



## THE BOARD OF DIRECTORS OF SAFILO GROUP S.P.A. APPROVES THE 2016 FINANCIAL RESULTS

### Growth of the Going Forward Brand Portfolio

### Positive Cash Flow generation

### Continued investment in operational improvements

- **Group Net Sales** at Euro 1,252.9 million for the full year, down 2.0% vs 2015 (-1.2% at constant exchange rates)
- **Sales performance of Going Forward Brands**, +3.6% at constant exchange rates (+5.2% excl. Retail)
- **Adjusted<sup>2</sup> EBITDA** at Euro 88.8 million, down 13.3% vs 2015, at 7.1% of net sales
- **Adjusted<sup>2</sup> Group net profit** at Euro 15.4 million, more than double 2015. Due to non-recurring items, the Group reported a net loss of Euro 142.1 million
- **Group Net Debt** at Euro 48.4 million, compared to Euro 89.9 million at the end of 2015, with the adjusted<sup>2</sup> financial leverage at 0.5x

**Padua, March 15, 2017** - The Board of Directors of Safilo Group S.p.A. has today approved the Company's consolidated financial statements for the year ended 31 December 2016<sup>1</sup> and examined the separate financial statements for the year ended 31 December 2016<sup>1</sup>, which will be submitted for approval by the shareholders at the Annual General Meeting to be held in a single call on 26 April 2017.

The Board of Directors has decided not to propose the payment of a dividend to the next Annual General Meeting.

Safilo's full year total net sales reached Euro 1,252.9 million, slightly contracting compared to the Euro 1,279.0 million recorded in 2015 (-2.0% at current exchange rates and -1.2% at constant exchange rates) mainly as a result of the double-digit decline of Gucci in its last year as Safilo's licensed brand.

Sales of the Group's Going Forward Brands increased 3.6% at constant exchange rates, or 5.2% excluding the declining US retail business, achieving solid results in the core European and North American wholesale markets while Asia remained subdued.

At the operating level, 2016 adjusted<sup>2</sup> EBITDA reached Euro 88.8 million, declining 13.3% compared to Euro 102.4 million in 2015. 2016 adjusted<sup>2</sup> EBITDA margin stood at 7.1% of sales compared to 8.0% the year before, reflecting the dilutive effects of the Gucci business.

Safilo closed 2016 with an adjusted<sup>2</sup> Group net result of Euro 15.4 million compared to the adjusted<sup>2</sup> net result of Euro 6.9 million recorded in 2015.

2016 adjusted net result does not include a non-cash impairment loss of Euro 150.0 million on goodwill allocated to the Far East cash generating unit and non-recurring restructuring costs of Euro 7.5 million (Euro 7.9 million on EBITDA) (see Note 2).

In 2016, the Group generated Free Cash Flow of Euro 44.7 million, further reducing the Group Net Debt to Euro 48.4 million from Euro 89.9 million in 2015 and the adjusted<sup>2</sup> financial leverage to 0.5x.

This result includes the second of the three compensation payments of Euro 30 million from Kering received in December 2016, and a cash consideration of Euro 10.7 million for the sale of the Group's former North American distribution center in New Jersey.

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 3<sup>rd</sup> November 2005.

**Luisa Delgado, Safilo CEO,** commented:

*“2016 was for Safilo a year in which we grew the sales and profitability of the Going Forward Brands Portfolio, managed the Gucci decline as well as possible in its final license period, and implemented further savings and business transformation initiatives.*

*In total, the Group delivered almost stable net sales at constant exchange rates and lower operating results. Going Forward margins grew, while the Gucci decline affected sales and profit. Cash flow was positive even with accelerated Capex investments.*

*Our Going Forward wholesale business saw a solid performance in Europe and a positive growth in North America in a difficult US retail environment, which contributed to a weak Solstice retail performance. Strong growth came from Central and Eastern Europe, IMEA, Brazil and Mexico.*

*Own Core Brands did not yet perform at their potential. Smith, our biggest, had a positive year and delivered NA market leadership in snow, grew its on-line business now totaling nearly 20% of its NA sales, and progressed its EMEA sports expansion. Polaroid completed its supply chain and distribution integration into Safilo, delivered a positive sun season in Europe but suffered at the end of the year in some heavy promotional environments. Carrera declined in total, even though a lot of effort was put in by its management which should improve the future development.*

*We continued to build our License Brand portfolio, launching Givenchy, the collaboration with Swatch, and the ‘havaianas’ brand first in Brazil. We renewed early Jimmy Choo, Max Mara and Dior, while Celine will exit end 2017. We signed new licenses in the fashion luxury segment with Moschino, and Love Moschino, and in the upper contemporary segment with the American brand ‘rag & bone’.*

