Interim Report

for the period ended 31st March 2011

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This interim report is available on the website:

www.safilo.com

SAFILO GROUP S.p.A.

Settima Strada, 15

35129 Padua - Italy

Contents

Corporate officers as of March 31st, 2011

Board of Directors	
Chairman	Melchert Frans Groot
Chief Executive Officer	Roberto Vedovotto
Director	Giovanni Ciserani
Director	Jeffrey A. Cole
Director	Marco Jesi
Director	Eugenio Razelli
Director	Massimiliano Tabacchi
Board of Statutory Auditors	
Chairman	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 no. 15.

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

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

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

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

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

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

Key consolidated performance indicators

Economic data (Euro in millions)	First quarter 2011	%	First quarter 2010	%
Net sales	300.7	100.0	286.0	100.0
Cost of sales	(117.6)	(39.1)	(112.4)	(39.3)
Gross profit	183.0	60.9	173.6	60.7
Ebitda	40.7	13.5	34.6	12.1
Operating profit	31.4	10.4	24.1	8.4
Group profit before taxes	28.0	9.3	11.8	4.1
Profit attributable to the Group	18.4	6.1	1.7	0.6

Balance sheet data (Euro in millions)	March 31, 2011	%	December 31, 2010	%
Total assets	1,441.3	100.0	1,486.3	100.0
Total non-current assets	819.0	56.8	845.8	56.9
Capital expenditure	6.0	0.4	29.4	2.0
Net invested capital	1,016.2	70.5	1,023.2	68.8
Net working capital	315.1	21.9	287.5	19.3
Net financial position	(268.2)	18.6	(256.2)	17.2
Group Shareholders' equity	736.7	51.1	756.0	50.9

Financial data (Euro in millions)	First quarter 2011	First quarter 2010
Cash flow operating activity	4.3	9.2
Cash flow investing activity	(11.1)	(6.1)
Cash flow financing activity	(7.0)	63.4
Closing net financial indebtedness (short-term)	53.2	47.4

Earning per share (in Euro) (*)	First quarter 2011	First quarter 2010
Earnings per share - base	0.323	0.065
Earnings per share - diluted	0.322	0.065
No. shares in share capital at March 31	56,821,965	56,821,965

Group personnel	First quarter 2011	First quarter 2010
Punctual at March 31	7,817	8,185

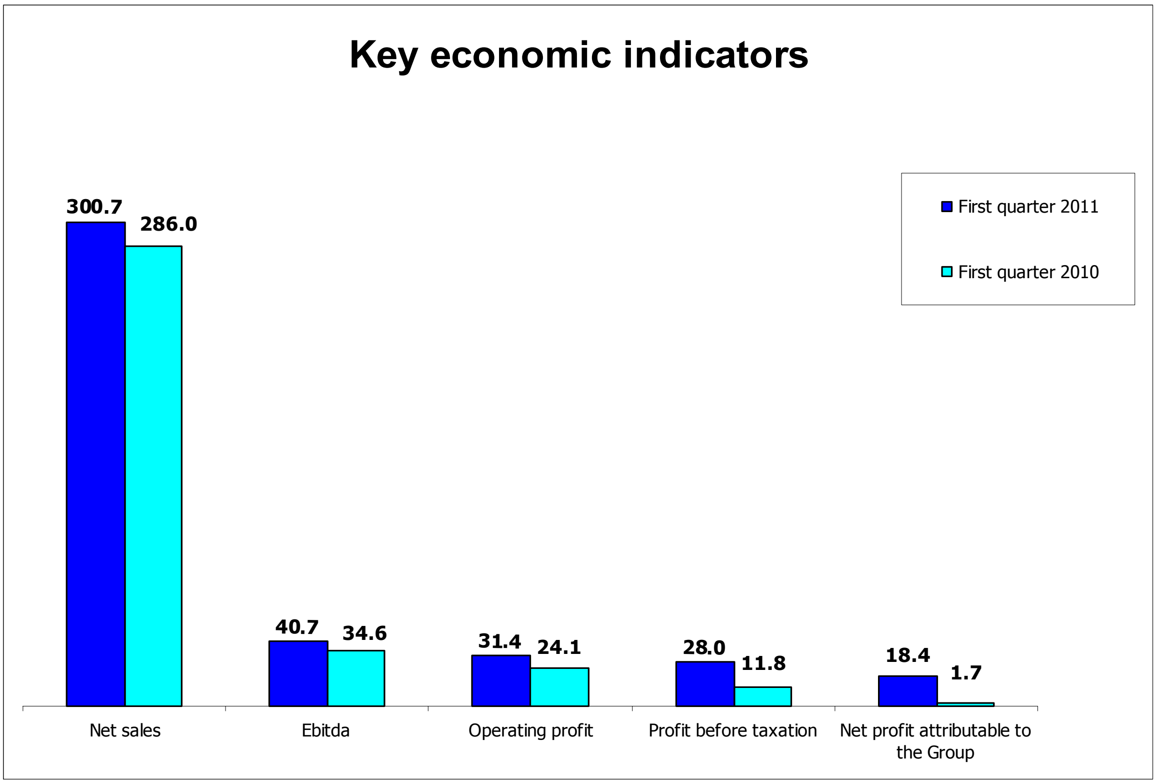
(*) For the first quarter 2010, the number of ordinary shares has been calculated as weighted average number considering the share capital increase of March 2010 and the effect of the reverse share split in the measure of one new share per twenty old shares as voted by the 30 April 2010 Shareholders'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

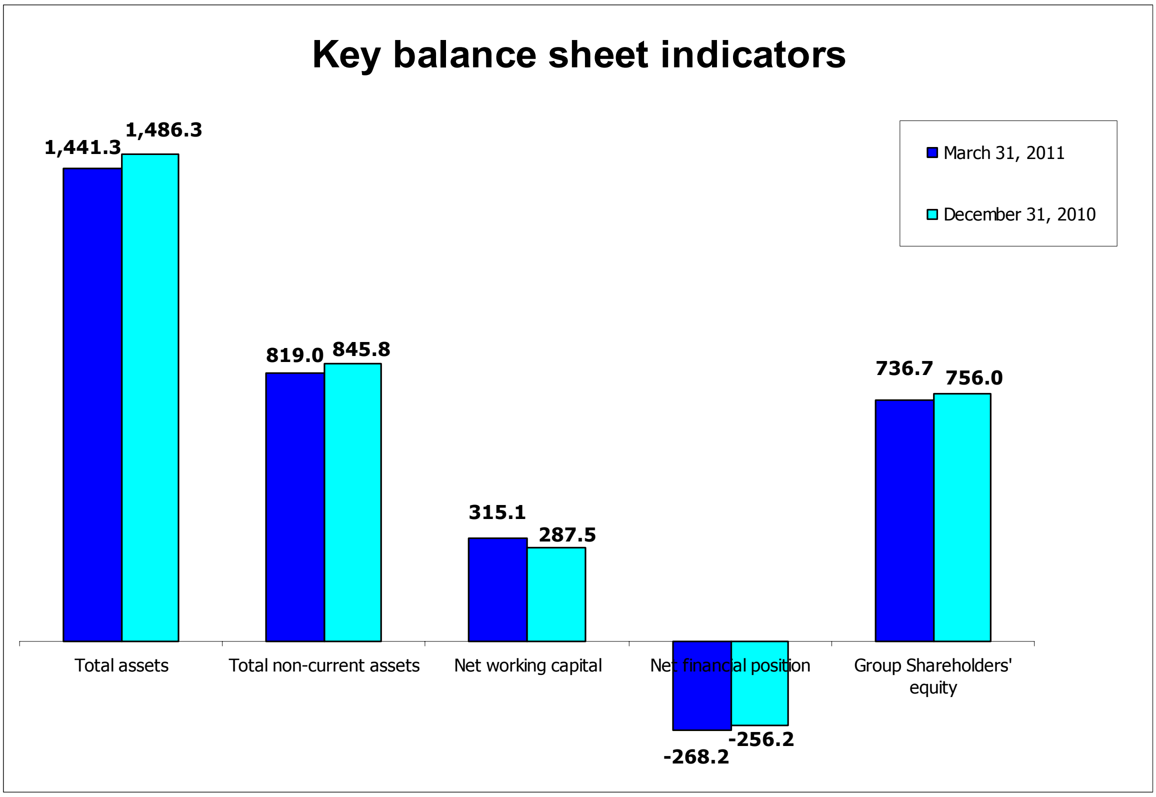
It should be noted that:

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

Disclaimer

This report and, in particular, the section entitled "Subsequent events and Outlook" contains forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.


