Half-year Financial Report

for the period ended 30th June 2012

Date of issue: August 2nd, 2012

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 June 30th, 2012

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

Board of Statutory Auditors	
Chairman	Paolo Nicolai
Regular Auditor	Franco Corgnati
Regular Auditor	Bettina Solimando
Alternate Auditor	Marzia Reginato
Alternate Auditor	Gianfranco Gaudioso

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 OPERATIONS REPORT

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 no. 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, 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 Sàfilo, Carrera, Polaroid, Smith, Oxydo and Blue Bay while the licensed brands include Alexander McQueen, A/X Armani Exchange, Balenciaga, Banana Republic, BOSS - Hugo Boss, BOSS Orange, Bottega Veneta, Céline, Dior, Emporio Armani, Fossil, Giorgio Armani, Gucci, HUGO - Hugo Boss, Jimmy Choo, JLo by Jennifer Lopez, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max & Co., Pierre Cardin, Saks Fifth Avenue, Tommy Hilfiger and Yves Saint Laurent.

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2012	%	First semester 2011	%
Net sales	613.3	100.0	603.3	100.0
Cost of sales	(248.0)	(40.4)	(239.0)	(39.6)
Gross profit	365.3	59.6	364.3	60.4
Ebitda	70.7	11.5	80.2	13.3
Operating profit	51.2	8.3	61.9	10.3
Group profit before taxes	36.1	5.9	50.3	8.3
Profit attributable to the Group	21.5	3.5	31.3	5.2

Economic data (Euro in millions)	Second quarter 2012	%	Second quarter 2011	%
Net sales	324.6	100.0	302.6	100.0
Cost of sales	(133.4)	(41.1)	(121.3)	(40.1)
Gross profit	191.1	58.9	181.3	59.9
Ebitda	38.4	11.8	39.5	13.1
Operating profit	28.1	8.7	30.5	10.1
Group profit before taxes	17.5	5.4	22.3	7.4
Profit attributable to the Group	9.6	3.0	12.9	4.3

Balance sheet data (Euro in millions)	June 30, 2012	%	December 31, 2011	%
Total assets	1,552.2	100.0	1,501.0	100.0
Total non-current assets	915.5	59.0	860.0	57.3
Capital expenditure	13.3	0.9	25.7	1.7
Net invested capital	1,123.9	72.4	1,054.0	70.2
Net working capital	309.2	19.9	291.9	19.4
Net financial position	(231.0)	14.9	(238.3)	15.9
Group Shareholders' equity	886.6	57.1	804.2	53.6

Financial data (Euro in millions)	First semester 2012	First semester 2011
Cash flow operating activity	41.1	39.2
Cash flow investing activity	(81.4)	(16.6)
Cash flow financing activity	7.0	(1.2)
Closing net financial indebtedness (short-term)	45.6	87.2

Earnings per share (in Euro)	First semester 2012	First semester 2011
Earnings per share - basic	0.364	0.550
Earnings per share - diluted	0.364	0.548
No. shares in share capital at June 30	61,739,965	56,821,965

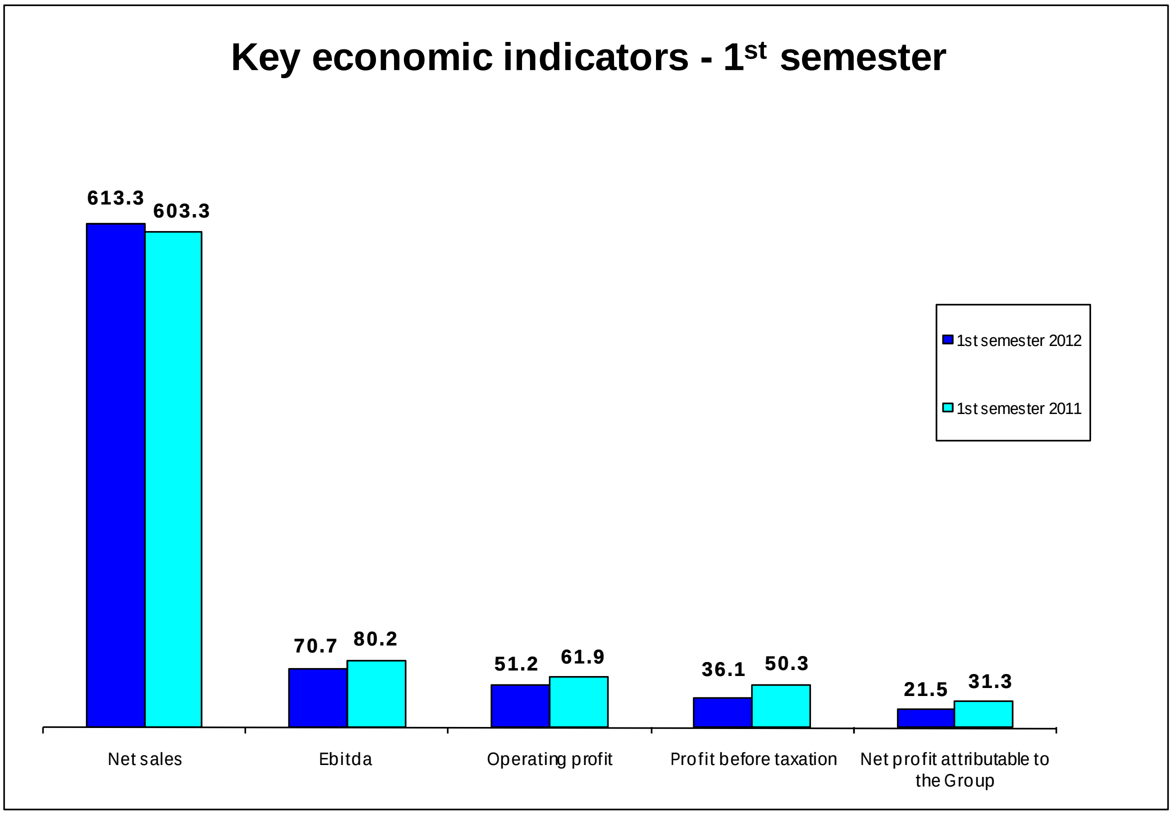
Group personnel	June 30, 2012	June 30, 2011
Punctual	7,986	8,012

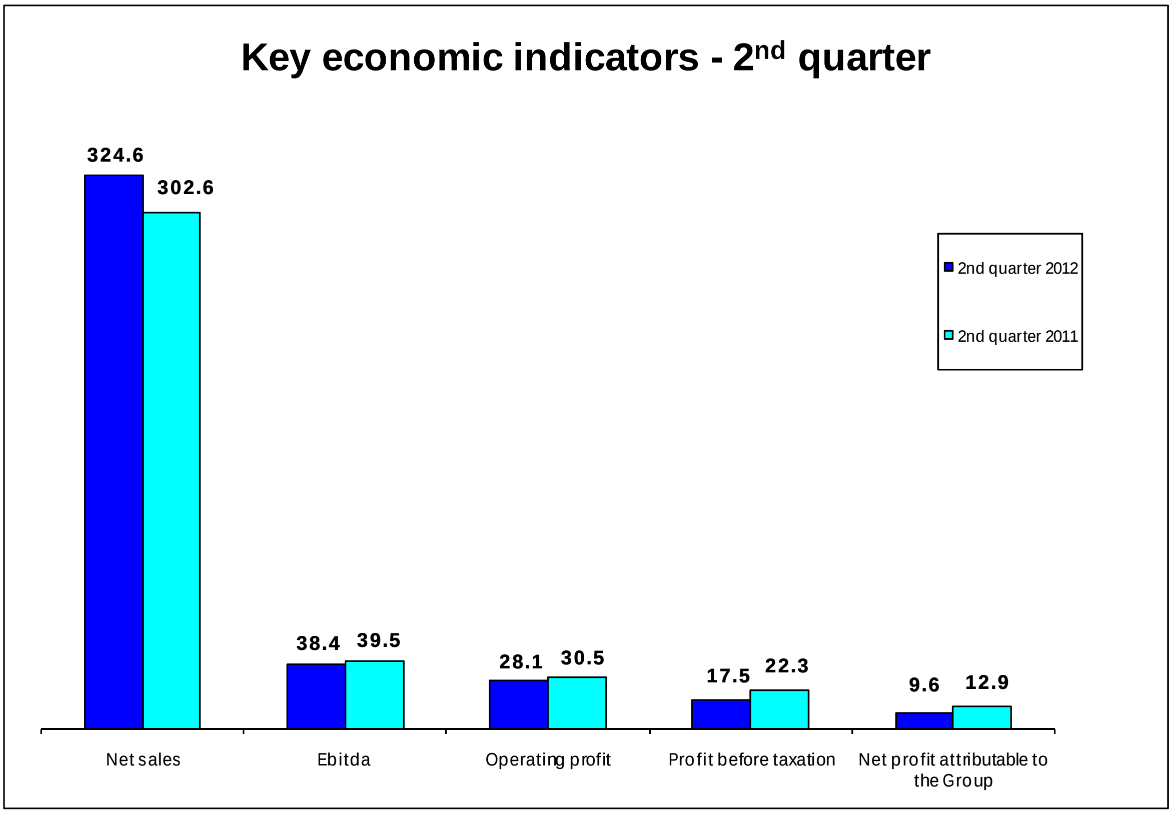
It should be noted that:

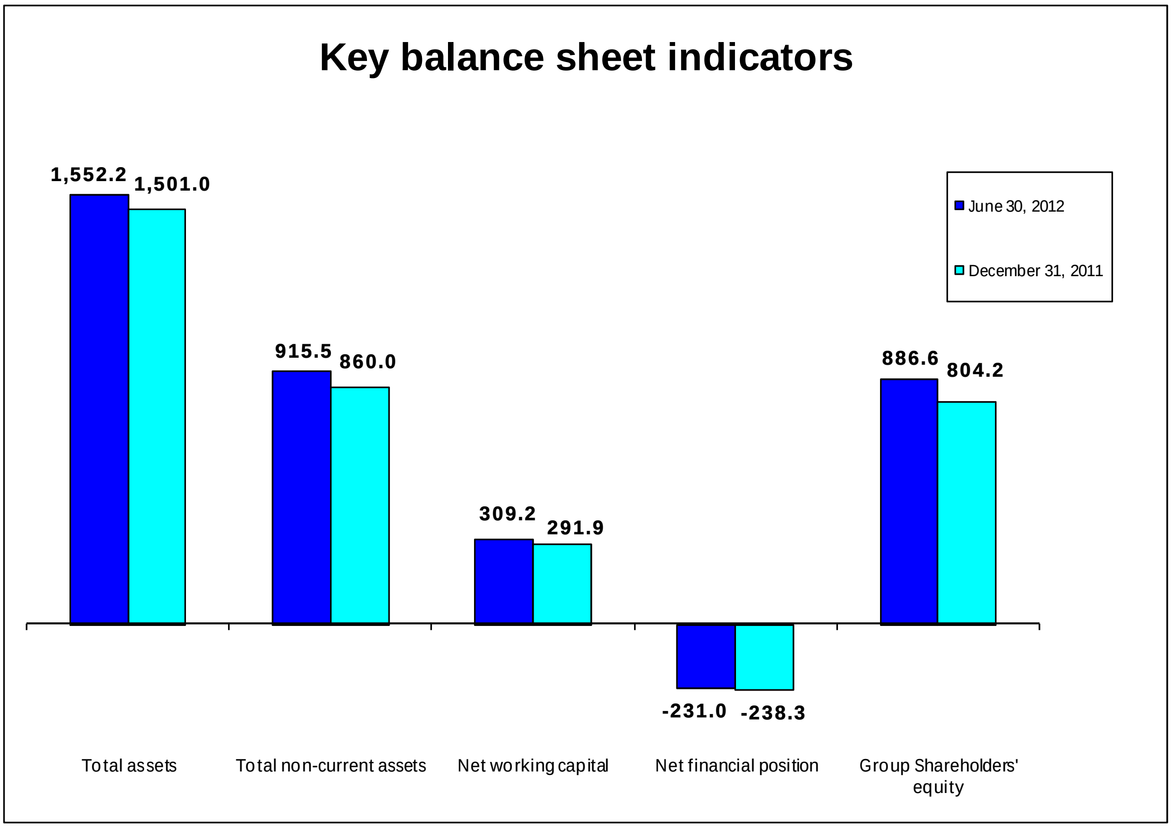
- *certain figures in the Directors Operations Report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them.*
- *"EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation; "EBITDA LTM" stands for EBITDA calculated for the prior 12 consecutive months ending on the date of measurement;*
- *"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 - 1st semester
613.3
603.3
70.7
80.2
51.2
61.9
36.1
50.3
21.5
31.3
1st semester 2012
1st semester 2011
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group


Key economic indicators - 2nd quarter
324.6
302.6
38.4
39.5
28.1
30.5
17.5
22.3
9.6
12.9
2nd quarter 2012
2nd quarter 2011
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group


Key balance sheet indicators
June 30, 2012
December 31, 2011
1,552.2
1,501.0
915.5
860.0
309.2
291.9
-231.0
-238.3
886.6
804.2
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity

Information on Group economic results

Safilo's results for the first half of 2012 demonstrate the Group's ability to grow sales despite the contractions seen in certain markets and the impact of the phase-out of the Armani licences. The operating performance held up well in terms of EBITDA and Free Cash Flow, which was only slightly down on the previous year and showed signs of improvement in the second quarter compared to the first.

Market trends varied in the different regions. Whilst the emerging markets of Asia and Latin America continued to grow, and North America proved once again to be the most dynamic of the developed countries, Europe turned in the weakest performance, with volumes falling, above all due to a downturn in consumer spending in Mediterranean countries (primarily Italy and Spain).

Against this backdrop, the Safilo Group is also faced with the challenge represented by the phase-out of the Armani licences, with global sales down on the previous year as a result of the progressive delisting of the three brands by customers.

Safilo has responded to these challenges by launching new collections through its extensive brand portfolio and by leveraging its distribution network. The Group's sales during the period also benefitted from the contribution of approximately Euro 10 million from Polaroid Eyewear, consolidated following completion of the business acquisition, which took place on 3rd April.

Consolidated net sales for the six months amount to Euro 613.3 million, up 1.7% compared to the first half of 2011 thanks primarily to the performance in the second quarter, when sales were up around 7% compared to the previous year amounting to Euro 324.6 million. At constant exchange rates and perimeter, sales for the full six-month period are down approximately 4% on the previous year, with the decline limited to 1.8% in the second quarter.

The Group's operating performance was weaker than in the first half of 2011, although the second quarter showed an improvement with respect to the first three months, with earnings returning to the levels seen in the previous year.

First-half operating profit of Euro 51.2 million is equal to 8.3% on sales, with the decline compared to the same period of 2011 (Euro 61.9 million) almost entirely due to the first-quarter performance. Operating profit for the second quarter is Euro 28.1 million (resulting in a margin of 8.7%), only slightly down on the figure of Euro 30.5 million reported last year (a margin of 10.1%).

EBITDA for the first half of Euro 70.7 million, representing an EBITDA margin of 11.5%, is down on the figure for the same period of 2011 (Euro 80.2 million), but here again the result for the second quarter, totalling Euro 38.4 million (an EBITDA margin of 11.8%), is only slightly down on the Euro 39.5 million of 2011.

The moderate downturn in operating profit, associated with the negative impact of movements in exchange rates, has resulted in profit attributable to owners of the Parent of Euro 21.5 million, compared to the profit of Euro 31.3 million for the first half of 2011.

Cash flow for the period was sufficient to at least partly offset the impact of the acquisition of Polaroid Eyewear, completed on 3rd April at a total cost of approximately Euro 60 million. This was financed by a capital increase of approximately Euro 44 million reserved to the shareholder, Multibrands Italy BV, and an increase in the Group's net debt of approximately Euro 16 million. The ratio of net debt to EBITDA LTM has therefore remained at the levels seen in previous quarters at around 2.

Group economic results

Consolidated statement of operations (Euro in millions)	First semester 2012	%	First semester 2011	%	Change %
Net sales	613.3	100.0	603.3	100.0	1.7%
Cost of sales	(248.0)	(40.4)	(239.0)	(39.6)	3.8%
Gross profit	**365.3**	**59.6**	**364.3**	**60.4**	**0.3%**
Selling and marketing expenses	(242.2)	(39.5)	(235.7)	(39.1)	2.8%
General and administrative expenses	(73.5)	(12.0)	(66.6)	(11.0)	10.3%
Other operating income/(expenses), net	1.6	0.3	(0.1)	-	n.s.
Operating profit	**51.2**	**8.3**	**61.9**	**10.3**	**-17.3%**
Interest expenses and other financial charges, net	(15.1)	(2.5)	(11.6)	(1.9)	30.9%
Profit before taxation	**36.1**	**5.9**	**50.3**	**8.3**	**-28.3%**
Income taxes	(13.7)	(2.2)	(16.9)	(2.8)	-19.0%
Net profit	**22.4**	**3.6**	**33.4**	**5.5**	**-33.0%**
Net profit attributable to minority interest	0.9	0.1	2.1	0.4	-60.0%
Net profit attributable to the group	**21.5**	**3.5**	**31.3**	**5.2**	**-31.2%**
EBITDA	**70.7**	**11.5**	**80.2**	**13.3**	**-11.9%**

Consolidated statement of operations (Euro in millions)	Second quarter 2012	%	Second quarter 2011		Change %
Net sales	324.6	100.0	302.6	100.0	7.3%
Cost of sales	(133.4)	(41.1)	(121.3)	(40.1)	10.0%
Gross profit	**191.1**	**58.9**	**181.3**	**59.9**	**5.5%**
Selling and marketing expenses	(125.9)	(38.8)	(116.4)	(38.5)	8.2%
General and administrative expenses	(38.4)	(11.8)	(34.3)	(11.3)	12.1%
Other operating income/(expenses), net	1.3	0.4	(0.1)	-	n.s.
Operating profit	**28.1**	**8.7**	**30.5**	**10.1**	**-7.8%**
Interest expenses and other financial charges, net	(10.6)	(3.3)	(8.1)	(2.7)	30.2%
Profit before taxation	**17.5**	**5.4**	**22.3**	**7.4**	**-21.7%**
Income taxes	(7.6)	(2.3)	(8.4)	(2.8)	-9.3%
Net profit	**9.9**	**3.0**	**13.9**	**4.6**	**-29.1%**
Net profit attributable to minority interest	0.3	0.1	1.0	0.3	-69.8%
Net profit attributable to the group	**9.6**	**3.0**	**12.9**	**4.3**	**-25.9%**
EBITDA	**38.4**	**11.8**	**39.5**	**13.1**	**-2.8%**

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

Despite the uncertain macro-economic situation in many western countries, above all in southern Europe, and the negative impact of the decline in sales of Armani branded products, the Group's sales held up in the first half of 2012, with net sales of Euro 613.3 million up 1.7% on the same period of 2011. This was partly due to the contribution from Polaroid Eyewear (approximately Euro 10 million in the second quarter of 2012) and the stronger US dollar. At constant exchange rates and perimeter, sales for the first half are down 4.1%, with the decline limited to 1.8% in the second quarter, evidence of an overall organic improvement in the business.