*In the context of the continued investment in operational improvements, 2017 has started with further SAP “go-lives” as part of our Eye-Way program. We encountered significant challenges on the IT transition of the automated Padova DC Warehouse Management. Those are impacting our 2017 Q1 Going Forward Portfolio warehouse deliveries, by an estimated 15-20pct compared to Q1 2016 Going Forward Portfolio sales, and resulting impact on the Group’s Q1 financial results. The Group is aiming to quickly achieve the capacity and speed levels required to recover the warehouse deliveries during Q2. I would like to thank our customers for the patience and trust they are showing us during these months.”*

**Economic and financial highlights**

Euro million	<b>FY 2016</b>	FY 2015	<b>% change</b>
<b>Net sales</b>	<b>1,252.9</b>	1,279.0	-2.0%
			<b>-1.2% (*)</b>
<b>Gross profit</b>	<b>715.6</b>	757.0	<b>-5.5%</b>
%	57.1%	59.2%	
EBITDA	80.9	82.4	-1.7%
%	6.5%	6.4%	
<b>Adjusted<sup>2</sup> EBITDA</b>	<b>88.8</b>	102.4	<b>-13.3%</b>
%	7.1%	8.0%	
Operating profit/(loss)	(116.3)	0.8	n.s.
%	(9.3%)	0.1%	
<b>Adjusted<sup>2</sup> Operating profit/(loss)</b>	<b>43.5</b>	61.4	<b>-29.1%</b>
%	3.5%	4.8%	
Group net profit/(loss)	(142.1)	(52.7)	n.s.
%	(11.3%)	(4.1%)	
<b>Adjusted<sup>2</sup> Group Net profit/(loss)</b>	<b>15.4</b>	6.9	<b>n.s.</b>
%	1.2%	0.5%	
<b>Group net debt</b>	<b>48.4</b>	89.9	<b>(46.2%)</b>

(\*) at constant exchange rates

**FY 2016**

Safilo's full year 2016 net sales totaled Euro 1,252.9 million, down 2.0% compared to Euro 1,279.0 million in the full year 2015. At constant exchange rates, the Group's net sales decreased by 1.2%. The key drivers of the year's performance were the growth of the Going Forward Brand Portfolio, up 3.6% at constant exchange rates (+5.2% excl. Retail) and the double-digit decline of Gucci, as the license drew to a close and the market was waiting for the new collection.

The margin movement at the gross and operating level reflected the Gucci impacts, the decline of Solstice and a negative FX, which more than offset the positive margin impact from the Going Forward wholesale business.

2016 gross profit was equal to Euro 715.6 million, down 5.5% compared to Euro 757.0 million in 2015, with the gross margin moving to 57.1% of sales from 59.2%.

2016 adjusted<sup>2</sup> EBITDA was Euro 88.8 million, down 13.3% compared to the adjusted<sup>2</sup> EBITDA of Euro 102.4 million recorded in 2015. Adjusted<sup>1</sup> EBITDA margin equaled 7.1% of net sales in 2016, compared to 8.0% in 2015.

2016 adjusted<sup>2</sup> EBIT was Euro 43.5 million, down 29.1% compared to the adjusted<sup>2</sup> EBIT of Euro 61.4 million for 2015. Adjusted<sup>2</sup> EBIT margin was 3.5% of net sales in 2016, compared to 4.8% in 2015.

2016 total net financial charges decreased to Euro 6.4 million from Euro 27.4 million in 2015 mainly due to the positive impact of exchange rates differences and the higher positive fair value measurement of the option component embedded in the equity-linked bonds. In 2016, net interest charges decreased.

Safilo closed 2016 with an adjusted<sup>2</sup> Group net result of Euro 15.4 million compared to the adjusted<sup>2</sup> net result of Euro 6.9 million recorded in 2015.

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**Q4 2016**

Euro million	Q4 2016	Q4 2015	% change
<b>Net sales</b>	<b>313.9</b>	319.2	-1.7%
			<b>-1.7% (*)</b>
<b>Gross profit</b>	<b>151.7</b>	179.5	<b>-15.5%</b>
%	<b>48.3%</b>	56.2%	
EBITDA	9.9	7.3	+35.9%
%	3.2%	2.3%	
<b>Adjusted<sup>2</sup> EBITDA</b>	<b>11.4</b>	25.0	<b>-54.4%</b>
%	<b>3.6%</b>	7.8%	

(\*) at constant exchange rates

In Q4 2016, Safilo's total net sales equaled Euro 313.9 million, slightly declining compared to the same period of last year (-1.7% at current exchange rates and also at constant exchange rates), while the sales of the Group's Going Forward Brand Portfolio recorded a positive performance (+0.5% at constant currency and +2.3% excl. Retail). This reflected overall positive sales growth recorded in Europe and the North American wholesale business, as well as progress in the Rest of the World, namely IMEA and Latin America, while the business performance remained subdued in Asia and in the US retail business.