Key economic indicators
First quarter 2011
First quarter 2010
300.7
286.0
40.7
34.6
31.4
24.1
28.0
11.8
18.4
1.7
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group


Key balance sheet indicators
March 31, 2011
December 31, 2010
1,441.3
1,486.3
819.0
845.8
315.1
287.5
-268.2
-256.2
736.7
756.0
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity

Information on Group economic results

The trend of improvement in company performance seen in 2010 continued in the first quarter 2011: sales grew by 5.1% year-on-year and the main profitability indicators were up, showing strong improvement in both operating and net profit.

In commercial terms 2011 got off to a positive start, with revenues rising in every region, particularly the Far East. Europe showed a more limited increase, while American sales at constant perimeter and exchange rates grew by nearly 9%.

We are seeing a gradual recovery in sales of sunglasses, particularly those at the medium-high end of the market, which are in demand due to design and product quality. Market feedback was very positive for the launch of the January brand collections and the first new Tommy Hilfiger licensed brand collection, as well as the launch of the Boss Orange models, which has added to the range of this very popular brand.

The steady recovery in sales and the first results of improvements in business processes helped to continue the upward trend in operating profit, which has been consistently rising year on year for the past several quarters. The profitability is the best of the last three years and is partly due to net financial costs, helped by reduced debt and forex variations. The Group generated net profit of Euro 18.4 million in the quarter, representing 6.1% of turnover.

Net debt was slightly higher than at the end of 2010 due to normal seasonal fluctuations in working capital and a property transaction which led to the purchase of the US subsidiary's headquarters. Cash generation was positive before these factors. The net financial position was better than in the same period last year and the net debt to EBITDA ratio also improved.

Group economic results

Consolidated statement of operation *(Euro in millions)*	**First quarter 2011**	**%**	**First quarter 2010**	**%**	**Change %**
Net sales	300.7	100.0	286.0	100.0	5.1%
Cost of sales	(117.6)	(39.1)	(112.4)	(39.3)	4.7%
Gross profit	**183.0**	**60.9**	**173.6**	**60.7**	**5.4%**
Selling and marketing expenses	(119.3)	(39.7)	(116.7)	(40.8)	2.2%
General and administrative expenses	(32.4)	(10.8)	(33.1)	(11.6)	-2.3%
Other operating income/(expenses), net	(0.0)	0.0	0.4	0.1	n.s.
Operating profit	**31.4**	**10.4**	**24.1**	**8.4**	**30.2%**
Interest expense and other financial charges, net	(3.4)	(1.1)	(12.3)	(4.3)	-72.2%
Profit before taxation	**28.0**	**9.3**	**11.8**	**4.1**	**n.s.**
Income taxes	(8.5)	(2.8)	(8.7)	(3.1)	-2.6%
Net profit	**19.5**	**6.5**	**3.1**	**1.1**	**n.s.**
Net profit attributable to minority interest	1.1	0.4	1.4	0.5	-18.0%
Net profit attributable to the group	**18.4**	**6.1**	**1.7**	**0.6**	**n.s.**
EBITDA	**40.7**	**13.5**	**34.6**	**12.1**	**17.6%**

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

Group net turnover exceeded Euro 300 million in the first quarter, up by nearly 5% compared with the first quarter 2010. At constant exchange rates and perimeter (starting from this year the Mexican chain Sunglass Island is no longer part of the Group), it rose by 5.1%.

After refocusing its business in the wholesale segment, by selling stores outside the US and reorganising its distribution network for customer selectivity, the Group has returned to a stable growth trend that is strengthening its leadership position at the medium-high end of the market. The market seems more stable now than in the past, particularly in America and the Far East, while in Europe some countries are not yet showing any reassuring signs of steady growth.

Sunglasses are the main driver of the sales recovery in all regions world-wide, while optical product sales, less affected by the crisis, are now largely stable. The breakdown of sales by brand also shows a better performance by products at the medium-high end of the market, leading to a stabilisation and in some cases an improvement in the average selling price, which was still down in the first quarter of 2010.

Among the Group's house brands, Carrera products again performed extremely well and are increasingly successful internationally. As Italian sales settled down after a period of strong growth, demand for this brand has surged in many European countries and the US.

In regional terms, in Europe the Group is having the most trouble with the recovery and particularly, despite excellent results in France and the UK, some countries in the Mediterranean basin are still registering weak sales

due to local economic situations affecting consumer propensity to buy fashion accessories, including sunglasses. Sales of the Russian subsidiary, which has recently been launched, are particularly positive due to an increasingly broad and organised retail network. The Russian market is responding particularly well not only to high-end licensed brands but also the house brands.
Across Europe as a whole, sales of Carrera products and the main licensed brands were particularly robust, and the Tommy Hilfiger launch offset the effects of the expiry and non-renewal of the Diesel licence at end-2010.

In America, turnover grew by 8.8% at constant exchange rates and perimeter, with good results in both sunglasses and sports products. An excellent growth performance of over 20% year-on-year was achieved in Brazil and in Mexico (in the wholesale channel).

On the Asian continent, sales continue to rise in China, which is increasingly establishing its position as the biggest market in this area, including for the foreseeable future. Growth in China is largely driven by the luxury brands, which are increasingly becoming accessible to a group of consumers that is growing as the country becomes wealthier.
Sales have also been excellent in South Korea and particularly in India, where the Group is gradually conquering market share in the major cities. In the case of Japan, the disaster that took place in March has had a limited effect on the quarter. Japan currently represents about 2% of total Group turnover.

Net sales by geographical area	**First quarter**				
(Euro in millions)	**2011**	**%**	**2010**	**%**	**Change %**
Europe	130.1	43.3	128.2	44.8	+1.5
The Americas	118.7	39.5	111.8	39.1	+6.2
Asia	47.3	15.7	41.0	14.3	+15.4
Rest of the world	4.6	1.5	5.0	1.7	-8.0
Total	**300.7**	**100.0**	**286.0**	**100.0**	**+5.1**

Net sales by product	**First quarter**				
(Euro in millions)	**2011**	**%**	**2010**	**%**	**Change %**
Prescription frames	113.2	37.6	112.6	39.4	+0.5
Sunglasses	168.7	56.1	158.3	55.3	+6.6
Sport products	15.2	5.1	12.2	4.3	+24.6
Other	3.6	1.2	2.9	1.0	+24.1
Total	**300.7**	**100.0**	**286.0**	**100.0**	**+5.1**

Rising revenues and actions to contain costs have further boosted Group profits.
Gross profit improved during the quarter, albeit slightly, reaching 60.9% of net sales. This result was mainly

achieved due to higher sales volumes, the streamlining of the distribution network and a better sales mix by region. Looking at industrial management, current product demand from the market is giving rise to a more efficient use of production capacity and therefore financial benefits.
The biggest improvement in cost as a percentage of sales was seen in **sales and marketing expenditures**. This was due to the Mexican retail chain leaving the scope of consolidation after being sold at end-2010, and due to better management of some commercial costs. In particular, increased turnover meant a lower proportion of minimum royalty guarantees and better management of logistics costs.
General and administrative costs also benefited from the Mexican retail chain sale. However, structural cost control kept these costs largely unchanged year-on-year excluding this effect and improved general and administrative costs as a percentage of sales.

Group EBITDA for the quarter therefore rose substantially both in absolute terms and as a percentage of turnover, reaching 40.7 million of Euro or 13.5% of sales.

Net financial costs benefited from reduced average net debt by comparison with the first quarter 2010, as well as net gains in currencies fluctuations, which partially offset interest expenses on loans already reduced due to the Group's improved financial situation.

