Half-year Financial Report

for the period ended 30th June 2011

Date of issue: August 2nd, 2011

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, 2011

Board of Directors

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

Board of Statutory Auditors (*)

Chairman	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.

(*) Appointed by the Shareholders' meeting held on April 27, 2011

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

Safilo Group S.p.A., the holding company, is a limited liability company registered in Italy. The registered office is located in Pieve di Cadore (BL) – Piazza Tiziano n. 8, whilst the administrative headquarters are located in Padua – Settima Strada 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 Safilo, Oxydo, Carrera, Smith and Blue Bay while the licensed brands include Alexander McQueen, A/X Armani Exchange, Balenciaga, Banana Republic, BOSS - Hugo Boss, BOSS Orange, Bottega Veneta, Dior, Emporio Armani, Fossil, Giorgio Armani, Gucci, HUGO - Hugo Boss, Jimmy Choo, J. Lo by Jennifer Lopez, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max & Co., Nine West, Pierre Cardin, Saks Fifth Avenue, Tommy Hilfiger, Valentino and Yves Saint Laurent.

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2011	%	First semester 2010	%
Net sales	603.3	100.0	580.3	100.0
Cost of sales	(239.0)	(39.6)	(233.8)	(40.3)
Gross profit	364.3	60.4	346.5	59.7
Ebitda	80.2	13.3	64.8	11.2
Operating profit	61.9	10.3	44.7	7.7
Group profit before taxes	50.3	8.3	15.7	2.7
Profit (Loss) attributable to the Group	31.3	5.2	(3.3)	(0.6)

Economic data (Euro in millions)	Second quarter 2011	%	Second quarter 2010	%
Net sales	302.6	100.0	294.3	100.0
Cost of sales	(121.3)	(40.1)	(121.4)	(41.2)
Gross profit	181.3	59.9	172.9	58.8
Ebitda	39.5	13.1	30.2	10.2
Operating profit	30.5	10.1	20.6	7.0
Group profit before taxes	22.3	7.4	3.9	1.3
Profit (Loss) attributable to the Group	12.9	4.3	(5.0)	(1.7)

Balance sheet data (Euro in millions)	June 30, 2011	%	December 31, 2010	%
Total assets	1,441.4	100.0	1,486.3	100.0
Total non-current assets	808.2	56.1	845.8	56.9
Capital expenditure	11.8	0.8	29.4	2.0
Net invested capital	995.8	69.1	1,023.2	68.8
Net working capital	293.4	20.4	287.5	19.3
Net financial position	(240.3)	16.7	(256.2)	17.2
Group Shareholders' equity	743.4	51.6	756.0	50.9

Financial data (Euro in millions)	First semester 2011	First semester 2010
Cash flow operating activity	39.2	62.5
Cash flow investing activity	(16.6)	(10.6)
Cash flow financing activity	(1.2)	49.0
Closing net financial indebtedness (short-term)	87.2	88.5

Earning per share (in Euro) (*)	First semester 2011	First semester 2010
Earnings/(losses) per share - basic	0.550	(0.079)
Earnings/(losses) per share - diluted	0.548	(0.079)
No. shares in share capital at June 30	56,821,965	56,821,965

Group personnel	June 30, 2011	June 30, 2010
Punctual at June 30	8,012	8,278

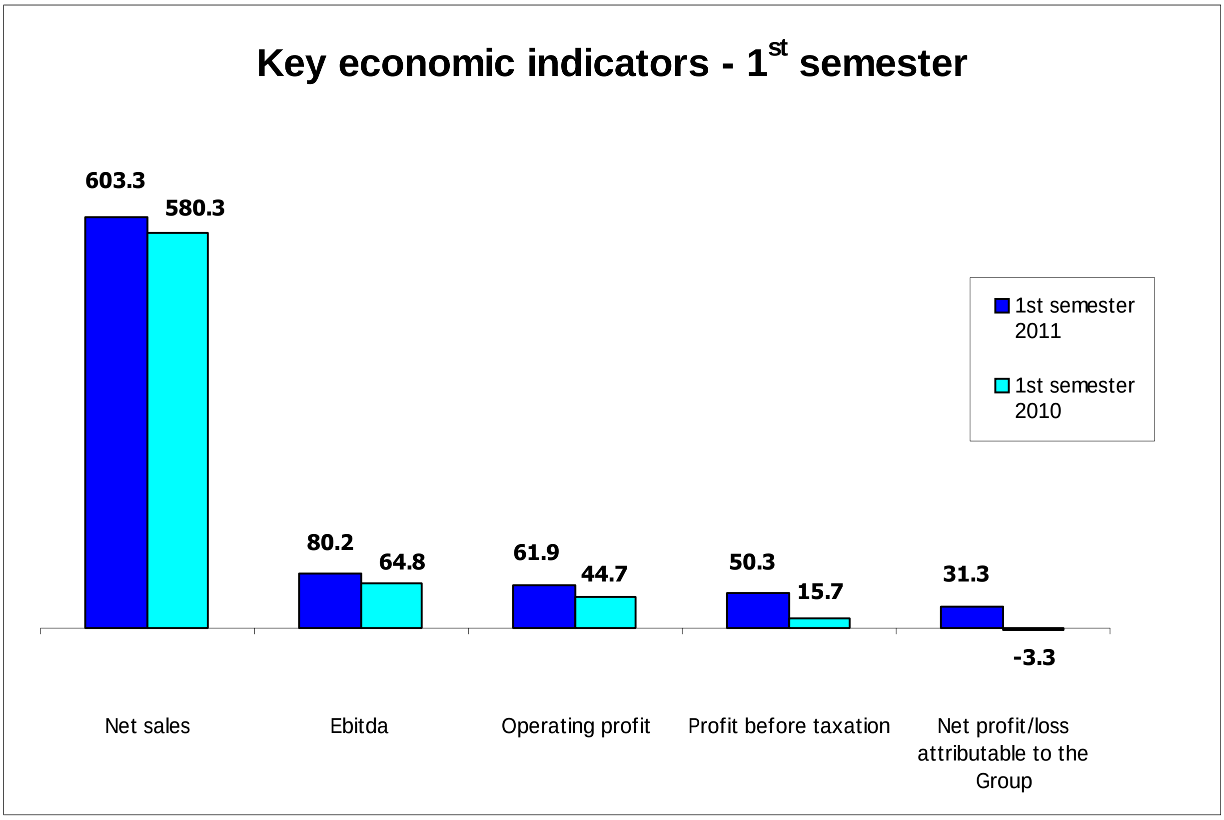
(*) For the first semester 2010, the number of ordinary shares has been calculated as weighted average number considering the share capital increase of March 2010 and the effect of the reverse share split in the measure of one new share per twenty old shares as voted by the 30 April 2010 Shareholders' Meeting.

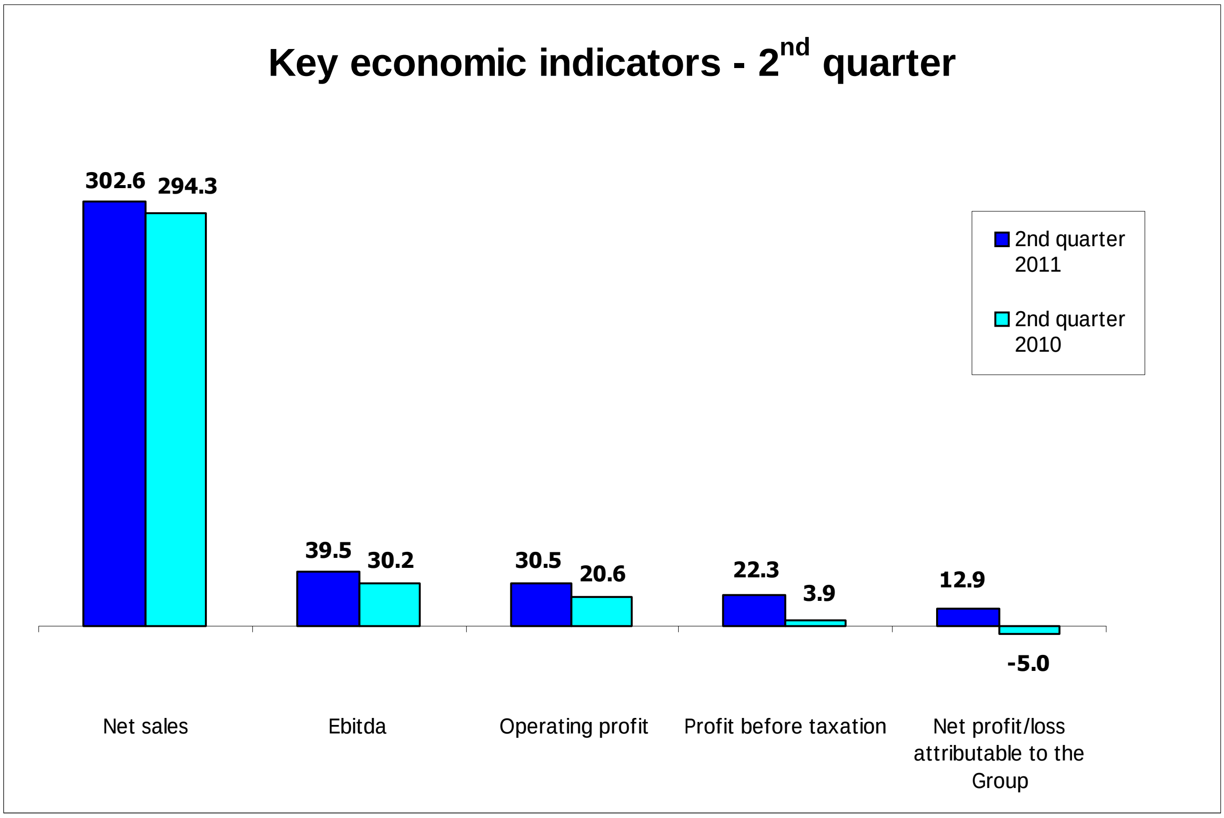
It should be noted that:

