Safilo GROUP

Half-year Financial Report
for the period ended 30th June 2010

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www.safilo.com

SAFILO GROUP S.p.A.

Settima Strada, 15

35129 Padua - Italy

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Corporate officers as of June 30th, 2010

Board of Directors

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

Board of Statutory Auditors

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

Internal Control Committee

Chairman	Eugenio Razelli
	Marco Jesi
	Giovanni Ciserani

Remuneration Committee

Chairman	Jeffrey A. Cole
	Melchert Frans Groot
	Marco Jesi

Independent Auditors

PricewaterhouseCoopers S.p.A.

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

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

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

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

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

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

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

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

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2010	%	First semester 2009	%
Net sales	580.3	100.0	562.1	100.0
Cost of sales	(233.8)	(40.3)	(231.0)	(41.1)
Gross profit	346.5	59.7	331.2	58.9
Ebitda	64.8	11.2	44.1	7.8
Ebitda pre non-recurring	64.8	11.2	51.5	9.2
Operating profit/(Loss)	44.7	7.7	(98.8)	(17.6)
Operating profit/(Loss) pre non-recurring	44.7	7.7	29.3	5.2
Group profit (Loss) before taxes	15.7	2.7	(121.8)	(21.7)
Profit (Loss) attributable to the Group	(3.3)	(0.6)	(136.0)	(24.2)
Profit/(Loss) attributable to the Group pre non-recurring	(3.3)	(0.6)	(7.9)	(1.4)

Economic data (Euro in millions)	Second quarter 2010	%	Second quarter 2009	%
Net sales	294.3	100.0	274.2	100.0
Cost of sales	(121.4)	(41.2)	(117.7)	(42.9)
Gross profit	172.9	58.8	156.6	57.1
Ebitda	30.2	10.2	13.9	5.1
Ebitda pre non-recurring	30.2	10.2	21.3	7.8
Operating profit/(Loss)	20.6	7.0	(118.0)	(43.0)
Operating profit/(Loss) pre non-recurring	20.6	7.0	10.2	3.7
Group profit (Loss) before taxes	3.9	1.3	(126.5)	(46.1)
Profit (Loss) attributable to the Group	(5.0)	(1.7)	(137.7)	(50.2)
Profit/(Loss) attributable to the Group pre non-recurring	(5.0)	(1.7)	(9.6)	(3.5)

Balance sheet data (Euro in millions)	June 30, 2010	%	December 31, 2009	%
Total assets	1,564.4	100.0	1,390.6	100.0
Total non-current assets	889.5	56.9	811.8	58.4
Capital expenditure	11.4	0.7	36.9	2.7
Net invested capital	1,075.2	68.7	1,034.0	74.4
Net working capital	309.2	19.8	327.1	23.5
Net financial position	(269.4)	17.2	(588.0)	42.3
Group Shareholders' equity	793.9	50.7	438.4	31.5

Financial data (Euro in millions)	First semester 2010	First semester 2009
Cash flow operating activity	62.5	0.9
Cash flow investing activity	(10.6)	(19.5)
Cash flow financing activity	49.0	32.2
Closing net financial indebtedness (short-term)	88.5	(10.3)

Earning per share (in Euro) (*)	First semester 2010	First semester 2009
Earnings/(losses) per share - base	(0.079)	(9.532)
Earnings/(losses) per share - diluited	(0.079)	(9.532)
No. shares in share capital at June 30	56,821,965	285,394,128

Group personnel	June 30, 2010	June 30, 2009
Punctual at June 30	8,278	8,378

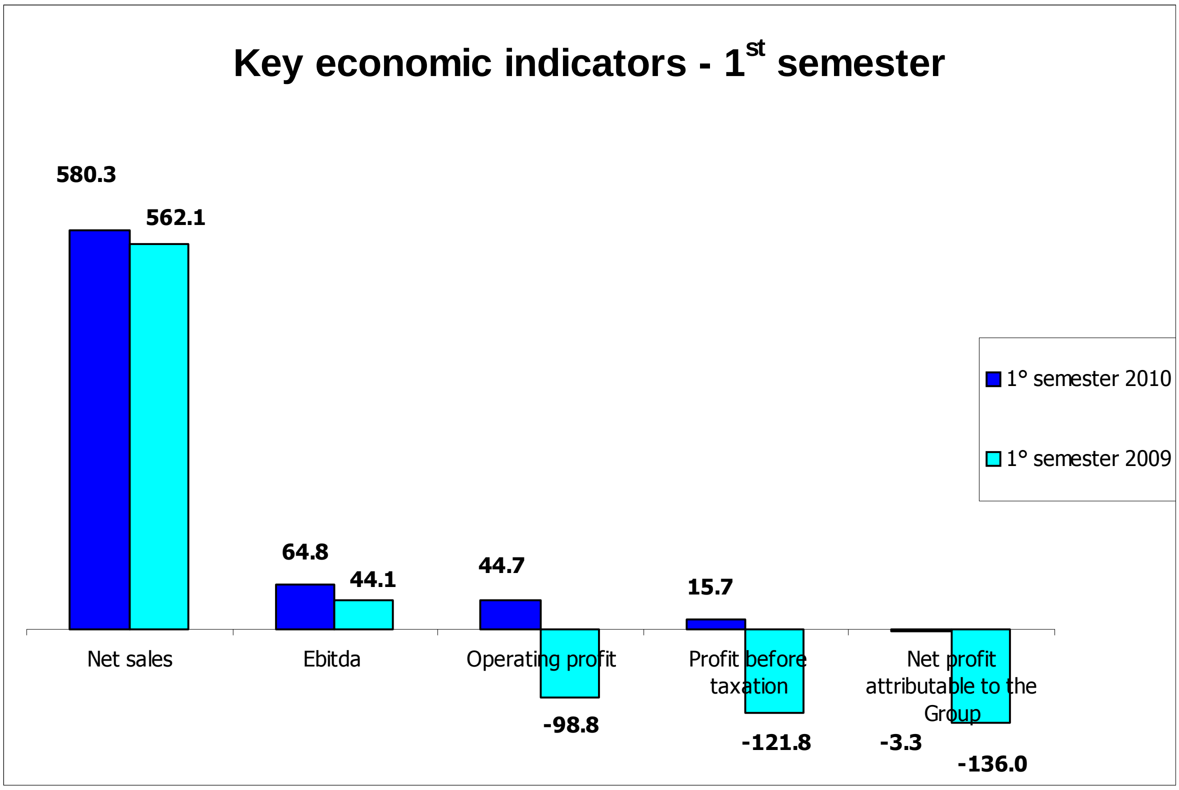
(*) Earnings per share (EPS) was calculated by dividing operating result by the average number of outstanding shares over the period. For the first half of 2010 and 2009 for comparative purposes, the number of ordinary shares after the reverse share split was used (one new share per twenty old shares as voted by the 30th April 2010 Shareholders' Meeting).

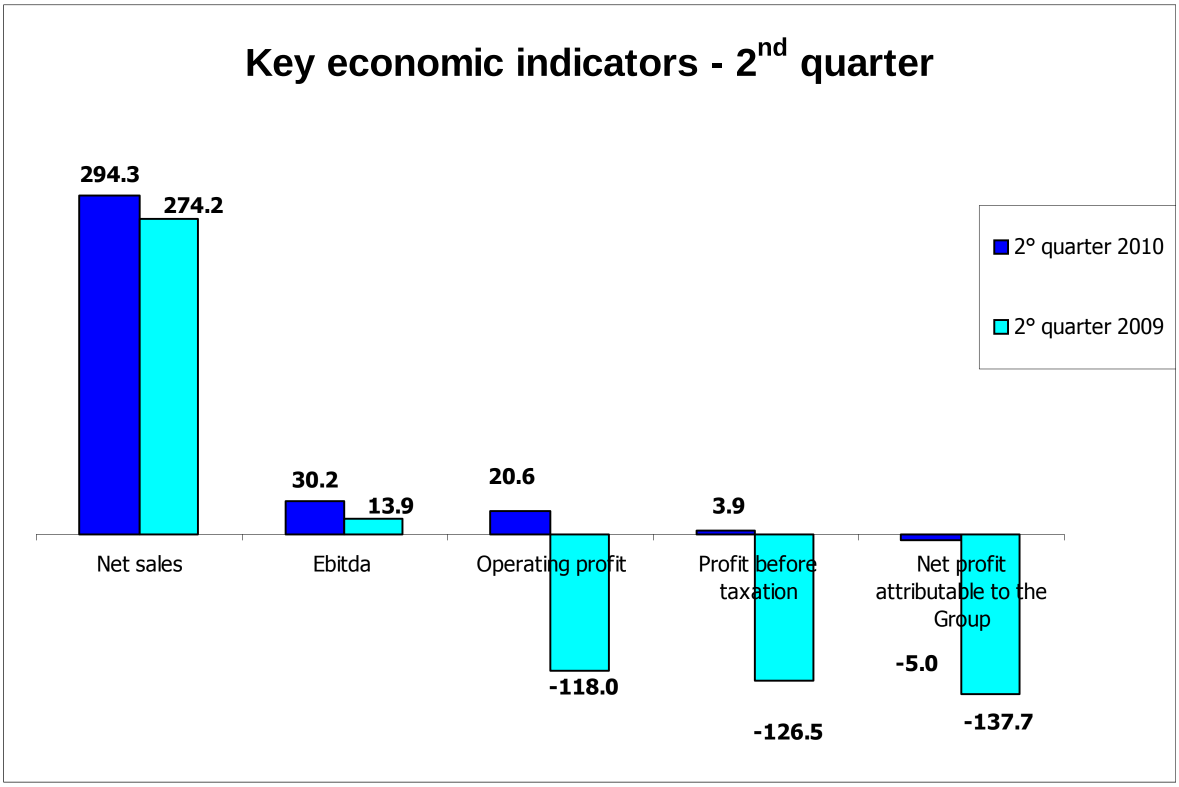
It should be noted that:

