



# Safilo Investor Day

*Milan, February 25 2008*

# Agenda

## Management Presentation:

1. Preliminary Results 2007
2. 2008 Outlook
3. Looking beyond 2008

Q&A



# Preliminary Results 2007



# Consolidated Income Statement

In millions of Euro	2007 preliminary		2006	
Net Sales	1,190	+6.1%	1,122	+9.4%
Currency neutral		<b>+10.2%</b>		<b>+9.8%</b>
Gross Margin	698	+5.2%	663	+9.0%
%	58.6%		59.1%	
Ebitda	175	+7.9%	162	+6.1%
%	14.7%		14.5%	
Ebit	137	+9.3%	126	+6.5%
%	11.5%		11.2%	
Net Profit	51	+36.2%	37	n.s.
%	4.3%		3.3%	



# Consolidated Income Statement

In millions of Euro	4Q 07 preliminary		4Q 06	
Net Sales	287	+2.9%	278	+12.0%
Currency neutral		<b>+7.9%</b>		
Gross Margin	166	+7.1%	155	+9.9%
%	57.9%		55.6%	
Ebitda	45	+31.5%	34	+34.0%
%	15.7%		12.3%	
Ebit	36	+44.1%	25	+48.9%
%	12.4%		8.9%	
Net Profit	12	+47.0%	8	n.s.
%	4.3%		3.0%	



# Consolidated Income Statement

## Net Sales

### 4Q 07 preliminary

€287m      +2.9%  
**+7.9% CN**

• Europe	+4.6%	
• Americas	+8.8%	+21.1% CN
• Asia	+13.4%	+22.4% CN

• Prescription	+18.0%
• Sunglasses	-7.2%

### 2007 preliminary

€1,190m      +6.1%  
**+10.2% CN**

• Europe	+9.5%	
• Americas	+1.2%	+9.9% CN
• Asia	+15.7%	+24.1% CN

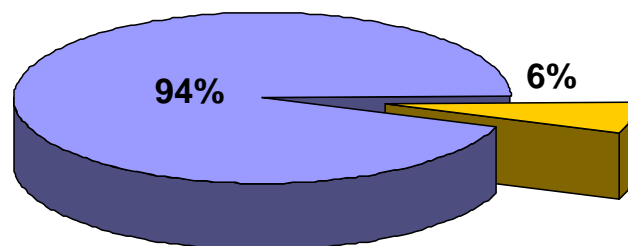
• Prescription	+8.8%
• Sunglasses	+3.9%

- Asia confirming leading performance
- Prescription business recovering two years of flat trend
- Difficult comparison base for sunglasses

# Consolidated Income Statement

## Wholesale and Retail

4Q 07 preliminary



➤ **Wholesale: +2.1%    +6.8% CN**

Good contribution of new licences

Low-single digit performance of top licensed brands

➤ **Retail: +18.2%    +28.6% CN**

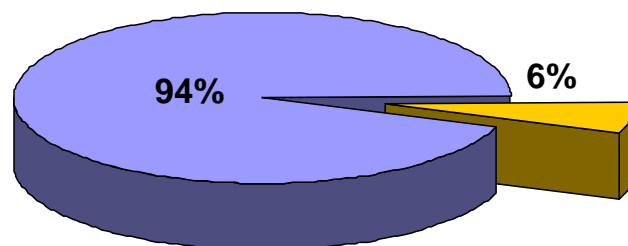
Solstice: ca €11m: +8.6%  
7 new stores in the quarter

Loop Vision: ca €5m  
2 new stores in the quarter

# Consolidated Income Statement

## Wholesale and Retail

2007 preliminary



➤ **Wholesale: +3.8% +7.7% CN**

ca €60m with Hugo Boss, A/X Armani Exchange and Marc by Marc Jacobs

High-single digit performance of top licensed brands

Double digit growth of priority House Brands

➤ **Retail: +64.4% +74.5% CN**

31 new Solstice stores to reach 114:  
ca €46m: +19.6%

3 new Loop Vision stores for a total of 66:  
ca €24m

# Consolidated Income Statement

## Gross Margin

### 4Q 07 preliminary

57.9% +230 bps +7.1%

#### Drivers:

- Slow-moving products reduction
- Product complexity
- Last year inventory risk provision