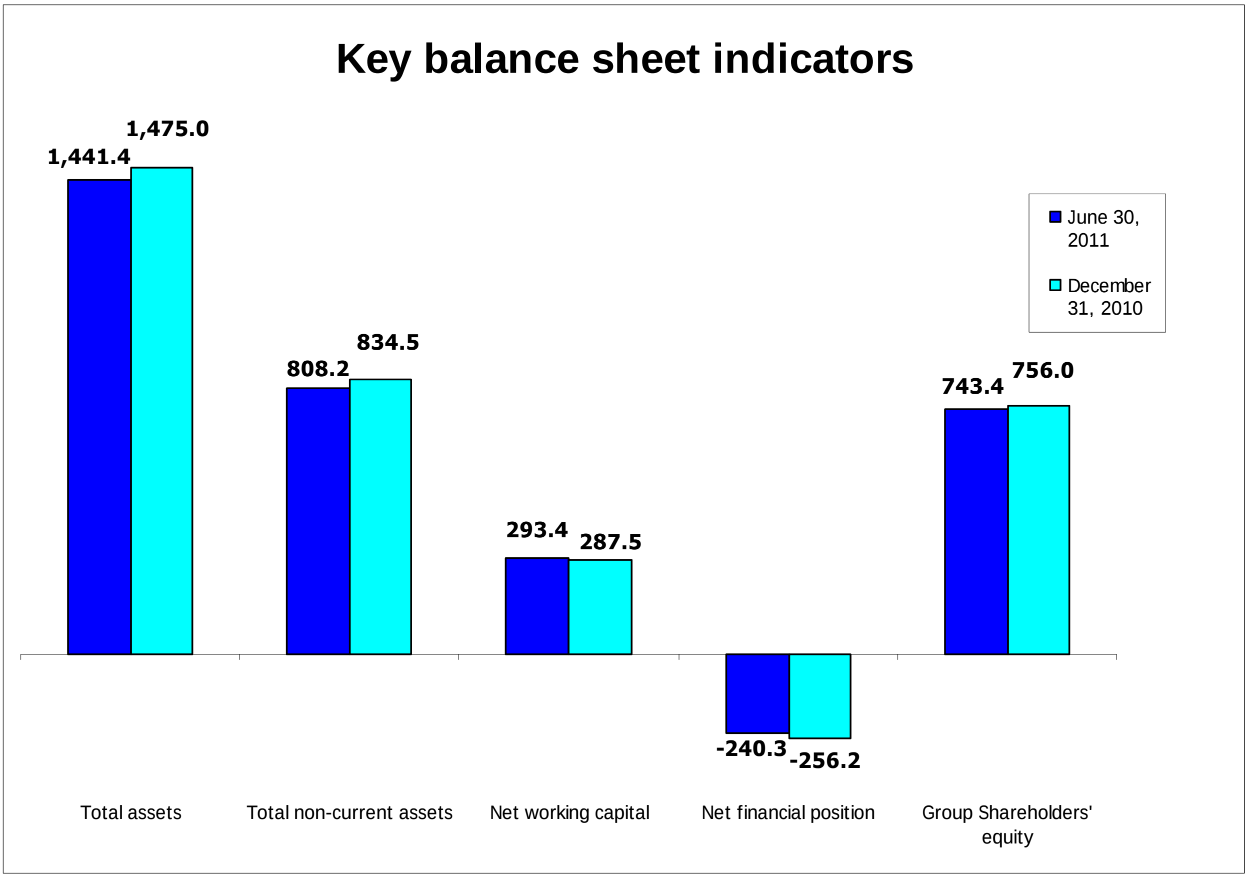
- *certain figures in the Directors' Report on operations have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them.*
- *"EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation; "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
603.3
580.3
80.2
64.8
61.9
44.7
50.3
15.7
31.3
-3.3
1st semester 2011
1st semester 2010
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit/loss attributable to the Group


Key economic indicators - 2nd quarter
302.6
294.3
39.5
30.2
30.5
20.6
22.3
3.9
12.9
-5.0
2nd quarter 2011
2nd quarter 2010
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit/loss attributable to the Group


Key balance sheet indicators
1,441.4
1,475.0
808.2
834.5
293.4
287.5
-240.3
-256.2
743.4
756.0
June 30, 2011
December 31, 2010
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity

Information on Group economic results

For the first half-year of 2011 the Group posted significantly improved results in comparison with the previous year, both in terms of sales and financial performance.

The market situation points out to different dynamics according to the regions. While Asia and Latin America continue to display a strong growth trend, in western markets growth is more contained and in certain countries, mostly in southern Europe, the macroeconomic context is more critical and uncertain.
The consolidated turnover for the first half-year reached Euro 603.3 million, at constant exchange rates and perimeter, up by 7.8% in comparison with 2010 (+10.5% in the second quarter). It is important to point out that during both this half-year and the second quarter, despite the substantial macroeconomic and market differences, on equal terms sales have risen in all the macro regions and for all product categories, which demonstrates the strength of the commercial offer that has concerned the whole portfolio of the Group.
Following the commercial growth, associated with the effects of the start of restructuring projects and the improvement of internal processes as well as the strategy consisting in concentrating on the wholesale core business, the economic and financial results of the group have shown a significant improvement in comparison with the same period last year.

The operating profit for the half-year, which represents 10,3% of the turnover, has risen by 38.5% in comparison with the same period last year, with an acceleration during the second quarter when growth rose by 48.3%.

EBITDA for the half-year reached Euro 80.2 million or 13.3% of sales, representing a 23.8% rise in comparison with 2010, with an acceleration in the second quarter with a result of 39.5 million or 13,1% of sales with a growth of 30,9% compared with 2010.

The improvement in the operating profit together with a substantial reduction in net interest expense and other financial charges has led to the net profit attributable to the Group to rise back by Euro 31.3 million as against a loss of 3.3 million in the first half-year of 2010.

Cash generation for the period has led to a substantial reduction in the Group's debt, for the first time in over 10 years, following the recapitalization that took place at the beginning of 2010 and due to the stable cash generation of the following quarters, the ratio between the Net Debt and EBITDA LTM has decreased under 2.

Group economic results

Consolidated statement of operation *(Euro in millions)*	**First semester 2011**	**%**	**First semester 2010**	**%**	**Change %**
Net sales	603.3	100.0	580.3	100.0	4.0%
Cost of sales	(239.0)	(39.6)	(233.8)	(40.3)	2.2%
Gross profit	**364.3**	**60.4**	**346.5**	**59.7**	**5.1%**
Selling and marketing expenses	(235.7)	(39.1)	(234.7)	(40.4)	0.4%
General and administrative expenses	(66.6)	(11.0)	(67.3)	(11.6)	-1.0%
Other operating income/(expenses), net	(0.1)	-	0.2	-	n.s.
Operating profit	**61.9**	**10.3**	**44.7**	**7.7**	**38.5%**
Interest expenses and other financial charges, net	(11.6)	(1.9)	(29.0)	(5.0)	-60.1%
Profit before taxation	**50.3**	**8.3**	**15.7**	**2.7**	**n.s.**
Income taxes	(16.9)	(2.8)	(17.0)	(3.0)	-0.7%
Net profit (Loss)	**33.4**	**5.5**	**(1.3)**	**(0.3)**	**n.s.**
Net profit attributable to minority interest	2.1	0.4	2.0	0.3	7.9%
Net profit (Loss) attributable to the group	**31.3**	**5.2**	**(3.3)**	**(0.6)**	**n.s.**
EBITDA	**80.2**	**13.3**	**64.8**	**11.2**	**23.8%**

Consolidated statement of operation *(Euro in millions)*	**Second quarter 2011**	**%**	**Second quarter 2010**	**%**	**Change %**
Net sales	302.6	100.0	294.3	100.0	2.8%
Cost of sales	(121.3)	(40.1)	(121.4)	(41.2)	-0.1%
Gross profit	**181.3**	**59.9**	**172.9**	**58.8**	**4.8%**
Selling and marketing expenses	(116.4)	(38.5)	(118.0)	(40.1)	-1.4%
General and administrative expenses	(34.3)	(11.3)	(34.2)	(11.6)	0.2%
Other operating income/(expenses), net	(0.1)	(0.0)	(0.2)	(0.1)	-22.2%
Operating profit	**30.5**	**10.1**	**20.6**	**7.0**	**48.3%**
Interest expenses and other financial charges, net	(8.1)	(2.7)	(16.6)	(5.6)	-51.1%
Profit before taxation	**22.3**	**7.4**	**3.9**	**1.3**	**n.s.**
Income taxes	(8.4)	(2.8)	(8.3)	(2.8)	1.4%
Net profit (Loss)	**13.9**	**4.6**	**(4.4)**	**(1.5)**	**n.s.**
Net profit attributable to minority interest	1.0	0.3	0.6	0.2	63.0%
Net profit (Loss) attributable to the group	**12.9**	**4.3**	**(5.0)**	**(1.7)**	**n.s.**
EBITDA	**39.5**	**13.1**	**30.2**	**10.2**	**30.9%**

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

Despite a persistent and uncertain macroeconomic situation in many western countries, particularly in southern Europe, the Group has achieved a substantial growth in comparison with 2010. The turnover for the half-year has reached Euro 603.3 million, a 4% increase in comparison with the same period in 2010, in spite of the unfavourable exchange rate between the Euro and other currencies and the sale of the Mexican retail chain. At constant exchange rates and perimeter growth for the half-year would have reached 7.8% with an acceleration in the second quarter rising to 10.5%.

