



FY 2016 Results

---

**Analyst and Investor meeting**

---

March 16<sup>th</sup>, 2017



# DISCLAIMER

This presentation may contain forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.

# AGENDA

- 1. 2016 HIGHLIGHTS***
- 2. 2016 ECONOMIC AND FINANCIAL ANALYSIS***
- 3. 2017 KEY BUSINESS DRIVERS***

## ***1. 2016 HIGHLIGHTS***

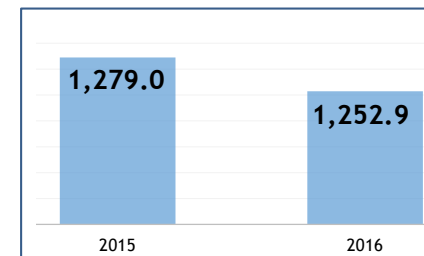
# 2016 - BUSINESS AND ECONOMIC HIGHLIGHTS

## NET SALES AND ADJ.<sup>1</sup> ECONOMIC PERFORMANCE DRIVEN BY:

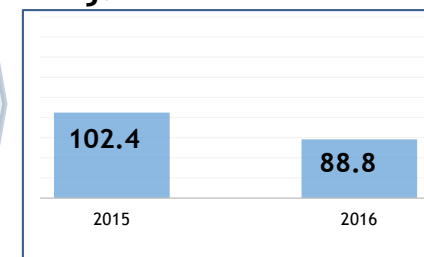
- DECLINE OF GUCCI IN ITS LAST YEAR AS A LICENSE
- GROWTH BY THE GOING FORWARD BRAND PORTFOLIO, UP 5.2% IN THE WHOLESALE BUSINESS:
  - SOLID PERFORMANCE IN EUROPE, POSITIVE GROWTH IN NORTH AMERICA DESPITE DIFFICULT US ENVIRONMENT, STRONG TRENDS IN CENTRAL & EASTERN EUROPE, IMEA, BRAZIL AND MEXICO
  - ASIA AND US RETAIL BUSINESS KEY HEADWINDS
- LOWER OPERATING PERFORMANCE, BEHIND GUCCI RELATED IMPACTS
- CASH GENERATION AND RECORD LOW FINANCIAL LEVERAGE

*in millions of Euro*

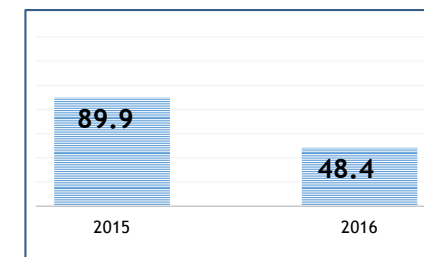
### NET SALES -1.2% @Cfx



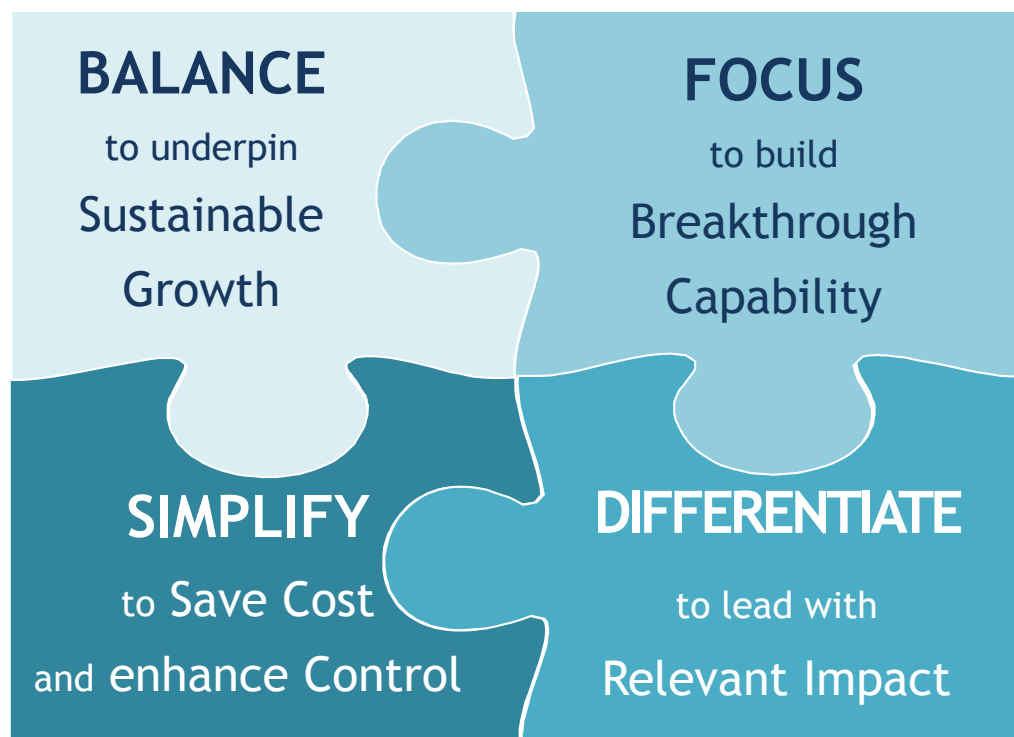
### Adj.<sup>1</sup> EBITDA -13.3%



### NET DEBT -46.2%

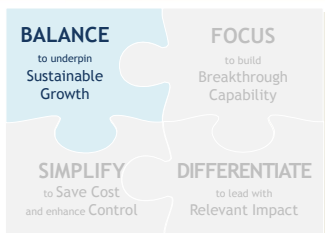


# OUR 4 STRATEGIC CHOICES



# 2016 PROGRESS

## Portfolio BALANCE



### 5 SEGMENTS

NEW PARTNERSHIPS

### OWN CORE BRANDS

SMITH Polaroid

CARRERA SAFILO

### KEY LICENSED BRANDS

Foundation  
Dior

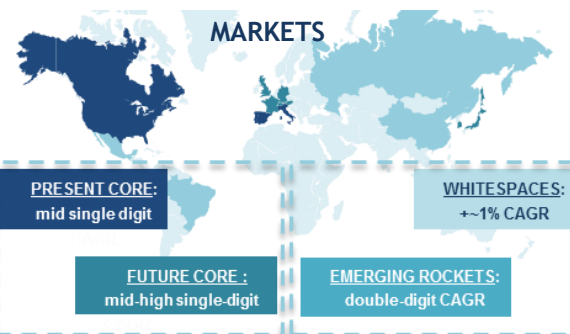
#### Future Core

BOSS TOMMY HILFIER  
HUGO BOSS MaxMara  
MARC JACOBS kate spade

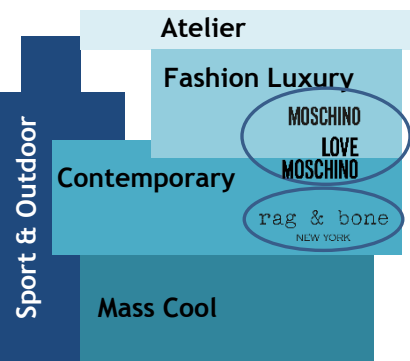
#### Rockets

JIMMY CHOO CÉLINE  
GIVENCHY FENDI

### MARKETS



### FURTHER BALANCE WITH NEW PARTNERSHIPS



### RESULTS NOT YET THERE LEARNINGS TURNED TO ACTION NOW

**Polaroid**  
*Sales slightly decreased. Restrained by final integration, and promotional environment in some key markets.*

**Carrera**  
*Down low double-digit. Product key issue, learnings fully in new collection.*

**Smith:**  
*Core on track: NA Snow stable, gaining share in declining market. B2C strong Expansion mixed: EMEA Snow on track, Eyewear needs to improve.*

