Interim Report

for the period ended 31st March 2010

Date of issue: April 30th, 2010
This interim report is available on the website:
www.safilo.com

SAFILO GROUP S.p.A.
Settima Strada, 15
35129 Padua - Italy

Contents

Corporate officers as of March 31st, 2010

Board of Directors

Chairman	Melchert Frans Groot
Chief Executive Officer	Roberto Vedovotto
Director	Giovanni Ciserani
Director	Jeffrey A. Cole
Director	Marco Jesi
Director	Eugenio Razelli
Director	Massimiliano Tabacchi

Board of Statutory Auditors

Chairman	Franco Corgnati
Regular Auditor	Lorenzo Lago
Regular Auditor	Giampietro Sala
Alternate Auditor	Nicola Gianese
Alternate Auditor	Ornella Rossi

Internal Control Committee

Chairman	Eugenio Razelli
	Marco Jesi
	Giovanni Ciserani

Remuneration Committee

Chairman	Jeffrey A. Cole
	Melchert Frans Groot
	Marco Jesi

Independent Auditors

PricewaterhouseCoopers S.p.A.

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

Safilo Group S.p.A., the holding company, is a limited liability company registered in Italy. The registered office is located in Pieve di Cadore (BL) – Piazza Tiziano n. 8, whilst the administrative headquarters are located in Padua – Settima Strada n. 15.

Companies included in the consolidation area are reported in paragraph 1.3 "Consolidation method and consolidation area".

Safilo Group has been in the eyewear market for over 75 years and is one of the major operators, in terms of revenues, in the design, manufacture and distribution of glasses and other eyewear products. Safilo is the global leader in the high-end eyewear segment of the market and also one of the top sports eyewear producers and distributors worldwide.

Safilo designs, produces and distributes high quality optical eyewear, sunglasses, sports goggles and accessories. Distribution is through specialised outlets and retail distribution chains.

The entire production-distribution chain is directly supervised and is divided into the following phases: research and technological innovation, design and product development, planning, programming and purchasing, production, quality control, marketing and communication, sales, distribution and logistics. Safilo is strongly oriented towards the development and design of the product, carried out by a team of designers who ensure continued technical and stylistic innovation, which has always been one of the company's key strengths.

The Group manages a brand portfolio of both licensed and house brands, selected according to competitive positioning and international prestige criteria and in order to implement a clear segmentation strategy of customers. Safilo has extensively integrated its house brand portfolio with numerous brands from the luxury and fashion industry, building long-term relationships with the licensors through license agreements, most of which are repeatedly renewed.

The Group's brands include Safilo, Oxydo, Carrera, Smith and Blue Bay while the licensed brands include Alexander McQueen, A/X Armani Exchange, Balenciaga, Banana Republic, BOSS - Hugo Boss, Bottega Veneta, Diesel, 55DSL, Dior, Emporio Armani, Fossil, Giorgio Armani, Gucci, HUGO - Hugo Boss, Jimmy Choo, J. Lo by Jennifer Lopez, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max & Co., Nine West, Pierre Cardin, Saks Fifth Avenue, Tommy Hilfiger, Valentino and Yves Saint Laurent.

Key consolidated performance indicators

Economic data *(Euro in millions)*	First Quarter 2010	%	First Quarter 2009	%
Net sales	286.0	100.0	287.9	100.0
Cost of sales	(112.4)	(39.3)	(113.3)	(39.4)
Gross profit	173.6	60.7	174.6	60.6
Ebitda	34.6	12.1	30.2	10.5
Operating profit/(Loss)	24.1	8.4	19.1	6.6
Group profit (Loss) before taxes	11.8	4.1	4.7	1.6
(Loss) attributable to the Group	1.7	0.6	1.7	0.6

Balance sheet data *(Euro in millions)*	March 31, 2010	%	December 31, 2009	%
Total assets	1,487.3	100.0	1,390.6	100.0
Total non-current assets	848.5	57.1	811.8	58.4
Capital expenditure	6.4	0.4	36.9	2.7
Net invested capital	1,078.5	72.5	1,034.0	74.4
Net working capital	352.7	23.7	327.1	23.5
Net financial position	(315.4)	21.2	(588.0)	42.3
Group Shareholders' equity	752.7	50.6	438.4	31.5

Financial data *(Euro in millions)*	First Quarter 2010	First Quarter 2009
Cash flow operating activity	9.2	(32.0)
Cash flow investing activity	(6.1)	(12.7)
Cash flow financing activity	63.4	29.8
Closing net financial indebtedness (short-term)	47.4	(34.7)

Share and market data *(in Euro)*	First Quarter 2010	First Quarter 2009
Earnings/(losses) per share - base	0.0033	0.0060
Earnings/(losses) per share - diluted	0.0033	0.0060
No. shares in share capital at March 31	1,136,439,310	285,394,128

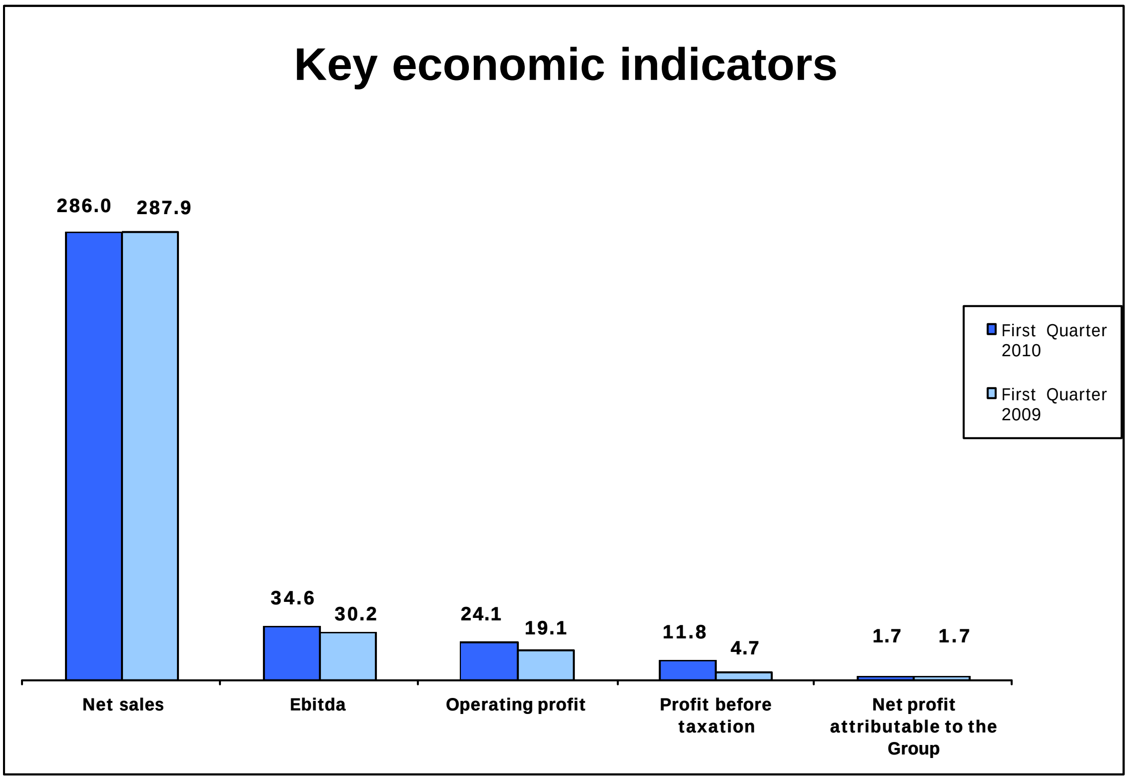
Group personnel	March 31, 2010	March 31, 2009
Punctual at March 31	8,185	8,505

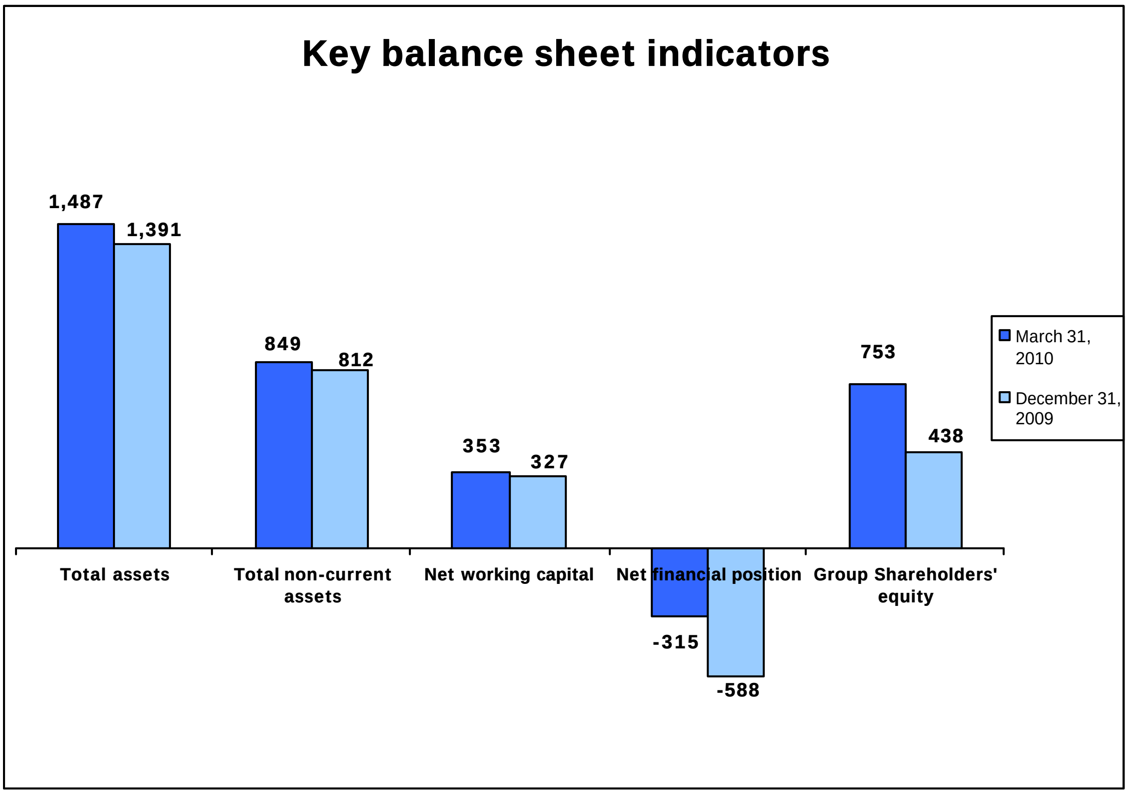
It should be noted that:

- certain figures in the Directors' Report on operations have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them.
- *"EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation;*
- "Net working capital" means the algebraic sum of inventories, trade receivables and trade payables.
- *"Net financial position" means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held in hand and at bank.*

Disclaimer

This report and, in particular, the section entitled "Subsequent events and Outlook" contains 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.


