



## Q3 AND 9M 2017 TRADING UPDATE

- In Q3 operations and delivery performance in the Padua DC confirmed return to normal
- Q3 Constant FX Net Sales of the Going Forward Brand Portfolio up 1.3% driven positively by Own Core Brands and Emerging Markets
- Q3 Adjusted<sup>1</sup> EBITDA of Euro 15.4 million, 6.3% of net sales compared to 5.0% in H1 2017 and 6.6% in Q3 2016

**Padua, November 8, 2017** – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved Q3 and 9M 2017 results.

In the third quarter of 2017, Safilo's total net sales equaled Euro 245.1 million compared to Euro 288.0 million in the third quarter of 2016, down 14.9% at current exchange rates and 12.3% at constant exchange rates.

In the quarter, the net sales of the Going Forward Brand Portfolio increased by 1.3% at constant exchange rates (+1.6% excl. retail), driven in particular by the positive growth trends experienced by the Group's Own Core Brands and good sales momentum in Emerging Markets.

In the first nine months of 2017, total net sales equaled Euro 797.7 million compared to Euro 939.1 million in the first nine months of 2016, down 15.1% at current exchange rates and 15.0% at constant exchange rates.

In the period, the net sales performance of the Going Forward Brand Portfolio was negative by 4.0% at constant exchange rates (-3.5% excl. retail), due to the difficult start to the year following the implementation of the new Order-to-Cash IT system in the Padua DC.

As previously announced, the Group's sales and economic results reflect the exit of the Gucci license at the end of 2016 and its replacement with the Strategic Product Partnership Agreement with Kering for the product development, manufacturing and supply of Gucci eyewear.

### Economic and financial highlights

(Euro in millions)	9M 2017	9M 2016	% Change	Q3 2017	Q3 2016	% Change
<b>Net sales</b>	<b>797.7</b>	939.1	<b>-15.1%</b>	<b>245.1</b>	288.0	<b>-14.9%</b>
			<b>-15.0% (*)</b>			<b>-12.3% (*)</b>
			<b>-4.0% (**)</b>			<b>+1.3% (**)</b>
<b>Gross profit</b>	<b>407.6</b>	564.0	<b>-27.7%</b>	<b>120.4</b>	169.4	<b>-28.9%</b>
<b>%</b>	<b>51.1%</b>	60.1%		<b>49.1%</b>	58.8%	
<b>EBITDA</b>	<b>38.8</b>	71.0	<b>-45.3%</b>	<b>14.7</b>	18.8	<b>-21.9%</b>
<b>%</b>	<b>4.9%</b>	7.6%		<b>6.0%</b>	6.5%	
<b>Adjusted<sup>1</sup> EBITDA</b>	<b>43.2</b>	77.4	<b>-44.2%</b>	<b>15.4</b>	19.1	<b>-19.6%</b>
<b>%</b>	<b>5.4%</b>	8.2%		<b>6.3%</b>	6.6%	
<b>Group net debt</b>	<b>135.9</b>	111.5	<b>+21.8%</b>			

(\*) Sales performance at constant exchange

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

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Q3 2017 **Gross Profit** equaled Euro 120.4 million, down 28.9% compared to Euro 169.4 million in the third quarter of 2016. Gross margin declined to 49.1% of net sales compared to 58.8% in the third quarter of 2016.

9M 2017, Gross Profit was Euro 407.6 million, down 27.7% compared to Euro 564.0 million in the same period of 2016. Gross margin declined to 51.1% of net sales compared to 60.1% in the first nine months of 2016.

Q3 2017 **adjusted<sup>1</sup> EBITDA** was equal to Euro 15.4 million, down 19.6% compared to the adjusted<sup>1</sup> EBITDA of Euro 19.1 million in the third quarter of 2016. Q3 2017 adjusted<sup>1</sup> EBITDA margin stood at 6.3% of net sales compared to 6.6% in the same quarter of 2016.

9M 2017 **adjusted<sup>1</sup> EBITDA** was equal to Euro 43.2 million, down 44.2% compared to the adjusted<sup>1</sup> EBITDA of Euro 77.4 million in the first nine months of 2016. 9M 2017 adjusted<sup>1</sup> EBITDA margin equaled 5.4% of net sales compared to 8.2% in the same period of 2016.

At the end of September 2017, Safilo's **Net Debt** increased to Euro 135.9 million compared to Euro 111.5 million at the end of September 2016, and Euro 112.7 million at the end of June 2017.

## Markets

Net sales by geographical area							
(Euro million)	9M 2017	%	9M 2016	%	Change %	Change % (*)	Change % (**)
<b>Europe</b>	367.7	46.1	399.1	42.5	-7.9%	-7.3%	<b>-6.1%</b>
<b>North America</b>	325.3	40.8	386.3	41.1	-15.8%	-16.0%	<b>-2.8%</b>
of which Wholesale	275.4	34.5	328.6	35.0	-16.2%	-16.4%	<b>-1.4%</b>
<b>Asia Pacific</b>	45.6	5.7	90.1	9.6	-49.4%	-48.7%	<b>-8.7%</b>
<b>Rest of the world</b>	59.1	7.4	63.5	6.8	-7.0%	-10.0%	<b>6.6%</b>
<b>Total</b>	<b>797.7</b>	<b>100</b>	<b>939.1</b>	<b>100</b>	<b>-15.1%</b>	<b>-15.0%</b>	<b>-4.0%</b>