### STRONG PERFORMANCE AND MARKET SHARE GAINS

**Dior**  
*Strong growth behind continued collection successes.*

**Future Core**  
*Further progress, driven by Boss, Max Mara and Kate Spade*

**Rockets**  
*Strong double digit growth*

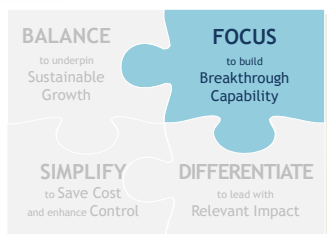
### GROWTH OF STRONGHOLDS AND KEY EMERGING MITIGATED BY RETAIL AND ASIA

**Above plan in Present Core**  
*Strong broad-based growth in Europe. Positive performance in North America wholesale.*

**Emerging Markets Mixed**  
*Latin America, IMEA and CEE positive while Asia still negative, but much lower drag.*

**Difficult Retail performance**  
*Double-digit decline in topline continued in a challenging US retail market environment.*

# 2016 PROGRESS



## Capability FOCUS

### BRAND BUILDING

- **Brand Management reorientation** to apply the best of Safilo capability in consumer based differentiation, product and commercial strategies to Own core brands
- Further **sharpened communication projects**, e.g. Carrera Jared Leto, Polaroid summer campaign -> brand health stable on Carrera and Polaroid, improving on Smith

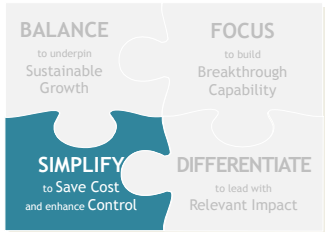
### PRODUCT

- New **Padua Design Studio**, combining Product Design, Creation and Development
- Acquisition of remaining stake in **Lenti Srl** to **expand sun lens capability and technology**

### COMMERCIAL

- Increased **distribution differentiation** per segment and brand penetration
- Further **upgraded and expanded SMILE**, from 3,400 to more than 5,000 doors worldwide
- Significant **DSO and overdue reduction** continues to drive free cash flow





## SIMPLIFY to Save Cost and Enhance Control

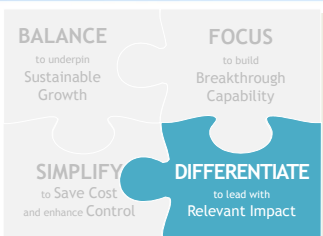
### PRODUCT SUPPLY

- Plant re-design, new technology and lead time reduction, enabling >€10 Mio of cost savings
- Production insourcing: 38% of total volume now Made in Safilo, vs. 30% in 2015
- End2end product flows: 67% from 45% in 2015
- Lead time of finished products: 30 days from 45 in 2015
- Logistics rationalization: 13 DCs from 19 in 2015
- **Flip-side:** Inventory and related obsolescence charges remain high

### “EYE-WAY”

- Flawless **go-lives** of Sales planning and SAP for HR, Finance, Procurement, Logistics in our operating company Safilo S.p.A., and confirmed effective for the full year.
- New function called **Sales Delivery** to bridge between Commercial and Product Supply
- Launch of **Overhead Productivity plan**

# 2016 PROGRESS



## DIFFERENTIATE to Lead with relevant impact

### BESPOKE QUALITY

- Bespoke product design and development by segment initiated as key enabler for sharper product offering tailored to consumer segment needs, and target cost reduction.

### OPTICAL STRATEGY

- Prepared re-launch of Safilo brand & optical frames product family, ready for HY2 2017, as main thrust of our elevation of Optical to a core strategic choice for Safilo.

## ***2. 2016 ECONOMIC AND FINANCIAL ANALYSIS***

# NON-RECURRING ITEMS

*in millions of Euro*

In 2016 non-recurring items amounted to	159.8
---	-------

## Related to:

- Impairment loss on goodwill** 150.0  
 reflecting the write down of the goodwill allocated to the Far East CGU
- Restructuring costs** 9.8  
 in particular the integration of Polaroid lens production in Scotland  
 into Safilo's China supply network and commercial restructuring costs  
 in Europe, China and Korea

In 2015 non-recurring items amounted to	60.5
---	------

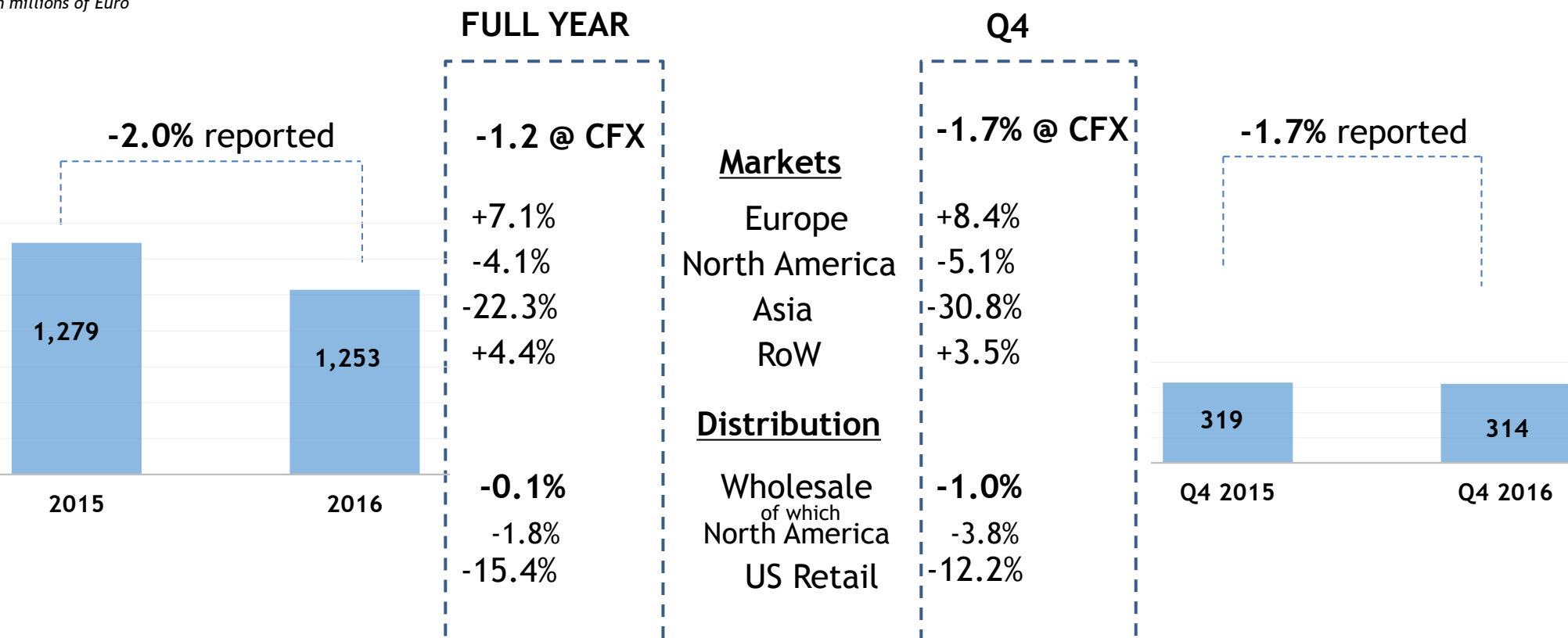
# 2016 ECONOMIC AND FINANCIAL PERFORMANCE

in millions of Euro

	FY 2016	FY 2015	% Change	Q4 2016	Q4 2015	% Change	9M 2016	9M 2015	% Change
<b>Total sales</b>	<b>1,252.9</b>	1,279.0	<b>-2.0%</b>	<b>313.9</b>	319.2	<b>-1.7%</b>	<b>939.1</b>	959.7	<b>-2.2%</b>
<b>Gross profit</b>	<b>715.6</b>	757.0	<b>-5.5%</b>	<b>151.7</b>	179.5	<b>-15.5%</b>	<b>564.0</b>	577.4	<b>-2.3%</b>
%	57.1	59.2		48.3	56.2		60.1	60.2	
EBITDA	80.9	82.4	-1.7%	9.9	7.3	+35.9%	71.0	75.1	-5.4%
<b>Adjusted<sup>1</sup> EBITDA</b>	<b>88.8</b>	102.4	<b>-13.3%</b>	<b>11.4</b>	25.0	<b>-54.4%</b>	<b>77.4</b>	77.4	<b>0.0%</b>
%	7.1	8.0		3.6	7.8		8.2	8.1	
Group net result	(142.1)	(52.7)	n.s.						
<b>Adjusted<sup>1</sup> Group net result</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>				<b>111.5</b>	97.1	
<b>Free Cash Flow</b>	<b>44.7</b>	74.8							

# 2016 TOTAL NET SALES PERFORMANCE

in millions of Euro



➔ Q4 overall performance also reflected sales of Gucci finished products stock, behind the closure of the license, and shipment to Kering of the first significant volumes of Gucci 2017 collections, under the strategic product partnership agreement.

