



**Safilo Group**

*A strong partnership for the future*

**Q2 and H1 2011 Results**

August 2, 2011

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## 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.

## Positive momentum at all levels

### What we achieved:

- **Double-digit organic sales growth**
- **Outpacing improvement of the Group's profitability**
- **Record financial leverage (1.95x)**

### Market trends

- Resilient performance of the US market
- Stronger expansion path of fast-growing countries
- Improved business trends in Europe

### Business drivers

- Volumes growth and positive price-mix
- Good performance of the main product categories
- Positive momentum on top licensed brands and Carrera's international expansion

### Profitability

- Improving gross margin
- More efficient and leaner operating cost structure
- Lower financial charges and tax rate

### Cash Flow

- Positive net result
- Tight management of working capital
- Stable investing activities

## Economic data

in millions of Euro and % of net sales

### Highlights

#### Net Sales

+10.5% LFL\*

- Strong impact from USD devaluation

- Different retail perimeter

#### Gross margin

+ 110 bps

#### EBITDA margin

+290 bps

#### Group net margin

+600 bps

	Q2 2011	Q2 2010	% Change	
<b>Net sales</b>	<b>302.6</b> 100.0%	<b>294.3</b> 100.0%	<b>+2.8%</b>	<b>+10.5% *</b>
<b>Gross profit</b>	<b>181.3</b> 59.9%	<b>172.9</b> 58.8%	<b>+4.8%</b>	
<b>EBITDA</b>	<b>39.5</b> 13.1%	<b>30.2</b> 10.2%	<b>+30.9%</b>	
<b>Operating result</b>	<b>30.5</b> 10.1%	<b>20.6</b> 7.0%	<b>+48.3%</b>	
<b>Group net result</b>	<b>12.9</b> 4.3%	<b>(5.0)</b> -1.7%	<b>n.m.</b>	

\* at constant currency and perimeter (sales of the disposed retail chain in Mexico accounted for Euro 5.2 m in Q2 2010.)

# Net sales performance

in millions of Euro and % change

## Highlights

### Net Sales

302.6 m,  
+2.8%, +10.5% LFL\*

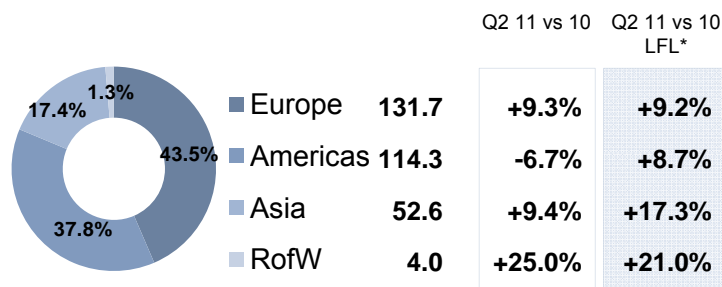
### WHOLESALE

282.3 m,  
+5.0%, +10.3% cn

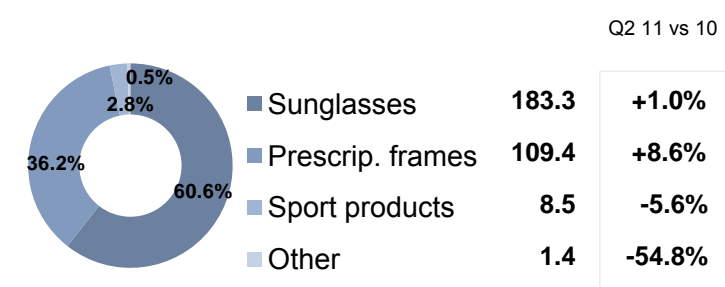
### RETAIL

20.3 m,  
-20.1%, +12.1% LFL\*

## by region



## by product



- **Resilient performance in US** driven by a more significant increase of prescription frame sales in the independent opticians channel and positive trends of sunglasses collections in department stores and Solstice's retail chain (+6.6% comps sales).  
**Strong growth in LATAM countries** (Brasil and Mexico) also thanks to new commercial and business organisation;
- **Better trading conditions in Europe** with constant improvement of continental countries and a more meaningful progress of South European markets, like Italy and Spain. **Growing market share in Russia**, benefitting of the recent opening of a direct subsidiary;
- **Further acceleration in all main Asian markets** thanks to strong appeal of licensed brand portfolio and increasing visibility and sales of the house brand Carrera and other branded diffusion lines.

