



**THE BOARD OF DIRECTORS OF SAFILO GROUP S.P.A.
APPROVES THE RESULTS OF THE FIRST QUARTER OF 2014**

Increasing profits and margins

Padua, April 29, 2014 – The Board of Directors of Safilo Group S.p.A. today reviewed and approved the results of the first quarter of 2014.

In the first three months of the year, Safilo posted an increase in sales at constant exchange rates of 1.9%, and a more significant improvement in margins and profits, with the growth of the Group net result almost touching 23% over the period.

These results allowed the Group to register a financial leverage of 1.7 times.

Economic and financial highlights

(in millions of Euro)	Q1 2014	Q1 2013	% change	% change (*)
Net sales	293.2	297.0	-1.3%	+1.9%
Gross profit	184.0	179.7	+2.4%	
%	62.8%	60.5%		
EBITDA	35.4	34.7	+2.3%	
%	12.1%	11.7%		
Operating profit	26.8	25.7	+4.3%	
%	9.1%	8.7%		
Net profit attributable to the Group	16.5	13.4	+22.9%	
%	5.6%	4.5%		
Group Net Debt	207.5	220.4	-5.8%	

(*) at constant exchange rates

Commenting on the results, Luisa Delgado, Safilo Group's Chief Executive Officer, said:

“In this first quarter of 2014, results were broadly coherent with the medium and long term strategy that we have chosen to implement for our business, and that guides our operational choices.

We aim to grow our business in a sustainable and profitable way. Our focus is to design leading-edge branded eyewear, strengthen the quality of our distribution worldwide to bring to life the different DNA of our brands, and partner with our customers through joint business planning. During this quarter, we consolidated our positions in the different markets and key distribution channels, which has enabled us to improve the economic and financial components of the business.

In the quarter, we gradually introduced Fendi in key worldwide markets and launched the first Bobbi Brown eyewear collection in the United States and Canada. Based on the initial positive market receptions, these two new businesses promise a satisfactory first year with sustainable quality growth potential.

Among Safilo's proprietary brands, I would like to mention Polaroid's continuous positive momentum both in core and new markets.

We are particularly satisfied with the excellent results we have achieved at the gross profit level, with the margin that was close to 63%, as well as with our progressions in terms of operating results, despite the increasing investments both in terms of brand-building activities related to our proprietary brands, and in terms of development of programmes designed to improve our business processes and the related information systems.

We celebrated Safilo's 80th birthday in March with the confidence that 2014 will be a milestone in shaping the history of our Group for the next 80 years."

Key economic and financial performance

In the first quarter of 2014, the Group **total turnover** amounted to Euro 293.2 million, compared to Euro 297.0 million in the same period of 2013 (+1.9% at constant exchange rates and -1.3% at current exchange rates), with a negative impact of the exchange rates on the overall performance of 3.2%.

The wholesale turnover moved to Euro 276.7 million from the Euro 279.6 million of the first quarter of 2013 (+2.1% at constant exchange rates and -1.0% at current exchange rates), whilst the 132 Solstice stores in the United States reported sales of Euro 16.5 million, down 1.6% at constant exchange rates also due to the bad weather conditions that affected North America earlier this year.

In the European market, the Group's quarterly sales registered a growth at constant rates of 3.1% to Euro 131.3 million, compared to Euro 128.2 million in the first quarter of 2013 (+2.4% at current exchange rates).

Germany and the UK were the main driver of growth in Europe, while business in the Italian market and in countries such as Spain and Portugal continued to recover.

European key accounts once again proved to be the Group's best distribution channel both for the top end brands and the fashion and value-for-money segment.

Turnover at constant exchange rates was ~~instead~~ in line with the previous year in the US market (+0.3%), where total revenues amounted to Euro 112.9 million from Euro 118.6 million in the first quarter of 2013 (-4.8% at current exchange rates).

The US market was partially affected by a soft performance in the retail business, and more generally in the prescription frame business at the independent opticians stores.

In the period, Safilo established a new business unit dedicated to the development of the Latin American markets, which, in the first three months of the year, delivered the best performances, highlighting the as of yet untapped potential for Safilo in this area of the world.

In Asia, sales increased by 1.9% at constant exchange rates thanks to the positive performance of China and Korea, especially in the sunglasses segment.

In the period, turnover amounted to Euro 45.0 million compared to Euro 46.0 million in the same quarter of 2013 (-2.2% at current exchange rates).

