



Q3 AND FIRST 9 MONTHS OF 2019 TRADING UPDATE

Q3 2019 continues the Group's positive momentum in sales and cost reduction

Highlights in the first 9 months of 2019:

- Net sales of the continuing operations reached Euro 708.7 million, up 5.2% (+2.7% at constant exchange rates), with the wholesale revenues¹ up 6.4% (+3.7% at constant exchange rates);
- Adjusted² EBITDA (pre-IFRS 16) of the continuing operations stood at Euro 43.9 million, with a margin on sales of 6.2%. This result is in line with that recorded in the first 9 months of 2018 which however included the income of Euro 29.3 million for the early termination of the Gucci license.

Padua, November 12 2019 – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved Q3 and first 9 months 2019 economic and financial key performance indicators.

Angelo Trocchia, Safilo Chief Executive Officer, commented:

“In the third quarter of the year, we continued the improvement of our results, working with determination on those priorities aimed at enhancing our Group's assets, in particular strengthening our commercial capabilities and enhancing our digital agenda, two areas in which our strategy is focused on the customer and on a continuous and ever closer connection with the final consumer. Meanwhile, we progressed also with actions to improve the efficiency of our production processes and overhead cost structures.

The quarter brought significant results, we renewed two strategic partnerships relating to the Boss and Hugo licenses and the supply agreement with Kering Eyewear, and we prepared for the launch of our new licenses David Beckham, Levi's and Missoni.

While we move into a complex business and industry context in which we plan for the medium and long term to build top and bottom line, the quarter is indeed a further confirmation of the quality of the work we undertook, both in terms of top line, with our core wholesale¹ business improving by 2.8% at constant exchange rates, as well on the economic front, achieving an adjusted² EBITDA of Euro 9.7 million.

We look at the current year as a transition year for building the foundation to face the challenges and opportunities that lie ahead.”

Safilo closed the first 9 months of 2019 with the net sales of the Continuing Operations at Euro 708.7 million, up 5.2% at current exchange rates and 2.7% at constant exchange rates. The performance was positively influenced by a 3.2% growth of the European market, and by the recovery of the main emerging markets, particularly significant in Asia Pacific which ended up 22.5%. Turnover was down 2.0% at constant exchange rates in North America.

The wholesale¹ business increased by 6.4% at current exchange rates and by 3.7% at constant exchange rates, with Europe up 5.6%.

NET SALES OF THE CONTINUING OPERATIONS BY GEOGRAPHIC AREA

(Euro in millions)	9M 2019	%	9M 2018	%	% Change at current forex	% Change at constant forex
Europa	341.8	48.2%	331.6	49.2%	3.1%	3.2%
North America	249.4	35.2%	240.5	35.7%	3.7%	-2.0%
Asia Pacific	61.0	8.6%	47.9	7.1%	27.3%	22.5%
Rest of the world	56.5	8.0%	53.9	8.0%	4.9%	3.0%
Total	708.7	100.0%	673.8	100.0%	5.2%	2.7%

In the 3rd quarter of 2019, the net sales of the Continuing Operations equaled Euro 212.8 million, up 2.2% at current exchange rates and substantially in line with the same period of last year at constant exchange rates (+0.1%).

The quarterly performance of the top line was influenced by the expected decrease, starting from the second part of the year, of the business relating to the production agreement with Kering, while the wholesale¹ revenues recorded a growth of 5.2% at current exchange rates and of 2.8% at constant exchange rates. The latter result was driven by a double-digit revenue growth in Europe, supported by a double-digit growth also of the main distribution channels in Asia and core markets in Latin America.

The North American business, on the other hand, recorded a 7.7% drop at constant exchange rates, mainly reflecting the consolidation of all the North American logistic activities in the new Denver warehouse, a start-up temporarily affecting the performance of Smith sport products.

The quarterly performance also confirmed the good growth of the Carrera and Polaroid brands and the positive trends of the main licensed brands.

