

H1 2018 Results

August 3, 2018



Safilo

DISCLAIMER

This presentation may contain forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.

H1 2018 BUSINESS AND ECONOMIC HIGHLIGHTS

- H1 SALES PERFORMANCE REFLECTED THE DECLINE OF EUROPEAN SUNGLASS SALES IN Q2 AND THE ONGOING WEAKNESS OF THE BUSINESS IN NORTH AMERICA

- In Q2, high-single digit negative underlying performance exacerbated by high comp base

- BEST HIGHLIGHTS WERE EMERGING MARKETS² AND PRESCRIPTION FRAMES IN EUROPE

- MOSCHINO AND RAG&BONE BUSINESS, MAKING UP FOR HALF OF THE EXITED CELINE BUSINESS

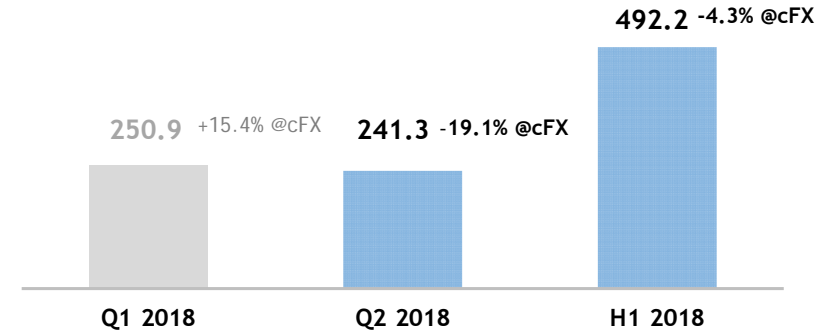
- POSITIVE PERFORMANCE OF POLAROID, CARRERA, TOMMY HILFIGER, HUGO BOSS, KATE SPADE AND GIVENCHY, WHILE MARC JACOBS REPORTED THE MOST SIGNIFICANT DECLINE

- ADJUSTED¹ EBITDA MARGIN HELPED BY COST SAVINGS: IN LINE WITH LAST YEAR AT THE REPORTED LEVEL; UP AT CONSTANT EXCHANGE RATES

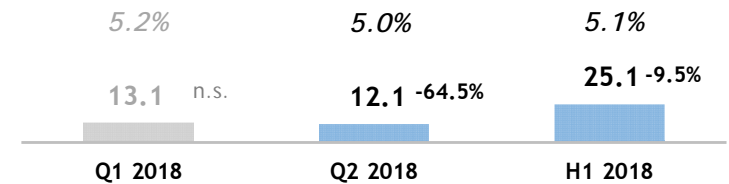
- NET DEBT SUBSTANTIALLY IN LINE WITH Q1 2018

in millions of Euro and % change vs same periods of 2017

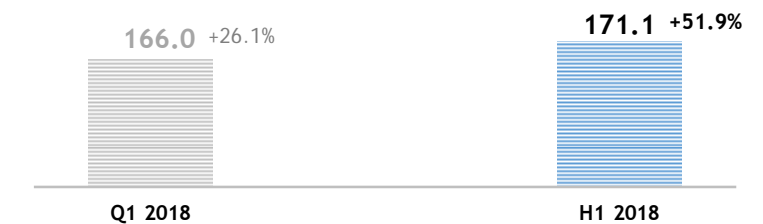
NET SALES



Adj.¹ EBITDA and MARGIN



NET DEBT



H1 2018 NET SALES PERFORMANCE

% change vs H1 2017

-4.3% @ constant forex (-3.8% Wholesale)

-3.7% @ constant forex, excl. Gucci business

NORTH AMERICA
-7.7%
Wholesale: -6.9%
Retail -11.8%

EUROPE
-7.2%
Sunglasses: ca-16%
Prescription: ca +10%

ASIA-PACIFIC
+21.9%
Broad-based
growth

ROW
+16.7%
Latam and strong
growth of India

Q2 2018 NET SALES PERFORMANCE

% change vs Q2 2017

-19.1% @ constant forex (-19.0% Wholesale)