In Q4 2016, the economic performance was mainly driven by the phasing out of the Gucci license and the complete sale of its related finished products stock. At the same time, in the last quarter of 2016, Safilo shipped the first significant volumes under the strategic product partnership agreement signed with Kering. Unfortunately, all these Gucci related effects, along with higher obsolescence charges more than offset the positive underlying progress by the going-forward portfolio behind price/ mix and cost savings.

Q4 2016 gross profit totaled Euro 151.7 million, down 15.5% compared to Euro 179.5 million in the same quarter of 2015. In the fourth quarter of the year, gross margin decreased to 48.3% of net sales from 56.2% in Q4 2015.

Q4 2016 adjusted<sup>2</sup> EBITDA equaled Euro 11.4 million, down 54.4% compared to the adjusted<sup>2</sup> EBITDA of Euro 25.0 million recorded in the same period of 2015. The adjusted<sup>2</sup> EBITDA margin declined to 3.6% of net sales in Q4 2016, from 7.8% in Q4 2015.

**Key Cash Flow data**

Euro million	<b>FY 2016</b>	FY 2015
Cash flow from operating activities before changes in working capital	47.0	61.1
Changes in working capital	42.0	53.7
Cash flow from operating activities	89.1	114.8
Cash flow for investment activities	(44.3)	(40.0)
<b>Free Cash Flow</b>	<b>44.7</b>	<b>74.8</b>

In 2016, Safilo generated total Free Cash Flow of Euro 44.7 million, including the second of three early termination compensation payments of Euro 30 million received in December 2016 from Kering.

The Cash Flow from operating activities benefitted from Euro 20.3 million cash flow from net working capital, thanks to the continued improvement in the collection of trade receivables and favorable trade payables, while inventories increased. Overall, the working capital incidence on net sales declined from 21.7% in 2015 to 20.9% in 2016.

In the year, Safilo invested Euro 52.4 million to continue modernizing its product supply and logistics network and to roll out EyeWay, its IT systems overhaul, while Euro 2.5 million was invested to acquire the remaining 24.4% interest in Lenti S.r.l., a manufacturer of sun lenses based in Bergamo, in order to further reinforce its stronghold in lens manufacturing. In 2016, as part of its DC rationalization plan, Safilo sold its former North American distribution center in New Jersey (now fully in Denver) for a cash consideration of Euro 10.7 million.

Due to the cash generation of the year, at the end of December 2016, Safilo's net debt stood at Euro 48.4 million, down 46.2% compared to Euro 89.9 million at the end of December 2015.

**Markets**

(Euro million)	2016	%	2015	%	Change %	Change % (*)	Change % (**)
Europe	537.6	42.9	508.5	39.8	5.7%	7.1%	9.2%
North America	509.5	40.7	531.3	41.5	-4.1%	-4.1%	-0.2%
Asia Pacific	114.7	9.2	147.9	11.6	-22.5%	-22.3%	-10.2%
Rest of the world	91.2	7.3	91.2	7.1	0.0%	4.4%	9.7%
<b>Total</b>	<b>1,252.9</b>	<b>100</b>	<b>1,279.0</b>	<b>100</b>	<b>-2.0%</b>	<b>-1.2%</b>	<b>3.6%</b>

(Euro million)	Q4 2016	%	Q4 2015	%	Change %	Change % (*)	Change %(**)
Europe	138.4	44.1	130.2	40.8	6.3%	8.4%	2.8%
North America	123.2	39.3	127.7	40.0	-3.5%	-5.1%	-2.6%
Asia Pacific	24.5	7.8	35.0	10.9	-29.8%	-30.8%	-8.0%
Rest of the world	27.7	8.8	26.3	8.2	5.1%	3.5%	11.6%
<b>Total</b>	<b>313.9</b>	<b>100</b>	<b>319.2</b>	<b>100</b>	<b>-1.7%</b>	<b>-1.7%</b>	<b>0.5%</b>

(\*) Sales performance at constant exchange rates

(\*\*) Sales performance at constant exchange rates of the Going Forward Brands Portfolio, excluding Gucci and all brands which exited Safilo brands portfolio in 2015.

**Europe**

In 2016, Europe was Safilo's main driver of growth, becoming the Group's biggest region, equal to 42.9% of the total business.

In Q4 2016, European net sales grew 6.3% at current exchange rates and 8.4% at constant exchange rates, to Euro 138.4 million. In 2016, full year net sales in Europe increased 5.7% at current exchange rates and 7.1% at constant exchange rates, reaching Euro 537.6 million.

In the full year, sales of the Going Forward Brand Portfolio increased 9.2% at constant exchange rates (+2.8% in Q4 2016), reflecting positive trends in France, Italy, UK and the Nordic countries. In the last quarter of the year, the market environment became more challenging and promotional in Southern Europe, in particular in Spain.

**North America**

In North America, the Wholesale business and in particular the Going Forward Brand Portfolio, proved resilient, while the overall business performance in the region was influenced by the continuing weakness of the retail channel in the US, a soft winter sports market, in particular during the last quarter of the year, and by the significant decline in Gucci sales.