Net sales by geographical area							
(Euro million)	Q3 2017	%	Q3 2016	%	Change %	Change % (*)	Change % (**)
<b>Europe</b>	100.5	41.0	107.6	37.4	-6.6%	-5.9%	<b>-4.2%</b>
<b>North America</b>	103.5	42.2	126.5	43.9	-18.2%	-13.7%	<b>-0.1%</b>
of which Wholesale	87.1	35.5	107.4	37.3	-18.9%	-14.5%	<b>0.4%</b>
<b>Asia Pacific</b>	16.7	6.8	31.3	10.9	-46.7%	-43.7%	<b>9.3%</b>
<b>Rest of the world</b>	24.4	10.0	22.6	7.8	8.4%	8.0%	<b>28.2%</b>
<b>Total</b>	<b>245.1</b>	<b>100</b>	<b>288.0</b>	<b>100</b>	<b>-14.9%</b>	<b>-12.3%</b>	<b>1.3%</b>

(\*) Sales performance at constant exchange rates

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

## Europe

Q3 2017 net sales in Europe equaled Euro 100.5 million compared to Euro 107.6 million in the third quarter of 2016, down 6.6% at current exchange rates and 5.9% at constant exchange rates.

In the quarter, the sales of the Going Forward Brand Portfolio, down 4.2% at constant exchange rates, on one hand was particularly positive in Central & Eastern Europe and on the Own Core Brands and most of the licensed brands,

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while the relative performance of the Dior brand remained influenced by the challenging comparison base with the same quarter of the previous year.

9M 2017 net sales in Europe equaled Euro 367.7 million compared to Euro 399.1 million in the first nine months of 2016, down 7.9% at current exchange rates and 7.3% at constant exchange rates.

In the period, the sales of the Going Forward Brand Portfolio declined in Europe by 6.1% at constant exchange rates, heavily driven by order intake not yet materializing between the second and third quarter at the usual speed following the difficult implementation of the new Order-To-Cash IT system in the Padua DC and the resulting late deliveries of spring/summer collections in June.

### North America

Q3 2017 net sales in North America were Euro 103.5 million compared to Euro 126.5 million in the third quarter of 2016, down 18.2% at current exchange rates and 13.7% at constant exchange rates.

Despite a difficult business environment in department stores and the impact of severe weather conditions that hit several southern states in September, in the quarter, the wholesale revenues of the Going Forward Brand Portfolio slightly increased compared to the same period of last year (+0.4% at constant exchange rates), driven by the improved performance of the business in the independent retail optical channel.

9M 2017 net sales in North America totaled Euro 325.3 million compared to Euro 386.3 million in the first nine months of 2016, down 15.8% at current exchange rates and 16.0% at constant exchange rates.

In the first nine months, the wholesale revenues of the Going Forward Brand Portfolio decreased by 1.4% at constant exchange rates, reflecting in particular the weakness of the market environment in department stores.

Sales of the 103 Solstice stores in the United States (116 stores at the end of September 2016) equaled Euro 16.4 million in Q3 and Euro 49.9 million in 9M 2017, declining respectively 9.3% and 13.7% at constant exchange rates compared to the same periods of 2016. Same store sales performance was negative by 4.4% in Q3 and by 8.8% in 9M 2017.

### Asia Pacific

Q3 2017 net sales in Asia equaled Euro 16.7 million compared to Euro 31.3 million in the third quarter of 2016, down 46.7% at current exchange rates and 43.7% at constant exchange rates.

In the quarter, the sales performance of the Going Forward Brand Portfolio in the region turned positive, up 9.3% at constant exchange rates, driven by the positive trends recorded in almost all the markets of the area led by China, both through the development of the own core brands and the growth of the portfolio of licensed brands.

9M 2017 net sales in Asia were Euro 45.6 million compared to Euro 90.1 million in the first nine months of 2016, down 49.4% at current exchange rates and 48.7% at constant exchange rates.

In the period, the sales performance of the Going Forward Brand Portfolio was negative by 8.7% at constant exchange rates.

### Rest of the World

Q3 2017 net sales in the Rest of the World were Euro 24.4 million compared to Euro 22.6 million in the third quarter of 2016, up 8.4% at current exchange rates and 8.0% at constant exchange rates.

In the quarter, the sales of the Going Forward Brand Portfolio increased by 28.2% at constant exchange rates, thanks to the strong development of the entire brand portfolio led by Own Core Brands.

9M 2017 net sales in the Rest of the World were Euro 59.1 million compared to Euro 63.5 million in the first nine months of 2016, down 7.0% at current exchange rates and 10.0% at constant exchange rates.

In the period, the sales of the Going Forward Brand Portfolio increased by 6.6% at constant exchange rates.

### Notes:

<sup>1</sup> 9M 2017 adjusted EBITDA excludes non-recurring costs of Euro 4.4 million, mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives. 9M 2017 adjusted EBITDA includes income of Euro 32.3 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.

Q3 2017 adjusted EBITDA excludes non-recurring costs of Euro 0.7 million related to overhead cost saving initiatives and includes income of Euro 10.8 million as a pro-rata portion of the accounting compensation for the early termination of the Gucci license.

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9M 2016 adjusted EBITDA excluded non-recurring costs for Euro 6.4 million of which Euro 5.2 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.

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*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:

- The 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 6.30 pm CET (5.30 pm GMT; 12.30 pm EDT) a conference call will be held with the financial community during which Q3 and 9M 2017 Trading Update will be discussed.

It is possible to follow the conference call by calling +39 02 38591420, +44 203 4271912 o +1 646 2543362 (for journalists +39 02 36009866) and entering the access code 1335400.

A recording of the conference call will be available until November 11, 2017 on +39 02 38591061, +44 207 6600134 or +1 719 4570820 (access code: 1335400).

The conference call can be followed also via webcast, at the Company's website <http://investors-en.safilogroup.com>, where also the presentation will be made available.

**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 40 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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