# 2016 NET SALES PERFORMANCE FROM GOING FORWARD BRANDS

## FY 2016: +3.6% @ CFX (+5.2% Wholesale)

**EUROPE**  
**+9.2%**

**NORTH AMERICA**  
**Total -0.2%**  
**Wholesale +2.9%**

**ASIA**  
**-10.2%**

**ROW**  
**+9.7%**

## Q4 2016: +0.5% @ CFX (+2.3% Wholesale)

**EUROPE**  
**+2.8%**

**NORTH AMERICA**  
**Total -2.6%**  
**Wholesale +1.7%**

**ASIA**  
**-8.0%**

**ROW**  
**+11.6%**

- FY trends very positive in Italy, France, UK and Nordic

- Q4 soft in Spain behind weaker, promotional market environment

- Positive wholesale performance; Q4 better than Q3 despite soft sport channel

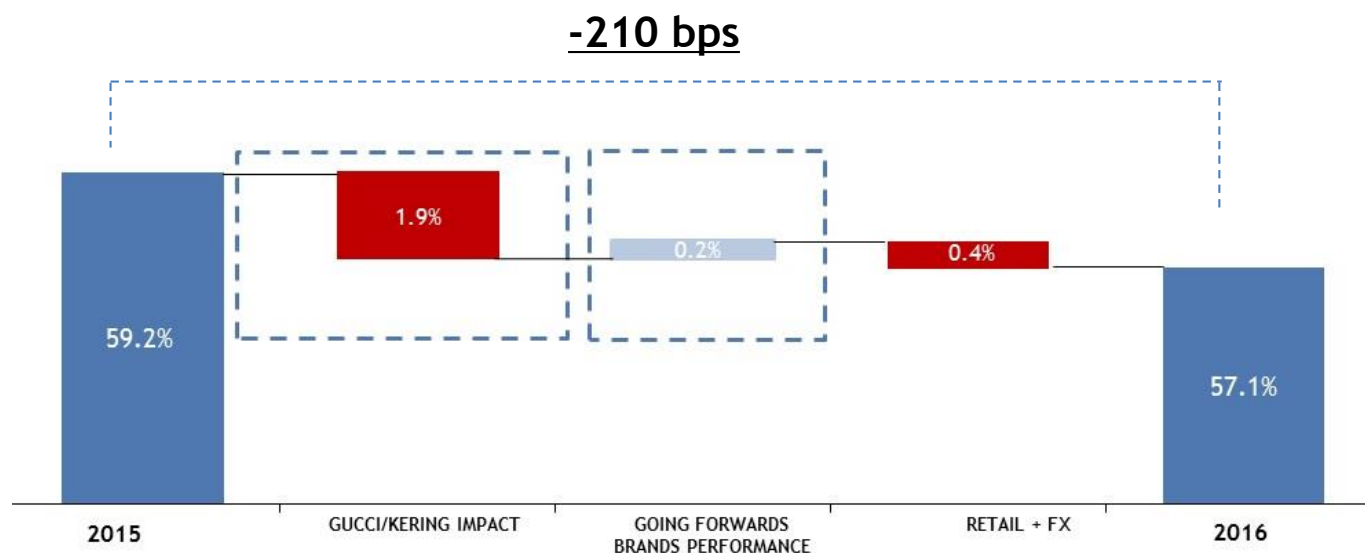
- Solstice FY LFL result -11.3%

- H2 trends better than H1, although impacted by some specific delivery issues

- IMEA and LATAM continued to progress

# GROSS MARGIN PERFORMANCE

in % on total net sales



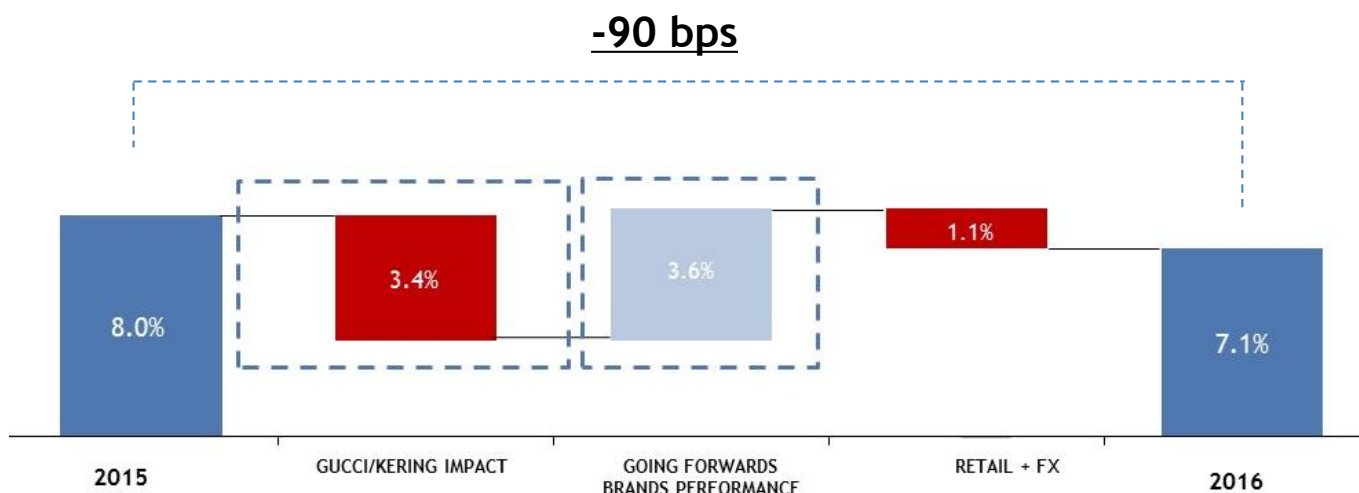
## KEY DRIVERS

- FY gross margin dilution reflecting significant Q4 impacts from Gucci/ Kering dynamics (-610 bps): license phase-out, sale of related stock, SPPA;
- Positive performance from Going Forward brands driven by price/mix effect and higher production efficiencies, partially offset by obsolescence costs
- Negative impact from FX and Retail performance



# ADJ.<sup>1</sup> EBITDA PERFORMANCE

in % on total net sales

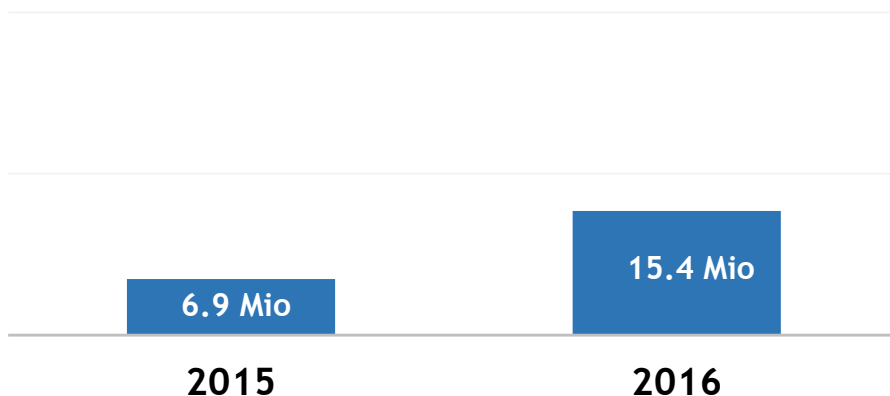


## KEY DRIVERS

- Gucci/Kering related effects, including impacts of minimum guaranteed costs and acceleration of prepaid royalties. First accounting compensation of €8 Mio
- Positive progress of underlying business behind gross margin dynamic and OpEx savings
- Negative impact from Retail performance and FX