In Q4 2016, Safilo's total net sales in North America dropped 3.5% at current exchange rates and 5.1% at constant exchange rates, to Euro 123.2 million, taking the total decline for the year to 4.1% at current and constant exchange rates, to Euro 509.5 million.

In Q4 2016, wholesale revenues in North America totaled Euro 105.7 million, down 2.2% at current exchange rates and 3.8% at constant exchange rates. In 2016, full year wholesale revenues reached Euro 434.4 million, down 1.9% at both current and constant exchange rates.

In Q4, wholesale revenues of the Going Forward Brand Portfolio grew 1.7% at constant exchange rates, improving their performance compared to the third quarter (-0.6%), while they grew 2.9% in the full year 2016.

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In Q4 2016, **Retail sales** in the United States equaled Euro 17.5 million, down 10.8% at current exchange rates and 12.2% at constant exchange rates. Like for like performance of the 116 Solstice stores at the end of December (125 stores at the end of December 2015) was negative by 8.6% at constant exchange rates.

In 2016, full year retail sales equaled Euro 75.2 million, down 15.2% at current exchange rates and 15.4% at constant exchange rates, while the like for like performance was negative by 11.3% at constant exchange rates.

#### Asia

In 2016, Safilo's business in Asia was strongly impacted by the high double-digit decline of the Gucci business, while the performance of the Going Forward Brand Portfolio showed some signs of improvement during the second half of the year, recording a mid-single digit decline compared to the double-digit decline in the first half of 2016.

In Q4 2016, Safilo's net sales in Asia equaled Euro 24.5 million, down 29.8% at current exchange rates and 30.8% at constant exchange rates. In 2016, full year net sales in Asia reached Euro 114.7 million, declining 22.5% at current exchange rates and 22.3% at constant exchange rates.

Sales of the Going Forward Brand Portfolio declined 8.0% at constant exchange rates in Q4 and 10.2% in the full year 2016. This performance has contributed to the decision to impair the goodwill of Asia by Euro 150 million.

#### Rest of the World

Rest of the World grew in 2016, with both IMEA and Latin America contributing to the positive performance and gaining momentum in the development of the Going Forward Brand Portfolio.

In Q4 2016, Safilo's net sales in the Rest of the World equaled Euro 27.7 million, up 5.1% at current exchange rates and

3.5% at constant exchange rates. In 2016, full year net sales reached Euro 91.2 million, flat at current exchange rates and up 4.4% at constant exchange rates.

Sales of the Going Forward Brand Portfolio increased 11.6% at constant exchange rates in Q4 and 9.7% in the full year 2016.

### 2017 Outlook

In 2017, the Group business will reflect the complete exit of the Gucci licensing business and the start of the strategic product partnership agreement (SPPA) with Kering for the product development, manufacturing and supply of Gucci eyewear.

At the beginning of the year, Safilo went live with SAP Sales, Logistics and Warehouse in Safilo S.p.A., a major milestone in the Group's IT enabled simplification project EyeWay, involving global Order-to-Cash and Warehouse Management. After successful go lives in Purchase-to-Pay, Finance, HR, Product Development, and Demand Planning in the HQ and across several regions over the past 18 months, the migration of the global automatized DC in Padova has been challenging because of its unique fully automatized operations and complex global volumes. This has impacted our Q1 2017 Going Forward Portfolio warehouse deliveries and thus Q1 2017 sales. Going Forward Portfolio net sales in Q1 2017 are expected to decline by an estimated 15% to 20% compared to Q1 2016, with a resulting impact on the Group's Q1 financial results. The Group is aiming to quickly achieve the capacity and speed levels required to recover the warehouse deliveries during Q2.

In line with its Simplification strategy, the Group will continue to focus on the streamlining of its cost structure, focusing on production, sourcing and distribution efficiency actions as well as the planned overhead cost savings initiatives.

In 2017, Safilo will continue to invest in its core assets, in particular in its production plants, to further progress with its Supply Chain reinvention strategy as well as in its core EyeWay project to modernize, simplify and standardize the Company's work processes.

## **Other resolutions by the Board of Directors**

### **Stock Option Plan**

The Board of Directors has also defined, on the basis of the proposal of the Remuneration and Nomination Committee, the general guidelines of the Stock Option Plan 2017-2020, which provides for the granting of options allowing newly issued ordinary shares of the Company to be purchased and reserved to a selected group of senior executives, directors and key talented employees of the Company and/or its subsidiaries identified by the Board of Directors, on the basis of the proposal of the Remuneration and Nomination Committee, amongst those individuals who hold a key role in achieving the strategic objectives of the Company.

The Plan is aimed at supporting the improvement of the Company's long-term performance and the creation of shareholder value through the retention of individuals deemed key to the Group's development and with the aim of aligning the objectives of the beneficiaries with those of the Company's shareholders.