### 2007 preliminary

58.6% - 50 bps +5.2%

- License one-time costs
- Product complexity
- Slow-moving products
- Italian plants efficiencies

# Consolidated Income Statement

## Ebitda

### 4Q 07 preliminary

15.7% +340 bps +31.5%

#### Drivers:

- Gross margin impacts
- Wholesale G&A reduction
- Retail business impact

### 2007 preliminary

14.7% + 20 bps +7.9%

- Gross margin impacts
- Key accounts management
- Wholesale G&A reduction
- Retail business development

# Consolidated Income Statement

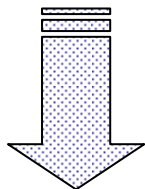
## Net Income

### 4Q 07 preliminary

4.3% +130 bps +47.0%

#### Driver:

- Higher taxes due to new Italian fiscal policy



ca 5m net impact from one-time adjustment  
in deferred tax assets and fiscal wedge

### 2007 preliminary

4.3% + 100 bps +36.2%

- Financial charges reduction
- Higher taxes due to new Italian fiscal policy

# Balance Sheet and Cash Flow highlights

In millions of Euro	2007 preliminary	2006	
Operating WC	395	362	+9%
Net Financial Position	515	532	-3%
Free Cash Flow	10	(31)	n.s.

# Operating Working Capital

In millions of Euro

**2007 preliminary**

**2006**

Operating WC

395

362

+9%

Trade Receivables

316

320

- Stable in spite of revenues growth;
- Better receivable days thanks to higher mix of Asian countries

Inventory

274

272

- Higher stock turnover
- Improving inventory quality

Trade Payables

(195)

(229)

- Main reason of WC increase
- Normal level after inventory build-up last year



# Free Cash Flow


In millions of Euro	2007 preliminary	2006	
Free Cash Flow	10	(31)	n.s.
Operating Cash Flow	99	88	<ul style="list-style-type: none"> <li>• Higher profit</li> </ul>
Change in WC	(45)	(82)	<ul style="list-style-type: none"> <li>• Lower absorption of resources in spite of decrease of payables</li> </ul>
Capex	(44)	(37)	<ul style="list-style-type: none"> <li>• Retail development</li> <li>• Stable level of maintenance investments</li> <li>• Start of production plant in China</li> </ul>
.....			
Dividends	(5)		<ul style="list-style-type: none"> <li>• First Pay-out</li> </ul>

# Net Financial Position

In millions of Euro

	2007 preliminary	2006
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Net Financial Position	515	532
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Gross Debt 572:

	@ fixed rate	@ variable rate
Senior Loan	~ 120	~ 130
High Yield	~ 195	
Other		~ 127
Total	~ 315	~ 257
	55%	45%

Bank Credit Facilities :

Short-term credit lines	~ 350
Utilised	~ 170

# 2008 Outlook



# 2008 Outlook

## Top Priorities

- Optimization of Product Complexity
- Reduction/quicker exit from inventory of “slow-moving” items
- Consolidation of forecasting and planning activities
- Production and commercial focus on best-selling models



# 2008 Outlook

## Top Actions

- Reducing number of SKUs
- Simplifying non-stylistic product components
- Streamlining number of models
- Controlling excessive 'virtuosity'
- Increasing integration with key accounts



# 2008 Outlook

## Expected Outcomes

- Reducing costs and times of product creation and industrialization
- Improving cost base without compromising perceived product value
- Speeding-up reaction in picks of demand for single model/SKUs

50-60 bps of gross margin improvement expected in 2008

# 2008 Outlook

## Targets\*

Net Sales growth	+4%-5%
Currency Neutral	high-single digit

Ebitda	~ 15%
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Net Income	4.5%-5%
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Financial leverage**	≤ 3x
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\* €/USD: 1.47

\*\* Financial leverage: Net Financial Position/Ebitda

# 2008 Outlook

## Targets

Net Sales growth  
Currency Neutral

+4%-5%  
high-single digit

## Expected drivers

### ➤ +1%-2% Organic Growth

#### Wholesale:

- ✓ Double digit growth of Asia
- ✓ Low single digit growth of Europe
- ✓ US market performance impacted by expected forex

