Half year Financial Report

for the period ended June 30th, 2018

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This interim report is available on the Company's website:

www.safilogroup.com

SAFILO GROUP S.p.A.

Registered Office

Settima Strada, 15

35129 Padua - Italy

Contents

Board of Directors, committees and auditors

Board of Directors (1)

Chairman	Eugenio Razelli
Chief Executive Officer	Angelo Trocchia
Independent Director	Jeffrey A. Cole
Director	Melchert Frans Groot
Independent Director	Robert Polet
Independent Director	Ines Mazzilli
Independent Director	Guido Guzzetti
Independent Director	Catherine Gèrardin-Vautrin
Independent Director	Cinzia Morelli-Verhoog

Board of Statutory Auditors (2)

Chairman	Carmen Pezzuto
Regular Auditor	Franco Corgnati
Regular Auditor	Bettina Solimando
Alternate Auditor	Marzia Reginato
Alternate Auditor	Gianfranco Gaudioso

Supervisory Committe (3)

Chairman	Franco Corgnati
	Ines Mazzilli
	Carlotta Boccadoro

Control Risk and Sustainability Committee (3)

Chairman	Ines Mazzilli
	Melchert Frans Groot
	Guido Guzzetti

Remuneration and Nomination Committe (3)

Chairman	Jeffrey A. Cole
	Robert Polet
	Cinzia Morelli-Verhoog

Transactions with Related Parties Committee (3)

Chairman	Ines Mazzilli
	Guido Guzzetti
	Catherine Gèrardin-Vautrin

Independent Auditors

Deloitte & Touche S.p.A.

(1) Appointed by the Shareholders' Meeting held on April 24th, 2018
(2) Appointed by the Shareholders' Meeting held on April 26th, 2017
(3) Appointed by the Board of Directors' Meeting held on April 24th, 2018

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, with the legal seat in Padova, via 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 more than 80 years and is the second largest worldwide producer of sunglasses and prescription frames. Safilo is active in the design, manufacture and wholesale and retail distribution of eyewear products. Safilo is a global leader in the high-end eyewear segment of the market and also one of the leading 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 controlled 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 and product developers 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 proprietary brands, selected according to their competitive positioning in the segmentation of the eyewear market. Safilo has extensively complemented its proprietary brand portfolio with numerous brands from the luxury and fashion industry, rooted in long-term relationships with licensors through license agreements.

The Group's brands include Carrera, Oxydo, Polaroid, Safilo, Smith– and the licensed brands Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Dior, Dior Homme, Elie Saab, Fendi, Fossil, Givenchy, havaianas, Jack Spade, Jimmy Choo, Juicy Couture, kate spade new york, Liz Claiborne, Marc Jacobs, Max Mara, Max&Co., Moschino, Love Moschino, Pierre Cardin, rag & bone, Rebecca Minkoff, Saks Fifth Avenue, Swatch and Tommy Hilfiger.

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2018	%	First semester 2017	%
Net sales	492.2	100.0	547.2	100.0
Cost of sales	(238.1)	(48.4)	(260.0)	(47.5)
Gross profit	254.1	51.6	287.2	52.5
Ebitda	21.7	4.4	24.1	4.4
Ebitda pre non-recurring items	25.1	5.1	27.8	5.1
Operating profit/(loss)	(0.4)	(0.1)	3.3	0.6
Operating profit/(loss) pre non-recurring items	3.1	0.6	7.0	1.3
Group profit/(loss) before taxes	(10.0)	(2.0)	(4.0)	(0.7)
Profit/(Loss) attributable to the Group	(13.9)	(2.8)	(9.6)	(1.8)
Profit/(Loss) attributable to the Group pre non-recurring items	(10.4)	(2.1)	(6.6)	(1.2)

Economic data (Euro in millions)	Second quarter 2018 (unaudited)	%	Second quarter 2017 (unaudited)	%
Net sales	241.3	100.0	312.6	100.0
Gross profit	126.6	52.5	170.4	54.5
Ebitda	10.3	4.3	33.7	10.8
Ebitda pre non-recurring items	12.1	5.0	34.0	10.9

Balance sheet data (Euro in millions)	June 30, 2018	%	December 31, 2017	%
Total assets	1,189.5	100.0	1,160.5	100.0
Total non-current assets	550.1	46.2	554.6	47.8
Capital expenditure	14.7	1.2	40.2	3.5
Net invested capital	700.9	58.9	664.9	57.3
Net working capital	251.7	21.2	231.6	20.0
Net financial position	(171.1)	(14.4)	(131.6)	(11.3)
Group Shareholders' equity	529.8	44.5	533.2	45.9

Financial data (Euro in millions)	First semester 2018	First semester 2017
Cash flow operating activity	(24.3)	(36.4)
Cash flow investing activity	(13.0)	(20.8)
Cash flow financing activity	125.0	(0.0)
Closing net financial indebtedness (short-term)	108.9	37.2
Free cash flow	(37.3)	(57.2)

Earnings/(Losses) per share (in Euro)	First semester 2018	First semester 2017
Earnings/(Losses) per share - basic	(0.222)	(0.153)
Earnings/(Losses) per share - diluted	(0.222)	(0.153)
No. shares in share capital	62,659,965	62,659,965

Group personnel	June 30, 2018	December 31, 2017
Punctual at period end	6,727	7,109

It should be noted that:

- certain figures in this report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them;
- the percentage variations and incidences in the tables have been calculated on the basis of data expressed in thousands and not those which are shown, rounded to the nearest million.

Certain “alternative performance indicators”, which are not foreseen in the IFRS accounting principles have been used in this interim Report. Their meaning and content is given below:

- “EBITDA” stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;
- “EBITDA LTM adjusted” stands for EBITDA calculated for the prior 12 consecutive months ending on the date of measurement before non-recurring items;
- “Capital expenditure” refers to purchases of tangible and intangible fixed assets;
- “Net invested capital” refers to the algebraic sum of shareholders’ equity of the Group and minority interests and the “Net financial position” (see below);
- “Free Cash Flow” means the algebraic sum of cash flow from/(for) operating activities and the cash flow from/(for) investing activities;
- “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. Such indicator does not include the valuation at the reporting date of derivative financial instruments;
- “Non-recurring items” refers to charges not related to the ordinary operations. The table below summarizes the reconciliation between the economic indicators and their adjusted value per non-recurring items:

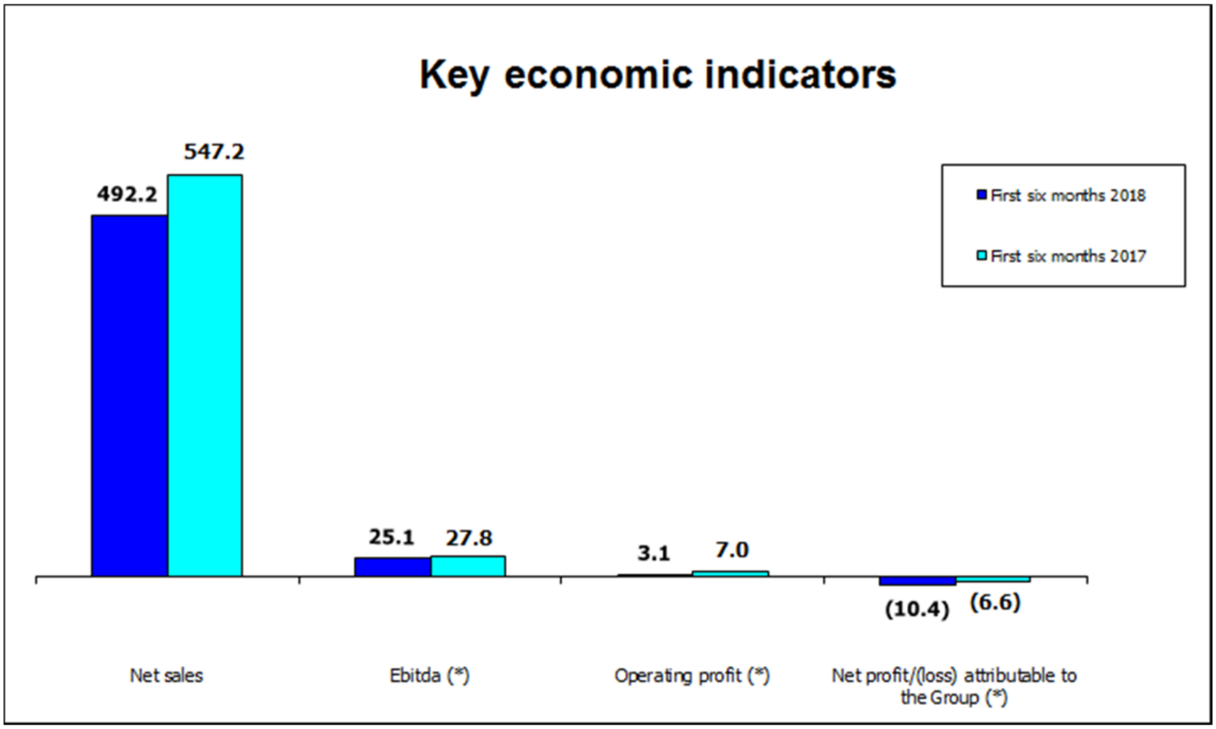
	First semester 2018			First semester 2017		
(Euro in millions)	Ebitda	Operating profit / (loss)	Profit / (Loss) attributable to the Group	Ebitda	Operating profit / (loss)	Profit / (Loss) attributable to the Group
Economic indicators	**21.7**	**(0.4)**	**(13.9)**	**24.1**	**3.3**	**(9.6)**
Restructuring costs and other non recurring costs	3.5	3.5	3.5	3.6	3.7	3.7
Tax effect on non recurring items	-	-	0.0	-	-	(0.7)
Economic indicators pre non recurring items	**25.1**	**3.1**	**(10.4)**	**27.8**	**7.0**	**(6.6)**