Key economic indicators
286.0
287.9
34.6
30.2
24.1
19.1
11.8
4.7
1.7
1.7
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group
First Quarter 2010
First Quarter 2009


Key balance sheet indicators
1,487
1,391
849
812
353
327
-315
-588
753
438
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity
March 31, 2010
December 31, 2009

Information on Group economic results

After a particularly difficult year, the first quarter of 2010 saw a stabilization of net sales, which in fact, based on like-for-like consolidation scope and exchange rates, returned to a marginal growth. The improvement in results completes the most important event of the first quarter, i.e. the positive conclusion of the Company's recapitalization plan, which has been fully illustrated in the recently approved financial statement. The entry of a new reference shareholder, HAL Group, has brought new resources of about Euro 270 million to the Company and strengthened Safilo's competitive position vis-à-vis its competitors.

As mentioned, the commercial situation is improving compared with previous quarters thanks to the success of the latest collections and to some signs of economic recovery in important areas like America and the Far East. The strategy of extending the range offered for the most important collections to include models positioned in a more affordable price range is yielding the expected results, enabling some designer brands belonging to the higher end of the market to achieve growing results already in this first part of the year. From a manufacturing standpoint, following reorganization in 2009 the current factory configuration can now be considered stable. Despite lower production volumes than in the past, the manufacturing organization has recovered part of its efficiency.

For the whole of 2010 the evaluation of the Group's results must take into consideration the sale of a significant part of the retail business at the end of 2009. This disposal may have significant effects on some items in the financial statements and therefore additional evaluation is necessary considering differences in the perimeter of the analysis.

Consolidated net sales in the first quarter of the year reached Euro 286 million as opposed to Euro 287.9 million in the same period in 2009 (-0.7%). Based on like-for-like exchange rates and consolidation scope, however, turnover grew by 3.9% with double-digit growth in the Asian continent. Not considering the businesses sold, in the first part of the year, positive results were achieved in all geographical areas – thanks above all to the good sales results of prescription eyewear, which is typically less sensitive to fluctuations in consumer demand. The first quarter confirmed the downward trend of average prices – more marked in sunglasses and in licensed collections, i.e. for products positioned in the high market range where consumers seem to paying more attention to price positioning.

The gross profit margin similar to the one reached in the first quarter of 2009, allowed for a growth of operating profit, due to the lower impact of selling and marketing expenses and overhead costs, no longer weighed down by the presence of a significant number of unprofitable retail stores.

Confirmation of the prudent policy of not accruing deferred tax assets for companies making tax losses penalized the period's bottom-line result, which nevertheless returned to profit after several loss-making quarters.

Cash generation was good, in particular further to the containment of working capital in a quarter that, because of seasonality, normally tends to absorb financial resources.

Group economic results

Consolidated statement of operation *(Euro in millions)*	**First Quarter 2010**	**%**	**First Quarter 2009**	**%**	**Change %**
Net sales	286.0	100.0	287.9	100.0	-0.7%
Cost of sales	(112.4)	(39.3)	(113.3)	(39.4)	-0.8%
Gross profit	**173.6**	**60.7**	**174.6**	**60.6**	**-0.6%**
Selling and marketing expenses	(116.7)	(40.8)	(122.6)	(42.6)	-4.9%
General and administrative expenses	(33.1)	(11.6)	(32.7)	(11.4)	1.3%
Other operating income/(expenses), net	0.4	0.1	(0.1)	0.0	n.s.
Operating profit	**24.1**	**8.4**	**19.1**	**6.6**	**26.2%**
Interest expense and other financial charges, net	(12.3)	(4.3)	(14.4)	(5.0)	-14.4%
Profit before taxation	**11.8**	**4.1**	**4.7**	**1.6**	**n.s.**
Income taxes	(3.9)	(1.4)	(2.6)	(0.9)	51.6%
Write downs of deferred tax assets	(4.8)	(1.7)	0.0	0.0	n.s.
Net profit	**3.1**	**1.1**	**2.1**	**0.7**	**43.1%**
Net profit attributable to minority interests	1.4	0.5	0.4	0.1	n.s.
Net profit attributable to the Group	**1.7**	**0.6**	**1.7**	**0.6**	**-0.3%**
EBITDA	**34.6**	**12.1**	**30.2**	**10.5**	**14.6%**

Percentage impacts and changes have been calculated on figures in thousand.

After a particularly difficult year the revenues are stabilizing, and the Group has achieved its objective of a return to net sales growth based on like-for-like consolidation scope and exchange rates. The market nevertheless still remains very uncertain and volatile and the sales results achieved in the first quarter of the year were more the result of the strength of some brands and of the Group's commercial reorganization than a sign of a long-lasting recovery of consumer spending.

Net sales reached Euro 286 million, substantially stable (-0.7%) compared with the first quarter of the previous year. Based, however, on like-for-like exchange rates and consolidation perimeter (i.e. excluding the impact of disposal of the retail store chains), Group revenues would have grown by 3.9% over the same period in 2009, showing good recovery capability in a still challenging market environment.

The good commercial performance was achieved mainly thanks to the positive results of prescription-frame sales, whereas sunglasses remained substantially stable after several quarters of sales contraction. It should be underlined that, in terms of volume, the sales of sunglass products also returned to growth and only the continued trend of decreasing average selling prices made this improvement less evident.

The good sales of Carrera continues also in 2010: after its success in Italy, the brand is experiencing double-digit growth in any other European countries, and is increasingly present also in the North American market.

Retail sales, sharply down, reflected the effect of the disposal of the unprofitable retail store chains, partly offset by the significant increase of sales of the American retail stores still owned by Group.

Geographical analysis highlights how – once again in the first quarter of the year – the European market remains the most difficult one and is not showing the signs of recovery already evident in other continents. In mainland Europe, sales in the Scandinavian area showed some recovery and, similarly, improvement of turnover was also evident in Mediterranean countries – although, in the latter's case, the year-over-year comparison was especially facilitated by a year of major sales contraction.

The American area, with growth of over 5% at constant exchange rates, is undoubtedly recovering both in the wholesale and in the retail segment. More specifically, department-store sales showed strong recovery, whereas growth of sales to independent opticians was more moderate, opticians are less sensitive both to market downturns and to market growth because they mainly sell prescription eyewear.

The Asian area is the continent showing the strongest signs of recovery. The exception is still Japan, where the sales slowdown has not come to a halt and where, to date, there are no signs of stabilization. This performance of individual countries at different levels has led China to be the top market in the area. This was also due to a first quarter with very high net sales compared to the same period in 2009 when, in reality, the Group had regulated deliveries due to concerns regarding the risk of customer insolvency. The increase of sales turnover was also very evident in other countries in the area, which, in the quarter, all substantially grew compared with 2009.

Net sales by geographical area	**First Quarter**				
(Euro in millions)	**2010**	**%**	**2009**	**%**	**Change %**
Europe	128.2	44.8	131.7	45.8	-2.7
The Americas	111.8	39.1	110.0	38.2	1.6
Asia	41.0	14.3	37.1	12.9	10.5
Rest of world	5.0	1.7	9.1	3.2	-45.1
Total	**286.0**	**100.0**	**287.9**	**100.0**	**-0.7**

Sales by product	**First Quarter**				
(Euro in millions)	**2010**	**%**	**2009**	**%**	**Change %**
Prescription frames	112.6	39.4	109.2	37.9	3.1
Sunglasses	158.3	55.3	162.4	56.4	-2.5
Sport products	12.2	4.3	11.5	4.0	6.1
Other	2.9	1.0	4.8	1.7	-39.6
Total	**286.0**	**100.0**	**287.9**	**100.0**	**-0.7**

The first quarter of 2010 confirmed the good gross profit margin already achieved in the same period of the previous year which, it has to be reminded, had been the best for a long time.

This result was achieved thanks to the deep manufacturing reorganization implemented in 2009, via which costs of an underutilized production set-up were substantially reduced. To this must be added the fact that, in the first quarter of the year, the seasonality of manufacturing plant utilization facilitates absorption of fixed costs and thus makes the factories more efficient than in the following quarters.

The incidence of selling and marketing expenses decreased substantially following disposal of the Spanish and Australian chains, which in previous years had increased the burden of operation costs.
Net of the stores sold, selling and marketing expenses would in any case have decreased thanks to some actions taken to curb the sales organization's costs and to a slight reduction of marketing costs, which, for the part relating to license agreements, envisages lower commitments than in the previous year.
Activities aimed at controlling the Group's structure costs – implemented during 2009 in view of the negative sales trend – made it possible to limit general and administrative expenses, which therefore did not increase in the quarter. The decrease in expenses following disposal of the retail chains was, however, offset by continued prudence in accruals to cover insolvency risks, consistently with the uncertain market situation.
The improvement of profitability of the wholesale segment and the disposal of the unprofitable retail chains led to some improvement of the operating result, both in absolute terms (+26.2%) and in percent terms. EBITDA rose to Euro 34.6 million with a 12.1% margin on net sales, as opposed to Euro 30.2 million (10.5% margin) in the same period in 2009.
Net financial costs, which improved, reflected the lower debt achieved thanks to the extraordinary capital increase.
Following the prudent decision not to make accruals for the Italian subsidiary's deferred tax assets, net profit attributable to the Group remained at the same level as in the first quarter of 2009, reaching Euro 1.7 million.

Analysis by distribution channel

The table below shows the key data by operating segment :

(Euro/000)	WHOLESALE First Quarter 2010	WHOLESALE First Quarter 2009	WHOLESALE Change	WHOLESALE %	RETAIL First Quarter 2010	RETAIL First Quarter 2009	RETAIL Change	RETAIL %
Net sales to 3rd parties	267.5	262.5	5.0	1.9%	18.5	25.4	-6.9	-27.2%
EBITDA	34.7	33.0	1.7	5.1%	(0.1)	(2.8)	2.7	96.7%
%	*13.0%*	*12.6%*			*-0.5%*	*-11.1%*		

Breakdown of the Group's results by operating segment was heavily affected by the disposal of the Spanish and Australian chains, composed of 106 stores in total with annual revenues of Euro 36.3 million. The wholesale sales segment did not experience any non-recurring items, apart from the effects of normal exchange-rate fluctuations.

The wholesale segment achieved revenues of Euro 267.5 million in the quarter, with an increase of 1.9% over the first quarter of 2009 (+3% at constant exchange rates). Growth was mainly seen in the Asian and American markets, whereas the European market continued to experience greater difficulty in recovering from the economic crisis. Prescription products' sales performance was good, whereas the sunglasses business continued to show a slight slowdown due to the continuation of the downward trend of average selling prices.

The channel's wholesale profitability improved, albeit marginally, due above all to the stable selling expenses and general costs against growing sales compared with the first quarter of 2009. Gross profit margin was good following the manufacturing reorganization completed in the previous year.