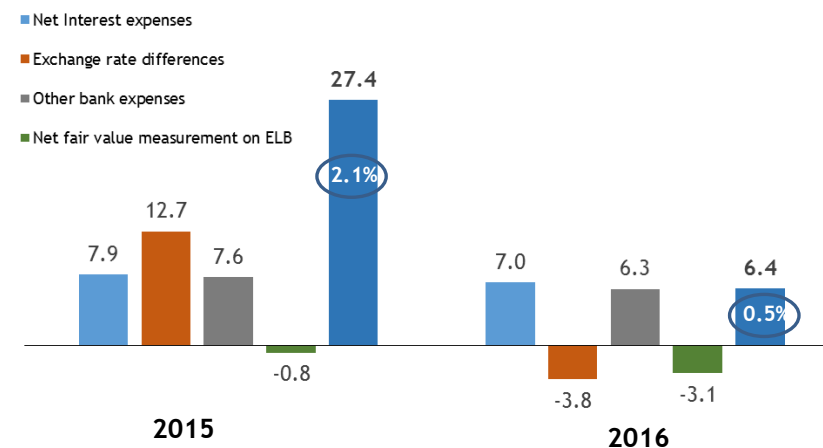
# ADJ.<sup>1</sup> GROUP NET RESULT

in millions of Euro and % on total net sales



2016 adj.<sup>1</sup> Group Net result reflected:

- lower total net financial expenses

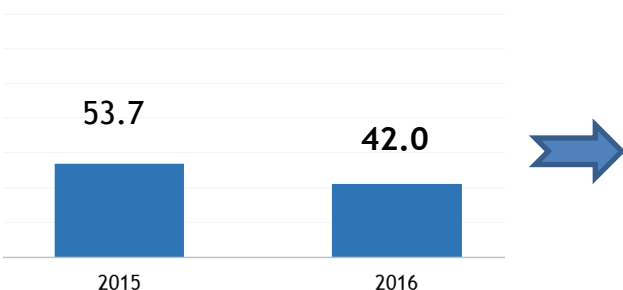


- and an adj. tax rate of 58.6% vs 79.2% in 2015

# FREE CASH FLOW

in millions of Euro

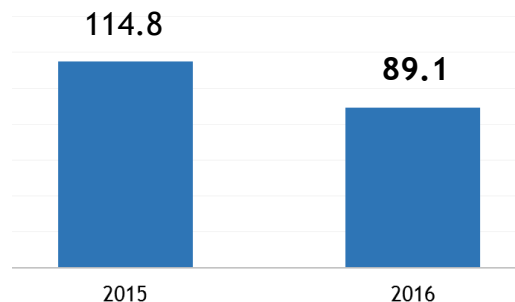
## Change in Working Capital



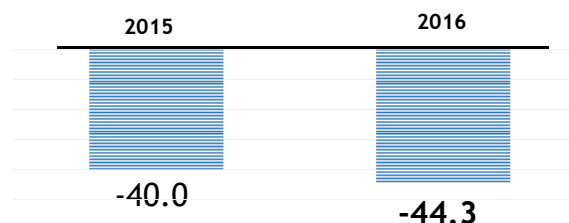
**NET WC freeing €20.3 Mio** thanks to positive trade receivables collection and favorable trade payables

**Kering compensation of €30 Mio** (second of three compensation payments)

## Cash Flow from Operating Activities



## Cash Flow for Investing Activities

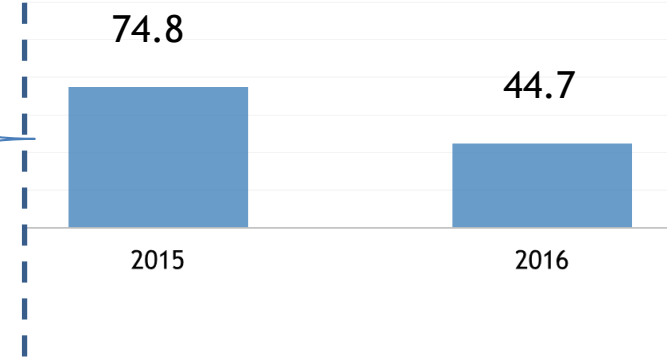


**CAPEX of €52.4 Mio** for plant investments in new technology + EYEWAY project.

Sale of DC in New Jersey (now in Denver)  
Acquisition of remaining 24.4% in Lenti Srl

## Continued

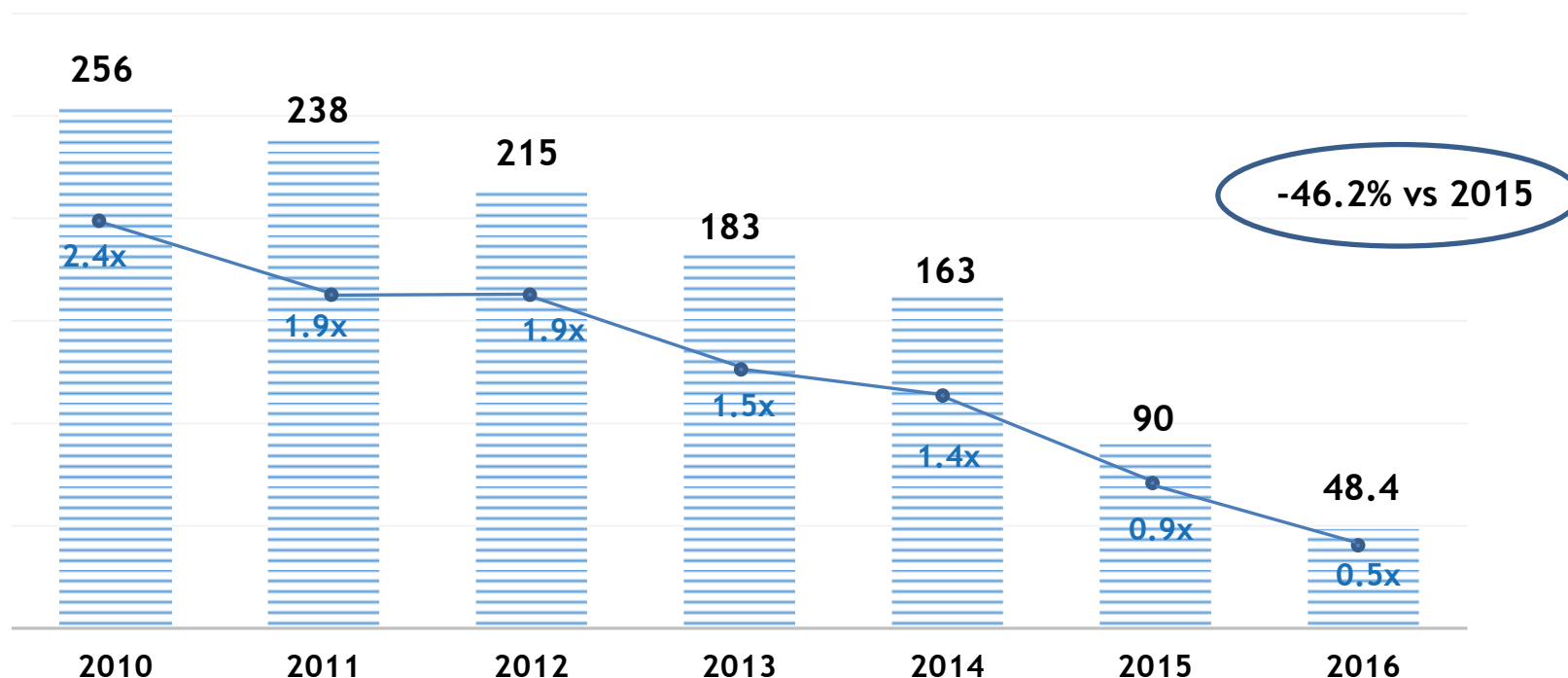
## FREE CASH FLOW generation



# 2016 GROUP NET DEBT

in millions of Euro

## ALL TIME LOW NET DEBT



### ***3. 2017 KEY BUSINESS DRIVERS***

# 2017 KEY ECONOMIC AND FINANCIAL DRIVERS

## 2017 Top-Line Drivers

1. Gucci license: sales approx. 18% of Group total sales in 2016, completely out in 2017
2. Strategic Product Partnership Agreement (SPPA): expected to recover approx. a third of Gucci license sales
3. Going Forward Brand Portfolio: continuing positive performance