From an economic standpoint, the first quarter of 2014 was characterized by a strong growth of the **Gross margin**, which increased by 230 basis points to 62.8% of revenues from 60.5% in the same period of 2013.

In absolute terms, gross profit improved by 2.4% to Euro 184.0 million compared to Euro 179.7 million in the first quarter of 2013. Improvements in product, brand and channel mix were the main contributors to this result, combined with the increase in the "Made in Safilo" volumes and with the progress in efficiency in the production processes.

EBITDA recorded an increase of 2.3% to Euro 35.4 million compared to Euro 34.7 million in the first quarter of 2013. EBITDA margin improved to 12.1% of sales from 11.7% in the same period of 2013.

In the first quarter of 2014, **EBIT** amounted to Euro 26.8 million compared to Euro 25.7 million in the same period of 2013, up 4.3%. The incidence on sales improved to 9.1% from 8.7% in the first quarter of 2013.

Beyond the operating results, the quarter benefited from the halving of net financial expenses down to Euro 2.3 million from Euro 5.5 million (-58.0%) due to the reduction of debt and the better mix of financing sources following the High Yield Bond repayment in May 2013. The tax rate stood at 32.4% of the Group profit before taxation (32.6% in the first quarter of 2013).

The **Group net result** therefore posted a 22.9% increase, reaching Euro 16.5 million from Euro 13.4 million recorded in the first quarter of 2013.

Key Cash Flow data

(in millions of Euro)	Q1 2014	Q1 2013
Cash flow from operating activities before changes in working capital	28.2	27.1
Changes in working capital	(45.2)	(27.9)
Cash flow from (for) operating activities	(17.0)	(0.8)
Cash flow for investment activities	(7.6)	(4.7)
Free Cash Flow	(24.6)	(5.5)

In line with the seasonality of the business, the first quarter of the year showed a cash absorption that amounted to Euro 17.0 million for the operating activities and to Euro 7.6 million for investment activities.

Free cash flow for the period was therefore negative for Euro 24.6 million (Euro 5.5 million in the first quarter of 2013), mainly influenced by the working capital flow dynamics that affect the first months of the year.

Investments for the quarter amounted to Euro 7.6 million, also including the increase in the Group's interest in its Hong Kong subsidiary (from 80% to 90%) and to the IT systems development.

The first quarter of 2014 ended with a **Net debt** of Euro 207.5 million, down Euro 12.9 million compared to the financial position recorded at the end of the first quarter of 2013 (Euro 220.4 million), while the increase was equal to Euro 25.0 million compared to Euro 182.5 million as at 31 December 2013 for the typical seasonality of the business.

The Board of Directors also approved the regulation of the Stock Option Plan 2014-2016, whose guidelines were approved by the Shareholders' Meeting held on April 15th, 2014, and granted options of the First Tranche, identifying, on the basis of the proposal of the Remuneration and Nomination Committee, the eligible beneficiaries. For any further information on the Stock Option Plan 2014-2016 please refer to the documentation made available to the public on the Company's website and any other documents that will be published according to the law.

Other information

The Board of Directors of Safilo Group S.p.A. approved a new set of rules for its Control and Risk Committee, mainly by exploiting its role and widening its functions with reference to internal auditing activities and flow of information between same Committee, the external auditor and the Board of Statutory Auditors, as well as by reshuffling its composition in order to more effectively accomplish its additional tasks.

Melchert Frans Groot has been appointed as member of the Control and Risk Committee, Eugenio Razelli (Chairman) and Marco Jesi were confirmed in the office.

Massimiliano Tabacchi has been appointed as member of the Remuneration Committee, Jeffrey Alan Cole (Chairman) and Marco Jesi were confirmed in the office.

Safilo Group S.p.A. has been informed by HAL Holding N.V. (HAL) of the circumstance that, although the ownership interest of HAL in the Company is below 50%, IFRS 10 requires same Company to be consolidated on a line-by-line basis in the consolidated financial statements of HAL as of January 1, 2014. To facilitate HAL in complying with its obligations under IFRS 10 and to provide a framework for Safilo to provide certain information to HAL, the Board of Directors of Safilo Group S.p.A. agreed with HAL: (a) to enter into a memorandum of understanding setting forth a procedure for the exchange of information which, subject to appropriate confidentiality undertakings, will allow HAL to comply with its statutory obligations to prepare consolidated financial statements in accordance with IFRS, while avoiding any interference with the Company's administrative and accounting system as well as its internal control system; and (b) to jointly retain an independent financial consultant who, through access and visiting rights to the appropriate management and control bodies of both concerned companies, will be required to reach his own assessments and form an opinion on any accounting/financial matters relating to the Company which should be taken into account in the HAL consolidation process.