The first quarter of the year once again confirmed a prudent accrual policy both as far as credit risk and the recoverability of tax losses are concerned.

The retail channel – substantially scaled down following the disposal of the Spanish and Australian chains (221 stores in total at the end of 2009) – today comprises 219 stores, mainly located in the USA and Mexico. In terms of comparable sales, the first quarter of the year was particularly positive with growth of 19.6%, even if it is appropriate to point out that the comparison is with a period in which the American economy was heavily affected by the economic crisis.

In terms of profitability, there was strong improvement compared with the first quarter of 2009 following disposal of loss-making chains. At EBITDA level, the margin remained slightly negative, above all because of seasonality, which, in the winter months, penalises sales of the Solstice chain, which is focused on sunglasses.

Balance sheet reclassified

Balance sheet *(Euro in millions)*	**March 31, 2010**	**December 31, 2009**	**Change**
Trade receivables, net	314.2	268.8	45.4
Inventories	200.0	208.4	(8.3)
Trade payables	(161.5)	(150.1)	(11.4)
Net working capital	**352.7**	**327.1**	**25.7**
Tangible assets	210.2	208.6	1.6
Intangible assets and goodwill	566.5	536.5	30.0
Financial assets	12.9	12.0	0.9
Net fixed assets	**789.6**	**757.1**	**32.5**
Employee benefit liability	(43.0)	(41.8)	(1.3)
Other assets/(liabilities), net	(20.8)	(8.4)	(12.4)
Net invested capital	**1,078.5**	**1,034.0**	**44.5**
Cash in hand and at bank	62.0	37.4	24.6
Short-term borrowings	(58.8)	(178.1)	119.3
Long-term borrowings	(318.6)	(447.3)	128.7
Net financial position	**(315.4)**	**(588.0)**	**272.6**
Group Shareholders' equity	(752.7)	(438.4)	(314.3)
Minority interests	(10.4)	(7.6)	(2.9)
Total Shareholders' equity	**(763.1)**	**(446.0)**	**(317.2)**

Cash flow

The following table shows the main items of the cash flow statement as at 31st March 2010 compared with the figures for the same period in the previous financial:

Free cash flow *(Euro in millions)*	**First Quarter 2010**	**First Quarter 2009**	**Change**
Cash flow operating activity	9.2	(32.0)	41.2
Cash flow investing activity	(6.1)	(12.7)	6.6
Free cash flow	**3.1**	**(44.7)**	**47.8**

The first quarter of 2009 featured positive cash generation. Although cash erosion normally occurs due to sales seasonality in the first part of the year, some actions were taken to curb working capital and investments which allowed for the achievement of a positive free cash flow result. More specifically, the lower impact of investments was also a consequence of the recently downsized retail organization, as the Spanish and Australian chains required continuous resources to open new stores and refit existing stores.

Net working capital

Net working capital *(Euro in millions)*	**March 31, 2010**	**March 31, 2009**	**Change Mar 10 - Mar 09**	**December 31, 2009**
Trade receivables, net	314.2	320.9	(6.7)	268.8
Inventories	200.0	264.3	(64.3)	208.4
Trade payables	(161.5)	(160.2)	(1.3)	(150.1)
Net working capital	**352.7**	**425.0**	**(72.3)**	**327.1**
% net sales	*34.9%*	*38.3%*		*32.3%*

As mentioned earlier, during the first quarter of 2010 we succeeded in reducing working capital despite the fact that sales seasonality causes an increase in customer trade receivables. During this first part of the year, we succeeded in further limiting inventory levels. The improvement compared with the same period of the previous year for trade payables benefited from comparison with a 2009 when major costs for manufacturing investments carried out at the end of 2008, were paid.

There were no significant changes in customer payment terms in the main global markets. A positive feature was a reduction of working capital as a percentage of net sales compared to the same period in 2009.

Investments in property, plant and equipment and intangible fixed assets

Investments in tangible and intangible assets made by the Group totalled Euro 6.4 million, compared with investments of Euro 11.9 million made in the same period of the previous financial year, and featured the following:

(Euro in millions)	First Quarter 2010	First Quarter 2009	Change
Headquarters	0.5	1.6	(1.1)
Production facilities	5.0	7.4	(2.4)
Europe	0.1	0.3	(0.2)
Americas	0.7	2.3	(1.6)
Asia Pacific	0.1	0.3	(0.2)
Total	**6.4**	**11.9**	**(5.5)**

The policy of limiting investments led to greater focus on updating and developing the manufacturing facilities. The opening of new retail stores was limited given the still uncertain market environment, and expenditure was minimized in areas not directly related to manufacturing or selling.

Net financial position

Net financial position *(Euro in millions)*	March 31, 2010	December 31, 2009	Change
Current portion of long term borrowings	(3.6)	(77.3)	73.7
Bank overdrafts and short term bank borrowings	(14.6)	(58.3)	43.7
Other short term borrowings	(40.6)	(42.5)	1.9
Cash in hand and at bank	62.0	37.4	24.6
Short term net financial position	**3.2**	**(140.7)**	**143.9**
Long term borrowings	(318.6)	(447.3)	128.7
Long term net financial position	**(318.6)**	**(447.3)**	**128.7**
Net financial position	**(315.4)**	**(588.0)**	**272.6**

The net financial position benefited substantially significantly from the capital increase transaction, which contributed about Euro 270 million of new funds.

Following this, the amount and structure of the Group's debt changed radically with respect to the end of 2009. Compared with 2009, there has been substantial deferral of maturity dates, so much so that, in practice, there is no net short-term debt exposure to banks.

Personnel

The Group's total workforce as at 31st March 2010 and 31st December 2009 and 31st March 2009 is summarized in the following table :

	March 31, 2010	December 31, 2009	March 31, 2009
Padua headquarters	869	860	870
Production facilities	4,857	4,727	4,632
Commercial subsidiaries	1,306	1,183	1,337
Retail	1,153	1,161	1,666
Total	**8,185**	**7,931**	**8,505**

The evolution of Group personnel shows a slight increase compared with 31st December 2009, mainly in the production area, where the seasonality of production capacity utilization and the ongoing ramp-up of the Chinese factory led to a slight increase of production personnel.
In the commercial area, the personnel increase was concentrated in the Korean subsidiary, where management of department store operations causes the hire of a large number of seasonal workers.

Transaction with related parties

Information on related-party transactions is provided in the "Related parties" section in the explanatory notes, to which reference should be made for details.

Subsequent events and Outlook

On 27th March the Group extended/renewed the Marc Jacobs and Marc by Marc Jacobs licenses/license agreements until 31st December 2015.

During the first quarter of 2010, the Group made some progress as far as its business and financial performance are concerned. In the context of a still uncertain and volatile market demand and macroeconomic environment, Safilo remains cautious and focused on continuing its route of recovery during the year.

Interim consolidated financial statements and Notes at 31st March, 2010

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(Euro/000)	*Note*	31/03/2010	of which related parties	31/12/2009	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	62,019		37,386	
Trade receivables, net	*2.2*	314,198	14,688	268,750	15
Inventory, net	*2.3*	200,048		208,373	
Other current assets	*2.5*	62,453	447	64,311	419
Total current assets		**638,718**		**578,820**	
Non-current assets					
Tangible assets	*2.6*	210,157		208,579	
Intangible assets	*2.7*	17,449		18,106	
Goodwill	*2.8*	549,077		518,419	
Investments in associates	*2.9*	12,869		12,032	
Financial assets available-for-sale	*2.10*	793		806	
Deferred tax assets	*2.11*	44,714		41,718	
Derivative financial instruments	*2.4*	171		228	
Other non-current assets	*2.12*	13,302		11,916	
Total non-current assets		**848,532**		**811,804**	
Total assets		**1,487,250**		**1,390,624**	

(Euro/000)	Note	31/03/2010	of which related parties	31/12/2009	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	2.13	58,802		178,124	
Trade payables	2.14	161,517	5,675	150,068	5,956
Tax payables	2.15	26,647		18,651	
Derivative financial instruments	2.4	5,073		5,549	
Other current liabilities	2.16	70,283		63,437	
Provisions for risks and charges	2.17	3,611		4,087	
Total current liabilities		**325,933**		**419,916**	
Non-current liabilities					
Long-term borrowings	2.13	318,589		447,282	
Employee benefit liability	2.18	43,048		41,818	
Provisions for risks and charges	2.17	20,892		20,968	
Deferred tax liabilities	2.11	3,896		3,531	
Other non-current liabilities	2.19	11,748		11,117	
Total non-current liabilities		**398,173**		**524,716**	
Total liabilities		**724,106**		**944,632**	
Shareholders' equity					
Share capital	2.20	284,110		71,349	
Share premium reserve	2.21	802,166		745,105	
Retained earnings (losses) and other reserves	2.22	(335,305)		(26,605)	
Fair value and cash flow reserves	2.23	27		32	
Income attributable to the Group		1,709		(351,448)	
Total shareholders' equity attributable to the Group		**752,707**		**438,433**	
Minority interests		**10,437**		**7,559**	
Total shareholders' equity		**763,144**		**445,992**	
Total liabilities and shareholders' equity		**1,487,250**		**1,390,624**	

Consolidated income statement

(Euro/000)	Note	First Quarter 2010	of which related parties	First Quarter 2009	of which related parties
Net sales	3.1	285,971	11,117	287,909	43
Cost of sales	3.2	(112,391)	(3,740)	(113,331)	(3,226)
Gross profit		**173,580**		**174,578**	
Selling and marketing expenses	3.3	(116,695)	(14)	(122,647)	
General and administrative expenses	3.4	(33,138)	(310)	(32,713)	(321)
Other oper. income/(expenses), net	3.5	362	213	(107)	
Operating profit / (loss)		**24,109**		**19,111**	
Share of income/(loss) of associates	3.6	43		35	
Int. expenses and other fin. charges, net	3.7	(12,367)		(14,445)	
Profit / (Loss) before taxation		**11,785**		**4,701**	
Income taxes	3.8	(3,890)		(2,566)	
Write down of deferred tax assets	3.8	(4,840)		-	
Net profit / (loss)		**3,055**		**2,135**	
Net profit / (loss) attributable to:					
The Group		1,709		1,714	
Minority interests		1,346		421	
Earnings/(losses) per share - base (Euro)	3.9	0.0033		0.0060	
Earnings/(losses) per share - diluted (Euro)	3.9	0.0033		0.0060	

Consolidated statement of comprehensive income

		First Quarter	
(Euro/000)	***Note***	**2010**	**2009**
Net profit (loss) for the period		**3,055**	**2,135**
Gains/(Losses) on cash flow hedges	*2.23*	-	(1,317)
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	(5)	(204)
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	43,951	26,867
Other Gains/(Losses)	*2.22*	(83)	324
Other comprehensive income / (loss), net of tax		**43,863**	**25,670**
Total Comprehensive income / (loss)		**46,918**	**27,805**
Attributable to:			
Group		45,005	27,021
Minority interests		1,913	784
Total Comprehensive income / (loss)		**46,918**	**27,805**

(*)there is no tax effect because the deferred tax assets have not been recognised.

