Q1 2020 TRADING UPDATE

Positive start to the year penalized by the outbreak and global spread of Covid-19 (coronavirus):

- **Net sales at Euro 221.1 million, down 11.5% at constant exchange rates**
- **Adjusted[2] EBITDA margin at 2.6% of sales compared to 8.1% in Q1 2019**

Padua, May 06, 2020 – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved Q1 2020 economic and financial key performance indicators.

As anticipated, Safilo's Q1 2020 economic and financial results were penalized by the intensifying economic and financial crisis resulting from the outbreak and spread of Covid-19 and the subsequent restrictive measures implemented by the public authorities to contain the pandemic as restrictions to people's mobility and shutdown of manufacturing and commercial activities were imposed in succession in China first, then Italy, followed by countries elsewhere around the world.

In the first two months of 2020, the Group recorded a mid-single digit increase in net sales driven by the double-digit growths recorded by all its own core brands, Carrera, Polaroid and Smith, as well as by the core licensed brands in the portfolio. In March, Safilo's business was heavily hit by the escalation of Covid-19 in Italy and, from the second half of the month, also in the other European countries and the United States.

Angelo Trocchia, Safilo Chief Executive Officer, commented:

"In a period that will probably remain unprecedented for the extraordinary challenges we are facing, our thoughts and actions have been primarily focused on the health and safety of all our people, for whom we have immediately and rigorously implemented the safety and prevention regulations provided by government protocols.
From the outset, it was for us important to focus on maintaining business continuity that would allow us to be ready to support our clients and customers, getting ready to start again together, in new ways.
Our production and logistics sites in Italy and elsewhere in the world are today partially operative to ensure production and service levels which are finetuned on new consumption scenarios, while in our Headquarters we are alternating smart working to temporary layoffs and holidays. Today we are also working on reconverting some of our production lines for the manufacturing of protective masks and visors that go to support the medical and health operators today in the front line in the fight against Covid-19.
I want to thank again each and every one of our people for the efforts they are making, the commitment and dedication they are constantly demonstrating.

In these extraordinary circumstances, we set up a global crisis team, meeting every morning and talking every day to our leaders around the world to assess how things evolve and modulate accordingly our contingency and recovery plans. We are strictly focusing on minimizing discretionary expenditures and capex, adjusting marketing plans and implementing an effective working capital and cash protection management.
In the context of the measures to contain costs, the members of the Board of Directors have renounced to part of their annual directors' compensation, and the extended global management team have renounced part of their annual compensation and vacations.

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.

This first quarter of 2020 was characterized by a solid and very promising start, particularly positive for our own core brands portfolio, which we enriched at the beginning of February with the acquisition of Privé Revaux.
The sudden and severe halt of demand in March hit our top line and more meaningfully our profitability as the drop in sales was coupled with temporary production interruptions and supply chain inefficiencies in China, with negative effects on our industrial margin and operating leverage.

Our cash needs remained under strict control in the first quarter of the year and our Net Financial Position, excluding the acquisition of Prive Revaux, remained substantially in line with December 2019. Today we are actively utilizing our credit facilities in order to maximize cash management flexibility and responsiveness, actively assessing current and future financing opportunities, including the possibility for our Group to access the financing provided for by the so-called Italian "Liquidity Decree".

The situation we are experiencing, although one of the most complex we have ever seen, is however offering us an additional, significant opportunity to accelerate the digital transformation we outlined in our 2020-2024 Business Plan in December last year, by fine tuning a series of actions and tools which will allow us to effectively address this new context, working better and more effectively with our clients and consumers throughout the world.
Also in these days, we continue working on several fronts to achieve these goals, in particular on the new Business-to-Business platform for clients and on new programs and initiatives to drive traffic in stores when they will reopen, on digital communication campaigns which will restart with gradual investments when the markets will be ready. And clearly an ever greater focus on e-commerce - particularly for Smith and the newly acquired brands. Last but not least the design and development of our collections to ensure an excellent product offer to inspire our clients and consumers."

NET SALES BY GEOGRAPHIC AREA

(Euro million)	Q1 2020	%	Q1 2019	%	% Change at current forex	% Change at constant forex
Europe	107.7	48.7%	124.6	50.4%	-13.5%	-13.5%
North America	84.4	38.2%	88.9	36.0%	-5.1%	-7.8%
Asia Pacific	14.9	6.7%	17.7	7.2%	-15.9%	-17.5%
Rest of the world	14.1	6.4%	16.1	6.5%	-12.5%	-10.5%
Total	**221.1**	**100%**	**247.3**	**100%**	**-10.6%**	**-11.5%**

In the first quarter of 2020, Safilo posted net sales of Euro 221.1 million, down 10.6% at current exchange rates and 11.5% at constant exchange rates (-10.8% the wholesale business[1]) compared to Euro 247.3 million posted in the first quarter of 2019.

Net sales in Europe equaled Euro 107.7 million, declining by 13.5% at current and constant exchange rates (-12.2% the wholesale business[1]), mainly due to the significant contraction recorded in March by the business in Italy and the other South European markets, the first and more heavily hit by the outbreak of Covid-19 and by the sudden lockdowns implemented by governments. Business performance in Germany, Northern and Eastern European countries remained instead more sustained, driven by the positive performance of Hugo Boss, Polaroid and Tommy Hilfiger.

Net sales in North America equaled Euro 84.4 million, recording a contraction of 7.8% at constant exchange rates. The performance reflected the significant deterioration of the business environment suffered by the market starting from the second week of March when an increasing number of independent optical stores, chains and department stores shut down. In the period, Safilo's revenues in North America were supported by the acquisition of Privé Revaux, completed on February 10, 2020, which contributed for Euro 5.5 million to the quarterly sales of the region, but also by Smith's positive trends, thanks to the mid-single digit growth of its online business.