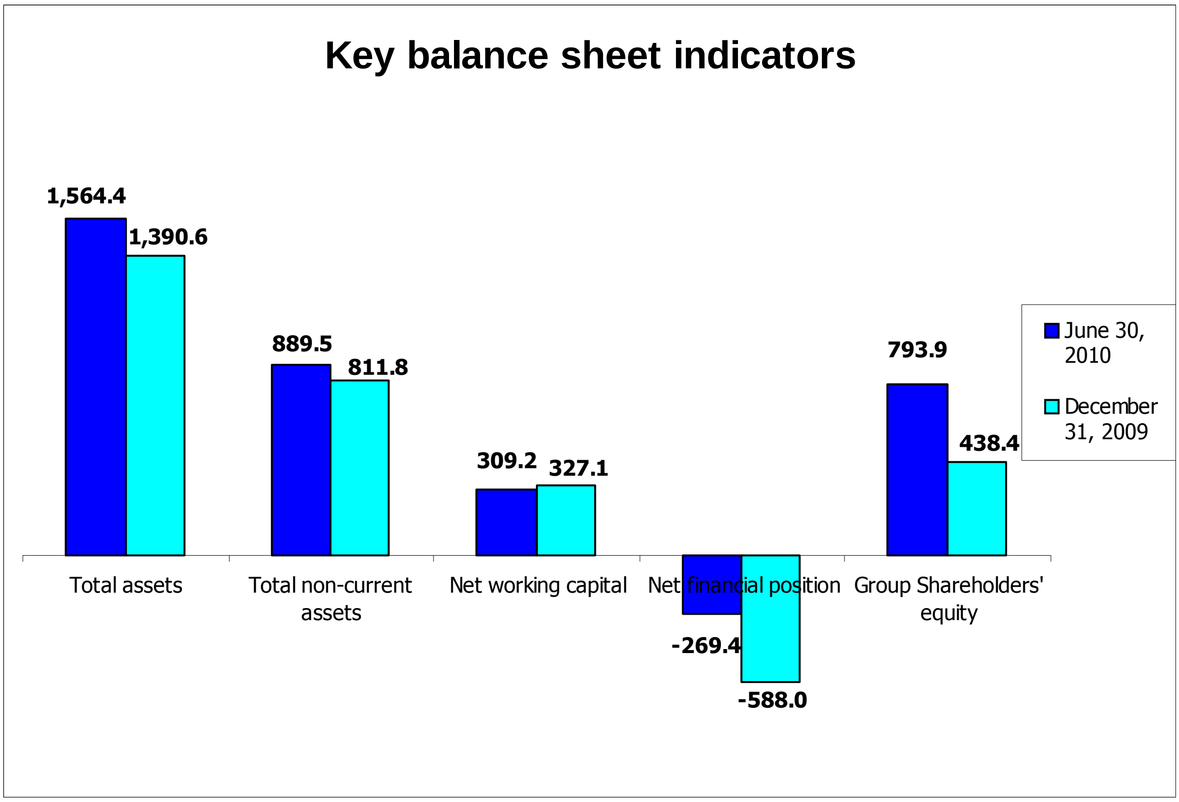
- *certain figures in the Directors' Report on operations have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them.*
- *"EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation;*
- *"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.*
- *"Non-recurring changes" refers to charges not related to ordinary operations and include: restructuring charges, the impairment of goodwill.*

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
580.3
562.1
64.8
44.1
44.7
15.7
-98.8
-121.8
-3.3
-136.0
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group
1° semester 2010
1° semester 2009


Key economic indicators - 2nd quarter
294.3
274.2
30.2
13.9
20.6
3.9
-118.0
-126.5
-5.0
-137.7
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group
2° quarter 2010
2° quarter 2009


Key balance sheet indicators
1,564.4
1,390.6
889.5
811.8
309.2
327.1
-269.4
-588.0
793.9
438.4
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity
June 30, 2010
December 31, 2009

Information on Group economic results

The second quarter of 2010 confirmed the signs of recovery that had already been seen in the first part of the year. The slowdown in sales that was a feature of revenue in 2009 left space for a recovery in spending during the first six months of this year, even though we cannot say with certainty that the market is now on a stable growth trend. More detailed analyses, which will be looked at in greater depth below, show that certain geographical areas and some types of product remain weak – confirmation that more time is needed before we are working in a stable, recovered market. As regards the type of product our clients – and therefore, indirectly, end users – are seeking, sales are consolidating and indeed in some cases even recovering in the medium to high market band. However, in the second quarter too there has been confirmation that sales have tended to be concentrated at the more competitively priced end of the market. As already seen in the past, this tendency on the part of consumers does not reduce Group profits.

Against this still difficult background – and bearing in mind that the 2010 results do not include the Australian and Spanish chains, which were sold at the end of 2009 – Group sales have shown a modest recovery (up 3.2% on the first six months of 2009) in all the main markets, reaching EUR 580.3 million, with particularly encouraging results in the Far East. Stripping out changes in exchange rates and the basis of consolidation, growth for the half year would be 4.6% up on 2009. Analysis of the second quarter (EUR 294.3 million compared with EUR 274.2 million in the second quarter of 2009) shows increasing growth; however, this apparent improved performance has been helped by exchange rate fluctuations. Stripping out changes in exchange rates and the basis of consolidation, business growth in the second quarter confirmed the trend seen in the first part of the year. Improved sales compared with 2009 combined with improved profitability, thanks to a modest recovery in the utilisation of installed productive capacity, thus allowing the Group's business structure to become more economically efficient. Despite the recovery in revenue, the Group is keeping a close eye on costs, thus ensuring that there is an improvement in operating profit, which is clearly apparent, even leaving aside the non-recurring write-downs made in 2009. Operating profit for the half year was EUR 44.7 million, or 52.6% up on the figure before non-recurring charges for the first half of 2009.

Net profit is still negative (EUR -3.3 million for the half year). This is due chiefly to external factors, such as exchange rate fluctuations and the impossibility of setting up an efficient fiscal structure, which are difficult to control. Nevertheless, the improvement on the previous year is clear.

Especially positive was cash generation in the half year, which historically displays higher absorption of liquidity as a result of the seasonal nature of working capital. Although the debt position in June benefited from certain peculiar circumstances, which allowed some charges to be postponed to the following quarter, the Group's financial management was nevertheless excellent, enabling exposure to lending institutions to be reduced to the lowest levels, never achieved in recent years.

Group economic results

Consolidated statement of operation *(Euro in millions)*	First semester 2010	%	First semester 2009	%	Change %	Second quarter 2010	%	Second quarter 2009	%	Change %
Net sales	580.3	100.0	562.1	100.0	3.2%	294.3	100.0	274.2	100.0	7.3%
Cost of sales	(233.8)	(40.3)	(231.0)	(41.1)	1.2%	(121.4)	(41.2)	(117.7)	(42.9)	3.2%
Gross profit	**346.5**	**59.7**	**331.2**	**58.9**	**4.6%**	**172.9**	**58.8**	**156.6**	**57.1**	**10.5%**
Selling and marketing expenses	(234.7)	(40.4)	(234.9)	(41.8)	-0.1%	(118.0)	(40.1)	(112.3)	(40.9)	5.1%
General and administrative expenses	(67.3)	(11.6)	(67.5)	(12.0)	-0.3%	(34.2)	(11.6)	(34.8)	(12.7)	-1.8%
Other operating income/(expenses), net	0.2	-	0.6	0.1	-65.9%	(0.2)	(0.1)	0.7	0.2	n.s.
Restructuring cost non recurring	-	-	(7.4)	(1.3)	-100.0%	-	-	(7.4)	(2.7)	-100.0%
Impairment loss on godwill	-	-	(120.7)	(21.5)	-100.0%	-	-	(120.7)	(44.0)	-100.0%
Operating profit	**44.7**	**7.7**	**(98.8)**	**(17.6)**	**n.s.**	**20.6**	**7.0**	**(118.0)**	**(43.0)**	**n.s.**
Interest expense and other financial charges, net	(29.0)	(5.0)	(22.9)	(4.1)	26.2%	(16.6)	(5.6)	(8.5)	(3.1)	94.9%
Profit before taxation	**15.7**	**2.7**	**(121.8)**	**(21.7)**	**n.s.**	**3.9**	**1.3**	**(126.5)**	**(46.1)**	**n.s.**
Income taxes	(5.6)	(1.0)	(1.4)	(0.2)	n.s.	(1.7)	(0.6)	1.2	0.4	n.s.
Write down of deferred tax assets	(11.4)	(2.0)	(12.0)	(2.1)	-5.4%	(6.6)	(2.2)	(12.0)	(4.4)	-45.8%
Net profit (Loss)	**(1.3)**	**(0.3)**	**(135.2)**	**(24.0)**	**-99.0%**	**(4.4)**	**(1.5)**	**(137.3)**	**(50.1)**	**-96.8%**
Net profit attributable to minority interest	2.0	0.3	0.8	0.1	n.s.	0.6	0.2	0.4	0.1	51.1%
Net profit (Loss) attributable to the group	**(3.3)**	**(0.6)**	**(136.0)**	**(24.2)**	**-97.6%**	**(5.0)**	**(1.7)**	**(137.7)**	**(50.2)**	**-96.4%**
EBITDA	**64.8**	**11.2**	**44.1**	**7.8**	**47.0%**	**30.2**	**10.2**	**13.9**	**5.1**	**n.s.**

Economic indicators pre non recurring items	First semester 2010	%	First semester 2009	%	Change	Second quarter 2010	%	Second quarter 2009	%	Change
EBIT pre non recurring	**44.7**	**7.7**	**29.3**	**5.2**	**52.6%**	**20.6**	**7.0**	**10.2**	**3.7**	**n.s.**
EBITDA pre non recurring	**64.8**	**11.2**	**51.5**	**9.2**	**25.8%**	**30.2**	**10.2**	**21.3**	**7.8**	**41.6%**
Net profit (Loss) attributable to the group pre non recurring	**(3.3)**	**(0.6)**	**(7.9)**	**(1.4)**	**58.6%**	**(5.0)**	**(1.7)**	**(9.6)**	**(3.5)**	**48.2%**

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

The first half of 2010 confirmed the Group's return to business growth both in absolute terms and, all the more significantly, even leaving aside the sale of retail chains. Leaving aside changes in exchange rates and in the basis of consolidation, the Group increased revenue by 4.6% in the first half of the year and by 5.3% in the second quarter alone. Although the geographical structure is different, as we will see below, it is important to point out how, overall, sales improved not only in sunglasses but also optical products, and both in retail and in wholesale, and both in licence brands and house brands. In general, the fall in average sale prices seen in previous quarters is slowing. Unquestionably, consumers are paying more attention to product prices than in previous years, but this is not damaging the business performance of the Group, which has been able to adapt its collections to the new orientation of end users.