Regardless of the improvement concerning all the geographical macro areas and both the product categories (prescription frames and sunglasses), the analysis reveals specific dynamics. On a geographical level the areas that are nowadays showing the highest economic activity are undoubtedly the Far East and Latin America. On the other hand, western markets seem to forecast small growth margins in the short term, with the same pace in Europe and North America, although there are significant differences within these areas where particularly difficult conditions still prevail in some countries (Greece and Portugal).

In terms of the product mix, during the half-year no specific differences between the growth rate in prescription frames sales and sunglasses sales have been registered. However, there is an improvement in the products with high design content which represent a large part of the Group's offer, in line with the generally positive trend observed in the fashion and luxury goods sector. In this context the Carrera "housebrand" deserves a special mention. Thanks to its original design and rising popularity the brand continues its expansion in many European and US markets, moving away from its traditional national reputation that had been its hallmark during the first years following its launch. During this period it has also benefited from the marketing and sales in the Far East and US markets where the Carrera brand has very high growth prospects.

European sales have been supported by all high end brands that continued to perform well during the second quarter as the new licensed Tommy Hilfiger collections were highly acclaimed by customers.

Sales have shown very positive results in East European countries, particularly in Russia where the good results of the beginning of the year have been confirmed in the second quarter. The recent opening of a directly controlled subsidiary has led to a significant increase in the local market share and it seems that there may be grounds for expecting one of the highest short-term growth in Europe.

Turnover growth by product category has been mainly fuelled by good sales of prescription glasses which, over the last quarter, have registered a rise in sales, particularly in Italy and Spain.

On equal terms, turnover for the half-year in America rose by 8.9%, boosted by good results in the US and Brazil. In particular, the US market, which represents the bulk of sales of the area, has welcomed the marketing strategy designed to promote the launch of the Carrera brand. That brand, in turn, boasts one of the highest sales figures in the country. Sales in Latin America are also definitely on the rise.

The Group has increased its own turnover mainly in Asia due to the success of the luxury brands that are particularly appreciated in that part of the world. The Chinese market has again, in the second quarter, confirmed the same growth rate as in previous periods. This, in turn, has had a positive effect on the Group's profitability. Sales in the Middle East have picked up again following a poor performance early this year due to political instability in many countries of the region.

Finally mention should be made that in Asia the Carrera brand products boasted a sharp rise in sales. Although the Carrera brand does not have the same market share in Asia as it enjoys in the West, its visibility is fast increasing, with a positive effect on sales.

Net sales by geographical area	**First semester**					**Second quarter**				
(Euro in millions)	**2011**	**%**	**2010**	**%**	**Change %**	**2011**	**%**	**2010**	**%**	**Change %**
Europe	261.8	43.4	248.7	42.9	+5.3	131.7	43.5	120.5	40.9	+9.3
Americas	233.0	38.6	234.3	40.4	-0.6	114.3	37.8	122.5	41.6	-6.7
Asia	99.9	16.6	89.1	15.4	+12.1	52.6	17.4	48.1	16.3	+9.4
Rest of the world	8.6	1.4	8.2	1.4	+4.9	4.0	1.3	3.2	1.1	+25.0
Total	**603.3**	**100.0**	**580.3**	**100.0**	**+4.0**	**302.6**	**100.0**	**294.3**	**100.0**	**+2.8**

Net sales by product	**First semester**					**Second quarter**				
(Euro in millions)	**2011**	**%**	**2010**	**%**	**Change %**	**2011**	**%**	**2010**	**%**	**Change %**
Prescription frames	222.6	36.9	213.3	36.8	+4.4	109.4	36.2	100.7	34.2	+8.6
Sunglasses	352.0	58.3	339.8	58.6	+3.6	183.3	60.6	181.5	61.7	+1.0
Sport products	23.7	3.9	21.2	3.7	+11.8	8.5	2.8	9.0	3.1	-5.6
Other	5.0	0.8	6.0	1.0	-16.7	1.4	0.5	3.1	1.1	-54.8
Total	**603.3**	**100.0**	**580.3**	**100.0**	**+4.0**	**302.6**	**100.0**	**294.3**	**100.0**	**+2.8**

The **gross profit margin** has registered a net improvement in comparison with the same period in 2010.
Beyond the effect of the operating leverage in terms of higher sales volumes, the reasons for the increased performance must be found in the improvement in the sales mix and in the reduction of the obsolescence cost thanks to progress in planning management and in inventory management.
The containment of **commercial costs** was confirmed in the first half-year on account of a better management of both the sales force and reduced spending, in relation to the turnover, for promotion and advertising activities.
General and administrative costs are also very stable in absolute value, which has led to a lower incidence on turnover. Also, in the light of a slight increase in costs linked to the Group's management structures, there remains a strict control of the fixed costs and credit management.
An increase in sales, cost containment and concentration on the wholesale business have led to a 23.8% rise in EBITDA over the half-year, representing 13.3% of the turnover.
Cash generation on the operating level has led to a further reduction in the total net debt which, in turn, has helped improve net financial costs and a containment of interest expenses. Also, in the second quarter, albeit more moderately, the positive effect resulting from exchange rates variations was felt.
With the Group's main companies return to profit, taxation reached around 33.6%.
The Group's net result for the half-year was positive and reached Euro 31.3 million, equal to 5.2% of the consolidated turnover.

Analysis by distribution channel

The table below shows the key data by operating segment:

	WHOLESALE				RETAIL			
(Euro in millions)	First semester 2011	First semester 2010	Change	Change %	First semester 2011	First semester 2010	Change	Change %
Net sales to 3rd parties	566.8	536.4	30.4	5.7%	36.5	43.9	-7.4	-16.9%
EBITDA (*)	75.6	62.0	13.6	22.1%	4.7	2.8	1.9	65.9%
%	*13.3%*	*11.6%*			*12.8%*	*6.4%*		

	WHOLESALE				RETAIL			
(Euro in millions)	Second quarter 2011	Second quarter 2010	Change	Change %	Second quarter 2011	Second quarter 2010	Change	Change %
Net sales to 3rd parties	282.3	268.9	13.4	5.0%	20.3	25.4	-5.1	-20.1%
EBITDA	36.0	27.3	8.7	32.0%	3.5	2.9	0.6	21.4%
%	*12.7%*	*10.2%*			*17.4%*	*11.4%*		

(*) 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).

Assessment of the retail segment in comparison with the previous year depended on the sale of part of the business, that is the Mexican retail chain Sunglass Island, at the end of 2010. The Group now owns only the Solstice chain in the US, comprising 158 stores.

Turnover for the wholesale segment reached Euro 566.8 million, up 5.7% compared with the first half of 2010; for the quarter growth reached 5%. At constant exchange rates the increase was 7.4% over the six-month period and 10.3% for the second quarter of the year.

The commercial performance reflects consumers' general appreciation of the collections launched in the past quarters. Also, during the second quarter there are still areas undergoing major development and countries with a more acute criticity level, as is the case of some countries of southern Europe; still, it is very positive that we have improved on the 2010 results, given the difficult macroeconomic context.

The operating margin of the channel has benefited from an improvement of the sales and marketing expenditures due to the already mentioned phenomena: the improvement of the operating leverage, the improvement in the sales mix and the reduction of the obsolescence cost.

Due to improved gross profit margin and the containment of the commercial costs, Group EBITDA(*) has risen by 22% over the half-year and by 32% in the second quarter of the year.

(*) 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).

The retail segment consists of the US chain Solstice which has a presence in the main US cities with stores specialising in the sale of sunglasses. Comp sales rose by 6.2% in the half-year while in the second quarter of the year the rise was 6.6%.

Solstice has caught up with EBITDA(*), equal at 12.8% of the turnover which represents a significant improvement compared with past periods and it is the impact of both this growth in sales and the first effects of new channel policies which have focused on the best locations.

Balance sheet reclassified

Balance sheet *(Euro in millions)*	**June 30, 2011**	**December 31, 2010**	**Change**
Trade receivables	289.2	271.3	17.9
Inventory, net	192.1	220.4	(28.3)
Trade payables	(187.9)	(204.2)	16.3
Net working capital	**293.4**	**287.5**	**5.9**
Tangible assets	202.9	203.7	(0.8)
Intangible assets and goodwill	537.3	563.7	(26.4)
Financial assets	11.3	13.2	(1.9)
Net fixed assets	**751.5**	**780.6**	**(29.1)**
Employee benefit liability	(33.1)	(32.1)	(1.0)
Other assets / (liabilities), net	(16.1)	(12.8)	(3.3)
Net invested capital	**995.8**	**1,023.2**	**(27.4)**
Cash in hand and at bank	99.3	88.3	11.0
Short term borrowings	(123.1)	(56.6)	(66.4)
Long term borrowings	(216.5)	(287.8)	71.3
Net financial position	**(240.3)**	**(256.2)**	**15.9**
Group Shareholders' equity	(743.4)	(756.0)	12.6
Non controlling interests	(12.1)	(11.0)	(1.0)
Total shareholders' equity	**(755.5)**	**(767.0)**	**11.6**

Cash flow

The following table shows the main items of the cash flow statement as at 30th June 2011 compared with the figures for the same period in the previous financial year:

Free cash flow *(Euro in millions)*	**First semester 2011**	**First semester 2010**	**Change**
Cash flow operating activities	39.2	62.5	(23.3)
Cash flow investing activities	(16.6)	(10.6)	(6.0)
Free cash flow	**22.6**	**51.9**	**(29.3)**

In the first half-year the Group confirmed its capacity to generate a stable cash flow although in the first half-year the acquisition of the building housing the US distribution centre required an extraordinary investment amounting to nearly Euro 6.7 million.