## 2017 Bottom-Line Drivers

1. Income from SPPA and €43 Mio compensation accounting expected to more than cover 2016 Gucci license profit contribution
2. Retail undergoing turnaround plan - expected horizon 12-18 months
3. Going Forward Brand Portfolio positive performance behind combination of top-line and cost savings

**SAP Order to Cash 'go-live' impacting Q1 delivery fulfilments of the Going Forward Brand Portfolio**

**Q1 sales of the Going Forward Brand Portfolio expected to decline by 15% to 20%, with a resulting impact on the Group's Q1 financial results**

# 2017 KEY BUSINESS DRIVERS

## BRANDS

- **Own core brands:** intensify what we do around own core brands, leveraging all corporate assets: go-to market, capability, communication, innovation.  
drive Polaroid, Carrera and Smith with strong new products and campaigns. Re-launch Safilo in HY2 as part of the Group's focus on optical strategy.
- **Strategic licenses:** sustain growth of core + launch new (havaianas, Elie Saab) + attract more.

## MARKETS

- **Core Regions (EU + NA):** drive strong markets/ channels, developing preferred customer partnerships: Smile, tailored commercial propositions for distribution expansion and customer sell-through.
- **Emerging Markets:** Continuing growth in IMEA, Latin America and CEE, while focusing on portfolio rebalancing in Asia.

## OPERATIONS

- **Manufacturing & Logistics:** Continue plant re-inventions to drive agility, cost, service & quality. Further consolidate logistics footprint.
- **Overheads Productivity:** 2017 Overheads reduction >10 Mio€ as per plan.



## 2017 BUSINESS DRIVERS

- Strong focus and business plans to deliver continuing growth with our **STRATEGIC LICENSES**



DIOR



MaxMara



FENDI



JIMMY CHOO



GIVENCHY



MARC JACOBS



ELIE SAAB  
EYEWEAR



BOSS  
HUGO BOSS



kate spade  
NEW YORK



FOSSIL





## 2017 BUSINESS DRIVERS

- DRIVE POLAROID, CARRERA AND SMITH with strong new products and campaigns
- RE-LAUNCH SAFILO eyewear collection, launching in Autumn 2017
- LAUNCH OXYDO in the ATELIER SEGMENT of super luxury eyewear

**CARRERA**  
EYEWEAR SINCE 1956

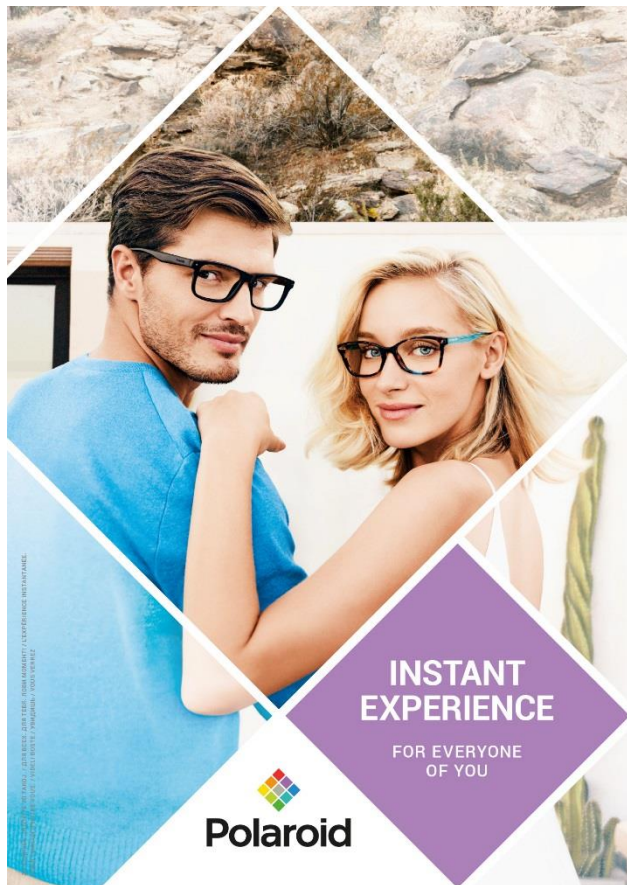
 **Polaroid**

**SMITH**

**SAFILO**

**OXYDO**

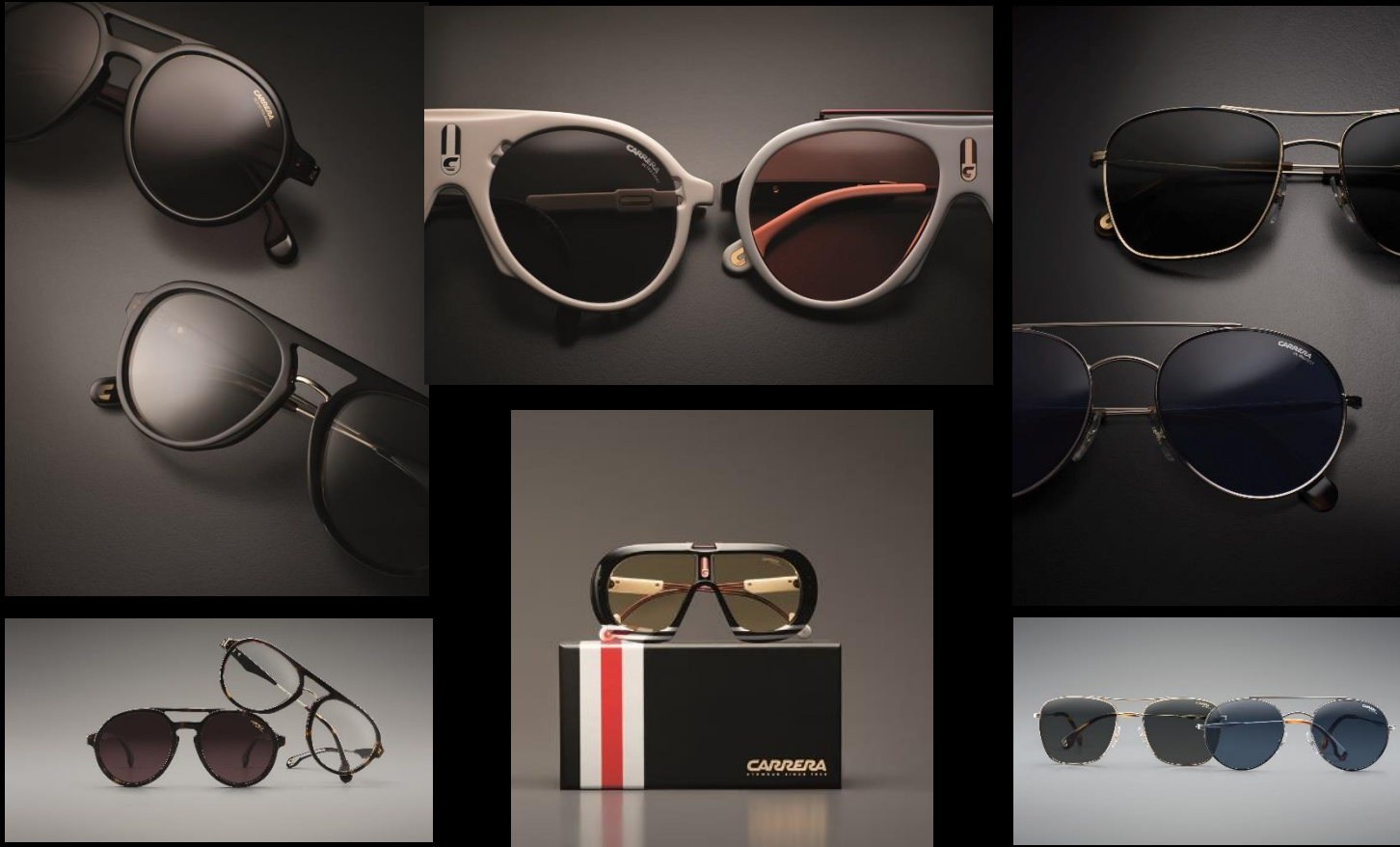
## Polaroid confirms itself as #2 SUNGLASS brand in Europe 5 MARKET