The second quarter produced particularly positive results in sun products, confirming that the design element, which is more in evidence in these collections, is always highly appreciated by optical product buyers and end users.

As regards the main brands, revenue increased in all licence brands, especially those that had added to their collections models aimed at younger consumers, who are are therefore more price-sensitive.

The significant growth in sales of Carrera brand products continued, thanks to their popularity, which now extends beyond the Italian market and into many European countries, especially Mediterranean ones.

The second quarter confirmed how the recovery is taking place at different rates in different regions of the world. While the European market is still finding it difficult to recover the levels seen in past years, there are encouraging signs of recovery in America and, above all, a sharp increase in sales in Asian markets.

In Europe, leaving aside changes in the basis of consolidation (that is, ignoring the effect of the sale of the Spanish chain) and exchange rate changes, sales grew slightly (+0.6% on the same period in 2009) thanks to good performances from some central European markets, which offset greater weakness in south-east Europe. Important markets, such as Italy and the Iberian peninsula, are still far from the levels reached in past years, and recently Greece too, a country hit by a severe economic crisis, has seen a drastic fall in consumer spending. Analysis of revenue in the second quarter – which, leaving aside changes in the basis of consolidation and in exchange rates, is flat compared with the same period in 2009 – confirms the pattern for the half year, while also showing an improvemnent in Spain which, however, has seen a series of quarters showing a sharp fall in sales.

The American market is showing some growth (+5.5%, leaving aside exchange rate fluctuations) thanks to a recovery in spending on sporting goods and in department stores, while sales in optical goods remain weaker.

Also very positive is the picture in central and south America, where Group subsidiaries (Mexico and Brazil) have shown strong increases compared with the first quarter of 2009, thanks both to the less severe impact of the economic crisis in the region and to successful measures taken to increase market share in those countries.

The second quarter confirmed what had already been seen in the first part of the year, even though, in recent weeks, fears are growing that consumer spending in the United States may slow down in the second half of the year.

The Asian market is undoubtedly the area showing the highest sales growth, and it is expected to remain so in the coming years.

Although Japan, which until 2009 was the region's biggest market, does not yet show signs of recovery, sales in Asia have grown (leaving aside exchange rate changes) by 17.8% compared with the first half of 2009. All the countries in the region – Japan aside – are showing increased sales compared with 2009, and especially encouraging is the performance of China, which in 2010 has become by far the continent's biggest market.

Analysis of individual quarters shows a further improvement in sales growth in the second quarter, leaving aside exchange rate changes. Here too growth has been driven by sales in China, but it is worth highlighting also the excellent results in Malaysia, Singapore, and Hong Kong.

Net sales by geographical area (Euro in millions)	**First semester 2010** 2010	%	2009	%	Change %	**Second quarter 2010** 2010	%	2009	%	Change %
Europe	248.7	42.9	256.9	45.7	-3.2	120.5	40.9	125.2	45.7	-3.8
The Americas	234.3	40.4	216.2	38.5	+8.4	122.5	41.6	106.2	38.7	+15.3
Asia	89.1	15.4	73.7	13.1	+20.9	48.1	16.3	36.6	13.3	+31.4
Rest of the world	8.2	1.4	15.3	2.7	-46.4	3.2	1.1	6.2	2.3	-48.4
Total	**580.3**	**100.0**	**562.1**	**100.0**	**+3.2**	**294.3**	**100.0**	**274.2**	**100.0**	**+7.3**

Net sales by product (Euro in millions)	**First semester 2010** 2010	%	2009	%	Change %	**Second quarter 2010** 2010	%	2009	%	Change %
Prescription frames	213.3	36.8	214.5	38.1	-0.6	100.7	34.2	105.3	38.4	-4.4
Sunglasses	339.8	58.6	320.9	57.1	+5.9	181.5	61.7	158.5	57.8	+14.5
Sport products	21.2	3.7	17.3	3.1	+22.5	9.0	3.1	5.8	2.1	+55.2
Other	6.0	1.0	9.4	1.7	-36.2	3.1	1.1	4.6	1.7	-32.6
Total	**580.3**	**100.0**	**562.1**	**100.0**	**+3.2**	**294.3**	**100.0**	**274.2**	**100.0**	**+7.3**

In terms of profitability, the second quarter of 2010 saw more rapid improvement than the same period in 2009. Bearing in mind that, historically, the secnod quarter sees lower profitability than the first because of the seasonal nature of production capacity, the results of the measures implemented during 2009 are more evident in the second quarter of this year.
The present market conditions allow more efficient use of the business structure which was radically reorganised during the first half of 2009, and more intensive use of installed capacity allows greater recovery of business costs. Improvement in profits has moreover been made easier by business policies aimed at selectiveness in distribution which, though they may on the one hand have limited sales growth, have on the other preserved business profitability.

Business expenses during the half year remained broadly flat compared with the previous year. The reduction in costs resulting from the disposal of part of the retail chains was offset by some cost items linked to revenue trends in the wholesale segment.
The growth in revenue in this segment led to a comcomitant increase in royalties and business costs, while higher marketing expenses compared with the first half of 2009 were a result of a different seasonal spending pattern and of publicity campaigns for the development of house brands.
General and administrative expenses were flat too. Here, the cost reduction as a result of disposal of chains was offset by significant prudence in evaluating credit risk, in view of market conditions that could have placed some clients in financial difficulties.

Net of the non-recurring charges which occurred in 2009, operating profit and EBITDA were markedly improved, both in absolute terms and in relation to revenue. EBITDA for the half year was EUR 64.8 million (EUR 51.5 million in the same period of 2009) and was 11.2% of net revenue.

Financial performance, which improved as regards the part that relates to financing, suffered badly from changes in exchange rates linked to the recent strengthening of the dollar, which led to significant charges over debts denominated in dollars.

Exchange rate differences, and the precautionary policy of not setting aside deferred tax credits against losses by the Italian subsidiary, led to a negative net profit figure, even though operating profit improved.

Loss for the first half of the year was nevertheless reduced to EUR 3.3 million, compared with a loss of EUR 7.9 million in the first half of 2009.

Analysis by distribution channel

The table below shows the key data by operating segment:

	WHOLESALE				RETAIL			
(Euro/000)	First semester 2010	First semester 2009	Change	Change %	First semester 2010	First semester 2009	Change	Change %
Net sales to 3rd parties	536.4	507.7	28.7	5.7%	43.9	54.4	-10.5	-19.3%
EBITDA	62.0	46.6	15.4	32.8%	2.8	(2.6)	5.4	n.s.
%	*11.6%*	*9.1%*			*6.4%*	*-4.7%*		
EBITDA pre non recurring	62.0	54.0	8.0	14.6%	2.8	(2.6)	5.4	n.s.
%	*11.6%*	*10.6%*			*6.4%*	*-4.8%*		

	WHOLESALE				RETAIL			
(Euro/000)	Second quarter 2010	Second quarter 2009	Change	Change %	Second quarter 2010	Second quarter 2009	Change	Change %
Net sales to 3rd parties	268.9	245.2	23.7	9.7%	25.4	29.0	-3.6	-12.4%
EBITDA	27.3	13.6	13.7	n.s.	2.9	0.2	2.7	n.s.
%	*10.2%*	*5.6%*			*11.4%*	*0.8%*		
EBITDA pre non recurring	27.3	21.0	6.3	29.4%	2.9	0.2	2.7	n.s.
%	*10.2%*	*8.6%*			*11.4%*	*0.8%*		

The wholesale segment showed a marked recovery compared with the first half year of 2009, both in terms of revenue and in terms of profit. Sales were up 5.7% (+3.6% leaving aside exchange rate fluctuations) chiefly thanks to a strong performance in America and Asia, which offset a broadly flat European market. The second quarter did not see trends different from the first part of 2010.

As regards profitability, the wholesale segment saw EBITDA of EUR 62 million, a significant improvement on the first half of 2009 thanks to sales growth and better profitability, a result of the reorganisation of production facilities carried out at the end of the first half of 2009.

Sales and marketing costs were flat in relation to revenue and increased in absolute terms only in relation to sales (commissions, royalties, etc.). Advertising costs increased, as a result of a different seasonal pattern of campaigns, and of an increase in the marketing of house brands.

The retail segment, after the disposal of the Spanish and Australian chains, now numbers 218 shops, chiefly in Mexico and the United States. Comp sales in the first half of the year grew by 19.4% in the Solstice chain and by 10.2% in the Sunglasses Island chain.

The sharp increase in sales and the disposal of non-profitable chains led to a marked improvement in profit for the segment which, from 2010, has been made a positive contribution to Group profit.

EBITDA of EUR 2.8 million in the first half year is a good result, and can be seen as achieving the first goals of the relaunching of the Group's retail segment.

Balance sheet reclassified

Balance sheet *(Euro in millions)*	**June 30, 2010**	**December 31, 2009**	**Change**
Trade receivables	310.4	268.8	41.7
Inventory, net	195.7	208.4	(12.6)
Trade payables	(197.0)	(150.1)	(46.9)
Net working capital	**309.2**	**327.1**	**(17.9)**
Tangible assets	213.0	208.6	4.4
Intangible assets and goodwill	598.8	536.5	62.2
Financial assets	14.1	12.0	2.1
Net fixed assets	**825.9**	**757.1**	**68.7**
Employee benefit liability	(43.4)	(41.8)	(1.6)
Other assets / (liabilities), net	(16.4)	(8.4)	(8.1)
Net invested capital	**1,075.2**	**1,034.0**	**41.2**
Cash in hand and at bank	105.7	37.4	68.3
Short term borrowings	(64.0)	(178.1)	114.1
Long term borrowings	(311.0)	(447.3)	136.3
Net financial position	**(269.4)**	**(588.0)**	**318.6**
Group Shareholders' equity	(793.9)	(438.4)	(355.5)
Minority interest	(12.0)	(7.6)	(4.4)
Total shareholders' equity	**(805.9)**	**(446.0)**	**(359.9)**

Cash flow

The following table shows the main items of the cash flow statement as at 30th June 2010 compared with the figures for the same period in the previous financial:

Free cash flow *(Euro in millions)*	**First semester 2010**	**First semester 2009**	**Change**
Cash flow operating activity	62.5	0.9	61.6
Cash flow investing activity	(10.6)	(19.5)	8.9
Free cash flow	**51.9**	**(18.6)**	**70.5**

The first half of 2010 saw excellent cash flow generation, especially when compared with the previous year. This is the result of:

- increased net profit and
- reduction in working capital.

