Q1 2019 TRADING UPDATE

- **Net sales from Continuing Operations grew by 3.4% (+0.6% at constant exchange rates)**
- **Adjusted EBITDA[2] from Continuing Operations (pre-IFRS 16) reached Euro 16.5 million and a margin of 6.7%, marking a significant operational improvement thanks to cost savings progress**

Padua, May 09, 2019 – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved Q1 2019 economic and financial key performance indicators.

Following the Group's decision announced last April 2, to proceed with the plan to sell the Solstice retail business to a third party, in 2019 management's comments focus to the Group's Continuing Operations, excluding Solstice.

Safilo closed the first quarter of 2019 with the net sales from Continuing Operations at Euro 247.3 million, up 3.4% at current exchange rates and 0.6% at constant exchange rates (+0.8% on the wholesale business[1]).
In Q1 2019, Safilo's adjusted EBITDA[2] from Continuing Operations (pre-IFRS 16) reached Euro 16.5 million and a margin of 6.7%, marking a significant operational improvement compared to the adjusted EBITDA[2] of Euro 16.1 million recorded in Q1 2018, which included the income of Euro 9.8 million for the early termination of the Gucci license.

Sales performance was supported by the gradual improvement of business trends in Europe, up 1.3% at constant exchange rates (+1.8% on the wholesale business[1]) and North America recovering a certain stability (-0.6% at constant exchange rates), after the decrease recorded in the last two years. Performance in emerging markets[3] was marked on the one hand by the good results of the Asia-Pacific region, up overall by 17.4% at constant exchange rates, and on the other by a weak business in the IMEA[3] markets.

NET SALES BY GEOGRAPHIC AREA OF THE CONTINUING OPERATIONS

(Euro million)	Q1 2019	%	Q1 2018	%	% Change reported	% Change at constant Forex
Europe	124.6	50.4%	123.5	51.7%	+0.8%	**+1.3%**
North America	88.9	36.0%	83.0	34.7%	+7.1%	**-0.6%**
Asia Pacific	17.7	7.2%	14.3	6.0%	+23.8%	**+17.4%**
Rest of the world	16.1	6.5%	18.2	7.6%	-11.8%	**-12.0%**
Total	**247.3**	**100.0%**	**239.1**	**100.0%**	+3.4%	**+0.6%**

In the first quarter of 2019, Safilo recorded the overall positive performance of its own core brands, driven by Smith and Polaroid in their core markets and product categories. Positive developments were also evident for a number of licensed brands playing in the fashion luxury and contemporary segments.

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.

FIRST ADOPTION OF IFRS 16

The Group elected to implement IFRS 16, applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized at its relevant effective date on January 1st 2019, without the restatement of 2018 comparative information. IFRS 16 has a significant impact on the Group's consolidated balance sheet side due to the right of use assets and lease liabilities that are now recognized for contracts in which the Group is a lessee. In the consolidated statement of income, the majority of the current operating rental costs is now presented as depreciation of right to use assets and interest expenses on the lease liabilities, with a material positive impact in terms of EBITDA and a minor effect on EBIT and net income.

In 2019, key financial indicators are commented on a pre IFRS 16 basis in order to support the transition and to allow proper comparison with the previous period.

ECONOMIC AND FINANCIAL HIGHLIGHTS OF THE CONTINUING OPERATIONS

In Q1 2019, reported adjusted[3] EBITDA of the Continuing Operations reached Euro 20.0 million.

On a pre-IFRS 16 basis, excluding the positive accounting effect, equal to Euro 3.4 million, of the first application of the new standard to Q1 2019, the Group's Continuing Operations posted an adjusted[2] EBITDA of Euro 16.5 million, with the margin on sales standing at 6.7%. For Safilo, this result marked a significant operational improvement compared to the adjusted[2] EBITDA of Euro 16.1 million reported in Q1 2018, which included the income of Euro 9.8 million for the early termination of the Gucci license.
In Q1 2019, the Group's economic performance grew in fact 200 basis points at the Gross margin level, from 50.7% to 52.7% of net sales mainly thanks to higher plant efficiencies and lower obsolescence costs, and recovered additional 200 basis points at the operating expenses level following the ongoing progress in the overheads saving program.