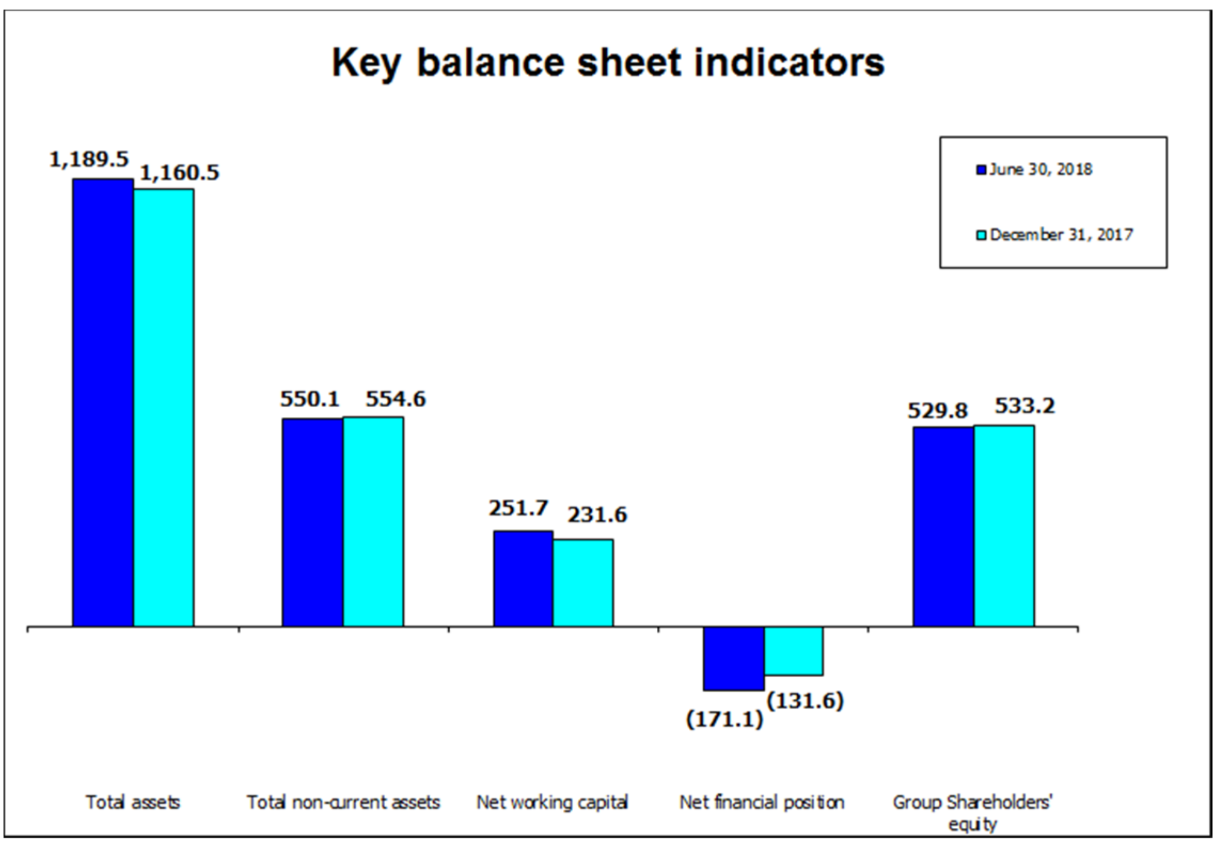
- In the six months of 2018, the adjusted EBITDA excludes non-recurring costs for Euro 3.5 million, mainly related to the completion of the CEO succession plan and reorganization costs in North America, and it includes an income of Euro 19.5 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 39 million for the full year 2018.

  In the six months of 2017, the adjusted EBITDA excluded non-recurring costs for Euro 3.7 million, mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives, and it included an income of Euro 21.5 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 43 million for the full year 2017.

Disclaimer

This interim 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.





(*) adjusted pre non-recurring items

Information on Group economic results

Consolidated income statement (Euro in millions)	**First semester 2018**	**%**	**First semester 2017**	**%**	**Change %**
Net sales (*)	492.2	100.0	547.2	100.0	-10.0%
Cost of sales	(238.1)	(48.4)	(260.0)	(47.5)	-8.4%
Gross profit	**254.1**	**51.6**	**287.2**	**52.5**	**-11.5%**
Selling and marketing expenses	(202.3)	(41.1)	(216.6)	(39.6)	-6.6%
General and administrative expenses	(69.1)	(14.0)	(85.3)	(15.6)	-19.0%
Other operating income/(expenses)	16.9	3.4	18.0	3.3	-5.8%
Operating profit / (loss)	**(0.4)**	**(0.1)**	**3.3**	**0.6**	**n.s.**
Financial charges, net	(9.7)	(2.0)	(7.3)	(1.3)	32.3%
Profit / (Loss) before taxation	**(10.0)**	**(2.0)**	**(4.0)**	**(0.7)**	**n.s.**
Income taxes	(3.9)	(0.8)	(5.6)	(1.0)	-30.1%
Net profit / (loss)	**(13.9)**	**(2.8)**	**(9.6)**	**(1.8)**	**45.1%**
Net profit/(loss) attributable to minority interests	-	-	-	-	
Net profit / (loss) attributable to the Group	**(13.9)**	**(2.8)**	**(9.6)**	**(1.8)**	**45.1%**
EBITDA	**21.7**	**4.4**	**24.1**	**4.4**	**-10.2%**

Economic indicators pre non-recurring items	**First semester 2018**	**%**	**First semester 2017**	**%**	**Change %**
EBIT pre non-recurring items	**3.1**	**0.6**	**7.0**	**1.3**	**-54.9%**
EBITDA pre non-recurring items	**25.1**	**5.1**	**27.8**	**5.1**	**-9.5%**
Net profit / (loss) attributable to the Group pre non-recurring items	**(10.4)**	**(2.1)**	**(6.6)**	**(1.2)**	**56.8%**

(*) At constant exchange rates, 2018 first semester net sales decreased by 4.3% compared to 2017, amounting to Euro 523.5 million.

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

In the first semester 2018, Safilo's total net sales equaled Euro 492.2 million, contracting by Euro 23.7 million or 4.3% at constant exchange compared to the same period of 2017 (-10.0% at current exchange rates). Sales performance was mainly affected by the negative underlying business trends recorded in the South European countries, where a subdued start to the sun season in March continued also into the second quarter. Excluding the impact from forex, trends in North America remained soft behind a still weak trading in department stores and the ongoing reorganization of the Group salesforce. On the positive side, emerging markets and the optical business of prescription frames reported positive trends. Total revenues, excluding the Gucci business, declined 3.7% at constant exchange rates.

First semester 2018 economic performance reflected, on one side, some softness at the gross margin level mainly due to a negative impact of foreign exchanges and sales mix, not fully counterbalanced by higher plant efficiencies achieved. On the other hand, the operating performance benefitted from the overall positive impact of the savings achieved in overhead costs, totaling approximately Euro 13 million at the end of June.

In the first semester 2018 **Gross profit** equaled Euro 254.1 million, down 11.5% compared to Euro 287.2 million in the first semester of 2017, with the gross margin at 51.6% of sales from 52.5% in the first semester 2017. The margin dilution equaled 40 basis points at constant currency.

In the first semester 2018 **EBITDA pre non-recurring items** was Euro 25.1 million, down 9.5% compared to the adjusted EBITDA of Euro 27.8 million recorded in the first semester 2017. The adjusted EBITDA margin equaled 5.1% of sales, in line with the margin achieved in the first semester 2017. At constant exchange rates, EBITDA pre non-recurring items grew slightly, with the margin up 30 basis points compared to last year.

In the first semester 2018 **EBIT pre non-recurring items** equaled Euro 3.1 million, decreasing by 54.9% compared to the adjusted EBIT of Euro 7.0 million recorded in the first semester 2017. The adjusted EBIT margin equaled 0.6% of sales from 1.3% in the first semester 2017. The margin was substantially in line with last year at constant exchange rates.

In the first semester 2018 total **net financial charges** equaled Euro 9.7 million compared to Euro 7.3 million in the first semester 2017, reflecting an increase of net interest charges, due to the higher net debt, as well as an higher negative impact of net exchange rates differences.

In the first semester 2018 **Group net result pre non-recurring items** equaled a loss of Euro 10.4 million compared to the adjusted net loss of Euro 6.6 million recorded in the first semester 2017.

Consolidated income statement (Euro in millions)	**Second quarter 2018 (unaudited)**	**%**	**Second quarter 2017 (unaudited)**	**%**	**Change %**
Net sales (*)	241.3	100.0	312.6	100.0	-22.8%
Gross profit	**126.6**	**52.5**	**170.4**	**54.5**	**-25.7%**
EBITDA	**10.3**	**4.3**	**33.7**	**10.8**	**-69.4%**

Economic indicators pre non-recurring items	**Second quarter 2018 (unaudited)**	**%**	**Second quarter 2017 (unaudited)**	**%**	**Change %**
EBITDA pre non-recurring items	**12.1**	**5.0**	**34.0**	**10.9**	**-64.5%**

(*) At constant exchange rates, 2018 secon quarter net sales decreased by 19.1% compared to 2017, amounting to Euro 252.8 million.

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

In the second quarter 2018 Group total net sales equaled Euro 241.3 million, down 19.1% at constant exchange rates compared to the second quarter 2017 (-22.8% at current exchange rates). Sales performance in the quarter reflected a negative high-single digit underlying performance, mainly due to the unfavorable weather conditions affecting the sun business in the South European countries.
The quarterly performance compared to the second quarter 2017 was also influenced by a challenging comparison base specifically in Europe and emerging markets, where products undelivered in the first quarter 2017 due to the difficult start-up of the new information system in the Padua DC, were all finally shipped within the second quarter 2017.
Also in the quarter, the underlying performance of the prescription frames business was positive.

In the second quarter 2018, the economic performance reflected the negative top line trends in terms of volumes and mix and the suboptimal operating leverage due the seasonal quarterly phasing of marketing and selling costs.

In the second quarter 2018 **Gross profit** equaled Euro 126.6 million, down 25.7% compared to Euro 170.4 million in the second quarter 2017. Gross margin equaled 52.5% of sales compared to 54.5% in the second quarter 2017.

In the second quarter 2018 **EBITDA pre non-recurring items** was Euro 12.1 million, down 64.5% compared to Euro 34.0 million in the second quarter 2017, with the adjusted EBITDA margin moving to 5.0% of sales from 10.9% in the second quarter 2017.

Net sales by geographical area	**First six months**					
(Euro in millions)	**2018**	**%**	**2017**	**%**	**Change %**	**Change % (*)**
Europe	239.9	48.7	261.8	47.8	-8.3%	-7.2%
North America	183.8	37.3	221.8	40.5	-17.2%	-7.7%
Asia Pacific	32.5	6.6	28.9	5.3	12.3%	21.9%
Rest of the world	36.0	7.3	34.7	6.3	3.8%	16.7%
Total	**492.2**	**100**	**547.2**	**100**	**-10.0%**	**-4.3%**

Net sales by geographical area	**Second quarter**					
(Euro in millions)	**2018**	**%**	**2017**	**%**	**Change %**	**Change % (*)**
Europe	116.4	48.2	163.3	52.2	-28.7%	-27.7%
North America	89.0	36.9	107.4	34.3	-17.1%	-10.9%
Asia Pacific	18.2	7.5	17.9	5.7	1.8%	8.0%
Rest of the world	17.7	7.4	24.1	7.7	-26.3%	-17.9%
Total	**241.3**	**100**	**312.6**	**100**	**-22.8%**	**-19.1%**

(*) Sales performance at constant exchange rates.

Europe

In the first semester 2018 net sales in Europe equaled Euro 239.9 million, down 7.2% at constant exchange rates and 8.3% at current exchange rates compared to the same period of 2017.

In the second quarter 2018 net sales in Europe reached Euro 116.4 million, down 27.7% at constant exchange rates and 28.7% at current exchange rates compared to the same quarter of 2017.

North America

In the first semester 2018 net sales in North America equaled Euro 183.8 million, down 7.7% at constant exchange rates and 17.2% at current exchange rates compared to the same period of 2017.

In the second quarter 2018 net sales were Euro 89.0 million, down 10.9% at constant exchange rates and 17.1% at current exchange rates compared to the same quarter of 2017.

At constant exchange rates, wholesale revenues in North America declined by 6.9% and 8.6%, respectively in the first semester and in second quarter 2018, reflecting the persisting weakness in department stores and the ongoing reorganization of the Company salesforce.

Sales of the 82 Solstice stores in the United States (103 stores at the end of June 2017) were Euro 26.5 million in the first semester 2018 and Euro 14.7 million in the second quarter, declining respectively 11.8% and 20.6% at constant exchange rates compared to the same periods of 2017. This, in part, was caused by the closing of 21 stores since June 2017. Same store sales performance was negative by 4.9% in the first semester and by 9.9%

in the second quarter 2018.

Asia Pacific

In the first semester 2018 net sales in Asia equaled Euro 32.5 million, up 21.9% at constant exchange rates and 12.3% at current exchange rates compared to the same period of 2017.