The operating activities have generated Euro 39.2 million in liquidity thanks to the increase in profitability and a careful management of the working capital. The absorption of resources for investments, after the acquisition of the building, has remained contained and stable in comparison with the previous year.

Net working capital

Net working capital *(Euro in millions)*	**June 30, 2011**	**June 30, 2010**	**Change June 11/June 10**	**December 31, 2010**
Trade receivables, net	289.2	310.4	(21.2)	271.3
Inventories	192.1	195.7	(3.6)	220.4
Trade payables	(187.9)	(196.9)	9.0	(204.2)
Net working capital	**293.4**	**309.2**	**(15.8)**	**287.5**
% net sales rolling last 12 months	*26.6%*	*30.0%*		*26.6%*

Despite the increase in turnover, net working capital reduced year-on-year, having already decreased substantially on the previous year. There was substantial improvement in net working capital/net sales ratio.

Apart from the effects of forex variations, the Group is monitoring working capital performance very carefully, aiming at constantly improving its financial situation also at a time of rising sales which normally determine an absorption of resources.

There were no significant changes in payment or collection, and a possible increase in customer exposure could mainly result from a different sales mix between countries.

Investments in tangible and intangible fixed assets

Investments in tangible and intangible assets made by the Group totalled Euro 11.8 million, compared with investments of Euro 11.4 million made in the same period of the previous financial year, and featured the following:

(Euro in millions)	First semester 2011	First semester 2010	Change
Padua headquarters	1.6	0.6	1.0
Production factories	8.1	9.2	(1.1)
Europe	0.1	0.3	(0.2)
America	1.9	1.2	0.7
Far-East	0.1	0.1	0.0
Total	**11.8**	**11.4**	**0.4**

There were no significant changes in investment policy, but it remains under control and not exceeding amortisation in the period.
In addition to the data shown in the above table, the Group purchased a property company, in which it already held 33% stake, that owns the building housing the US distribution and administrative centre.

Net financial position

Net financial position *(Euro in millions)*	June 30, 2011	March 31, 2011	Change Jun/Mar	December 31, 2010	Change Jun/Dec
Current portion of long-term borrowings	(70.9)	(1.2)	(69.7)	(1.3)	(69.7)
Bank overdrafts and short term bank borrowings	(12.1)	(16.2)	4.1	(15.8)	3.7
Other short-term borrowings	(40.1)	(36.9)	(3.2)	(39.6)	(0.5)
Cash and cash equivalent	99.3	69.4	29.9	88.3	11.0
Short-term net financial position	**(23.8)**	**15.1**	**(38.9)**	**31.6**	**(55.5)**
Long term borrowings	(216.5)	(283.3)	66.8	(287.8)	71.3
Long-term net financial position	**(216.5)**	**(283.3)**	**66.8**	**(287.8)**	**71.3**
Net financial position	**(240.3)**	**(268.2)**	**27.9**	**(256.2)**	**15.9**

Cash generation for the period has allowed for a reduction in the Group's total debt which is significantly lower than compared with both the beginning of the year and the end of the first half-year of 2010 when it amounted to 269.4 million Euros. The Net Debt/EBITDA ratio has therefore dropped below two.

Personnel

The Group's total workforce as at 30th June 2011 and 31st December 2010 and 30th June 2010 is summarized in the following table:

	June 30, 2011	December 31, 2010	June 30, 2010
Padua headquarters	940	896	869
Production factories	4,850	5,195	4,898
Commercial companies	1,395	1,174	1,331
Retail	827	883	1,180
Total	**8,012**	**8,148**	**8,278**

Excluding the effect of the sale of the chain of Mexican stores, the Group's workforce was largely unchanged compared with the end of the first semester 2010.
Compared with the previous year, the slight decrease in the industrial area was offset by a slight increase at the commercial subsidiaries and staff at the head office, which includes the Group's largest distribution centre. This increase in personnel was mainly due to the increase in turnover, which required greater resources for customer support and logistics organisation.

Subsequent events and Outlook

There are no significant events to mention after 30th June 2011 that can be considered to have significantly affected the data contained in this report.
After reaching a significant improvement in the economic and financial performance of the first half-year, the Group remains focused on development and improvement projects. At the same time it remains cautious on the outlook for the current year in the light of the macroeconomic uncertainty, particularly in Europe and in the US.

Half-year condensed financial statements and Notes at June 30th, 2011

Consolidated balance sheet

(Euro/000)	*Notes*	June 30, 2011	of which related parties	December 31, 2010	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	99,251		88,267	
Trade receivables, net	*2.2*	289,226	10,895	271,317	12,561
Inventory, net	*2.3*	192,132		220,443	
Derivative financial instruments	*2.4*	134		-	
Other current assets	*2.5*	52,419		60,471	
Total current assets		**633,162**		**640,498**	
Non-current assets					
Tangible assets	*2.6*	202,888		203,680	
Intangible assets	*2.7*	11,384		13,731	
Goodwill	*2.8*	525,880		550,013	
Investments in associates	*2.9*	11,337		13,202	
Financial assets available-for-sale	*2.10*	290		540	
Deferred tax assets	*2.11*	53,542		50,705	
Derivative financial instruments	*2.4*	442		177	
Other non-current assets	*2.12*	2,436		2,440	
Total non-current assets		**808,199**		**834,488**	
Total assets		**1,441,361**		**1,474,986**	

(Euro/000)	***Notes***	**June 30, 2011**	**of which related parties**	**December 31, 2010**	**of which related parties**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	123,090		56,643	
Trade payables	*2.14*	187,917	3,916	204,189	5,186
Tax payables	*2.15*	18,665		17,795	
Derivative financial instruments	*2.4*	1,251		1,827	
Other current liabilities	*2.16*	67,433		72,298	
Provisions for risks and charges	*2.17*	9,485		6,679	
Total current liabilities		**407,841**		**359,431**	
Non-current liabilities					
Long-term borrowings	*2.13*	216,456	68,301	287,794	98,657
Employee benefit liability	*2.18*	33,067		32,096	
Provisions for risks and charges	*2.17*	18,894		19,392	
Deferred tax liabilities	*2.11*	5,186		1,708	
Derivative financial instruments	*2.4*	38		265	
Other non-current liabilities	*2.19*	4,410		7,265	
Total non-current liabilities		**278,051**		**348,520**	
Total liabilities		**685,892**		**707,951**	
Shareholders' equity					
Share capital	*2.20*	284,110		284,110	
Share premium reserve	*2.21*	461,491		461,491	
Retained earnings (losses) and other reserves	*2.22*	(33,609)		9,689	
Fair value and cash flow reserves	*2.23*	135		(21)	
Income attributable to the Group		31,279		731	
Total shareholders' equity attributable to the Group		**743,406**		**756,000**	
Non controlling interests		**12,063**		**11,035**	
Total shareholders' equity		**755,469**		**767,035**	
Total liabilities and shareholders' equity		**1,441,361**		**1,474,986**	

Consolidated income statement

(Euro/000)	Notes	First semester 2011	of which related parties	First semester 2010	of which related parties	Second quarter 2011	of which related parties	Second quarter 2010	of which related parties
Net sales	3.1	603,256	22,282	580,327	21,516	302,592	10,865	294,356	10,399
Cost of sales	3.2	(238,961)	(5,458)	(233,797)	(9,085)	(121,327)	(2,817)	(121,406)	(5,345)
Gross profit		**364,295**		**346,530**		**181,265**		**172,950**	
Selling and marketing expenses	3.3	(235,650)	(88)	(234,723)	(58)	(116,391)	187	(118,028)	(43)
General and administrative expenses	3.4	(66,637)	(209)	(67,336)	(647)	(34,261)	(209)	(34,198)	(337)
Other oper. income/(expenses), net	3.5	(145)	101	191	104	(133)	37	(171)	(109)
Operating profit		**61,863**		**44,662**		**30,480**		**20,553**	
Share of income/(loss) of associates	3.6	(419)		80		(35)		37	
Interest expenses and other financial charges, net	3.7	(11,140)	(4,626)	(29,033)		(8,104)	(2,252)	(16,666)	
Profit before taxation		**50,304**		**15,709**		**22,341**		**3,924**	
Income taxes	3.8	(16,889)		(17,000)		(8,389)		(8,270)	
Net profit/(loss)		**33,415**		**(1,291)**		**13,952**		**(4,346)**	
Net profit/(loss) attributable to:									
The Group		31,279		(3,270)		12,920		(4,979)	
Non controlling interests		2,136		1,979		1,032		633	
Earnings/(losses) per share - basic (Euro)	3.9	0.550		(0.079)		0.227		(0.144)	
Earnings/(losses) per share - diluted (Euro)	3.9	0.548		(0.079)		0.226		(0.144)	