In accordance with the Plan, a maximum of 2,500,000 options will be issued and granted to the beneficiaries, subject to the achievement of predetermined performance targets, and will give the beneficiaries the right to subscribe one ordinary share of the Company for every option assigned.

The disclosure document relating to the Plan, including the description of the procedures and clauses for the implementation of the Plan, as well as the procedures and criteria for determining the stock option prices, will be published within the deadlines set forth by applicable law before the Company's Shareholders' Meeting called today by the Board of Directors on April 26, 2017, to approve the abovementioned Plan.

Decisions concerning the implementation of the Plan will be made public as per the provision of Article 84-bis, paragraph 5, letter a) of the Issuers' Regulations.

For the purposes of implementing the Plan, the abovementioned Shareholders' Meeting has been also called on an Extraordinary session to approve the proposal of a paid and separable capital increase, with exclusion of the option rights according to Article 2441, paragraph 4, second sentence, of the Civil code, by means of the issuance of a maximum of 2,500,000 shares, par value 5 euro each, for a maximum nominal value equal to Euro 12,500,000.

### **Share buy-back program**

Lastly, the Board of Directors agreed to present to the Shareholders' meeting a proposal for the purchase and disposal of treasury shares for up to 2,500,000 shares. Each purchase shall be executed in regulated markets at a price not lower than 10% and not higher than 5% of the average of official prices of Safilo Group shares over the five trading days prior to the date of the purchase trade, and in any case not higher than 10,00 EUR per share.

The proposal aims to provide the Company with strategic investment opportunities in the framework of the purposes admitted by national and European laws in force, including service of stock option plans and any other purpose set out by the "market practices" admitted by Consob.

Authorization to purchase shares will be requested for a period of 18 months, as from the shareholder resolution date; authorization to sell own shares will be requested for an unlimited period.

As of today, the Company has no treasury shares in portfolio.

All information concerning the terms and procedures of the authorization will be made available through the Illustrative Report on the treasury shares purchase of, to be made available to shareholders within the terms set forth law in force.



## Notes:

<sup>1</sup> The consolidated and separate financial statements are currently being audited, a process that has yet to be completed.

<sup>2</sup> In 2016, the adjusted economic results exclude: (i) an impairment loss on the goodwill allocated to the Far East cash generating unit for Euro 150.0 million and (ii) non-recurring restructuring costs for a total of Euro 9.8 million (Euro 7.9 and 7.5 million, respectively on EBITDA and Net result) due for Euro 8.6 million to overhead cost saving initiatives, such as the integration of Vale of Leven (Scotland) Polaroid lens production into Safilo's China based corporate supply network and for Euro 1.2 million to commercial restructuring costs in the EMEA region; include: (i) an income of Euro 8 million related to part of the total Euro 90 million accounting compensation for the early termination of the Gucci license, and (ii) an expense of Euro 4 million related to the final acceleration to P&L of Gucci prepaid royalties.

In Q4 2016, the adjusted EBITDA excludes: (i) non-recurring restructuring costs for a total of Euro 1.5 million; includes: (i) an income of Euro 8 million related to part of the total Euro 90 million accounting compensation for the early termination of the Gucci license, and (ii) an expense of Euro 4 million related to the final acceleration to P&L of Gucci prepaid royalties.

In 2015, the adjusted economic results excluded: (i) an impairment loss on the goodwill allocated to the Far East cash generating unit for Euro 40.5 million, (ii) a provision for other risks and charges in relation to the investigation of the French Competition Authority for Euro 17.0 million and (iii) non-recurring restructuring costs for Euro 3.0 million.

In the fourth quarter 2015, the adjusted EBITDA excluded: (i) a provision for other risks and charges in relation to the investigation of the French Competition Authority for Euro 17.0 million and (ii) non-recurring restructuring costs for Euro 0.7 million.

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The accounting treatment of the Euro 90 million compensation for the early termination of the Gucci license has been decided in coherence with the underlying obligations set forth in the Strategic Product Partnership Agreement ("SPPA") signed on January 12, 2015 with Kering Group. According to this, it was deemed appropriate by management to account for the majority of the compensation between 2017 and 2018, respectively in the measure of Euro 43 million in 2017 and Euro 39 million in 2018, following the contractual split of the volumes in the two years to which the agreed anticipated termination of the Gucci license (previously expiring at the end of December 2018) and key obligations under the SPPA agreement refer to.

It was considered appropriate to recognize the remaining part of the compensation, equal to Euro 8 million, in the profit and loss of 2016, given the start of the SPPA agreement in the second half of the year, with the shipment of the first significant bulk of volumes under the SPPA agreement in the fourth quarter of 2016.

The above compensation amounts are included in other operating income.

