



Safilo Group

Q3-9M 2009 Results

November 11, 2009

Disclaimer

This document may contain 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.



Agenda



- ✓ Summary Overview
- ✓ Q3-9M 2009 analysis
- ✓ Current trading
- ✓ Update on recapitalization plan and next steps
- ✓ Q&A

Agenda



✓ **Summary Overview**

✓ Q3-9M 2009 analysis

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Q3 overview



1 Market

- Still very **weak market** conditions
- **Minor performance improvement** in some markets but **no real consolidation trends**

2 Products

- Ongoing **updates of high-end collections** → increasing price/mix effect
- Carrera **accelerating its expansion out of Italy**
- **Prescription business weaker performance** vs. 2008

3 Geographies /channels

- **America**: in line with previous two quarters
- **Asia**: most challenging area, particularly Japan
- **Europe**: very small improvement
- **Wholesale and retail still experiencing extremely difficult trading conditions**

4 Operations

- **Under-utilization of Italian plants**
- **Plants restructuring still ongoing**
- **Working capital improvement**

Yet again a decline of total sales in Q3

Q3 2009 performance

in millions of Euro and % of net sales

	Q3 2009	Q3 2008	% Change
Net sales	212.6 100.0%	228.8 100.0%	-7.0%
Gross profit	115.2 54.2%	130.1 56.9%	-11.5%
EBITDA	3.5 1.6%	16.7 7.3%	-79.1%
Operating result	(35.6) -16.8%	6.5 2.9%	n.m.
Operating result adj.	(7.6)** -3.6%	6.5 2.9%	n.m.
Group net result	(50.1) -23.6%	(6.7) -2.9%	n.m.
Group net result adj.	(22.1)** -10.4%	(6.7) -2.9%	n.m.

*** gross of the write down of assets for 28.0 million Euro in view of the possible impact of the sale of retail companies, which will presumably be concluded in the fourth quarter of 2009, in relation to the already announced recapitalization plan for the Company.*



9M 2009 performance

in millions of Euro and % of net sales

	9M 2009	9M 2008	% Change
Net sales	774.7 100.0%	865.7 100.0%	-10.5%
Gross profit	446.4 57.6%	503.2 58.1%	-11.3%
EBITDA	47.5 6.1%	101.8 11.8%	-53.3%
<i>EBITDA adj.</i>	<i>55.0*</i> 7.1%	<i>101.8</i> 11.8%	<i>-46.0%</i>
Operating result	(134.5) -17.4%	71.7 8.3%	n.m.
<i>Operating result adj.</i>	<i>21.7**</i> 2.8%	<i>71.7</i> 8.3%	<i>-69.8%</i>
Group net result	(186.2) -24.0%	14.5 1.7%	n.m.
<i>Group net result adj.</i>	<i>(30.0)**</i> -3.9%	<i>14.5</i> 1.7%	<i>n.m.</i>

• 9M results negatively affected by **extraordinary non cash** items of €156.1m:

- **€7.4m** related to the **restructuring of production** activities
- **€120.7m** related to the **goodwill write-down**
- **€28.0m** related to the **retail business write-down**

* gross of the provision of 7.4 million Euro for non-recurring costs related to the industrial reorganization plan .

** gross of the provision of 7.4 million Euro, the goodwill write down of 120.7 million Euro and the write down of assets for 28.0 million Euro in view of the possible impact of the sale of retail companies.



Ongoing projects and activities (cont'd)



1 Capital structure

- **Ca. €300m recapitalization plan**
- **Strengthening of the capital structure**
- **Enhance financial flexibility** in the long term

2 Marketing

- **Client integration**
- **Visual merchandising**
- Focus on **house brands**
- Focus on **wholesale**
- **Price mix shift**

3 Production

- **Restructuring** of manufacturing footprint
- **SKUs / number of models reduction**
- **Working capital optimization**
- **China**

Ongoing projects and activities



4 New products offering

- **Gucci youngster** eyewear project:
 - a strategic choice to gain more space in the eyewear market
 - a collection of youth-orientated styles at an interesting price point
 - target: the “i-phone” generation (18-30yrs)
 - web focused communication campaigns
- New projects under study also for **Armani** and **Dior**

5 Service

- **Project Smile:**
 - Software developed for the effective replacement of best product assortments → more effective management of inventories
 - Already implemented in 300 stores
- Currently **upgrading** our **planning systems/best practices** at production plants level