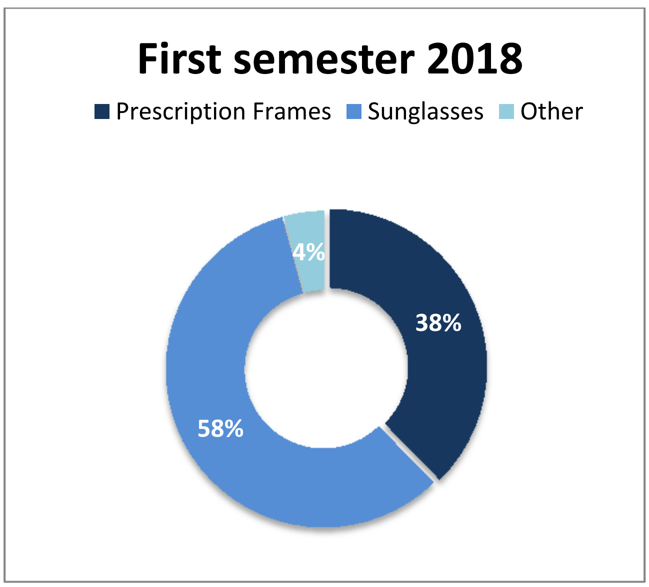
In the second quarter 2018, net sales were Euro 18.2 million, up 8.0% at constant exchange rates and 1.8% at current exchange rates compared to the same quarter of 2017.

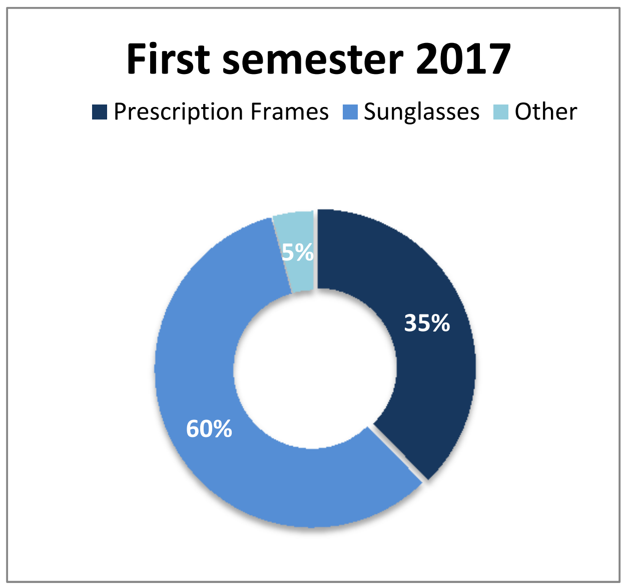
Rest of the World

In the first semester 2018 net sales in the Rest of the World equaled Euro 36.0 million, up 16.7% at constant exchange rates and 3.8% at current exchange rates compared to the same period of 2017.

In the second quarter 2018, net sales were Euro 17.7 million, down 17.9% at constant exchange rates and 26.3% at current exchange rates compared to the same quarter of 2017, due to a challenging comparison base.

The charts below summarize the breakdown of net sales for the first six months 2018 and 2017 by product category:





Analysis by distribution channel – Wholesale / Retail

The following table shows key performance indicators for each operating segment:

	WHOLESALE				RETAIL			
(Euro million)	First semester 2018	First semester 2017	Change	Change %	First semester 2018	First semester 2017	Change	Change %
Net sales to third parties	465.7	513.6	(47.9)	-9.3%	26.5	33.6	(7.1)	-21.1%
EBITDA (*)	30.3	32.8	(2.5)	-7.8%	(5.1)	(5.0)	(0.1)	2.0%
%	*6.5%*	*6.4%*			*(19.4)%*	*(15.0)%*		

(*) Pre non recurring items in 2018 in wholesale segment for 3.5 million Euro (3.6 million Euro in 2017).

Turnover for the wholesale segment in the first six months of 2018 amounts to Euro 465.7 million compared to Euro 513.6 million of the same period of 2017, marking a decrease of 9.3% at current exchange rates (-3.8% at constant exchange rates).
The EBITDA adjusted margin for the first six months of 2018 is 6.5%, compared to 6.4% of the same period of 2017.

The Solstice retail chain, which currently numbers 82 stores (103 stores at the end of June 2017), recorded sales of Euro 26.5 million in the first six months of 2018, compared to Euro 33.5 million of the same period of the previous year marking a decrease of 21.1% at current exchange rates (-11.8% at constant exchange rates).

Balance sheet reclassified

Balance sheet (Euro million)	**June 30, 2018**	**December 31, 2017**	**Change**
Trade receivables	185.8	178.7	7.1
Inventory, net	245.2	257.7	(12.5)
Trade payables	(179.3)	(204.9)	25.6
Net working capital	**251.7**	**231.6**	**20.2**
Tangible assets	184.1	188.3	(4.2)
Intangible assets and goodwill	285.9	285.0	0.9
Financial assets	-	-	-
Non-current assets held for sale	-	1.3	(1.3)
Net fixed assets	**469.9**	**474.5**	**(4.6)**
Employee benefit liability	(27.7)	(28.4)	0.7
Other assets / (liabilities), net	6.9	(12.9)	19.8
NET INVESTED CAPITAL	**700.9**	**664.9**	**36.0**
Cash in hand and at bank	112.9	76.3	36.7
Short term borrowings	(284.1)	(65.4)	(218.7)
Long term borrowings	-	(142.5)	142.5
NET FINANCIAL POSITION	**(171.1)**	**(131.6)**	**(39.5)**
Group Shareholders' equity	(529.8)	(533.2)	3.4
Non-controlling interests	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**(529.8)**	**(533.2)**	**3.4**

Cash flow

The summary statement of cash flows for the first six months ended June 30 2018, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro million)	**First semester 2018**	**First semester 2017**	**Change**
Cash flow operating activities	(24.3)	(36.4)	12.1
Cash flow investing activities	(13.0)	(20.8)	7.8
Free cash flow	**(37.3)**	**(57.2)**	**19.9**

In the first six months of 2018, Free Cash Flow was negative for Euro 37.3 million compared to a negative flow of Euro 57.2 million in the first six months of 2017.
The lower cash absorption of the period compared to 2017 first semester was mainly driven by the lower absorption of cash from Net Working Capital, behind the decrease of inventories and related days on hand improving by 5 days, and a decrease of cash flow for investing activities.
In the first six months of 2018, Cash Flow for investing activities was Euro 13.0 million, driven by investments in the supply network and in Information Technology.

Net working capital

Net working capital (Euro million)	**June 30, 2018**	**June 30, 2017**	**Change vs June 2017**	**December 31, 2017**	**Change vs December 2017**
Trade receivables, net	185.8	235.9	(50.1)	178.7	7.1
Inventories	245.2	271.1	(25.8)	257.7	(12.5)
Trade payables	(179.3)	(223.5)	44.2	(204.9)	25.6
Net working capital	**251.7**	**283.5**	**(31.7)**	**231.6**	**20.2**
% on net sales LTM	*25.7%*	*24.7%*		*22.4%*	

Net working capital at 30 June 2018 amounted to Euro 251.7 million compared with Euro 283.5 million in the same period of 2017. The ratio of working capital to sales rolling LTM at 30 June 2018 is equal to 25.7% compared to 24.7% recorded on 30 June 2017.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro in millions)	First semester 2018	First semester 2017	Change
Headquarters	5.7	6.9	(1.2)
Production factories	7.6	9.3	(1.7)
Europe	0.2	0.1	0.1
Americas	0.9	5.6	(4.7)
Far East	0.3	0.1	0.2
Total	**14.7**	**22.0**	**(7.3)**

In the first six months of 2018 capital expenditures amounted to Euro 14.7 million compared with Euro 22.0 million in the same period of the previous year.

Net financial position

Net financial position (Euro million)	June 30, 2018	March 31, 2018 (Unaudited)	Change vs March	June 30, 2017	Change vs June
Current portion of long-term borrowings	(280.1)	(89.9)	(190.2)	-	(280.1)
Bank overdrafts and short term bank borrowings	(4.0)	(36.6)	32.6	(41.0)	37.0
Other short-term borrowings	-	-	-	(10.0)	10.0
Cash and cash equivalent	112.9	104.3	8.6	78.2	34.7
Short-term net financial position	**(171.1)**	**(22.2)**	**(149.0)**	**27.2**	**(198.3)**
Bonds	-	(143.8)	143.8	(139.9)	139.9
Long-term borrowings	-	-	-	-	-
Long-term net financial position	**-**	**(143.8)**	**143.8**	**(139.9)**	**139.9**
NET FINANCIAL POSITION	**(171.1)**	**(166.0)**	**(5.2)**	**(112.7)**	**(58.4)**

At the end of June 2018, Group Net Debt stood at Euro 171.1 million, compared to Euro 166.0 million at the end of March 2018 and to Euro 112.7 million at the end of June 2017.

This item, which is subject to ordinary operational dynamics, does not include the fair value of the derivatives financial instruments, equal to a net asset of approximately Euro 2.4 million (a liability of Euro 1.9 million at the end of December 2017).

The June 2018 LTM financial leverage, calculated taking into account also the reported first six months EBITDA adjusted for the non-recurring costs incurred in the year and for the extraordinary items ascribed to the implementation of the new Order-to-Cash IT system in the Padua DC, stood at 3.4x. As a consequence of this result, Safilo has exceeded the level of leverage set in the covenant of its revolving credit facility, expiring at the end of November 2018. This now triggers a remediation period, with a new test at end of September, to be concluded within November, while the Company is progressing with the relevant refinancing considerations.

Personnel

The Group's total workforce at 30 June 2018, 31 December 2017 and 30 June 2017 is summarized below:

	June 30, 2018	December 31, 2017	June 30, 2017
Padua headquarters	1,106	1,131	1,124
Production factories	3,704	3,910	3,820
Trading companies	1,269	1,335	1,474
Retail	648	733	698
Total	**6,727**	**7,109**	**7,116**

Subsequent events and Outlook

No other events have taken place after 30 June 2018 that could have a material impact on the results published in this report.

In 2018, following the soft performance of the second quarter, impacted by the weak start and development of the sun season, Safilo has revised its expectations for the full year, with total net sales now forecasted to decline by around 3% at constant exchange rates (around 6% at current exchange rates) compared to Euro 1,035.4 million in full year 2017. The continuation of cost saving initiatives should allow Safilo to achieve an adjusted EBITDA margin in a range of 4% to 5% of net sales. The Group expects 2018 Net Debt slightly above the level recorded at the end of June, 2018.

Safilo's 150 million Euro Revolving Credit Facility is expiring on November 30, 2018 and the 150 million Euro Equity-linked Bond is maturing on 22 May 2019. The Company is progressing in its discussions with financial institutions on the refinancing options, in the context of the updated business plan. In addition, the Company is having discussions with its reference shareholder, HAL Holding N.V ("HAL"), to which extent and under which terms and conditions HAL could potentially provide financial support in this process. The company expects to complete the work regarding the final choice of financing options within the coming months and to launch the actual refinancing project within the upcoming maturity timelines.

