Nine-month Financial Report

for the period ended 30th September 2011

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www.safilo.com

SAFILO GROUP S.p.A.

Settima Strada, 15

35129 Padua - Italy

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Corporate officers as of September 30th, 2011

Board of Directors (*)	
Chairman	Robert Polet
Chief Executive Officer	Roberto Vedovotto
Director	Giovanni Ciserani
Director	Jeffrey A. Cole
Director	Melchert Frans Groot
Director	Marco Jesi
Director	Eugenio Razelli
Director	Massimiliano Tabacchi
Board of Statutory Auditors (**)	
Chairman	Paolo Nicolai
Regular Auditor	Franco Corgnati
Regular Auditor	Bettina Solimando
Alternate Auditor	Marzia Reginato
Alternate Auditor	Gianfranco Gaudioso
Internal Control Committee	
Chairman	Eugenio Razelli
	Giovanni Ciserani
	Marco Jesi
Remuneration Committee	
Chairman	Jeffrey A. Cole
	Melchert Frans Groot
	Marco Jesi
Independent Auditors	
PricewaterhouseCoopers S.p.A.	

(*) The Shareholders' Meeting of Safilo Group S.p.A., held on October 5th, 2011, approved the increase of the number of Board's members from seven to eight and nominated Mr. Robert Polet as the new non-executive Chairman of the Group.

(**) Appointed by the Shareholders' Meeting held on April 27th, 2011.

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

Safilo Group S.p.A., the holding company, is a limited liability company registered in Italy. The registered office is located in Pieve di Cadore (BL) – Piazza Tiziano n. 8, whilst the administrative headquarters are located in Padua – Settima Strada no. 15.

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

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

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

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

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

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

Key consolidated performance indicators

Economic data (Euro in millions)	First nine months 2011	%	First nine months 2010	%
Net sales	833.5	100.0	818.2	100.0
Cost of sales	(335.9)	(40.3)	(335.4)	(41.0)
Gross profit	497.6	59.7	482.7	59.0
Ebitda	97.6	11.7	82.5	10.1
Operating profit	70.0	8.4	52.4	6.4
Group profit before taxes	46.9	5.6	23.1	2.8
Profit (Loss) attributable to the Group	26.6	3.2	(3.6)	(0.4)

Economic data (Euro in millions)	Third quarter 2011	%	Third quarter 2010	%
Net sales	230.2	100.0	237.9	100.0
Cost of sales	(97.0)	(42.1)	(101.6)	(42.7)
Gross profit	133.3	57.9	136.2	57.3
Ebitda	17.4	7.6	17.7	7.5
Operating profit	8.2	3.5	7.7	3.2
Group profit (loss) before taxes	(3.4)	(1.5)	7.3	3.1
Profit (Loss) attributable to the Group	(4.7)	(2.0)	(0.4)	(0.2)

Balance sheet data (Euro in millions)	September 30, 2011	%	December 31, 2010	%
Total assets	1,454.5	100.0	1,475.0	100,0
Total non-current assets	835.0	57.4	834.5	56,6
Capital expenditure	18.5	1.3	29.4	2.0
Net invested capital	1,025.5	70.5	1,023.2	68.8
Net working capital	288.4	19.8	287.5	19.3
Net financial position	(239.4)	16.5	(256.2)	17.2
Group Shareholders' equity	773.2	53.2	756.0	50.9

Financial data (Euro in millions)	First nine months 2011	First nine months 2010
Cash flow operating activity	43.4	83.2
Cash flow investing activity	(23.1)	(18.7)
Cash flow financing activity	(10.5)	25.9
Closing net financial indebtedness (short-term)	84.2	68.9

Earning per share (in Euro) (*)	First nine months 2011	First nine months 2010
Earnings/(losses) per share - basic	0.468	(0.078)
Earnings/(losses) per share - diluted	0.467	(0.078)
No. shares in share capital at September 30	56,821,965	56,821,965

Group personnel	September 30, 2011	September 30, 2010
Punctual at September 30	8,131	8,402