### In 2017, we leverage:

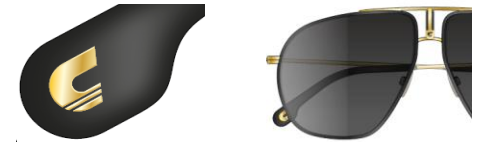
- **IN HOUSE DESIGN** developed in our Design Studio in Milan
- Improved **PRODUCTION** and **QUALITY** flows
- Increased **NUMBER** of **RELEASES** to enable **GO-TO-MARKET FREQUENCY**
- Focus on **DIGITAL COMMUNICATION**
- High **VISIBILITY** in POS inspired by **POLAROID PIXEL**

Clear and distinctive Design Language to define Carrera famous elements and give multiple Design options to different consumers, markets and customers



## 2017 Collection

Logo Presence



Distinctive Temples

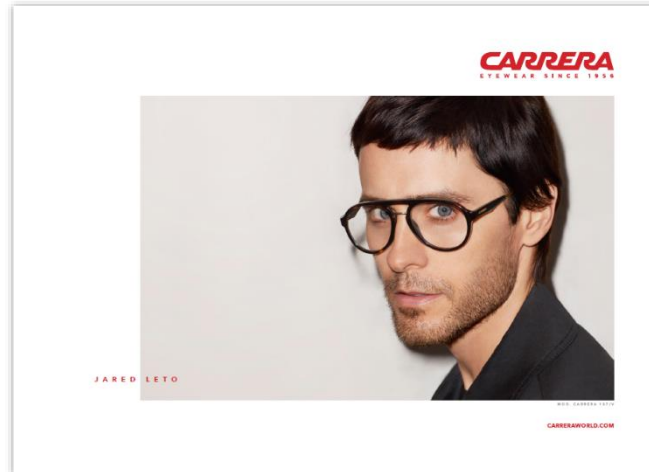


Heritage on lenses

New 2017 Red HD Polarized



We continue our strong collaboration with JARED LETO, one of the most eclectic artist: actor, singer-songwriter and director



2016 Best Actor in Social Media

**f** 5,9 mio **ig** 9.2 mio followers

2017 3 Hollywood Movies and a New Album



## 2017 Communication

- Local endorsements to support growth projects like the brand development in India



- Strong editorials

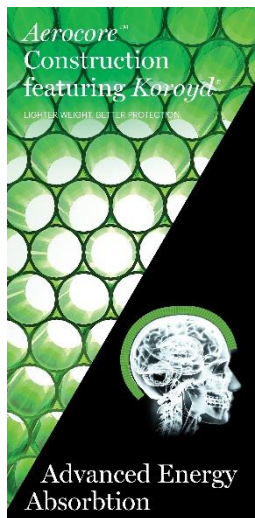


- Strong Trade Support





## Smith confirms its #1 POSITION IN THE US SNOW GOGGLES AND HELMETS MARKET



### In 2017, we leverage:

- **SMITH CORE ASSETS: BETTER VISION** *ChromaPop*  
**BETTER PROTECTION** *Koroyd*
- **ITS PRODUCT DESIGN LANGUAGE: CARVE**  
balancing performance innovation and modern, refined style
- **ITS COMPLETE EYEWEAR SOLUTIONS**  
connecting performance to lifestyle
- **ITS GROWING E-COMMERCE BUSINESS**  
to be launched in Europe



## Smith confirms its #1 POSITION IN THE US SNOW GOGGLES AND HELMETS MARKET



- **ITS INNOVATIVE SOLUTIONS**

Attack Mag, an innovative quick release mechanism

- **ITS TECHNOLOGICAL WIT**

LowdownFocus (SAFILO<sup>×</sup> SMART EYEWEAR), presented at CES 2017 in Las Vegas  
Combining the popular and stylish **Smith Lowdown** frames with leading brain wave sensing technology integrating Interaxon's Muse brain-sensing technology



**WE WANT TO MAKE SAFILO THE GROUP OPTICAL SPECIALIST BRAND.**

strengthening the Group strategy of affirming its historical LEADERSHIP in the OPTICAL BUSINESS



SAFILO

SEVENTH STREET  
by Safilo

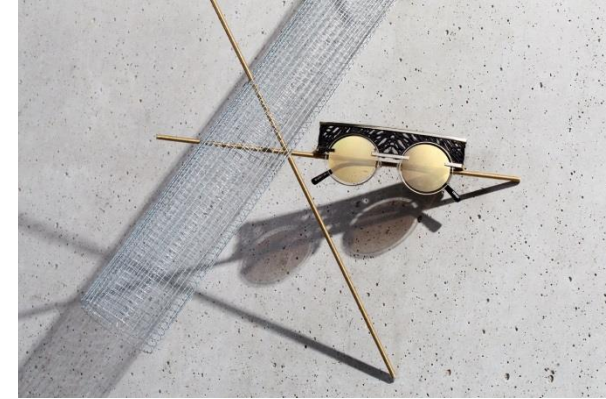
kids  
by SAFILO  
MADE IN ITALY

elasta®  
by Safilo

Emozioni®  
by Safilo

- Launching in Autumn 2017 a completely renovated optical collection: A VISION BEYOND FRAMES
- Redigned with a new concept and positioning and a 'Made-in-Italy' know-how in acetate, metal or titanium
- Showcasing premium materials, high-quality treatments, smart technical and design solutions, including a new distinctive hinge

## MASTERING OUR EYEWEAR CRAFT



- We introduce Oxydo into the Atelier segment
- Oxydo distinctive elements are its Italian craftsmanship, the use of advanced technologies such as 3D print and its special collaborations with unique talents of the contemporary art scene
- Each Oxydo piece is available in a limited edition, exclusively made for the customer



# SUPPLY NETWORK REINVENTION - 2017 BUILDING BLOCKS

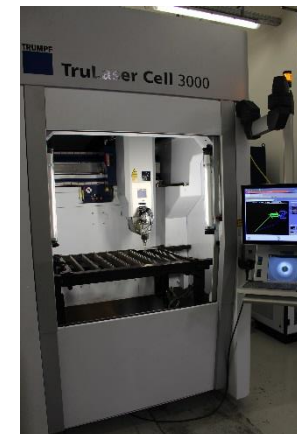
## OUR STRATEGIC PILLARS:

- INCREASE MADE IN SAFILO
- IMPROVE MANUFACTURING FLOWS AND TECHNOLOGIES
- SIMPLIFY DISTRIBUTION NETWORK FOOTPRINT

## 2017 BUILDING BLOCKS

- Complete capacity increase and new plants layout in SMM to simplify production/materials flow and keep reducing lead-time of fronts and temples production;
- Increase end-to-end production of metal components in Longarone and step-change its technology diversification
- Focus on Optyl product cost optimization in Ormoz;
- RX Laboratory expansion in Clearfield/USA.