Interim Condensed Consolidated Financial Statements

and Notes

as at and for six months period ended

June 30th, 2018

Interim condensed consolidated balance sheet

(Euro/000)	*Notes*	As at June 30, 2018	of which related parties	As at December 31, 2017	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	*2.1*	112,935		76,251	
Trade receivables	*2.2*	185,825	11,902	178,745	10,393
Inventory	*2.3*	245,236		257,717	
Derivative financial instruments	*2.4*	2,422		142	
Other current assets	*2.5*	93,015		91,759	
Total current assets		**639,433**		**604,614**	
Non-current assets					
Tangible assets	*2.6*	184,060		188,302	
Intangible assets	*2.7*	61,894		64,569	
Goodwill	*2.8*	223,962		220,416	
Deferred tax assets	*2.9*	68,965		69,104	
Derivative financial instruments	*2.4*	-		-	
Other non-current assets	*2.10*	11,194		12,222	
Total non-current assets		**550,075**		**554,612**	
Non-current assets held for sale	*2.6*	**-**		**1,260**	
TOTAL ASSETS		**1,189,508**		**1,160,487**	

(Euro/000)	*Note*	As at June 30, 2018	of which related parties	As at December 31, 2017	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.11*	284,075		65,409	
Trade payables	*2.12*	179,319	3,204	204,897	4,998
Tax payables	*2.13*	19,809		17,218	
Derivative financial instruments	*2.4*	24		2,056	
Other current liabilities	*2.14*	83,006		95,493	
Provisions for risks and charges	*2.15*	29,713		35,415	
Total current liabilities		**595,946**		**420,488**	
Non-current liabilities					
Long-term borrowings	*2.11*	-		142,491	
Employees benefits liability	*2.16*	27,705		28,399	
Provisions for risks and charges	*2.15*	16,693		16,779	
Deferred tax liabilities	*2.9*	13,601		13,283	
Derivative financial instruments	*2.4*	-		-	
Other non-current liabilities	*2.17*	5,804		5,842	
Total non-current liabilities		**63,803**		**206,794**	
TOTAL LIABILITIES		**659,749**		**627,282**	
Shareholders' equity					
Share capital	*2.18*	313,300		313,300	
Share premium reserve	*2.19*	484,862		484,862	
Retained earnings and other reserves	*2.20*	(254,808)		(13,355)	
Cash flow hedge reserve	*2.21*	339		(35)	
Income/(Loss) attributable to the Group		(13,934)		(251,567)	
Total shareholders' equity attributable to the Group		**529,759**		**533,205**	
Non-controlling interests		**-**		**-**	
TOTAL SHAREHOLDERS' EQUITY		**529,759**		**533,205**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,189,508**		**1,160,487**	

Interim condensed consolidated income statement

(Euro/000)	*Notes*	First semester 2018	of which related parties	First semester 2017 Restated (*)	of which related parties
Net sales	*3.1*	492,193	34,202	547,184	33,538
Cost of sales	*3.2*	(238,098)		(259,977)	
Gross profit		**254,095**		**287,207**	
Selling and marketing expenses	*3.3*	(202,335)	(1,682)	(216,645)	(1,047)
General and administrative expenses	*3.4*	(69,052)		(85,253)	
Other operating income/(expenses)	*3.5*	16,911		17,961	
Operating profit / (loss)		**(381)**		**3,270**	
Financial charges, net	*3.6*	(9,660)		(7,303)	
Profit / (Loss) before taxation		**(10,041)**		**(4,032)**	
Income taxes	*3.7*	(3,893)		(5,569)	
Profit / (Loss) of the period		**(13,934)**		**(9,601)**	
Profit / (Loss) attributable to:					
Owners of the parent		(13,934)		(9,601)	
Non-controlling interests		-		-	
Earnings/(Losses) per share - basic (Euro)	*3.8*	(0.222)		(0.153)	
Earnings/(Losses) per share - diluted (Euro)	*3.8*	(0.222)		(0.153)	

(*) The new accounting standard IFRS 15 regarding "Revenue from contracts with customers" entered into effect starting from 1 January 2018. Following the fully retrospective approach chosen by the Group, the first application of the principle had an adjustment effect on the sales and cost of goods sold equal to Euro 5,400 thousand in the first semester of 2017, with a neutral effect on the gross profit. Consequently, 2017 first semester total net sales were adjusted to Euro 547,184 thousand (compared to Euro 552,584 thousand reported last year), while gross profit remained equal to Euro 287,207 thousand (see paragraph 1.2 for further details).

Interim condensed consolidated statement of comprehensive income

(Euro/000)	***Notes***	**First semester 2018**	**First semester 2017**
Net profit (loss) for the period (A)		**(13,934)**	**(9,601)**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		2	12
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**2**	**12**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	*2.21*	374	(293)
- Gains/(Losses) on exchange differences on translating foreign operations	*2.20*	10,531	(55,593)
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**10,905**	**(55,886)**
Other comprehensive income/(loss), net of tax (B)		**10,907**	**(55,874)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(3,027)**	**(65,475)**
Attributable to:			
Owners of the parent		(3,027)	(65,475)
Non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(3,027)**	**(65,475)**

Interim condensed consolidated cash flow statement

(Euro/000)	*Notes*	**First semester 2018**	**First semester 2017**
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*2.1*	**20,842**	**99,025**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(13,934)	(9,601)
Depreciation and amortization	*2.6 - 2.7*	22,061	20,879
Other non-monetary P&L items		(674)	(13,254)
Interest expenses, net	*3.6*	5,298	3,566
Income tax expenses	*3.7*	3,893	5,570
Flow from operating activities prior to movements in working capital		**16,644**	**7,161**
(Increase) Decrease in trade receivables		(8,366)	(6,190)
(Increase) Decrease in inventory, net		15,280	(6,719)
Increase (Decrease) in trade payables		(26,702)	(20,611)
(Increase) Decrease in other receivables		(3,692)	(9,727)
Increase (Decrease) in other payables		(14,258)	12,486
Interest expenses paid		(2,059)	(979)
Income taxes paid		(1,161)	(11,850)
Total (B)		**(24,315)**	**(36,430)**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(10,397)	(16,138)
Net disposals of property, plant and equipment		1,629	1,182
Acquisition of minorities (in subsidiaries)		-	-
(Acquisition) Disposal of investments and bonds		-	-
Purchase of intangible assets, net of disposals		(4,266)	(5,866)
Total (C)		**(13,034)**	**(20,822)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		134,971	-
Repayment of borrowings		(10,000)	-
Share capital increase		-	-
Dividends paid		-	-
Total (D)		**124,971**	**-**
E - Cash flow for the period (B+C+D)		**87,622**	**(57,253)**
Translation exchange differences		477	(4,589)
Total (F)		**477**	**(4,589)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**108,941**	**37,184**

Interim condensed consolidated statement of changes in equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at December 31, 2017	**313,300**	**484,862**	**61,110**	**(35)**	**(326,031)**	**533,205**	**-**	**533,205**
Change in accounting policy (*)	-	-	-	-	(600)	(600)		**(600)**
Consolidated net equity at January 1, 2018 restated	**313,300**	**484,862**	**61,110**	**(35)**	**(326,631)**	**532,605**	**-**	**532,605**
Profit/(Loss) for the period	-	-	-	-	(13,934)	(13,934)	-	**(13,934)**
Other comprehensive income (loss) for the period	-	-	10,531	374	2	10,907	-	**10,907**
Total comprehensive income (loss) for the period	**-**	**-**	**10,531**	**374**	**(13,932)**	**(3,027)**	**-**	**(3,027)**
Increase in share capital due to the exercising of stock option	-	-	-	-	-	-	-	**-**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	**-**
Net increase in the Reserve for share-based payments	-	-	-	-	180	180	-	**180**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at June 30, 2018	**313,300**	**484,862**	**71,641**	**339**	**(340,383)**	**529,759**	**-**	**529,759**

(*) Restatement for the change in accounting policy related to the new IFRS 9 trade receivables impairment model (see paragraph 1.2 for further details).

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2017	**313,300**	**484,862**	**149,803**	**-**	**(75,161)**	**872,804**	**-**	**872,804**
Profit/(Loss) for the period	-	-	-	-	(9,601)	(9,601)	-	**(9,601)**
Other comprehensive income (loss) for the period	-	-	(55,593)	(293)	12	(55,874)	-	**(55,874)**
Total comprehensive income (loss) for the period	**-**	**-**	**(55,593)**	**(293)**	**(9,589)**	**(65,475)**	**-**	**(65,475)**
Increase in share capital due to the exercising of stock option	-	-	-	-	-	-	-	**-**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	**-**
Net increase in the Reserve for share-based payments	-	-	-	-	230	230	-	**230**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at June 30, 2017	**313,300**	**484,862**	**94,210**	**(293)**	**(84,520)**	**807,559**	**-**	**807,559**

NOTES

1. Basis of preparation

1.1 General information

These interim condensed consolidated financial statements refer to the financial period from 1 January 2018 to 30 June 2018. Economic and financial information is provided with reference to the first six months of 2018 and 2017 whilst balance sheet information is provided with reference to 30 June 2018 and 31 December 2017.

The interim consolidated financial report of Safilo Group at June 30 2018, including condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.2 58/98 - T.U.F. - and subsequent amendments and additions. This interim financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual financial statements. They refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this interim financial report should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2017.

All values are shown in thousands of Euro unless otherwise indicated.

These financial statements were approved by the Board of Directors on 2 August 2018.

1.2 Accounting standards, amendments and interpretations and impact of changes in accounting policies applied from 1 January 2018

Except for what described below about those accounting policies which changed due to new accounting standards, in preparing these interim consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31 December 2017 have been applied.

With reference to the going concern assumption, it has to be noted that on the 30 June 2018, the Group exhibits a net financial position of Euro 171,140 thousands, which includes a debt of Euro 135,000 thousands under the Revolving Credit Facility with maturity in November 2018, and a debt under the equity linked bond of Euro 145,110 thousand (Euro 150,000 thousand par value) with maturity in May 2019. With regards to the refinancing needs of these positions, Management is in active discussions with key financial institutions in the definition of the specific execution options congruent with the Group's operational considerations deriving from the Group's Business Plan and refinancing needs within the maturities highlighted. In its considerations, Management at this point believes that the Group will be able to obtain the required financial sources accordingly, taking into account also the uncertainties characterizing financial markets transactions in the current market environment, and therefore that no material uncertainties exist with reference to the going concern assumption in the foreseeable future.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2018:

On May 28th 2014, the IASB issued the new standard IFRS 15 "Revenue from contracts with customers". This standard replaces IAS 18 Revenues, IAS 11 Construction Contracts, IFRIC 13 Customers Loyalty Programs, IFRIC 15 Agreements for Constructions of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition, which will apply to all contracts with customers except those that fall within the scope of other IAS / IFRS as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenue under the new model are:

- Identify the contracts with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Impact of the adoption of IFRS 15:

Following the fully retrospective approach chosen by the Group, the first application of the principle had an adjustment effect on the sales and cost of goods sold of the first six months of 2017 equal to Euro 5,400 thousand, with a neutral effect on the gross profit. Consequently, total net sales of the first six month of 2017 were adjusted to Euro 547,184 thousand (compared to Euro 552,584 thousand reported last year), cost of sales was adjusted for the same amount and consequently, gross profit remained equal to Euro 287,207 thousand. The effects of the adoption of IFRS 15 are entirely related to contractual penalties on late deliveries which, under the new standard, are considered variable consideration while they were formerly classified as cost of sales.
The analysis of the other existing contracts with customers showed no material adjustments related to the adoption of IFRS 15.
Having the application of IFRS 15 only a classification impact, only the comparative column of the interim condensed consolidated income statement has been labeled as "restated".