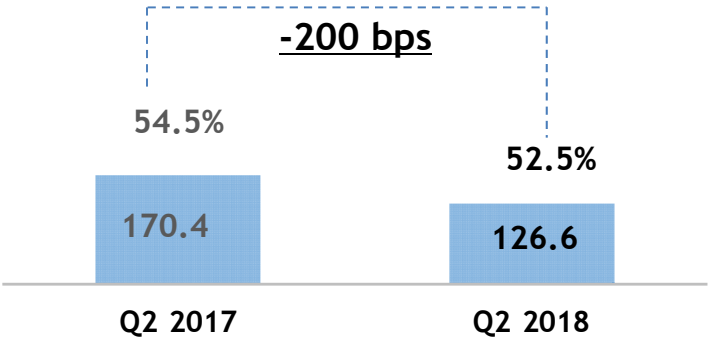
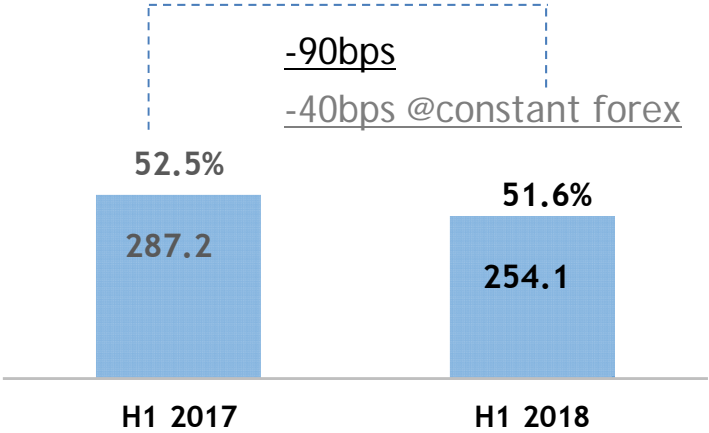
- Challenging comp base, as Q2 2017 recovered products not delivered in Q1 for the difficult go-live of new IT system
- Q2 UNDERLYING SALES PERFORMANCE down high-single digit, behind very poor sun season in the core European markets of Spain, Italy and France and the ongoing weak performance of North America

On the positive side: PRESCRIPTION FRAMES UP LOW-SINGLE DIGIT AND IMPROVING TRADING FOR SMITH

NORTH AMERICA	EUROPE	ASIA-PACIFIC	ROW
-10.9% Wholesale -8.6% Retail -20.6%	-27.7%	+8.0%	-17.9%

GROSS MARGIN PERFORMANCE

in millions of Euro and % on total net sales

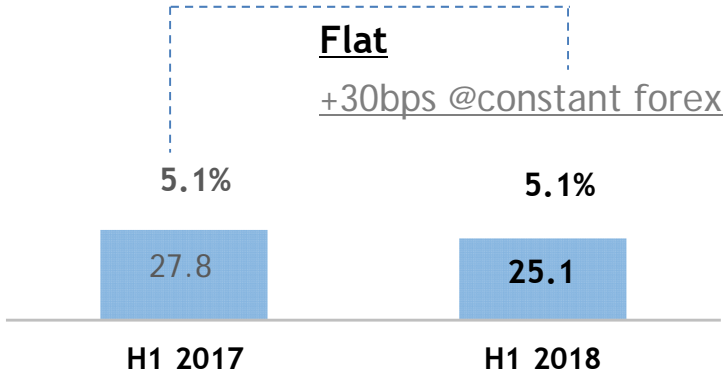


KEY DRIVERS

- H1 Gross Margin dilution affected by:
 - Forex impact
 - Negative geographical mix
- Q2 dilution mainly explained by a negative volume/mix effect
- Higher plant efficiencies and lower obsolescence costs