Aside from the analysis of working capital, which will be given in greater depth below, here it is worth emphasising that cash flow in the first six months benefited from the favourable timing of certain payments, which will be made in subsequent quarters, limiting the marked improvement on the 2009 figures.

The Group's main investments will be made in the second half of the year. Here too, therefore, the difference with 2009 will be progressively reduced during the second six months.

Net working capital

Net working capital *(Euro in millions)*	**June 30, 2010**	**June 30, 2009**	**Change June 10 / June 09**	**December 31, 2009**
Trade receivables, net	310.4	307.4	3.0	268.8
Inventories	195.7	233.0	(37.3)	208.4
Trade payables	(196.9)	(157.9)	(39.0)	(150.1)
Net working capital	**309.2**	**382.5**	**(73.3)**	**327.1**
% net sales rolling last 12 months	*30.0%*	*35.6%*		*32.3%*

At the end of the first half of 2010 the level of working capital was markedly improved thanks to stock control measures and to a more marked seasonal pattern in buying.

The second quarter saw a further reduction in stocks of finished products which today has reached the minimum level consistent with the level of service demanded by clients.

The sharp increase in debts to suppliers – perhaps the most anomalous figure in the seasonal nature of the business – was the result of a series of circumstances which will lead to the settling of certain debts (to suppliers, licence-holders) during the course of the third quarter instead of, as in the past, the early part of the year.

Investments in property, plant and equipment and intangible fixed assets

The Group's investments in tangible and intangible fixed assets totalled EUR 11.4 million, compared with EUR 19.4 million in the same period the previous year, and break down as follows:

(Euro in millions)	First semester 2010	First semester 2009	Change
Padua headquarters	0.6	2.5	(1.9)
Production factories	9.2	12.9	(3.7)
Europe	0.3	0.4	(0.1)
America	1.2	3.0	(1.8)
Far-East	0.1	0.6	(0.5)
Total	**11.4**	**19.4**	**(8.0)**

The Group's policy of containing investments led to a focus on spending on modernisation and development of business facilities.
The uncertain market conditions led to a minimum of new shops being opened, and to limiting spending on facilities not directly connected with production or sales.

Net financial position

Net financial position *(Euro in millions)*	June 30, 2010	March 31, 2010	Change Jun/Mar	December 31, 2009	Change Jun/Dec
Current portion of long-term borrowings	(1.4)	(3.6)	2.2	(77.3)	75.9
Bank overdrafts and short term bank borrowings	(17.2)	(14.6)	(2.6)	(58.3)	41.1
Other short-term borrowings	(45.5)	(40.6)	(4.9)	(42.5)	(3.0)
Cash and cash equivalent	105.7	62.0	43.7	37.4	68.3
Short-term net financial position	**41.6**	**3.2**	**38.4**	**(140.7)**	**182.3**
Long term borrowings	(311.0)	(318.6)	7.6	(447.3)	136.3
Long-term net financial position	**(311.0)**	**(318.6)**	**7.6**	**(447.3)**	**136.3**
Net financial position	**(269.4)**	**(315.4)**	**46.0**	**(588.0)**	**318.6**

Net financial position benefited significantly from the operation to increase capital which brought in about EUR 270 million in new resources.
Following this, and the strong cash generation in the first half of the year, the structure and size of the Group's debt changed markedly in comparison to the end of 2009. The present financing structure does not require repayments in the next 12 months, and therefore there is no net debt exposure to banks in the short term.

Personnel

The Group's total workforce as at 30th June 2010 and 31st December 2009 and 30th June 2009 is summarized in the following table:

	June 30, 2010	December 31, 2009	June 30, 2009
Padua headquarters	869	860	874
Production facilities	4,898	4,727	4,603
Commercial subsidiaries	1,331	1,183	1,401
Retail	1,180	1,161	1,500
Total	**8,278**	**7,931**	**8,378**

Group staff have increased slightly since 31 December 2009, chiefly in production, where seasonal use of production capacity and progressive development of the Chinese factory have led to a slight increase in production staff.
On the sales side, the increase in staff is attributable to te Korean subsidiary, where management of department stores led to the hiring of a large number of seasonal workers.

Transaction with related parties

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

Subsequent events and Outlook

On 21 July the Group announced that it would not renew the Diesel licence which expires at the end of 2010. Sales of products under this brand account for about 2% of revenue.

During the first half of 2010 the Group saw improved performance, both in operating terms and in financial terms. Against a background of market and macroeconomic conditions that remain in many respects uncertain and volatile, Safilo remains cautious, and focused on proceeding with the restructuring that is under way.

Financial statements and Notes at 30th June, 2010

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(Euro/000)	*Notes*	June 30, 2010	of which related parties	December 31, 2009	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	105,689		37,386	
Trade receivables, net	*2.2*	310,408	11,951	268,750	15
Inventory, net	*2.3*	195,737		208,373	
Derivative financial instruments	*2.4*	-		-	
Other current assets	*2.5*	63,081	493	64,311	419
Total current assets		**674,915**		**578,820**	
Non-current assets					
Tangible assets	*2.6*	212,996		208,579	
Intangible assets	*2.7*	16,558		18,106	
Goodwill	*2.8*	582,203		518,419	
Investments in associates	*2.9*	14,107		12,032	
Financial assets available-for-sale	*2.10*	698		806	
Deferred tax assets	*2.11*	47,891		41,718	
Derivative financial instruments	*2.4*	114		228	
Other non-current assets	*2.12*	14,919		11,916	
Total non-current assets		**889,486**		**811,804**	
Total assets		**1,564,401**		**1,390,624**	

(Euro/000)	*Notes*	June 30, 2010	of which related parties	December 31, 2009	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	64,043		178,124	
Trade payables	*2.14*	196,960	7,499	150,068	5,956
Tax payables	*2.15*	29,386		18,651	
Derivative financial instruments	*2.4*	3,727		5,549	
Other current liabilities	*2.16*	69,859		63,437	
Provisions for risks and charges	*2.17*	2,615		4,087	
Total current liabilities		**366,590**		**419,916**	
Non-current liabilities					
Long-term borrowings	*2.13*	311,018		447,282	
Employee benefit liability	*2.18*	43,385		41,818	
Provisions for risks and charges	*2.17*	20,796		20,968	
Deferred tax liabilities	*2.11*	4,243		3,531	
Derivative financial instruments	*2.4*	-		-	
Other non-current liabilities	*2.19*	12,502		11,117	
Total non-current liabilities		**391,944**		**524,716**	
Total liabilities		**758,534**		**944,632**	
Shareholders' equity					
Share capital	*2.20*	284,110		71,349	
Share premium reserve	*2.21*	464,747		745,105	
Retained earnings (losses) and other reserves	*2.22*	48,291		(26,605)	
Fair value and cash flow reserves	*2.23*	14		32	
Income attributable to the Group		(3,270)		(351,448)	
Total shareholders' equity attributable to the Group		**793,892**		**438,433**	
Minority interests		**11,975**		**7,559**	
Total shareholders' equity		**805,867**		**445,992**	
Total liabilities and shareholders' equity		**1,564,401**		**1,390,624**	

Consolidated income statement

(Euro/000)	Notes	First semester 2010	of which related parties	First semester 2009	of which related parties	Second quarter 2010	of which related parties	Second quarter 2009	of which related parties
Net sales	*3.1*	580,327	21,516	562,141	3,077	294,356	10,399	274,232	3,034
Cost of sales	*3.2*	(233,797)	(9,085)	(230,990)	(3,808)	(121,406)	(5,345)	(117,659)	(582)
Gross profit		**346,530**		**331,151**		**172,950**		**156,573**	
Selling and marketing expenses	*3.3*	(234,723)	(58)	(234,898)		(118,028)	(43)	(112,251)	
General and administrative expenses	*3.4*	(67,336)	(647)	(67,545)	(628)	(34,198)	(337)	(34,832)	(307)
Other oper. income/(expenses), net	*3.5*	191	104	560		(171)	(109)	667	
Restructuring cost non recurring		-		(7,422)		-		(7,422)	
Impairment loss on goodwill	*2.8*	-		(120,695)		-		(120,695)	
Operating profit/(loss)		**44,662**		**(98,849)**		**20,553**		**(117,960)**	
Share of income/(loss) of associates	*3.6*	80		(361)		37		(396)	
Int. expenses and other fin. charges, net	*3.7*	(29,033)		(22,581)		(16,666)		(8,136)	
Profit/(Loss) before taxation		**15,709**		**(121,791)**		**3,924**		**(126,492)**	
Income taxes	*3.8*	(5,650)		(1,384)		(1,760)		1,182	
Write down of deferred tax assets	*3.8*	(11,350)		(12,000)		(6,510)		(12,000)	
Net profit/(loss)		**(1,291)**		**(135,175)**		**(4,346)**		**(137,310)**	
Net profit/(loss) attributable to:									
The Group		(3,270)		(136,015)		(4,979)		(137,729)	
Minority interests		1,979		840		633		419	
Earnings/(losses) per share - base (Euro)	*3.9*	(0.079)		(9.532)		(0.144)		(9.652)	
Earnings/(losses) per share - diluted (Euro)	*3.9*	(0.079)		(9.532)		(0.144)		(9.652)	

Consolidated statement of comprehensive income

(Euro/000)	***Notes***	**First semester 2010**	**First semester 2009**	**2° quarter 2010**	**2° quarter 2009**
Net profit (loss) for the period		**(1,291)**	**(135,175)**	**(4,346)**	**(137,310)**
Gains/(Losses) on cash flow hedges	*2.23*	-	(725)	-	592
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	(18)	48	(13)	252
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	97,838	553	53,887	(26,314)
Other Gains/(Losses)	*2.22*	(210)	351	(127)	27
Other comprehensive income/(loss), net of tax(*)		**97,610**	**227**	**53,747**	**(25,443)**
Total Comprehensive income/(loss)		**96,319**	**(134,948)**	**49,401**	**(162,753)**
Attributable to:					
Group		91,628	(135,632)	46,623	(162,653)
Minority interests		4,691	684	2,778	(100)
Total Comprehensive income/(loss)		**96,319**	**(134,948)**	**49,401**	**(162,753)**