On July 24th 2014 the IASB issued the final version of IFRS 9 "Financial Instruments". The standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on management of financial instruments and the contractual cash flow characteristics of the financial assets in order to determine the method of valuation, replacing the many different rules in IAS 39. For financial liabilities, instead, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as financial liability at fair value through profit or loss, if these variations are due to changes in the creditworthiness of the issuer of the liability. Under the new standard, these changes must be recognized in "Other comprehensive income" and not in the income statement.

With reference to the impairment model, the new standard requires that the estimate of loan losses is made based on the model of expected losses (and not on the model of incurred losses) using information supportable, available at no cost or unreasonable efforts that include historical, current and future data. The standard requires that the impairment model applies to all financial instruments, namely financial assets carried at amortized cost, to those measured at fair value through other comprehensive income, receivables arising from leases and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements of the current IAS 39 that were sometimes considered too stringent and unsuitable to reflect the risk management policies of a company. The main changes of the document are:

- increase the types of transactions eligible for hedge accounting, including the risks of non-financial assets and liabilities to be eligible to hedge accounting;
- change in method of accounting for forward contracts and options when eligible to hedge accounting in order to reduce the volatility in the income statement;
- changes to effectiveness tests by replacing the current model based on the parameter of 80-125% with the principle of "economic relationship" between the hedged item and the hedging instrument; furthermore, it will no longer request a retrospective evaluation of the effectiveness of the hedging relationship.

The main requirement relevant for the Group's consolidated financial statements is the one related to the trade receivables impairment model: the new standard requires in fact that the estimate of receivables losses is made based on the model of expected losses (and not on the model of incurred losses).

Impact of the adoption of IFRS 9 "Impairment of Trade receivables":

As at 1 January 2018, the Group has reviewed and assessed the existing trade receivables for impairment based on the model of expected losses (and not on the model of incurred losses) using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised.

According to the analysis performed, in consideration of the Group's business characteristics and the evaluation of the trading policies currently in use, an additional credit loss allowance of Euro 0.6 million as at 1 January 2018 has been recognised against retained earnings, adopting a modified retrospective approach. The amount of this additional loss allowances has remained stable during the six months to June, 30 2018.

Finally, except for some forward contracts on foreign exchanges, not considered material for the consolidated financial statements, the Group does not apply hedge accounting.

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

On January 13th 2016, the IASB issued the new standard IFRS 16 "Leases" to replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives, SIC 27 Evaluating the substance of transactions involving the legal form of a lease. The new standard provides a new definition of leases and introduces a criteria based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification of the asset, right to replace it, right to obtain all economic benefits and the right to manage the use of the asset. The standard establishes a model to recognize and measure lease contracts for the lessee through the posting of the asset (also in operating leases) offset by a financial debt, providing also the opportunity to not recognize as lease contracts "low-value assets" and leases with expiry date equal to or less than 12 months. The standard does not include significant changes to the lessors. The new standard is applicable to periods beginning on or after January 1st 2019; the early adoption is allowed only for companies that apply the early adoption also for IFRS 15 Revenue from contracts with customers.

The Group has decided not to apply an early adoption of IFRS 16 and will comply with this new standard from its relevant effective date on January 1st 2019. The Group has implemented a process to evaluate the potential impacts of IFRS 16: this process consists in identifying the contracts which may be eligible for the new accounting policy, evaluating whether those are lease contracts under the definition of the standard, identifying the lease term and the discount rate, evaluating the transition options, simulating the new accounting. The Group is also working to enhance its IT system in order to manage IFRS 16 accounting. Though the process described is still ongoing, according to a preliminary analysis performed, the application of the new Standard, mainly to real estate lease contracts, is expected to have a substantial effect on the Group's main financial performance indicators and on the related disclosure relevant for the consolidated financial statements. Currently it is not yet possible to disclose an estimate of these potential impacts as they still depend on some transition options which the Group is still evaluating.

On October 12th 2017, the IASB published the amendment to IFRS 9 "Prepayment Features with Negative Compensation. This document specifies the instruments that provide for early repayment may comply with the "SPPI" test even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. The amendment applies from January 1st 2019, but early application is permitted.

Accounting standards, amendments and interpretations not yet completed and endorsed by the European Union

In addition, the European Union had not yet completed its endorsement process for the following standards and amendments at the date of this interim report.

On June 7th 2017 the IASB published the interpretative document IFRIC 23 "Uncertainty over Income Tax Treatments". The document addresses uncertainties about the fiscal treatment to be adopted in the area of income tax. The document provides that uncertainties in the determination of liabilities or tax assets are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question.
In addition, the document does not contain any new disclosure requirements, but highlights that the entity will have to determine whether it will be necessary to provide with information on management's considerations about the inherent uncertainty in the accounting for taxes, in compliance with IAS 1. The new interpretation will apply from January 1st 2019, but early application is allowed.

On December 12th 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs) which incorporates the amendments to certain principles as part of the annual improvement process. The amendments apply from January 1st 2019, but early application is permitted.

The Group will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the Consolidated financial statements.

1.3 Consolidation method and consolidation area

During the first six months of 2018, the Group's consolidation area has not changed.

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:

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Padua	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	100.0
Safilo Industrial S.r.l. - Padua	EUR	70,000,000	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,896,370	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Moscow (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	100.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	100.0
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	100.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	CNY	46,546,505	100.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129,704,740	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	100.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Safilo d.o.o. Ormož - Ormož (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197,135,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safint Optical UK Ltd. - London (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - London (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 Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	100,000	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199,975	100.0
Polaroid Eyewear Ltd - Dumbarton (UK)	GBP	2	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	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 currencies other than the Euro are given in the following table; appreciation (figures with a minus sign in the table below) indicates as increase in the value of the currency against the Euro.

		As of		(Appreciation) / Depreciation	Average for		(Appreciation) / Depreciation
Currency	**Code**	**June 30, 2018**	**December 31, 2017**	**%**	**June 30, 2018**	**June 30, 2017**	**%**
US Dollar	USD	1.1658	1.1993	-2.8%	1.2104	1.0830	11.8%
Hong-Kong Dollar	HKD	9.1468	9.3720	-2.4%	9.4863	8.4199	12.7%
Swiss Franc	CHF	1.1569	1.1702	-1.1%	1.1698	1.0766	8.6%
Canadian Dollar	CAD	1.5442	1.5039	2.7%	1.5458	1.4453	7.0%
Japanese Yen	YEN	129.0400	135.0100	-4.4%	131.6057	121.7804	8.1%
British Pound	GBP	0.8861	0.8872	-0.1%	0.8798	0.8606	2.2%
Swedish Krown	SEK	10.4530	9.8438	6.2%	10.1508	9.5968	5.8%
Australian Dollar	AUD	1.5787	1.5346	2.9%	1.5688	1.4364	9.2%
South-African Rand	ZAR	16.0484	14.8054	8.4%	14.8913	14.3063	4.1%
Russian Ruble	RUB	73.1582	69.3920	5.4%	71.9601	62.8057	14.6%
Brasilian Real	BRL	4.4876	3.9729	13.0%	4.1415	3.4431	20.3%
Indian Rupee	INR	79.8130	76.6055	4.2%	79.4903	71.1760	11.7%
Singapore Dollar	SGD	1.5896	1.6024	-0.8%	1.6054	1.5208	5.6%
Malaysian Ringgit	MYR	4.7080	4.8536	-3.0%	4.7670	4.7511	0.3%
Chinese Renminbi	CNY	7.7170	7.8044	-1.1%	7.7086	7.4448	3.5%
Korean Won	KRW	1,296.7200	1,279.6100	1.3%	1,302.3752	1,236.3302	5.3%
Mexican Peso	MXN	22.8817	23.6612	-3.3%	23.0850	21.0441	9.7%
Turkish Lira	TRY	5.3385	4.5464	17.4%	4.9566	3.9391	25.8%
Dirham United Emirates	AED	4.2814	4.4044	-2.8%	4.4450	3.9758	11.8%

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, in the line "Financial charges, net".

1.5 Use of estimates

The preparation of the interim condensed 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 the amounts reported in the financial statements such as the balance sheet, the income statement and the cash flow statement and the disclosures in the notes to the accounts. Actual results may differ from previous estimates and assumptions 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 to the condensed consolidated balance sheet

2.1 Cash and cash equivalents

At 30 June 2018 this account totals Euro 112,935 thousand, compared to Euro 76,251 thousand at 31 December 2017 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 item "Cash and cash equivalents" with the cash balance presented on the cash flow statement:

(Euro/000)	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	112,935	76,251	78,222
Bank overdrafts	(994)	(1,408)	(1,038)
Current bank borrowings	(3,000)	(54,001)	(40,000)
Net cash and cash equivalents	**108,941**	**20,842**	**37,184**

2.2 Trade receivables

This item breaks down as follows:

(Euro/000)	June 30, 2018	December 31, 2017
Gross value receivables	209,542	201,722
Allowance for doubtful accounts and sales returns	(23,717)	(22,977)
Net value	**185,825**	**178,745**

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 and sales return provisions are shown below:

(Euro/000)	Balance at January 1, 2018	Posted to income statement	Use (-)	Change in accounting policy	Transl. Diff.	Balance at June 30, 2018
Allowance for doubtful accounts	14,931	1,020	(1,490)	600	(360)	14,700
Allowance for sales returns	8,046	3,533	(2,624)	-	62	9,017
Total	**22,977**	**4,553**	**(4,114)**	**600**	**(298)**	**23,717**

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

The amount equal to Euro 600 thousand refers to the additional credit loss allowance that has been recognised against retained earnings as at 1 January 2018 according to the expected credit loss impairment model as stated by the new IFRS 9.

The allowance for sales returns 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

This item breaks down as follows:

(Euro/000)	June 30, 2018	December 31, 2017
Raw materials	85,442	95,695
Work in progress	5,595	5,300
Finished products	255,031	253,550
Gross	**346,068**	**354,546**
Obsolescence provision (-)	(100,833)	(96,828)
Total	**245,236**	**257,717**

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 charge to the income statement is posted under the item "cost of sales" (note 3.2).

The movements in the period are shown below:

(Euro/000)	Balance at January 1, 2018	Posted to income statement	Transl. Diff.	Balance at June 30, 2018
Inventory gross value	354,546	(11,489)	3,012	346,068
Obsolescence provision	(96,828)	(3,791)	(213)	(100,833)
Total net	**257,717**	**(15,280)**	**2,799**	**245,236**

2.4 Derivative financial instruments

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

(Euro/000)	June 30, 2018	December 31, 2017
Current assets:		
- Foreign currency contracts - Fair value through P&L	2,058	142
- Foreign currency contracts - cash flow hedge	364	-
Total	**2,422**	**142**

(Euro/000)	June 30, 2018	December 31, 2017
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	24	2,002
- Foreign currency contracts - cash flow hedge	-	54
Total	**24**	**2,056**

The fair value of the forward hedge contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had outstanding contracts for the hedging against exchange rate fluctuations for a positive net market value of Euro 2,398 thousand.

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**June 30, 2018**	**December 31, 2017**
VAT receivable	23,368	26,635
Tax credits and payments on account	17,428	19,168
Prepayments and accrued income	14,343	9,070
Receivables from agents	462	655
Other current receivables	37,414	36,233
Total	**93,015**	**91,759**

"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.

"Prepayments and accrued income" amounted to Euro 14,343 thousand (Euro 9,070 thousand at December 31st 2017) and mainly consisted of:

- prepaid royalty costs of Euro 3,940 thousand;
- prepaid advertising costs of Euro 784 thousand;
- prepaid rent and operating leases of Euro 2,847 thousand;
- prepaid insurance for Euro 741 thousand;
- other prepaid costs for Euro 6,031 thousand, mainly related to commercial, administrative and EDP services.