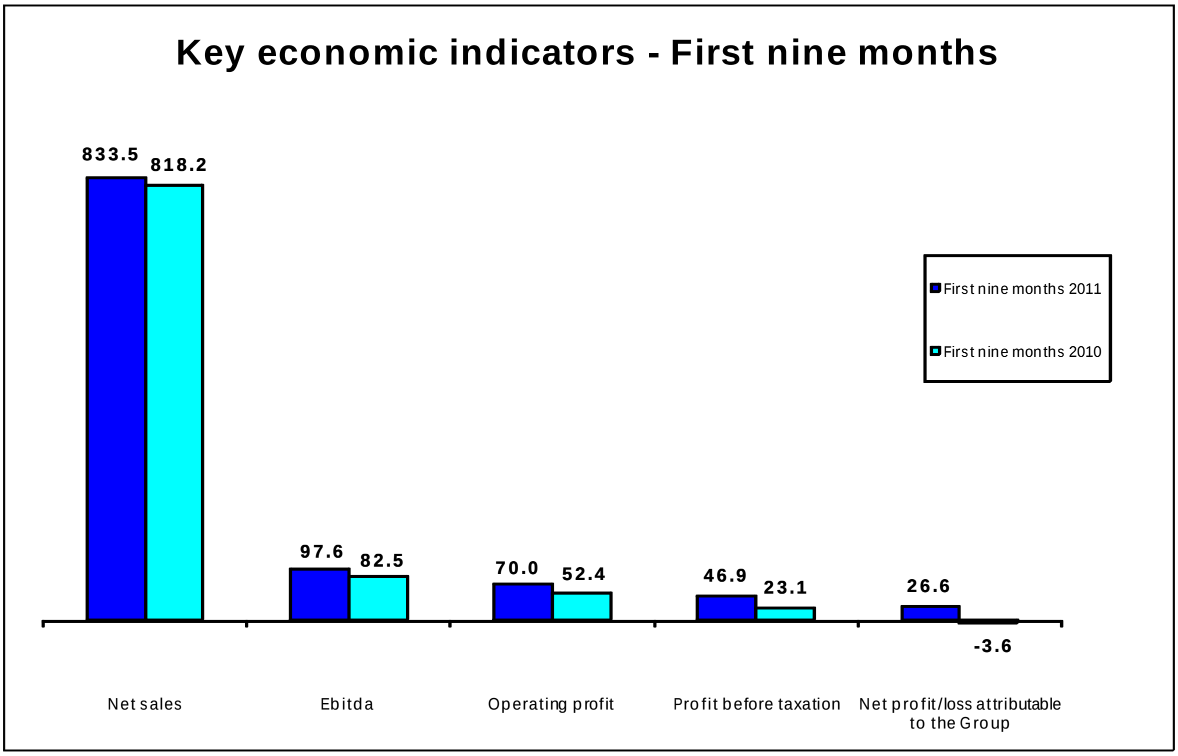
(*) For the first nine months of 2010, the number of ordinary shares has been calculated as weighted average number considering the share capital increase of March 2010 and the effect of the reverse share split in the measure of one new share per twenty old shares as voted by the 30 April 2010 Shareholders'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