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

Consolidated statement of cash flow

(Euro/000)	*Notes*	First semester 2010	First semester 2009
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**(20,919)**	**(20,442)**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including minority interests)		(1,291)	(135,175)
Depreciation and amortization	*2.6 - 2.7*	20,103	22,219
Impairment loss on goodwill		-	120,695
Share income/(loss) on equity investments	*2.9*	28	361
Net movements in the employee benefit liability	*2.18*	1,270	1,773
Net movements in other provisions	*2.17*	(1,670)	7,212
Interest expenses, net	*3.7*	14,606	21,375
Income tax expenses	*3.8*	16,999	13,384
Income from operating activities prior to movements in working capital		**50,045**	**51,844**
(Increase) Decrease in trade receivables		(23,529)	(4,326)
(Increase) Decrease in inventory, net		27,292	39,617
Increase (Decrease) in trade payables		30,971	(47,272)
(Increase) Decrease in other current receivables		(811)	5,305
Increase (Decrease) in other current payables		8,443	(6,512)
Interest expenses paid		(16,571)	(24,378)
Income tax paid		(13,362)	(13,336)
Total (B)		**62,478**	**942**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(10,062)	(17,321)
(Acquisition) Disposal of investments and bonds		-	100
Purchase of intangible assets		(508)	(2,257)
Total (C)		**(10,570)**	**(19,478)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		2,728	34,941
Repayment of borrowings		(222,279)	(1,266)
Share capital increase		269,964	-
Dividends paid		(1,368)	(1,445)
Total (D)		**49,045**	**32,230**
E - Cash flow for the period (B+C+D)		**100,953**	**13,694**
Translation exchange difference		8,498	(3,520)
Total (F)		**8,498**	**(3,520)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)		**88,532**	**(10,268)**

Statement of changes in shareholders' equity

First semester 2009 and 2010

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2009	**71,349**	**747,471**	**(55,889)**	**(7,620)**	**63,869**	**(23,315)**	**795,865**
Previous year's profit allocation	-	-	-	-	(23,315)	23,315	-
Changes in other reserves	-	-	-	-	(1,925)	-	(1,925)
Total comprehensive income for the period	-	-	723	(677)	337	(136,015)	(135,632)
Group shareholders' equity at June 30, 2009	**71,349**	**747,471**	**(55,166)**	**(8,297)**	**38,966**	**(136,015)**	**658,308**
Minority interests at January 1, 2009	**-**	**-**	**529**	**-**	**5,108**	**2,775**	**8,412**
Previous year's profit allocation	-	-	-	-	2,775	(2,775)	-
Dividends distribution	-	-	-	-	(209)	-	(209)
Total comprehensive income for the period	-	-	(170)	-	14	840	684
Minority interests at June 30, 2009	**-**	**-**	**359**	**-**	**7,688**	**840**	**8,887**
Consolidated net equity at June 30, 2009	**71,349**	**747,471**	**(54,807)**	**(8,297)**	**46,654**	**(135,175)**	**667,195**

(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**	**13,796**	**14**	**34,495**	**(3,270)**	**793,892**
Minority 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
Minority interests at June 30, 2010	**-**	**-**	**1,742**	**-**	**8,254**	**1,979**	**11,975**
Consolidated net equity at June 30, 2010	**284,110**	**464,747**	**15,538**	**14**	**42,749**	**(1,291)**	**805,867**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

These interim consolidated financial statements, expressed in thousands of Euro, refer to the financial period from January 1st 2010 to June 30th 2010. Economic and financial information are provided with reference to the six months of 2010 and 2009 whilst balance sheet information are provided with reference to June 30th 2010 and December 31st 2009.

Consolidated half-year financial report of Safilo Group at June 30th 2010, including interim condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.5 58/98 - T.U.F. - and subsequent amendments and additions. This quarterly financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual budget, they refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this half-year financial report must be read in conjunction with the consolidated financial statements for the financial year ended 31st December 2009.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 2nd August 2010.

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

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

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

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

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

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

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

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

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

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

1.3 Consolidation method and consolidation area

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

	Value	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	35,000,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidazione) – Padova	EUR	102,775	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Capital Int. S.A. - Lussemburgo (L)	EUR	31,000	100.0
Luxury Trade S.A - Lussemburgo (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	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	70.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Carrera Optyl D.o.o. - Ormoz (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – San Paolo (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbona (P)	EUR	500,000	100.0
Safilo Switzerland AG – Liestal (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	88.5
Safint Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo Australia Partnership – Sydney (AUS)	AUD	204,081	61.0
Optifashion Hong Kong Ltd - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - Londra (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - North Yorkshire (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Realty Corp. - Delaware (USA)	USD	10,000	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,162	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safint Eyewear de MexicoS.A. de C.V. - Cancun (MEX)	MXP	10,035,575	100.0
Tide Ti S.A. de C.V. - Cancun (MEX)	MXP	95,051,000	60.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0

1.4 Translation of financial statement in currencies other 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, 2010	As of December 31, 2009	(Appreciation)/ Depreciation %	Avg. for the first quarter June 30, 2010	Avg. for the first quarter June 30, 2009	(Appreciation)/ Depreciation %
US Dollar	USD	1.2271	1.4406	-14.8%	1.3268	1.3328	-0.5%
Hong-Kong Dollar	HKD	9.5549	11.1709	-14.5%	10.3111	10.3318	-0.2%
Swiss Franc	CHF	1.3283	1.4836	-10.5%	1.4359	1.5057	-4.6%
Canadian Dollar	CAD	1.2890	1.5128	-14.8%	1.3719	1.6046	-14.5%
Japanese Yen	YEN	108.7900	133.1600	-18.3%	121.3197	127.2498	-4.7%
British Pound	GBP	0.8175	0.8881	-8.0%	0.8700	0.8939	-2.7%
Swedish Krown	SEK	9.5259	10.2520	-7.1%	9.7888	10.8614	-9.9%
Australian Dollar	AUD	1.4403	1.6008	-10.0%	1.4848	1.8794	-21.0%
South-African Rand	ZAR	9.3808	10.6660	-12.0%	9.9913	12.2558	-18.5%
Russian Ruble	RUB	38.2820	43.1540	-11.3%	39.8862	44.0967	-9.5%
Brasilian Real	BRL	2.2082	2.5113	-12.1%	2.3839	2.9214	-18.4%
Indian Rupee	INR	56.9930	67.0400	-15.0%	60.7337	65.5901	-7.4%
Singapore Dollar	SGD	1.7160	2.0194	-15.0%	1.8534	1.9878	-6.8%
Malaysian Ringgit	MYR	3.9730	4.9326	-19.5%	4.3881	4.7795	-8.2%
Chinese Reminbi	CNY	8.3215	9.8350	-15.4%	9.0567	9.1070	-0.6%
Korean Won	KRW	1,499.5900	1,666.9700	-10.0%	1,531.2083	1797.7433	-14.8%
Mexican Peso	MXN	15.7363	18.9223	-16.8%	16.8069	18.4480	-8.9%

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

The item amounts to Euro 105,689 thousand (compared with Euro 37,386 thousand at 31st December 2009) and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

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

(Euro/000)	**June 30, 2010**	**June 30, 2009**
Cash in hand and at bank	105,689	47,891
Bank overdrafts	(700)	(108)
Bank borrowings current	(16,457)	(58,051)
Total	**88,532**	**(10,268)**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	**June 30, 2010**	**December 31, 2009**
Gross value	344,913	297,327
Allowance for doubtful accounts and sales return	(34,505)	(28,577)
Net value	**310,408**	**268,750**

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

(Euro/000)	**Balance at January 1, 2010**	**Posted to income statement**	**Use(-)**	**Transl. Diff.**	**Balance at June 30, 2010**
Allowance for bad debts	19,269	4,526	(2,427)	573	21,941
Allowance for sales returns	9,308	1,954	(272)	1,574	12,564
Total	**28,577**	**6,480**	**(2,699)**	**2,147**	**34,505**

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:

	June 30, 2010	December 31, 2009
Raw materials	47,634	49,809
Work-in-progress	5,710	5,377
Finished products	192,302	202,836
Gross	**245,646**	**258,022**
Obsolescence provision (-)	(49,909)	(49,649)
Total	**195,737**	**208,373**

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

(Euro/000)	Balance at January 1, 2010	Posted to income statement	Transl. Diff.	Balance at June 30, 2010
Obsolescence provision	49,649	(3,029)	3,289	49,909
Total	**49,649**	**(3,029)**	**3,289**	**49,909**

2.4 Derivative financial instruments

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

(Euro/000)	June 30, 2010	December 31, 2009
Non-current assets:		
- Options	114	228
Total	**114**	**228**
Current liabilities:		
- Foreign currency contracts - at fair value through P&L	-	338
- Interest rate swaps - at fair value through P&L	3,727	5,211
Total	**3,727**	**5,549**

The fair value of the forward currency hedging contracts at December 31st, 2009 was determined on the basis of the current value of the differences between the contracted forward exchange rate and the spot market rate at the balance sheet date. The Foreign currency contracts have been settled during the first semester 2010.
The market value of interest rate swaps on the balance sheet at 30th June 2010 totalled Euro 3,727 thousand, and was determined by specialist financial institutes on the basis of normal market conditions. The Group's interest rate risk management policies involve the hedging of the future cash flows that will be accounted for also in successive years; the relative hedging effect must be suspended in the cash flow reserve and recorded on the income statement of the successive periods when such expected cash flows actually take place.
Following the debt restructuring operation, at December 31, 2009 the prospective assessment of these instruments was not effective to designate as a hedge, and therefore their fair value has reported in the income statement.

The following table shows the characteristics and the fair value of the interest rate swap (IRS) contracts in force at 30th June 2010 and at 31st December 2009:

Interest rate swaps *(Euro/000)*	June 30, 2010			December 31, 2009		
	Contractual value		***Fair value***	Contractual value		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2010	-	25,000	(469)	-	55,000	(1,386)
Expiry year 2011	-	57,000	(2,343)	-	65,000	(2,847)
Expiry year 2011	37,712	-	(915)	48,488	-	(978)
Total	**37,712**	**82,000**	**(3,727)**	**48,488**	**120,000**	**(5,211)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	June 30, 2010	December 31, 2009
VAT receivable	8,607	7,197
Tax credits and payments on account	15,270	15,378
Prepayments and accrued income	23,008	22,212
Receivables from agents	921	1,083
Other current receivables	15,275	18,441
Total	**63,081**	**64,311**

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

- Accrued income and deferred charges at 30th June 2010 include:
- prepaid royalty costs of Euro 17,039 thousand;
- prepaid rent and operating leases of Euro 2,120 thousand;
- prepaid advertising costs of Euro 1,217 thousand;
- prepaid insurance costs of Euro 556 thousand;
- other prepaid costs, mainly of a commercial nature, for the remainder.