The increase in profits, which was also seen in Italian industrial companies, rebalanced pre-tax profit and the Group's tax burden was therefore normalised.
Group net profit grew strongly compared with the first quarter 2010, coming in at 18.4 million of Euro or 6.1% of turnover.

Analysis by distribution channel

The table below shows the key data by operating segment:

(Euro in millions)	WHOLESALE First quarter 2011	First quarter 2010	Change	Change %	RETAIL First quarter 2011	First quarter 2010	Change	Change %
Net sales to 3rd parties	284.5	267.5	17.0	6.4%	16.2	18.5	-2.3	-12.7%
EBITDA*	39.6	34.7	4.9	14.1%	1.1	(0.1)	1.2	n.s.
%	*13.9%*	*13.0%*			*7.1%*	*-0.5%*		

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

As in 2010, assessment of the retail segment depended on the sale of part of the business (Mexican chain Sunglass Island) at the end of 2010. The Group now owns only the Solstice chain in the US, comprising 162 stores.

The wholesale segment generated Euro 284.5 million in revenues, up 6.4% compared with the first quarter 2010. At constant exchange rates, the increase was 4.4%. Turnover growth was seen right across the biggest world markets and particularly in Asia, where China continues to grow rapidly. The European situation is more stable, particularly in the Mediterranean basin, where countries are still struggling to recover from the crisis. Sales of sunglasses have been good and have outperformed optical eyewear.
EBITDA* rose markedly compared with the first quarter 2010, increased by nearly 1 percentage point as a proportion of turnover. The increase was due to both better product distribution management and the consequent containment of commercial costs, which benefited from higher sales levels and consequent optimisation of logistics management.

The retail segment, which was further reduced in 2010, now essentially comprises the US chain Solstice, which achieved good first-quarter sales results and operating margin improvements, despite this being the least favourable quarter with regards to turnover seasonality. Solstice exclusively sells sunglasses, which are usually purchased from spring onwards. Comp sales rose by 5.7%. EBITDA* was therefore positive, at 7.1% of turnover due to better gross profits at store level and greater capacity to recover structural fixed costs.

Balance sheet reclassified

Balance sheet *(Euro in millions)*	**March 31, 2011**	**December 31, 2010**	**Change**
Trade receivables	288.3	271.3	17.0
Inventory, net	205.1	220.4	(15.3)
Trade payables	(178.3)	(204.2)	25.9
Net working capital	**315.1**	**287.5**	**27.6**
Tangible assets	206.5	203.7	2.8
Intangible assets and goodwill	542.7	563.7	(21.1)
Financial assets	11.6	13.2	(1.6)
Net fixed assets	**760.7**	**780.6**	**(19.9)**
Employee benefit liability	(32.7)	(32.1)	(0.6)
Other assets / (liabilities), net	(26.9)	(12.8)	(14.1)
Net invested capital	**1,016.2**	**1,023.2**	**(7.0)**
Cash in hand and at bank	69.4	88.3	(18.9)
Short term borrowings	(54.3)	(56.6)	2.3
Long term borrowings	(283.3)	(287.8)	4.5
Net financial position	**(268.2)**	**(256.2)**	**(12.0)**
Group Shareholders' equity	(736.7)	(756.0)	19.3
Minority interest	(11.3)	(11.0)	(0.2)
Total shareholders' equity	**(748.0)**	**(767.0)**	**19.1**

Cash flow

The following table shows the main items of the cash flow statement as at 31st March 2011 compared with the figures for the same period in the previous financial year:

Free cash flow *(Euro in millions)*	**First quarter 2011**	**First quarter 2010**	**Change**
Cash flow operating activities	4.3	9.2	(4.9)
Cash flow investing activities	(11.1)	(6.1)	(5.0)
Free cash flow	**(6.8)**	**3.1**	**(9.9)**

There was limited cash absorption in the first quarter due to normal seasonal business fluctuations.
There was a slight increase in Group short-term debt, mainly relating to the acquisition of 66.7% of the company that owns the building housing the US distribution and administrative centre (equal to 6.7 million of Euro) and the absorption of resources to pay suppliers. This last aspect, which was fully anticipated, is due to the decision to improve customer services, which gave rise to an increase in warehouses at the end of 2010, with a cash effect in the first quarter of the current year.

Net working capital

Net working capital (Euro in millions)	**March 31, 2011**	**March 31, 2010**	**Change Mar.11 / Mar.10**	**December 31, 2010**
Trade receivables, net	288.3	314.2	(25.9)	271.3
Inventories	205.1	200.0	5.1	220.4
Trade payables	(178.3)	(161.5)	(16.8)	(204.2)
Net working capital	**315.1**	**352.7**	**(37.6)**	**287.5**
% net sales rolling last 12 months	*28.8%*	*34.9%*		*26.6%*

Net working capital decreased year-on-year, despite the increase in turnover, having already decreased substantially on the previous year.
Apart from the effects of forex variations, the Group is monitoring working capital performance very carefully, aiming to keep it under control and to manage any upward fluctuations only in the case of benefits in terms of short-term sales.
There were no significant changes in payment or collection, and a possible increase in customer exposure could mainly result from a different sales mix between countries.

Investments in tangible and intangible fixed assets

Investments in tangible and intangible assets made by the Group totalled Euro 6 million, compared with investments of Euro 6.4 million made in the same period of the previous financial year, and featured the following:

(Euro in millions)	First quarter 2011	First quarter 2010	Change
Padua headquarters	0.9	0.5	0.4
Production factories	3.9	5.0	(1.1)
Europe	-	0.1	(0.1)
America	1.1	0.7	0.4
Far-East	0.1	0.1	-
Total	**6.0**	**6.4**	**(0.4)**

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

Net financial position

Net financial position *(Euro in millions)*	March 31, 2011	December 31, 2010	Change
Current portion of long-term borrowings	(1.2)	(1.3)	0.1
Bank overdrafts and short term bank borrowings	(16.2)	(15.8)	(0.4)
Other short-term borrowings	(36.9)	(39.6)	2.7
Cash and cash equivalent	69.4	88.3	(18.9)
Short-term net financial position	**15.1**	**31.6**	**(16.5)**
Long term borrowings	(283.3)	(287.8)	4.5
Long-term net financial position	**(283.3)**	**(287.8)**	**4.5**
Net financial position	**(268.2)**	**(256.2)**	**(12.0)**

Total Group debt, while slightly greater than at end-2010, was substantially less than at the end of the first quarter 2010 when it amounted to 315.4 million of Euro. The reasons for the slight increase in working capital compared with the start of the year have already been described.
The increased solidity of the Group's financial structure, recently confirmed by the improved ratings assigned by the largest firms in the sector, will mean that the Group has substantial credit lines available to it from national and international banks.

Personnel

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

	March 31, 2011	December 31, 2010	March 31, 2010
Padua headquarters	918	896	869
Production factories	4,732	5,195	4,857
Commercial companies	1,345	1,174	1,306
Retail	822	883	1,153
Total	**7,817**	**8,148**	**8,185**

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

Subsequent events and Outlook

During the first quarter of 2011, the Group improved its business and financial performance vs last year. In the context of a still uncertain and volatile market demand and macroeconomic environment, Safilo remains cautious and focused on continuing its route of progress during the year.