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. Vincenzo Giannelli, 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:

- EBITDA (gross operating profit) is calculated by Safilo by adding to the Operating profit, depreciation and Amortization and is also stated before impairment losses to intangible assets such as goodwill;
- 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;
- The net capital employed for Safilo is the sum of current assets and non-current assets net of current liabilities and non-current liabilities, with the exception of the items previously considered in the net debt;
- The Free Cash Flow for Safilo is the sum of the cash flow from/(for) operating activities and the cash flow from/(for) investing activities.

Conference Call

Today, at 7.00pm CEST (6.00pm BST; 1.00pm US EDT) a conference call will be held with the financial community during which the results of the first quarter of 2014 will be discussed.

It is possible to participate to the call by dialling the following number: +39 06 8750 0875, +44 203 4271913 or +1 646 2543388 (for journalists: +39 06 8750 0874) and quoting the following confirmation code: 6800070.

The playback of the conference call will be available until May 2, 2014 by dialling the number +39 02 30413127, +44 203 4270598 or +1 347 366 9565 (access code: 6800070).

The conference call can also be followed via webcast on the site www.safilo.com/en/investors.html. The presentation is available and downloadable from the company website.

Intermediate quarterly report at 31st March 2014

Please note that the intermediate quarterly report at 31st March 2014 will be made available to the public as soon as it is available and in accordance with the law, at the company's registered offices and on the company's internet website at the address: www.safilo.com/en/investors.html.

Sàfilo Group S.p.A.*Consolidated income statement*

<i>(Euro/000)</i>	First Quarter		
	2014	2013	Change %
Net sales	293,203	297,018	-1.3%
Cost of sales	(109,154)	(117,323)	-7.0%
Gross profit	184,049	179,695	2.4%
Selling and marketing expenses	(119,530)	(118,375)	1.0%
General and administrative expenses	(37,734)	(35,401)	6.6%
Other operating income (expenses)	33	(196)	n.s.
Operating profit	26,818	25,723	4.3%
Share of income (loss) of associates	-	-	
Interest expenses and other financial charges, net	(2,340)	(5,567)	-58.0%
Profit before taxation	24,478	20,156	21.4%
Income taxes	(7,931)	(6,564)	20.8%
Net profit of the period	16,547	13,592	21.7%
Non-controlling interests	85	198	-57.1%
Net profit attributable to the Group	16,462	13,394	22.9%
EBITDA	35,444	34,661	2.3%
Basic EPS (Euro)	0.264	0.217	
Diluted EPS (Euro)	0.262	0.216	

Sàfilo Group S.p.A.
Consolidated net sales

Net sales by geographical area (Euro in millions)	First Quarter					
	2014	%	2013	%	Change %	Change % (*)
Europe	131.3	44.8	128.2	43.2	+2.4	+3.1
Americas	112.9	38.5	118.6	39.9	-4.8	+0.3
Asia	45.0	15.3	46.0	15.5	-2.2	+1.9
Rest of the world	4.0	1.4	4.2	1.4	-3.9	+11.0
Total	293.2	100.0	297.0	100.0	-1.3	+1.9

(*) at constant exchange rates

Net sales by product (Euro in millions)	First Quarter					
	2014	%	2013	%	Change %	Change % (*)
Prescription frames	110.1	37.6	109.2	36.8	+0.8	+4.3
Sunglasses	165.3	56.4	170.2	57.3	-2.9	+0.1
Sport products	16.1	5.5	15.9	5.4	+0.9	+4.3
Other	1.8	0.6	1.7	0.5	+4.6	+5.2
Total	293.2	100.0	297.0	100.0	-1.3	+1.9