Consolidated statement of cash flow

(Eur/000)	*Note*	First Quarter 2010	First Quarter 2009
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**(20,919)**	**(20,442)**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including minority interests)		3,055	2,135
Depreciation and amortization	*2.6 - 2.7*	10,486	11,073
Share income/(loss) on equity investments	*2.9*	(35)	(35)
Net movements in the employee benefit liability	*2.18*	1,140	1,037
Net movements in other provisions	*2.17*	(563)	(72)
Interest expenses, net	*3.7*	8,070	11,029
Income tax expenses	*3.8-3.9*	8,730	2,566
Income from operating activities prior to movements in working capital		**30,883**	**27,733**
(Increase) Decrease in trade receivables		(37,825)	(15,826)
(Increase) Decrease in inventory, net		14,623	12,024
Increase (Decrease) in trade payables		8,234	(47,322)
(Increase) Decrease in other current receivables		567	4,180
Increase (Decrease) in other current payables		687	(6,380)
Interest expenses paid		(4,765)	(4,395)
Income tax paid		(3,241)	(2,063)
Total (B)		**9,163**	**(32,049)**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(5,785)	(10,726)
(Acquisition) Disposal of investments and bonds		-	100
Purchase of intangible assets		(286)	(2,089)
Total (C)		**(6,071)**	**(12,715)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		5,194	34,491
Repayment of borrowings		(211,586)	(4,631)
Share capital increase		269,964	-
Dividends paid		(165)	(84)
Total (D)		**63,407**	**29,776**
E - Cash flow for the period (B+C+D)		**66,499**	**(14,988)**
Translation exchange difference		1,830	734
Total (F)		**1,830**	**734**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)		**47,410**	**(34,696)**

Statement of changes in shareholders' equity

First quarter 2009 and 2010

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2009	**71,349**	**747,471**	**(55,889)**	**(7,620)**	**63,869**	**(23,315)**	**795,865**
Previous year's profit allocation	-	-	-	-	(23,315)	23,315	-
Changes in other reserves	-	-	-	-		-	-
Total comprehensive income for the period	-	-	26,518	(1,521)	311	1,713	27,021
Group shareholders' equity at March 31, 2009	**71,349**	**747,471**	**(29,371)**	**(9,141)**	**40,865**	**1,713**	**822,886**
Minority interests at January 1, 2009	**-**	**-**	**529**	**-**	**5,108**	**2,775**	**8,412**
Previous year's profit allocation	-	-	-	-	2,775	(2,775)	-
Dividends distribution	-	-	-	-	(85)	-	(85)
Total comprehensive income for the period	-	-	349	-	14	421	784
Minority interests at March 31, 2009	**-**	**-**	**878**	**-**	**7,812**	**421**	**9,111**
Consolidated net equity at March 31, 2009	**71,349**	**747,471**	**(28,493)**	**(9,141)**	**48,677**	**2,134**	**831,997**

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2010	**71,349**	**745,105**	**(62,529)**	**32**	**35,924**	**(351,448)**	**438,433**
Previous year's profit allocation	-	-	-	-	(351,448)	351,448	-
Share capital increase	212,761	57,203					269,964
Changes in other reserves	-	(142)	-	-	(553)	-	(695)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	43,425	(5)	(124)	1,709	45,005
Group shareholders' equity at March 31, 2010	**284,110**	**802,166**	**(19,104)**	**27**	**(316,201)**	**1,709**	**752,707**
Minority interests at January 1, 2010	**-**	**-**	**248**	**-**	**6,652**	**659**	**7,559**
Previous year's profit allocation	-	-	-	-	659	(659)	-
Changes in other reserves	-	-	-	-	1,130	-	1,130
Dividends distribution	-	-	-	-	(165)	-	(165)
Total comprehensive income for the period	-	-	526	-	41	1,346	1,913
Minority interests at March 31, 2010	**-**	**-**	**774**	**-**	**8,317**	**1,346**	**10,437**
Consolidated net equity at March 31, 2010	**284,110**	**802,166**	**(18,330)**	**27**	**(307,884)**	**3,055**	**763,144**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

These interim consolidated financial statements, expressed in thousands of Euro, refer to the financial period from January 1st 2010 to March 31st 2010. Economic and financial information are provided with reference to the first quarter of 2010 and 2009 whilst balance sheet information are provided with reference to March 31st 2010 and December 31st 2009.

Consolidated quarterly financial report of Safilo S.p.A. at March 31st, 2010, including quarterly condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.5 58/98 - T.U.F. - and subsequent amendments and additions. This quarterly financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual budget, they refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this quarterly financial report must be read in conjunction with the consolidated financial statements for the financial year ended 31st December 2009.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 30th April 2010.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2010

As previously indicated, in preparing the consolidated quarterly financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31th December 2009 have been applied.

Accounting standards, amendments and interpretations applied from 1st January 2010 but not applicable to the Group

The following amendments, improvements and interpretations have been issued and are effective from 1st January 2010, these relate to matters that were not applicable to the Group at the date of these interim consolidated financial statements but which may affect the accounting for future transactions or arrangements:
IFRS 3 (Revised 2008) – Business Combinations
Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IAS 27 (2008) – Consolidated and Separate Financial Statements
Amendments to IAS 28 – Investments in Associates and IAS 31 – Interests in Joint Ventures consequential to the amendment to IAS 27.
Improvement to IAS/IFRS (2009).
Amendments to IFRS 2 – Share based Payment: Group Cash-settled Share-based Payment Transactions.
IFRIC 17 – Distributions of Non-cash Assets to Owners.
IFRIC 18 – Transfers of Assets from Customers.
Amendment to IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged items

Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Group

On 8th October 2009, the IASB issued an amendment to IAS 32 – Financial *Instruments: Presentation, Classification of Rights Issues* in order to address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
The amendment is applicable retrospectively from 1st January 2011; when applied this amendment is not expected to lead to significant effects on the Group's financial statements.

On 4th November 2009, the IASB issued a revised version of IAS 24 - *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1st January 2011. The revised standard had not yet been endorsed by the European Union at the date of these interim consolidated financial statements.

On 12nd November 2009, the IASB issued a new standard IFRS 9 – *Financial Instruments* on the classification and measurement of financial assets, having an effective date for mandatory adoption of 1st January 2013. The new standard represents the completion of the first part of a project to replace IAS 39. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used. The new standard had not yet been endorsed by the European Union at the date of these interim consolidated financial statements.

On 26th November 2009, the IASB issued a minor amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement. The amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of 1st January 2011; the amendment had not yet been endorsed by the European Union at the date of these interim consolidated financial statements.

On 26th November 2009, the IFRIC issued the interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially, then the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and are measured at their fair value; the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the profit or loss for the period. The interpretation has an effective date for mandatory adoption of 1st January 2011; the interpretation had not yet been endorsed by the European Union at the date of these interim consolidated financial statements.

1.3 Consoliodation method and consolidation area

The direct and indirect holdings, included in the consolidation scope under the line-by-line method, and other than the holding company Safilo Group S.p.A., are the following:

	Value	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	35,000,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidazione) – Padova	EUR	102,775	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Capital Int. S.A. - Lussemburgo (L)	EUR	31,000	100.0
Luxury Trade S.A - Lussemburgo (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,343,960	100.0
Safilo France S.a.r.l. - Parigi (F)	EUR	960,000	100.0
Safilo Gmbh - Colonia (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Mosca (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	51.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	51.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzen Limited - Shenzen (RC)	CNY	2,481,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	100.0
Safilo Retail (Shangai) Co. Ltd - (RC)	USD	2,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Atene (GR)	EUR	489,990	70.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Carrera Optyl D.o.o. - Ormoz (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – San Paolo (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbona (P)	EUR	500,000	100.0
Safilo Switzerland AG – Liestal (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	88.5
Safint Australia Pty Ltd. - Sydney (AUS)	AUD	3,000,000	100.0
Safilo Australia Partnership – Sydney (AUS)	AUD	204,081	61.0
Optifashion Hong Kong Ltd - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - Londra (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - North Yorkshire (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Realty Corp. - Delaware (USA)	USD	10,000	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,162	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safint Eyewear de MexicoS.A. de C.V. - Cancun (MEX)	MXP	10,035,575	100.0
Tide Ti S.A. de C.V. - Cancun (MEX)	MXP	95,051,000	60.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0

1.4 Translation of financial statement in currencies other tha Euro

The exchange rates applied in the conversion of subsidiaries' financial statements prepared in a currency other than the Euro were as follows:

Currency	Code	As of March 31, 2010	As of December 31, 2009	(Appreciation) / Depreciation %	Avg. for the first quarter March 31, 2010	Avg. for the first quarter March 31, 2009	(Appreciation) / Depreciation %
US Dollar	USD	1.3479	1.4406	-6.4%	1.3829	1.3028	6.1%
Hong-Kong Dollar	HKD	10.4653	11.1709	-6.3%	10.7364	10.1016	6.3%
Swiss Franc	CHF	1.4276	1.4836	-3.8%	1.4632	1.4977	-2.3%
Canadian Dollar	CAD	1.3687	1.5128	-9.5%	1.4383	1.6207	-11.3%
Japanese Yen	YEN	125.9300	133.1600	-5.4%	125.4848	121.9963	2.9%
British Pound	GBP	0.8898	0.8881	0.2%	0.8876	0.9088	-2.3%
Swedish Krown	SEK	9.7135	10.2520	-5.3%	9.9464	10.9410	-9.1%
Australian Dollar	AUD	1.4741	1.6008	-7.9%	1.5293	1.9648	-22.2%
South-African Rand	ZAR	9.8922	10.6660	-7.3%	10.3852	12.9740	-20.0%
Russian Ruble	RUB	39.6950	43.1540	-8.0%	41.2697	44.4165	n/a
Brasilian Real	BRL	2.4043	2.5113	-4.3%	2.4916	3.0168	-17.4%
Indian Rupee	INR	60.5140	67.0400	-9.7%	63.4796	64.7948	-2.0%
Singapore Dollar	SGD	1.8862	2.0194	-6.6%	1.9395	1.9709	-1.6%
Malaysian Ringgit	MYR	4.3968	4.9326	-10.9%	4.6590	4.7259	-1.4%
Chinese Reminbi	CNY	9.2006	9.8350	-6.5%	9.4417	8.9066	6.0%
Korean Won	KRW	1,525.1100	1,666.9700	-8.5%	1,581.4081	1847.5900	-14.4%
Mexican Peso	MXN	16.6573	18.9223	-12.0%	17.6555	18.7267	-5.7%

Foreign currency transactions are converted into the currency using the exchange rate at the transaction date. The foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.5 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the account s. The final outcome of the various accounts in the financial statements, which uses the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Some valuation processes, in particular the most complex such as the calculation of permanent impairments in values for fixed assets, are only made in full for the preparation of the Annual financial statements when all the necessary information is available, unless "impairment" indicators exist that require an immediate valuation of a potential loss in value.