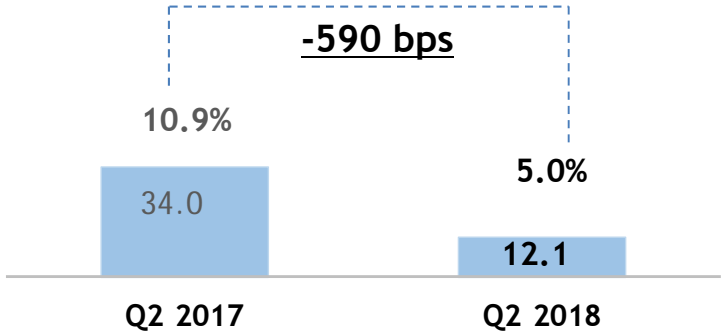
ADJ.¹ EBITDA MARGIN PERFORMANCE

In millions of Euro and % on total net sales



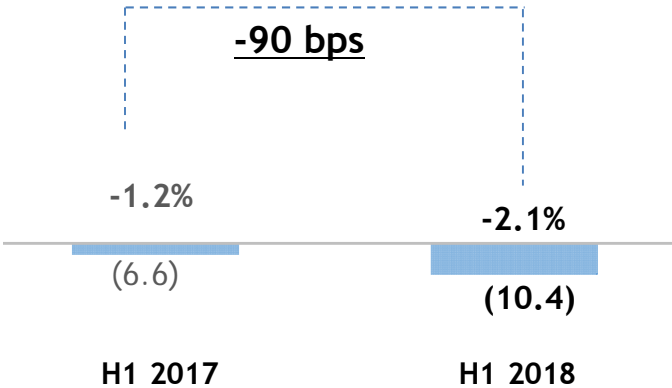
KEY DRIVERS

- H1 adj.¹ EBITDA margin helped by cost savings, totalling 13m
- Q2 adj.¹ EBITDA margin impacted by negative operational leverage and phasing of marketing costs



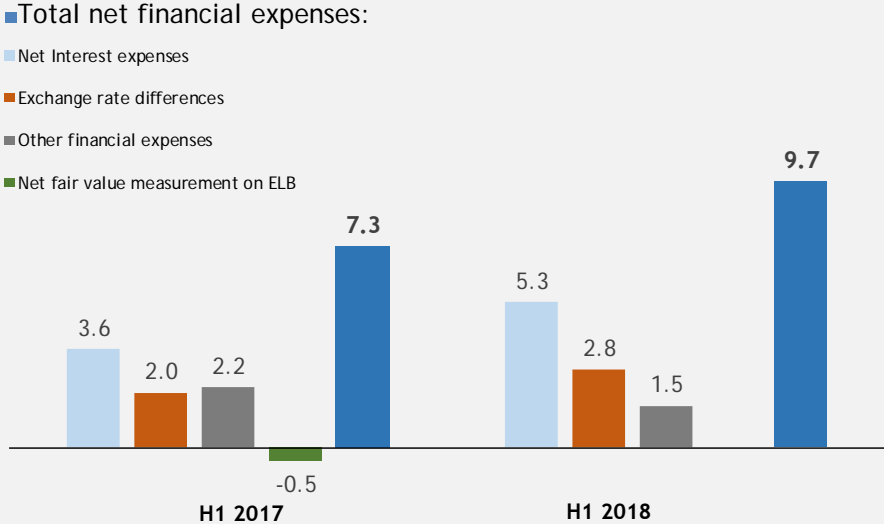
ADJ.¹ GROUP NET RESULT

in millions of Euro and % on total net sales



Adj.1 Group net result reflecting also:

- Higher total net financial expenses



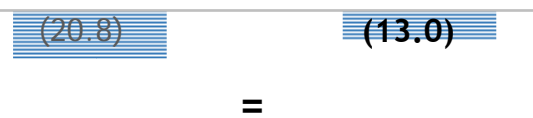
FREE CASH FLOW

in millions of Euro

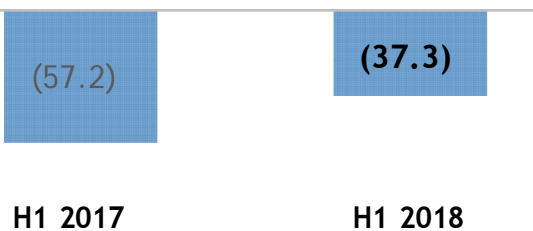
- Cash Flow for Operating Activities



- Cash Flow for Investing Activities



- **FREE CASH FLOW**

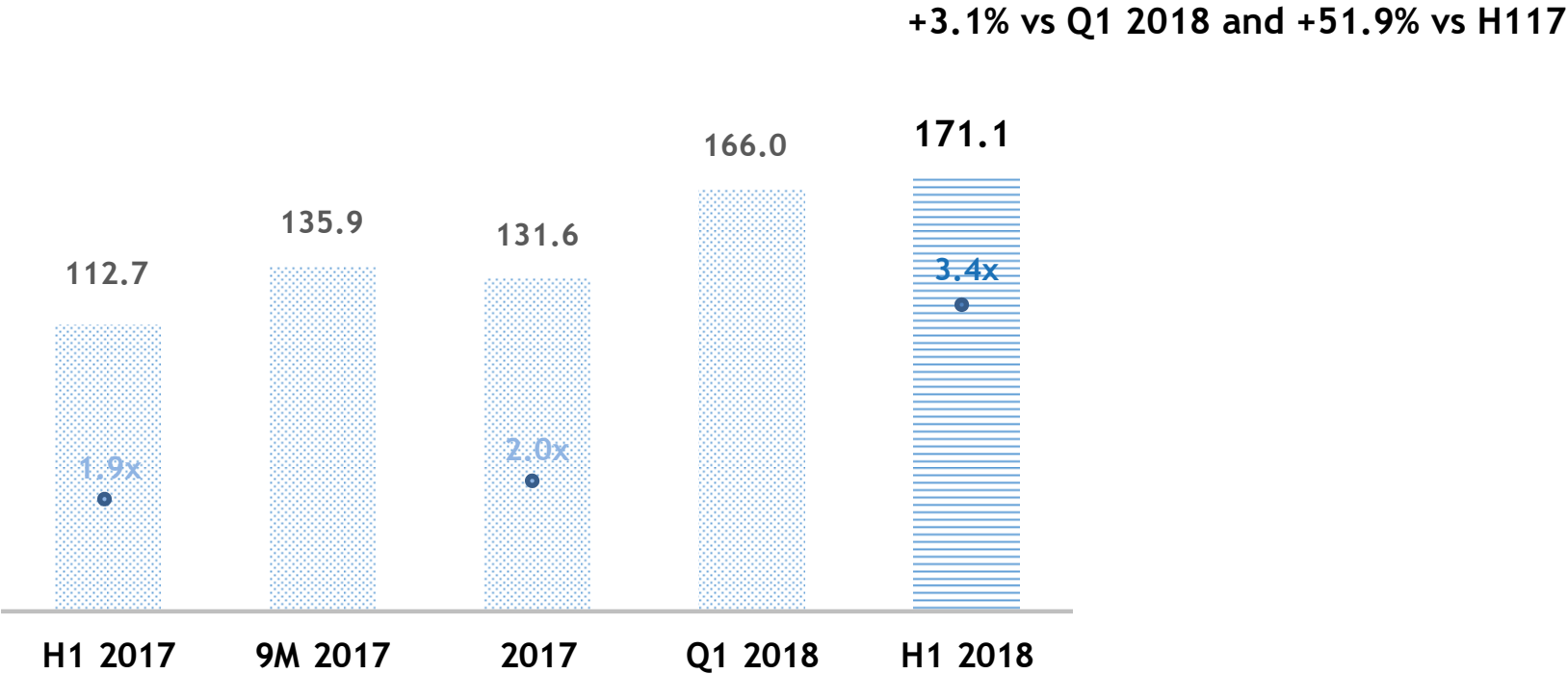


KEY DRIVERS

- Adj.¹ EBITDA of the periods
- Lower absorption from Net Working Capital behind a decrease in inventories and DOH improving by 5 days
- Lower Capex

GROUP NET DEBT

in millions of Euro



● Adj.³ Financial Leverage

2018 OUTLOOK

TOTAL NET SALES EXPECTED TO DECLINE BY AROUND -3% @constant FX vs 2017⁴ (ca -6% @current FX)

- Business trends expected to improve in H2, but seasonality does not allow for full recovery
- Forex impact expected to ease in H2

ADJUSTED¹ EBITDA MARGIN EXPECTED AT 4% to 5% OF NET SALES

- Completion of overhead productivity plan launched in 2016 (15M by this year)
- Further cost actions now in place to protect H2 margins

EXPECTED FREE CASH FLOW ABSORPTION

- Last 30M Kering compensation to be received by September
- Net Debt to slightly increase compared to H1

Appendices

Notes

¹ In H1 2018, the adjusted economic results exclude non-recurring costs for Euro 3.5 million, mainly related to the CEO succession plan and reorganization costs in North America; include an income of Euro 19.5 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 39 million for the full year 2018.

In Q2 2018, the adjusted EBITDA excludes non-recurring costs for Euro 1.8 million and includes an income of Euro 9.8 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license.

In H1 2017, the adjusted economic results excluded non-recurring costs of Euro 3.7 million, mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives (Euro 3.0 on the Net result), and included income of Euro 21.5 million as a 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.

In Q2 2017, the adjusted EBITDA excluded non-recurring costs of Euro 0.4 million related to overhead cost saving initiatives and included income of Euro 10.8 million as a pro-rata portion of the accounting compensation for the early termination of the Gucci license.

² Emerging markets comprise the regions of India, Middle East & Africa and Latin America (reported within Rest of the World), Central Eastern Europe (reported within Europe), Greater China and APAC (reported within Asia Pacific).