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

Other short-term receivables amount to Euro 15,275 thousand and mainly refer to:

- payments of minimum annual guarantees relating to 2010 royalties for a total amount of Euro 8,119 thousand;
- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,260 thousand, referring to receivables due from bankrupt customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the distribution plan of the bankruptcy procedure is executed;
- receivables for insurance repayments of Euro 1,021 thousand;
- deposit payments due within 12 months for Euro 713 thousand;

2.6 Property, plant and equipment, net

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

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2010
Gross value						
Land and buildings	133,081	1,525	(88)	138	4,555	139,211
Plant and machinery	181,144	6,076	(3,605)	(5,005)	1,983	180,593
Equipment and other assets	191,586	5,349	(1,096)	5,161	12,518	213,518
Assets under constructions	4,148	3,732	-	(6,068)	90	1,902
Total	**509,959**	**16,682**	**(4,789)**	**(5,774)**	**19,146**	**535,224**
Accumulated depreciation						
Land and buildings	35,610	2,114	(88)	65	734	38,435
Plant and machinery	124,372	4,779	(3,496)	(2,895)	435	123,195
Equipment and other assets	141,398	10,251	(701)	2,622	7,028	160,598
Total	**301,380**	**17,144**	**(4,285)**	**(208)**	**8,197**	**322,228**
Net value	**208,579**	**(462)**	**(504)**	**(5,566)**	**10,949**	**212,996**

A total of Euro 10,614 thousand was invested in tangible assets in the fist semester of 2010, mainly as follows:

- Euro 9,022 thousand in production facilities, mainly for the renewal of plants and for the purchase and production of equipment relating to new models;
- Euro 1,015 thousand in American companies, mainly in retail chains in the US and Mexico;
- the remaining part in the other wholesale companies of the Group.

2.7 Intangible assets

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

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2010
Gross value						
Software	19,756	584	-	174	1,552	22,066
Trademarks and licenses	43,111	91	-	-	107	43,309
Other intangible assets	9,055	82	(120)	-	705	9,722
Total	**71,922**	**757**	**(120)**	**174**	**2,364**	**75,097**
Accumulated depreciation						
Software	14,139	1,490	-	130	862	16,621
Trademarks and licenses	33,270	1,706	-	-	67	35,043
Other intangible assets	6,407	314	(119)	-	273	6,875
Total	**53,816**	**3,510**	**(119)**	**130**	**1,202**	**58,539**
Net value	**18,106**	**(2,753)**	**(1)**	**44**	**1,162**	**16,558**

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 2010	First semester 2009
Cost of sales	*3.2*	9,660	10,186
Selling and marketing expenses	*3.3*	3,916	5,360
General and administrative costs	*3.4*	6,527	6,672
Net value		**20,103**	**22,218**

2.8 Goodwill

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

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Transl. diff.	Balance at June 30, 2010
Goodwill	518,419	-	(291)	64,075	582,203
Net value	**518,419**	**-**	**(291)**	**64,075**	**582,203**

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, 2010	160,036	202,962	219,205	582,203
December 31, 2009	157,611	173,630	187,178	518,419

2.9 Investments in associates

Investments in associates refer to the following companies:

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

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

	January 1, 2010			**Movements of the period**		
(Euro/000)	**Gross value**	**Revaluation/ (write-down)**	**Value at January 1, 2010**	**Share of results and write-down of divid. of assoc. comp.**	**Transl. diff.**	**Value at June 30, 2010**
TBR Inc.	431	(109)	322	80	62	464
Elegance I. Holdings Ltd	5,124	6,345	11,469	-	1,933	13,402
Optifashion As	353	(112)	241	-	-	241
Total	**5,908**	**6,124**	**12,032**	**80**	**1,995**	**14,107**

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

2.10 Financial assets available for sale

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

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

(Euro/000)	December 31, 2009			Movements for the year		
	Gross value	Revaluation/ (write-down)	Net value	Increase/ (Decrease)	Revaluation/(write-down)	Value at June 30, 2010
Gruppo Banco Popolare	4,096	(3,416)	680	-	(91)	589
Unicredit S.p.A.	48	32	80	-	(17)	63
Other	46	-	46	-	-	46
Total	**4,190**	**(3,384)**	**806**	**-**	**(108)**	**698**

2.11 Deferred tax assets and deferred tax liabilities

Deferred tax assets

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

Deferred tax liabilities

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

Allowance for deferred tax assets

Deferred tax assets net (where applicable) of deferred tax liabilities in the financial statements of some companies of the Group, have been written down through a provision, in order to take into account the market trend and the changed expectations of future profitability. This prudential provision totals Euro 82,242 thousand, of which Euro 11,350 thousand was set aside in the first semester of 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, 2010	December 31, 2009
Deferred tax assets	130,133	112,610
Depreciation Fund (-)	(82,242)	(70,892)
Total net deferred tax assets	47,891	41,718
Deferred tax liabilities	(4,243)	(3,531)
Total	**43,648**	**38,187**

2.12 Other non-current assets

This item breaks down as follows:

(Euro/000)	June 30, 2010	December 31, 2009
Receivables from Social Security Institution	11,663	9,017
Long-term guarantee deposit	3,051	2,575
Other long-term receivables	205	324
Total	**14,919**	**11,916**

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

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

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

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	June 30, 2010	December 31, 2009
Short-term borrowings		
Bank overdrafts	700	6,093
Short-term bank loans	16,457	52,212
Short-term portion of long-term bank loans	1,378	77,289
Short-term portion of financial leasing	1,875	1,609
Debt to the factoring company	43,524	40,815
Other short-term loans	109	106
Total	**64,043**	**178,124**
Long-term borrowings		
Medium long-term loans	112,561	248,588
Ordinary bonds	191,211	190,704
Payables for financial leasing	6,900	7,536
Other medium long-term loans	346	454
Total	**311,018**	**447,282**
Total borrowings	**375,061**	**625,406**

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

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

At 30th June 2010, the aforementioned loan was booked under "Medium-/long-term bank loans", and breaks down as follows:

- "Facility A1 –Tranche 1", totalling Euro 2.2 million, expiring 30th June 2012;
- "Facility A1 –Tranche 2", totalling Euro 25 million, expiring 30th June 2014;
- "Facility A2", in USD, totalling Euro 37.3 million, expiring 30th June 2012;
- "Facility A3", in USD, totalling Euro 42.6 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 5 million has been used by cash as at 30th June 2010.

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

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

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

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

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

The following table illustrates the short term and medium/long term portions relating to lease contracts at 30th June 2010:

(Euro/000)	**June 30, 2010**	**December 31, 2009**
Short-term portion of financial leasing	1,875	1,609
Long-term portion of financial leasing	6,900	7,536
Total debt	**8,775**	**9,145**

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

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

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 42,750 thousand and by the subsidiary Safilo do Brasil for Euro 774 thousand.

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

(Euro/000)	June 30, 2010	December 31, 2009
Within 2 years	84,590	53,156
From 2 to 3 years	194,090	197,949
From 3 to 4 years	27,129	193,079
From 4 to 5 years	3,907	1,227
Beyond 5 years	1,302	1,871
Total	**311,018**	**447,282**

The following table shows borrowings divided by currency:

(Euro/000)	June 30, 2010	December 31, 2009
Short-term		
Euro	44,840	115,310
US Dollar	-	41,906
Brasilian Real	788	1,282
Japanese Yen	2,758	2,253
Chinese Reminbi	14,901	16,878
Sek Swedish	228	81
Mexican Peso	528	414
Total	**64,043**	**178,124**
Medium long-term		
Euro	226,367	416,862
US Dollar	79,945	26,191
Brasilian Real	31	-
Mexican Peso	999	1,057
Australian Dollar	-	6
Chinese Reminbi	3,605	3,050
Sek Swedish	71	116
Total	**311,018**	**447,282**
Total borrowings	**375,061**	**625,406**

The following table details the credit lines granted to the Group, the uses and the lines available at 30th June 2010:

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	82,603	17,138	65,465
Credit lines on long-term bank loans	312,783	128,783	184,000
Total	**395,386**	**145,921**	**249,465**

The net financial position of the Group at June 30th, 2010 compared with the same as of December 31st, 2009 is as follows:

	Net financial position *(Euro/000)*	**June 30, 2010**	**December 31, 2009**	**Change**
A	Cash and cash equivalents	105,689	37,386	68,303
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**105,689**	**37,386**	**68,303**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(17,157)	(58,305)	41,148
G	Current portion of long-term borrowings	(1,378)	(77,289)	75,911
H	Other short-term borrowings	(45,508)	(42,530)	(2,978)
I	**Debts and other current financial liabilities (F+G+H)**	**(64,043)**	**(178,124)**	**114,081**
J	**Current financial position, net (D)+(E)+(I)**	**41,646**	**(140,738)**	**182,384**
K	Long-term bank borrowings	(112,561)	(248,588)	136,027
L	Ordinary bonds	(191,211)	(190,704)	(507)
M	Other long-term borrowings	(7,246)	(7,990)	744
N	**Debts and other non current financial liabilities (K+L+M)**	**(311,018)**	**(447,282)**	**136,264**
I	**Net financial position (J)+(N)**	**(269,372)**	**(588,020)**	**318,648**

Compared to 31st December 2009, the Group's net financial position decreased by Euro 318,648 thousand, mainly due to the financial restructuring of the Group that concluded with the capital increase approved by the extraordinary shareholders' meeting of parent company Safilo Group on 15th December 2009. A portion of the proceeds deriving from this capital increase, covered in more detail in section 2.20 Share capital, were used to reduce the principal of the senior loan.