Net sales by geographical area	First semester					
(Euro in millions)	2012	%	2011	%	Change %	Change % (*)
Europe	250.9	40.9	261.8	43.4	-4.2	-7.8
Americas	248.0	40.4	233.0	38.6	+6.4	-0.6
Asia	106.1	17.3	99.9	16.6	+6.2	-1.8
Rest of the world	8.3	1.4	8.6	1.4	-3.5	-7.6
Total	**613.3**	**100.0**	**603.3**	**100.0**	**+1.7**	**-4.1**

Net sales by geographical area	Second quarter					
(Euro in millions)	2012	%	2011	%	Change %	Change % (*)
Europe	132.5	40.8	131.7	43.5	+0.6	-6.6
Americas	130.6	40.2	114.3	37.8	+14.3	+4.0
Asia	57.2	17.6	52.6	17.4	+8.7	-2.2
Rest of the world	4.3	1.3	4.0	1.3	+7.5	-5.5
Total	**324.6**	**100.0**	**302.6**	**100.0**	**+7.3**	**-1.8**

(*) at constant perimeter and exchange rates

In terms of geographical area, North America and the emerging countries of Asia and South America registered the best performances. In contrast, the performances of European markets varied by country and distribution channel, with positive trends in a number of continental European countries (above all Germany, northern and eastern Europe as well as in the distribution channel for key accounts), whilst southern Europe remained weak, above all Italy and the Iberian peninsula.

Net sales by product (Euro in millions)	**First semester** 2012	%	2011	%	Change %	Change % (*)
Prescription frames	222.1	36.2	222.6	36.9	-0.2	-4.3
Sunglasses	362.0	59.0	352.0	58.3	+2.8	-3.8
Sport products	24.6	4.0	23.7	3.9	+3.8	-3.7
Other	4.6	0.8	5.0	0.8	-8.0	-14.2
Total	**613.3**	**100.0**	**603.3**	**100.0**	**+1.7**	**-4.1**

Net sales by product (Euro in millions)	**Second quarter** 2012	%	2011	%	Change %	Change % (*)
Prescription frames	112.7	34.7	109.4	36.2	+3.0	-3.0
Sunglasses	196.5	60.5	183.3	60.6	+7.2	-3.3
Sport products	12.9	4.0	8.5	2.8	+51.8	+36.7
Other	2.5	0.8	1.4	0.5	+78.6	+51.0
Total	**324.6**	**100.0**	**302.6**	**100.0**	**+7.3**	**-1.8**

(*) at constant perimeter and exchange rates

Turning to brands, certain names achieved double-digit growth, such as Boss (including Boss Orange), Marc Jacobs (including Marc by Marc Jacobs) and Tommy Hilfiger which, alongside the main brands in the portfolio of licensed brands (Gucci and Dior), are achieving widespread penetration at global level in the eyewear category. In this context, significant progress has been made in developing Carrera as a global brand, having expanded its presence beyond the brand's original European market to become one of the leading brands in Safilo's offering for the North American market. The brand also has strong growth potential in the Far East and Latin America.

In terms of operating results, **gross profit** of Euro 365.3 million is substantially in line with the first half of 2011. In percentage terms, the gross profit margin of 59.6% has held up well despite the negative impact of the impending expiry of the Armani licensing agreement and the one-off effect of the Valentino and Nine West brands phase-out occurred at the end of 2011.

The impact of **selling and marketing expenses** is slightly up, above all due to the expansion of marketing activities to support sales and the impact of fixed costs linked to the brands being phased out.

The increase in **general and administrative expenses** compared to the first half of 2011 reflects the strengthening of the management team in 2011, completed in the second half of last year, the consolidation of the Polaroid Group and the revaluation of the US dollar.

Operating profit is down on the first half of 2011, even though the result for the second quarter is, in absolute terms, not far off from the figure for the same period of last year (Euro 28.1 million against Euro 30.5 million in 2011).

Net financial expenses benefitted from the reduction in interest expense, primarily reflecting early redemption of HY bonds worth Euro 60 million in June 2011. The saving in terms of interest expense was, however, offset by the negative impact of exchange rate movements, above all the performance of the US dollar, which resulted in a revaluation of the exposure in this currency.

Profit attributable to owners of the Parent, which includes the increased interest in the Chinese subsidiary, amounts to Euro 21.5 million, representing a profit margin of 3.5% for the period.

Analysis by distribution channel

The table below shows the key data by operating segment:

	WHOLESALE				RETAIL			
(Euro in millions)	First semester 2012	First semester 2011	Change	Change %	First semester 2012	First semester 2011	Change	Change %
Net sales to 3rd parties	572.7	566.8	5.9	1.0%	40.6	36.5	4.1	11.2%
EBITDA (*)	64.5	75.6	(11.1)	-14.8%	6.2	4.7	1.5	32.3%
%	*11.3%*	*13.3%*			*15.3%*	*12.8%*		

	WHOLESALE				RETAIL			
(Euro in millions)	Second quarter 2012	Second quarter 2011	Change	Change %	Second quarter 2012	Second quarter 2011	Change	Change %
Net sales to 3rd parties	301.2	282.3	18.9	6.7%	23.4	20.3	3.1	15.3%
EBITDA	33.2	36.0	(2.8)	-7.8%	5.2	3.5	1.7	47.6%
%	*11.0%*	*12.7%*			*22.4%*	*17.4%*		

(*) pre non recurring items in the first quarter 2011 referring to a gain on the revaluation of a real estate investment for 2.9 million Euro (wholesale) and to restructuring costs for 3.0 million Euro (retail).

Turnover for the wholesale segment is up 1.0% on the first half of 2011 (up 6.7% in the second quarter of the year). At constant exchange rates and perimeter, wholesale turnover is down 4.5% in the first semester and 2.2% in the second quarter.
Organic like-for-like sales of brands remaining in the portfolio were, on the other hand, up.
The sole reason for the slowdown is the phase-out of brands where the licensing agreements are either close to expiry (the Armani Group) or have expired (Valentino and Nine West).
The phase-out of the above licences has not only resulted in a reduction of sales, but has also had an impact on gross and operating profit, primarily due to the progressive reduction in production volumes and the costs associated with outstanding contractual commitments.
For this reason the EBITDA margin for the first half is 11.3%, down from the 13.3% of the first half of 2011.
The second quarter has confirmed a downturn of the gross margin, due to a contraction in production volumes as a result of the lack of development of Armani collections for the future.

The recent reorganisation of the retail segment, which involved the closure of a large number of stores in the Solstice chain in the USA, has continued to produce results in line with expectations, with increased sales and profitability.
Sales at the chain, which counted 137 stores at the end of June, are up 11.2% (2.8% at constant exchange rates), whilst the like-for-like performance, based on stores open for at least one year, marks an improvement of 5.2%.

EBITDA improved considerably during the period, rising over 30% to Euro 6.2 million (an EBITDA margin of 15.3%, compared to 12.8% for the same period of 2011).
The second quarter, which is the most profitable period for seasonal reasons, has achieved an excellent performance, with EBITDA amounted to 22.4% of sales, thanks to the turnover growth and the closure of underperforming stores.

Reclassified balance sheet

Balance sheet (Euro in millions)	June 30, 2012	December 31, 2011	Change
Trade receivables	309.4	272.2	37.2
Inventory, net	216.6	219.7	(3.1)
Trade payables	(216.8)	(200.0)	(16.8)
Net working capital	**309.2**	**291.9**	**17.3**
Tangible assets	210.7	208.3	2.4
Intangible assets and goodwill	623.3	576.3	47.0
Financial assets	12.3	11.9	0.4
Net fixed assets	**846.3**	**796.4**	**49.9**
Employees benefits liability	(35.1)	(32.6)	(2.5)
Other assets /(liabilities), net	3.5	(1.7)	5.2
Net invested capital	**1,123.9**	**1,054.0**	**69.9**
Cash in hand and at bank	56.3	90.4	(34.1)
Short-term borrowings	(182.4)	(132.9)	(49.5)
Long-term borrowings	(104.9)	(195.7)	90.8
Net financial position	**(231.0)**	**(238.3)**	**7.3**
Group Shareholders' equity	(886.6)	(804.2)	(82.4)
Minority interests	(6.4)	(11.5)	5.1
Total Shareholders' equity	**(892.9)**	**(815.7)**	**(77.2)**

Cash flow

The following table shows the main items of the cash flow statement as at 30th June 2012 compared to the figures for the same period in the previous financial year:

Free cash flow (Euro in millions)	**First semester 2012**	**First semester 2011**	**Change**
Cash flow operating activities	41.1	39.2	1.9
Cash flow investing activities	(81.4)	(16.6)	(64.8)
Free cash flow	**(40.3)**	**22.6**	**(62.9)**

During the first half of the year the Group confirmed its ability to generate operating cash flow, enabling it to achieve cash inflows in line with the first half of 2011.
Cash flows for investing activities, on the other hand, reflect the acquisition of the Polaroid Eyewear business, completed at the beginning of April. This involved a net cash outflow of Euro 58.4 million, largely financed through a capital increase.

Net working capital

Net working capital (Euro in millions)	**June 30, 2012**	**June 30, 2011**	**Change June 12 / June 11**	**December 31, 2011**
Trade receivables, net	309.4	289.2	20.2	272.2
Inventories	216.6	192.1	24.5	219.7
Trade payables	(216.8)	(187.9)	(28.9)	(200.0)
Net working capital	**309.2**	**293.4**	**15.8**	**291.9**
% net sales rolling LTM	*27.8%*	*26.6%*		*26.5%*

Net working capital is up on June 2011, reflecting the stronger US dollar and consolidation of the assets acquired along with the Polaroid Eyewear business.
Collection periods, which are closely monitored, have not worsened and the increase in absolute terms is only due to growth of the business.
Inventories are slightly up, primarily reflecting exchange rate movements and the above mentioned acquisition.
The ratio of working capital to sales shows further improvement with respect to the end of the first half of 2011 after excluding the impact of the Polaroid Eyewear business acquisition which, whilst contributing its working capital in full, only contributed to one quarter's worth of sales.

Investments in tangible and intangible fixed assets

Investments in tangible and intangible assets made by the Group totalled Euro 13.3 million, compared to investments of Euro 11.8 million made in the same period of the previous financial year, and featured the following:

(Euro in millions)	First semester 2012	First semester 2011	Change
Padua headquarters	1.6	1.6	-
Production factories	8.2	8.1	0.1
Europe	0.6	0.1	0.5
America	2.6	1.9	0.7
Far-East	0.3	0.1	0.2
Total	**13.3**	**11.8**	**1.5**

There were no significant changes in investment policy which remains under control and not exceeding amortisation in the period.