As a reminder, the total Euro 90 million compensation was agreed with the contract executed on January 12, 2015 with Kering Group that confirmed the early termination of the Gucci license agreement at the end of December 2016 and a Strategic Product Partnership Agreement (SPPA) for the development and manufacture of Gucci's Made in Italy eyewear products by Safilo. The first tranche of the compensation equal to Euro 30 million was received in January 2015, the second tranche equal to further Euro 30 million was received in December 2016, while the third tranche will be received in September 2018.

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:

- Sales performance of the Going Forwards Brand Portfolio is calculated by excluding Gucci and all brands which exited Safilo's brand portfolio in 2015.
- Ebitda (gross operating profit) is calculated by Safilo by adding to the Operating profit, depreciation and amortization;
- The net debt is for Safilo the sum of bank borrowings and short, medium and long-term loans, net of cash in hand and at bank;
- The net capital employed for Safilo is the sum of current assets and non-current assets net of current liabilities and non current liabilities, with the exception of the items previously considered in the net debt;
- The Free Cash Flow for Safilo is the sum of the cash flow from/(for) operating activities and the cash flow from /(for) investing activities.

Live Webcast

Results for the full year 2016 will be discussed tomorrow, March 16, 2017, starting at 8.00am CET (7.00am GMT/ 3.00am US EST) during a presentation to the financial community in Milan. The presentation will be publicly available via live webcast at <http://investors-en.safilogroup.com/>.

Notice of the call of the Ordinary Shareholders' Meeting

In the coming days, the notice of the call of the Shareholders' Meeting will be available on the website [www.safilogroup.com/it/investors.html](http://www.safilogroup.com/it/investors.html) and on the central storage of regulated information, where the Reports from the Directors to the Shareholders' Meeting on the proposals regarding the items on the agenda, will also be made available.

**Sàfilo Group S.p.A.***Consolidated income statement*

<i>(Euro/000)</i>	2016	2015	Change %
Net sales	1,252,931	1,278,960	-2.0%
Cost of sales	(537,303)	(522,004)	2.9%
<b>Gross profit</b>	<b>715,627</b>	<b>756,956</b>	<b>-5.5%</b>
Selling and marketing expenses	(512,817)	(526,524)	-2.6%
General and administrative expenses	(167,759)	(171,468)	-2.2%
Other operating income (expenses)	(1,318)	(17,657)	-92.5%
Impairment loss on goodwill	(150,000)	(40,475)	n.s.
<b>Operating profit/(loss)</b>	<b>(116,267)</b>	<b>832</b>	<b>n.s.</b>
Share of income (loss) of associates	-	1,010	-100.0%
Financial charges, net	(6,354)	(27,401)	-76.8%
<b>Profit/(Loss) before taxation</b>	<b>(122,621)</b>	<b>(25,559)</b>	<b>n.s.</b>
Income taxes	(19,479)	(26,854)	-27.5%
<b>Net profit/(loss) of the period</b>	<b>(142,101)</b>	<b>(52,413)</b>	<b>n.s.</b>
Non-controlling interests	-	332	(100.0%)
<b>Net profit/(loss) attributable to owners of the Parent</b>	<b>(142,101)</b>	<b>(52,745)</b>	<b>n.s.</b>
<b>EBITDA</b>	<b>80,942</b>	<b>82,371</b>	<b>(1.7%)</b>
Earnings per share - basic (Euro)	(2.269)	(0.843)	
Earnings per share - diluted (Euro)	(2.267)	(0.840)	
<b>Adjusted economic indicators</b>			
<b>Adjusted Operating profit</b>	<b>43,513</b>	<b>61,359</b>	<b>(29.1%)</b>
<b>Adjusted EBITDA</b>	<b>88,810</b>	<b>102,423</b>	<b>(13.3%)</b>
<b>Adjusted net profit attributable to the Group</b>	<b>15,373</b>	<b>6,932</b>	<b>n.s.</b>

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**Sàfilo Group S.p.A.****Consolidated Balance sheet**