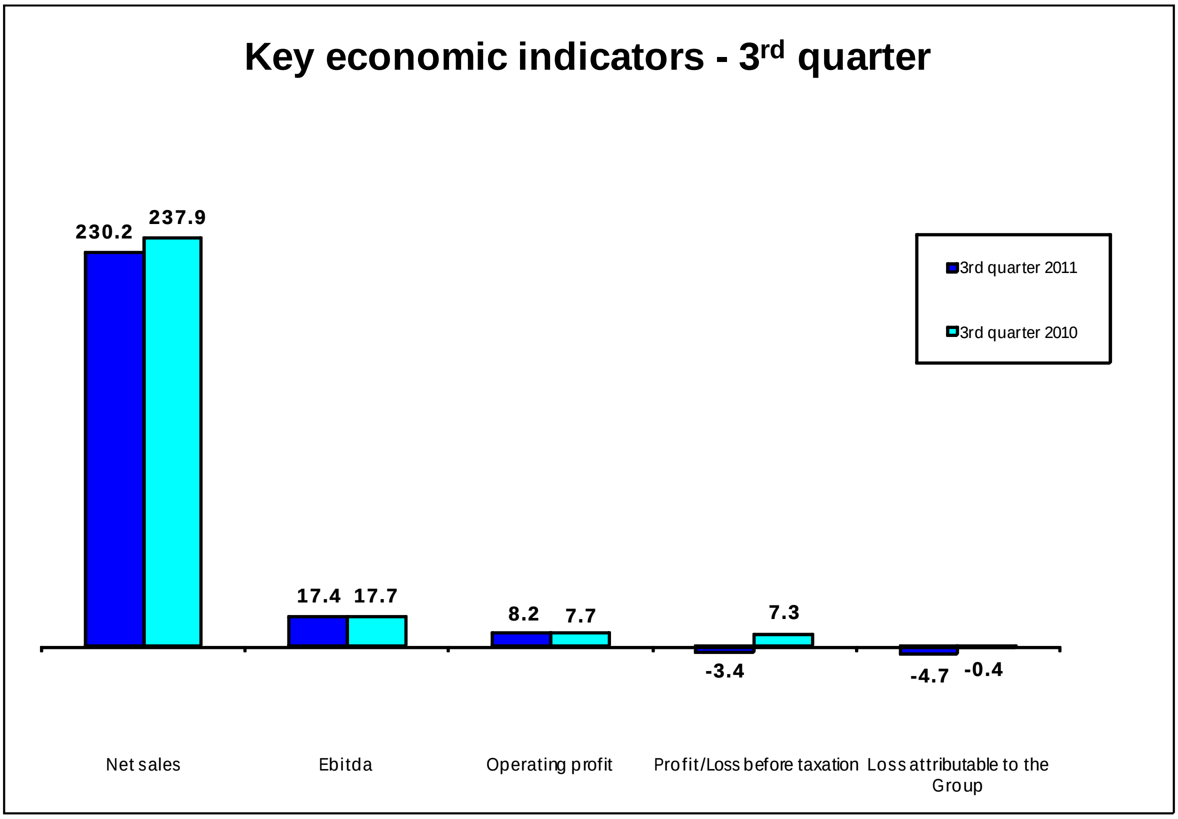
It should be noted that:

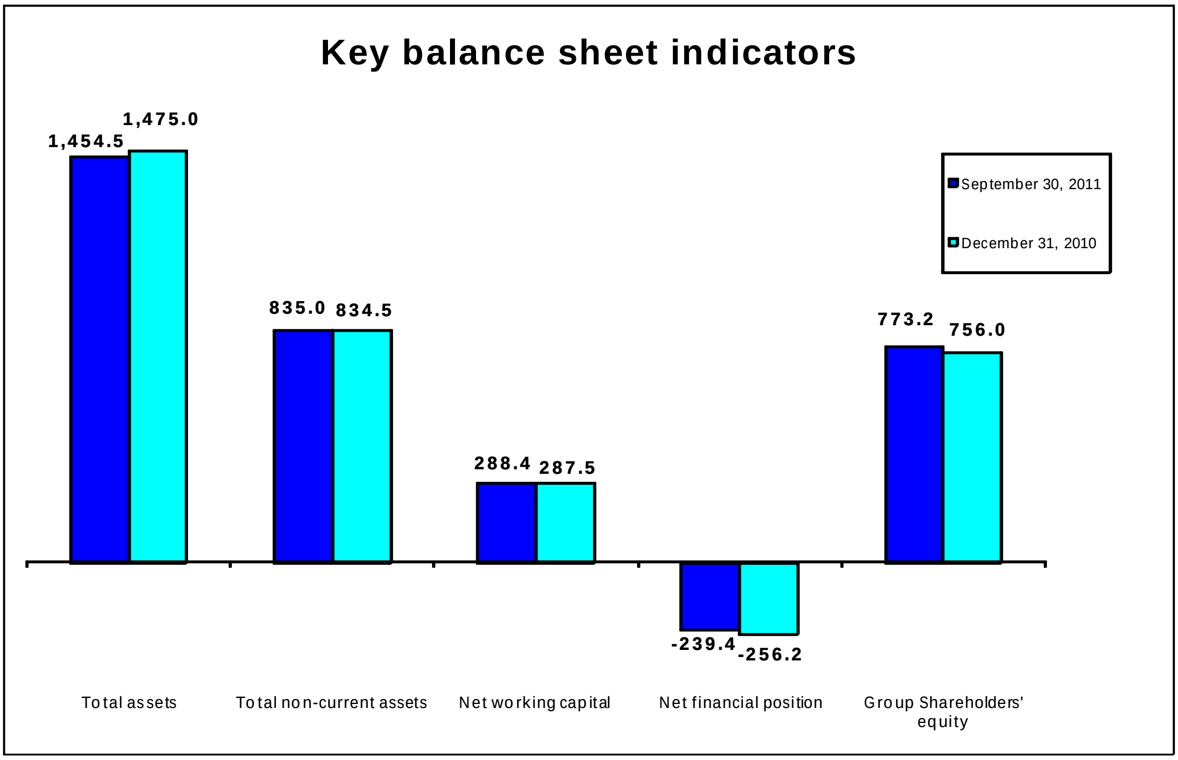
- *certain figures in the Directors' Report on operations have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them.*
- *"EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation; "EBITDA LTM" stands for EBITDA calculated for the prior 12 consecutive months ending on the date of measurement;*
- *"Net working capital" means the algebraic sum of inventories, trade receivables and trade payables.*
- *"Net financial position" means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held in hand and at bank.*