#### Retail:

- ✓ New openings: ca 30 Solstice stores in US  
ca 5 Loop stores in Spain + renewals
- ✓ First few openings of Solstice and new optical retail concept in new countries

### ➤ ca +3% Acquisitions

- ✓ 77 newly acquired stores in Mexico and Australia

# 2008 Outlook

## Targets

Ebitda

~ 15%

## Expected drivers

- Stable profitability of Wholesale
  - ✓ Better Gross Margin:
    - ↑ initial benefits from Top priorities
    - ↓ initial costs of new plant in China
  - ✓ Higher incidence of Selling exp.:
    - ↑ advertising and marketing
- Mid to high-single digit profitability of Retail:
  - ✓ Improvement of existing chains
  - ✓ Low-double digit profitability of acquisitions

# 2008 Outlook

## Targets

Net Income\* 4.5%-5%

## Expected drivers

- Stable Financial expense
- Lower Tax rate to 36%-38%

\* does not include ca €15m of potential non-recurring financial charges in case of advance full repayment of High Yield

# 2008 Outlook

## Targets

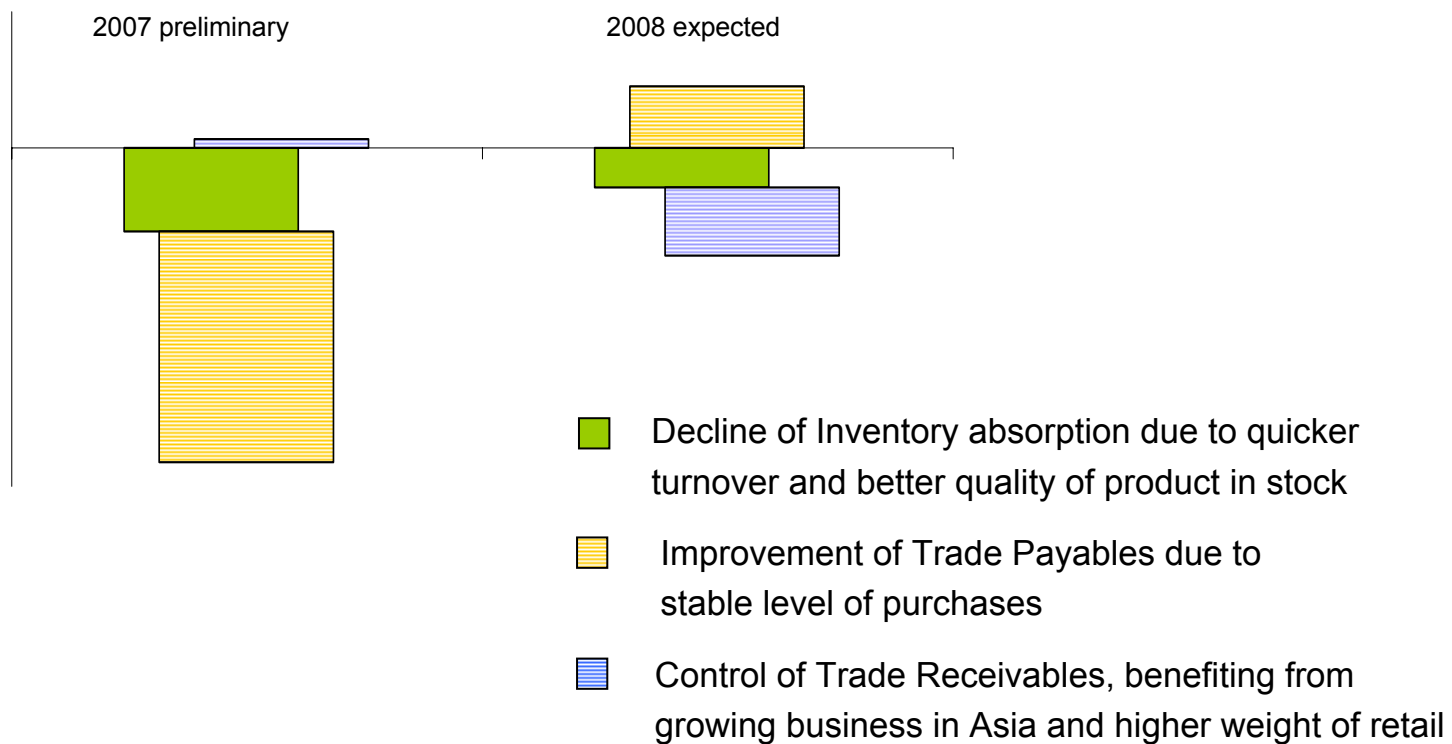
Financial leverage  $\leq 3x$

## Expected drivers

- Capex of ca €60-65m, including €20-25m for the new Chinese plant
- Acquisitions for around €30m
- Lower absorption from Working Capital
- Expected significant increase of pay-out ratio on 2007 results

# 2008 Outlook

## Change in WC Analysis



# 2008 Outlook

## Recent Developments

### ✓ Acquisition of **Sunglass Island** in Mexico



Best fit for our focused, high-end retail strategy:

- ↪ dominant presence in high-traffic locations with a mix of stores carrying an extensive assortment of prestigious collections;
- ↪ Strong, trendy image consistently conveyed by high-quality store designs and high-impact advertising campaigns;

Looking South at a fast-moving region :

- ↪ Mexico and Latin America represented around 2.5% of Safilo business in 2007;

# 2008 Outlook

## Recent Developments

### ✓ Acquisition of **Just Spectacles** in Australia



Good fit for our focused, high-end retail strategy:

- ↪ outstanding professionalism in optometry and eye care and highly recognised offers mainly for prescription glasses
- ↪ Australia accounted for around 1% of Safilo business in 2007;
- ↪ acquiring an established organization experienced in building up a retail concept with the goal of expanding in the South Pacific area

# 2008 Outlook

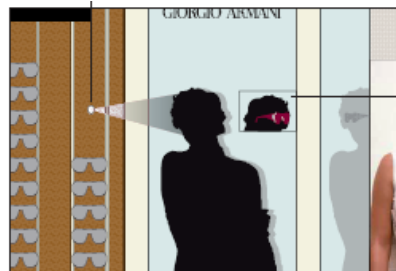
## Developments during the year

- ✓ New Optical Retail Concept
- ✓ Production plant in China



# 2008 Outlook

## New Optical Retail Concept



Side camera to allow for the simultaneous frontal and later vision of the frame tried on

- First openings in Spain, Australia and China

# 2008 Outlook

## Production plant in China

➤ What:

- 30.000 sqm in Suzhou, industrial district near Shanghai
- €30-35m capex in three years

➤ When:

- Operative by end 2008
- Training and test activities in a rented facility by 2Q 08