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Net profit (loss) for the period		**33,415**	**(1,291)**	**13,952**	**(4,346)**
Gains/(Losses) on cash flow hedges	*2.23*	174	-	(354)	-
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	(12)	(18)	(9)	(13)
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	(45,348)	97,838	(6,289)	53,887
Other Gains/(Losses)	*2.22*		(210)	-	(127)
Other comprehensive income/(loss), net of tax		**(45,186)**	**97,610**	**(6,652)**	**53,747**
Total Comprehensive income/(loss)		**(11,771)**	**96,319**	**7,300**	**49,401**
Attributable to:					
Group		(13,254)	91,628	6,325	46,623
Non controlling interests		1,483	4,691	975	2,778
Total Comprehensive income/(loss)		**(11,771)**	**96,319**	**7,300**	**49,401**

Consolidated statement of cash flow

(Euro/000)	Notes	First semester 2011	First semester 2010
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**72,495**	**(20,919)**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including minority interests)		33,415	(1,291)
Depreciation and amortization	*2.6 - 2.7*	18,332	20,103
Other non-monetary P&L items	*2.9-2.17-2.18*	1,957	(372)
Interest expenses, net	*3.7*	12,454	14,606
Income tax expenses	*3.8*	16,889	16,999
Income from operating activities prior to movements in working capital		**83,047**	**50,045**
(Increase) Decrease in trade receivables		(25,692)	(23,529)
(Increase) Decrease in inventory, net		20,110	27,292
Increase (Decrease) in trade payables		(11,474)	30,971
(Increase) Decrease in other current receivables		3,414	(811)
Increase (Decrease) in other current payables		2,089	8,443
Interest expenses paid		(12,950)	(16,571)
Income tax paid		(19,364)	(13,362)
Total (B)		**39,180**	**62,478**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(9,095)	(10,062)
Acquisition of subsidiary (net of cash acquired)		(6,749)	-
(Acquisition) Disposal of investments and bonds		212	-
Purchase of intangible assets		(937)	(508)
Total (C)		**(16,569)**	**(10,570)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		60,404	2,728
Repayment of borrowings		(61,194)	(222,279)
Share capital increase net of paid fees		-	269,964
Dividends paid		(455)	(1,368)
Total (D)		**(1,245)**	**49,045**
E - Cash flow for the period (B+C+D)		**21,366**	**100,953**
Translation exchange difference		(6,689)	8,498
Total (F)		**(6,689)**	**8,498**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**87,172**	**88,532**

Statement of changes in shareholders' equity

First semester 2010

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2010	**71,349**	**745,105**	**(62,529)**	**32**	**35,924**	**(351,448)**	**438,433**
Previous year's profit allocation	-	(331,429)	-	-	(20,019)	351,448	-
Share capital increase	212,761	57,203	-	-	-	-	269,964
Changes in other reserves	-	(6,132)	-	-	(1)	-	(6,133)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	96,344	(18)	(1,428)	(3,270)	91,628
Group shareholders' equity at June 30, 2010	**284,110**	**464,747**	**33,815**	**14**	**14,476**	**(3,270)**	**793,892**
Non controlling interests at January 1, 2010	-	-	**248**	-	**6,652**	**659**	**7,559**
Previous year's profit allocation	-	-	-	-	659	(659)	-
Changes in other reserves	-	-	-	-		-	-
Dividends distribution	-	-	-	-	(275)	-	(275)
Total comprehensive income for the period	-	-	1,494	-	1,218	1,979	4,691
Non controlling interests at June 30, 2010	**-**	**-**	**1,742**	**-**	**8,254**	**1,979**	**11,975**
Consolidated net equity at June 30, 2010	**284,110**	**464,747**	**35,557**	**14**	**22,730**	**(1,291)**	**805,867**

First semester 2011

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 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**

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 2011 to June 30th 2011. Economic and financial information are provided with reference to the second quarter of 2011 and 2010 whilst balance sheet information are provided with reference to June 30th 2011 and December 31st 2010.

Half year consolidated financial report of Safilo Group at June 30th 2011, 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 2010.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 2nd August 2011.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2011

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 2010 have been applied.

Starting from March 31st 2011, the Group retroactively changed the classification of the receivable towards the "INPS central treasury fund" by adjusting the opening balances; this receivable relates to portion post employment benefit provision transferred by the Italian companies to the fund. This amount, classified in the item "Other non-current assets" until last financial year ended December 31st 2010, from March 31st 2011 has been classified as reduction of the debt for the post employment benefit provision (TFR) classified in the item "Employee benefits". The reclassification was made to improve the representation of the Group's financial position and it is justified by the fact that this asset, according to the law, is realized in combination with the settlement of the debt to employees.
The amount of the receivable reclassified at June 30th 2011 amounted to 13,299 thousand of Euro (at December, 31st 2010 11,323 thousand of Euro).

Accounting standards, amendments and interpretations applied from 1st January 2011 but not applicable to the Group

The following amendments, improvements and interpretations have been issued and are effective from 1st January 2011, these relate to matters that were not applicable to the Group at the date of these interim consolidated financial statements but which may affect the accounting for future transactions or arrangements:

Amendment to IAS 32 – Financial *Instruments: Presentation, Classification of Rights Issues* in order to address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applicable retrospectively from 1st January 2011. This amendment has not lead to any effects on the interim Group's financial statements.

Amendment IAS 24 - *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1st January 2011. This amendment has not lead to any effects on the interim Group's financial statements.

Amendment to IFRIC 14 – IAS 19 Prepayments of a Minimum Funding Requirement. The amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of 1st January 2011. This amendment has not lead to any effects on the interim Group's financial statements.

Interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially, then the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and are measured at their fair value; the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the profit or loss for the period. The interpretation has an effective date for mandatory adoption of 1st July 2010. This amendment has not lead to any effects on the interim Group's financial statements.

IAS/IFRS Annual improvements (2010): published by the IASB May 10, 2010 and approved by the European Union on 18 February, these improvements have not led to any significant effects on the interim Group's financial statements.

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

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

1.3 Consolidation method and consolidation area

On 14 February 2011 the Group, which already held 33.3% of the shares, acquired the remaining 66.7% of the shares of the US real estate company TBR Inc, owner of the buildings which are located at the headquarters and distribution center of the American subsidiary Safilo USA, bringing to 100% the percentage of ownership. Untill 31 December 2010 this company was valued under the equity method while after the acquisition of the shareholding it is being valued under the line-by-line method. On 11 May 2011 TBR Inc. was merged in the US subsidiary Safilo Realty Corp.

On 9 May 2011 the Group also exercised a call and put option for the acquisition, from the minority shareholder, of 30% of the shareholding of the company Safilo Hellas, bringing to 100% the percentage of ownership.

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

	Value	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	66,176,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidazione) – Padova	EUR	102,775	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Capital Int. S.A. - Lussemburgo (L)	EUR	31,000	100.0
Luxury Trade S.A - Lussemburgo (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	1,000,000	100.0
Safilo France S.a.r.l. - Parigi (F)	EUR	960,000	100.0
Safilo Gmbh - Colonia (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Mosca (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	51.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	51.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzen Limited- Shenzen (RC)	CNY	2,481,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	100.0
Safilo Retail (Shangai) Co. Ltd - (RC)	USD	5,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Atene (GR)	EUR	489,990	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 – San Paolo (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbona (P)	EUR	500,000	100.0
Safilo Switzerland AG – Liestal (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	88.5
Safint Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo Australia Partnership – Sydney (AUS)	AUD	204,081	61.0
Optifashion Hong Kong Ltd - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - Londra (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - North Yorkshire (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Realty Corp. - Delaware (USA)	USD	10,000	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safint Eyewear de Mexico S.A. de C.V. - Cancun (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

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, 2011	As of December 31, 2010	(Appreciation)/ Depreciation %	Avg. for the first semester 2011	2010	(Appreciation)/ Depreciation %
US Dollar	USD	1.4453	1.3362	8.2%	1.4032	1.3268	5.8%
Hong-Kong Dollar	HKD	11.2475	10.3856	8.3%	10.9212	10.3111	5.9%
Swiss Franc	CHF	1.2071	1.2504	-3.5%	1.2694	1.4359	-11.6%
Canadian Dollar	CAD	1.3951	1.3322	4.7%	1.3706	1.3719	-0.1%
Japanese Yen	YEN	116.2500	108.6500	7.0%	114.9699	121.3197	-5.2%
British Pound	GBP	0.9026	0.8608	4.9%	0.8682	0.8700	-0.2%
Swedish Krown	SEK	9.1739	8.9655	2.3%	8.9391	9.7888	-8.7%
Australian Dollar	AUD	1.3485	1.3136	2.7%	1.3582	1.4848	-8.5%
South-African Rand	ZAR	9.8569	8.8625	11.2%	9.6856	9.9913	-3.1%
Russian Ruble	RUB	40.4000	40.8200	-1.0%	40.1352	39.8862	0.6%
Brasilian Real	BRL	2.2601	2.2177	1.9%	2.2879	2.3839	-4.0%
Indian Rupee	INR	64.5620	59.7580	8.0%	63.1436	60.7337	4.0%
Singapore Dollar	SGD	1.7761	1.7136	3.6%	1.7653	1.8534	-4.8%
Malaysian Ringgit	MYR	4.3626	4.0950	6.5%	4.2552	4.3881	-3.0%
Chinese Reminbi	CNY	9.3416	8.8220	5.9%	9.1755	9.0567	1.3%
Korean Won	KRW	1,543.1900	1,499.0600	2.9%	1,544.8991	1531.2083	0.9%
Mexican Peso	MXN	16.9765	16.5475	2.6%	16.6865	16.8069	-0.7%

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

1.5 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the 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 99,251 thousand, compared with Euro 88,267 thousand at 31st December 2010 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, 2011	June 30, 2010
Cash in hand and at bank		99,251	105,689
Bank overdrafts	2.13	(1,366)	(700)
Bank borrowings current	2.13	(10,713)	(16,457)
Net cash and cash equivalents		**87,172**	**88,532**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	June 30, 2011	December 31, 2010
Gross value	323,336	302,097
Allowance for doubtful accounts and sales returns	(34,110)	(30,780)
Net value	**289,226**	**271,317**

Trade receivables increased mainly because of the seasonal factors affecting sales. Note that the Group's credit risk is not significantly concentrated since credit exposure is spread over a large number of customers.