2. Notes on the consolidated balance sheet

2.1 Cash in hand and at bank

This account totals Euro 62,019 thousand (compared with Euro 37,386 thousand at 31st December 2009) and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

The following table shows the reconciliation of the entry "Cash in hand and at bank" with the net financial position presented on the cash flow statement:

(Euro/000)	**March 31, 2010**	**March 31, 2009**
Cash in hand and at bank	62,019	36,942
Bank overdrafts	(914)	(13,120)
Bank borrowings current	(13,695)	(58,518)
Total	**47,410**	**(34,696)**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	**March 31, 2010**	**December 31, 2009**
Gross value	346,629	297,327
Allowance for doubtful accounts	(32,431)	(28,577)
Net value	**314,198**	**268,750**

Trade receivables increased mainly because of the seasonal factors affecting sales. Note that the Group's credit risk is not significantly concentrated since credit exposure is spread over a large number of customers. The movements of the credit risk provision over the quarter are shown below:

(Euro/000)	**Balance at January 1, 2010**	**Posted to income statement**	**Use (-)**	**Transl. Diff.**	**Balance at March 31, 2010**
Allowance for bad debts	19,269	2,540	(107)	284	21,986
Allowance for sales returns	9,308	555	-	582	10,445
Total	**28,577**	**3,095**	**(107)**	**866**	**32,431**

The allowance for bad and doubtful debts includes the provision for insolvency posted on the income statement under the item "general and administrative expenses" (note 3.4).

The allowance for bad and doubtful debts includes the provision for products which, in accordance with specific contractual clauses, may not be sold to final consumers and therefore may be returned in the future. This provision is accounted for in the income statement as a direct reduction of sales.

2.3 Inventory, net

This item breaks down as follows:

(Euro/000)	March 31, 2010	December 31, 2009
Raw materials	46,817	49,809
Work-in-progress	5,854	5,377
Finished products	200,231	202,836
Gross	**252,903**	**258,022**
Obsolescence provision (-)	(52,855)	(49,649)
Total	**200,048**	**208,373**

In order to deal with obsolete or slow-moving stock, a specific provision has been allocated, calculated on the basis of the possibility for future sale or use. The change to the income statement is posted under the item "cost of sales" (note 3.2).
The movements in the aforementioned provision are shown below:

(Euro/000)	Balance at January 1, 2010	Posted to income statement	Transl. Diff.	Balance at March 31, 2010
Obsolescence provision	49,649	1,855	1,351	52,855
Total	**49,649**	**1,855**	**1,351**	**52,855**

2.4 Derivative financial instruments

The following table summarises the total amount of derivate financial instruments on the balance sheet:

(Euro/000)	March 31, 2010	December 31, 2009
Non-current assets:		
- Options	171	228
Total	**171**	**228**
Current liabilities:		
- Foreign currency contracts - at fair value through P&L	353	338
- Interest rate swaps - at fair value through P&L	4,720	5,211
Total	**5,073**	**5,549**

The fair value of the forward currency hedging contracts is determined on the basis of the current value of the differences between the contracted forward exchange rate and the spot market rate at the balance sheet date.

The market value of interest rate swaps on the balance sheet at 31st December 2009 totalled Euro 4,720 thousand, and was determined by specialist financial institutes on the basis of normal market conditions. The Group's interest rate risk management policies involve the hedging of the future cash flows that will be accounted for also in successive years; the relative hedging effect must be suspended in the cash flow reserve and recorded on the income statement of the successive periods when such expected cash flows actually take place.

Following the debt restructuring operation, the prospective assessment of these instruments was not effective to designate as a hedge, and therefore their fair value was reported entirely in the income statement.

The following table shows the characteristics and the fair value of the interest rate swap (IRS) contracts in force at 31st March 2010 and at 31st December 2009:

Interest rate swaps	March 31, 2010			December 31, 2009		
(Euro/000)	Contractual value		*Fair value*	Contractual value		*Fair value*
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2010	-	55,000	(982)	-	55,000	(1,386)
Expiry year 2011	-	65,000	(2,814)	-	65,000	(2,847)
Expiry year 2011	48,488	-	(924)	48,488	-	(978)
Totale	**48,488**	**120,000**	**(4,720)**	**48,488**	**120,000**	**(5,211)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	March 31, 2010	December 31, 2009
VAT receivable	6,727	7,197
Tax credits and payments on account	15,329	15,378
Prepayments and accrued income	24,411	22,212
Receivables from agents	923	1,083
Other current receivables	15,063	18,441
Total	**62,453**	**64,311**

"Tax credits and payments on account" mainly refer to tax prepayments and credits for higher taxes paid which will be offset against the relative tax payable.

Accrued income and deferred charges at 31st March 2010 include:
prepaid royalty costs of Euro 17,932 thousand;
prepaid rent and operating leases of Euro 1,806 thousand;
prepaid advertising costs of Euro 1,413 thousand;
other prepaid costs, mainly of a commercial nature, for the remainder.

The receivables from agents mainly refer to receivables deriving from the sale of samples.

Other short-term receivables amount to Euro 15,063 thousand and mainly refer to:

- payments of minimum annual guarantees relating to 2010 royalties for a total amount of Euro 8,119 thousand;
- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,040 thousand, referring to receivables due from bankrupt customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the distribution plan of the bankruptcy procedure is executed;
- receivables for insurance repayments of Euro 1,246 thousand;
- deposit payme nts due within 12 months for Euro 377 thousand;

2.6 Property, plant and equipment, net

Changes in tangible assets in the first quarter of 2010 are shown below:

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Reclass.	Transl. diff.	Balance at March 31, 2010
Gross value						
Land and buildings	133,081	1,217	(122)	206	1,921	136,303
Plant and machinery	181,144	1,233	(98)	(4,807)	769	178,240
Equipment and other assets	191,586	3,018	(130)	4,429	5,044	203,947
Assets under constructions	4,148	2,018	-	(1,626)	38	4,578
Total	**509,959**	**7,486**	**(350)**	**(1,798)**	**7,771**	**523,068**
Accumulated depreciation						
Land and buildings	35,610	1,101	(151)	63	338	36,961
Plant and machinery	124,372	2,288	(43)	(2,684)	182	124,115
Equipment and other assets	141,398	5,356	(53)	2,420	2,713	151,834
Total	**301,380**	**8,745**	**(247)**	**(201)**	**3,233**	**312,911**
Net book value	**208,579**	**(1,259)**	**(104)**	**(1,597)**	**4,539**	**210,157**

A total of Euro 5,860 thousand was invested in tangible assets in the fist quarter of 2010, mainly as follows:

Euro 4,963 thousand in production facilities, mainly for the renewal of plants and for the purc hase and production of equipment relating to new models;

Euro 607 thousand in American companies, mainly in retail chains in the US and Mexico;

the remaining part in the other companies of the Group.

2.7 Intangible assets

Changes in intangible assets in the first quarter of 2010 are shown below:

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Reclass.	Transl. diff.	Balance at March 31, 2010
Gross value						
Software	19,756	443	-	174	599	20,972
Trademarks and licenses	43,111	32	-	-	51	43,194
Other intangible assets	9,055	58	(305)	-	336	9,145
Total	**71,922**	**533**	**(305)**	**174**	**986**	**73,311**
Accumulated depreciation						
Software	14,139	736	-	130	323	15,329
Trademarks and licenses	33,270	852	-	-	32	34,155
Other intangible assets	6,407	152	(305)	-	123	6,378
Total	**53,816**	**1,741**	**(305)**	**130**	**479**	**55,861**
Net book value	**18,106**	**(1,208)**	**-**	**44**	**507**	**17,449**

The table below shows depreciation and amortisation expenses related to tangible and intangible assets, recorded under the following items on the income statement:

(Euro/000)	note	First Quarter 2010	First Quarter 2009
Cost of sales	3.2	4,807	5,087
Selling and marketing expenses	3.3	2,208	2,520
General and administrative costs	3.4	3,471	3,466
Total		**10,486**	**11,073**

2.8 Goodwill

The change in goodwill in the first quarter of 2010 is shown in the table below:

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Diff. di convers.	Balance at March 31, 2010
Goodwill	518,419	-	-	30,658	549,077
Net book value	**518,419**	**-**	**-**	**30,658**	**549,077**

The value of goodwill broken down by the geographical regions of the CGUs to which it is allocated is as follows:

Goodwill *(Euro/000)*	**Italy ed Europe**	**The Americas**	**Asia**	**Total**
31 March 2010	158,332	205,238	185,508	549,077
31 December 2009	157,611	173,630	187,178	518,419

2.9 Investments in associates

Investments in associates refer to the following companies:

Company	Registered office or headquarters	% of share capital	Type of investment	Main activity
TBR Inc.	USA	33.3%	Associated company	Real estate
Elegance I. Holdings Ltd	Hong Kong	23.05%	Associated company	Commercial
Optifashion As	Turchia	50.0%	Non-consolidated subsidiary	Commercial

The movements of shareholdings in associated companies in the first quarter of 2010 are shown below:

	January 1, 2010			Movements for the period		
(Euro/000)	Gross value	Revaluation/(write-down)	Value at January 1, 2010	Share of results and write-down of divid. of assoc. comp.	Transl. diff.	Value at March 31, 2010
TBR Inc.	431	(109)	322	43	23	388
Elegance I. Holdings Ltd	5,124	6,345	11,469	-	771	12,240
Optifashion As	353	(112)	241	-	-	241
Totale	**5,908**	**6,124**	**12,032**	**43**	**795**	**12,869**

Optifashion A.s. with registered office in Istanbul (Turkey), a 50% held subsidiary of the Group, is not included in the consolidation perimeter, since the amounts are considered insignificant for the purpose of representing a true and fair view of the Group's financial position and result.

2.10 Financial assets available for sale

This item includes financial assets that may be sold. The value of the stakes in Gruppo Banco Popolare and Unicredit S.p.A. was determined with reference to the prices quoted on the official markets at the balance sheet date. From the end of the previous year, given the significant and prolonged decline in the fair value of the stake in Gruppo Banco Popolare, the management has considered it appropriate to charge the value of this stake to the income statement.