*Technology innovation in Longarone plant*



## AND TARGETS:

### **Insourcing of finished products:**

- 45% on our way to 70% in 2020

### **End2end product flows:**

- 70% on our way to 75% in 2020

### **Lead time of finished products:**

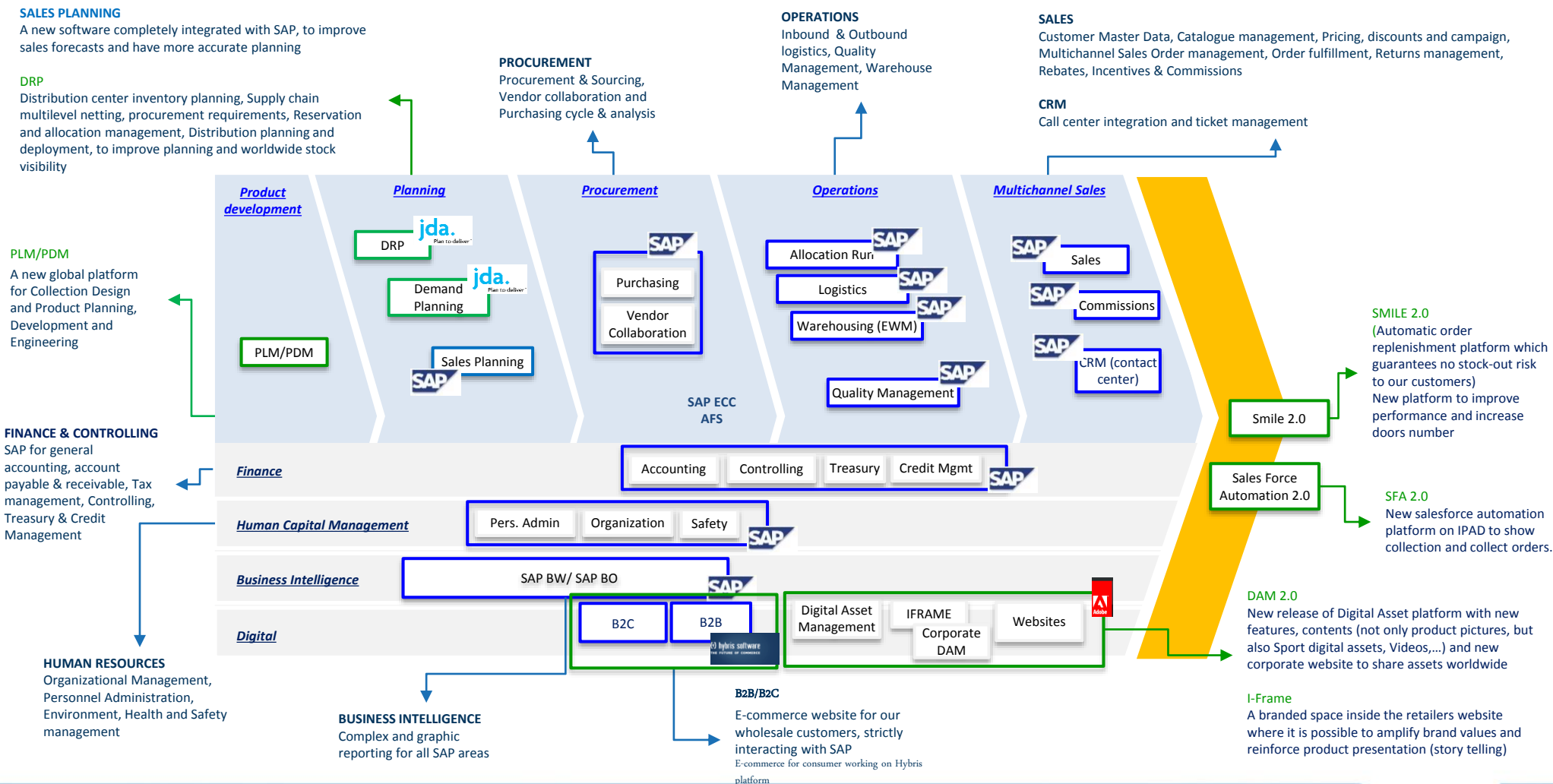
- 25 days on our way to 12 days in 2020

### **Logistics rationalization:**

- 8 DCs on our way to 6 in 2020

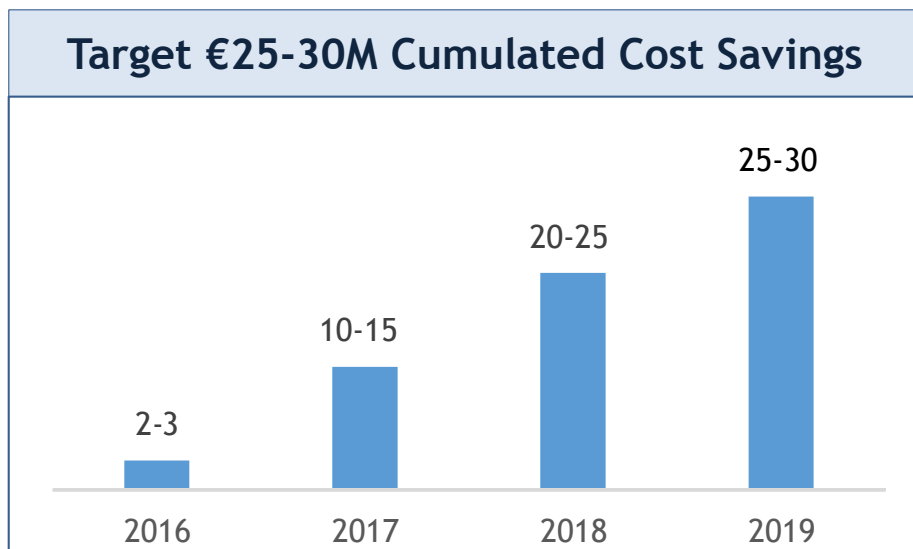
# EYEWAY PROJECT - BUILDING BLOCKS

Full SAP implementation for Purchasing, Logistics, Sales, Finance, Human Resources Processes and Reporting. Integrated with the other tools included in the following framework.



# OVERHEAD PRODUCTIVITY PLAN CONTINUES

in millions of Euro



- Program duration until Dec 2019
- Cost Savings to mainly benefit 2017 and 2018
- Expected one-off restructuring costs of € 20 million, of which €8-10 Mio planned for 2017

## Overhead Cost Saving Program

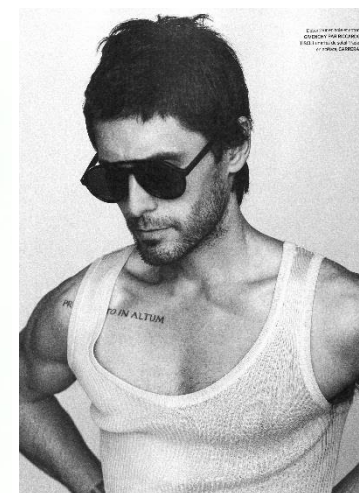
Integral part of our 2020 Plan Simplification Strategy

€25-30 million cost savings

- Globally standardized work processes and systems, and scaled work
- Examples of Key Projects:
  - Polaroid Vale operation
  - Distribution centre footprint
  - EMEA Customer Services
  - Return management
  - Purchasing