\* at constant currency and perimeter (sales of the disposed retail chain in Mexico accounted for Euro 5.2 m in Q2 2010)

## EBITDA

in millions of Euro and % of sales

### Highlights

#### EBITDA

13.1% of sales, +290 bps

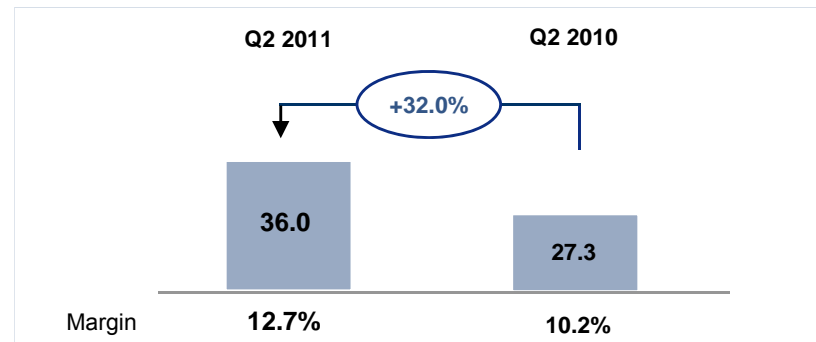
#### WHOLESALE margin

+250 bps

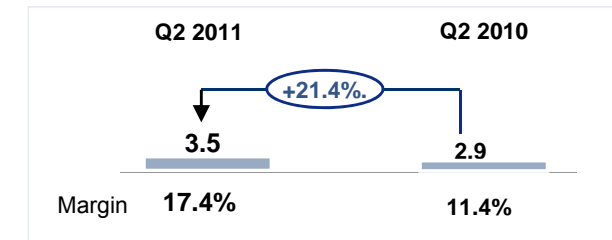
#### RETAIL margin

+600 bps

### Wholesale



### Retail



- **Improved gross margin** driven by volumes, sales mix and better quality of products in stock;
- **Better leverage of sales and marketing expenses** and tight control on general and administrative costs;
- Strong improvement of the **retail business profitability**, reflecting a leaner organisation and Solstice's positive sales momentum.



## Group Net result

in millions of Euro and % of net sales

### Highlights

#### Group Net result + 17.9 m vs 2010

- Operating performance
- Lower cash interest costs
- Positive FX differences
- Better tax rate

	Q2 2011	Q2 2010	% Ch.
<b>Net financial charges</b>	<b>(8.1)</b> -2.7%	<b>(16.7)</b> -5.7%	<b>-51.4%</b>
of which:			
Senior Loan & others	(1.5) -0.5%	(1.6) -0.5%	-7.9%
HYB	(5.3)* -1.8%	(5.0) -1.7%	+6.8%
Net exchange rate differences	0.8 0.3%	(7.5) -2.6%	n.m.
<b>Income taxes</b>	<b>(8.4)</b> -2.8%	<b>(8.3)</b> -2.8%	<b>+1.4%</b>
— Tax rate at 37.5% (not meaningful in Q2 2010)			
<b>Group net result</b>	<b>12.9</b> 4.3%	<b>(5.0)</b> -1.7%	<b>n.m.</b>

\* it includes Euro 0.8 m accelerated amortized costs related to the partial early redemption of Euro 60 m HYB accomplished in June 2011.