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	**June 30, 2010**	**December 31, 2009**
Trade payables for:		
- purchase of raw materials	25,365	24,683
- purchase of finished goods	60,524	46,675
- suppliers from subcontractors	3,325	2,413
- tangible and intangible assets	2,991	5,600
- commissions	6,156	4,778
- royalties	23,698	13,443
- advertising and marketing costs	39,700	22,387
- services	35,201	30,089
Total	**196,960**	**150,068**

2.15 Tax payables

At 30th June 2010, tax payables totalled Euro 29,368 thousand, versus Euro 18,651 thousand at 31st December 2009. Euro 17,159 thousand related to income tax payables, Euro 7,331 thousand to VAT payables and the remainder to withholding and local taxes.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	June 30, 2010	December 31, 2009
Payables to personnel and social security institutions	38,161	29,410
Premiums to clients	18,075	20,048
Agent fee payables	1,673	1,631
Payables to pension funds	815	1,144
Accrued advertising and sponsorship costs	1,800	332
Accrued interests on long-term loans	3,076	3,905
Other accruals and deferred income	2,880	1,839
Payables for dividends	2,207	2,995
Other current liabilities	1,172	2,133
Total	**69,859**	**63,437**

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

The following table shows overdue payables as of 30th June 2010:

(Euro/000)	Balance as at June 30, 2010	of which overdue as at June 30, 2010	Incidence %
<u>Current payables:</u>			
Financial debts	64,043	-	0%
Trade payables	196,960	2,784	1%
Tax payables	29,386	-	0%
Other current liabilities	69,859	405	1%
Total	**360,247**	**3,189**	**1%**

At 30th June 2010, the current payables of the Group amounted to Euro 360,247 thousand. The share overdue at that time and not yet paid amounts to Euro 3,189 thousand, and relates to payments made mostly before the date of approval of these financial statements or debt positions subject to dispute.

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

2.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2010	Increase	Decrease	Transl. diff.	Balance at June 30, 2010
Product warranty provision	4,058	551	(405)	23	4,227
Agents' severance indemnity	4,949	709	(264)	4	5,398
Provision for corporate restructuring	6,414	-	(665)	-	5,749
Other provisions for risks and charges	5,547	153	(278)	-	5,422
Provisions for risks - long term	**20,968**	**1,413**	**(1,612)**	**27**	**20,796**
Provisions for risks - short term	**4,087**	**1,005**	**(2,477)**	**-**	**2,615**
Totale	**25,055**	**2,418**	**(4,089)**	**27**	**23,411**

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

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

2.18 Employee benefit liability

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

(Euro/000)	Balance at January 1, 2010	Posted to income statement	Actuarial gains/(losses)	Uses/ Payments	Transl. diff.	Balance at June 30, 2010
Defined contribution plan	8,986	3,919	-	(344)	132	12,693
Defined benefit plan	32,832	260	-	(2,565)	165	30,692
Total	**41,818**	**4,179**	**-**	**(2,909)**	**297**	**43,385**

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 2010 other non-current liabilities totalled Euro 12,502 thousand, compared to Euro 11,117 thousand at 31st December 2009, and comprised:

- Euro 6,903 thousand for the value of liabilities resulting from the put options held by the minority shareholders of some subsidiaries;
- Euro 4,062 thousand for the long-term payable relating to certain store rental contracts of US subsidiaries;
- Euro 547 thousand for the payable deriving from the agreement reached by a US subsidiary in settlement of a dispute that arose in relation to the use of a patent;
- the remaining portion, relating to non-current liabilities recorded on Group companies' balance sheets.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30th June 2010, shareholders' equity amounted to Euro 805,867 thousand (of which Euro 11,975 thousand represent minority interests), against Euro 445,992 thousand at 31st December 2009 (of which 7,559 thousand represent minority interests).
In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus guarantee the company's continuity.
The Group constantly monitors the ratio between indebtedness and shareholders' equity, for the purpose of maintaining a balance, also in respect of the long-term loans currently outstanding.

2.20 Share capital

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

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

The rights offer concluded on 26th February 2010. 257,021,000 option rights were exercised and 673,395,020 newly-issued ordinary shares were subscribed, equivalent to 81.87% of the total number of shares offered, for a total amount of Euro 204,712,086.08 (including the premium).

At the end of the offer period, 56,912,500 option rights were not exercised, equivalent to 18.13% of the total rights offered, representing 149,110,750 newly-issued ordinary shares for a total value of Euro 45,329,668.00 (including the premium).
Pursuant to article 2441, paragraph 3 of the Civil Code, the rights not taken up were offered on the stock exchange from 8th March 2010. The offer attracted great interest from the market, with full placement of the rights, generating Euro 7,079,915 for the company.
149,109,964 newly-issued ordinary shares, equivalent to 99.99% of the total shares offered, were subscribed in respect of the option rights placed, for a total amount of Euro 45,329,429.06 (including the premium).

The contribution of partner HAL Holding N.V., which had undertaken to subscribe to the portion of the capital increase not taken up after the sale on the market up to a maximum of 64.88% of the total option rights, was therefore limited to the subscription of the remaining 786 unsubscribed shares.
The capital increase via option rights therefore concluded with the full subscription of 822,505,770 newly-issued ordinary shares in Safilo Group S.p.A., for a value of Euro 250,041,754.08, comprising capital of Euro 205,626,442.50 and a share premium of Euro 44,415,311.58.

On April 30th 2010 the Extraordinary Shareholders' meeting has approved the Reverse Stock Split , proposed by the Board of Directors held on 29th March 2010, on the present share capital of the Company (composed by n. 1,136,439,310 ordinary shares with a nominal value of Euro 0.25 each) in the ratio of 1 new Safilo ordinary share, with a nominal value of 5.00 Euro, every 20 old ordinary shares held.

Following the Reverse Stock Split, the share capital of the Company will be composed by n. 56,821,965 ordinary shares of a nominal value of 5.00 Euro each, equal to 284,109,825.00 Euro as shown in the following table:

(Euro)	No. of ordinary shares	Total shares	Nominal value	Capital value
Share capital at January 1, 2010	**285,394,128**	**285,394,128**	**0.25**	**71,348,532.00**
Share capital - subscription				
- February 5, 2010	28,539,412	28,539,412	0.25	7,134,853.00
- February 26, 2010	673,395,020	673,395,020	0.25	168,348,755.00
- March 15, 2010	149,110,750	149,110,750	0.25	37,277,687.50
Total Share capital increase	**851,045,182**	**851,045,182**	**0.25**	**212,761,295.50**
Total Share capital pre reverse stock split as at June 30, 2010	**1,136,439,310**	**1,136,439,310**	**0.25**	**284,109,827.50**
Reverse stock split rate: (1 new ordinary share for every 20)				(2.50)
Total Share capital post Reverse stock split as at June 30,2010	**56,821,965**	**56,821,965**	**5.00**	**284,109,825.00**

2.21 Share premium reserves

The share premium reserve represents:

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

- the premium booked following the capital increase is explained in more detail in section 2.20 on share capital.

Following this capital increase, the share premium reserve totalled Euro 464,747,218 at 30th June 2010, as shown below:

(Euro)	No. of ordinary shares	Share premium value	Share premium reserve
Share premium reserve at January 1, 2010	**285,394,128**		**745,104,717.92**
Share capital - subscription			
- February 5, 2010	28,539,412	0.200	5,707,882.40
- February 26, 2010	673,395,020	0.054	36,363,331.08
- March 15, 2010	149,110,750	0.054	8,051,980.50
Total Share capital increase	**851,045,182**		**50,123,193.98**
Income from the subscription of Option Rights			**7,079,915.00**
Coverage previous year losses			**(331,428,329.40)**
Costs for capital increase (First semester 2010)			**(6,132,279.63)**
Share premium reserve at June 30, 2010			**464,747,217.87**

2.22 Retained earnings and other reserves

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

2.23 Fair value and cash flow reserve

This item breaks down as follows:

		Consoldated statement of comprehensive income			
(Euro/000)	Balance at January 1, 2010	Profit (loss) of the period	Profit (loss) reclass to Inc. Stat.	Total Profit (loss) of the period	Balance at June 30, 2010
Cash flow reserve	-	-	-	-	-
Fair value reserve	32	(18)	-	(18)	14
Total	**32**	**(18)**	**-**	**(18)**	**14**

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

3. Notes on the consolidated income statement

3.1 Net sales

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

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First semester 2010	First semester 2009	Second quarter 2010	Second quarter 2009
Purchase of raw materials and finished goods	138,572	131,795	75,098	62,340
Capitalisation of costs for increase in tangible assets (-)	(3,408)	(4,089)	(1,868)	(2,545)
Change in inventories	27,362	39,634	12,649	27,618
Payroll and social security contributions	47,934	44,723	23,689	21,086
Subcontracting costs	7,648	3,352	3,991	1,463
Depreciation	9,660	10,186	4,853	5,099
Rental and operating leases	479	595	218	261
Other industrial costs	5,550	4,794	2,776	2,337
Total	**233,797**	**230,990**	**121,406**	**117,659**

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2010	First semester 2010	Second quarter 2010	Second quarter 2009
Finished products	24,228	32,571	12,860	29,000
Work-in-progress	(554)	740	318	111
Raw materials	3,688	6,323	(529)	(1,493)
Total	**27,362**	**39,634**	**12,649**	**27,618**

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

	First semester 2010	First semester 2009
Padua Headquarters	863	871
Production facilities	4,827	4,646
Commercial companies	1,265	1,342
Retail companies	1,157	1,650
Total	**8,112**	**8,509**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2010	First semester 2009	Second quarter 2010	Second quarter 2009
Payroll and social security contributions	53,040	55,103	27,380	26,348
Commissions to sales agents	35,808	37,373	17,974	19,054
Royalty expenses	49,326	44,906	24,618	21,280
Advertising and promotional costs	62,223	58,067	31,038	25,888
Amortization and depreciation	3,916	5,360	1,708	2,840
Logistic costs	9,306	8,035	4,718	3,903
Consultants fees	2,109	2,111	1,039	1,053
Rental and operating leases	8,034	11,677	4,099	5,903
Utilities	813	1,199	495	643
Provision for risks	252	537	127	387
Other sales and marketing expenses	9,896	10,530	4,832	4,952
Total	**234,723**	**234,898**	**118,028**	**112,251**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2010	First semester 2009	Second quarter 2010	Second quarter 2009
Payroll and social security contributions	30,298	31,801	14,872	16,240
Allowance for doubtful accounts	4,526	3,244	2,012	2,493
Amortization and depreciation	6,527	6,672	3,056	3,206
Consultants fees	6,137	5,117	3,744	2,684
Rental and operating leases	4,593	4,402	2,372	2,064
EDP costs	2,198	2,116	1,071	1,074
Insurance costs	1,525	1,626	795	798
Utilities, security and cleaning	3,436	3,833	1,757	1,866
Taxes (other than on income)	1,809	1,849	917	980
Other general and administrative expenses	6,287	6,885	3,602	3,427
Total	**67,336**	**67,545**	**34,198**	**34,832**

3.5 Other income/(expenses), net

This item breaks down as follows:

(Euro/000)	First semester 2010	First semester 2009	Second quarter 2010	Second quarter 2009
Losses on disposal of assets	(117)	(53)	(62)	(38)
Other operating expenses	(424)	(490)	(329)	(150)
Gains on disposal of assets	29	33	(308)	32
Other operating incomes	703	1,070	528	823
Total	**191**	**560**	**(171)**	**667**

3.6 Share of income/(loss) of associates

This item showed a profit of Euro 80 thousand, compared with a loss of Euro 361 thousand in the same period of 2009, and includes the profit and losses deriving from the valuation at equity of shareholdings in associated.