Disclaimer

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


Key economic indicators - First nine months
833.5
818.2
97.6
82.5
70.0
52.4
46.9
23.1
26.6
-3.6
First nine months 2011
First nine months 2010
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit/loss attributable to the Group


Key economic indicators - 3rd quarter
230.2
237.9
17.4
17.7
8.2
7.7
-3.4
7.3
-4.7
-0.4
3rd quarter 2011
3rd quarter 2010
Net sales
Ebitda
Operating profit
Profit/Loss before taxation
Loss attributable to the Group


Key balance sheet indicators
1,454.5
1,475.0
835.0
834.5
288.4
287.5
-239.4
-256.2
773.2
756.0
September 30, 2011
December 31, 2010
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity

Information on Group economic results

The Safilo Group closed the first nine months of 2011 with significantly improved results over the previous year, despite the uncertain macroeconomic environment and some signs of a slowdown in growth, mainly on European markets, starting from the second half of the year.

Net sales reached Euro 833.5 million in the first nine months of the year, an increase of 1.9% compared to the same period of 2010. At constant exchange rates and perimeter, taking into account the sale of the retail store chain in Mexico at the end of 2010, there was a sales growth of 6.7%.

In the third quarter of the year, net sales amounted to Euro 230.2 million, up by 4.1% at constant exchange rates and perimeter (-3.2% on a current basis). Over the period, the strength of the markets in the Far East and in the emerging Latin American countries was confirmed, the Group's sunglasses and prescription frames collections, owned and licensed, continued to be well received. However, business in Europe slowed due to the greater impact of the macroeconomic environment.

Group operating profit registered a slight increase, mainly thanks to a rise in gross profit and an improvement in the retail segment.

The Group's net profit result remains largely positive, despite contracting in the third quarter owing to the negative exchange rate impact on items in foreign currency.

Business seasonality also had an impact on cash generation, which in the first nine months of the year was once again positive, with net debt broadly stable versus the first half of the year. The net debt/LTM EBITDA ratio therefore remains unchanged at 1.95x, as at the end of June.