Changes in the item in the first quarter of 2010 are shown in the table below:

(Euro/000)	January 1, 2010 Gross value	Revaluation / (write - down)	Net value	Movements for the year Increase / (Decrease)	Revaluation / (write - down)	Value at March 31, 2009
Banco Popolare Group	4,096	(3,416)	680	-	(7)	673
Unicredit S.p.A.	48	32	80	-	(6)	75
Others	46	-	46	-	-	46
Total	**4,190**	**(3,384)**	**806**	**-**	**(13)**	**793**

2.11 Deferred tax assets and deferred tax liabilities

Deferred tax assets

These assets refer to the taxes calculated on tax losses that may be recovered in future financial years and temporary differences between the carrying value of assets and liabilities and their tax value. Deferred taxes on tax losses accumulated by the Group are only booked on the companies' balance sheets if there is a reasonable likelihood that they may be recovered through future taxable income.

Deferred tax liabilities

This provision refers to taxes calculated on temporary differences between the carrying value of assets and liabilities and their tax value. The most significant items for which deferred tax liabilities have been calculated concern tangible assets and goodwill amortisation, calculated for tax purposes only.

Allowance for deferred tax assets

Deferred tax assets net (where applicable) of deferred tax liabilities in the financial statements of some companies of the Group, have been written down through a provision, in order to take into account the market trend and the changed expectations of future profitability. This prudential provision totals Euro 75,732 thousand, of which Euro 4,840 thousand was set aside in the first quarter of 2010.

The table below show the values of deferred tax assets and of deferred tax liabilities, net of the allowance made:

(Euro/000)	March 31, 2010	December 31, 2009
Deferred tax assets	120,446	112,610
Depreciation Fund (-)	(75,732)	(70,892)
Total net receivables for deferred tax	44,714	41,718
Deferred tax liabilities	(3,896)	(3,531)
Total	**40,818**	**38,187**

2.12 Other non-current assets

This item breaks down as follows:

	March 31, 2010	December 31, 2009
Receivables from Social Security Institution	9,889	9,017
Long-term guarantee deposit	2,958	2,575
Other long-term receivables	455	324
Total	**13,302**	**11,916**

The Treasury Fund receivables founded by the Italian Social Security Institution (INPS) refers to the receivable in the Safilo S.p.A. balance sheet related to the quotas of employment benefit liability (TFR) further to the modifications introduced by the Finance Bill no. 296 of 2006.

Deposit payments mainly relate to rent al contracts for stores of retail companies.

It is considered that the book value of the other non-current assets is approximately equal to their fair value.

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	**March 31, 2010**	**December 31, 2009**
Short-term borrowings		
Bank overdrafts	914	6,093
Short-term bank loans	13,695	52,212
Short-term portion of long-term bank loans	3,591	77,289
Short-term portion of financial leasing	1,755	1,609
Debt to the factoring company	38,742	40,815
Other short-term loans	106	106
Total	**58,803**	**178,124**
Long-term borrowings		
Medium long-term loans	119,942	248,588
Ordinary bonds	190,934	190,704
Payables for financial leasing	7,257	7,536
Other medium long-term loans	455	454
Total	**318,588**	**447,282**
Total borrowings	**377,391**	**625,406**

On 5th February 2010, a contract was signed providing for the following changes to the senior loan contract signed on 26th June 2006 by subsidiaries Safilo S.p.A. and Safilo USA Inc with a pool of banks coordinated by UniCredit Banca Mobiliare S.p.A. (now UniCredit BankA.G.):

- the redefinition of the tranches making up Facility A1 of the Senior Loan as follows: Tranche 1 Facility A1 (approximately Euro 2 million) and Tranche 2 Faclity A1 (Euro 25 million);
- the redefinition of the purpose of the revolving line of the Senior Loan (Facility B), to allow it to be used to repay HY bonds maturing in 2013;
- improvement for the Group of interest margins applied to the different credit lines; for the revolving line (Facility B), a system in which the margin decreases in relation to changes in the net debt/consolidated EBITDA ratio (leverage ratio);
- changes in repayment procedures and final maturities of the credit lines as follows: for Tranche 1 of Facility A1, Facility A2 and Facility A3, a switch from a half-yearly repayment plan with final maturity at 31st December 2011 to a single-instalment repayment at 30th June 2012; for Tranche 2 of Facility A1, a switch from a half-yearly repayment plan with final maturity at 31st December 2011 to a single-instalment repayment at 30th June 2014; for the revolving line (Facility B), a postponement of final repayment from 31st December 2012 to 30th June 2015;
- the suspension until 30th June 2012 of the checks on covenant levels (covenant holiday), except for those relating to compliance, from the effective date of the Restructuring Agreement, with a general limit on net debt. From 30th June 2012, with checks on 30th June and 31st December of every year, covenants relating to consolidated net debt/consolidated EBITDA (leverage ratio), EBITDA/net

interest expenses (Interest Cover Ratio) will be subject to compliance with the new levels defined in the agreement.

At 31st March 2010, the aforementioned loan was booked under "Medium-/long-term bank loans", and breaks down as follows:

- "Facility A1 –Tranche 1", totalling Euro 2.2 million, expiring 30th June 2012;
- "Facility A1 –Tranche 2", totalling Euro 25 million, expiring 30th June 2014;
- "Facility A2", in USD, totalling Euro 33.9 million, expiring 30th June 2012;
- "Facility A3", in USD, totalling Euro 38.8 million, expiring 30th June 2012;
- a revolving line called "Facilit y B", totalling a maximum of Euro 200 million, expiring 30th June 2015, comprising two tranches, also payable in USD, of which Euro 20 million has been used by cash as at 31st March 2010.

The Senior Loan contract includes a series of obligations and restrictions that concern operational and financial aspects relating to subsidiaries Safilo S.p.A. and Safilo USA, to protect the integrity of the guarantees provided to the financing banks, and which mainly translate into prohibiting, beyond certain limits set out in the contract, the provision of real guarantees in favour of third parties ("negative pledge"), the incurring of financial debt beyond that resulting from the Senior Loan and HY bonds, the carrying out extraordinary company transactions, and the obligation to fulfil periodic disclosure requirements relating to financial data.

As regards financial commitments, from 30th June 2012, the company must comply with defined levels of the covenants calculated on the basis of financial statement data at the end of each half-year. If these parameters are not respected, the conditions to continue the loan agreement would need to be renegotiated with financiers, in relation to the appropriate waivers or changes to the aforementioned parameters. If this were not the case an event of default could arise, which would involve the compulsory advance payment of the loan.
Covenants in the current contractual agreement are calculated as a ratio between net financial position and EBITDA and EBITDA and interest expenses.

The collateral for the above loans, which are evaluated according to the amortised cost method, is composed mainly of pledges on Safilo S.p.A. shares and personal guarantees supplied by the companies directly financed.

The "Bonds issued" item relates to the High Yield bond issued on 15th May 2003 by Luxembourg subsidiary Safilo Capital International S.A. at a fixed rate of 9.625%, for an original nominal value of Euro 300 million, expiring 15th May 2013. On 13th January 2006, the Luxembourg subsidiary made an early repayment of 35% of the nominal value, equivalent to Euro 105 million. This loan was valued using the amortised cost method.

The payables for financial leasing refer to tangible assets owned under lease contracts by some Group companies. The lease contracts will expire in about five years. All the lease contracts in force involve at constant principal repayments and no restructuring of the original plans is envisaged.

The following table illustrates the short term and medium/long term portions relating to lease contracts at 31st March 2010:

(Euro/000)	**March 31, 2010**	**December 31, 2009**
Short-term portion of financial leasing	1,755	1,609
Long-term portion of financial leasing	7,257	7,536
Total debt	**9,012**	**9,145**

Some Group companies have stipulated operating lease contracts. The rental costs for operating leases are posted in the income statement under "Cost of sales", "Selling and marketing expenses" and "General and administrative costs".

The "other medium and long-term loans" mainly refer to a loan granted to the subsidiary Safilo S.p.A. valid under law 46/82 at a fixed rate of 0.705%.

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 37,795 thousand and by the subsidiary Safilo do Brasil for Euro 947 thousand.

The expiry dates of medium- and long-term loans are the following:

(Euro/000)	**March 31, 2010**	**December 31, 2009**
Within 2 years	3,209	53,156
From 2 to 3 years	76,964	197,949
From 3 to 4 years	193,216	193,079
From 4 to 5 years	25,944	1,227
Beyond 5 years	19,255	1,871
Total	**318,588**	**447,282**

The following table shows borrowings divided by currency:

(Euro/000)	March 31, 2010	December 31, 2009
Short-term		
Euro	40,024	115,310
US Dollar	-	41,906
Brasilian Real	966	1,282
Japanese Yen	2,382	2,253
Indian Reminbi	14,782	16,878
Sek Swedish	164	81
Mexican Peso	484	414
Total	**58,802**	**178,124**
Medium long-term		
Euro	241,379	416,862
US Dollar	72,780	26,191
Brasilian Real	7	-
Mexican Peso	1,074	1,057
Australian Dollar	-	6
Indian Reminbi	3,261	3,050
Sek Swedish	88	116
Total	**318,589**	**447,282**
Total borrowings	**377,391**	**625,406**

The following table details the credit lines granted to the Group, the uses and the lines available at 31st March 2010:

March 31, 2010 *(Euro/000)*	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	118,875	14,606	104,269
Credit lines on long-term bank loans	307,594	138,594	169,000
Totale	**426,469**	**153,200**	**273,269**

The net financial position of the Group at March 31st, 2010 compared with the same as of December 31st, 2009 is as follows:

	Net financial position *(Euro/000)*	**March 31, 2010**	**December 31, 2009**	**change**
A	Cash and cash equivalents	62,019	37,386	24,633
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**62,019**	**37,386**	**24,633**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(14,609)	(58,305)	43,696
G	Current portion of long-term borrowings	(3,591)	(77,289)	73,698
H	Other short-term borrowings	(40,602)	(42,530)	1,928
I	**Debts and other current financial liabilities (F+G+H)**	**(58,802)**	**(178,124)**	**119,322**
J	**Current financial position, net (D)+(E)+(I)**	**3,217**	**(140,738)**	**143,955**
K	Long-term bank borrowings	(119,942)	(248,588)	128,646
L	Ordinary bonds	(190,934)	(190,704)	(230)
M	Other long-term borrowings	(7,713)	(7,990)	277
N	**Debts and other non current financial liabilities (K+L+M)**	**(318,589)**	**(447,282)**	**128,693**
I	**Net financial position (J)+(N)**	**(315,372)**	**(588,020)**	**272,648**

Compared to 31st December 2009, the Group's net financial position decreased by Euro 272,648 thousand, mainly due to the financial restructuring of the Group that concluded with the capital increase approved by the extraordinary shareholders' meeting of parent company Safilo Group on 15th December 2009. A portion of the proceeds deriving from this capital increase, covered in more detail in section 2.2 Share capital, were used to reduce the principal of the senior loan.