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

Other current receivables amounted to Euro 37,414 thousand, compared to Euro 36,233 thousand at 31 December 2017, is mainly related to the third and final tranche of the compensation, agreed as part of the contracts executed on 12 January 2015 with Kering Group for the conclusion of the Gucci license. This third instalment of the compensation equal to Euro 30,000 thousand will be paid in September 2018.

The remaining balance is mainly related to:

• receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 1,385 thousand, referring mainly 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;

• deposit payments due within 12 months for Euro 379 thousand;

• other receivables for Euro 5,650 thousand.

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

2.6 Tangible assets

Changes in tangible assets in the six months of 2018 are shown below:

(Euro/000)	Balance at January 1, 2018	Increase	Decrease	Transfers	Transl. diff.	Balance at June 30, 2018
Gross value						
Land and buildings	141,738	390	(73)	2,901	953	145,909
Plant and machinery	210,284	49	(204)	1,942	345	212,416
Equipment and other assets	205,324	1,449	(3,733)	3,109	2,504	208,653
Assets under constructions	5,335	8,509	(31)	(7,951)	25	5,886
Total	**562,681**	**10,397**	**(4,041)**	**-**	**3,827**	**572,863**
Accumulated depreciation						
Land and buildings	55,874	2,157	77	1,594	439	60,142
Plant and machinery	153,410	4,502	(94)	-	208	158,026
Equipment and other assets	165,095	8,493	(3,459)	(1,594)	2,099	170,635
Total	**374,379**	**15,152**	**(3,475)**	**-**	**2,747**	**388,803**
Net value	**188,302**	**(4,755)**	**(566)**	**-**	**1,080**	**184,060**

Investments in tangible assets in the first six months totalled Euro 10,397 thousand and mainly comprised:

- Euro 1,564 thousand for the Italian Headquarter and the distribution center; mainly for the upgrading of IT and logistic equipment;
- Euro 7,583 thousand in production facilities, mainly for the upgrading of plants and for the purchase and production of equipment for new models;
- Euro 772 thousand for the U.S. companies;
- the remaining part in other companies of the Group.

The balance reported as "Non-current assets held for sale" in the first six months of 2018 has recorded a decrease to zero after the disposal of the former Spanish office's location, settled in February 2018, and of the production plant of Polaroid UK Ltd., settled in April 2018.

2.7 Intangible assets

Changes in intangible assets in the first six months of 2018 are shown below:

(Euro/000)	Balance at January 1, 2018	Increase	Decrease	Transfers	Transl. diff.	Balance at June 30, 2018
Gross value						
Software	74,430	84	(71)	1,915	321	76,678
Trademarks and licenses	55,558	-	(1)	166	7	55,730
Other intangible assets	6,817	3	(160)	99	69	6,829
Intangible assets in progress	5,910	4,191	(12)	(2,180)	(81)	7,828
Total	**142,714**	**4,278**	**(244)**	**-**	**316**	**147,064**
Accumulated amortization						
Software	46,961	5,467	(68)	-	283	52,643
Trademarks and licenses	26,928	1,212	(4)	-	7	28,143
Other intangible assets	4,257	230	(160)	-	58	4,385
Total	**78,146**	**6,909**	**(232)**	**-**	**348**	**85,171**
Net value	**64,569**	**(2,631)**	**(12)**	**-**	**(32)**	**61,894**

The increase in investments reported under the intangible assets in progress is mainly due to futher investments on the project to implement the new integrated information system (ERP) of the Group.

Amortization and depreciation for tangible and intangible assets are allocated over the following income statement items:

(Euro/000)	*Notes*	First semester 2018	First semester 2017
Cost of sales	*3.2*	10,627	10,297
Selling and marketing expenses	*3.3*	2,244	2,514
General and administrative expenses	*3.4*	9,190	8,068
Other operating income/(expenses)	*3.5*	-	-
Total		**22,061**	**20,879**

2.8 Goodwill

The change in goodwill in the first six months of 2018 is shown in the table below:

(Euro/000)	**Balance at January 1, 2018**	**Increase**	**Decrease**	**Transl. diff.**	**Balance at June 30, 2018**
Goodwill	220,416	-	-	3,546	223,962

During the current period, the item recorded an increase of Euro 3,546 thousand due to the translation difference for the goodwill denominated in currencies other than the Euro.

The table below provides a breakdown of goodwill, allocated to the CGUs, by geographical area.

(Euro/000)	**EMEA**	**Americas**	**Asia**	**Total**
June 30, 2018	97,039	126,922	-	223,962
December 31, 2017	97,039	123,377	-	220,416

Impairment test

As reported in the Notes of the 2017 financial statements, the Board had approved a preliminary Business Plan for the period 2018 - 2022 which included certain key assumptions regarding sales and cost reduction initiatives, that has been the base of the impairment test as of 31 December 2017.

Following the appointment of the new Group CEO, this preliminary Business Plan has been revised in order to define in more detail its execution plan. The five years Business Plan ("Plan") resulting from this review has confirmed the key strategic assumptions and fine tuned the assumptions underlying sales growth, efficiency and cost reduction objectives included in the original preliminary Plan. In preparing this 2018 - 2022 Business Plan, Management has adopted a more prudent approach compared to the preliminary one, which resulted in reduced expectations in terms of sales growth and profitability.

Considering this revision to the Preliminary Plan, which resulted in a Business Plan now approved by the Board of Directors, Management deemed it appropriate to reperfom an impairment test with reference to 30 June 2018.

Overall, the impairment test methodology is consistent with the criteria used for the 2017 financial statements.

On the basis of the more prudent approach reflected in the Plan the additional risk factor included in the discount rate (WACC) calculation has been reduced compared to year end 2017.

The following table summarizes the WACC (after tax) and "g" rates applied by the Group:

Key assumptions	**"WACC" discount rate**		**Growth rate "g"**	
Business units	**2018**	**2017**	**2018**	**2017**
EMEA	8.1%	9.3%	1.8%	1.4%
Asia	9.7%	10.2%	3.1%	2.3%
Americas	9.2%	9.7%	2.2%	2.2%

Management has performed some sensitivity analyses, evaluating the results of the test upon variation of the main input factor, including a scenario adopting the 2017 discount rates (WACC).

The impairment test and the related sensitivity analyses performed resulted in no impairment losses, thus confirming the value of goodwill.

2.9 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 it is considered probable 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 not been recognised, in order to take into account the expectations of future recoverability.

The following table shows the amounts of deferred tax assets and liabilities, net of the write-down applied:

(Euro/000)	**June 30, 2018**	**December 31, 2017**
Net deferred tax assets	68,965	69,104
Deferred tax liabilities	(13,601)	(13,283)
Total	**55,364**	**55,821**

Deferred tax assets, net of deferred tax liabilities, relating to some Group companies recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or unused tax losses can be utilized. The unrecognized deferred tax assets amounts to 78,260 thousand Euro, and take into account any potential assets that might not be recovered by the taxable profit forecasted as per the business plan for the period 2018-2022. This tax assets can be recognized in future years to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The amount has not significantly changed compared to 31 December 2017, as no specific elements were noted leading to a change in the estimate. Reference should be made to the Annual Report as of 31 December 2017 for detailed information on tax losses not recognized and their maturity.

2.10 Other non-current assets

(Euro/000)	**June 30, 2018**	**December 31, 2017**
Long-term guarantee deposits	2,231	2,812
Other long-term receivables	449	184
Long-term tax receivables	8,514	9,226
Total	**11,194**	**12,222**

Long-term guarantee deposits mainly refer to security deposits for leasing contracts related to buildings used by some of the Group's companies.

Long-term tax receivables mainly refer to VAT and other income tax receivables of some Group companies.

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

2.11 Bank loans and borrowings

This item breaks down as follows:

(Euro/000)	June 30, 2018	December 31, 2017
Bank overdrafts	994	1,408
Short-term bank loans	3,000	54,001
Short-term portion of long-term bank loans	134,971	-
Debt to the factoring company	-	10,000
Short term portion of convertible Bonds	145,110	-
Short-term borrowings	**284,075**	**65,409**
Convertible Bonds	-	142,491
Long-term borrowings	**-**	**142,491**
Total	**284,075**	**207,900**

The item "Long-term borrowings" related to the unsecured and unsubordinated equity-linked Bond issued on 22 May 2014 by the parent company Safilo Group S.p.A., guaranteed by Safilo S.p.A., maturing on 22 May 2019 with an aggregate principal amount of Euro 150,000 thousand, has been reclassified to the item "short term borrowings" as "short term portion of Convertible Bonds".

The "short-term portion of long-term bank loans" is related to a committed, unsubordinated and unsecured "Revolving Credit Facility", amounting to Euro 150,000 thousand, used for Euro 135,000 thousand at 30 June 2018, originally expiring in July 2018. On June 7, 2018, Safilo has requested and obtained from the lenders an extension of the maturity of this Revolving Credit Facility, to 30 November 2018.

On 30 June 2018 the Group exhibits a net financial position of Euro 171.140 thousands, which includes the above debt of Euro 135,000 thousands under the Revolving Credit Facility with maturity in November 2018, and the debt under the equity linked Bond of Euro 145,110 thousand (Euro 150,000 thousand par value) with maturity in May 2019.

With regards to the refinancing needs of these positions, Management is in active discussions with key financial institutions in the definition of the specific execution options congruent with the Group's operational considerations deriving from the 2018-2022 Business Plan and refinancing needs within the maturities highlighted. In its considerations, Management at this point believes that the Group will be able to obtain the required financial sources accordingly, taking into account also the uncertainties characterizing financial markets transactions in the current market environment.

The Bond is carried at amortised cost, through the use of an effective interest rate deemed to be appropriate for the risk profile of an equivalent financial instrument without the conversion component. Given the presence of a "cash settlement option", the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are immediately charged to the income statement. At the balance sheet date, the fair value of the option amounts to nil.

The committed, unsubordinated and unsecured "Revolving Credit Facility" amounting to Euro 150,000 thousand, has been underwritten by Safilo S.p.A. and Safilo U.S.A. Inc. in July 2014 and is subject to operating and financial commitments, standard for similar transactions.

On 30 June 2018 the Group has exceeded the level of leverage set in the covenant of its revolving credit facility, expiring at the end of November 2018, this now triggers a remediation period, with a new test at end of September, to be concluded within November.

The short-term payables towards factoring companies were for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 10,000 thousand at 31 December 2017.

The bank loans and financial borrowings are all in Euro.

The following table details the credit lines granted to the Group, the uses and the lines available at the date of this report:

June 30, 2018 *(Euro/000)*	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	26,287	3,976	22,311
Credit lines on long-term loans	150,000	135,000	15,000
Total	**176,287**	**138,976**	**37,311**

The credit lines available on bank accounts and short term bank loan are underwitten with several banks and are renewed every year.

The credit lines available on long-term loans are related to the committed revolving financing called "Revolving Credit Facility", underwritten by Intesa San Paolo, Unicredit and BNP Paribas, totalling a maximum of Euro 150,000 thousand, used for Euro 135,000 thousand at 30 June 2018.