3.7 Interest expense and other financial charges, net

This item breaks down as follows:

(Euro/000)	First semester 2010	First semester 2009	Second quarter 2010	Second quarter 2009
Interest expense on loans	4,900	11,718	1,586	5,585
Interest expense and charges on High Yield	9,891	9,838	4,969	4,942
Bank commissions	2,732	2,398	1,601	1,239
Negative exchange rate differences	18,712	6,456	11,400	984
Financial discounts	958	1,194	518	557
Other financial charges	881	1,249	421	781
Total financial charges	**38,074**	**32,853**	**20,495**	**14,088**
Interest income	185	181	19	83
Positive exchange rate differences	8,882	10,007	3,870	5,967
Gains on financial assets disposal	-	-	-	-
Dividends	11	-	11	-
Other financial income	(37)	84	(71)	(98)
Total financial income	**9,041**	**10,272**	**3,829**	**5,952**
Total financial charges, net	**29,033**	**22,581**	**16,666**	**8,136**

The negative exchange differences net of positive, amount to Euro 9,830 thousand and relate to:

- Negative net exchange differences on the valuation of loans in US Dollar equal to Euro 5,445 thousand recorded in the financial statements of the subsidiary Safilo S.p.A.;

- Negative net exchange differences, on the valuation of payables/receivables in foreign currency at the rate of June 30th, 2010, mainly US Dollar, equal to Euro 1,838 thousand, reported in the financial statements of the subsidiary Safilo SpA ;

- Negative exchange differences realized on the payments of liabilities in foreign currency, mainly US Dollar, equal to Euro 4,165 thousand, recorded in the financial statements of the subsidiary Safilo S.p.A;
- Positive exchange rate differences realized on the cash of receivables in foreign currency equal to Euro 2,723 thousand recorded in the financial statements of the subsidiary Safilo S.p.A.;
- Negative net exchange differences realized by other companies of the Group equal to Euro 1,105 thousand.

3.8 Income tax expenses

(Euro/000)	First semester 2010	First semester 2009	Second quarter 2010	Second quarter 2009
Current taxes	(18,928)	(14,347)	(9,637)	(6,476)
Deferred taxes	13,278	12,963	7,877	7,658
Total income taxes	(5,650)	(1,384)	(1,760)	1,182
Write downs of deferred tax assets	(11,350)	(12,000)	(6,510)	(12,000)
Total write downs of deferred tax assets	(11,350)	(12,000)	(6,510)	(12,000)
Total	**(17,000)**	**(13,384)**	**(8,269)**	**(10,818)**

As shown in note 2.11 "Deferred tax assets and deferred tax liabilities", deferred tax assets (net of deferred tax liabilities) relating to losses for the period of certain Group companies and the temporary differences that emerged between the fiscal value of an asset or liabilities and the related book value, were written down by a total of Euro 11,350 thousand through the provisioning of an adjustment reserve in that it is not currently possible to forecast future taxable income allowing for recovery of the amounts.

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

3.9 Earning (Loss) per Share

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

Basic

	First semester 2010	First semester 2009
Profit/(loss) for ordinary shares (in Euro/000)	(3,270)	(136,015)
Average number of ordinary shares (in thousands)	41,594	14,270
Earnings per share - base	**(0.079)**	**(9.532)**

Diluted

	First semester 2010	First semester 2009
Profit/(loss) for ordinary shares (in Euro/000)	(3,270)	(136,015)
Profit for preferred shares	-	-
Profit/(loss) in income statement	**(3,270)**	**(136,015)**
Average number of ordinary shares (in thousands)	41,594	14,270
Dilution effects:		
- stock option (in thousands)	-	-
Total	**41,594**	**14,270**
Earnings per share - diluted	**(0.079)**	**(9.532)**

The average number of ordinary shares was calculated as a weighted average of shares outstanding during the six months taking into particular consideration:

- operation of capital increase occurred during the first quarter that brought the number of actions to 285,394,128 shares to 1,136,439,310;

- 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.

According to IAS 33 the effect of this grouping was disclosed as if it were at the beginning of the earliest period reported and then at January 1st, 2009, creating the need to recalculate the average number of ordinary shares and loss per share as at June 30th 2009.

There are no possible grounds for issuance of ordinary shares that would result in a dilutive effect.

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

3.12 Dividends

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

3.13 Segment reporting

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

Information by segment relating to the semesters ending 30th June 2010 and 30th June 2009 and to the second quarter 2010 and 2009 are shown in the tables below.

June 30, 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to the othersegment	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)**
Gross profit margin	58.5%	63.9%		59.7%
Operating profit margin	8.4%	-2.1%		7.7%
Other information				
Capital expenditure	10,507	864		11,371
Depreciation & amortization	16,375	3,728		20,103
Goodwill impairment	-	-		-

June 30, 2009 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to the othersegment	6,031	-	(6,031)	-
- to third parties	507,693	54,449	-	562,142
Total net sales	**513,724**	**54,449**	**(6,031)**	**562,142**
Gross profit	**296,623**	**34,528**	**-**	**331,151**
Operating profit	**(61,589)**	**(37,260)**		**(98,849)**
Share of income of associates	-	-		(361)
Financial charges, net				(22,581)
Income taxes				(13,384)
Net profit				**(135,175)**
Gross profit margin	57.7%	63.4%		58.9%
Operating profit margin	-12.0%	-68.4%		-17.6%
Other information				
Capital expenditure	17,391	1,976		19,367
Depreciation & amortization	17,226	4,994	-	22,220
Goodwill impairment	91,009	29,686		120,695

2nd quarter 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to the othersegment	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)**
Gross profit margin	57.4%	64.1%		58.8%
Operating profit margin	7.1%	4.6%		7.0%
Other information				
Capital expenditure	4,506	472		4,979
Depreciation & amortization	7,873	1,744		9,617
Goodwill impairment	-	-		-

2nd quarter 2009 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to the othersegment	3,639	-	(3,639)	-
- to third parties	245,222	29,011	-	274,233
Total net sales	**248,861**	**29,011**	**(3,639)**	**274,233**
Gross profit	**138,511**	**18,062**	**-**	**156,573**
Operating profit	**(85,820)**	**(32,140)**		**(117,960)**
Share of income of associates	(396)	-		(396)
Financial charges, net				(8,136)
Income taxes				(10,818)
Net profit				**(137,310)**
Gross profit margin	55.7%	62.3%		57.1%
Operating profit margin	-34.5%	-110.8%		-43.0%
Other information				
Capital expenditure	6,933	513		7,446
Depreciation & amortization	8,457	2,690		11,147
Goodwill impairment	91,009	29,686		120,695

RELATED PARTIES TRANSACTIONS

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

Related parties transaction *(Euro/000)*	**Relationship**	**June 30, 2010**	**December 31, 2009**
Receivables			
Optifashion As	(a)	-	15
Elegance International Holdings Ltd	(b)	493	419
Companies controlled by HAL Holding N.V.	(c)	11.951	-
Total		**12.444**	**434**
Payables			
Elegance International Holdings Ltd	(b)	7.499	5.956
Total		**7.499**	**5.956**

Related parties transaction *(Euro/000)*	**Relationship**	**June 30, 2010**	**June 30, 2009**
Revenues			
Optifashion As	(a)	-	45
Elegance International Holdings Ltd	(b)	11	3.032
Companies controlled by HAL Holding N.V.	(c)	21.608	-
Total		**21.619**	**3.077**
Costs			
Elegance International Holdings Ltd	(b)	8.678	3.808
Tbr Inc.	(b)	647	628
Companies controlled by HAL Holding N.V.	(c)	465	-
Total		**9.789**	**4.436**

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

Transactions with related parties, including intercompany transactions, involve the purchase and sale of products and provision of services on an arm's length basis, similarly to what is done in transactions with third parties.
In regard to the table illustrated above, note that:
Optifashion As is a production and commercial company based in Istanbul, Turkey, of which the Safilo Group owns 50%.

Elegance International Holdings Limited ("Elegance"), a company listed on the Hong Kong stock exchange, is 23.05% owned by Safilo Far East Limited (an indirect subsidiary) and produces optical products for the Group in Asia. The price and other conditions of the production agreement between Safilo Far East Limited and Elegance are in line with those applied by Elegance to its other customers.

TBR Inc. is a company that is one-third owned by Vittorio Tabacchi, shareholder of Safilo Group S.p.A., one-third by a subsidiary of Safilo Group S.p.A. and the remainder by a third party. Safilo Group S.p.A. indirectly acquired the holding in TBR Inc. in 2002 for Euro 629 thousand. In the first semester 2010 the Group paid TBR Inc. Euro 647 thousand in rent. The terms and conditions of the lease, including the rental fee, are in line with market conditions for similar contracts.

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

CONTINGENT LIABILITIES

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

COMMITMENTS

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

For the Board of Directors
The Chairman
Melchert Frans Groot

Statement by the manager responsible for the preparation of the company's financial documents

The manager responsible for the preparation of the company's financial documents, Mr. Francesco Tagliapietra, hereby declares, in accordance with paragraph 2, article 154 bis of the Consolidated Finance Act (TUF), that the accounting information contained in these quarterly financial statements to 30th June 2010 corresponds to the accounting results, registers and records.

Padua, 2nd August 2010

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

Report of Independent Auditors on the Half year consolidated condensed financial statements

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 and the six months then ended, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated 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 no. 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 condensed interim 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 13 April 2010 and 28 August 2009, respectively.

PRICEWATERHOUSECOOPERS

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 2010 have not been prepared, in all material respects, in accordance with the International Accounting Standard n°34 (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Padua, 3 August 2010

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

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