# Looking beyond 2008

Medium-term targets 2010-2012

# Looking beyond 2008

## Medium-term Targets

Net Sales growth

CAGR

+7%-8%

Ebitda

17%-18%

Five-year capex

€300-400m

Financial leverage\*

~ 2x

\* Financial leverage: Net Financial Position/Ebitda

# Looking beyond 2008

## Medium-term Drivers

Business Mix

Industrial Costs base

Financial leverage\*

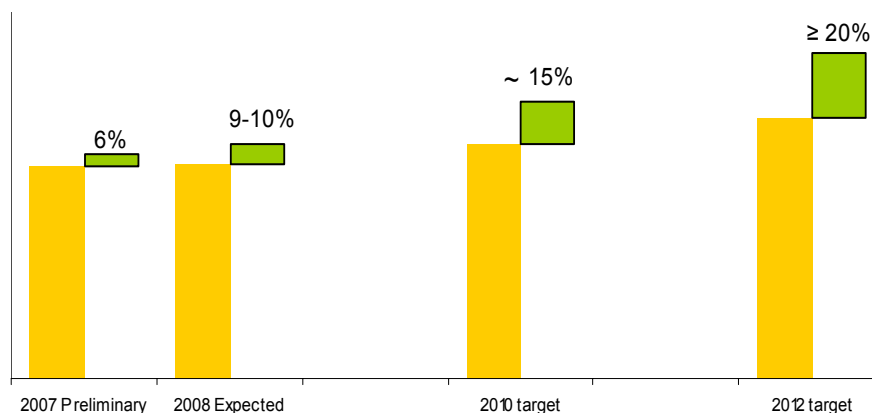


# Looking beyond 2008

## Medium-term Drivers

Business  
Mix

### ➤ Retail vs Wholesale incidence on total sale



CAGR:  
High-double digit

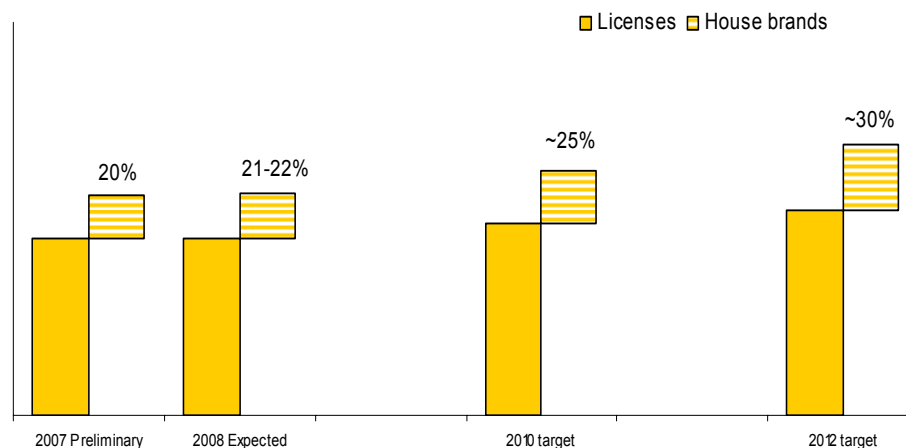
- 700-800 stores through direct openings and focused acquisitions
- 13%-15% Ebitda margin through comps improvement and higher operating leverage
- €40-50 m max capex/equity invested p.a.

# Looking beyond 2008

## Medium-term Drivers

### Business Mix

#### ➤ Wholesale mix



CAGR:  
Mid-single digit

- New products and markets for Carrera, Smith and Oxydo
- Focus on advertising and marketing activities
- Higher average profitability with higher operating leverage

# Looking beyond 2008

Medium-term Drivers

Industrial Costs base



# Looking beyond 2008

## Medium-term Drivers

Industrial  
cost base

1

### Production Organization at full speed\*

- New Chinese Plant:
  1. primary source of raw materials
  2. production of components
  3. partial metal and acetate frame structures
- European Plants:
  1. technical departments
  2. production of components
  3. Optyl and injected frame structures
  4. treatments
  5. finishing

### Expected Outcomes

- ✓ Higher flexibility to support picks of demand
- ✓ Lower external suppliers of semi-finished products
- ✓ Lower inventory costs
- ✓ Lower product costs base
- ✓ Higher production capacity for future growth