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

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Use (-)	Transl. Diff.	Balance at June 30, 2011
Allowance for bad debts	19,668	3,282	(424)	(271)	22,255
Allowance for sales returns	11,112	1,361	(25)	(593)	11,855
Total	**30,780**	**4,643**	**(449)**	**(864)**	**34,110**

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, 2011	December 31, 2010
Raw materials	47,571	59,378
Work-in-progress	6,257	6,028
Finished products	197,148	216,301
Gross	**250,975**	**281,707**
Obsolescence provision (-)	(58,843)	(61,264)
Total	**192,132**	**220,443**

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, 2011	Posted to income statement	Transl. Diff.	Balance at June 30, 2011
Obsolescence provision	61,264	(905)	(1,517)	58,843
Total	**61,264**	**(905)**	**(1,517)**	**58,843**

2.4 Derivative financial instruments

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

(Euro/000)	**June 30, 2011**	**December 31, 2010**
current assets:		
- Interest rate swaps - cash flow hedge	14	-
- Foreign currency contracts - Fair value through P&L	120	-
Total	**134**	**-**
Non current assets:		
- Interest rate swaps - cash flow hedge	442	177
	442	**177**

(Euro/000)	**June 30, 2011**	**December 31, 2010**
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	246	-
- Interest rate swaps - cash flow hedge	348	-
- Interest rate swaps - Fair value through P&L	657	1,827
Total	**1,251**	**1,827**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	38	265
Total	**38**	**265**

The net market value of the forward hedge contracts appearing in the financial statements at 30th June 2011 was negative for 126 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 2011 totals 587 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.
At 30th June 2011 a portfolio of interest rate swap contracts was in place that, after the debt restructuring, no longer qualified as a hedging relationship, the fair value of these contracts was therefore entered directly to the income statement. The portfolio, which will expire at 31st December 2011, has a negative value of 657 thousand Euro.

The following table shows the characteristics and the fair value of the interest rate swap (IRS) contracts in force at 30th June 2011 and at 31st December 2010:

Interest rate swaps	**June 30, 2011**			**December 31, 2010**		
(Euro/000)	**Contractual value**		***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2011		37,000	(518)		49,000	(1,397)
Expiry year 2011	13,468		(139)	26,938		(430)
Expiry year 2012		2,170	14		2,170	2
Expiry year 2012	98,100		(348)	98,100		(265)
Expiry year 2014		55,000	404		25,000	175
Total	**111,568**	**94,170**	**(587)**	**125,038**	**76,170**	**(1,915)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**June 30, 2011**	**December 31, 2010**
VAT receivable	6,084	11,086
Tax credits and payments on account	8,562	10,214
Prepayments and accrued income	23,530	21,323
Receivables from agents	304	602
Other current receivables	13,939	17,246
Total	**52,419**	**60,471**

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 2011 include:

- prepaid royalty costs of Euro 15,014 thousand;
- prepaid rent and operating leases of Euro 4,335 thousand;
- prepaid advertising costs of Euro 1,368 thousand;
- other prepaid costs, mainly of a commercial nature, for the remainder.

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

Other short-term receivables amount to Euro 13,939 thousand and mainly refer to:

- payments of minimum annual guarantees relating to 2011 royalties for a total amount of Euro 8,849 thousand;
- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,184 thousand, referring to receivables due from bankrupt customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the distribution plan of the bankruptcy procedure is executed;

- receivables for insurance repayments of Euro 740 thousand;
- deposit payments due within 12 months for Euro 279 thousand;

2.6 Property, plant and equipment, net

Changes in tangible assets in the first semester 2011 are shown below:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at June 30, 2011
Gross value							
Land and buildings	132,019	262	(75)	-	9,616	(1,685)	140,137
Plant and machinery	185,180	2,356	(2,902)	(2)	-	(787)	183,846
Equipment and other assets	206,398	6,447	(1,377)	(46)	-	(5,674)	205,748
Assets under constructions	1,393	1,588	-	-	-	(5)	2,977
Total	**524,990**	**10,654**	**(4,354)**	**(48)**	**9,616**	**(8,150)**	**532,707**
Accumulated depreciation							
Land and buildings	36,115	1,787	-	-	-	(178)	37,724
Plant and machinery	125,395	4,541	(1,733)	-	-	(133)	128,070
Equipment and other assets	159,800	8,923	(1,062)	(48)	-	(3,587)	164,026
Total	**321,310**	**15,251**	**(2,795)**	**(48)**	**-**	**(3,898)**	**329,819**
Net value	**203,680**	**(4,597)**	**(1,559)**	**-**	**9,616**	**(4,253)**	**202,888**

Investments in tangible assets in the first semester of 2011 totalled Euro 10,654 thousand, and mainly comprised:

- Euro 7,612 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 1,615 thousand in the US companies, mainly in the retail chains in America;
- for the remaining amount in other Group's companies.

2.7 Intangible assets

Changes in intangible assets in the first semester of 2011 are shown below:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2011
Gross value						
Software	22,213	925	(30)	69	(753)	22,424
Trademarks and licenses	43,408	173	-	-	(43)	43,538
Other intangible assets	8,125	13	-	-	(215)	7,923
Intangible assets in progress	83	27	-	(69)	-	41
Total	**73,829**	**1,138**	**(30)**	**-**	**(1,012)**	**73,926**
Accumulated depreciation						
Software	17,077	1,169	(18)	-	(470)	17,758
Trademarks and licenses	36,712	1,707	-	-	(30)	38,389
Other intangible assets	6,308	206	-	-	(120)	6,395
Total	**60,098**	**3,082**	**(18)**	**-**	**(620)**	**62,542**
Net value	**13,731**	**(1,944)**	**(12)**	**-**	**(392)**	**11,384**

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 2011	First semester 2010
Cost of sales	*3.2*	9,267	9,660
Selling and marketing expenses	*3.3*	2,994	3,916
General and administrative costs	*3.4*	6,071	6,527
Net value		**18,332**	**20,103**

2.8 Goodwill

The change in goodwill in the first semester of 2011 is shown in the table below:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Transl. diff.	Balance at June 30, 2011
Goodwill	550,013	3,754	(189)	(27,697)	525,880
Net value	**550,013**	**3,754**	**(189)**	**(27,697)**	**525,880**

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, 2011	161,027	190,436	174,418	525,880
December 31, 2010	161,494	200,316	188,203	550,013

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 2011 are shown below:

	January 1, 2011			Movements of the period			
(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2011	Share of results and write-down of dividend	Changes in the scope of consolidation	Transl. diff.	Value at June 30, 2011
TBR Inc.	445	60	505	-	(484)	(21)	-
Elegance I. Holdings Ltd	5,511	6,945	12,456	(419)	-	(941)	11,096
Optifashion As	353	(112)	241	-	-	-	241
Total	**6,309**	**6,893**	**13,202**	**(419)**	**(484)**	**(962)**	**11,337**

In February 2011, the Group acquired the remaining 66.7% of the shares of the American company TBR Inc. (USA), bringing to 100% the percentage of ownership. On 11 May 2011 the company in question became incorporated into the US company Safilo Realty Corp.

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

2.10 Financial assets available for sale

This item includes financial assets that may be sold. The value of the stakes in Gruppo Banco Popolare and Unicredit S.p.A. was determined with reference to the prices quoted on the official markets at the balance sheet date.

Changes in the item in the first semester of 2011 are shown in the table below:

	January 1, 2011			Movements for the year		
(Euro/000)	**Gross value**	**Revaluation/ (write-down)**	**Net value**	**Increase/(Decrease)**	**Revaluation/ (write-down)**	**Value at June 30, 2011**
Gruppo Banco Popolare	4,096	(3,656)	440	(212)	(26)	202
Unicredit S.p.A.	48	6	54	-	(12)	42
Other	46	-	46	-	-	46
Total	**4,190**	**(3,650)**	**540**	**(212)**	**(38)**	**290**

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 72,773 thousand, and remained unchanged as of 31st December 2010.

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

(Euro/000)	**June 30, 2011**	**December 31, 2010**
Deferred tax assets	126,315	123,478
Depreciation Fund (-)	(72,773)	(72,773)
Total net deferred tax assets	53,542	50,705
Deferred tax liabilities	(5,186)	(1,708)
Total	**48,356**	**48,997**

2.12 Other non-current assets

This item totals Euro 2,436 thousand, compared with Euro 2,440 thousand as at 31 December 2010; of this sum, Euro 2,215 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, 2011**	**December 31, 2010**
Short-term borrowings		
Bank overdrafts	1,366	1,222
Short-term bank loans	10,712	14,550
Short-term portion of long-term bank loans	70,918	1,250
Short-term portion of financial leasing	1,382	1,299
Debt to the factoring company	38,599	38,213
Other short-term loans	113	109
Total	**123,090**	**56,643**
Long-term borrowings		
Medium long-term loans	85,247	100,207
Ordinary bonds	126,217	181,755
Payables for financial leasing	4,757	5,486
Other medium long-term loans	235	346
Total	**216,456**	**287,794**
Total borrowings	**339,546**	**344,437**

At 30th June 2011, the Senior Loan was booked under "Medium-/long-term bank loans", and breaks down as follows:

- "Facility A1 –Tranche 1", totalling Euro 2.2 million, expiring 30th June 2012;
- "Facility A1 –Tranche 2", totalling Euro 24.8 million, expiring 30th June 2014;
- "Facility A2", in USD, totalling Euro 31.5 million, expiring 30th June 2012;
- "Facility A3", in USD, totalling Euro 36.0 million, expiring 30th June 2012;
- 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 60 million was used on 30 June 2011 for the partial early redemption of the High Yield bonds as further detailed in the paragraph relating to the item "Bonds issued".