Net financial position

Net financial position (Euro in millions)	June 30, 2012	March 31, 2012	Change Jun/Mar	December 31, 2011	Change Jun/Dec
Current portion of long-term borrowings	(1.4)	(76.8)	75.4	(79.1)	77.7
Bank overdrafts and short term bank borrowings	(10.7)	(12.4)	1.7	(13.8)	3.1
Other short-term borrowings	(43.2)	(30.2)	(13.0)	(39.9)	(3.3)
Ordinary bonds	(127.1)	-	(127.1)	-	(127.1)
Cash and cash equivalent	56.3	82.0	(25.7)	90.4	(34.1)
Short-term net financial position	**(126.1)**	**(37.4)**	**(88.7)**	**(42.5)**	**(83.6)**
Long-term borrowings	(104.9)	(205.8)	100.9	(195.7)	90.8
Long-term net financial position	**(104.9)**	**(205.8)**	**100.9**	**(195.7)**	**90.8**
Net financial position	**(231.0)**	**(243.2)**	**12.2**	**(238.3)**	**7.3**

The Group's net debt is gradually and constantly improving and has enabled us a continued boost in liquidity. During the first half, when cash outflows are usually higher due to the seasonality of the business, the Group managed to generate a cash inflow, thus enabling a reduction of the debt to its lowest level in Safilo's recent history.

Personnel

The Group's total workforce as at 30th June 2012, 31st December 2011 and 30th June 2011 is summarized in the following table:

	June 30, 2012	December 31, 2011	June 30, 2011
Padua headquarters	942	944	940
Production factories	4,688	5,099	4,850
Commercial companies	1,587	1,244	1,395
Retail	769	821	827
Total	**7,986**	**8,108**	**8,012**

The workforce employed at the Group's production facilities was cut during the first half of the year as a result of non-renewal of the licensing agreement with Armani.

The increase in the workforce employed by commercial companies is linked to the inclusion of the Polaroid workforce but mainly to the Far East subsidiaries, strong market development, and in particular to seasonal recruitment at the Korean affiliate to support retail sales.

Subsequent events and outlook

On 10th July 2012 the Group announced early renewal, until 2020, of the licensing agreement for the design, production and worldwide distribution of prescription frames and sunglasses sold under the BOSS Black, BOSS Orange and HUGO brands.

In addition, on 23rd July 2012 Safilo reached a solidarity agreement with the Unions, during a meeting at the Ministry of Labour and Social Affairs, covering workers at the Group's Italian plants that are surplus to requirements following non-renewal of the Armani licence. The agreement has a duration of 24 months.

Half-year condensed financial statements

and Notes

at June 30th, 2012

Consolidated balance sheet

(Euro/000)	*Notes*	June 30, 2012	of which related parties	December 31, 2011	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	56,323		90,368	
Trade receivables, net	*2.2*	309,399	14,900	272,153	7,139
Inventory, net	*2.3*	216,607		219,735	
Derivative financial instruments	*2.4*	1,460		2	
Other current assets	*2.5*	52,917		58,736	
Total current assets		**636,706**		**640,994**	
Non-current assets					
Tangible assets	*2.6*	210,696		208,274	
Intangible assets	*2.7*	48,411		11,713	
Goodwill	*2.8*	574,883		564,560	
Investments in associates	*2.9*	12,333		11,871	
Available-for-sale financial assets	*2.10*	213		194	
Deferred tax assets	*2.11*	65,865		61,143	
Derivative financial instruments	*2.4*	-		-	
Other non-current assets	*2.12*	3,090		2,272	
Total non-current assets		**915,491**		**860,027**	
Total assets		**1,552,197**		**1,501,021**	

(Euro/000)	***Notes***	**June 30, 2012**	**of which related parties**	**December 31, 2011**	**of which related parties**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	182,385	68,301	132,895	
Trade payables	*2.14*	216,788	4,905	200,024	3,375
Tax payables	*2.15*	18,619		17,043	
Derivative financial instruments	*2.4*	520		127	
Other current liabilities	*2.16*	65,180	840	70,993	814
Provisions for risks and charges	*2.17*	5,615		6,599	
Total current liabilities		**489,107**		**427,681**	
Non-current liabilities					
Long-term borrowings	*2.13*	104,926		195,741	68,301
Employees benefits liability	*2.18*	35,094		32,584	
Provisions for risks and charges	*2.17*	18,276		18,693	
Deferred tax liabilities	*2.11*	5,566		4,551	
Derivative financial instruments	*2.4*	1,663		1,245	
Other non-current liabilities	*2.19*	4,627		4,784	
Total non-current liabilities		**170,152**		**257,598**	
Total liabilities		**659,259**		**685,279**	
Shareholders' equity					
Share capital	*2.20*	308,700		284,110	
Share premium reserve	*2.21*	481,163		461,491	
Retained earnings (losses) and other reserves	*2.22*	77,050		32,080	
Fair value and cash flow reserves	*2.23*	(1,875)		(1,341)	
Income attributable to owners of the parent		21,524		27,862	
Total shareholders' equity attributable to owners of the parent		**886,562**		**804,202**	
Non-controlling interests		**6,376**		**11,540**	
Total shareholders' equity		**892,938**		**815,742**	
Total liabilities and shareholders' equity		**1,552,197**		**1,501,021**	

Consolidated income statement

(Euro/000)	Notes	First semester 2012	of which related parties	First semester 2011	of which related parties	Second quarter 2012	of which related parties	Second quarter 2011	of which related parties
Net sales	3.1	613,286	30,935	603,256	22,282	324,564	15,305	302,592	10,865
Cost of sales	3.2	(247,951)	(4,830)	(238,961)	(5,458)	(133,418)	(2,795)	(121,327)	(2,817)
Gross profit		**365,335**		**364,295**		**191,146**		**181,265**	
Selling and marketing expenses	3.3	(242,242)	(1,603)	(235,650)	(88)	(125,910)	(1,585)	(116,391)	187
General and administrative exp.	3.4	(73,495)		(66,637)	(209)	(38,410)		(34,261)	(209)
Other oper. income/(expenses), net	3.5	1,588		(145)	101	1,265		(133)	37
Operating profit		**51,186**		**61,863**		**28,091**		**30,480**	
Share of income/(loss) of associates	3.6	95		(419)		95		(35)	
Interest exp. and other financial charges, net	3.7	(15,225)	(3,292)	(11,140)	(4,626)	(10,692)	(1,649)	(8,104)	(2,252)
Profit before taxation		**36,056**		**50,304**		**17,494**		**22,341**	
Income taxes	3.8	(13,677)		(16,889)		(7,605)		(8,389)	
Profit of the period		**22,379**		**33,415**		**9,889**		**13,952**	
Profit attributable to:									
Owners of the parent		21,524		31,279		9,577		12,920	
Non-controlling interests		855		2,136		312		1,032	
Earnings per share - basic (Euro)	3.9	0.364		0.550		0.153		0.227	
Earnings per share - diluted (Euro)	3.9	0.364		0.548		0.153		0.226	

Consolidated statement of comprehensive income

(Euro/000)	***Notes***	**First semester 2012**	**First semester 2011**	**Second quarter 2012**	**Second quarter 2011**
Net profit for the period		**22,379**	**33,415**	**9,889**	**13,952**
Gains/(Losses) on cash flow hedges	*2.23*	(534)	174	(293)	(354)
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	-	(12)	-	(9)
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	16,949	(45,348)	36,130	(6,289)
Other Gains/(Losses)	*2.22*	18	-	18	-
Other comprehensive income / (loss), net of tax		**16,434**	**(45,186)**	**35,855**	**(6,652)**
Total comprehensive income / (loss)		**38,813**	**(11,771)**	**45,744**	**7,300**
Attributable to:					
Group		37,828	(13,254)	45,043	6,325
Non controlling interests		985	1,483	701	975
Total comprehensive income / (loss)		**38,813**	**(11,771)**	**45,744**	**7,300**

Consolidated statement of cash flow

(Euro/000)	Notes	First semester 2012	First semester 2011
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**76,528**	**72,495**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including minority interests)		22,379	33,415
Depreciation and amortization	*2.6 - 2.7*	19,474	18,332
Other non-monetary P&L items	*2.9-2.17-2.18*	(72)	1,957
Interest expenses, net	*3.7*	9,825	12,454
Income tax expenses	*3.8*	13,677	16,889
Income from operating activities prior to movements in working capital		**65,283**	**83,047**
(Increase) Decrease in trade receivables		(16,702)	(25,692)
(Increase) Decrease in inventory, net		13,767	20,110
Increase (Decrease) in trade payables		7,329	(11,474)
(Increase) Decrease in other current receivables		1,252	3,414
Increase (Decrease) in other current payables		(4,539)	2,089
Interest expenses paid		(9,424)	(12,950)
Income taxes paid		(15,861)	(19,364)
Total (B)		**41,104**	**39,180**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(11,802)	(9,095)
Acquisition of subsidiary (net of cash acquired)		(58,359)	-
Acquisition of minority		(10,155)	(6,749)
(Acquisition) Disposal of investments and bonds		(13)	212
Purchase of intangible assets		(1,058)	(937)
Total (C)		**(81,387)**	**(16,569)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		42,690	60,404
Repayment of borrowings		(79,773)	(61,194)
Share capital increase		44,262	-
Dividends paid		(155)	(455)
Total (D)		**7,024**	**(1,245)**
E - Cash flow for the period (B+C+D)		**(33,259)**	**21,366**
Translation exchange differences		2,319	(6,689)
Total (F)		**2,319**	**(6,689)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**45,588**	**87,172**