Interim consolidated financial statements and Notes at 31st March, 2011

Consolidated balance sheet

(Euro/000)	***Notes***	**March 31, 2011**	**of which related parties**	**December 31, 2010**	**of which related parties**
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	69,369		88,267	
Trade receivables, net	*2.2*	288,272	10,988	271,317	12,561
Inventory, net	*2.3*	205,067		220,443	
Derivative financial instruments	*2.4*	98		-	
Other current assets	*2.5*	59,569		60,471	
Total current assets		**622,375**		**640,498**	
Non-current assets					
Tangible assets	*2.6*	206,458		203,680	
Intangible assets	*2.7*	11,884		13,731	
Goodwill	*2.8*	530,784		550,013	
Investments in associates	*2.9*	11,574		13,202	
Financial assets available-for-sale	*2.10*	369		540	
Deferred tax assets	*2.11*	54,820		50,705	
Derivative financial instruments	*2.4*	718		177	
Other non-current assets	*2.12*	2,295		2,440	
Total non-current assets		**818,902**		**834,488**	
Total assets		**1,441,277**		**1,474,986**	

(Euro/000)	*Notes*	March 31, 2011	of which related parties	December 31, 2010	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	54,297		56,643	
Trade payables	*2.14*	178,283	3,987	204,189	5,186
Tax payables	*2.15*	27,210		17,795	
Derivative financial instruments	*2.4*	1,289		1,827	
Other current liabilities	*2.16*	76,484		72,298	
Provisions for risks and charges	*2.17*	9,496		6,679	
Total current liabilities		**347,059**		**359,431**	
Non-current liabilities					
Long-term borrowings	*2.13*	283,264	98,657	287,794	98,657
Employee benefit liability	*2.18*	32,708		32,096	
Provisions for risks and charges	*2.17*	19,311		19,392	
Deferred tax liabilities	*2.11*	3,719		1,708	
Derivative financial instruments	*2.4*	292		265	
Other non-current liabilities	*2.19*	6,946		7,265	
Total non-current liabilities		**346,240**		**348,520**	
Total liabilities		**693,299**		**707,951**	
Shareholders' equity					
Share capital	*2.20*	284,110		284,110	
Share premium reserve	*2.21*	461,491		461,491	
Retained earnings (losses) and other reserves	*2.22*	(27,743)		9,689	
Fair value and cash flow reserves	*2.23*	504		(21)	
Income attributable to the Group		18,359		731	
Total shareholders' equity attributable to the Group		**736,721**		**756,000**	
Non controlling interests		**11,257**		**11,035**	
Total shareholders' equity		**747,978**		**767,035**	
Total liabilities and shareholders' equity		**1,441,277**		**1,474,986**	

Consolidated income statement

(Euro/000)	Notes	First quarter 2011	of which related parties	First quarter 2010	of which related parties
Net sales	*3.1*	300,664	11,417	285,971	11,117
Cost of sales	*3.2*	(117,634)	(2,641)	(112,391)	(3,740)
Gross profit		**183,030**		**173,580**	
Selling and marketing expenses	*3.3*	(119,259)	(275)	(116,695)	(14)
General and administrative expenses	*3.4*	(32,376)	-	(33,138)	(310)
Other operating Income (expenses), net	*3.5*	(12)	64	362	213
Operating profit		**31,383**		**24,109**	
Share of income/(loss) of associates	*3.6*	(384)		43	
Interest expenses and other financial charges, net	*3.7*	(3,036)	2,374	(12,367)	
Profit before taxation		**27,963**		**11,785**	
Income taxes	*3.8*	(8,500)		(8,730)	
Net profit		**19,463**		**3,055**	
	3				
Net profit attributable to:					
The Group		18,359		1,709	
Non controlling interests		1,104		1,346	
Earnings per share - base (Euro)	*3.9*	0.323		0.065	
Earnings per share - diluted (Euro)	*3.9*	0.322		0.065	

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	First quarter 2011	First quarter 2010
Net profit for the period		**19,463**	**3,055**
Gains/(Losses) on cash flow hedges	*2.23*	528	-
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	(3)	(5)
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	(39,059)	43,951
Other Gains/(Losses)	*2.22*	-	(83)
Other comprehensive income/(loss), net of tax		**(38,534)**	**43,863**
Total Comprehensive income/(loss)		**(19,071)**	**46,918**
Attributable to:			
Group		(19,579)	45,005
Non controlling interests		508	1,913
Total Comprehensive income/(loss)		**(19,071)**	**46,918**

Consolidated statement of cash flow

(Euro/000)	*Notes*	First quarter 2011	First quarter 2010
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**72,495**	**(20,919)**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including minority interests)		19,463	3,055
Depreciation and amortization	*2.6 - 2.7*	9,307	10,486
Other non-monetary P&L items	*2.9-2.17-2.18*	1,459	542
Interest expenses, net	*3.7*	5,817	8,070
Income tax expenses	*3.8*	8,500	8,730
Income from operating activities prior to movements in working capital		**44,546**	**30,883**
(Increase) Decrease in trade receivables		(23,767)	(37,825)
(Increase) Decrease in inventory, net		7,467	14,623
Increase (Decrease) in trade payables		(22,292)	8,234
(Increase) Decrease in other current receivables		(136)	567
Increase (Decrease) in other current payables		6,237	687
Interest expenses paid		(1,439)	(4,765)
Income tax paid		(6,353)	(3,241)
Total (B)		**4,263**	**9,163**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(4,279)	(5,785)
Acquisition of subsidiary (net of cash acquired)		(6,749)	-
(Acquisition) Disposal of investments and bonds		212	-
Purchase of intangible assets		(246)	(286)
Total (C)		**(11,062)**	**(6,071)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		-	5,194
Repayment of borrowings		(6,735)	(211,586)
Share capital increase net of paid fees		-	269,964
Dividends paid		(285)	(165)
Total (D)		**(7,020)**	**63,407**
E - Cash flow for the period (B+C+D)		**(13,819)**	**66,499**
Translation exchange difference		(5,473)	1,830
Total (F)		**(5,473)**	**1,830**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)		**53,203**	**47,410**

Statement of changes in shareholders' equity

First quarter 2010

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

First quarter 2011

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2011	**284,110**	**461,491**	**(7,878)**	**(21)**	**17,567**	**731**	**756,000**
Previous year's profit allocation	-	-	-	-	731	(731)	-
Changes in other reserves	-	-	-	-	300	-	300
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(38,463)	525	-	18,359	(19,579)
Group shareholders' equity at March 31, 2011	**284,110**	**461,491**	**(46,341)**	**504**	**18,598**	**18,359**	**736,721**
Non controlling interests at January 1, 2011	**-**	**-**	**905**	**-**	**6,297**	**3,833**	**11,035**
Previous year's profit allocation	-	-		-	3,833	(3,833)	-
Changes in other reserves	-	-	(1)	-		-	(1)
Dividends distribution	-	-		-	(285)	-	(285)
Total comprehensive income for the period	-	-	(596)	-	-	1,104	508
Non controlling interests at March 31, 2011	**-**	**-**	**308**	**-**	**9,845**	**1,104**	**11,257**
Consolidated net equity at March 31, 2011	**284,110**	**461,491**	**(46,033)**	**504**	**28,443**	**19,463**	**747,978**

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 2011 to March 31st 2011. Economic and financial information are provided with reference to the first quarter of 2011 and 2010 whilst balance sheet information are provided with reference to March 31st 2011 and December 31st 2010.

Consolidated quarterly financial report of Safilo S.p.A. at March 31st, 2011, including quarterly condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.5 58/98 - T.U.F. - and subsequent amendments and additions. This quarterly financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual budget, they refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this quarterly financial report must be read in conjunction with the consolidated financial statements for the financial year ended 31st December 2010.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 27th April 2011.

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

As previously indicated, in preparing the consolidated quarterly financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31th December 2010 have been applied.

Starting from this interim report, the Group retroactively changed the classification of the receivable towards the "INPS central treasury fund" by adjusting the opening balances; this receivable relates to portion post employment benefit provision transferred by the Italian companies to the fund. This amount, classified in the item "Other non-current assets" until last financial year ended December 31st 2010, from March 31st 2011 has been classified as reduction of the debt for the post employment benefit provision (TFR) classified in the item "Employee benefits". The reclassification was made to improve the representation of the Group's financial position and it is justified by the fact that this asset, according to the law, is realized in combination with the settlement of the debt to employees.
The amount of the receivable reclassified at March 31 amounted to 11,814 thousand Euro (at December, 31 2010 11,323 thousand of Euro).

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

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

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

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

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

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

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

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

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

1.3 Consolidation method and consolidation area

During the quarter the consolidation area has included the U.S. real estate company TBR Inc., owner of the buildings which are located at the headquarters and distribution center of the American subsidiary Safilo USA. On February 14, 2011, the Group, which already owned 33.3% acquired the remaining 66.7% of the shares, bringing to 100% the percentage of ownership. The company previously accounted for under the equity method untill December 31, 2010 from the current quarterly report has been consolidated under the line-by-line method.