(Euro in millions)	Q3 2019	%	Q3 2018	%	% Change at current forex	% Change at constant forex
Europa	95.5	44.9%	91.7	44.1%	4.2%	3.9%
North America	79.9	37.6%	83.1	39.9%	-3.9%	-7.7%
Asia Pacific	17.5	8.2%	15.4	7.4%	13.7%	11.0%
Rest of the world	19.8	9.3%	17.9	8.6%	10.8%	7.4%
Total	212.8	100.0%	208.1	100.0%	2.2%	0.1%

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 3rd November 2005.

IMPACTS FROM FIRST ADOPTION OF IFRS 16 ON THE FIRST 9 MONTHS OF 2019

(Euro in millions)	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS (SOLSTICE RETAIL BUSINESS)	TOTAL
Income Statement impacts			
Reduction of operating rental expenses (additional EBITDA)	10.4	5.8	16.2
Increase in depreciation expenses	(9.7)	(5.4)	(15.1)
Increase in interest expenses	(1.1)	(0.7)	(1.8)
Reduction of net result	(0.5)	(0.3)	(0.8)
Net debt impact as at September 30, 2019			
Increase of lease liabilities	(49.9)	-	(49.9)

2019 Group's results are commented on a pre-IFRS 16 basis in order to support the transition and to allow proper comparison with the previous periods.

KEY ECONOMIC AND FINANCIAL PERFORMANCE INDICATORS OF THE CONTINUING OPERATIONS

On a pre-IFRS 16 basis, Safilo closed the first 9 months of 2019 with an **adjusted² EBITDA of the Continuing Operations** of Euro 43.9 million, in line with the result recorded in the first 9 months of 2018 which however included the income of Euro 29.3 million for the early termination of the Gucci license.

During the period, the **gross profit** reached Euro 375.1 million, with a margin on sales of 52.9% and an increase of 8.8% compared to the same period of the previous year.

The industrial margin improved by 170 basis points thanks to higher production efficiencies, while over 200 basis points were recovered at the operating level, thanks to the expected reduction of overhead costs. In the same period, the Group continued to increase its investments in marketing and sales activities to support the development of its brands.

(Euro in millions)	9M 2019 reported	9M 2019 pre-IFRS 16	9M 2018	% Change pre-IFRS 16
Net sales	708.7	708.7	673.8	+5.2%
Gross profit	375.1	375.1	344.9	+8.8%
<i>% on net sales</i>	52.9%	52.9%	51.2%	
EBITDA	43.9	33.6	39.5	-15.0%
<i>% on net sales</i>	6.2%	4.7%	5.9%	
Adjusted² EBITDA	54.3	43.9	43.9	-
<i>% on net sales</i>	7.7%	6.2%	6.5%	

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On a pre-IFRS 16 basis, in the 3rd quarter of 2019 the **adjusted² EBITDA of the Continuing Operations** equalled Euro 9.7 million, with a margin on sales of 4.6%. This performance compared to Euro 13.7 million recorded in the same quarter of 2018, a result which however included the income of Euro 9.8 million for the early termination of the Gucci license.

On an organic basis, the Group's operating performance therefore recorded another significant progress, which reflected some improvement of the gross profit, up 3.7% to Euro 109.0 million and a further recovery in terms of lower overhead costs.

(Euro in millions)	Q3 2019 reported	Q3 2019 pre-IFRS 16	Q3 2018 reported	% Change pre-IFRS 16
Net sales	212.8	212.8	208.1	+2.2%
Gross profit	109.0	109.0	105.1	+3.7%
<i>% on net sales</i>	51.2%	51.2%	50.5%	
EBITDA	7.7	4.3	12.7	-65.9%
<i>% on net sales</i>	3.6%	2.0%	6.1%	
Adjusted² EBITDA	13.1	9.7	13.7	-28.8%
<i>% on net sales</i>	6.2%	4.6%	6.6%	

On a pre-IFRS 16 basis, the Group net debt at the end of September 2019 equalled Euro 24.3 million compared to Euro 32.9 million at the end of December 2018 and to Euro 3.9 million recorded at the end of June 2019. At the end of September 2019 the financial leverage stood at 0.5x.