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

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

The main covenants in the current contractual agreement are calculated as a ratio between net financial position and EBITDA and EBITDA and interest expenses.

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

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

In 2010, the subsidiary Safilo S.p.A. purchased, in different instances, a total nominal value of approximately 10.3 million Euro - representing around 5.3% of total bonds outstanding. The total price paid was approximately 10.2 million Euro.
On 16 June 2011 Safilo Capital International S.A. made a partial early redemption of 30.8% of the nominal value of the above-mentioned bonds issued on the market, for a total of Euro 60 million. The operation was carried out at a residual value price of 100 (at par), as provided for in the bond regulations.
The reimbursement aimed to the reduction of the Group’s interest expenses.
As at 30 June 2011 the amount of bonds outstanding, calculated using the amortised cost method, totalled Euro 126,217 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 four 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 2011:

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”.

(Euro/000)	**June 30, 2011**	**December 31, 2010**
Short-term portion of financial leasing	1,382	1,299
Long-term portion of financial leasing	4,757	5,486
Total debt	**6,139**	**6,785**

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

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 37,912 thousand and by the subsidiary Safilo do Brasil for Euro 687 thousand.

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

(Euro/000)	June 30, 2011	December 31, 2010
Within 2 years	128,736	76,877
From 2 to 3 years	27,074	183,730
From 3 to 4 years	59,343	25,538
From 4 to 5 years	1,303	1,650
Beyond 5 years	-	-
Total	**216,456**	**287,794**

The following table shows borrowings divided by currency:

(Euro/000)	June 30, 2011	December 31, 2010
Short-term		
Euro	42,961	39,919
US Dollar	67,497	-
Brasilian Real	707	895
Japanese Yen	1,795	2,802
Chinese Reminbi	10,063	12,923
Swedish Kronor	67	103
Total	**123,090**	**56,643**
Medium long-term		
Euro	214,137	212,463
US Dollar	-	72,810
Brasilian Real	25	32
Japanese Yen	-	61
Chinese Reminbi	2,141	2,267
Swedish Kronor	153	161
Total	**216,456**	**287,794**
Total borrowings	**339,546**	**344,437**

The following table details the credit lines granted to the Group, the uses and the lines available at 30th June 2011:

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	68,138	12,079	56,059
Credit lines on long-term bank loans	298,890	158,890	140,000
Total	**367,028**	**170,969**	**196,059**

The net financial position of the Group at June 30th, 2011 compared with the same as of December 31st, 2010 is as follows:

	Net financial position *(Euro/000)*	June 30, 2011	December 31, 2010	Change
A	Cash and cash equivalents	99,251	88,267	10,984
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**99,251**	**88,267**	**10,984**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(12,078)	(15,772)	3,694
G	Current portion of long-term borrowings	(70,918)	(1,250)	(69,668)
H	Other short-term borrowings	(40,094)	(39,621)	(473)
I	**Debts and other current financial liabilities (F+G+H)**	**(123,090)**	**(56,643)**	**(66,447)**
J	**Current financial position, net (D)+(E)+(I)**	**(23,839)**	**31,624**	**(55,463)**
K	Long-term bank borrowings	(85,247)	(100,207)	14,960
L	Ordinary bonds	(126,217)	(181,755)	55,538
M	Other long-term borrowings	(4,992)	(5,832)	840
N	**Debts and other non current financial liabilities (K+L+M)**	**(216,456)**	**(287,794)**	**71,338**
I	**Net financial position (J)+(N)**	**(240,295)**	**(256,170)**	**15,875**

The net financial position for the half-year has made it possible to reduce the Group's total net debt which is substantially lower than both as at 31 December 2010 and 30 June 2010, when it amounted to Euro 269.4 million.

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	**June 30, 2011**	**December 31, 2010**
Trade payables for:		
Purchase of raw materials	29,991	42,357
Purchase of finished goods	54,558	62,762
Suppliers from subcontractors	3,260	4,944
Tangible and intangible assets	2,502	5,299
Commissions	5,690	5,744
Royalties	23,744	19,600
Advertising and marketing costs	37,282	27,941
Services	30,890	35,542
Total	**187,917**	**204,189**

2.15 Tax payables

At 30th June 2011, tax payables totalled Euro 18,665 thousand, versus Euro 17,795 thousand at 31st December 2010. Euro 9,283 thousand related to income tax payables, Euro 5,333 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, 2011**	**December 31, 2010**
Payables to personnel and social security institutions	34,958	36,264
Premiums to clients	18,479	22,322
Agent fee payables	1,487	1,975
Payables to pension funds	857	1,320
Accrued advertising and sponsorship costs	1,081	875
Accrued interests on long-term loans	2,133	2,667
Other accruals and deferred income	4,851	3,194
Payables for dividends	2,212	2,294
Other current liabilities	1,375	1,387
Total	**67,433**	**72,298**

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.
Payables to minority shareholders refer to dividends that have already been approved by the shareholders' meetings but had not yet been paid at the balance sheet date.
It is considered that the book value of the "other current liabilities" approximates their fair value.

2.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Transl. diff.	Balance at June 30, 2011
Product warranty provision	5,474	421	(346)	(13)	5,536
Agents' severance indemnity	5,296	456	(195)	(3)	5,554
Provision for corporate restructuring	5,065	-	(650)	-	4,415
Other provisions for risks and charges	3,557	83	(251)	-	3,389
Provisions for risks - long term	**19,392**	**960**	**(1,442)**	**(16)**	**18,894**
Provisions for risks - short term	**6,679**	**3,310**	**(335)**	**(169)**	**9,485**
Total	**26,071**	**4,270**	**(1,777)**	**(185)**	**28,379**

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 2011.

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 Employee benefit liability

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

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Actuarial gains/(losses)	Uses/ Payments	Transl. diff.	Balance at June 30, 2011
Defined contribution plan	264	4,224	-	(2,686)	-	1,802
Defined benefit plan	31,832	172	-	(619)	(120)	31,265
Total	**32,096**	**4,396**	**-**	**(3,305)**	**(120)**	**33,067**

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 2011 other non-current liabilities totalled Euro 4,410 thousand, compared to Euro 7,265 thousand at 31st December 2010, and comprised:

- Euro 3,692 thousand for the value of liabilities resulting from the put options held by the minority shareholders of a subsidiary;
- Euro 214 thousand for the payable deriving from the agreement reached by a US subsidiary in settlement of a dispute that arose in relation to the use of a patent;
- the remaining portion, relating to non-current liabilities recorded 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 2011, shareholders' equity amounted to Euro 755,469 thousand (of which Euro 12,063 thousand represent minority interests), against Euro 767,035 thousand at 31st December 2010 (of which 11,035 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

After this increase, the share capital of parent company Safilo Group S.p.A. at 30th June 2011 amounted to Euro 284,109,825, consisting of 56,821,965 ordinary shares with a nominal 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 reserve of the parent company totalled Euro 461,491,313.69 at 30th June 2011 unchanged from 31st December 2010.

2.22 Retained earnings and other reserves

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

2.23 Fair value and cash flow reserve

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2011	Consoldated statement of comprehensive income: Profit (loss) of the period	Profit (loss) reclass to Inc. Stat.	Total Profit (loss) of the period	Balance at June 30, 2011
Cash flow reserve	(26)	173	-	173	147
Fair value reserve	5	(17)	-	(17)	(12)
Total	**(21)**	**156**	**-**	**156**	**135**

The cash flow reserve refers to the present value of interest rate swap contracts and hedge contracts on exchange risk, while the fair value reserve refers to the adjustment to present value of equity interests classified as financial assets available for sale.