Statement of changes in shareholders' equity

First semester 2011

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Fair value and cash flow reserves	Retained earnings and other reserves	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2011	**284,110**	**461,491**	**(7,878)**	**(21)**	**17,567**	**731**	**756,000**
Previous year's profit allocation	-	-	-	-	731	(731)	-
Changes in other reserves	-	-	-	-	660	-	660
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(44,689)	156	-	31,279	(13,254)
Group shareholders' equity at June 30, 2011	**284,110**	**461,491**	**(52,567)**	**135**	**18,958**	**31,279**	**743,406**
Non controlling interests at January 1, 2011	**-**	**-**	**905**	**-**	**6,297**	**3,833**	**11,035**
Previous year's profit allocation	-	-	-	-	3,833	(3,833)	-
Changes in other reserves	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	(455)	-	(455)
Total comprehensive income for the period	-	-	(653)	-	-	2,136	1,483
Non controlling interests at June 30, 2011	**-**	**-**	**252**	**-**	**9,675**	**2,136**	**12,063**
Consolidated net equity at June 30, 2011	**284,110**	**461,491**	**(52,315)**	**135**	**28,633**	**33,415**	**755,469**

First semester 2012

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Fair value and cash flow reserves	Retained earnings and other reserves	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2012	**284,110**	**461,491**	**14,004**	**(1,341)**	**18,076**	**27,862**	**804,202**
Previous year's profit allocation	-	-	-	-	27,862	(27,862)	-
Share capital increase	24,590	19,672	-	-	-	-	44,262
Changes in other reserves	-	-	-	-	270	-	270
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	16,820	(534)	18	21,524	37,828
Group shareholders' equity at June 30, 2012	**308,700**	**481,163**	**30,824**	**(1,875)**	**46,226**	**21,524**	**886,562**
Non controlling interests at January 1, 2012	**-**	**-**	**1,601**	**-**	**6,735**	**3,204**	**11,540**
Previous year's profit allocation	-	-	-	-	3,204	(3,204)	-
Changes in other reserves	-	-	-	-	(5,994)	-	(5,994)
Dividends distribution	-	-	-	-	(155)	-	(155)
Total comprehensive income for the period	-	-	129	-	-	855	984
Non controlling interests at June 30, 2012	**-**	**-**	**1,730**	**-**	**3,790**	**855**	**6,376**
Consolidated net equity at June 30, 2012	**308,700**	**481,163**	**32,554**	**(1,874)**	**50,017**	**22,378**	**892,938**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

This half year consolidated financial statements, expressed in thousands of Euro, refer to the financial period from January 1st 2012 to June 30th 2012. Economic and financial information is provided with reference to the first semester of 2012 and 2011 whilst balance sheet information is provided with reference to June 30th 2012 and December 31st 2011.

Half year consolidated financial report of Safilo Group at June 30th 2012, including condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.2 58/98 - T.U.F. - and subsequent amendments and additions. This interim 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 interim financial report must be read in conjunction with the consolidated financial statements for the financial year ended 31st December 2011.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 2nd August 2012.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2012

As previously indicated, in preparing the consolidated quarterly financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31st December 2011 have been applied.

Accounting standards, amendments and interpretations applied from 1st January 2012 but not applicable to the Group

There are no amendments, improvements or interpretations effective from 1st January 2012 applicable to the Group at the date of these interim consolidated financial statements or which may affect the accounting for future transactions or arrangements.

1.3 Consolidation method and consolidation area

The following changes in the basis of consolidation took place during the first half:

- on 8th March 2012 the subsidiary Safilo Far East Ltd. acquired a 10% interest in Safint Optical Investment Ltd., a holding company registered in Hong Kong, and already 65.5% owned. As a result of the acquisition, the Group owned 75.5% of the subsidiary;

- on 30th April 2012 the above mentioned subsidiary acquired a further 14.5% of Safint Optical Investment Ltd.. As a result of this further acquisition, the Group has increased its interest in this company, and in the wholly owned Chinese trading companies, and now controls to 90%;

- on 3rd April 2012 the acquisition of the Polaroid Eyewear Group, a world leader in optics and polarised lense technology, was completed via the acquisition of 100% of the Dutch holding company, Style Mark Eyewear Holding B.V.. Further information is provided in paragraph 1.3.1 "Business combinations".

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 (see next page):

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidation) – Padova	EUR	102,775	100.0
Polaroid Eyewear S.r.l. - Varese	EUR	104,000	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. - Luxembourg (L)	EUR	31,000	100.0
Luxury Trade S.A - Luxembourg (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	1,000,000	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Moscow (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	90.0
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	90.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	90.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	100.0
Safilo Retail Shanghai Co. Ltd (in liquidation) - (RC)	USD	5,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	100.0
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 – Saint Paul (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbon (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 (in liquidation) - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - London (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	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
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
StyleMark Eyewear Holding BV - Amsterdam (NL)	EUR	18,000	100.0
Polaroid Eyewear BV - Amsterdam (NL)	EUR	5,961,418	100.0
Polaroid Eyewear Ltd - Dumbarton (UK)	GBP	4,338,126	100.0
Polaroid Eyewear AB - Stockholm-Globen (S)	SEK	100,000	100.0
Polaroid Eyewear GMBH - Zurig (CH)	CHF	20,000	100.0
Polaroid Eyewear US LLC - Florida (USA)	USD	-	100.0

1.3.1 Business combinations

Acquisition of Polaroid Eyewear

The acquisition of the Polaroid Eyewear Group, a world leader in optics and polarised lense technology, and a global eyewear manufacturer and distributor with a strong and well-established market presence, was completed on 3rd April 2012.

The transaction was carried out via the acquisition of 100% of the holding company, StyleMark Eyewear Holding B.V..

The total consideration was US dollars 79.4 million (Euro 59.6 million), with the transaction primarily financed via a capital increase reserved to the Group's main shareholder, Multibrands Italy B.V., a subsidiary of HAL Holding N.V., which on 4th April 2012 subscribed and paid for new shares with a value of Euro 44,262,000.

The consideration paid was allocated to the acquired assets and no goodwill was recognised.

The fair value of the assets acquired and the liabilities assumed, calculated using the purchase price allocation method, have been provisionally determined at the date on which this financial report was approved for publication.

1.4 Translation of financial statement in currencies other than 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 June 30, 2012	As of December 31, 2011	(Appreciation) / Depreciation %	Avg. for the first semester 2012	Avg. for the first semester 2011	(Appreciation) / Depreciation %
US Dollar	USD	1.2590	1.2939	-2.7%	1.2965	1.4032	-7.6%
HK Dollar	HKD	9.7658	10.0510	-2.8%	10.0619	10.9212	-7.9%
Swiss Franc	CHF	1.2030	1.2156	-1.0%	1.2048	1.2694	-5.1%
Canadian Dollar	CAD	1.2871	1.3215	-2.6%	1.3040	1.3706	-4.9%
Japanese Yen	YEN	100.1300	100.2000	-0.1%	103.3102	114.9699	-10.1%
British Pound	GBP	0.8068	0.8353	-3.4%	0.8225	0.8682	-5.3%
Swedish Krown	SEK	8.7728	8.9120	-1.6%	8.8824	8.9391	-0.6%
Australian Dollar	AUD	1.2339	1.2723	-3.0%	1.2559	1.3582	-7.5%
South-African Rand	ZAR	10.3669	10.4830	-1.1%	10.2942	9.6856	6.3%
Russian Ruble	RUB	41.3700	41.7650	-0.9%	39.7093	40.1352	-1.1%
Brazilian Real	BRL	2.5788	2.4159	6.7%	2.4144	2.2879	5.5%
Indian Rupee	INR	70.1200	68.7130	2.0%	67.5963	63.1436	7.1%
Singapore Dollar	SGD	1.5974	1.6819	-5.0%	1.6391	1.7653	-7.1%
Malaysian Ringgit	MYR	3.9960	4.1055	-2.7%	4.0022	4.2552	-5.9%
Chinese Reminbi	CNY	8.0011	8.1588	-1.9%	8.1901	9.1755	-10.7%
Korean Won	KRW	1,441.0000	1,498.6900	-3.8%	1,480.4092	1,544.8991	-4.2%
Mexican Peso	MXN	16.8755	18.0512	-6.5%	17.1867	16.6865	3.0%

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 accounts. 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 56,323 thousand, compared to Euro 90,368 thousand at 31st December 2011 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 cash balance presented on the cash flow statement:

(Euro/000)		June 30, 2012	June 30, 2011
Cash in hand and at bank		56,323	99,251
Bank overdrafts	2.13	(862)	(1,366)
Current bank borrowings	2.13	(9,873)	(10,713)
Net cash and cash equivalents		**45,588**	**87,172**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	June 30, 2012	December 31, 2011
Gross value	345,022	299,769
Allowance for doubtful accounts and sales returns	(35,623)	(27,616)
Net value	**309,399**	**272,153**

Amounts due from customers have increased because of the seasonal nature of sales and the acquisition of the Polaroid group's trading companies. The Group is not exposed to a significant concentration of credit risk, given that its exposure is spread among a large number of customers.

The movements of the credit risk provision over the semester are shown below:

(Euro/000)	Balance at January 1, 2012	Posted to income statement	Use (-)	Changes in the scope of consolid.	Transl. Diff.	Balance at June 30, 2012
Allowance for bad debts	20,217	2,217	(123)	3,224	102	25,637
Allowance for sales returns	7,399	1,839	(141)	643	246	9,986
Total	**27,616**	**4,056**	**(264)**	**3,867**	**348**	**35,623**

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)	**June 30, 2012**	**December 31, 2011**
Raw materials	65,120	61,712
Work-in-progress	6,827	5,894
Finished products	233,063	211,108
Gross	**305,010**	**278,714**
Obsolescence provision (-)	(88,403)	(58,979)
Total	**216,607**	**219,735**

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, 2012**	**Posted to income statement**	**Changes in the scope of consolid.**	**Transl. Diff.**	**Balance at June 30, 2012**
Obsolescence provision	58,979	22,033	6,697	694	88,403
Total	**58,979**	**22,033**	**6,697**	**694**	**88,403**

2.4 Derivative financial instruments

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

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Current assets:		
- Interest rate swaps - cash flow hedge	-	2
- Foreign currency contracts - fair value through P&L	1,434	-
- Foreign currency contracts - cash flow hedge	26	-
Total	**1,460**	**2**

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Current liabilities:		
- Foreign currency contracts - fair value through P&L	284	-
- Foreign currency contracts - cash flow hedge	236	-
- Interest rate swaps - cash flow hedge	-	127
Total	**520**	**127**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	1,663	1,245
Total	**1,663**	**1,245**

The net market value of the forward hedge contracts appearing in the financial statements at 30th June 2012 was positive for 940 thousand of Euro, calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate at balance sheet date.
The market value of the interest rate swap contracts appearing in the financial statements at 30th June 2012 was negative for 1,663 thousand of Euro and was estimated by specialist financial institutions based on normal market conditions.
Group interest rate risk policy usually provides for the hedging of future financial flows that will appear in the accounts in subsequent years, and the related hedging effect must be suspended in the cash flow reserve and posted to the income statement in subsequent years as the expected flows appear.