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	**March 31, 2010**	**December 31, 2009**
Trade payables for:		
- purchase of raw materials	28,079	24,683
- purchase of finished goods	45,029	46,675
- suppliers from subcontractors	3,588	2,413
- tangible and intangible assets	3,019	5,600
- commissions	6,304	4,778
- royalties	13,790	13,443
- advertising and marketing costs	28,772	22,387
- services	32,936	30,089
Total	**161,517**	**150,068**

2.15 Tax payables

At 31st March 2010, tax payables totalled Euro 26,647 thousand, versus Euro 18,651 thousand at 31st December 2009. Euro 16,957 thousand related to income tax payables, Euro 5,553 thousand to VAT payables and the remainder to withholding and local taxes.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	**March 31, 2010**	**December 31, 2009**
Payables to personnel and social security institutions	34,792	29,410
Premiums to clients	16,675	20,048
Agent fee payables	1,602	1,631
Payables to pension funds	746	1,144
Accrued advertising and sponsorship costs	1,494	332
Accrued interests on long-term loans	7,433	3,905
Other accruals and deferred income	2,465	1,839
Payables for dividends	3,093	2,995
Other current liabilities	1,983	2,133
Total	**70,283**	**63,437**

Payables to personnel and social security institutions principally refer to salaries and wages for March, which are paid during April, accrued thirteenth month's pay and holidays accrued but not taken.
Payables to minority shareholders refer to dividends that have already been approved by the shareholders' meetings but had not yet been paid at the balance sheet date.
It is considered that the book value of the "other current liabilities" approximates their fair value.

The following table shows overdue payables as of 31st March 2010:

(Euro/000)	**Balance as at March 31, 2010**	**of which overdue as at March 31, 2010**	**Incidence %**
<u>Current payables:</u>			
Financial debts	58,802	-	0%
Trade payables	161,517	2,062	1%
Tax payables	26,647	-	0%
Other current liabilities	70,283	544	1%
Total	**317,250**	**2,605**	**1%**

At 31st March 2010, the current payables of the Group amounted to Euro 317,250 thousand. The share overdue at that time and not yet paid amounts to Euro 2,605 thousand, and relates to payments made mostly before the date of approval of these financial statements or debt positions subject to dispute.

In view of these payables overdue there is no significant action for the recovery forced by the creditors.

2.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Transl. diff.	Balance at March 31, 2010
Product warranty provision	4,058	215	(208)	9	4,074
Agents' severance indemnity	4,949	173	-	3	5,125
Provision for corporate restructuring	6,414	-	(295)	-	6,118
Other provisions for risks and charges	5,547	27	-	-	5,574
Provisions for risks - long term	**20,968**	**416**	**(503)**	**12**	**20,892**
Provisions for risks - short term	**4,087**	**-**	**(476)**	**-**	**3,611**
Totale	**25,055**	**416**	**(979)**	**12**	**24,503**

The product warranty provision was recorded against the costs to be incurred for the replacement of products sold before the balance sheet date.

The agents' severance indemnity was created against the risk deriving from the payment of indemnities in the case of termination of the agency agreement. This provision has been calculated based on existing laws at the balance sheet date considering all the future expected financial cash outflows.

The restructuring fund includes provisions made in the first half of 2009 for restructuring costs relating to the downsizing of Italian production sites. The decrease relates to the costs sustained for staff that left the company in the first quarter of 2010.

The long- and short-term provision for other risks and charges includes an allowance for pending disputes and risks resulting from the sale of retail companies at the end of the previous year.

It is considered that these allowances are sufficient to cover the risks existing at the balance sheet date.

2.18 Employee benefit liability

The table below shows the movement in this item during the period:

(Euro/000)	Balance at January 1, 2010	Effetto a conto ecom.	Uses/ Payments	Transl. diff.	Balance at March 31, 2010
Defined contribution plan	8,986	1,280	-	-	10,266
Defined benefit plan	32,832	123	(263)	90	32,782
Total	**41,818**	**1,403**	**(263)**	**90**	**43,048**

This item refers to different forms of defined benefit and defined contribution pension plans, in line with the local conditions and practices in the countries in which the Group carries out its business.

2.19 Other non-current liabilities

At 31st March 2010 other non-current liabilities totalled Euro 11,748 thousand, compared to Euro 11,117 thousand at 31st December 2009, and comprised:

- Euro 6,624 thousand for the value of liabilities resulting from the put options held by the minority shareholders of some subsidiaries;
- Euro 3,645 thousand for the long-term payable relating to certain store rental contracts of US subsidiaries;
- Euro 564 thousand for the payable deriving from the agreement reached by a US subsidiary in settlement of a dispute that arose in relation to the use of a patent;
- the remaining portion, relating to non-current liabilities recorded on Group companies' balance sheets.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 31st March 2010, shareholders' equity amounted to Euro 763,144 thousand (of which Euro 10,437 thousand represent minority interests), against Euro 445,992 thousand at 31st December 2009 (of which 7,559 thousand represent minority interests).

In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus guarantee the company's continuity.

The Group constantly monitors the ratio between indebtedness and shareholders' equity, for the purpose of maintaining a balance, also in respect of the long-term loans currently outstanding.

2.20 Share capital

The capital increase approved by the extraordinary shareholders' meeting of parent company Safilo Group S.p.A. on 15th December 2009 was implemented in the first quarter of 2010 according to the following procedures and schedule:

On 5th February 2010, Multibrands Italy B.V. (a subsidiary of HAL Holding N.V.) subscribed and paid up the reserved capital increase totalling Euro 12,842,735.40 (including the premium), for a maximum of 10% of the pre-existing share capital, with exclusion of subscription rights pursuant to article 2441, paragraph 4, sentence 2 of the Civil Code. This reserved capital increase was subscribed through the issue of 28,539,412 ordinary Safilo S.p.A. shares at a subscription price of Euro 0.45 per share (comprising nominal value of Euro 0.25 and a premium of Euro 0.20);
The subscription period for rights in favour of shareholders began on 8th February 2010 and related to a maximum 822,505,770 ordinary shares in Safilo Group S.p.A. pursuant to article 2441, paragraph 1 of the Civil Code. The rights issue was launched for a total maximum amount of Euro 250,041,754.08 (including the premium), through the issue of 822,505,770 ordinary shares in Safilo Group S.p.A., at a subscription price per share of Euro 0.304 (comprising nominal value of Euro 0.25 and a premium of Euro 0.054), to be offered to all shareholders in the ratio of 131 new ordinary shares for every 50 shares held.
The rights offer concluded on 26th February 2010. 257,021,000 option rights were exercised and 673,395,020 newly-issued ordinary shares were subscribed, equivalent to 81.87% of the total number of shares offered, for a total amount of Euro 204,712,086.08 (including the premium).

In accordance with the investment agreement signed on 19th October 2009, Multibrands Italy B.V. exercised 142,392,550 option rights to subscribe to 373,068,481 newly-issued ordinary shares, for a total value of Euro 113,412,818.22. Furthermore, HAL International Investments N.V. (a subsidiary of HAL Holding N.V.) exercised 5,941,150 option rights for 15,565,813 newly-issued ordinary shares, for a total value of Euro 4,732,007.15.
Other shareholders exercised 108,687,300 option rights for 284,760,726 newly-issued ordinary shares, for a total value of Euro 86,567,260.70 (including the premium).

At the end of the offer period, 56,912,500 option rights were not exercised, equivalent to 18.13% of the total rights offered, representing 149,110,750 newly-issued ordinary shares for a total value of Euro 45,329,668.00 (including the premium).
Pursuant to article 2441, paragraph 3 of the Civil Code, the rights not taken up were offered on the stock exchange from 8th March 2010. The offer attracted great interest from the market, with full placement of the rights, generating Euro 7,079,915 for the company.
149,109,964 newly-issued ordinary shares, equivalent to 99.99% of the total shares offered, were subscribed in respect of the option rights placed, for a total amount of Euro 45,329,429.06 (including the premium).
The contribution of partner HAL Holding N.V., which had undertaken to subscribe to the portion of the capital increase not taken up after the sale on the market up to a maximum of 64.88% of the total option rights, was therefore limited to the subscription of the remaining 786 unsubscribed shares.
The capital increase via option rights therefore concluded with the full subscription of 822,505,770 newly-issued ordinary shares in Safilo Group S.p.A., for a value of Euro 250,041,754.08, comprising capital of Euro 205,626,442.50 and a share premium of Euro 44,415,311.58.

After this increase, the share capital of parent company Safilo Group S.p.A. at 31st March 2010 amounted to Euro 284,109,827.50, consisting of 1,136,439,310 ordinary shares with a nominal value of Euro 0.25 each as shown in the following table:

(Euro)	No. of ordinary shares	Total shares	Nominal value	Capital value
Share capital at January 1, 2010	**285,394,128**	**285,394,128**	**0.25**	**71,348,532.00**
Share capital - subscription				
- February 5, 2010	28,539,412	28,539,412	0.25	7,134,853.00
- February 26, 2010	673,395,020	673,395,020	0.25	168,348,755.00
- March 15, 2010	149,110,750	149,110,750	0.25	37,277,687.50
Total Share capital increase	**851,045,182**	**851,045,182**	**0.25**	**212,761,295.50**
Share capital at March 31, 2010	**1,136,439,310**	**1,136,439,310**	**0.25**	**284,109,827.50**

2.21 Share premium reserves

The share premium reserve represents:

- the higher value attributed on the conferment of shares by the subsidiary Safilo S.p.A. compared to the par value of the corresponding increase in share capital;
- the higher price paid compared to the par value of the shares, at the time the shares were placed on the Electronic Stock Market (MTA), net of listing costs;
- the premium resulting from conversion of convertible bonds;
- the premium received from the exercise of stock options by their holders;
- the premium booked following the capital increase is explained in more detail in section 2.20 on share capital.

Following this capital increase, the share premium reserve totalled Euro 802,166,049.36 at 31st March 2010, as shown below:

(Euro)	No. of ordinary shares	Share premium value	Share premium reserve
Share premium reserve at January 1, 2010	**285,394,128**		**745,104,717.92**
Share capital - subscription			
- February 5, 2010	28,539,412	0.200	5,707,882.40
- February 26, 2010	673,395,020	0.054	36,363,331.08
- March 15, 2010	149,110,750	0.054	8,051,980.50
Total Share capital increase	**851,045,182**		**50,123,193.98**
Income from the subscription of Option Rights			**7,079,915.00**
Costs for capital increase (First quarter 2010)			**(141,777.54)**
Share premium reserve at March 31, 2010	**1,136,439,310**		**802,166,049.36**

2.22 Retained earnings and other reserves

This item includes both the reserves of the subsidiary companies generated after their inclusion in the consolidation area and the translation differences deriving from the translation into Euro of the financial statements of consolidated companies denominated in other currencies.