(Euro in millions)	**Q1 2019** reported	**Q1 2019** pre-IFRS 16	**Q1 2018**	**% Change** pre-IFRS 16
Net sales	247.3	247.3	239.1	+3.4%
Gross profit	130.2	130.2	121.3	+7.4%
% on net sales	*52.7%*	*52.7%*	*50.7%*	
EBITDA	18.9	15.4	14.5	+6.6%
% on net sales	*7.6%*	*6.2%*	*6.1%*	
Adjusted EBITDA[2]	20.0	16.5	16.1	+2.4%
% on net sales	*8.1%*	*6.7%*	*6.8%*	

At the end of March 2019, total Group Net Debt on a pre IFRS 16 basis stood at Euro 26.4 million compared to Euro 166.0 million in Q1 2018 and Euro 32.9 million at the end of December 2018. Q1 2019 Net Debt benefitted of the remaining proceeds, received on January 2, 2019 and equal to Euro 17.7 million, from the share capital increase. Following the first application of the new IFRS 16 standard to Q1 2019, Group Net Debt stood at Euro 105.7 million.

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Notes:

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

[2] In Q1 2019, the adjusted EBITDA excludes non-recurring costs for Euro 1.1 million, due to restructuring expenses related to the ongoing cost saving program.

In Q1 2018, the adjusted EBITDA excluded non-recurring costs for Euro 1.7 million, mainly related to the CEO succession plan, and it included an income of Euro 9.8 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.

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

Appendices

ECONOMIC HIGHLIGHTS OF DISCONTINUED OPERATIONS (SOLSTICE RETAIL BUSINESS)

(Euro in millions)	**Q1 2019** reported	**Q1 2019** pre-IFRS 16	**Q1 2018**	**% Change** pre-IFRS 16	**% Change** at constant Forex
Net sales	10.9	10.9	11.8	-7.8%	-14.8%
Gross profit	5.6	5.6	6.2	-10.3%	
% on net sales	*51.2%*	*51.2%*	*52.6%*		
EBITDA	(0.6)	(3.5)	(3.1)	+14.2%	
% on net sales	*(5.3%)*	*(32.3%)*	*(26.1%)*		

The positive accounting effect of IFRS 16 to Q1 2019 Discontinued Operations EBITDA was Euro 2.9 million.

ECONOMIC HIGHLIGHTS OF TOTAL CONTINUING AND DISCONTINUED OPERATIONS

(Euro in millions)	**Q1 2019** reported	**Q1 2019** pre-IFRS 16	**Q1 2018**	**% Change** pre-IFRS 16	**% Change** at constant Forex
Net sales	258.1	258.1	250.9	+2.9%	-0.1%
Gross profit	135.8	135.8	127.5	+6.5%	
% on net sales	*52.6%*	*52.6%*	*50.8%*		
EBITDA	18.3	11.9	11.4	+4.6%	
% on net sales	*7.1%*	*4.6%*	*4.5%*		
Adjusted EBITDA[2]	19.4	13.0	13.1	-0.4%	
% on net sales	*7.5%*	*5.0%*	*5.2%*		

The positive accounting effect of IFRS 16 to Q1 2019 Continuing and Discontinued Operations EBITDA totaled Euro 6.4 million.

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.

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 7.15 pm CET (6.15pm BST; 1:15pm EST) a conference call will be held with the financial community during which first quarter 2019 trading update will be discussed.
It is possible to follow the conference call by calling +39 06 87500896, +44 844 4933857, +33 1 70732727 or +1 917 7200178 (for journalists +39 06 87502026) and entering the access code: Safilo.
A recording of the conference call will be available from May 9 until May 11, 2019 on +39 06 99721048, +44 844 5718951 or +1 917 6777532 (access code: 3982147).
The conference call is also available via webcast: https://edge.media-server.com/m6/go/Q1_2019_trading_update

About Safilo Group
Safilo Group is a worldwide leader in the design, manufacturing and distribution of sunglasses, optical frames, sports eyewear and 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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