The net financial position of the Group at 30 June 2018 compared to the same as of 31 December 2017 is as follows:

	Net financial position *(Euro/000)*	**June 30, 2018**	**December 31, 2017**	**Change**
A	Cash and cash equivalents	112,935	76,251	36,684
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**112,935**	**76,251**	**36,684**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(3,994)	(55,409)	51,415
G	Current portion of long-term borrowings	(280,081)	-	(280,081)
H	Other short-term borrowings	-	(10,000)	10,000
I	**Debts and other current financial liabilities (F+G+H)**	**(284,075)**	**(65,409)**	**(218,666)**
J	**Current financial position, net (D)+(E)+(I)**	**(171,140)**	**10,842**	**(181,982)**
K	Long-term bank borrowings	-	-	-
L	Bonds	-	(142,491)	142,491
M	Other long-term borrowings	-	-	-
N	**Debts and other non current financial liabilities (K+L+M)**	**-**	**(142,491)**	**142,491**
I	**Net financial position (J)+(N)**	**(171,140)**	**(131,649)**	**(39,491)**

The above table does not include the valuation of derivative financial instruments described in note 2.4 of this report.

2.12 Trade payables

This item breaks down as follows:

(Euro/000)	**June 30, 2018**	**December 31, 2017**
Trade payables for:		
Purchase of raw materials	34,189	59,335
Purchase of finished goods	52,762	48,034
Supplier from subcontractors	3,648	4,416
Tangible and intangible assets	4,050	4,994
Commissions	3,582	860
Royalties	13,146	13,193
Advertising and marketing costs	16,488	13,930
Services	51,454	60,135
Total	**179,319**	**204,897**

The book value of the trade payables is maintained as being approximately the same as their fair value.

2.13 Tax payables

This item breaks down as follows:

(Euro/000)	**June 30, 2018**	**December 31, 2017**
Income taxes	6,396	4,563
VAT	4,766	2,837
Other taxes	8,647	9,819
Total	**19,809**	**17,218**

At 30 June 2018 tax payables amounted to Euro 19,809 thousand (compared to Euro 17,218 thousand at 31 December 2017). Of this sum Euro 6,396 thousand referred to income tax for the period, Euro 4,766 thousand to VAT payable and Euro 8,647 thousand to taxes withheld, current and local taxes.

The provision for the year's current income tax is shown in note 3.8 concerning income tax.

2.14 Other current liabilities

This item breaks down as follows:

(Euro/000)	**June 30, 2018**	**December 31, 2017**
Payables to personnel and social security institutions	41,849	37,590
Agent fee payables	338	836
Payables to pension funds	1,262	1,430
Accrued advertising and sponsorship costs	2,038	1,720
Accrued interests on long-term loans	716	241
Other accruals and deferred income	35,150	51,576
Other current liabilities	1,653	2,100
Total	**83,006**	**95,493**

"Payables to personnel and social security institutions" mainly refer to salaries and wages, which are paid during the following month, accrued contractual supplemental salary and wages and holidays accrued but not taken.

The decrease of the "other accruals and deferred income" is mainly related to the accounting of the compensation for the conclusion of the Gucci license agreement that, according to the analysis of the underlying performance obligations, has been deferred for the most part in term of profit and loss impact. The current deferred income includes the part of the compensation, equal to Euro 39,000 thousand that will be recognized in the profit and loss in 2018. As at 30 June 2018 the decrease of the item for the amount recognized on the profit and loss as pro rata portion has been equal to Euro 19,500 thousand (see also the information reported on note 3.5 "Other operating income (expenses)").

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

2.15 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2018	Increase	Decrease	Transl. diff.	Balance at June 30, 2018
Product warranty provision	5,156	95	(106)	4	5,148
Agents' severance indemnity	2,676	4	(190)	(2)	2,488
Other provisions for risks and charges	8,948	1,117	(1,008)	2	9,058
Provisions for risks - long term	**16,779**	**1,215**	**(1,304)**	**3**	**16,693**
Product warranty provision	2,189	116	(219)	(6)	2,080
Provision for corporate restructuring	2,863	163	(2,016)	(3)	1,008
Other provisions for risks and charges	30,363	434	(4,181)	8	26,625
Provisions for risks - short term	**35,415**	**714**	**(6,416)**	**-**	**29,713**
Total	**52,194**	**1,929**	**(7,720)**	**3**	**46,406**

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 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.

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way. The decrease of the provision in mainly related to the release to cover the cost incurred for the Italian plants restructuring.

Provisions for other risks and charges refer to the best estimate made by the management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts.

The short term portion of the "Other provisions for risks and charges" includes the provision of Euro 17,000 thousand related to the proceedings before the French Competition Authority ("FCA") accrued in 2015. Safilo's French subsidiary (Safilo France S.A.R.L.) together with other major competitors and a number of leading retailers in the French eyewear industry, has been the subject of an investigation conducted by the FCA relating to pricing and sales practices in the industry. In May 2015, Safilo France S.A.R.L. and Safilo S.p.A. in its capacity of parent-company received a Statement of Objections from the FCA. On February 2nd 2016, Safilo reached an agreement with the FCA's Investigation Services limiting the Group's liability at Euro 17,000 thousand. Consequently, a provision was booked by the Group as the best estimate for the expected liability. On December 15th 2016, a hearing was held before the FCA during which all parties were given the opportunity to defend their case. On February 24th 2017, the FCA's Body decided to refer the entire case back for further investigation to the

FCA's Investigation Services, without imposing any sanction on all the companies currently under investigation. While the next steps in the case from the side of the Authority are not yet known at today's date, the Group has at this point decided to maintain its provision unchanged at Euro 17,000 thousand.

The short term portion of the "Other provisions for risks and charges" includes also the residual amount of the provisions amounting to Euro 2,400 thousand related the Tax Audit Report (so called "processo verbale di constatazione") notified on 10 July 2017 to the Italian Company Safilo S.p.A., referred to the fiscal years 2015-2016.

The estimate of the above mentioned allowances takes into account, where applicable, the opinion of legal consultants and other experts, past company experience and others' in similar situations, as well as the intention of the company to take further actions in each case. The provision in the consolidated financial statements is the sum of the individual accruals made by each company of the Group.

The above mentioned allowances are considered sufficient to cover the existing risks.

2.16 Employees benefits liability

This item breaks down as follows:

(Euro/000)	**June 30, 2018**	**December 31, 2017**
Defined contribution plan	199	3
Defined benefit plan	27,506	28,396
Total	**27,705**	**28,399**

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.

The table below shows the movement in the item "defined benefit plan" during the period:

(Euro/000)	**Balance at January 1, 2018**	**Posted to income statement**	**Actuarial (gains) / losses**	**Uses**	**Transl. diff.**	**Balance at June 30, 2018**
Defined benefit plan	28,396	144	-	(1,045)	12	27,506

2.17 Other non-current liabilities

(Euro/000)	Balance at January 1, 2018	Increase	Decrease	Transl. diff.	Balance at June 30, 2018
Other non current liabilities	5,842	292	(468)	138	5,804

The "other non current liabilities" are mainly related to long-term deferred rent liability under leases of stores of the U.S. subsidiary Solstice and the remaining portion for non-current liabilities recorded by some Group's companies.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30 June 2018, shareholders' equity amounted to Euro 529,759 thousand, against Euro 533,205 thousand at 31 December 2017.

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 and the Group constantly monitors the ratio between indebtedness and shareholders' equity.

2.18 Share capital

At 30 June 2018 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 313,299,825 consisting of no. 62,659,965 ordinary shares with a par value of Euro 5.00 each.

2.19 Share premium reserve

The share premium reserve represents:

- the higher value attributed to 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 and following the capital increases.

At June 30th 2018, the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 484,861,564.

2.20 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. The positive effect of Euro 10,531 thousand in the first six months of 2018 is mainly related to US companies net assets.

2.21 Cash flow hedge reserve

The cash flow hedge reserve mainly refers to the current value of derivative instruments currency forward contracts that cover the currency exchange rate risk on future highly probable transactions.

2.22 Stock options plans

The Extraordinary Shareholders' Meeting of April 26th 2017 resolved to increase the share capital by a maximum nominal value of Euro 12,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no. 2,500,000, par value of Euro 5.00 each, to be offered for subscription to directors and/or employees of Safilo Group S.p.A. and its subsidiaries pursuant to the 2017-2020 Stock Option Plan.

This 2017-2020 Plan, aimed to incentivize and strengthen the loyalty of the directors and/or the employees/managers of the Company and/or of the subsidiary companies, is executed through the assignment, free of charge and in several tranches, of a maximum of no. 2,500,000 options, which entitle the beneficiaries to the right to subscribe newly issued ordinary shares of the Company, with a par value of Euro 5.00 each, arising from the above mentioned capital increase, with exclusion of the option rights according to Article 2441, paragraph 4, second sentence, of the Italian Civil Code, at the rate of no. 1 share for each option.

The Plan has a total duration of eleven years (from 2017 to 2028). The options assigned to the beneficiaries may be exercised after two years from the allocation date.

This Plan is in addition to the two ones (2010-2013 and 2014-2016 Plans) already in place deliberated by the Extraordinary Meetings respectively held on November 5th 2010 and April 15th 2014, in which the Shareholders approved the issue of respectively up to 1,700,000 and 1,500,000 new ordinary shares with a nominal value of Euro 5.00 each, for a total of respectively Euro 8,500,000 and Euro 7,500,000 to be offered to directors and/or employees of the Company and its subsidiaries.

The options attributed by both plans will mature when both the following vesting conditions are met: the continuation of the employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT.

The adoption of these plans has affected the income statement for the period for Euro 180 thousand (Euro 230 thousand at 30 June 2017).

3. Notes on the consolidated income statement

3.1 Net sales

The Group primary revenue segment is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners. Revenue is recognised when all the risks and rewards relating to the ownership of the goods have been transferred to the client, or on delivery to the client, in accordance with the sales terms agreed, payment terms and right of return condition depend by the cluster of each customer. Moreover, through the network of Solstice retail stores the Group sells its eyewear products to North America retail customers.

Net sales in the first six months 2018 equaled Euro 492,193 thousand, contracting by Euro 54,991 thousand or -10% at current exchange rates (-23.711 thousand Euro or -4.3% at constant exchange rates) compared to the same period of 2017. Sales performance was mainly affected by the negative underlying business trends recorded in South Europe, where a subdued start to the sun season in March continued also into the second quarter. Excluding the impact from forex, trends in North America remained soft behind a still underwhelming business environment in department stores and the ongoing reorganization of the Company salesforce. On the positive side, emerging markets and the optical business of prescription frames reported positive trends. Total revenues, excluding the Gucci business, declined 3.7% at constant exchange rates.

For more details concerning the sales performance in the first six months of 2018 compared to the same period of the previous year, please refer to the section "Report on Operations".

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First semester 2018	First semester 2017
Purchase of raw materials and finished goods	146,625	177,337
Capitalisation of costs for increase in tangible assets (-)	(4,488)	(4,335)
Change in inventories	15,280	(6,719)
Wages and social security contributions	55,368	64,192
Subcontracting costs	6,469	10,238
Amortization and depreciation	10,627	10,297
Rental and operating leases	829	753
Utilities, security and cleaning	3,578	3,585
Other industrial costs	3,810	4,629
Total	**238,098**	**259,977**

Cost of sales decreased by Euro 21,879 thousand (or 8.4%), from Euro 259,977 thousand for the six months ended 30 June 2017, to Euro 238,098 thousand for the six months ended 30 June 2018. This was mainly due to a decrease in Purchase of raw materials and finished goods for Euro 30,712 thousand (or 17.3%), partially offset by a negative impact of Change in inventories for Euro 21,999 thousand and a decrease in Payroll and social security contribution by Euro 8,824 thousand (or 13.7%), from Euro 64,192 thousand for the six months ended 30 June 2017 to Euro 55,368 thousand for the six months ended 30 June 2018, mainly due to the return to normal operating conditions after the higher level of personnel employed in terms of temporary workers for the six months ended 30 June 2017.