## Free Cash Flow

*in millions of Euro*

### Highlights

- Positive net result;
- Tight control of Working Capital, thanks to improved inventory management
- Incidence of net working capital on the last 12-month rolling sales declining to 26.6% from 30.0% in June 2010
- Stable investments in maintenance capex and technological upgrades in Q2 2011

	Q2 2011	Q2 2010	H1 2011	H1 2010
Net result and other charges	14.0	(2.8)	50.8	20.1
Change in working capital	20.9	56.1	(11.6)	(42.4)
<b>Cash flow from operating activities</b>	<b>34.9</b>	<b>53.3</b>	<b>39.2</b>	<b>62.5</b>
<b>Cash flow for investing activities</b>	<b>(5.5)</b>	<b>(4.5)</b>	<b>(16.6)</b>	<b>(10.6)</b>
<b>Free Cash Flow</b>	<b>29.4</b>	<b>48.8</b>	<b>22.6</b>	<b>51.9</b>



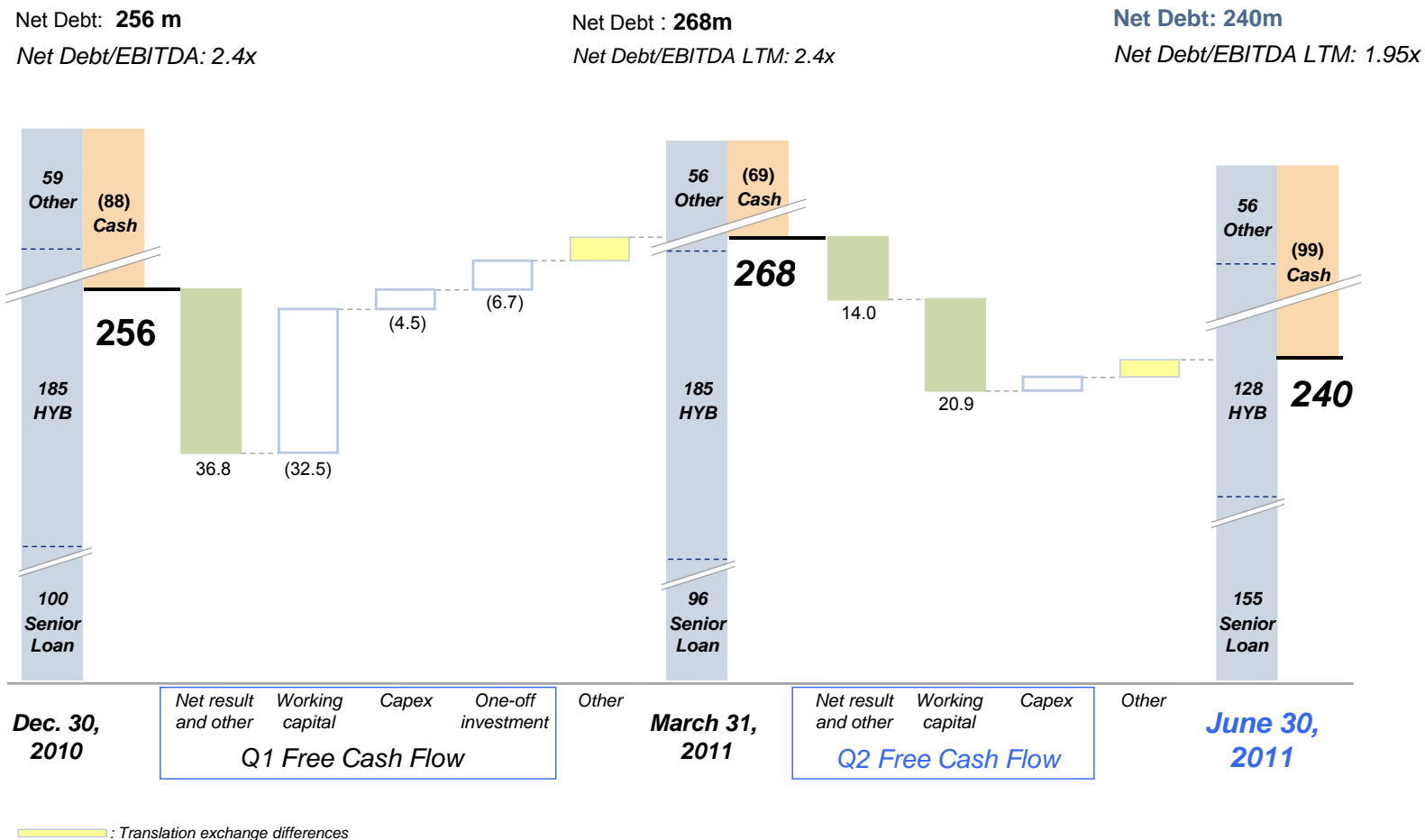
# Net Debt trend

in millions of Euro

## Highlights

- Committed Revolving credit facility (Euro 200 m) drawn for Euro 60m at the end of June 2011 for the partial early redemption of the HYB;
- HYB representing ca 38% of the Group gross debt;
- No major M/L Term repayments scheduled in 2011.

## Net Debt/EBITDA LTM: 1.95x at June 30, 2011



## *New tablet applications dedicated to the sales force*



### **Faster and more immediate management of business processes:**

- Improving product and service presentation
- Favouring interaction between the company and the marketplace
- Reducing the use of paper sales materials
- Reducing production and carrying of product samples