PRESENTATION OF THE NEW GROUP BUSINESS PLAN

The Company aims to present a new Group Business Plan on December 11, 2019 during a presentation to the financial community.

Note:

¹ The wholesale business excludes the business of the production agreement with Kering, reported within the geographical area of Europe.

² In the first 9 months of 2019, the adjusted EBITDA of the Continuing Operations excludes non-recurring costs for Euro 10.4 million (Euro 5.4 million in Q3 2019) due to restructuring expenses related to the ongoing cost saving program.

In the first 9 months of 2018, the adjusted EBITDA of the Continuing Operations excluded non-recurring costs for Euro 4.4 million (Euro 1.0 million in Q3 2018) mainly related to the CEO succession plan and reorganization costs in North America, and included an income of Euro 29.3 million (Euro 9.8 million in Q3 2018) for the early termination of the Gucci license.

³ In the first 9 months of 2019, the adjusted EBITDA of the Total Operations also excludes non-recurring costs for Euro 1.3 million related to the retail discontinued operations on July 1, 2019.

APPENDIX**9M 2019 ECONOMIC HIGHLIGHTS OF THE TOTAL OPERATIONS**

(Euro in millions)	9M 2019 reported	9M 2019 pre-IFRS 16	9M 2018	% Change pre-IFRS 16
Net sales	734.4	734.4	713.7	+2.9%
Gross profit	385.6	385.6	366.5	+5.2%
<i>% on net sales</i>	52.5%	52.5%	51.3%	
EBITDA	40.6	24.5	32.7	-25.3%
<i>% on net sales</i>	5.5%	3.3%	4.6%	
Adjusted EBITDA^{2,3}	52.3	36.2	37.2	-2.7%
<i>% on net sales</i>	7.1%	4.9%	5.2%	

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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:

- 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 6.15 pm CET (5.15pm GMT; 12:15pm EST) a conference call will be held with the financial community during which the 3rd quarter and first 9 months 2019 trading update will be discussed.

It is possible to follow the conference call by calling +39 06 87502026, +44 844 5718892, +33 1 76700794 or +1 631 5107495 (for journalists +39 06 87500896) and entering the access code: Safilo.

A recording of the conference call will be available from November 12 until November 14, 2019 on +39 06 99721048, +44 844 5718951 or +1 917 6777532 (access code: 6484256).

The conference call is also available via webcast: <https://edge.media-server.com/mmc/go/SafiloQ3and9MTradingUpdate>

About Safilo Group

Safilo Group is a worldwide leader in the design, manufacturing and distribution of sunglasses, optical frames, sports eyewear and related products. Thanks to strong craftsmanship expertise dating back to 1878, Safilo translates its design projects into high-quality products created according to the Italian tradition. With an extensive wholly owned network of subsidiaries in 40 countries – in North and Latin America, Europe, Middle East and Africa, and Asia Pacific and China – and more than 50 distribution partners in key markets, Safilo is committed to quality distribution of its products in nearly 100,000 selected points of sale all over the world. Safilo’s portfolio encompasses: own core brands Carrera, Polaroid, Smith, Safilo, and licensed brands: Dior, Dior Homme, Fendi, Banana Republic, BOSS, Elie Saab, Fossil, Givenchy, havaianas, HUGO, Jimmy Choo, Juicy Couture, kate spade new york, Liz Claiborne, Love Moschino, Marc Jacobs, Max Mara, Max&Co., Moschino, Pierre Cardin, rag&bone, Rebecca Minkoff, Saks Fifth Avenue, Swatch, and Tommy Hilfiger.

Listed on the Italian Stock Exchange (ISIN code IT0004604762, Bloomberg SFL.IM, Reuters SFLG.MI), in 2018 Safilo recorded net revenues for Euro 962.9 million.

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