(*) at constant exchange rates

Sàfilo Group S.p.A.**Consolidated Balance sheet**

(Euro/000)	March 31, 2014	December 31, 2013	Change
ASSETS			
Current assets			
Cash in hand and at bank	79,833	82,608	(2,775)
Trade receivables, net	272,741	238,979	33,762
Inventory, net	213,824	212,780	1,044
Derivative financial instruments	32	54	(22)
Other current assets	58,097	59,760	(1,663)
Total current assets	624,527	594,181	30,346
Non-current assets			
Tangible assets	194,704	198,176	(3,472)
Intangible assets	48,568	48,703	(135)
Goodwill	536,080	536,075	5
Investments in associates	8,437	8,432	5
Available-for-sale financial assets	335	237	98
Deferred tax assets	77,996	77,168	828
Derivative financial instruments	23	34	(11)
Other non-current assets	2,719	2,631	88
Total non-current assets	868,862	871,456	(2,594)
Total assets	1,493,389	1,465,637	27,752
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	86,304	73,874	12,430
Trade payables	190,982	204,934	(13,952)
Tax payables	29,951	18,210	11,741
Derivative financial instruments	1,663	1,673	(10)
Other current liabilities	47,300	43,518	3,782
Provisions for risks and charges	3,290	3,325	(35)
Total current liabilities	359,490	345,534	13,956
Non-current liabilities			
Long-term borrowings	201,057	191,230	9,827
Employees benefits liability	35,065	34,879	186
Provisions for risks and charges	13,520	34,593	(21,073)
Deferred tax liabilities	8,093	8,061	32
Derivative financial instruments	27	24	3
Other non-current liabilities	16,094	5,254	10,840
Total non-current liabilities	273,856	274,041	(185)
Total liabilities	633,346	619,575	13,771
Shareholders' equity			
Share capital	311,450	311,000	450
Share premium reserve	482,839	482,565	274
Retained earnings (losses) and other reserves	47,405	34,526	12,879
Cash flow reserves	(271)	(490)	219
Income attributable to the Group	16,462	15,521	941
Total shareholders' equity attributable to the Group	857,885	843,122	14,763
Non-controlling interests	2,158	2,940	(782)
Total shareholders' equity	860,043	846,062	13,981
Total liabilities and shareholders' equity	1,493,389	1,465,637	27,752

Sàfilo Group S.p.A.*Consolidated statement of cash flows*

<i>(Euro/000)</i>	First Quarter	
	2014	2013
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	69,669	45,623
B - Cash flow from (for) operating activities		
Net profit for the period (including minority interests)	16,547	13,592
Depreciation and amortization	8,626	8,938
Other non-monetary P&L items	(401)	(110)
Interest expenses, net	1,758	4,569
Income tax expenses	7,931	6,564
Income from operating activities prior to movements in working capital	34,460	33,553
(Increase) Decrease in trade receivables	(33,986)	(17,141)
(Increase) Decrease in inventory, net	(1,178)	15,235
Increase (Decrease) in trade payables	(13,775)	(24,588)
(Increase) Decrease in other current receivables	893	(1,350)
Increase (Decrease) in other current payables	2,872	(22)
Interest expenses paid	(1,528)	(1,195)
Income taxes paid	(4,796)	(5,315)
Total (B)	(17,036)	(823)
C - Cash flow from (for) investing activities		
Investments in property, plant and equipment	(5,074)	(4,799)
Net disposals of property, plant and equipment	241	199
Acquisition of subsidiary (net of cash acquired)	-	-
Acquisition of minorities (in subsidiaries and associates)	(1,551)	-
(Acquisition) Disposal of investments and bonds	(69)	-
Purchase of intangible assets	(1,121)	(126)
Total (C)	(7,575)	(4,726)
D - Cash flow from (for) financing activities		
Proceeds from borrowings	11,559	25,000
Repayment of borrowings	(3,616)	(6,329)
Share capital increase	724	-
Dividends paid	-	-
Total (D)	8,667	18,671
E - Cash flow for the period (B+C+D)	(15,944)	13,122
Translation exchange differences	(1,046)	905
Total (F)	(1,046)	905
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	52,679	59,650

About Safilo Group

The Safilo Group is worldwide leader in the premium eyewear sector for sunglasses, optical frames and sports eyewear. With an international presence through 30 owned subsidiaries in primary markets – in America, Europe and Asia – and exclusive distributors, Safilo produces and distributes its proprietary brands – Carrera, Oxydo, Polaroid, Safilo, Smith Optics – and the licensed brands Alexander McQueen, Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Bottega Veneta, Céline, Dior, Fendi, Fossil, Gucci, HUGO, J.Lo by Jennifer Lopez, Jack Spade, Jimmy Choo, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max&Co., Pierre Cardin, Saint Laurent, Saks Fifth Avenue and Tommy Hilfiger. For further information www.safilo.com

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