Group economic results

Consolidated statement of operation *(Euro in millions)*	**First nine months 2011**	**%**	**First nine months 2010**	**%**	**Change %**
Net sales	833.5	100.0	818.2	100.0	1.9%
Cost of sales	(335.9)	(40.3)	(335.4)	(41.0)	0.1%
Gross profit	**497.6**	**59.7**	**482.7**	**59.0**	**3.1%**
Selling and marketing expenses	(328.0)	(39.4)	(330.2)	(40.4)	-0.7%
General and administrative expenses	(99.5)	(11.9)	(100.7)	(12.3)	-1.2%
Other operating income/(expenses), net	-	-	0.5	0.1	n.s.
Operating profit	**70.0**	**8.4**	**52.4**	**6.4**	**33.7%**
Interest expenses and other financial charges, net	(23.2)	(2.8)	(29.3)	(3.6)	-21.0%
Profit before taxation	**46.9**	**5.6**	**23.1**	**2.8**	**n.s.**
Income taxes	(18.3)	(2.2)	(23.5)	(2.9)	-22.2%
Net profit (Loss)	**28.6**	**3.4**	**(0.4)**	**(0.1)**	**n.s.**
Net profit attributable to non controlling interest	2.0	0.2	3.2	0.4	-37.9%
Net profit (Loss) attributable to the group	**26.6**	**3.2**	**(3.6)**	**(0.4)**	**n.s.**
EBITDA	**97.6**	**11.7**	**82.5**	**10.1**	**18.4%**

Consolidated statement of operation *(Euro in millions)*	**Third quarter 2011**	**%**	**Third quarter 2010**	**%**	**Change %**
Net sales	230.2	100.0	237.9	100.0	-3.2%
Cost of sales	(97.0)	(42.1)	(101.6)	(42.7)	-4.6%
Gross profit	**133.3**	**57.9**	**136.2**	**57.3**	**-2.2%**
Selling and marketing expenses	(92.4)	(40.1)	(95.5)	(40.1)	-3.3%
General and administrative expenses	(32.9)	(14.3)	(33.4)	(14.0)	-1.5%
Other operating income/(expenses), net	0.1	0.0	0.3	0.1	-68.5%
Operating profit	**8.2**	**3.5**	**7.7**	**3.2**	**5.8%**
Interest expenses and other financial charges, net	(11.6)	(5.0)	(0.4)	(0.2)	n.s.
Profit (Loss) before taxation	**(3.4)**	**(1.5)**	**7.3**	**3.1**	**n.s.**
Income taxes	(1.4)	(0.6)	(6.5)	(2.8)	-78.8%
Net profit (Loss)	**(4.8)**	**(2.1)**	**0.8**	**0.4**	**n.s.**
Net profit attributable to non controlling interest	(0.1)	(0.1)	1.2	0.5	n.s.
Net profit (Loss) attributable to the group	**(4.7)**	**(2.0)**	**(0.4)**	**(0.2)**	**n.s.**
EBITDA	**17.4**	**7.6**	**17.7**	**7.5**	**-1.6%**

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

Group net sales increased by 1.9% in the first nine months of the year (+6.7% at constant exchange rates and perimeter), to Euro 833.5 million. In the third quarter of the year, net sales reached Euro 230.2 million, up by 4.1% at constant exchange rates and perimeter, thanks to the Group's performance in emerging and developing Asian and Latin American markets, and the resilience of the North American market.

Net sales by geographical area	**First nine months**					**Third quarter**				
(Euro in millions)	**2011**	**%**	**2010**	**%**	**Change %**	**2011**	**%**	**2010**	**%**	**Change %**
Europe	343.2	41.2	334.2	40.9	+2.7	81.4	35.4	85.5	36.0	-4.8
Americas	343.6	41.2	351.2	42.9	-2.2	110.6	48.0	116.9	49.1	-5.4
Asia	135.1	16.2	120.9	14.8	+11.7	35.2	15.3	31.8	13.4	+10.7
Rest of the world	11.6	1.4	11.9	1.4	-2.1	3.0	1.3	3.7	1.5	-17.8
Total	**833.5**	**100.0**	**818.2**	**100.0**	**+1.9**	**230.2**	**100.0**	**237.9**	**100.0**	**-3.2**

