante, Head of Investor Relations. Together, we will guide you through the key facts and figures of the first quarter. And, as usual, at the end of the presentation, we will be available to answer the questions you may have.

I'll start by saying that I'm satisfied with the results we achieved in the first three months of this year, not just because that we're above our expectations, but because they were driven by the improvement of our organic business. In this first quarter, we almost doubled the pace of growth we recorded in our core product last year. This enabled us to compensate the termination of the Armani licenses and the slightly negative impact of the exchange rates movement.

From an industrial perspective, our strategy focused on our top strategic brands. And in one statement we can say that we did more of the top brands. What I mean by that is that we did more Gucci which remains the champion in the high-end categories. Gucci has a strong appeal, has highly fashionable collections, very successful in the market, a very well-articulated product and price segmentation and is doing very well. This translated into significant growth rates from west to east, from emerging to mature markets. It is certainly the category killer in the license brands.

We also did more of the diffusion brands. We did more of Hugo Boss Group brands with the new BOSS 2013 prescription and sunglass collections which are state-of-the-art technology and style innovation, which have become a point of reference, in particular in the men high-end market segment.

BOSS Orange, in particular, remains on the other hand a category killer in the diffusion fashion area, following the incredible success of Tommy Hilfiger. And we are extremely happy with Tommy, a brand that has beaten all expectations, theirs and ours, becoming our fourth biggest license brand.

We also did more of Marc Jacobs and Marc by Marc Jacobs, which, in few years, became one of the best-known and appreciated brands in the international luxury and fashion scene. We started the brand from zero in 2005 and it became a double-digit growth history year-after-year.

We stay focused on our priority project of brand and product development, anticipating fashion trends, shapes, colors, thanks also to focused investment on research and innovation. In this context, for instance, we reinterpreted the essence of Dior Homme. Dior Homme is now a completely new collection in an innovative and exclusive ultra-thin and ultra-light acetate version, made in Japan. It is a limited edition available at Dior boutique, high-end opticians and quality department stores from January 2013, which has contributed to the positive sales growth of Dior in the first quarter 2013.

Now, we discussed briefly brands. Let's go into markets. We performed very well in all our core regions as we stay focused on our priority development projects. First and foremost, Europe. Under the new leadership, Europe was again very strong, posting a recovery over the drop we recorded in Q1 last year and in an environment, which is, as you all know, very difficult and particularly in Southern Europe and specifically with reference to Italy and Spain.

Still Europe has been able to grow on organic business double-digit. And, of course, precisely for the reason of the weak economic conditions in Europe, the progression that we have had is more meaningful. And it is the result of the sales trends which have been extremely positive in key account and travel retail, good performance in Continental and Northern Europe and the continuing strong growth in the emerging countries of the regions, Russia, first of all.

On top of these organic trends, we had clearly the contribution – positive contribution of Polaroid sales, consolidated starting a year ago, April 3, 2012. Let me just add that so far, we are very happy of the reaction that welcome the new Polaroid collections and results have been in line or better than our expectations.

Let's move to Americas, U.S. and Latin America. Americas, as a region, has experienced a good pace. The region has proven to be very resilient with North America and South America moving clearly at different speeds. We're very satisfied by both areas. And in the U.S., the variety of our product proposition together with our commercial policies, aimed at providing improving business practices, are paying off. And they are – and they keep granting us sound results, in particular, I would say, in our core distribution channel of independent opticians, optometrists and ophthalmologists.

If we move to Latin America, keep in mind that Canada has done extremely well for us as a region too. Latin America, I was saying, is our top performing region. We have been recording amazing business in Brazil and, finally, strong sales growth in Mexico too. This is a long way to go for us. Of course, we're still small in these countries, but our organization is getting stronger and stronger. Also, thanks to the recent setting up of new sales division dedicated specifically to the development of our diffusion brands and to take care – to take full advantage of the big success we are recording in the region.

Let's move to Far East. Asia was better in this quarter. Organic trends improved and we had positive results and feedback from Shanghai Exhibition, where we launched Polaroid. Gucci is a top performer, is our master brand and we are happy about its result in all key markets.