2.23 Fair value and cash flow reserve

This item breaks down as follows:

		Consoldated statement of comprehensive income			
(Euro/000)	Balance at January 1, 2010	Profit (loss) of the period	Profit (loss) reclass to Inc. Stat.	Total Profit (loss) of the period	Balance at March 31, 2010
Cash flow reserve	-	-	-	-	-
Fair value reserve	32	-	-	(5)	27
Totale	**32**	**-**	**-**	**(5)**	**27**

The fair value reserve relates to the adjustment of the current value of the stake in Unicredit S.p.A. classified under financial assets available for sale.

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first quarter of 2010 versus the same period the previous year, please refer to the Report on Operations.

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First Quarter 2010	First Quarter 2009
Purchase of raw materials and finished goods	63,474	69,455
Capitalisation of costs for increase in tangible assets (-)	(1,540)	(1,544)
Change in inventories	14,713	12,016
Payroll and social security contributions	24,245	23,637
Subcontracting costs	3,657	1,889
Depreciation	4,807	5,087
Rental and operating leases	261	334
Other industrial costs	2,774	2,457
Total	**112,391**	**113,331**

The change in inventories can be broken down as follows:

(Euro/000)	First Quarter 2010	First Quarter 2009
Finished products	11,368	3,571
Work-in-progress	(872)	629
Raw materials	4,217	7,816
Total	**14,713**	**12,016**

The average number of Group employees in the first quarter of 2010 and 2009 can be summarised as follows:

	First Quarter 2010	First Quarter 2009
Padua Headquarters	866	871
Production facilities	4,821	4,719
Commercial companies	1,211	1,269
Retail	1,150	1,709
Total	**8,048**	**8,568**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First Quarter 2010	First Quarter 2009
Payroll and social security contributions	25,660	28,755
Commissions to sales agents	17,834	18,319
Royalty expenses	24,708	23,626
Advertising and promotional costs	31,185	32,179
Amortization and depreciation	2,208	2,520
Logistic costs	4,588	4,132
Consultants fees	1,070	1,058
Rental and operating leases	3,935	5,774
Utilities	318	556
Provision for risks	125	150
Other sales and marketing expenses	5,064	5,578
Total	**116,695**	**122,647**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First Quarter 2010	First Quarter 2009
Payroll and social security contributions	15,426	15,561
Allowance for doubtful accounts	2,514	751
Amortization and depreciation	3,471	3,466
Consultants fees	2,393	2,433
Rental and operating leases	2,221	2,338
EDP costs	1,127	1,042
Insurance costs	730	828
Utilities, security and cleaning	1,679	1,967
Taxes (other than on income)	892	869
Other general and administrative expenses	2,685	3,458
Total	**33,138**	**32,713**

3.5 Other income/(expenses), net

This item breaks down as follows:

(Euro/000)	First Quarter 2010	First Quarter 2009
Losses on disposal of assets	(55)	(15)
Other operating expenses	(95)	(340)
Gains on disposal of assets	337	1
Other operating incomes	175	247
Total	**362**	**(107)**

3.6 Share of income/(loss) of associates

This item showed a profit of Euro 43 thousand, compared with a profit of Euro 35 thousand in the same period of 2009, and includes the profit and losses deriving from the valuation at equity of shareholdings in associated compagnie.

3.7 Interest expense and other financial charges, net

This item breaks down as follows:

(Euro/000)	First Quarter 2010	First Quarter 2009
Interest expense on loans	3,314	6,133
Interest expense and charges on High Yield	4,922	4,896
Bank commissions	1,131	1,159
Negative exchange rate differences	7,312	5,472
Financial discounts	440	637
Other financial charges	460	468
Total financial charges	**17,579**	**18,765**
Interest income	166	98
Positive exchange rate differences	5,012	4,040
Other financial income	34	182
Total financial income	**5,212**	**4,320**
Total financial charges, net	**12,367**	**14,445**

3.8 Income tax expenses

(Euro/000)	First Quarter 2010	First Quarter 2009
Current taxes	(9,291)	(7,871)
Deferred taxes	5,401	5,305
Total income taxes	(3,890)	(2,566)
Write downs of deferred tax assets	(4,840)	-
Total write downs of deferred tax assets	(4,840)	-
Total	**(8,730)**	**(2,566)**

As shown in note 2.11 "Deferred tax assets and deferred tax liabilities", deferred tax assets (net of deferred tax liabilities) relating to losses for the period of certain Group companies and the temporary differences that emerged between the tax base of an asset or liabilities and the related book value, were written down by a total of Euro 4,840 thousand through the provisioning of an adjustment reserve in that it is not currently possible to forecast future taxable income allowing for recovery of the amounts.

This write-down may be annulled, as prescribed by international accounting standard 12, in future financial years if the assessable income is sufficient to absorb the fiscal losses and the temporary differences between the book value of the assets and liabilities and the relative fiscal value.

3.9 Earning (Loss) per Share

The calculation of basic and diluted earnings (losses) per share is shown in the tables below:

Base

	First Quarter 2010	First Quarter 2009
Profit/(loss) for ordinary shares (in Euro/000)	1,709	1,714
Average number of ordinary shares (in thousands)	523,933	285,394
Earnings per share - base	**0.0033**	**0.0060**

Diluited

	2010	2009
Profit/(loss) for ordinary shares (in Euro/000)	1,709	1,714
Profit for preferred shares	-	-
Profit / (loss) in income statement	**1,709**	**1,714**
Average number of ordinary shares (in thousands)	523,933	285,394
Dilution effects:		
- stock option (in thousands)	-	-
Total	**523,933**	**285,394**
Earnings per share - diluted	**0.0033**	**0.0060**

3.10 Seasonality

Group revenues are partially affected by seasonal factors, as demand is higher in the first half of the year as a result of sunglasses sales ahead of the summer. Revenues are normally at their lowest in the third quarter of the year, since the sales campaign for the second half is launched in the autumn.

3.11 Significant non-recurring transactions and atypical and/or unusual operations

In the first quarter of 2010, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of 28th July 2006.

3.12 Dividends

In the first quarter of 2010, parent company Safilo Group S.p.A. did not pay any dividends to its shareholders. The parent company closed 2009 with a loss.

3.13 Segment reporting

The operating segments (Wholesale and Retail) were identified by the management in line with the management and control model used for the Group. In particular, the criteria applied for the identification of these segments was based on the ways in which the management manages the Group and attributes operational responsibilities.

Information by segment relating to the quarters ending 31st March 2010 and 31st March 2009 is shown in the table below.

March 31, 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to the other segment	3,954	-	(3,954)	-
- to third parties	267,475	18,496	-	285,971
Total net sales	**271,429**	**18,496**	**(3,954)**	**285,971**
Gross profit	**161,811**	**11,748**	**21**	**173,580**
Operating profit	**26,187**	**(2,077)**	**(1)**	**24,109**
Share of income of associates	43	-		43
Financial charges, net				(12,367)
Income taxes				(8,730)
Net profit				**3,055**
Gross profit margin	59.6%	63.5%		60.7%
Operating profit margin	9.6%	-11.2%		8.4%
Other information				
Depreciation and amortization	8,502	1,984		10,486

March 31, 2009 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to the other segment	2,392	-	(2,392)	-
- to third parties	262,471	25,438	-	287,909
Total net sales	**264,863**	**25,438**	**(2,392)**	**287,909**
Gross profit	**158,112**	**16,466**	**-**	**174,578**
Operating profit	**24,232**	**(5,120)**	**(1)**	**19,111**
Share of income of associates	35	-		35
Financial charges, net				(14,445)
Income taxes				(2,566)
Net profit				**2,135**
Gross profit margin	59.7%	64.7%		60.6%
Operating profit margin	9.1%	-20.1%		6.6%
Depreciation and amortization	8769	2,304	-	11,073

RELATED PARTIES TRANSACTIONS

The nature of transactions with related parties is set out in the following table:

Related parties transaction *(Euro/000)*	**Relationship**	**March 31, 2010**	**December 31, 2009**
Receivables			
Optifashion As	(a)	-	15
Elegance International Holdings Ltd	(b)	447	419
Companies controlled by HAL Holding N.V.	(c)	14,688	-
Total		**15,135**	**434**
Payables			
Elegance International Holdings Ltd	(b)	5,675	5,956
Total		**5,675**	**5,956**

Related parties transaction *(Euro/000)*	**Relationship**	**March 31, 2010**	**March 31, 2009**
Revenues			
Optifashion As	(a)	-	43
Companies controlled by HAL Holding N.V.	(c)	11,329	-
Total		**11,329**	**43**
Costs			
Elegance International Holdings Ltd	(b)	3,524	3,226
Tbr Inc.	(b)	310	321
Companies controlled by HAL Holding N.V.	(c)	230	-
Total		**4,065**	**3,547**

(a) Unconsolidated subsidiary
(b) Associated company
(c) Companies controlled by Group's reference shareholder

Transactions with related parties, including intercompany transactions, involve the purchase and sale of products and provision of services on an arm's length basis, similarly to what is done in transactions with third parties.

In regard to the table illustrated above, note that:

- Optifashion As is a production and commercial company based in Istanbul, Turkey, of which the Safilo Group owns 50%.
- Elegance International Holdings Limited ("Elegance"), a company listed on the Hong Kong stock exchange, is 23.05%-owned by Safilo Far East Limited (an indirect subsidiary) and produces optical

products for the Group in Asia. The price and other conditions of the production agreement between Safilo Far East Limited and Elegance are in line with those applied by Elegance to its other customers.

- TBR Inc. is a company that is one-third owned by Vittorio Tabacchi, Chairman of the Board of Directors and shareholder of Safilo Group S.p.A., one-third by a subsidiary of Safilo Group S.p.A. and the remainder by a third party. Safilo Group S.p.A. indirectly acquired the holding in TBR Inc. in 2002 for Euro 629 thousand. In the first quarter 2010 the Group paid TBR Inc. Euro 310 thousand in rent. The terms and conditions of the lease, including the rental fee, are in line with market conditions for similar contracts.

The companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the Pearle Europe and GrandVision Groups, with which Safilo carries out commercial transactions in line with market conditions.

CONTINGENT LIABILITIES

The Group does not have any significant contingent liabilities not covered by appropriate provisions. Nevertheless, as of the balance sheet date, various legal actions involving the parent company and certain Group companies were pending. These proceedings remained broadly unchanged as of 31st December 2009, and, although these actions are considered to be groundless, a negative outcome beyond estimates could have adverse effects on the financial results of the Group.

COMMITMENTS

At the balance sheet date, the Group had no significant purchase commitments.

For the Board of Directors
The Chairman
Melchert Frans Groot

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. Francesco Tagliapietra, hereby declares, in accordance with paragraph 2, article 154 bis of the Consolidated Finance Act (TUF), that the accounting information contained in these quarterly financial statements to 31st March 2010 corresponds to the accounting results, registers and records.

Padua, 30th April 2010

Dr Francesco Tagliapietra
Manager responsible for the preparation of
the company's financial documents