The following table shows the characteristics and the fair value of the interest rate swap (IRS) contracts in force at 30th June 2012 and at 31st December 2011:

Interest rate swaps	**June 30, 2012**			**December 31, 2011**		
(Euro/000)	**Contractual value**		***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2012	-	-	-	-	2,170	2
Expiry year 2012	-	-	-	98,100	-	(127)
Expiry year 2014	-	55,000	(1,663)	-	55,000	(1,245)
Total	**-**	**55,000**	**(1,663)**	**98,100**	**57,170**	**(1,370)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	June 30, 2012	December 31, 2011
VAT receivable	5,830	8,861
Tax credits and payments on account	11,175	12,536
Prepayments and accrued income	20,961	19,838
Receivables from agents	156	440
Other current receivables	14,795	17,061
Total	**52,917**	**58,736**

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 30th June 2012 include:

- prepaid royalty costs of Euro 13,092 thousand;
- prepaid rent and operating leases of Euro 2,232 thousand;
- prepaid advertising costs of Euro 2,078 thousand;
- prepaid insurance costs of Euro 858 thousand;
- other prepaid costs, mainly of 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 14,795 thousand against Euro 17,061 thousand at 31st December 2011 and mainly refer to:

- payments of minimum annual guarantees relating to the 2012 second half royalties for a total amount of Euro 6,946 thousand;
- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,059 thousand, referring to VAT receivables on 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 2,736 thousand;
- deposit payments due within 12 months for Euro 558 thousand.

2.6 Property, plant and equipment, net

Changes in tangible assets in the first semester 2012 are shown below:

(Euro/000)	Balance at January 1, 2012	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at June 30, 2012
Gross value							
Land and buildings	144,564	390	(7)	-	1,729	858	147,534
Plant and machinery	188,270	3,951	(2,428)	-	6,057	401	196,251
Equipment and other assets	215,708	7,831	(5,868)	36	610	1,921	220,238
Assets under constructions	45	9	-	(36)	-	-	18
Total	**548,587**	**12,181**	**(8,303)**	**-**	**8,396**	**3,180**	**564,041**
Accumulated depreciation							
Land and buildings	39,861	1,964	(3)	-	418	73	42,313
Plant and machinery	130,956	4,675	(2,260)	-	2,362	101	135,834
Equipment and other assets	169,496	9,643	(5,661)	-	382	1,338	175,198
Total	**340,313**	**16,282**	**(7,924)**	**-**	**3,162**	**1,512**	**353,345**
Net value	**208,274**	**(4,101)**	**(379)**	**-**	**5,234**	**1,668**	**210,696**

Investments in tangible assets in the first semester of 2012 totalled Euro 12,181 thousand, and mainly comprised:

- Euro 8,147 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 2,194 thousand in the US companies;
- for the remaining amount in other Group's companies.

2.7 Intangible assets

Changes in intangible assets in the first semester of 2012 are shown below:

(Euro/000)	Balance at January 1, 2012	Increase	Decrease	Changes in the scope of consolid.	Transl. diff.	Balance at June 30, 2012
Gross value						
Software	26,090	1,062	(188)	-	288	27,252
Trademarks and licenses	43,776	54	-	38,707	21	82,558
Other intangible assets	8,319	38	(6)	-	82	8,433
Intangible assets in progress	-	-	-	-	-	-
Total	**78,185**	**1,154**	**(194)**	**38,707**	**391**	**118,243**
Accumulated depreciation						
Software	19,629	884	(92)	-	194	20,615
Trademarks and licenses	40,081	2,098	-	-	15	42,194
Other intangible assets	6,762	211	(5)	-	55	7,023
Total	**66,472**	**3,193**	**(97)**	**-**	**264**	**69,832**
Net value	**11,713**	**(2,039)**	**(97)**	**38,707**	**127**	**48,411**

The amount recorded under "Changes in the basis of consolidation", totalling Euro 38,707 thousand, regards the Polaroid brand preliminarily recognised under the purchase price allocation method applied to the Polaroid Eyewear business.

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)	*Notes*	First semester 2012	First semester 2011
Cost of sales	*3.2*	10,073	9,267
Selling and marketing expenses	*3.3*	2,638	2,994
General and administrative costs	*3.4*	6,763	6,071
Net value		**19,474**	**18,332**

2.8 Goodwill

The change in goodwill in the first semester of 2012 is shown in the table below:

(Euro/000)	Balance at January 1, 2012	Increase	Decrease	Transl. diff.	Balance at June 30, 2012
Goodwill	564,560	-	-	10,323	574,883
Net value	**564,560**	**-**	**-**	**10,323**	**574,883**

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 and Europe	Americas	Asia	Total
June 30, 2012	159,379	212,568	202,937	574,883
December 31, 2011	158,902	208,406	197,252	564,560

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
Elegance I. Holdings Ltd	Hong Kong	23.05%	Associated company	Commercial
Optifashion As	Turkey	50.0%	Non-consolidated subsidiary	Commercial

The movements of shareholdings in associated companies in the first semester of 2012 are shown below:

				Movements of the period			
(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2012	Share of results and write-down of dividends	Changes in the scope of consolidation	Transl. diff.	Value at June 30, 2012
Elegance I. Holdings Ltd	5,695	5,935	11,630	112	-	350	12,092
Optifashion As	353	(112)	241	-	-	-	241
Total	**6,048**	**5,823**	**11,871**	**112**	**-**	**350**	**12,333**

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 Available-for-sale financial assets

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.

Changes in the item in the first semester of 2012 are shown in the table below:

				Movements for the year		
(Euro/000)	**Gross value**	**Revaluation/ (write-down)**	**Value at January 1, 2012**	**Increase/ (Decrease)**	**Revaluation/ (write-down)**	**Value at June 30, 2012**
Gruppo Banco Popolare	228	(102)	126	-	10	136
Unicredit S.p.A.	48	(26)	22	13	(4)	31
Other	46	-	46	-	-	46
Total	**322**	**(128)**	**194**	**13**	**6**	**213**

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 changed expectations of future recoverability. This prudential provision totals Euro 74,958 thousand.

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

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Deferred tax assets	140,823	134,756
Depreciation Fund (-)	(74,958)	(73,613)
Total net deferred tax assets	65,865	61,143
Deferred tax liabilities	(5,566)	(4,551)
Total	**60,299**	**56,592**

2.12 Other non-current assets

This item totals Euro 3,090 thousand, compared to Euro 2,272 thousand as at 31st December 2011; of this sum, Euro 2,844 thousand refers to security deposits for leasing contracts related to buildings used by some of the Group's companies.

It is considered that the book value of the "other non-current assets" approximates their fair value.

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Short-term borrowings		
Bank overdrafts	862	3,544
Short-term bank loans	9,874	10,296
Ordinary bonds	127,085	-
Short-term portion of long-term bank loans	1,376	79,131
Short-term portion of financial leasing	1,200	1,330
Debt to the factoring company	41,873	34,745
Other short-term loans	115	112
Other debts for purchase of minority interests	-	3,737
Total	**182,385**	**132,895**
Long-term borrowings		
Medium long-term loans	101,005	64,594
Ordinary bonds	-	126,644
Payables for financial leasing	3,802	4,269
Other medium long-term loans	119	234
Total	**104,926**	**195,741**
Total borrowings	**287,311**	**328,636**

At 30th June 2012, the Senior Loan was booked under "Medium/long-term bank loans", and breaks down as follows:

- "Facility A1 –Tranche 2", totalling Euro 24.8 million, expiring 30th June 2014;
- a revolving line called "Facility B", totalling a maximum of Euro 200 million, expiring 30th June 2015, comprising two tranches, also payable in USD of which Euro 50 million and USD 33 million (equal to Euro 26,2 million) were used on 30th June 2012.

The following lines of credit forming part of the above facilities were repaid at the end of June 2012:

- "Facility A1 –Tranche 1", totalling Euro 2.2 million;
- "Facility A2", in USD, totalling Euro 36.4 million;
- "Facility A3", in USD, totalling Euro 41.6 million.

At 30th June 2012 the above mentioned Senior Loan amounts to Euro 99.7 million and is included in "Medium/long-term bank borrowings".

The Senior Loan contract includes a series of obligations and restrictions that concern operational and financial aspects relating to the 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.

The main covenants in the current contractual agreement are calculated as a ratio between net financial position and EBITDA and EBITDA and interest expenses. At 30th June 2012 all the above covenants have been complied with.

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.

As at 30th June 2012 the amount of bonds outstanding, calculated using the amortised cost method, totalled Euro 127,085 thousand.

The payables for financial leasing refer to tangible assets owned under lease contracts by some Group companies. The lease contracts will expire in about three years. All the lease contracts in force involve at increasing 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 30th June 2012:

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Short-term portion of financial leasing	1,200	1,330
Long-term portion of financial leasing	3,802	4,269
Total debt	**5,002**	**5,599**

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.

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 41,832 thousand and by the subsidiary Safilo do Brasil for Euro 41 thousand.