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

	Value	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	66,176,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidazione) – Padova	EUR	102,775	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Capital Int. S.A. - Lussemburgo (L)	EUR	31,000	100.0
Luxury Trade S.A - Lussemburgo (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	1,000,000	100.0
Safilo France S.a.r.l. - Parigi (F)	EUR	960,000	100.0
Safilo Gmbh - Colonia (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Mosca (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	51.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	51.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzen Limited- Shenzen (RC)	CNY	2,481,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	100.0
Safilo Retail (Shangai) Co. Ltd - (RC)	USD	5,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Atene (GR)	EUR	489,990	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
TBR Inc. - New Jersey (USA)	USD	621,000	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safint Eyewear de Mexico S.A. de C.V. - Cancun (MEX)	MXP	10,035,575	100.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0

1.4 Translation of financial statement in currencies other than Euro

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

Currency	Code	As of March 31, 2011	As of December 31, 2010	(Appreciation) /Depreciation %	Avg. for the first quarter 2011	2010	(Appreciation) /Depreciation %
US Dollar	USD	1.4207	1.3362	6.3%	1.3680	1.3829	-1.1%
Hong-Kong Dollar	HKD	11.0559	10.3856	6.5%	10.6535	10.7364	-0.8%
Swiss Franc	CHF	1.3005	1.2504	4.0%	1.2871	1.4632	-12.0%
Canadian Dollar	CAD	1.3785	1.3322	3.5%	1.3484	1.4383	-6.3%
Japanese Yen	YEN	117.6100	108.6500	8.2%	112.5703	125.4848	-10.3%
British Pound	GBP	0.8837	0.8608	2.7%	0.8539	0.8876	-3.8%
Swedish Krown	SEK	8.9329	8.9655	-0.4%	8.8642	9.9464	-10.9%
Australian Dollar	AUD	1.3736	1.3136	4.6%	1.3614	1.5293	-11.0%
South-African Rand	ZAR	9.6507	8.8625	8.9%	9.5875	10.3852	-7.7%
Russian Ruble	RUB	40.2850	40.8200	-1.3%	39.9976	41.2697	-3.1%
Brasilian Real	BRL	2.3058	2.2177	4.0%	2.2799	2.4916	-8.5%
Indian Rupee	INR	63.3450	59.7580	6.0%	61.9255	63.4796	-2.4%
Singapore Dollar	SGD	1.7902	1.7136	4.5%	1.7467	1.9395	-9.9%
Malaysian Ringgit	MYR	4.2983	4.0950	5.0%	4.1668	4.6590	-10.6%
Chinese Reminbi	CNY	9.3036	8.8220	5.5%	9.0028	9.4417	-4.6%
Korean Won	KRW	1,554.5100	1,499.0600	3.7%	1,530.7909	1581.4081	-3.2%
Mexican Peso	MXN	16.9276	16.5475	2.3%	16.5007	17.6555	-6.5%

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

1.5 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the various accounts in the financial statements, which uses the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.
Some valuation processes, in particular the most complex such as the calculation of permanent impairments in values for fixed assets, are only made in full for the preparation of the Annual financial statements when all the necessary information is available, unless "impairment" indicators exist that require an immediate valuation of a potential loss in value.

2. Notes on the consolidated balance sheet

2.1 Cash in hand and at bank

This account totals Euro 69,369 thousand, compared with Euro 88,267 thousand at 31st December 2010 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

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

(Euro/000)	March 31, 2011	March 31, 2010
Cash in hand and at bank	69,369	62,019
Bank overdrafts	(5,437)	(914)
Bank borrowings current	(10,729)	(13,695)
Total	**53,203**	**47,410**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	March 31, 2011	December 31, 2010
Gross value	320,631	302,097
Allowance for doubtful accounts and sales returns	(32,359)	(30,780)
Net value	**288,272**	**271,317**

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

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

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Use(-)	Transl. Diff.	Balance at March 31, 2011
Allowance for bad debts	19,668	1,498	(706)	224	20,684
Allowance for sales returns	11,112	1,065	(982)	480	11,675
Total	**30,780**	**2,563**	**(1,688)**	**704**	**32,359**

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:

	March 31, 2011	December 31, 2010
Raw materials	52,378	59,378
Work-in-progress	6,358	6,028
Finished products	212,912	216,301
Gross	**271,648**	**281,707**
Obsolescence provision (-)	(66,581)	(61,264)
Total	**205,067**	**220,443**

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

The movements in the aforementioned provision are shown below:

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Transl. Diff.	Balance at March 31, 2011
Obsolescence provision	61,264	6,736	(1,419)	66,581
Total	**61,264**	**6,736**	**(1,419)**	**66,581**

2.4 Derivative financial instruments

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

(Euro/000)	**March 31, 2011**	**December 31, 2010**
current assets:		
- Foreign currency contracts - Fair value through P&L	16	-
- Foreign currency contracts - Fair value through Equity	81	-
Total	**98**	**-**
Non current assets:		
- Interest rate swaps - cash flow hedge	718	177
Total	**718**	**177**

(Euro/000)	**March 31, 2011**	**December 31, 2010**
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	23	-
- Foreign currency contracts - Fair value through Equity	111	-
- Interest rate swaps - Fair value through P&L	1,154	1,827
Total	**1,289**	**1,827**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	292	265
Total	**292**	**265**

The net market value of the forward hedge contracts appearing in the financial statements to 31 March 2011 was negative for 37 thousand of Euro, calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate at balance sheet date.

The market value of the interest rate swap contracts appearing in the financial statements to 31 March 2011 totals 728 thousand of Euro and was estimated by specialist financial institutions based on normal market conditions. Group interest rate risk policy usually provides for the hedging of future financial flows that will appear in the accounts in subsequent years, and the related hedging effect must be suspended in the cash flow reserve and posted to the income statement in subsequent years as the expected flows appear.

At 31 March 2011 a portfolio of interest rate swap contracts was in place that, after the debt restructuring, no longer qualified as a hedging relationship; the fair value of these contracts was therefore entered directly to the income statement. The portfolio, which will expire in 2011, has a negative value of 1,154 thousand of Euro.

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

Interest rate swaps	**March 31, 2011**			**December 31, 2010**		
(Euro/000)	**Contractual value**		***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2011		49,000	(878)		49,000	(1,397)
Expiry year 2011	26,938		(276)	26,938		(430)
Expiry year 2012		2,170	18		2,170	2
Expiry year 2012	98,100		(292)	98,100		(265)
Expiry year 2014		25,000	700		25,000	175
Total	**125,038**	**76,170**	**(728)**	**125,038**	**76,170**	**(1,915)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**March 31, 2011**	**December 31, 2010**
VAT receivable	10,359	11,086
Tax credits and payments on account	8,665	10,214
Prepayments and accrued income	26,136	21,323
Receivables from agents	403	602
Other current receivables	14,006	17,246
Total	**59,569**	**60,471**

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

Accrued income and deferred charges at 31st March 2011 include:
prepaid royalty costs of Euro 15,597 thousand;
prepaid rent and operating leases of Euro 6,599 thousand;
prepaid advertising costs of Euro 1,474 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 14,006 thousand and mainly refer to:

- payments of minimum annual guarantees relating to 2011 royalties for a total amount of Euro 8,849 thousand;
- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,141 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 817 thousand;
- deposit payments due within 12 months for Euro 390 thousand;

2.6 Property, plant and equipment, net

Changes in tangible assets in the first quarter of 2011 are shown below:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at March 31, 2011
Gross value							
Land and buildings	132,019	93	(76)	-	9,863	(1,634)	140,265
Plant and machinery	185,180	1,530	(2,261)	-	-	(718)	183,731
Equipment and other assets	206,398	3,265	(934)	(128)	-	(4,630)	203,971
Assets under constructions	1,393	2,188	-	(1,330)	-	(3)	2,248
Total	**524,990**	**7,076**	**(3,271)**	**(1,458)**	**9,863**	**(6,985)**	**530,215**
Accumulated depreciation							
Land and buildings	36,115	868	(75)	-	-	(172)	36,736
Plant and machinery	125,395	2,283	(1,075)	-	-	(117)	126,486
Equipment and other assets	159,800	4,388	(584)	(128)	-	(2,941)	160,535
Total	**321,310**	**7,539**	**(1,734)**	**(128)**	**-**	**(3,230)**	**323,757**
Net value	**203,680**	**(463)**	**(1,537)**	**(1,330)**	**9,863**	**(3,755)**	**206,458**

Investments in tangible assets in the first quarter of 2011 totalled Euro 5,746 thousand, and mainly comprised:

Euro 3,838 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
Euro 1,094 thousand in the US companies, mainly in the retail chains in the America;
due to differences in the other Group companies.