# AMONG THE MOST LOVED AND EDITORIALY FEATURED EYEWEAR WORLDWIDE



# Appendices

# Economic results

in millions of Euro

	2016	%	2015	%	% Change
<b>Net sales</b>	<b>1,252.9</b>	<b>100.0</b>	<b>1,279.0</b>	<b>100.0</b>	<b>-2.0%</b>
Cost of sales	(537.3)	(42.9)	(522.0)	(40.8)	2.9%
<b>Gross profit</b>	<b>715.6</b>	<b>57.1</b>	<b>757.0</b>	<b>59.2</b>	<b>-5.5%</b>
Selling and marketing expenses	(512.8)	(40.9)	(526.5)	(41.2)	-2.6%
General and administrative expenses	(167.8)	(13.4)	(171.5)	(13.4)	-2.2%
Other operating income (expenses)	(1.3)	(0.1)	(17.7)	(1.4)	-92.5%
Impairment loss on goodwill	(150.0)	(12.0)	(40.5)	(3.2)	n.s.
<b>Operating profit/(loss)</b>	<b>(116.3)</b>	<b>(9.3)</b>	<b>0.8</b>	<b>0.1</b>	<b>n.s.</b>
Financial charges, net	(6.4)	(0.5)	(26.4)	(2.1)	-75.9%
<b>Profit/(Loss) before taxation</b>	<b>(122.6)</b>	<b>(9.8)</b>	<b>(25.6)</b>	<b>(2.0)</b>	<b>n.s.</b>
Income taxes	(19.5)	(1.6)	(26.9)	(2.1)	-27.5%
<b>Net profit/(loss) of the period</b>	<b>(142.1)</b>	<b>(11.3)</b>	<b>(52.4)</b>	<b>(4.1)</b>	<b>n.s.</b>
Non-controlling interests	0.0	0.0	0.3	0.0	-100.0%
<b>Net profit/(loss) attributable to owners of the Parent</b>	<b>(142.1)</b>	<b>(11.3)</b>	<b>(52.7)</b>	<b>(4.1)</b>	<b>n.s.</b>
<b>EBITDA</b>	<b>80.9</b>	<b>6.5</b>	<b>82.4</b>	<b>6.4</b>	<b>-1.7%</b>
<b>Adjusted economic results<sup>1</sup></b>					
<b>Adjusted Operating profit</b>	<b>43.5</b>	<b>3.5</b>	<b>61.4</b>	<b>4.8</b>	<b>-29.1%</b>
<b>Adjusted EBITDA</b>	<b>88.8</b>	<b>7.1</b>	<b>102.4</b>	<b>8.0</b>	<b>-13.3%</b>
<b>Adjusted Net profit attributable to the Group</b>	<b>15.4</b>	<b>1.2</b>	<b>6.9</b>	<b>0.5</b>	<b>n.s.</b>

# Economic results

in millions of Euro

	Q4 2016 (unaudited)		%	Q4 2015 (unaudited)		%	% Change
Net sales	313.9	100.0		319.2	100.0		-1.7%
Gross profit	151.7	48.3		179.5	56.2		-15.5%
EBITDA	9.9	3.2		7.3	2.3		35.9%
Adjusted economic results <sup>1</sup>							
Adjusted EBITDA	11.4	3.6		25.0	7.8		-54.4%

## Adjusted economic results

<sup>1</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.



## Accounting treatment of the €90 Mio compensation from Kering

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 incomes.

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 on 12 January 2015, the second tranche equal to further Euro 30 million was paid in December 2016, while the third tranche will be settled in September 2018.

# Net sales performance

in millions of Euro

Net sales by geographical area	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>100.0</b>	<b>1,279.0</b>	<b>100.0</b>	<b>-2.0%</b>	<b>-1.2%</b>	<b>3.6%</b>

Net sales by distribution channel	2016	%	2015	%	Change %	Change % (*)
Wholesale	1,177.8	94.0	1,190.3	93.1	-1.1%	-0.1%
Retail	75.2	6.0	88.6	6.9	-15.2%	-15.4%
<b>Total</b>	<b>1,252.9</b>	<b>100.0</b>	<b>1,279.0</b>	<b>100.0</b>	<b>-2.0%</b>	<b>-1.2%</b>

Net sales by geographical area	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>100.0</b>	<b>319.2</b>	<b>100.0</b>	<b>-1.7%</b>	<b>-1.7%</b>	<b>0.5%</b>

Net sales by distribution channel	Q4 2016	%	Q4 2015	%	Change %	Change % (*)
Wholesale	296.4	94.4	299.6	93.9	-1.1%	-1.0%
Retail	17.5	5.6	19.6	6.1	-10.8%	-12.2%
<b>Total</b>	<b>313.9</b>	<b>100.0</b>	<b>319.2</b>	<b>100.0</b>	<b>-1.7%</b>	<b>-1.7%</b>

(\*) Sales performance at constant exchange rates

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

# Balance Sheet

*in millions of Euro*

	December 31, 2016	December 31, 2015	Change
Net working capital	261.7	277.7	(15.9)
Tangible and intangible fixed assets	710.0	843.7	(133.7)
Financial fixed assets	0.0	0.0	0.0
Non-current assets held for sale	1.5	9.9	(8.4)
Other assets / (liabilities), net	(52.0)	(42.8)	(9.2)
<b>Net invested capital</b>	<b>921.2</b>	<b>1,088.5</b>	<b>(167.3)</b>
Net financial position	(48.4)	(89.9)	41.5
Group Shareholders' equity	(872.8)	(997.5)	124.7
Non-controlling interests	0.0	(1.1)	1.1

# Net Working Capital

*in millions of Euro*

	December 31, 2016	December 31, 2015	Change
Trade receivables	237.4	243.8	(6.4)
Inventories	272.8	254.1	18.7
Trade payables	(248.5)	(220.2)	(28.3)
<b>Net working capital</b>	<b>261.7</b>	<b>277.7</b>	<b>(15.9)</b>
<i>% on net sales</i>	20.9%	21.7%	

# Free Cash Flow

*in millions of Euro*

	2016	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 operating activities	89.1	114.8
Cash flow investing activities	(44.3)	(40.0)
<b>Free cash flow</b>	<b>44.7</b>	<b>74.8</b>

# Exchange Rates

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		December 31, 2016	December 31, 2015	%	2016	2015	%
US Dollar	USD	1.0541	1.0887	-3.2%	1.1068	1.1095	-0.2%
Hong-Kong Dollar	HKD	8.1751	8.4376	-3.1%	8.5912	8.6014	-0.1%
Swiss Franc	CHF	1.0739	1.0835	-0.9%	1.0901	1.0679	2.1%
Canadian Dollar	CAD	1.4188	1.5116	-6.1%	1.4659	1.4186	3.3%
Japanese Yen	YEN	123.4000	131.0700	-5.9%	120.1815	134.3140	-10.5%
British Pound	GBP	0.8562	0.7340	16.7%	0.8196	0.7259	12.9%
Swedish Krown	SEK	9.5525	9.1895	4.0%	9.4696	9.3535	1.2%
Australian Dollar	AUD	1.4596	1.4897	-2.0%	1.4881	1.4777	0.7%
South-African Rand	ZAR	14.4570	16.9530	-14.7%	16.2605	14.1723	14.7%
Russian Ruble	RUB	64.3000	80.6736	-20.3%	74.1411	68.0720	8.9%
Brasilian Real	BRL	3.4305	4.3117	-20.4%	3.8558	3.7004	4.2%
Indian Rupee	INR	71.5935	72.0215	-0.6%	74.3654	71.1956	4.5%
Singapore Dollar	SGD	1.5234	1.5417	-1.2%	1.5274	1.5255	0.1%
Malaysian Ringgit	MYR	4.7287	4.6959	0.7%	4.5835	4.3373	5.7%
Chinese Renminbi	CNY	7.3202	7.0608	3.7%	7.3520	6.9733	5.4%
Korean Won	KRW	1,269.3600	1,280.7800	-0.9%	1,283.9913	1,256.5444	2.2%
Mexican Peso	MXN	21.7719	18.9145	15.1%	20.6678	17.6157	17.3%
Turkish Lira	TRY	3.7072	3.1765	16.7%	3.34311	3.0255	10.5%
Dirham United Emirates	AED	3.8696	3.996618	-3.2%	4.06295	4.0733	-0.3%

# Brands Portfolio

 **Polaroid**

**Dior**

**BOSS**  
HUGO BOSS

**BOSS**  
HUGO BOSS

**havaianas®**

**CARRERA**  
EYEWEAR SINCE 1956

DIOR HOMME

MARC JACOBS

**GIVENCHY**  
PARIS

BANANA REPUBLIC

**CÉLINE**

ELIE SAAB

**MOSCHINO**\*

rag & bone\*  
NEW YORK

**SMITH**

  
kate spade  
NEW YORK

**LOVE**\*  
**MOSCHINO**

**Juicy Couture**  
BLACK LABEL  
*los angeles*

**FENDI**

**FOSSIL**

BOBBI BROWN

LIZ CLAIBORNE

OXYDO

**MaxMara**

TOMMY  HILFIGER

**MAX&Co.**



**SAFILO**

JIMMY CHOO

**swatch**  
the eyes

**pierre cardin**  
PARIS

**JACK SPADE**

\* From 2018