³ The June 2018 LTM financial leverage, calculated taking into account also the reported H2 2017 EBITDA adjusted for the non-recurring costs incurred in the year and for the extraordinary items ascribed to the implementation of the new Order-to-Cash IT system in the Padua DC, stood at 3.4x. As a consequence of this result, Safilo has exceeded the level of leverage set in the covenant of its Revolving Credit Facility, expiring at the end of November 2018. This now triggers a remediation period, with a new test at end of September, to be concluded within November, while the Company is progressing with the relevant refinancing considerations.

⁴ The new accounting standard IFRS 15 regarding “Revenue from contracts with customers” entered into effect starting from 1 January 2018. Following the fully retrospective approach chosen by the Group, the application of the principle to the first semester and second quarter of 2018, had an adjustment effect on the sales and cost of goods sold of the same periods of 2017 equal respectively to Euro 5.4 million and Euro 2.7 million, with a neutral effect on the gross profit. Consequently, Q2 and H1 2017 total net sales were adjusted to Euro 312.6 and Euro 547.2 million respectively. The application of the principle to FY 2017 total net sales had an adjustment effect on the sales and cost of goods sold equal to Euro 11.6 million with a neutral effect on the gross profit.

H1 Economic results

in millions of Euro and % on net sales

	H1 2018	%	H1 2017 ⁴	%	% Change
Net sales	492.2	100.0	547.2	100.0	-10.0%
Cost of sales	(238.1)	(48.4)	(260.0)	(47.5)	-8.4%
Gross profit	254.1	51.6	287.2	52.5	-11.5%
Selling and marketing expenses	(202.3)	(41.1)	(216.6)	(39.6)	-6.6%
General and administrative expenses	(69.1)	(14.0)	(85.3)	(15.6)	-19.0%
Other operating income (expenses)	16.9	3.4	18.0	3.3	-5.8%
Operating profit/(loss)	(0.4)	(0.1)	3.3	0.6	n.s.
Financial charges, net	(9.7)	(2.0)	(7.3)	(1.3)	32.3%
Profit/(Loss) before taxation	(10.0)	(2.0)	(4.0)	(0.7)	n.s.
Income taxes	(3.9)	(0.8)	(5.6)	(1.0)	-30.1%
Net profit/(loss) attributable to the Group	(13.9)	(2.8)	(9.6)	(1.8)	45.1%
EBITDA	21.7	4.4	24.1	4.4	-10.2%
Adjusted¹ EBIT	3.1	0.6	7.0	1.3	-54.9%
Adjusted¹ EBITDA	25.1	5.1	27.8	5.1	-9.5%
Adjusted¹ net profit/(loss) attributable to the Group	(10.4)	(2.1)	(6.6)	(1.2)	56.8%

Q2 Economic results

in millions of Euro and % on net sales

	Q2 2018	%	Q2 2017⁴	%	% Change
Net sales	241.3	100.0	312.6	100.0	-22.8%
Gross profit	126.6	52.5	170.4	54.5	-25.7%
EBITDA	10.3	4.3	33.7	10.8	-69.4%
Adjusted¹ EBITDA	12.1	5.0	34.0	10.9	-64.5%

Net sales by geographical area and distribution channel

in millions of Euro

	H1 2018	%	H1 2017 ⁴	%	Change %	Change % (*)
Europe	239.9	48.7	261.8	47.8	-8.3%	-7.2%
North America	183.8	37.3	221.8	40.5	-17.2%	-7.7%
Asia Pacific	32.5	6.6	28.9	5.3	12.3%	21.9%
Rest of the world	36.0	7.3	34.7	6.3	3.8%	16.7%
Total	492.2	100.0	547.2	100.0	-10.0%	-4.3%

Wholesale	465.7	94.6	513.7	93.9	-9.3%	-3.8%
Retail	26.5	5.4	33.5	6.1	-21.1%	-11.8%
Total	492.2	100.0	547.2	100.0	-10.0%	-4.3%

	Q2 2018	%	Q2 2017 ⁴	%	Change %	Change % (*)
Europe	116.4	48.2	163.3	52.2	-28.7%	-27.7%
North America	89.0	36.9	107.4	34.3	-17.1%	-10.9%
Asia Pacific	18.2	7.5	17.9	5.7	1.8%	8.0%
Rest of the world	17.7	7.4	24.1	7.7	-26.3%	-17.9%
Total	241.3	100.0	312.6	100.0	-22.8%	-19.1%

Wholesale	226.6	93.9	292.5	93.6	-22.5%	-19.0%
Retail	14.7	6.1	20.1	6.4	-27.0%	-20.6%
Total	241.3	100.0	312.6	100.0	-22.8%	-19.1%