# *Appendices*

# Q2 and H1 2011 Results

## Financial statements

in millions of Euro and % on net sales

	Q2 2011	Q2 2010	% Ch.	H1 2011	H1 2010	% Ch.
<b>Net sales</b>	<b>302.6</b> 100.0%	<b>294.3</b> 100.0%	<b>+2.8%</b>	<b>603.3</b> 100.0%	<b>580.3</b> 100.0%	<b>+4.0%</b>
Cost of goods sold	(121.3) -40.1%	(121.4) -41.2%	-0.1%	(239.0) -39.6%	(233.8) -40.3%	+2.2%
<b>Gross profit</b>	<b>181.3</b> 59.9%	<b>172.9</b> 58.8%	<b>+4.8%</b>	<b>364.3</b> 60.4%	<b>346.5</b> 59.7%	<b>+5.1%</b>
Selling & marketing	(116.4) -38.5%	(118.0) -40.1%	-1.4%	(235.7) -39.1%	(234.7) -40.4%	+0.4%
General & administrative	(34.3) -11.3%	(34.2) -11.6%	+0.2%	(66.6) -11.0%	(67.3) -11.6%	-1.0%
Other income (expenses)	(0.1) 0.0%	(0.2) -0.1%	-22.2%	(0.1) 0.0%	0.2 0.0%	n.m.
<b>Operating result</b>	<b>30.5</b> 10.1%	<b>20.6</b> 7.0%	<b>+48.3%</b>	<b>61.9</b> 10.3%	<b>44.7</b> 7.7%	<b>+38.5%</b>
Net financial charges	(8.1) -2.7%	(16.6) -5.6%	-51.1%	(11.6) -1.9%	(29.0) -5.0%	-60.1%
<b>Profit before taxation</b>	<b>22.3</b> 7.4%	<b>3.9</b> 1.3%	<b>n.m.</b>	<b>50.3</b> 8.3%	<b>15.7</b> 2.7%	<b>n.m.</b>
Income taxes	(8.4) -2.8%	(8.3) -2.8%	+1.4%	(16.9) -2.8%	(17.0) -3.0%	-0.7%
Net result to minorities	1.0 0.3%	0.6 0.2%	63.0%	2.1 0.4%	2.0 0.3%	+7.9%
<b>Group net result</b>	<b>12.9</b> 4.3%	<b>(5.0)</b> -1.7%	<b>n.m.</b>	<b>31.3</b> 5.2%	<b>(3.3)</b> -0.6%	<b>n.m.</b>
<b>EBITDA</b>	<b>39.5</b> 13.1%	<b>30.2</b> 10.2%	<b>+30.9%</b>	<b>80.2</b> 13.3%	<b>64.8</b> 11.2%	<b>+23.8%</b>