<i>(Euro/000)</i>	December 31, 2016	December 31, 2015	Change
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	109,038	86,640	22,398
Trade receivables	237,407	243,759	(6,352)
Inventory	272,815	254,079	18,736
Derivative financial instruments	1,997	1,727	270
Other current assets	60,828	54,183	6,645
<b>Total current assets</b>	<b>682,085</b>	<b>640,388</b>	<b>41,697</b>
<b>Non-current assets</b>			
Tangible assets	197,606	197,498	109
Intangible assets	64,108	62,333	1,775
Goodwill	448,302	583,908	(135,606)
Deferred tax assets	96,785	93,597	3,188
Derivative financial instruments	-	-	-
Other non-current assets	36,700	3,167	33,533
<b>Total non-current assets</b>	<b>843,501</b>	<b>940,503</b>	<b>(97,001)</b>
<b>Non-current assets held for sale</b>	<b>1,475</b>	<b>9,914</b>	<b>(8,440)</b>
<b>Total assets</b>	<b>1,527,061</b>	<b>1,590,805</b>	<b>(63,744)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	20,013	44,022	(24,009)
Trade payables	248,492	220,170	28,322
Tax payables	18,627	25,266	(6,639)
Derivative financial instruments	1,624	877	747
Other current liabilities	91,967	47,484	44,483
Provisions for risks and charges	27,640	24,124	3,516
<b>Total current liabilities</b>	<b>408,363</b>	<b>361,943</b>	<b>46,420</b>
<b>Non-current liabilities</b>			
Long-term borrowings	137,393	132,526	4,867
Employees benefits liability	31,395	31,175	220
Provisions for risks and charges	14,798	16,213	(1,415)
Deferred tax liabilities	16,241	11,146	5,095
Derivative financial instruments	484	3,614	(3,130)
Other non-current liabilities	45,583	35,584	9,999
<b>Total non-current liabilities</b>	<b>245,894</b>	<b>230,258</b>	<b>15,636</b>
<b>Total liabilities</b>	<b>654,257</b>	<b>592,201</b>	<b>62,056</b>
<b>Shareholders' equity</b>			
Share capital	313,300	313,150	150
Share premium reserve	484,862	484,845	17
Retained earnings and other reserves	216,743	251,683	(34,940)
Cash flow hedge reserve	0	572	(572)
Income/(Loss) attributable to the Group	(142,101)	(52,745)	(89,356)
<b>Total shareholders' equity attributable to the Group</b>	<b>872,804</b>	<b>997,505</b>	<b>(124,701)</b>
<b>Non-controlling interests</b>	<b>0</b>	<b>1,099</b>	<b>(1,099)</b>
<b>Total shareholders' equity</b>	<b>872,804</b>	<b>998,604</b>	<b>(125,800)</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,527,061</b>	<b>1,590,805</b>	<b>(63,744)</b>

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**Sàfilo Group S.p.A.***Consolidated statement of cash flows*

<i>(Euro/000)</i>	<b>2016</b>	<b>2015</b>
<b>A - Opening net cash and cash equivalents (net financial indebtedness - short term)</b>	<b>47,618</b>	<b>39,494</b>
<b>B - Cash flow from (for) operating activities</b>		
Net profit for the period (including minority interests)	(142,101)	(52,413)
Depreciation and amortization	47,209	41,065
Impairment loss on goodwill	150,000	40,475
Other non-monetary P&L items	(4,427)	35,275
Interest expenses, net	7,005	7,873
Income tax expenses	19,479	26,853
<b>Flow from operating activities prior to movements in working capital</b>	<b>77,165</b>	<b>99,128</b>
(Increase) Decrease in trade receivables	11,393	29,006
(Increase) Decrease in inventory, net	(18,554)	1,990
Increase (Decrease) in trade payables	27,458	1,710
(Increase) Decrease in other receivables	(38,605)	(2,881)
Increase (Decrease) in other payables	60,346	23,877
Interest expenses paid	(2,104)	(3,342)
Income taxes paid	(28,034)	(34,690)
<b>Total (B)</b>	<b>89,065</b>	<b>114,799</b>
<b>C - Cash flow from (for) investing activities</b>		
Investments in property, plant and equipment	(40,868)	(34,148)
Net disposals of property, plant and equipment	10,476	2,059
Acquisition of minorities (in subsidiaries)	(2,500)	(2,912)
(Acquisition) Disposal of investments and bonds	-	8,592
Purchase of intangible assets, net of disposals	(11,442)	(13,629)
<b>Total (C)</b>	<b>(44,334)</b>	<b>(40,038)</b>
<b>D - Cash flow from (for) financing activities</b>		
Proceeds from borrowings	5,000	-
Repayment of borrowings	-	(71,264)
Share capital increase	166	631
Dividends paid	-	-
<b>Total (D)</b>	<b>5,166</b>	<b>(70,632)</b>
<b>E - Cash flow for the period (B+C+D)</b>	<b>49,897</b>	<b>4,129</b>
Translation exchange differences	1,510	3,995
<b>Total (F)</b>	<b>1,510</b>	<b>3,995</b>
<b>G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)</b>	<b>99,025</b>	<b>47,618</b>

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**Sàfilo Group S.p.A.***Income statement*

<i>(Euro)</i>	<b>Financial Year</b>		
	<b>2016</b>	<b>2015</b>	<b>Change %</b>
Net sales	412,000	412,000	0.0%
<b>Gross profit</b>	<b>412,000</b>	<b>412,000</b>	<b>0.0%</b>
General and administrative expenses	(3,543,093)	(3,463,823)	2.3%
Other operating income (expenses)	(59,981)	118,712	n.s.
<b>Operating profit/(loss)</b>	<b>(3,191,074)</b>	<b>(2,933,111)</b>	<b>8.8%</b>
Financial charges, net	(3,612,156)	(5,693,659)	-36.6%
<b>Profit/(loss) before taxation</b>	<b>(6,803,230)</b>	<b>(8,626,770)</b>	<b>-21.1%</b>
Income taxes	998,111	2,329,980	-57.2%
<b>Net profit/(loss) for the year</b>	<b>(5,805,119)</b>	<b>(6,296,790)</b>	<b>-7.8%</b>

