



## Q1 2017 TRADING UPDATE

**Padua, May 09, 2017** – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved Q1 2017 economic and financial key performance indicators.

As already anticipated in the communication of Safilo 2016 results on March 15, 2017, Q1 2017 total net sales, economic and financial results were heavily impacted by the start-up of the new SAP information system in the Distribution Centre in Padua, mainly related to its unique fully automatized operations and complex global volumes, impacting in particular warehouse deliveries of the Going Forward Brand Portfolio and thus quarterly sales. The Group has addressed its IT system issues and continues to progress in re-establishing normal working conditions and service levels in the Padova distribution center by the end of June.

In the first quarter of 2017, Safilo's total net sales equaled Euro 237.3 million, down 21.3% at current exchange rates and 22.8% at constant exchange rates, compared to Euro 301.6 million in the first quarter of 2016.

In the quarter, the net sales of the Going Forward Brand Portfolio were down 14.9% at constant exchange rates (-14.5% excl. retail), within the range of expected decline of 15% to 20% communicated on March 15, 2017, due to the above mentioned impact on deliveries due to the start-up of the new information system in the Distribution Centre in Padua. Without this impact, net sales of the Going Forward Portfolio would have grown low single-digit compared to the same period of last year.

Q1 2017 results also reflected the exit of the Gucci license and its replacement by the Strategic Product Partnership Agreement with Kering for the product development, manufacturing and supply of Gucci eyewear

### Economic and financial highlights

(Euro in millions)	Q1 2017	Q1 2016	% Change
<b>Net sales</b>	237.3	301.6	-21.3%
			-22.8% (*)
			-14.9% (**)
<b>Gross profit</b>	116.8	184.2	-36.6%
<b>%</b>	49.2%	61.1%	
<b>EBITDA</b>	(9.5)	19.8	n.s.
<b>%</b>	(4.0%)	6.6%	
<b>Adjusted<sup>1</sup> EBITDA</b>	(6.2)	25.2	n.s.
<b>%</b>	(2.6%)	8.4%	
<b>Group net debt</b>	111.3	109.7	+1.5%

(\*) Sales performance at constant exchange rates

(\*\*) Sales performance at constant exchange rates of the Going Forward Brand Portfolio, excluding Gucci business

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.

## Net sales by geographical area

(Euro million)	Q1 2017	%	Q1 2016	%	Change %	Change % (*)	Change % (**)
<b>Europe</b>	101.2	42.6	130.1	43.1	-22.2%	-21.6%	<b>-23.9%</b>
<b>North America</b>	114.5	48.2	127.2	42.2	-10.0%	-13.2%	<b>-0.7%</b>
of which Wholesale	101.0	42.6	110.4	36.6	-8.5%	-11.8%	<b>+2.6%</b>
<b>Asia Pacific</b>	11.1	4.7	26.7	8.9	-58.6%	-59.5%	<b>-32.7%</b>
<b>Rest of the world</b>	10.6	4.5	17.6	5.9	-40.0%	-44.3%	<b>-34.7%</b>
<b>Total</b>	<b>237.3</b>	<b>100.0</b>	<b>301.6</b>	<b>100.0</b>	<b>-21.3%</b>	<b>-22.8%</b>	<b>-14.9%</b>

(\*) Sales performance at constant exchange rates

(\*\*) Sales performance at constant exchange rates of the Going Forward Brand Portfolio, excluding Gucci business

Q1 2017 sales in **Europe** equaled Euro 101.2 million compared to Euro 130.1 million in the first quarter of 2016, down 22.2% at current exchange rates and 21.6% at constant exchange rates.

In the period, the sales of the Going Forward Brand Portfolio declined by 23.9% at constant exchange rates.

Q1 2017 sales in **North America** were Euro 114.5 million compared to Euro 127.2 million in the first quarter of 2016, down 10.0% at current exchange rates and 13.2% at constant exchange rates.

In the period, sales in the 105 Solstice stores in the United States (a reduction of 16 stores, in line with its turnaround plan, compared to the 121 stores at the end of March 2016) remained weak, falling by 19.9% at current exchange rates and by 22.6% at constant exchange rates. Same store sales performance was negative by 17.4%.

The North America wholesale business equaled Euro 101.0 million compared to Euro 110.4 million in the corresponding period of last year, down 8.5% at current exchange rates and 11.8% at constant exchange rates.

On the other hand, the wholesale revenues of the Going Forward Brand Portfolio increased by 2.6% at constant exchange rates.

Q1 2017 sales in **Asia** equaled Euro 11.1 million compared to Euro 26.7 million in the first quarter of 2016, down 58.6% at current exchange rates and 59.5% at constant exchange rates.

In the period, the sales of the Going Forward Brand Portfolio in the region were down 32.7% at constant exchange rates.

Q1 2017 sales in the **Rest of the World** were Euro 10.6 million compared to Euro 17.6 million in the first quarter of 2016, down 40.0% at current exchange rates and 44.3% at constant exchange rates.

In the period, the sales of the Going Forward Brand Portfolio in the region declined by 34.7% at constant exchange rates.

Q1 2017 **Gross Profit** was Euro 116.8 million, down 36.6% compared to Euro 184.2 million in the first quarter of 2016. Gross margin declined to 49.2% of net sales compared to 61.1% in the first quarter of 2016.

In the period, Group's EBITDA was affected by non-recurring restructuring costs of Euro 3.3 million, mostly related to the Group's cost saving initiatives.

Excluding these items, Q1 2017 **adjusted<sup>1</sup> EBITDA** was equal to a loss of Euro 6.2 million (-2.6% of net sales) compared to a positive adjusted<sup>1</sup> EBITDA of Euro 25.2 million (8.4% of net sales) in the first quarter of 2016.

At the end of March 2017, Safilo's **Net Debt** stood at Euro 111.3 million compared to Euro 109.7 million at the end of March 2016, and Euro 48.4 million at the end of December 2016.

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*Notes:*

<sup>1</sup> In Q1 2017, the adjusted EBITDA excludes non-recurring costs for Euro 3.3 million, mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives, and it includes an income of Euro 10.8 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 43 million for the full year 2017.

Q1 2016 adjusted EBITDA excluded non-recurring costs for Euro 5.4 million of which Euro 4.2 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.

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:

- In 2017, sales performance of the Going Forward Brand Portfolio is calculated by excluding the Gucci business;
- Ebitda (gross operating profit) is calculated by adding to the Operating profit, depreciation and amortization;
- The net debt is the sum of bank borrowings and short, medium and long-term loans, net of cash in hand and at bank.

Conference Call

Today, at 6.00 pm CET (5.00pm GMT; 12.00pm EDT) a conference call will be held with the financial community during which Q1 2017 trading update will be discussed.

It is possible to follow the conference call by calling +39 02 38591420, +44 203 4271915 o +1 212 4440481 (for journalists +39 02 36009869) and entering the access code 2077145.

A recording of the conference call will be available until May 11, 2017 on 39 02 30413127, +44 203 4270598 or +1 347 3669565 (access code: 2077145).

The conference call can be followed also via webcast at [http://edge.media-server.com/m/go/Safilo\\_1Q2017](http://edge.media-server.com/m/go/Safilo_1Q2017).

**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 superior craftsmanship expertise dating back to 1878. With an extensive wholly owned global distribution network in 38 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, Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Céline, Elie Saab, Fossil, Givenchy, havaianas, Jack Spade, Jimmy Choo, Juicy Couture, kate spade new york, 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 2016 Safilo recorded net revenues for Euro 1,253 million.

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