Agenda



✓ Summary Overview

✓ **Q3-9M 2009 analysis**

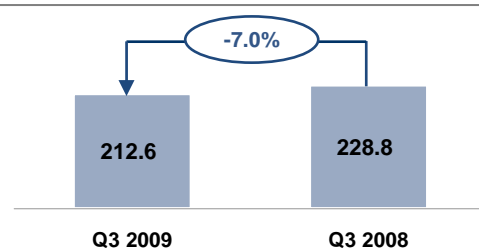
✓ Current trading

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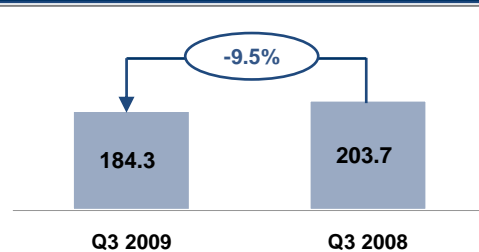
Q3 2009: sales overview

Total Sales (€m)



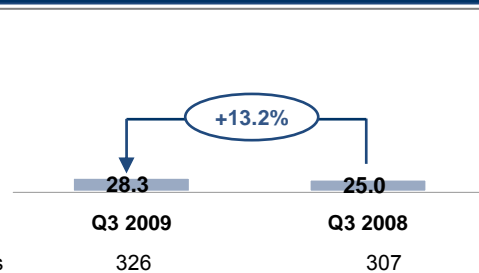
- Total sales **down** by **7.0%** in 3Q (7.7% at constant currency)
- Progressive shifting towards **more “accessible” products**

Wholesale Sales (€m)



- **Wholesale channel down** by **9.5%** in 3Q (10.4% at constant currency)
- **General slowdown in consumption** in the most important markets
- **Focus on receivables** rather than sales

Retail Sales (€m)

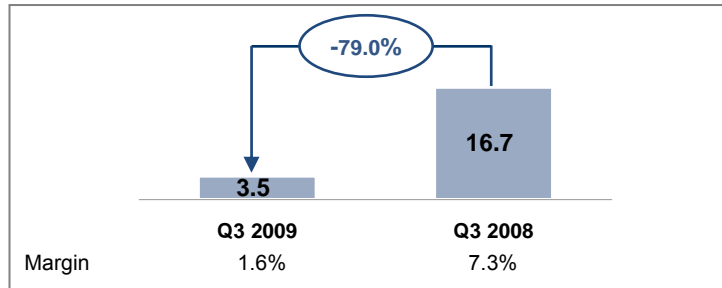


- **Comps sales** down by **15.5%**
- **Weak performance in Mexico**
- **Retail sales** increased by **13.2%** (14.4% at constant currency)

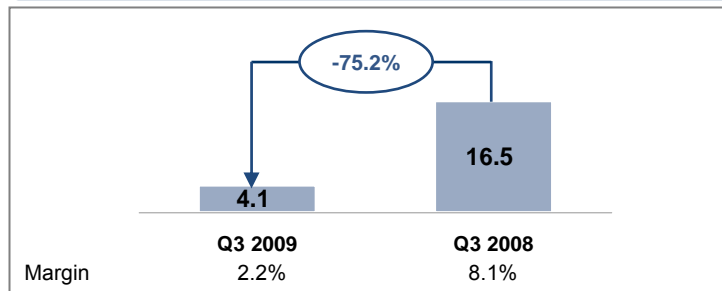


Q3 2009: EBITDA contribution

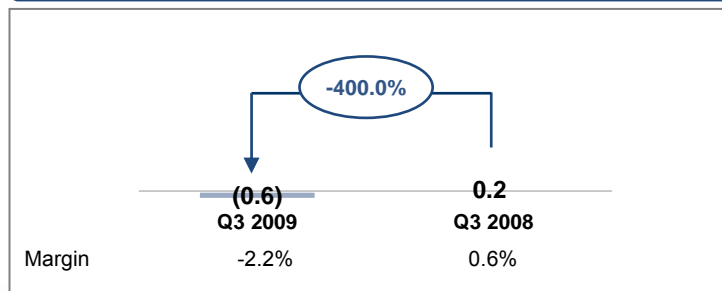
Total EBITDA (€m)



Wholesale EBITDA (€m)



Retail EBITDA (€m)