## Q2 and H1 2011 Results

# Sales breakdown

in millions of Euro and % on net sales

	Q2 2011	Q2 2010	% Ch.	% Ch.*	H1 2011	H1 2010	% Ch.	% Ch.*
<b>Total sales</b>	<b>302.6</b>	<b>294.3</b>	<b>+2.8%</b>	<b>+10.5%</b>	<b>603.3</b>	<b>580.3</b>	<b>+4.0%</b>	<b>+7.8%</b>
<i>by channel</i>								
• Wholesale	282.3 93.3%	268.9 91.4%	+5.0%	+10.3%	566.8 93.9%	536.4 92.4%	+5.7%	+7.4%
• Retail	20.3 6.7%	25.4 8.6%	-20.1%	+12.1%	36.5 6.1%	43.9 7.6%	-16.9%	+14.9%
<i>by region</i>								
• Europe	131.7 43.5%	120.5 40.9%	+9.3%	+9.2%	261.8 43.4%	248.7 42.9%	+5.3%	+4.7%
• Americas	114.3 37.8%	122.5 41.6%	-6.7%	+8.7%	233.0 38.6%	234.3 40.4%	-0.6%	+8.9%
• Asia	52.6 17.4%	48.1 16.3%	+9.4%	+17.3%	99.9 16.6%	89.1 15.4%	+12.1%	+14.6%
• Rest of the world	4.0 1.3%	3.2 1.1%	+25.0%	+21.0%	8.6 1.4%	8.2 1.4%	+4.9%	-0.6%
<i>by product</i>								
• Sunglasses	183.3 60.6%	181.5 61.7%	+1.0%		352.0 58.3%	339.8 58.6%	+3.6%	
• Pres. frames	109.4 36.2%	100.7 34.2%	+8.6%		222.6 36.9%	213.3 36.8%	+4.4%	
• Sport products	8.5 2.8%	9.0 3.1%	-5.6%		23.7 3.9%	21.2 3.7%	+11.8%	
• Other	1.4 0.5%	3.1 1.1%	-54.8%		5.0 0.8%	6.0 1.0%	-16.7%	

\* at constant currency and perimeter (sales of the disposed retail chain in Mexico accounted for Euro 5.2 m in Q2 2010 and 10.3 m in H1 2010)