Also, Dior did well and has been pushing a strong, selective – while pushing a strong, selective distribution strategy focusing on high-end stores and department stores have shown strong sign of increase in sales. Growth will clearly be selective, but productivity will increase per door. And we are concentrating on a higher market penetration.

Within Asia, we focus on expanding the distribution and increasing the sellout of our fashion and diffusion lines as well as our niche luxury brands, Bottega Veneta, Céline and Alexander McQueen. This is also a lot of margin for growth in countries like Taiwan, Thailand, Indonesia, Vietnam, where we're not directly present, but we can offer strong business opportunities through strong partnership with extremely high quality distributors.

Now, all in all, organic sales growth reached 11% with double-digit trends in all three main regions in which we operate. Positive results then with net total sales at €297 million, up 2.9% compared to last year and up 3.7% at constant exchange rate, with a portfolio that does not have Armani license anymore – no Giorgio Armani, no Emporio Armani, no Armani Exchange.

Our gross operating income – EBITDA was €34.7 million, up 7.5% over last year and in terms of percentage on sales 11.7%. Group net result improved to €13.4 million compared to €12 million first quarter last year, up 12.1%.

From a financial standpoint, we closed the quarter with net debt at €220.4 million, slightly higher than the position at the end of last year, €215.3 million, but down almost 10% same period 2012, where our financial position stood at €243.2 million. This result has allowed us to confirm the ratio, net debt to EBITDA, at 1.9 times, so, below 2 times.

For the moment, I think I said it all. And I would like now to give it to Vincenzo, which will certainly take you through in more details through our results and then I come back at the end before the Q&A session to give some additional information and a little color on what we are doing going forward. Vincenzo?

Vincenzo Giannelli, Chief Financial Officer

Thank you, Roberto. Let me elaborate a little bit on the main items that made up our economic and financial performance. Starting from the top-line with revenues of €297 million, up 3.7% at constant exchange rates, benefiting from the double-digit growth of the organic business, equal to around 11% this quarter and the contribution of Polaroid sales. These two events together more than counterbalance and offset the relevant decline of turnover we recorded for the exit of Armani's licenses and the slightly negative effect of exchange rates.

By region, sales in Europe totaled €128.2 million compared to €118.4 million in 2012, up 8.3% at constant exchange rates. The American wholesale business increased by 2.5% at constant exchange rates, standing at €101.2 million, thanks to the solid performance of the business in the U.S. and the strong growth recorded in Latin America, great consistency thus from all these markets.

Sales in Asia were equal to €46 million compared to €48.9 million in the first quarter of 2012, a drop of 4.3% at constant exchange rates. But also in this case, our business recorded a significant improvement of the organic performance of the going forward brands in all core markets of the region, the travel retail channel, but also in smaller markets such as Singapore or Malaysia, to mention a few ones.

All in all, our wholesale business recorded a turnover of €279.6 million compared to €271.5 million, up 3.9% at constant exchange rates, while our Solstice stores in U.S. posted revenues of €17.4 million, achieving a small growth over the same period of last year, thanks to a positive like-for-like performance.

By product category, the quarter highlighted the upward trend recorded by both sunglasses and prescription frames products. In the period, sunglasses were up 3.5% at constant currency, that by the consolidation of Polaroid sales, of course, while the collections of Gucci, Dior and Tommy Hilfiger were the top performers of the category.

Sales of prescription frames were also slightly up, plus 0.9%, at constant exchange rates, thanks to the very positive organic trends achieved basically in all core markets and brands. From this front, I would like to mention in particular the performance of the brand Safilo in which the Group has been intensifying its focus, as lately demonstrated by the use of the innovative Avantek lens mounting system on Safilo's new prescription frames collection. But also, Carrera, in this category with prescription collections, are growing nicely in Europe, U.S. and in the South American countries.

Moving to slide eight and to our operating performance. This was driven on one side by the top-line growth achieved by the organic business, which helped the operating leverage. On the other by the drop in – made in volumes deriving from the exit of the Armani brands, whose negative consequences were compensated at the gross profit level by the initiatives adopted at the production plants, but also by other operational improvements in the supply chain processes, for instance, reduction of the cost of obsolescence.