2.7 Intangible assets

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

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Reclass.	Transl. diff.	Balance at March 31, 2011
Gross value						
Software	22,213	151	(31)	-	(609)	21,724
Trademarks and licenses	43,408	97	-	-	(33)	43,472
Other intangible assets	8,125	1	-	-	(177)	7,949
Intangible assets in progress	83	-	-	-		83
Total	**73,829**	**249**	**(31)**	**-**	**(819)**	**73,228**
Accumulated depreciation						
Software	17,077	807	(27)	-	(378)	17,479
Trademarks and licenses	36,712	854	-	-	(23)	37,543
Other intangible assets	6,308	107	-	-	(94)	6,321
Total	**60,098**	**1,768**	**(27)**	**-**	**(495)**	**61,344**
Net value	**13,731**	**(1,519)**	**(4)**	**-**	**(324)**	**11,884**

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 quarter 2011	First quarter 2010
Cost of sales	*3.2*	4,741	4,807
Selling and marketing expenses	*3.3*	1,419	2,208
General and administrative costs	*3.4*	3,147	3,471
Net value		**9,307**	**10,486**

2.8 Goodwill

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

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Transl. diff.	Balance at March 31, 2011
Goodwill	550,013	3,850	-	(23,079)	530,784
Net value	**550,013**	**3,850**	**-**	**(23,079)**	**530,784**

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
March 31, 2011	160,783	192,950	177,051	530,784
December 31, 2010	161,494	200,316	188,203	550,013

2.9 Investments in associates

Investments in associates refer to the following companies:

Company	Registered office or headquarters	% of share capital	Type of investment	Main activity
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 subs.	Commercial

The movements of shareholdings in associated companies in the first quarter of 2011 are shown below:

	January 1, 2010			Movements of the period			
(Euro/000)	Gross value	Revaluation/ (write-down)	Value at January 1, 2011	Share of results and write-down of divid. of assoc. comp.	Changes in the scope of consolid.	Transl. diff.	Value at March 31, 2011
TBR Inc.	437	69	506	-	(580)	74	-
Elegance I. Holdings Ltd	5,769	6,686	12,455	(384)	-	(738)	11,333
Optifashion As	353	(112)	241	-	-	-	241
Total	**6,559**	**6,643**	**13,202**	**(384)**	**(580)**	**(664)**	**11,574**

In February 2011, the Group acquired the remaining 66.7% of the shares of the American company TBR Inc., bringing to 100% the percentage of ownership. Starting from the current quarterly report the company has been consolidated under the line-by-line method.

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

2.10 Financial assets available for sale

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

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

	January 1, 2011			Movements for the year		
(Euro/000)	Gross value	Revaluation/ (write-down)	Net value	Increase/ (Decrease)	Revaluation/ (write-down)	Value at March 31, 2011
Gruppo Banco Popolare	4,096	(3,656)	440	(212)	44	272
Unicredit S.p.A.	48	6	54	-	(3)	51
Other	46	-	46	-	-	46
Total	**4,190**	**(3,650)**	**540**	**(212)**	**41**	**369**

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 73,476 thousand, of which Euro 703 thousand was set aside in the first quarter of 2011.

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

(Euro/000)	March 31, 2011	December 31, 2010
Deferred tax assets	128,296	123,478
Depreciation Fund (-)	(73,476)	(72,773)
Total net deferred tax assets	54,820	50,705
Deferred tax liabilities	(3,719)	(1,708)
Total	**51,101**	**48,997**

2.12 Other non-current assets

This item totals Euro 2,295 thousand compared with Euro 2,440 thousand; of this sum, Euro 2,096 relates to security deposits for leasing contracts for the retail companies' stores.

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

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	**March 31, 2011**	**December 31, 2010**
Short-term borrowings		
Bank overdrafts	5,437	1,222
Short-term bank loans	10,729	14,550
Short-term portion of long-term bank loans	1,199	1,250
Short-term portion of financial leasing	1,391	1,299
Debt to the factoring company	35,432	38,213
Other short-term loans	109	109
Total	**54,297**	**56,643**
Long-term borrowings		
Medium long-term loans	95,859	100,207
Ordinary bonds	181,988	181,755
Payables for financial leasing	5,071	5,486
Other medium long-term loans	346	346
Total	**283,264**	**287,794**
Total borrowings	**337,561**	**344,437**

At 31st March 2011, the Senior Loan was booked under "Medium-/long-term bank loans", and breaks down as follows:

- "Facility A1 –Tranche 1", totalling Euro 2.2 million, expiring 30th June 2012;
- "Facility A1 –Tranche 2", totalling Euro 24.8 million, expiring 30th June 2014;
- "Facility A2", in USD, totalling Euro 32.0 million, expiring 30th June 2012;
- "Facility A3", in USD, totalling Euro 36.6 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, not been used by cash as at 31st March 2011.

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

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

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

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

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

In 2010, the subsidiary Safilo S.p.A. purchased, in different instances, a total nominal value of approximately 10.3 million Euro - representing around 5.3% of total bonds outstanding. The total price paid was approximately 10.2 million Euro. The purchase was completed to reduce the Group's interest expense.
Following this purchase, the amount of bonds outstanding calculated with the amortised cost totalled 181,988 thousand Euro.

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

The following table illustrates the short term and medium/long term portions relating to lease contracts at 31st March 2011:

(Euro/000)	**March 31, 2011**	**December 31, 2010**
Short-term portion of financial leasing	1,391	1,299
Long-term portion of financial leasing	5,071	5,486
Total debt	**6,462**	**6,785**

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 34,845 thousand and by the subsidiary Safilo do Brasil for Euro 587 thousand.

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

(Euro/000)	**March 31, 2011**	**December 31, 2010**
Within 2 years	72,408	76,877
From 2 to 3 years	183,814	183,730
From 3 to 4 years	25,454	25,538
From 4 to 5 years	1,588	1,650
Total	**283,264**	**287,794**

The following table shows borrowings divided by currency:

(Euro/000)	**March 31, 2011**	**December 31, 2010**
Short-term		
Euro	41,758	39,920
Brasilian Real	607	895
Japanese Yen	1,738	2,802
Chinese Reminbi	10,104	12,923
Sek Swedish	91	103
Total	**54,297**	**56,643**
Medium long-term		
Euro	212,308	212,463
US Dollar	68,573	72,810
Brasilian Real	31	32
Yen	44	61
Chinese Reminbi	2,150	2,267
Sek Swedish	159	161
Total	**283,264**	**287,794**
Total borrowings	**337,560**	**344,437**

The following table details the credit lines granted to the Group, the uses and the lines available at 31st March 2011:

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	73,354	15,997	57,357
Credit lines on long-term bank loans	300,218	100,218	200,000
Total	**373,572**	**116,215**	**257,357**

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

	Net financial position *(Euro/000)*	March 31, 2011	December 31, 2010	Change
A	Cash and cash equivalents	69,369	88,267	(18,898)
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**69,369**	**88,267**	**(18,898)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(16,166)	(15,772)	(394)
G	Current portion of long-term borrowings	(1,199)	(1,250)	51
H	Other short-term borrowings	(36,931)	(39,621)	2,690
I	**Debts and other current financial liabilities (F+G+H)**	**(54,296)**	**(56,643)**	**2,347**
J	**Current financial position, net (D)+(E)+(I)**	**15,073**	**31,624**	**(16,551)**
K	Long-term bank borrowings	(95,859)	(100,207)	4,348
L	Ordinary bonds	(181,988)	(181,755)	(233)
M	Other long-term borrowings	(5,418)	(5,832)	414
N	**Debts and other non current financial liabilities (K+L+M)**	**(283,265)**	**(287,794)**	**4,529**
I	**Net financial position (J)+(N)**	**(268,192)**	**(256,170)**	**(12,022)**

Net debt was higher than at end-2010 due to normal seasonal changes in working capital and a real estate transaction. Excluding these factors, cash generation was positive. The net financial position was therefore better than in the same period of the previous year and the net debt to EBIT ratio was lower.