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

(Euro/000)	**June 30, 2012**	**December 31, 2011**
From 1 to 2 years	27,622	129,371
From 2 to 3 years	76,002	26,059
From 3 to 4 years	1,302	40,311
Beyond 5 years	-	-
Total	**104,926**	**195,741**

The following table shows borrowings divided by currency:

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Short-term		
Euro	171,075	41,402
US Dollar	-	75,609
Chinese Reminbi	11,123	11,521
Brazilian Real	69	486
Japanese Yen	49	48
Swedish Kronor	69	91
HK Dollar	-	3,737
Total	**182,385**	**132,895**
Medium long-term		
Euro	77,169	194,303
US Dollar	26,211	-
Chinese Reminbi	1,250	1,226
Brazilian Real	8	13
Japanese Yen	-	9
Swedish Kronor	288	191
Total	**104,926**	**195,741**
Total borrowings	**287,311**	**328,636**

The following table details the credit lines granted to the Group, the uses and the lines available at 30th June 2012:

(Euro/000)	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	73,589	10,686	62,903
Credit lines on long-term bank loans	227,892	104,103	123,789
Total	**301,481**	**114,789**	**186,692**

The net financial position of the Group at June 30th, 2012 compared to the same as of December 31st, 2011 is as follows:

	Net financial position *(Euro/000)*	**June 30, 2012**	**December 31, 2011**	**Change**
A	Cash and cash equivalents	56,323	90,368	(34,045)
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**56,323**	**90,368**	**(34,045)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-term bank borrowings	(10,736)	(13,840)	3,104
	Ordinary bonds	(127,085)	-	(127,085)
G	Current portion of long-term borrowings	(1,376)	(79,131)	77,755
H	Other short-term borrowings	(43,188)	(39,924)	(3,264)
I	**Debts and other current financial liabilities (F+G+H)**	**(182,385)**	**(132,895)**	**(49,490)**
J	**Current financial position, net (D)+(E)+(I)**	**(126,062)**	**(42,527)**	**(83,535)**
K	Long-term bank borrowings	(101,005)	(64,594)	(36,411)
L	Ordinary bonds	-	(126,644)	126,644
M	Other long-term borrowings	(3,921)	(4,503)	582
N	**Debts and other non current financial liabilities (K+L+M)**	**(104,926)**	**(195,741)**	**90,815**
I	**Net financial position (J)+(N)**	**(230,988)**	**(238,268)**	**7,280**

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Trade payables for:		
Purchase of raw materials	35,696	40,514
Purchase of finished goods	67,346	60,550
Suppliers from subcontractors	3,013	2,919
Tangible and intangible assets	2,619	4,766
Commissions	5,037	5,053
Royalties	35,203	20,437
Advertising and marketing costs	38,354	31,247
Services	29,520	34,538
Total	**216,788**	**200,024**

2.15 Tax payables

At 30th June 2012, tax payables totalled Euro 18,619 thousand, versus Euro 17,043 thousand at 31st December 2011. Euro 8,323 thousand related to income tax payables, Euro 5,458 thousand to VAT payables and the remainder to withholding and local taxes different from those on income.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	**June 30, 2012**	**December 31, 2011**
Payables to personnel and social security institutions	35,721	32,723
Premiums to clients	17,564	25,167
Agent fee payables	2,127	2,278
Payables to pension funds	945	1,393
Accrued advertising and sponsorship costs	1,929	887
Accrued interests on long-term loans	1,944	2,264
Other accruals and deferred income	4,403	2,462
Payables for dividends	169	2,592
Other current liabilities	378	1,227
Total	**65,180**	**70,993**

Payables to personnel and social security institutions principally refer to salaries and wages for June, which are paid during July, accrued thirteenth month's pay and holidays accrued but not taken.
It is considered that the book value of the "other current liabilities" approximates their fair value.

2.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	**Balance at January 1, 2012**	**Increase**	**Decrease**	**Changes in the scope of consolid.**	**Transl. diff.**	**Balance at June 30, 2012**
Product warranty provision	5,827	342	(260)	261	5	6,175
Agents' severance indemnity	5,324	777	(742)	163	2	5,524
Provision for corporate restructuring	3,697	-	(698)	-	-	2,999
Other provisions for risks and charges	3,845	208	(475)	-	-	3,578
Provisions for risks - long term	**18,693**	**1,327**	**(2,175)**	**424**	**7**	**18,276**
Provisions for risks - short term	**6,599**	**658**	**(1,640)**	**-**	**(2)**	**5,615**
Total	**25,292**	**1,985**	**(3,815)**	**424**	**5**	**23,891**

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 semester of 2012.

The long- and short-term provision for other risks and charges includes an allowance for pending disputes at the balance sheet date and the restructuring costs of the stores of the American chain Solstice, to improve the profitability in the short term.

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

2.18 Employees benefits liability

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

(Euro/000)	Balance at January 1, 2012	Posted to income statement	Changes in the scope of consolid.	Uses / Payments	Transl. diff.	Balance at June 30, 2012
Defined contribution plan	51	4,708	422	(3,064)	3	2,120
Defined benefit plan	32,533	162	936	(664)	7	32,974
Total	**32,584**	**4,870**	**1,358**	**(3,728)**	**10**	**35,094**

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 30th June 2012 other non-current liabilities totalled Euro 4,627 thousand, compared to Euro 4,784 thousand at 31st December 2011, and comprised:

- Euro 4,181 thousand for long-term debt under leases of stores of the U.S. subsidiary Solstice;
- the remaining portion, relating to non-current liabilities recorded by some Group's companies.

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 30th June 2012, shareholders' equity amounted to Euro 892,938 thousand (of which Euro 6,376 thousand represent minority interests), against Euro 815,742 thousand at 31st December 2011 (of which Euro 11,540 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

Following the Extraordinary General Meeting of the shareholders of the Parent Company, Safilo Group S.p.A., held on 21st December 2011 as well as the completion of the acquisition of Polaroid Eyewear, the capital increase reserved to the Parent Company's main shareholder, Multibrands Italy B.V., a subsidiary of HAL Holding N.V., was subscribed and fully paid up on 4th April 2012.
The total value of the capital increase is Euro 44,262,000 (including the share premium) and thus within the limit of 10% of the pre-existing capital.
The above transaction involved the issue of no. 4,918,000 ordinary shares at a subscription price of Euro 9.00 per share, of which Euro 5.00 represents the par value and Euro 4.00 the share premium.
Following the capital increase, at 30th June 2012 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 308,699,825.00, consisting of no. 61,739,965 ordinary shares with a par value of Euro 5.00 each.

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 of 2010;
- the share premium collected following the capital increase of 4th April 2012, as described in the previous note on the share capital.

Following the capital increase, the Parent Company's share premium reserve thus amounts to Euro 481,163,313.69 at 30th June 2012.

2.22 Retained earnings (losses) and other reserves

This item includes both the reserves of the subsidiaries 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 reserves

This item breaks down as follows:

		Consolidated statement of comprehensive income			
(Euro/000)	**Balance at January 1, 2012**	**Profit (loss) of the period**	**Profit (loss) reclass to Inc. Stat.**	**Total Profit (loss) of the period**	**Balance at June 30, 2012**
Cash flow reserve	(1,341)	(579)	45	(534)	(1,875)
Fair value reserve	-	-	-	-	-
Total	**(1,341)**	**(579)**	**45**	**(534)**	**(1,875)**

The cash flow hedge reserve refers to the fair value of interest rate swaps and the value of forward currency hedges reported in the financial statements of certain Group companies.

2.24 Stock option plans

During the first quarter the Board of Directors, on 8th March 2012 at its meeting to approve the results for the financial year ended 31.12.2011, assigned the third tranche of the 2010-2013 Stock Option Plan approved by the Extraordinary General Meeting of 5th November 2010.

For more detailed information about the Plan, reference should be made to the disclosure prepared pursuant to article 84-bis of the Regulation on Issuers, as subsequently supplemented, as well as to all the documents related to the above Plan, prepared in accordance with the applicable laws, which are available on the Company's web site in the Investors Relations – Corporate Governance section.

The table below shows the changes in the stock option plans occurred during the semester:

	Options attributable to Executive members of the BoD		Options attributable to managers		Grand total	
	No. of options	Average exercise price in Euro	No. of options	Average exercise price in Euro	No. of options	Average exercise price in Euro
Outstanding at the beginning of the year	**285,000**	**9.548**	**785,000**	**9.624**	**1,070,000**	**9.604**
Granted during the year	95,000	5.54	290,000	5.54	385,000	5.54
Not vested	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Lapsed	-	-	(115,000)	9.026	(115,000)	9.026
Outstanding at year-end	**380,000**	**8.546**	**960,000**	**8.462**	**1,340,000**	**8.486**

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first semester of 2012 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 semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Purchase of raw materials and finished goods	161,907	148,401	84,450	75,702
Capitalisation of costs for increase in tangible assets (-)	(3,581)	(4,535)	(1,625)	(2,305)
Change in inventories	13,767	20,110	13,274	12,642
Wages and social security contributions	49,374	50,211	23,786	23,440
Subcontracting costs	9,402	9,577	4,783	4,302
Depreciation	10,073	9,267	5,242	4,526
Rental and operating leases	396	381	206	183
Other industrial costs	6,613	5,549	3,302	2,837
Total	**247,951**	**238,961**	**133,418**	**121,327**

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Finished products	12,147	8,362	16,416	7,496
Work-in-progress	(873)	51	(92)	452
Raw materials	2,493	11,697	(3,050)	4,694
Total	**13,767**	**20,110**	**13,274**	**12,642**

The average number of Group employees in the first semester of 2012 and 2011 can be summarised as follows:

	First semester 2012	First semester 2011
Padua Headquarters	923	920
Production facilities	4,852	4,816
Commercial companies	1,505	1,328
Retail companies	774	832
Total	**8,054**	**7,896**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Payroll and social security contributions	58,282	52,903	30,235	26,396
Commissions to sales agents	35,691	37,115	18,135	18,713
Royalty expenses	52,533	51,751	27,276	26,318
Advertising and promotional costs	62,984	62,315	33,585	29,716
Amortization and depreciation	2,638	2,994	1,341	1,575
Logistic costs	9,704	9,291	5,816	4,896
Consultants fees	1,969	2,401	945	1,284
Rental and operating leases	7,161	6,764	3,591	3,353
Utilities	415	572	217	293
Provision for risks	204	412	(558)	231
Other sales and marketing expenses	10,661	9,132	5,327	3,616
Total	**242,242**	**235,650**	**125,910**	**116,391**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Payroll and social security contributions	36,997	31,762	19,658	16,680
Allowance for doubtful accounts	2,217	3,282	1,273	1,784
Amortization and depreciation	6,763	6,071	3,731	2,924
Consultants fees	6,607	6,032	3,360	3,344
Rental and operating leases	4,105	4,033	1,998	1,788
EDP costs	2,419	2,150	1,271	978
Insurance costs	1,362	1,289	664	627
Utilities, security and cleaning	3,686	3,516	2,001	1,703
Taxes (other than on income)	2,246	2,263	995	1,199
Other general and administrative expenses	7,093	6,239	3,459	3,234
Total	**73,495**	**66,637**	**38,410**	**34,261**

3.5 Other operating income/(expenses), net

This item breaks down as follows:

(Euro/000)	First semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Losses on disposal of assets	(121)	(112)	(116)	43
Other operating expenses	(1,874)	(3,444)	(1,714)	(314)
Gains on disposal of assets	28	28	26	6
Other operating incomes	3,555	3,383	3,069	132
Total	**1,588**	**(145)**	**1,265**	**(133)**

Other operating expenses include costs of Euro 1.2 million linked to dismissal of the sales force responsible for Armani branded products.

Other operating income includes an insurance payout of Euro 2.5 million for damage resulting from the fire that affected an Italian production plant in 2011.

3.6 Share of income/(loss) of associates

This item showed a profit of Euro 95 thousand, compared to a loss of Euro 419 thousand in the same period of 2011, and includes the profit and losses deriving from the valuation at equity of shareholdings in associates

3.7 Interest expenses and other financial charges, net

This item breaks down as follows:

(Euro/000)	First semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Interest expenses on loans	3,597	2,692	1,763	1,461
Interest expenses and charges on High Yield	6,597	9,984	3,312	5,305
Bank commissions	3,341	2,929	2,104	1,641
Negative exchange rate differences	7,805	3,703	5,752	1,849
Financial discounts	614	584	354	325
Other financial charges	713	895	394	254
Total financial charges	**22,667**	**20,787**	**13,679**	**10,835**
Interest income	369	222	178	129
Positive exchange rate differences	6,854	9,346	2,665	2,657
Dividends	-	5	-	5
Other financial income	219	74	144	(60)
Total financial income	**7,442**	**9,647**	**2,987**	**2,731**
Total financial charges, net	**15,225**	**11,140**	**10,692**	**8,104**

3.8 Income taxes

(Euro/000)	First semester 2012	First semester 2011	Second quarter 2012	Second quarter 2011
Current taxes	(16,731)	(19,418)	(8,493)	(5,980)
Deferred taxes	3,054	2,529	888	(2,409)
Total	**(13,677)**	**(16,889)**	**(7,605)**	**(8,389)**

3.9 Earnings per Share

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

Basic

	First semester 2012	First semester 2011
Profit for ordinary shares (in Euro/000)	21,524	31,279
Average number of ordinary shares (in thousands)	59,200	56,822
Earnings per share – basic (in Euro)	**0.364**	**0.550**

Diluted

	First semester 2012	First semester 2011
Profit for ordinary shares (in Euro/000)	21,523	31,279
Profit for preferred shares	-	-
Profit in income statement	**21,523**	**31,279**
Average number of ordinary shares (in thousands)	59,200	56,822
Dilution effects:		
- stock option (in thousands)	-	253
Total	**59,200**	**57,075**
Earnings per share – diluted (in Euro)	**0.364**	**0.548**

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 autumn.

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

In the first semester of 2012, 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 semester of 2012, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders. The parent company closed the financial year 2011 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 semesters ending 30th June 2012 and 30th June 2011 as well as to the second quarters 2012 and 2011 is shown in the tables below:

June 30, 2012 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	7,170	-	(7,170)	-
- to third parties	572,664	40,622	-	613,286
Total net sales	**579,834**	**40,622**	**(7,170)**	**613,286**
Gross profit	**338,261**	**27,074**	**-**	**365,335**
Operating profit	**47,421**	**3,765**	**-**	**51,186**
Share of income of associates	95	-		95
Financial charges, net				(15,225)
Income taxes				(13,677)
Net profit				**22,379**
Other information				
Capital expenditure	13,040	288		13,329
Depreciation & amortization	17,032	2,442		19,474

June 30, 2011 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	5,340	-	(5,340)	-
- to third parties	566,747	36,509	-	603,256
Total net sales	**572,087**	**36,509**	**(5,340)**	**603,256**
Gross profit	**339,585**	**24,710**	**-**	**364,295**
Operating profit	**62,944**	**(1,081)**	**-**	**61,863**
Share of income of associates	(419)	-		(419)
Financial charges, net				(11,140)
Income taxes				(16,889)
Net profit				**33,415**
Other information				
Capital expenditure	11,311	481		11,792
Depreciation & amortization	15,560	2,772		18,332

Second quarter 2012 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	4,455	-	(4,455)	-
- to third parties	301,154	23,410	-	324,564
Total net sales	**305,609**	**23,410**	**(4,455)**	**324,564**
Gross profit	**175,765**	**15,381**	**-**	**191,146**
Operating profit	**24,092**	**3,999**	**-**	**28,091**
Share of income of associates	95	-		95
Financial charges, net				(10,692)
Income taxes				(7,605)
Net profit				**9,889**
Other information				
Capital expenditure	7,249	169		7,418
Depreciation & amortization	9,076	1,236		10,313

Second quarter 2011 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	2,772	-	(2,772)	-
- to third parties	282,224	20,368	-	302,592
Total net sales	**284,996**	**20,368**	**(2,772)**	**302,592**
Gross profit	**167,906**	**13,359**	**-**	**181,265**
Operating profit	**28,406**	**2,074**	**-**	**30,480**
Share of income of associates	(35)	-		(35)
Financial charges, net				(8,104)
Income taxes				(8,389)
Net profit				**13,952**
Other information				
Capital expenditure	5,635	162		5,797
Depreciation & amortization	7,553	1,472		9,025

RELATED PARTIES TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**June 30 2012**	**December 31 2011**
Receivables			
Companies controlled by HAL Holding N.V.	(c)	14,900	7,139
Total		**14,900**	**7,139**
Trade Payables			
Elegance International Holdings Ltd	(b)	3,395	3,358
Companies controlled by HAL Holding N.V.	(c)	1,510	18
Long term borrowings (High Yield) and accrued interests			
HAL International Investments N.V.	(c)	69,141	69,115
Total		**74,046**	**72,490**

Related parties transactions *(Euro/000)*	**Relationship**	**June 30 2012**	**June 30 2011**
Revenues			
Optifashion As	(a)	-	112
Elegance International Holdings Ltd	(b)	-	20
Companies controlled by HAL Holding N.V.	(c)	30,935	22,251
Total		**30,935**	**22,383**
Operating expenses			
Elegance International Holdings Ltd	(b)	4,830	5,458
Tbr Inc.	(b)	-	209
Companies controlled by HAL Holding N.V.	(c)	1,603	88
Financial expenses			
HAL International Investments N.V.	(c)	3,292	4,626
Total		**9,725**	**10,381**

(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;
- The companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the GrandVision Group, with which Safilo carries out commercial transactions in line with market conditions;
- HAL International Investments N.V., during the restructuring process of the Group, acquired from third parties 50,99% of Safilo Capital International Senior Notes (High Yield).

In addition, during the semester the shareholders of Only 3T S.r.l. company which holds a stake of 9.22% in Safilo Group S.p.A. have accrued by various way remunerations for a total amount of 1,863 thousand Euro..

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 2011, 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 Chief Executive Officer
Roberto Vedovotto

Attestation in respect of the Half-year condensed financial statements under Article 154-bis of Legislative Decree 58/98

The undersigned Roberto Vedovotto, as the Chief Executive Officer, and Francesco Tagliapietra, as the officer responsible for the preparation of Safilo Group S.p.A.'s financial statements, hereby attest, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree February 24th 1998, no. 58, the adequacy of the administrative and accounting procedures with respect to the Company structure and their effective application in the preparation of the half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2012 were based and the evaluation of their adequacy has been made on a process defined by Safilo Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Trade way Commission an internationally-accepted reference framework.

Furthermore, the undersigned attest that the half-year condensed financial statements have been prepared in accordance with the international financial standards as endorsed by the European Union through Regulation (EC) no. 1606/2002 of the European Parliament and Counsel, dated 19th July 2002 and in particular IAS 34 – Interim Financial Reporting. This half-year report corresponds to the amounts shown in the Company's books and records and provides a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

Finally, the interim management report contains references to the important events occurred in the first six months of the financial year and their impact on the half-year condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the year, along with a description of the transactions with related parties.

Padua, 2nd August 2012

Roberto Vedovotto
Chief Executive Officer

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

REPORT OF INDEPENDENT AUDITORS
ON CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

To the Shareholders of
Safilo Group SpA

1 We have reviewed the condensed consolidated interim financial statements of Safilo Group SpA and subsidiaries (Safilo Group) as of 30 June 2012 and for the six months period then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of cash flow, the statement of changes in shareholders' equity and explanatory related notes. The Directors of Safilo Group SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard n° 34 (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (Consob) with Resolution n° 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year period, presented for comparative purposes, reference should be made to our reports dated 3 April 2012 and 3 August 2011, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Safilo Group as of 30 June 2012 and for the sixth months period than ended have not been prepared, in all material respects, in accordance with the International Accounting Standard n° 34 (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Padua, 3 August 2012

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

PricewaterhouseCoopers SpA

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