(*) Sales performance at constant exchange rates

Balance Sheet

in millions of Euro

	June 30, 2018	December 31, 2017	Change
Net working capital	251.7	231.6	20.2
Tangible and intangible fixed assets	469.9	473.3	(3.4)
Financial fixed assets	-	-	-
Non-current assets held for sale	-	1.3	(1.3)
Other assets / (liabilities), net	(20.8)	(41.3)	20.5
Net invested capital	700.9	664.9	36.0
Net financial position	(171.1)	(131.6)	(39.5)
Group Shareholders' equity	(529.8)	(533.2)	3.4
Non-controlling interests	-	-	-

Net Working Capital

in millions of Euro

	June 30, 2018	June 30, 2017	Change
Trade receivables	185.8	235.9	(50.1)
Inventories	245.2	271.1	(25.8)
Trade payables	(179.3)	(223.5)	44.2
Net working capital	251.7	283.5	(31.7)
<i>% on net sales LTM</i>	<i>25.7%</i>	<i>24.7%</i>	

Free Cash Flow

in millions of Euro

	H1 2018	H1 2017
Cash flow from operating activities before changes in WC	13.4	(5.6)
Changes in working capital	(37.7)	(30.8)
Cash flow operating activities	(24.3)	(36.4)
Cash flow investing activities	(13.0)	(20.8)
Free cash flow	(37.3)	(57.2)

Exchange Rates

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		June 30, 2018	December 31, 2017	%	June 30, 2018	June 30, 2017	%
US Dollar	USD	1.1658	1.1993	-2.8%	1.2104	1.0830	11.8%
Hong-Kong Dollar	HKD	9.1468	9.3720	-2.4%	9.4863	8.4199	12.7%
Swiss Franc	CHF	1.1569	1.1702	-1.1%	1.1698	1.0766	8.6%
Canadian Dollar	CAD	1.5442	1.5039	2.7%	1.5458	1.4453	7.0%
Japanese Yen	YEN	129.0400	135.0100	-4.4%	131.6057	121.7804	8.1%
British Pound	GBP	0.8861	0.8872	-0.1%	0.8798	0.8606	2.2%
Swedish Krown	SEK	10.4530	9.8438	6.2%	10.1508	9.5968	5.8%
Australian Dollar	AUD	1.5787	1.5346	2.9%	1.5688	1.4364	9.2%
South-African Rand	ZAR	16.0484	14.8054	8.4%	14.8913	14.3063	4.1%
Russian Ruble	RUB	73.1582	69.3920	5.4%	71.9601	62.8057	14.6%
Brasilian Real	BRL	4.4876	3.9729	13.0%	4.1415	3.4431	20.3%
Indian Rupee	INR	79.8130	76.6055	4.2%	79.4903	71.1760	11.7%
Singapore Dollar	SGD	1.5896	1.6024	-0.8%	1.6054	1.5208	5.6%
Malaysian Ringgit	MYR	4.7080	4.8536	-3.0%	4.7670	4.7511	0.3%
Chinese Renminbi	CNY	7.7170	7.8044	-1.1%	7.7086	7.4448	3.5%
Korean Won	KRW	1,296.7200	1,279.6100	1.3%	1,302.3752	1,236.3302	5.3%
Mexican Peso	MXN	22.8817	23.6612	-3.3%	23.0850	21.0441	9.7%
Turkish Lira	TRY	5.3385	4.5464	17.4%	4.95655	3.9391	25.8%
Dirham United Emirates	AED	4.2814	4.4044	-2.8%	4.44502	3.97578	11.8%

Brand Portfolio

SAFILO
MADE IN ITALY DAL 1934

Dior

ELIE SAAB

BOSS
HUGO BOSS

havaianas

CARRERA
EYEWEAR SINCE 1954

GIVENCHY
PARIS

♠
kate spade
NEW YORK

MARC JACOBS

BANANA REPUBLIC

rag & bone
NEW YORK

TOMMY HILFIGER

MOSCHINO

Juicy Couture
BLACK LABEL
los angeles

 Polaroid

FENDI

FOSSIL

LOVE
MOSCHINO

REBECCA MINKOFF

LIZ claiborne

OXYDO

MaxMara

swatch[®]
the^{oo}eyes

BOBBI BROWN

MAX&Co.



SMITH

JIMMY CHOO

BOSS
HUGO BOSS

pierre cardin
PARIS

JACK SPADE