Subcontracting costs decreased by Euro 3,769 thousand (or 36.8%), from Euro 10,238 thousand fro the six months ended 30 June 30, 2017 to Euro 6,469 thousand Euro for the six months ended 30 June 2018, as a result of the insourcing of certain manufacturing activities.

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2018	First semester 2017
Finished products	13,435	(16,732)
Work-in-progress	(264)	2,420
Raw materials	2,109	7,593
Total	**15,280**	**(6,719)**

The average number of Group employees in the first six months of 2018 and 2017 can be summarised as follows:

	First semester 2018	First semester 2017
Executives	110	136
Clerks and middle management	3,180	3,260
Factory workers	3,572	3,810
Total	**6,862**	**7,206**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2018	First semester 2017
Payroll and social security contributions	58,533	66,561
Sales commissions	24,485	28,390
Royalty expenses	33,471	34,838
Advertising and promotional costs	53,292	53,712
Amortization and depreciation	2,244	2,514
Logistic costs	10,829	9,305
Consultants fees	630	284
Rental and operating leases	8,532	8,893
Utilities, security and cleaning	691	598
Provision for risks	(82)	222
Other sales and marketing expenses	9,710	11,328
Total	**202,335**	**216,645**

Selling and marketing expenses decreased by Euro 14,310 thousand (or 6.6%), from Euro 216,645 thousand for the six months ended 30 June 2017 to Euro 202,335 thousand for the six months ended 30 June 2018. This was mainly due to a decrease in Payroll and social security contribution by Euro 8,028 thousand (or 12.1%), from Euro 66,561 thousand for the six months ended 30 June 2017 to Euro 58,533 thousand for the six months ended 30 June 2018, mainly due to the return to normal operating conditions after the higher level of personnel employed in terms of temporary workers to manage in 2017 the Padua distribution center issues and to the cost saving from the Group reorganization initiatives, and to a decrease in the Sales commissions by Euro 3,905 thousand (or 13.8%), from Euro 28,390 thousand for the six months ended 30 June, 2017 to Euro 24,485 thousand for the six months ended 30 June 2018.

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	**First semester 2018**	**First semester 2017**
Payroll and social security contributions	31,356	40,714
Allowance and write off of doubtful accounts	1,093	745
Amortization and depreciation	9,190	8,068
Professional services	7,884	9,545
Rental and operating leases	3,814	5,972
EDP costs	6,523	7,904
Insurance costs	1,272	1,199
Utilities, security and cleaning	2,600	3,230
Taxes (other than on income)	2,253	2,772
Other general and administrative expenses	3,068	5,104
Total	**69,052**	**85,253**

General and administrative expenses decreased by Euro 16,201 thousand (or 19.0%), from Euro 85,253 thousand for the six months ended June 30, 2017 to Euro 69,052 thousand for the six months ended 30 June, 2018. This was mainly due to a decrease in Payroll and social security contributions by Euro 9,358 thousand (or 23.0%), from Euro 40,714 thousand for the six months ended 30 June, 2017 to Euro 31,356 thousand for the six months ended 30 June, 2018, mainly due to the Group's overhead productivity program as part of the fixed cost reduction initiative.

3.5 Other operating income (expenses)

This item breaks down as follows:

(Euro/000)	**First semester 2018**	**First semester 2017**
Losses on disposal of assets	(59)	(182)
Other operating expenses	(5,269)	(4,023)
Gains on disposal of assets	166	107
Other operating incomes	22,073	22,059
Total	**16,911**	**17,961**

Other operating income and expenses include cost and revenue components either not related to the Group's ordinary operations or that are considered by management to be of non-recurring nature. This item does not include transportation costs charged to customers who have been classified as a reduction of the respective cost item.

During the first six months of 2018 under "other operating expenses" non-recurring costs of Euro 3,531 thousand were accounted for mainly related to the completion of the CEO succession plan and to reorganization costs in North America. In the same period of the last year non-recurring costs of Euro 3,709 thousand were accounted for mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives.

"Other operating incomes" include Euro 19,500 thousand for the first six months of 2018 (Euro 21,500 thousand in the first six months of 2017) as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 39,000 thousand for the full year 2018.

3.6 Interest expenses and other financial charges, net

This item breaks down as follows:

(Euro/000)	First semester 2018	First semester 2017
Interest expenses on loans	1,880	260
Interest expenses and charges on Bond	3,553	3,426
Bank commissions	3,063	3,418
Negative exchange rate differences	18,417	12,424
Other financial charges	328	293
Total financial charges	**27,241**	**19,821**
Interest income	136	119
Positive exchange rate differences	15,587	10,411
Fair value gains on the Equity-linked Bond incorporated derivative	-	455
Other financial income	1,858	1,533
Total financial income	**17,581**	**12,518**
Total financial charges, net	**9,660**	**7,303**

Total net financial charges increased by Euro 2,357 thousand (or 32.3%) from Euro 7,303 thousand for the six months ended 30 June 2017 to Euro 9,660 thousand for the six months ended 30 June 2018, due to the negative impact of exchange rates differences, which increased by Euro 5,993 thousand, from Euro 12,424 thousand for the six months ended 30 June 2017 to Euro 18,417 thousand for the six months ended 30 June 2018. Such increase was substantially offset by the growth in positive exchange rate differences by Euro 5,176 thousand, which increased from Euro 10,411 thousand for the six months ended 30 June 2017 to Euro 15,587 thousand for the six months ended 30 June 2018 with a net negative exchange rates difference of Euro 2,830 thousand (negative for Euro 2,013 thousand in 2017 first semester). Interest expenses on loans increased by Euro 1,620 thousand, from Euro 260 thousand for the six months ended 30 June, 2017 to Euro 1,880 thousand for the six months ended 30 June 2018, as a consequence of higher average financial debts in the period.

3.7 Income tax expenses

This item breaks down as follows:

(Euro/000)	First semester 2018	First semester 2017
Current tax	(3,026)	(9,119)
Deferred tax	(867)	3,550
Total	**(3,893)**	**(5,569)**

Income taxes decreased by Euro 1,676 thousand from Euro 5,569 thousand for the six months ended 30 June 2017 to Euro 3,893 thousand for the six months ended 30 June 2018.

Income taxes were influenced by the result of some legal entities for which increased future taxable profits were not deemed probable enough to support the recognition of the related deferred tax assets.

3.8 Earnings (Losses) per Share

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

Basic

	First semester 2018	First semester 2017
Profit/(Loss) for ordinary shares (in Euro/000)	(13,934)	(9,601)
Average number of ordinary shares (in thousands)	62,660	62,660
Earnings/(Losses) per share - basic (in Euro)	**(0.222)**	**(0.153)**

Diluted

	First semester 2018	First semester 2017
Profit/(Loss) for ordinary shares (in Euro/000)	(13,934)	(9,601)
Profit for preferred shares	-	-
Profit in income statement	**(13,934)**	**(9,601)**
Average number of ordinary shares (in thousands)	62,660	62,660
Dilution effects:		
- Convertible Bond (in thousands)	-	-
- stock option (in thousands)	-	58
Total	**62,660**	**62,718**
Earnings/(Losses) per share - diluted (in Euro)	**(0.222)**	**(0.153)**

As for the bond "Safilo Group S.p.A. Euro 150,000 thousand, 1.25 per cent Guaranteed Equity-Linked Bond due 2019", based on current market and conversion conditions, no dilutive effect was considered.

3.9 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 historically at their lowest in the third quarter of the year, since the sales campaign for the second half is launched in autumn. The described trend in sales has related effects on trade receivables, inventory, trade payables and the liquidity of the Group.

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

In the first six months of 2018, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of July 28th 2006.

3.11 Dividends

In the first six months of 2018, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders.

3.12 Segment reporting

The operating segments (Wholesale and Retail) were identified by 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 period ending June 30th 2018 and 2017 is shown in the tables below.

June 30, 2018 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	2,435	-	(2,435)	-
- to third parties	465,733	26,460	-	492,193
Total net sales	**468,168**	**26,460**	**(2,435)**	**492,193**
Gross profit	**239,814**	**14,281**	**-**	**254,095**
Operating profit / (loss)	**5,530**	**(5,911)**	**-**	**(381)**
Share of income of associates	-	-		-
Financial charges, net				(9,660)
Income taxes				(3,893)
Net profit / (loss)				**(13,934)**
Other information				
Capital expenditure	14,575	101		14,675
Depreciation & amortization	21,274	787		22,061

June 30, 2017 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,133	-	(3,133)	-
- to third parties	513,636	33,548	-	547,184
Total net sales	**516,769**	**33,548**	**(3,133)**	**547,184**
Gross profit	**268,522**	**18,685**	**-**	**287,207**
Operating profit	**9,583**	**(6,313)**	**-**	**3,270**
Share of income of associates	-	-		-
Financial charges, net				(7,303)
Income taxes				(5,569)
Net profit / (Loss)				**(9,601)**
Other information				
Capital expenditure	21,129	906		22,035
Depreciation & amortization	19,586	1,293		20,879

RELATED PARTIES TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**June 30 2018**	**December 31 2017**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	11,902	10,393
Total		**11,902**	**10,393**
Payables			
Companies controlled by HAL Holding N.V.	(a)	3,204	4,998
Total		**3,204**	**4,998**

Related parties transactions *(Euro/000)*	**Relationship**	**First semester 2018**	**First semester 2017**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	34,202	33,538
Total		**34,202**	**33,538**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	1,682	1,047
Total		**1,682**	**1,047**

(a) 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 the companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the GrandVision Group, with which Safilo carries out commercial transactions in line with market conditions.

CONTINGENT LIABILITIES

The Group does not have any significant contingent liabilities not covered by adequate provisions. Nevertheless, as of the balance sheet date, various legal actions involving the parent company and certain Group companies were pending. These actions are considered to be groundless and/or their eventual negative outcome cannot be determined at this stage.

COMMITMENTS

At the balance sheet date, the Group had no significant purchase commitments. At the balance sheet date, however, the Group had contracts in force with licensors for the production and sale of sunglasses and frames bearing their trademarks. The contracts not only establish minimum guarantees, but also a commitment for advertising investments.

SUBSEQUENT EVENTS

No other events have taken place after 30 June 2018 that could have a material impact on the results published in this report.

For the Board of Directors
The Chief Executive Officer
Angelo Trocchia

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

The undersigned Angelo Trocchia, as the Chief Executive Officer, and Gerd Graehsler, as the officer responsible for the preparation of Safilo Group S.p.A. financial statements, hereby attest, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree February 24th 1998, no. 58, the adequacy of the administrative and accounting procedures with respect to the Company structure and their effective application in the preparation of the 2018 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2018 were based and the evaluation of their adequacy has been made on a process defined by Safilo Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

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

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

Padua, 2nd August 2018

Angelo Trocchia	Gerd Graehsler
Chief Executive Officer	Manager responsible for the preparation of the company's financial documents

REPORT OF INDEPENDENT AUDITORS ON
HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
SAFILO GROUP S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Safilo Group S.p.A. and subsidiaries (the "Safilo Group"), which comprise the balance sheet as of June 30, 2018 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Safilo Group as at June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padova, Italy
6 August 2018

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