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	March 31, 2011	December 31, 2010
Trade payables for:		
Purchase of raw materials	31,196	42,357
Purchase of finished goods	54,414	62,762
Suppliers from subcontractors	3,977	4,944
Tangible and intangible assets	2,001	5,299
Commissions	5,541	5,744
Royalties	18,527	19,600
Advertising and marketing costs	29,581	27,941
Services	33,046	35,542
Total	**178,283**	**204,189**

2.15 Tax payables

At 31st March 2011, tax payables totalled Euro 27,210 thousand, versus Euro 17,795 thousand at 31st December 2010. Euro 17,426 thousand related to income tax payables, Euro 5,116 thousand to VAT payables and the remainder to withholding and local taxes.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	March 31, 2011	December 31, 2010
Payables to personnel and social security institutions	37,416	36,264
Premiums to clients	19,184	22,322
Agent fee payables	1,518	1,975
Payables to pension funds	874	1,320
Accrued advertising and sponsorship costs	907	875
Accrued interests on long-term loans	7,171	2,667
Other accruals and deferred income	6,514	3,194
Payables for dividends	2,243	2,294
Other current liabilities	657	1,387
Total	**76,484**	**72,298**

Payables to personnel and social security institutions principally refer to salaries and wages for March, which are paid during April, accrued thirteenth month's pay and holidays accrued but not taken.
Payables to minority shareholders refer to dividends that have already been approved by the shareholders' meetings but had not yet been paid at the balance sheet date.

It is considered that the book value of the "other current liabilities" approximates their fair value.

2.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Transl. diff.	Balance at March 31, 2011
Product warranty provision	5,474	222	(168)	(11)	5,517
Agents' severance indemnity	5,296	183	(5)	(2)	5,472
Provision for corporate restructuring	5,065	-	(300)	-	4,765
Other provisions for risks and charges	3,557	-	-	-	3,557
Provisions for risks - long term	**19,392**	**405**	**(473)**	**(13)**	**19,311**
Provisions for risks - short term	**6,679**	**3,000**	**(50)**	**(133)**	**9,496**
Total	**26,071**	**3,405**	**(523)**	**(146)**	**28,807**

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

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

The restructuring fund includes provisions made in the first half of 2009 for restructuring costs relating to the downsizing of Italian production sites. The decrease relates to the costs sustained for staff that left the company in the first quarter of 2011.

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

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

2.18 Employee benefit liability

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

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Uses/ Payments	Transl. diff.	Balance at March 31, 2011
Defined contribution plan	264	2,054	(1,377)	-	941
Defined benefit plan	31,832	-	(52)	(13)	31,767
Total	**32,096**	**2,054**	**(1,429)**	**(13)**	**32,708**

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

2.19 Other non-current liabilities

At 31st March 2011 other non-current liabilities totalled Euro 6,946 thousand, compared to Euro 7,265 thousand at 31st December 2010, and comprised:

- Euro 2,438 thousand for the value of liabilities resulting from the put options held by the minority shareholders of a subsidiary;
- Euro 3,734 thousand for the long-term payable relating to certain store rental contracts of US subsidiaries;
- Euro 282 thousand for the payable deriving from the agreement reached by a US subsidiary in settlement of a dispute that arose in relation to the use of a patent;
- the remaining portion, relating to non-current liabilities recorded on Group companies' balance sheets.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 31st March 2011, shareholders' equity amounted to Euro 747,978 thousand (of which Euro 11,257 thousand represent minority interests), against Euro 767,035 thousand at 31st December 2010 (of which 11,035 thousand represent minority interests).
In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus guarantee the company's continuity.
The Group constantly monitors the ratio between indebtedness and shareholders' equity, for the purpose of maintaining a balance, also in respect of the long-term loans currently outstanding.

2.20 Share capital

After this increase, the share capital of parent company Safilo Group S.p.A. at 31st March 2011 amounted to Euro 284,109,825, consisting of 56,821,965 ordinary shares with a nominal value of Euro 5.00 each.

2.21 Share premium reserves

The share premium reserve represents:

- the higher value attributed on the conferment of shares by the subsidiary Safilo S.p.A. compared to the par value of the corresponding increase in share capital;
- the higher price paid compared to the par value of the shares, at the time the shares were placed on the Electronic Stock Market (MTA), net of listing costs;
- the premium resulting from conversion of convertible bonds;
- the premium received from the exercise of stock options by their holders;
- the premium booked following the capital increase of 2010.

The share premium reserve totalled Euro 461,491,313.69 at 31st March 2011 unchanged from 31st December 2010.

2.22 Retained earnings and other reserves

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

2.23 Fair value and cash flow reserve

This item breaks down as follows:

		Consoldated statement of comprehensive income			
(Euro/000)	**Balance at January 1, 2011**	**Profit (loss) of the period**	**Profit (loss) reclass to Inc. Stat.**	**Total Profit (loss) of the period**	**Balance at March 31, 2011**
Cash flow reserve	(26)	528	-	528	502
Fair value reserve	5	(3)	-	(3)	2
Total	**(21)**	**525**	**-**	**525**	**504**

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

2.24 Piani di *stock option*

During the quarter the Board of Directors, at its meeting to approve the results for the financial year ended 31.12.2010, assigned the third tranche of the 2010-2013 Stock Option Plan approved by the Extraordinary General Meeting of 5 November 2010.

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

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

	Options attributable to Executive members of the Board of Directors		Options attributable to managers		Grand total	
	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price
Outstanding at the beginning of the year	**190,000**	**8.047**	**510,000**	**8.047**	**700,000**	**8.047**
Granted during the period	95,000	12.550	275,000	12.550	370,000	12.550
Not vested	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Lapsed	-	-	-	-	-	-
Outstanding at period end	**285,000**	**9.548**	**785,000**	**9.624**	**1,070,000**	**9.604**

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first quarter of 2011 versus the same period the previous year, please refer to the Report on Operations.

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First quarter 2011	First quarter 2010
Purchase of raw materials and finished goods	72,699	63,474
Capitalisation of costs for increase in tangible assets (-)	(2,230)	(1,540)
Change in inventories	7,468	14,713
Payroll and social security contributions	26,771	24,245
Subcontracting costs	5,275	3,657
Depreciation	4,741	4,807
Rental and operating leases	198	261
Other industrial costs	2,712	2,774
Total	**117,634**	**112,391**

The change in inventories can be broken down as follows:

(Euro/000)	First quarter 2011	First quarter 2010
Finished products	866	11,368
Work-in-progress	(401)	(872)
Raw materials	7,003	4,217
Total	**7,468**	**14,713**

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

	First quarter 2011	First quarter 2010
Padua Headquarters	914	866
Production facilities	4,897	4,821
Commercial companies	1,261	1,211
Retail companies	838	1,150
Total	**7,910**	**8,048**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First quarter 2011	First quarter 2010
Payroll and social security contributions	26,507	25,660
Commissions to sales agents	18,402	17,834
Royalty expenses	25,433	24,708
Advertising and promotional costs	32,599	31,185
Amortization and depreciation	1,419	2,208
Logistic costs	4,395	4,588
Consultants fees	1,117	1,070
Rental and operating leases	3,411	3,935
Utilities	279	318
Provision for risks	181	125
Other sales and marketing expenses	5,516	5,064
Total	**119,259**	**116,695**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First quarter 2011	First quarter 2010
Payroll and social security contributions	15,082	15,426
Allowance for doubtful accounts and loss on trade receivables	1,498	2,514
Amortization and depreciation	3,147	3,471
Consultants fees	2,688	2,393
Rental and operating leases	2,245	2,221
EDP costs	1,172	1,127
Insurance costs	662	730
Utilities, security and cleaning	1,813	1,679
Taxes (other than on income)	1,064	892
Other general and administrative expenses	3,005	2,685
Total	**32,376**	**33,138**