2.24 Piani di *stock option*

During the quarter the Board of Directors, at its meeting to approve the results for the financial year ended 31.12.2010, assigned the third tranche of the 2010-2013 Stock Option Plan approved by the Extraordinary General Meeting of 5 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 Board of Directors		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	**190,000**	**8.047**	**510,000**	**8.047**	**700,000**	**8.047**
Granted during the period	95,000	12.550	275,000	12.550	370,000	12.550
Not vested	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Lapsed	-	-	-	-	-	-
Outstanding at period end	**285,000**	**9.548**	**785,000**	**9.624**	**1,070,000**	**9.604**

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first semester of 2011 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 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Purchase of raw materials and finished goods	148,401	138,572	75,702	75,098
Capitalisation of costs for increase in tangible assets (-)	(4,535)	(3,408)	(2,305)	(1,868)
Change in inventories	20,110	27,362	12,642	12,649
Payroll and social security contributions	50,211	47,934	23,440	23,689
Subcontracting costs	9,577	7,648	4,302	3,991
Depreciation	9,267	9,660	4,526	4,853
Rental and operating leases	381	479	183	218
Other industrial costs	5,549	5,550	2,837	2,776
Total	**238,961**	**233,797**	**121,327**	**121,406**

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Finished products	8,362	24,228	7,496	12,860
Work-in-progress	51	(554)	452	318
Raw materials	11,697	3,688	4,694	(529)
Total	**20,110**	**27,362**	**12,642**	**12,649**

The average number of Group employees in the first semester of 2011 and 2010 can be summarised as follows:

	First semester 2011	First semester 2010
Padua Headquarters	920	863
Production facilities	4,816	4,827
Commercial companies	1,328	1,265
Retail companies	832	1,157
Total	**7,896**	**8,112**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Payroll and social security contributions	52,903	53,040	26,396	27,380
Commissions to sales agents	37,115	35,808	18,713	17,974
Royalty expenses	51,751	49,326	26,318	24,618
Advertising and promotional costs	62,315	62,223	29,716	31,038
Amortization and depreciation	2,994	3,916	1,575	1,708
Logistic costs	9,291	9,306	4,896	4,718
Consultants fees	2,401	2,109	1,284	1,039
Rental and operating leases	6,764	8,034	3,353	4,099
Utilities	572	813	293	495
Provision for risks	412	252	231	127
Other sales and marketing expenses	9,132	9,896	3,616	4,832
Total	**235,650**	**234,723**	**116,391**	**118,028**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Payroll and social security contributions	31,762	30,298	16,680	14,872
Allowance for doubtful accounts	3,282	4,526	1,784	2,012
Amortization and depreciation	6,071	6,527	2,924	3,056
Consultants fees	6,032	6,137	3,344	3,744
Rental and operating leases	4,033	4,593	1,788	2,372
EDP costs	2,150	2,198	978	1,071
Insurance costs	1,289	1,525	627	795
Utilities, security and cleaning	3,516	3,436	1,703	1,757
Taxes (other than on income)	2,263	1,809	1,199	917
Other general and administrative expenses	6,239	6,287	3,234	3,602
Total	**66,637**	**67,336**	**34,261**	**34,198**

3.5 Other income (expenses), net

This item breaks down as follows:

(Euro/000)	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Losses on disposal of assets	(112)	(117)	43	(62)
Other operating expenses	(3,444)	(424)	(314)	(329)
Gains on disposal of assets	28	29	6	(308)
Other operating incomes	3,383	703	132	528
Total	**(145)**	**191**	**(133)**	**(171)**

Other operating expenses include costs associated with a reorganization plan for the Solstice store network aimed at improving the profitability in the short term.

Other operating incomes are the result of a real estate transaction related to the acquisition of the headquarters of the U.S. subsidiary.

3.6 Share of income (loss) of associates

This item showed a loss of Euro 419 thousand, compared with a profit of Euro 80 thousand in the same period of 2010, and includes the profit and losses deriving from the valuation at equity of shareholdings in associates

3.7 Interest expense and other financial charges, net

This item breaks down as follows:

(Euro/000)	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Interest expenses on loans	2,692	4,900	1,461	1,586
Interest expenses and charges on High Yield	9,984	9,891	5,305	4,969
Bank commissions	2,929	2,732	1,641	1,601
Negative exchange rate differences	3,703	18,712	1,849	11,400
Financial discounts	584	958	325	518
Other financial charges	895	881	254	421
Total financial charges	**20,787**	**38,074**	**10,835**	**20,495**
Interest income	222	185	129	19
Positive exchange rate differences	9,346	8,882	2,657	3,870
Dividends	5	11	5	11
Other financial income	74	(37)	(60)	(71)
Total financial income	**9,647**	**9,041**	**2,731**	**3,829**
Total financial charges, net	**11,140**	**29,033**	**8,104**	**16,666**

3.8 Income tax expenses

(Euro/000)	First semester 2011	First semester 2010	Second quarter 2011	Second quarter 2010
Current taxes	(19,418)	(18,928)	(5,980)	(9,637)
Deferred taxes	2,529	1,928	(2,409)	1,367
Total income taxes	(16,889)	(17,000)	(8,389)	(8,270)
Total	**(16,889)**	**(17,000)**	**(8,389)**	**(8,270)**

As shown in note 2.11 "Deferred tax assets and deferred tax liabilities", deferred tax assets (net of deferred tax liabilities) relating to losses carry forward of certain Group companies and the temporary differences that emerged between the tax base of an asset or liabilities and the related book value, were written down in the previous years since it is not currently possible to forecast future taxable income allowing for recovery of the amounts.

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

3.9 Earning (Loss) per Share

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

Basic

	First semester 2011	First semester 2010
Profit/(loss) for ordinary shares (in Euro/000)	31,279	(3,270)
Average number of ordinary shares (in thousands)	56,822	41,594
Earnings (losses) per share - basic	**0.550**	**(0.079)**

Diluted

	First semester 2011	First semester 2010
Profit/(loss) for ordinary shares (in Euro/000)	31,279	(3,270)
Profit for preferred shares	-	-
Profit/(loss) in income statement	**31,279**	**(3,270)**
Average number of ordinary shares (in thousands)	56,822	41,594
Dilution effects:		
- stock option (in thousands)	253	-
Total	**57,075**	**41,594**
Earnings (losses) per share - diluted	**0.548**	**(0.079)**

For the first semester of 2010, the average number of ordinary shares was calculated as a weighted average of shares outstanding during the quarter taking into particular consideration the operation of capital increase occurred that brought the number of shares from 285,394,128 to 1,136,439,310 and the grouping of these shares (called Reverse Stock Split) approved by the Extraordinary Shareholders' Meeting on 30th April 2010 which was made in the ratio of 1 new share for every 20 shares.

The issuance of stock option plan has resulted in a dilutive effect on earnings per share for the period to be negligible.

3.10 Seasonality

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

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

In the first semester of 2011, 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 2011, parent company Safilo Group S.p.A. did not pay any dividends to its shareholders. The parent company closed 2010 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 2011 and 30th June 2010 as well as to the second quarter 2011 and 2010 is shown in the tables below:

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

June 30, 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	7,804	-	(7,804)	-
- to third parties	536,442	43,885	-	580,327
Total net sales	**544,246**	**43,885**	**(7,804)**	**580,327**
Gross profit	**318,456**	**28,025**	**49**	**346,530**
Operating profit	**45,562**	**(900)**		**44,662**
Share of income of associates	80	-		80
Financial charges, net				(29,033)
Income taxes				(17,000)
Net profit				**(1,291)**
Other information				
Capital expenditure	10,507	864		11,371
Depreciation & amortization	16,375	3,728		20,103

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

Second quarter 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,850	-	(3,850)	-
- to third parties	268,967	25,389	-	294,356
Total net sales	**272,817**	**25,389**	**(3,850)**	**294,356**
Gross profit	**156,645**	**16,277**	**28**	**172,950**
Operating profit	**19,376**	**1,177**		**20,553**
Share of income of associates	37	-		37
Financial charges, net				(16,666)
Income taxes				(8,270)
Net profit				**(4,346)**
Other information				
Capital expenditure	4,506	472		4,979
Depreciation & amortization	7,873	1,744		9,617

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, 2011**	**December 31, 2010**
Receivables			
Optifashion As	(a)	26	73
Elegance International Holdings Ltd	(b)	-	8
Companies controlled by HAL Holding N.V.	(c)	10,869	12,407
Total		**10,895**	**12,488**
Trade Payables			
Elegance International Holdings Ltd	(b)	3,665	4,823
Companies controlled by HAL Holding N.V.	(c)	251	364
Long term borrowings (High Yield)			
HAL International Investments N.V.	(c)	68,301	98,657
Total		**72,217**	**103,843**

Related parties transactions *(Euro/000)*	**Relationship**	**June 30, 2011**	**June 30, 2010**
Revenues			
Optifashion As	(a)	112	-
Elegance International Holdings Ltd	(b)	20	11
Companies controlled by HAL Holding N.V.	(c)	22,251	21,608
Total		**22,383**	**21,619**
Operating expenses			
Elegance International Holdings Ltd	(b)	5,458	8,678
Tbr Inc.	(b)	209	647
Companies controlled by HAL Holding N.V.	(c)	88	465
Financial expenses			
HAL International Investments N.V.	(c)	4,626	4,748
Total		**10,381**	**14,537**

(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 Pearle Europe and GrandVision Groups, 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).

TBR Inc. is the U.S. real estate company, owner of the buildings which are located at the headquarters and distribution center of the American subsidiary Safilo USA.
On 14 February 2011, the Group acquired 66.7% of TBR Inc., turning it into a wholly-owned subsidiary. The purchase price was USD 9.3 million. On 11 May 2010 TBR Inc. was incorporated into the US subsidiary Safilo Realty Corp.

In addition, during the year the shareholders of Only 3T S.r.l. which holds a stake of 10.02% in Safilo Group S.p.A. have accrued by various way remunerations for a total amount of Euro 1,645 thousand.

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 2010, 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, 2011 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 Tradeway 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 19 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, August 2nd, 2011

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 2011

To the Shareholders of
Safilo Group SpA

1 We have reviewed the consolidated condensed interim financial statements of Safilo Group SpA and subsidiaries (Safilo Group) as of 30 June 2011 and the six months 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 related illustrative notes. Safilo Group SpA's Directors are responsible for the preparation of the consolidated condensed 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 consolidated condensed 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 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 consolidated condensed interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the consolidated condensed interim financial statements of the prior year presented for comparative purposes, reference should be made to our reports dated 5 April 2011 and 3 August 2010, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Safilo Group as of 30 June 2011 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.

Treviso, 3 August 2011

PricewaterhouseCoopers SpA

Signed by

Roberto Adami
(Partner)

This report has been translated into the English language solely for the convenience of international readers.