All-in-all, the gross profit reached €179.7 million, posting an increase of 3.2% over last year, while the incidence on sales increased to 60.5%. EBITDA reached €34.7 million, improving by 50 basis points last year gross operating profitability, getting to a margin of 11.7%.

Selling and marketing expenses slightly increased compared to last year, a trend that is explained by the investment project to support the development of our top five priority license and Safilo's brands. Nonetheless, the incidence of this bulk of cost on sales decrease in the period. I would also like to note the positive operating result of our smaller and more profitable retail network, Solstice, in the United States, which, in the period, improved its EBITDA margin from 5.6%, up to 10.2%.

Below the operating line, net interest expenses declined by 7.3%, but we registered a drop also from the impact of positive exchange rate differences from €2.1 million last year, down to €0.6 million this year. Tax rate stable at 32.6% and group net profit increased by 12.1% to €13.4 million.

Moving to free cash flow, it is seasonality typical of the first quarter to show an absorption of resources and this occured also in the first three months of this year. The quarter has been positively impacted by the net results of the period, of course, while on the working capital front, there is nothing special to signal as the period was characterized by a more marked decline of trade payables explained by the strong volume growth recorded by the group in the last quarter of last year, which had a reversal effect in the first quarter of this year.

The absorption of resources from working capital totaled €27.9 million compared to €23.3 million at the end of the first quarter 2012. Investments in the period were equal to €4.7 million and they were related especially to maintenance CapEx and regular renewal activities at our industrial plan.

Moving to slide 10 and concluding with the group net debt, as already indicated by Roberto, it slightly increased by €5 million compared to the end of last year to €220.4 million. Reporting on the other end, a decline of €23 million compared to the €243 million at the end of March 2012.

At the end of March, 2013, the gross debt was equal to €292 million, up roughly 6% compared to €275 million at the end of December. And this was composed by €128 million High Yield bonds, €115 million of Senior Loan with a revolving facility drawn for €90 million and €49 million of other lines. More meaningfully, the financial leverage was confirmed at 1.9 times.

So having said these, I would now hand it back over to Roberto for his further considerations.

Roberto Vedovotto, Chief Executive Officer

Okay. Thank you very much, Vincenzo. We're working on many projects and I'm looking forward to be able to announce them to the market and to you. But I would like to focus your attention on maybe one that we have announced last week. I'm referring to the new partnership agreement between Carrera and Jimmy Choo for the design, production and distribution of sunglasses signed Carrera by Jimmy Choo.

It is an exclusive capsule collection, which will bring together the eyewear expertise and bold attitude of Carrera with the seductive spirit and iconic luxury style of Jimmy Choo in a range of products which will emphasize women's feminine and glamour personality. It is one of a kind agreement and cooperation agreement. And we will introduce the products which we have already, as you can imagine, designed. And we have the prototypes later on this year. They will be extremely interesting.

We are clearly excited about this new project which strengthen the link that Safilo has established since 2007, which, with such a prestigious and worldwide appreciated brand, represent, as I said before, I would say one of a kind collaboration. We keep working not only on these. We have many very interesting projects. We are developing key projects which will drive our strategic action giving extra margin of development and success to our portfolio of licensed brands.

Of course, 2013 remains a complex year, characterized by challenging economic and market environment. Nevertheless, we are optimistic on the back of our renewed strategy, the recent results, I think everyone was expecting us to suffer during this first quarter because of Giorgio, Emporio and A/X not in our portfolio anymore. And I think that we have a strong action plan which will allow us to exploit new areas of opportunities and I feel extremely confident about it.

As I said, a little bit over a month ago, in March, our priority is to strengthen the pillar of our business in order to improve our organic performance which, I believe, will be much stronger in the future because our philosophy is that in business as well as in life you race or you don't.

With that said, I think that I really want to thank you all for your patience, your attention. And together with Vincenzo and Barbara, we will answer to the questions that you might have. Thank you very much for your attention. I really appreciate.