3.5 Other income/(expenses), net

This item breaks down as follows:

(Euro/000)	First quarter 2011	First quarter 2010
Losses on disposal of assets	(155)	(55)
Other operating expenses	(3,130)	(95)
Gains on disposal of assets	22	337
Other operating incomes	3,251	175
Total	**(12)**	**362**

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

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

3.6 Share of income/(loss) of associates

This item showed a loss of Euro 384 thousand, compared with a profit of Euro 43 thousand in the same period of 2010, and includes the profit and losses deriving from the valuation at equity of shareholdings in associates

3.7 Interest expense and other financial charges, net

This item breaks down as follows:

(Euro/000)	First quarter 2011	First quarter 2010
Interest expense on loansl	1,231	3,314
Interest expense and charges on High Yield	4,679	4,922
Bank commissions	1,288	1,131
Negative exchange rate differences	1,854	7,312
Financial discounts	259	440
Other financial charges	641	460
Total financial charges	**9,952**	**17,579**
Interest income	93	166
Positive exchange rate differences	6,689	5,012
Other financial income	134	34
Total financial income	**6,916**	**5,212**
Total financial charges, net	**3,036**	**12,367**

3.8 Income tax expenses

(Euro/000)	First quarter 2011	First quarter 2010
Current taxes	(13,438)	(9,291)
Deferred taxes	4,938	561
Total	**(8,500)**	**(8,730)**

As shown in note 2.11 “Deferred tax assets and deferred tax liabilities”, deferred tax assets (net of deferred tax liabilities) relating to losses for the period of certain Group companies and the temporary differences that emerged between the tax base of an asset or liabilities and the related book value, were written down by a total of Euro 703 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 quarter 2011	First quarter 2010
Profit/(loss) for ordinary shares (in Euro/000)	18,359	1,709
Average number of ordinary shares (in thousands)	56,822	26,197
Earnings per share - base	**0.323**	**0.065**

Diluited

	First quarter 2011	First quarter 2010
Profit/(loss) for ordinary shares (in Euro/000)	18,359	1,709
Profit for preferred shares	-	-
Profit/(loss) in income statement	**18,359**	**1,709**
Average number of ordinary shares (in thousands)	56,822	26,197
Dilution effects:		
- stock option (in thousands)	251	-
Total	**57,073**	**26,197**
Earnings per share - diluted	**0.322**	**0.065**

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

3.10 Seasonality

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

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

In the first quarter of 2011, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of 28th July 2006.

3.12 Dividends

In the first quarter of 2011, parent company Safilo Group S.p.A. did not pay any dividends to its shareholders. The parent company closed 2010 with a loss.

3.13 Segment reporting

The operating segments (Wholesale and Retail) were identified by the management in line with the management and control model used for the Group. In particular, the criteria applied for the identification of these segments was based on the ways in which the management manages the Group and attributes operational responsibilities. Information by segment relating to the quarters ending 31st March 2011 and 31st March 2010 is shown in the tables below:

March 31, 2011 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	2,568	-	(2,568)	-
- to third parties	284,523	16,141	-	300,664
Total net sales	**287,091**	**16,141**	**(2,568)**	**300,664**
Gross profit	**171,679**	**11,351**	**-**	**183,030**
Operating profit	**34,538**	**(3,155)**	**-**	**31,383**
Share of income of associates	(384)	-		(384)
Financial charges, net				(3,036)
Income taxes				(8,500)
Net profit				**19,463**
Gross profit margin	59.8%	70.3%		60.9%
Operating profit margin	12.0%	-19.5%		10.4%
Other information				
Capital expenditure	5,675	320		5,995
Depreciation & amortization	8,007	1,300		9,307

March 31, 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,954	-	(3,954)	-
- to third parties	267,475	18,496	-	285,971
Total net sales	**271,429**	**18,496**	**(3,954)**	**285,971**
Gross profit	**161,811**	**11,748**	**21**	**173,580**
Operating profit	**26,187**	**(2,077)**	**(1)**	**24,109**
Share of income of associates	43	-		43
Financial charges, net				(12,367)
Income taxes				(8,730)
Net profit				**3,055**
Gross profit margin	59.6%	63.5%		60.7%
Operating profit margin	9.6%	-11.2%		8.4%
Other information				
Capital expenditure	6,001	392		6,393
Depreciation & amortization	8,502	1,984		10,486

RELATED PARTIES TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**March 31, 2011**	**December 31, 2010**
Receivables			
Optifashion As	(a)	14	73
Elegance International Holdings Ltd	(b)	-	8
Companies controlled by HAL Holding N.V.	(c)	10,974	12,407
Total		**10,988**	**12,488**
Trade Payables			
Elegance International Holdings Ltd	(b)	3,713	4,823
Companies controlled by HAL Holding N.V.	(c)	274	364
Long term borrowings (High Yield)			
HAL International Investments N.V.	(c)	98,657	98,657
Total		**102,645**	**103,843**

Related parties transactions *(Euro/000)*	**Relationship**	**March 31, 2011**	**March 31, 2010**
Revenues			
Optifashion As	(a)	52	-
Elegance International Holdings Ltd	(b)	1	-
Companies controlled by HAL Holding N.V.	(c)	11,429	11,329
Total		**11,481**	**11,329**
Operating expenses			
Elegance International Holdings Ltd	(b)	2,641	3,524
Tbr Inc.	(b)	-	310
Companies controlled by HAL Holding N.V.	(c)	275	230
Financial expenses			
HAL International Investments N.V.	(c)	2,374	n.a.
Total		**5,289**	**4,064**

(a) Unconsolidated subsidiary

(b) Associated company

(c) Companies controlled by Group's reference shareholder

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

- Optifashion As is a production and commercial company based in Istanbul, Turkey, of which the Safilo Group owns 50%.
- Elegance International Holdings Limited ("Elegance"), a company listed on the Hong Kong stock exchange, is 23.05%-owned by Safilo Far East Limited (an indirect subsidiary) and produces optical products for the Group in Asia. The price and other conditions of the production agreement between Safilo Far East Limited and Elegance are in line with those applied by Elegance to its other customers.
- The companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the Pearle Europe and GrandVision Groups, with which Safilo carries out commercial transactions in line with market conditions.
- HAL International Investments N.V., during the restructuring process of the Group, acquired from third parties 50,99% of Safilo Capital International Senior Notes (High Yield).

TBR Inc., on 14 February 2011, the Group acquired 66.7% of this company, turning it into a wholly-owned subsidiary. The purchase price was USD 9.3 million. The subsidiary Safilo USA leases its head office and distribution centre in the U.S. (New Jersey) from the above mentioned company.

In addition, during the year the shareholders of Only 3T S.r.l. which holds a stake of 10.02% in Safilo Group S.p.A. have accrued by various way remunerations for a total amount of Euro 820 thousand.

CONTINGENT LIABILITIES

The Group does not have any significant contingent liabilities not covered by appropriate provisions. Nevertheless, as of the balance sheet date, various legal actions involving the parent company and certain Group companies were pending. These proceedings remained broadly unchanged as of 31st December 2010, and, although these actions are considered to be groundless, a negative outcome beyond estimates could have adverse effects on the financial results of the Group.

COMMITMENTS

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

For the Board of Directors
The Chief Executive Officer
Roberto Vedovotto

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

The manager responsible for the preparation of the company's financial documents, Mr. Francesco Tagliapietra, hereby declares, in accordance with paragraph 2, article 154 bis of the Consolidated Finance Act (TUF), that the accounting information contained in these quarterly financial statements to 31st March 2011 corresponds to the accounting results, registers and records.

Padua, 27th April 2011

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