• Profitability down by **570bp** due to:

- **Gross margin (-270 bp): under-utilization of the Italian production plants** partially mitigated by **improving profitability** in collections thanks to new product development processes
- **SG&A (+300 bp): larger retail network and A&P / royalties costs** driven by mandatory expenses and commitments



Q3 2009 highlights by product/country

in millions of Euro

Q3 2009

Q3 2008

% Change

CN

Net sales

212.6
100.0%

228.8
100.0%

-7.0%

-7.7%

key drivers:

Sunglasses

- new product and price proposal in sunglasses reaching a wider consumer base

-6.1%

Prescription frames

- resilient prescription business, affected in Q3 by difficult comparison base

-14.1%

Europe

- continued high volatility by country and month. Carrera continues to expand out of the domestic market, with strong results in Spain and France

-11.7%

-9.4%

America

- resilient prescription business at independent opticians (3os)

-7.9%

-8.8%

Asia

- still no sign of recovery in Japan. Weak performance in other key markets such as China and Hong-Kong


-16.9%

-17.6%



Q3 2009 net result

in millions of Euro and % on net sales

	Q3 2009	Q3 2008	Bp change
 Group Net Result	(22.1)** -10.4%	(6.7) -2.9%	n.m.

key drivers:

• **Net financial charges:**
(including exchange rate differences)

- Net forex exchange gain of 2 million euro in 2009

• **Taxes:**



- No deferred tax assets accrued in 2009

9.7 4.6%	14.2 6.2%
5.0 2.3%	(0.7) -0.3%

** gross of the write down of assets for 28.0 million Euro in view of the possible impact of the sale of retail companies, which will presumably be concluded in the fourth quarter of 2009, in relation to the already announced recapitalization plan for the Company.

Q3-9M 2009 cash flow generation

in millions of Euro

	9M 2009	Q3 2009	Q3 2008
 Free cash flow	(12.3)	6.3	(23.1)
<i>key drivers:</i>			
Cash flow from operating activities	16.0	15.1	(4.3)
- net profit and other changes	9.4	(4.8)	8.5
- change in working capital	6.6	19.9	(12.7)
Cash flow from investing activities	(28.3)	(8.8)	(18.7)
 Net financial position as at 30 September 2009	586.3		
Δ vs 1H 2009 position of 592.1	-5.8		
Δ vs FY 2008 position of 570.0	+16.3		

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Current trading

- Looking to Q4 2009:

- weak performance in October, especially in Asia
- high-end products still suffering greatest impact of consumer trading down
- new product proposals increasing price/mix effect
- still extremely cautious order intake in October and beginning of November
- good results for Carrera in Spain, France and UK



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€283m recapitalization plan



	Description	Funds inflow
HY notes	<ul style="list-style-type: none"> • Voluntary Tender Offer launched by HAL on 100% of the outstanding HY notes • Offer price equal to 60% of HY notes nominal value • Tender Offer conditional upon HAL reaching a 60% acceptance threshold 	-
Reserved capital Increase	<ul style="list-style-type: none"> • Reserved capital increase subscribed by HAL for €13m • HAL' shareholding in in Safilo post reserved capital increase of ca.11%* 	+13m
Rights issue	<ul style="list-style-type: none"> • Amount: €250m, €0.304 per share (including share premium) • HAL' shareholding in Safilo post rights issue: between 37.23%* and 49.99%* 	+250m
Disposal of non-core retail business	<ul style="list-style-type: none"> • Sale of loss making non-core retail activities: Loop Vision in Spain, Just Spectacles in Australia and retail activities in China • HAL shall acquire those assets at €20m 	+20m

Next steps



- CONSOB to grant the exemption for a mandatory tender offer
- Antitrust Authorities clearance
- High Yield tender offer open until November 18th, with a cash settlement expected to take place on November 23rd
- Safilo extraordinary shareholders' meeting to resolve on the capital increases: December 14th (first call)
- Transaction expected to be completed by 1Q2010