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**Sàfilo Group S.p.A.***Balance sheet*

<i>(Euro)</i>	December 31, 2016	December 31, 2015	Change
<b>ASSETS</b>			
<b>Current assets</b>			
Cash in hand and at bank	334,104	113,499	220,605
Trade receivables, net	992,511	760,788	231,723
Other current assets	23,786,601	25,892,231	(2,105,630)
<b>Total current assets</b>	<b>25,113,216</b>	<b>26,766,518</b>	<b>(1,653,302)</b>
<b>Non-current assets</b>			
Investments in subsidiaries	903,256,718	903,267,936	(11,218)
Deferred tax assets	1,904,084	1,792,596	111,488
Other non-current assets	2,100,523	1,213,910	886,613
<b>Total non-current assets</b>	<b>907,261,325</b>	<b>906,274,442</b>	<b>986,883</b>
<b>Total assets</b>	<b>932,374,541</b>	<b>933,040,960</b>	<b>(666,419)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables	1,036,740	788,290	248,450
Tax payables	181,234	196,327	(15,093)
Other current liabilities	8,251,675	4,595,589	3,656,086
Provisions for risks and charges	1,144,018	-	1,144,018
<b>Total current liabilities</b>	<b>10,613,667</b>	<b>5,580,206</b>	<b>5,033,461</b>
<b>Non-current liabilities</b>			
Long-term borrowings	137,393,195	132,525,703	4,867,492
Employees benefits liability	49,763	62,558	(12,795)
Provisions for risks and charges	-	1,819,031	(1,819,031)
Derivative financial instruments	484,473	3,613,643	(3,129,170)
Other non-current liabilities	531,485	524,497	6,988
<b>Total non-current liabilities</b>	<b>138,458,916</b>	<b>138,545,432</b>	<b>(86,516)</b>
<b>Total liabilities</b>	<b>149,072,583</b>	<b>144,125,638</b>	<b>4,946,945</b>
<b>Shareholders' equity</b>			
Share capital	313,299,825	313,149,825	150,000
Share premium reserve	484,861,564	484,845,364	16,200
Retained earnings (losses) and other reserves	(9,054,312)	(2,783,077)	(6,271,235)
Net profit (loss) of the year	(5,805,119)	(6,296,790)	491,671
<b>Total shareholders' equity</b>	<b>783,301,958</b>	<b>788,915,322</b>	<b>(5,613,364)</b>
<b>Total liabilities and shareholders' equity</b>	<b>932,374,541</b>	<b>933,040,960</b>	<b>(666,419)</b>

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**Sàfilo Group S.p.A.***Statement of cash flows*

<i>(Euro)</i>	Financial Year	
	2016	2015
<b>A - Opening net cash and cash equivalents (net financial indebtedness - short term)</b>	<b>113,499</b>	<b>175,824</b>
<b>B - Cash flow from (for) operating activities</b>		
Net profit (loss) for the period	(5,805,119)	(6,296,793)
Stock Options figurative cost	38,572	115,759
Net changes in employees benefits liability	(14,594)	14,341
Net changes in provision for risks	(675,013)	822,734
Other non monetary P&L items	(3,129,169)	(810,909)
Interest expenses, net	6,743,748	6,494,398
Income tax expenses	(998,111)	(2,329,980)
<b>Income (loss) from (for) operating activities prior to movements in working capital</b>	<b>(3,839,686)</b>	<b>(1,990,450)</b>
(Increase) Decrease in trade receivables	(231,723)	(169,037)
(Increase) Decrease in other receivables	(4,792,470)	(818,196)
Increase (Decrease) in trade payables	248,450	1,585,410
Increase (Decrease) in other payables	4,644,834	(476,502)
Interests paid	(1,875,000)	(1,875,000)
Income taxes paid	-	-
<b>Total (B)</b>	<b>(5,845,595)</b>	<b>(3,743,775)</b>
<b>C - Cash flow from (for) investing activities</b>		
(Investments) disinvestments in subsidiaries	-	-
<b>Total (C)</b>	<b>-</b>	<b>-</b>
<b>D - Cash flow from (for) financing activities</b>		
Proceeds from borrowings	-	-
Share capital increase	166,200	631,450
Dividends received	5,900,000	3,050,000
<b>Total (D)</b>	<b>6,066,200</b>	<b>3,681,450</b>
<b>E - Cash flow for the period (B+C+D)</b>	<b>220,605</b>	<b>(62,325)</b>
<b>F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)</b>	<b>334,104</b>	<b>113,499</b>

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**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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