## EBITDA

in millions of Euro and % of sales

### Highlights

#### EBITDA

13.3% of sales,  
+23.8% vs H1 2010

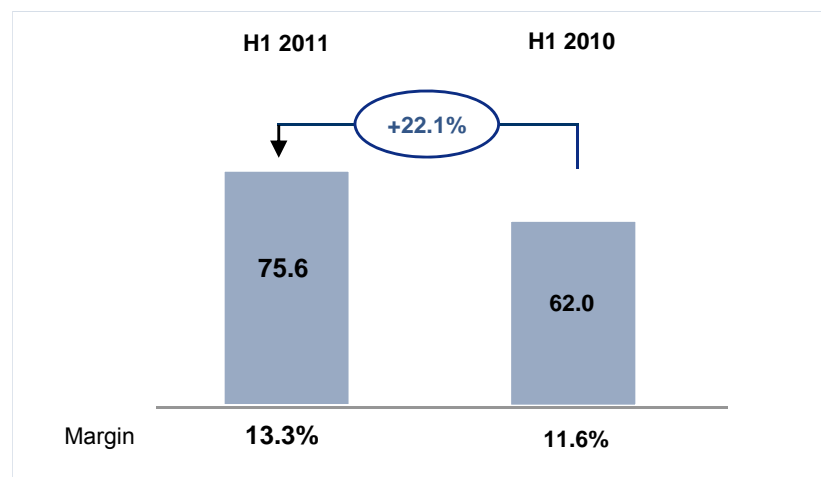
#### WHOLESALE margin \*

+170 bps

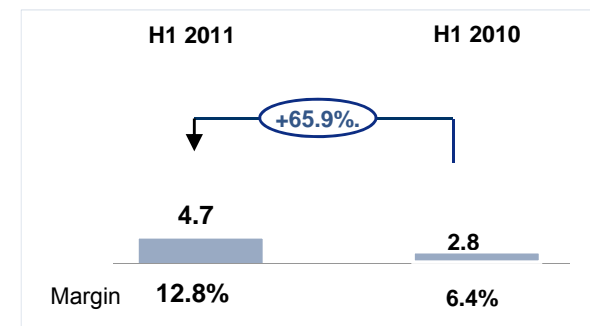
#### RETAIL margin \*

+640 bps

### Wholesale



### Retail



\* Margins are adjusted for a one-off gain on the revaluation of an asset for Euro 2.9 million (wholesale) and one-off restructuring costs of Euro 3.0 million (retail)



# H1 2011 Results

## Balance Sheet

in millions of Euro

	June 30, 2011	Dec 31, 2010	Net Ch.
Net working capital	293.4	287.5	+5.9
Tang.-intang. fixed assets	740.2	767.4	-27.2
Financial fixed assets	11.3	13.2	-1.9
Other assets/(liabilities)	(49.1)	(44.9)	-4.2
<b>Net capital employed</b>	<b>995.8</b>	<b>1,023.2</b>	<b>-27.4</b>
Net financial position	240.3	256.2	-15.9
Minority interest	12.1	11.0	+1.1
Shareholders' equity	743.4	756.0	-12.6

# Net Working Capital

in millions of Euro

	June 30, 2011	June 30, 2010	Net Ch.	% Ch.	Dec 31, 2010	Net Ch.	% Ch.
Trade receivables	<b>289.2</b>	310.4	-21.2	-6.8%	271.3	+17.9	+6.6%
Inventories	<b>192.1</b>	195.7	-3.6	-1.8%	220.4	-28.3	-12.8%
Trade payables	<b>(187.9)</b>	(196.9)	+9.0	-4.6%	(204.2)	+16.3	-8.0%
<b>Net working capital</b>	<b>293.4</b>	<b>309.2</b>	<b>-15.8</b>	<b>-5.1%</b>	<b>287.5</b>	<b>+5.9</b>	<b>+2.1%</b>
<i>% net sales LTM</i>	26.6%	30.0%			26.6%		

House brands



Licensed brands








\* Expiring in December 2011. Not renewed.


FOR THE AMERICAN MARKET



## Licensed brands

Brand	Expiry Date										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
 ALEXANDRE MQUEEN											
 AX											
BALENCIAGA											
BANANA REPUBLIC											
<b>BOSS</b>											
BOTTEGA VENETA											
<b>Dior</b>											
EMPORIO  ARMANI											
 FOSSIL											
<b>GIORGIO ARMANI</b>											
GUCCI											
<b>HUGO</b> HUGO BOSS											
JIMMY CHOO											
											

# Licensed brands

Brand	Expiry Date											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
	█											
kate spade NEW YORK	█											
liz clarborne	█											
M A R C J A C O B S	█											
M A R C B Y M A R C J A C O B S	█											
MaxMara ORIGINAL	█											
MAX&Co.	█											
NINE WEST	█											
pierre cardin PARIS	█											
SAKS FIFTH AVENUE	█											
TOMMY HILFIGER	█											
VALENTINO	█											*
YVES SAINT LAURENT	█											

\* Not renewed