Net sales in Asia Pacific were Euro 14.9 million in the first quarter of 2020, down 17.5% at constant exchange rates. After a strong start to the year, sales to the travel retail channel and to Safilo's licensed brands boutiques were the first to be hardly hit in February due to APAC store closures and the halt of tourism.

In the Rest of the World, net sales equaled Euro 14.1 million, down 10.5% at constant exchange rates mainly as a result of the significant business deterioration experienced in Brazil, while sales trends were positive in Mexico and in the IMEA markets.

In the first quarter of 2020, total online sales grew by almost 25% at constant exchange rates, representing 6% of the Group's net sales of the period, from 4% in the same quarter of 2019.

After the promising performance recorded by the Group's own core brands in the first two months of the year, the latter closed the quarter with a moderate decrease in sales, of 3.4% at constant exchange rates, driven by Carrera and Polaroid recording a mid-single digit contraction, while Smith was slightly positive in the quarter.

KEY ECONOMIC AND FINANCIAL HIGHLIGHTS

In Q1 2020, Safilo's adjusted[2] EBITDA (post-IFRS 16) equaled Euro 5.8 million and a margin on sales of 2.6%, declining by 70.8% compared to the adjusted[2] EBITDA of Euro 20.0 million recorded in Q1 2019 (8.1% on sales).

The Group's operating performance was negatively impacted by overall supply chain inefficiencies caused by temporary production interruptions and halting of sourcing activities in China and by higher provisions for obsolescence. As a result, Q1 2020 gross profit declined by 16.0%, to Euro 109.4 million compared to Euro 130.2 million in the first quarter of 2019, with the margin on sales moving from 52.7% to 49.5%.
Below the gross margin, Safilo recorded a 230 basis point margin dilution due to the operating deleverage resulting from the significant drop in revenues suffered in March.

(Euro in millions)	Q1 2020	Q1 2019	% Change
Net sales	221.1	247.3	-10.6%
Gross profit	109.4	130.2	-16.0%
% on net sales	*49.5%*	*52.7%*	
EBITDA	3.4	18.9	-82.0%
% on net sales	*1.5%*	*7.6%*	
Adjusted[2] EBITDA	5.8	20.0	-70.8%
% on net sales	*2.6%*	*8.1%*	
IFRS 16 impact on EBITDA	3.1	3.4	

At the end of March 2020, the Group Net Debt (post IFRS 16) stood at Euro 135.5 million compared to Euro 105.7 million at the end of March 2019 and Euro 74.8 million at the end of December 2019. The Group Net Debt at the end of March 2020 included an IFRS 16 impact of Euro 45.5 million (Euro 79.3 and Euro 47.0 million respectively at the end of March and December 2019) and Euro 61.6 million for the acquisition of the 61.34% controlling interest in Privé Revaux (of which Euro 30 million financed through a subordinated loan provided by Safilo's reference shareholder, Multibrands Italy B.V., controlled by HAL Holding N.V., and for the remaining portion through available resources).
Excluding the acquisition, Safilo's Net Debt at the end of March 2020 was substantially in line with the position recorded at the end of December 2019.

BUSINESS UPDATE IN RELATION TO THE COVID-19 PANDEMIC

In the month of April, business activity showed a further significant deceleration compared to March, reflecting the almost complete shutdown of the various distribution channels in which the Group sells its products, with the online business been the exception.
In China, where the virus emergency seems to be normalizing, Safilo recorded in April more positive sales trends, recording a meaningful improvement compared to the exit speed of the month of March.
Despite the possibility to see such positive dynamics soon across the Group's key markets following a potential lifting and easing of lockdowns and restrictions envisaged by different governments, Safilo expects such a re-start to be very gradual and patchy between May and June, with the Group's second-quarter net sales now forecasted to decline more heavily than in the first quarter of the year and the operating result to be negative.
Given the high level of uncertainty still surrounding the Covid-19 pandemic and the future recovery of the global economy, Safilo is still unable to provide a new outlook for the full year 2020, remaining committed to continue to promptly update the market and all its stakeholders on the developments that the health emergency will have on the Group's economic and financial results.

Notes:

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

[2] In Q1 2020, the adjusted EBITDA excludes non-recurring costs for Euro 2.4 million, due to restructuring expenses related to the ongoing cost saving program.

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

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 BST; 12:15pm EST) a conference call will be held with the financial community during which Q1 2020 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 May 6 to May 8, 2020 on +39 06 99721048, +44 844 5718951 or +1 917 6777532 (access code: 2598721).
The conference call is also available via webcast: https://edge.media-server.com/mmc/go/Q1_2020_trading_update.

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 designs into high-quality products according to the Italian tradition. Through an extensive wholly owned network of subsidiaries in 40 countries and more than 50 distribution partners in key markets throughout North and Latin America, Europe, Africa, the Middle East, Asia Pacific and China, Safilo is committed to quality distribution of its products in nearly 100,000 selected points of sale worldwide. Safilo's portfolio encompasses its own core brands Carrera, Polaroid, Smith, Safilo, Privé Revaux, and licensed brands Dior, Dior Homme, Fendi, Banana Republic, BOSS, David Beckham, Elie Saab, Fossil, Givenchy, havaianas, HUGO, Jimmy Choo, Juicy Couture, kate spade new york, Levi's, Liz Claiborne, Love Moschino, Marc Jacobs, Max Mara., Missoni, M Missoni, 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 2019 Safilo recorded net revenues for Euro 939 million.

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