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Appendices

Net Sales breakdown – Q3

in millions of Euro

	Q3 2009	Q3 2008	% Change	CN
Total	212.6 100.0%	228.7 100.0%	-7.0%	-7.7%
By geographical area				
Europe	81.0 38.1%	91.7 40.1%	-11.7%	-9.4%
America	96.1 45.2%	104.3 45.6%	-7.9%	-8.8%
Asia	24.5 11.5%	29.5 12.9%	-16.9%	-17.6%
Rest of the world	11.0 5.2%	3.2 1.4%	n.m.	n.m.
By product category				
Sunglasses	89.9 42.3%	95.7 41.8%	-6.1%	
Prescription frames	95.7 45.0%	111.4 48.8%	-14.1%	
Sport products and other	27.0 12.7%	21.6 9.4%	+25.0%	



Net Sales breakdown – 9M

in millions of Euro

	9M 2009	9M 2008	% Change	CN
Total	774.7 100.0%	865.7 100.0%	-10.5%	-13.3%
By geographical area				
Europe	337.9 43.6%	411.0 47.5%	-17.8%	-16.8%
America	312.3 40.3%	323.9 37.4%	-3.6%	-10.6%
Asia	98.2 12.7%	111.7 12.9%	-12.1%	-19.0%
Rest of the world	26.3 3.4%	19.1 2.2%	+37.7%	+47.7%
By product category				
Sunglasses	410.8 53.0%	466.0 53.8%	-11.8%	
Prescription frames	310.2 40.0%	343.3 39.6%	-9.6%	
Sport products and other	53.7 7.0%	56.4 6.6%	-4.8%	



Financial highlights by channel – Q3 reported

in millions of Euro

	Q3 2009	Q3 2008	% Change	CN
Total business				
Net sales	212.3 100.0%	228.7 100.0%	-7.0%	-7.7%
EBITDA	3.5 1.6%	16.7 7.3%	-79.1%	
Wholesale business				
Net sales	184.3 100.0%	203.7 100.0%	-9.5%	-10.4%
EBITDA	4.1 2.2%	16.5 8.1%	-75.1%	
Retail business				
Net sales	28.3 100.0%	25.0 100.0%	+13.2%	+14.4%
EBITDA	(0.6) -2.2%	0.2 0.6%	n.m.	



Financial highlights by channel – 9M reported

in millions of Euro

	9M 2009	9M 2008	% Change	CN
Total business				
Net sales	774.7 100.0%	865.7 100.0%	-10.5%	-13.3%
EBITDA	47.5 6.1%	101.8 11.8%	-53.3%	
Wholesale business				
Net sales	692.0 100.0%	787.7 100.0%	-12.1%	-15.2%
EBITDA	50.7 7.3%	99.9 12.7%	-49.2%	
Retail business				
Net sales	82.7 100.0%	78.0 100.0%	+6.0%	+5.0%
EBITDA	(3.2) -3.9%	1.9 2.5%	n.m.	



Consolidated balance sheet

in millions of Euro

	9M 2009	2008	Change	9M 2008
Net working capital	342.6	368.3	-25.7	376.4
Tang.-intang. fixed assets	921.1 *	1,058.7	-137.6	1,046.7
Financial fixed assets	12.4	13.2	-0.8	14.7
Other assets/(liabilities)	(86.8) **	(65.9)	-20.9	(25.3)
Net capital employed	1,189.3	1,374.3	-185.0	1,412.5
Net financial position	586.3	570.0	+16.3	566.8
Minority interest	8.3	8.4	-0.1	5.1
Shareholders' equity	594.7 ***	795.9	-201.2	840.6

* impacted by the goodwill write down of 120.7 million Euro.

** impacted by the provision of 7.4 million Euro for non-recurring costs related to the industrial reorganization plan and the write down of assets for 28.0 million Euro in view of the possible impact of the sale of retail companies

*** impacted by the provision of 7.4 million Euro, the goodwill write down for 120.7 million Euro and the write down of assets for 28.0 million Euro in view of the possible impact of the sale of retail companies.



Net working capital

in millions of Euro

	9M 2009	9M 2008	Change	% Change
Net working capital	342.6	376.4	-33.7	-9.0%
Trade receivables	261.5	282.7	-21.2	-7.5%
Inventories	221.9	259.4	-37.5	-14.5%
Trade payables	(140.8)	(165.7)	+25.0	-15.1%



Consolidated free cash flow

in millions of Euro

	9M 2009	9M 2008
Cash flow from operating activities prior to change in working capital	9.4	50.4
Change in working capital	6.6	0.3
Cash flow from operating activities	16.0	50.7
Cash flow from investing activities	(28.3)	(76.2)
Free cash flow	(12.3)	(25.5)