\* in 2012

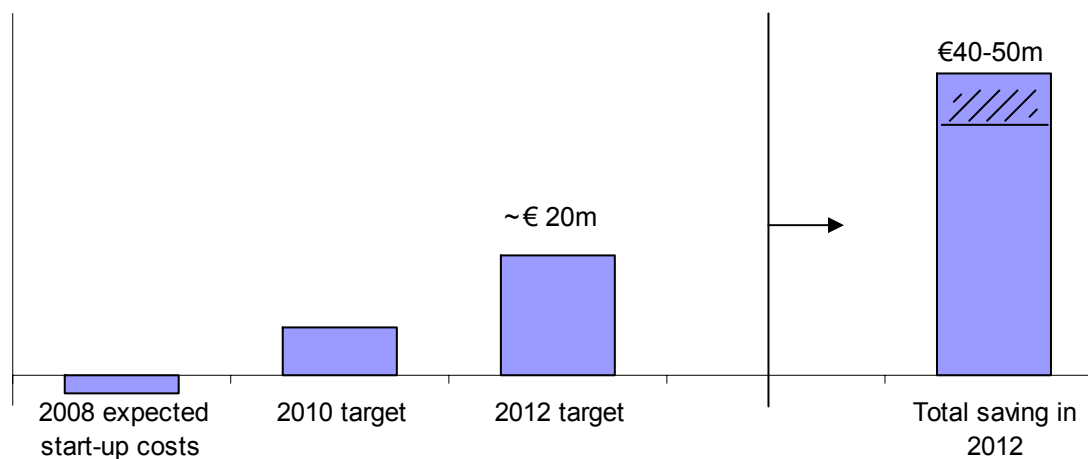
# Looking beyond 2008

## Medium-term Drivers

Industrial  
cost base

1

## Expected savings from Chinese Plant



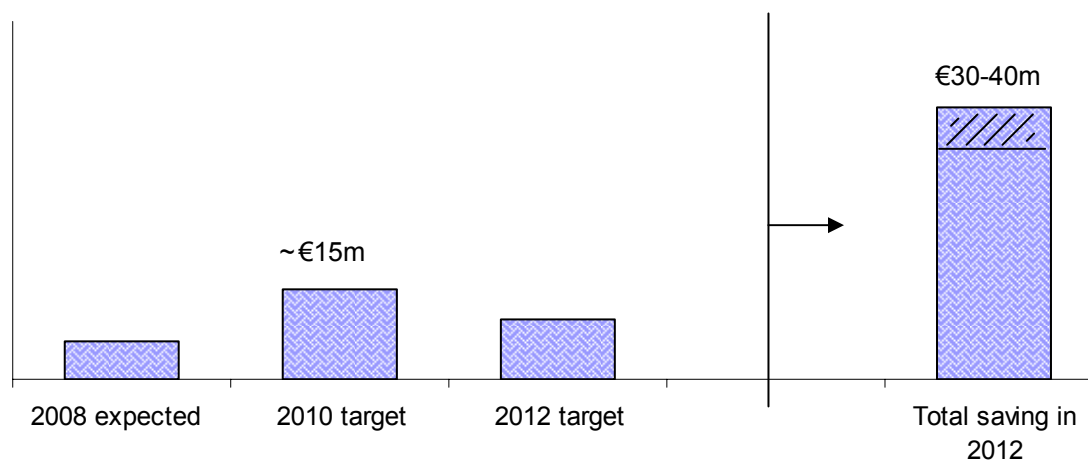
# Looking beyond 2008

## Medium-term Drivers

Industrial  
cost base

2

## Expected savings from Top Priorities



# Looking beyond 2008

Medium-term Drivers

Financial Leverage



# Looking beyond 2008

## Medium-term Drivers

### ➤ Net Financial Position substantially stable

#### WC Management

- Steadily improving, declining incidence on sales to 26%-28%

#### Capex/Investments p.a.

- €60-70m
  - ~ €20 maintenance capex and other
  - ~ €40-50m retail organic and external development

#### Growing pay-out ratio

### ➤ Growing Ebitda



# Disclaimer

This document, in particular in the “2008 Outlook” and the “Looking beyond 2008” sections, 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.



# Appendices



# Licensed brands portfolio



GIORGIO ARMANI

EMPORIO ARMANI

ALEXANDER  
MCQUEEN

BALENCIAGA

BOSS  
HUGO BOSS

HUGO  
HUGO BOSS

BOTTEGA VENETA

BOUCHERON  
PARIS

DIESEL  
FOR SUCCESSFUL LIVING



Dior

GUCCI

JIMMY CHOO

MARC JACOBS

MAX&Co.

MaxMara  
OCCHIALI

pierre cardin  
PARIS

STELLA MCCARTNEY

VALENTINO

YVES SAINT LAURENT

NORTH AMERICA COLLECTIONS:

A|X  
ARMANI EXCHANGE

BANANA REPUBLIC

claiborne



kate spade  
NEW YORK

liz claiborne

MARC BY MARC JACOBS

NINE WEST

SAKS  
FIFTH  
AVENUE

# House brands portfolio



*Blue Bay*  
EYEWEAR

  
**CARRERA**  
EYEWEAR

  
EYEWEAR

*Safilo*<sup>®</sup>

 **SMITH**  
OPTICS<sup>®</sup>

*Safilo*<sup>®</sup>  
GROUP

# Five years in a nutshell