Net sales by product	**First nine months**					**Third quarter**				
(Euro in millions)	**2011**	**%**	**2010**	**%**	**Change %**	**2011**	**%**	**2010**	**%**	**Change %**
Prescription frames	315.4	37.8	316.3	38.7	-0.3	92.8	40.3	103.0	43.3	-9.9
Sunglasses	463.0	55.5	447.1	54.6	+3.6	111.0	48.2	107.3	45.1	+3.5
Sport products	48.1	5.8	45.6	5.6	+5.6	24.4	10.6	24.4	10.2	+0.2
Other	7.0	0.8	9.2	1.1	-24.1	2.0	0.9	3.2	1.4	-37.9
Total	**833.5**	**100.0**	**818.2**	**100.0**	**+1.9**	**230.2**	**100.0**	**237.9**	**100.0**	**-3.2**

In the third quarter, the Group registered a good sales performance in sunglasses, which grew in all the main markets.

The sunglass season registered a positive performance also in the more uncertain European market, due to the diverse timing in the presentation of the collections.

Analysing in further detail the business by geographical area, sales in America at constant exchange rates and perimeter continued to follow a very positive trend even in the third quarter of the year, with growth of 7.4% (+8.4% in the first nine months of 2011). The positive performance of the US market in the quarter was due to the commercial success of the house brand Carrera, which has now reached levels comparable to some of the top luxury brands. During the period, growth remained particularly strong in the emerging markets of Central and South America, particularly Brazil and Mexico, where all the main prescription frames and sunglasses collections registered exponential growth, while the Carrera brand almost respectively tripled and doubled sales in these markets.

In the third quarter of 2011, Asian markets growth further strengthened with an increase of 17.9% at constant exchange rates (+15.4% in the first nine months of 2011). Over the period, the area's performance was particularly positive in the travel retail business, in China, India and in the emerging markets of Hong Kong and Korea, where the Group is boosting its presence with the top luxury brands and the Carrera brand, as well as with the lines of the diffusion segment.

The improvement in **gross profit** was also confirmed in the third quarter of the year. Although production levels remained broadly unchanged compared to the third quarter of 2010, measures taken to improve sales conditions and to manage finished goods inventories brought an increase in profitability versus the same period of 2010.

The incidence of **selling and marketing expenses** remained stable, while in terms of **general and administrative expenses,** the costs of optimising the management structure were partly offset by the results achieved in credit control.

Group operating profit (**EBIT**) for the quarter reached Euro 8.2 million (equal to 3.5% of sales), an increase of 5.8% over the third quarter of 2010.
In the first nine months of 2011, EBIT reached Euro 70 million, a rise of 33.7%, equal to a margin of 8.4% of sales compared to 6.4% in the same period of 2010.

Net financial costs for the quarter were marked by a reduction in interest payable on debt thanks to the partial repayment of the High Yield bond at the end of the second quarter. Following the revaluation of the Dollar/Euro exchange rate there was a negative impact of exchange rate differences, unrealised at 30th September 2011, relating to balances in foreign currency.
This trend had a negative impact on the net result for the quarter, which closed with a loss of Euro 4.7 million.

Group net profit for the first nine months of the year was Euro 26.6 million, with a net profit margin at 3.2%.

Analysis by distribution channel

The table below shows the key data by operating segment:

(Euro in millions)	WHOLESALE First nine months 2011	WHOLESALE First nine months 2010	WHOLESALE Change	WHOLESALE Change %	RETAIL First nine months 2011	RETAIL First nine months 2010	RETAIL Change	RETAIL Change %
Net sales to 3rd parties	778.4	751.1	27.3	3.6%	55.1	67.1	-12.0	-17.9%
EBITDA (*)	90.3	78.5	11.8	15.1%	7.4	4.0	3.4	87.1%
%	*11.6%*	*10.5%*			*13.5%*	*5.9%*		

(Euro in millions)	WHOLESALE Third quarter 2011	WHOLESALE Third quarter 2010	WHOLESALE Change	WHOLESALE Change %	RETAIL Third quarter 2011	RETAIL Third quarter 2010	RETAIL Change	RETAIL Change %
Net sales to 3rd parties	211.6	214.6	(3.0)	-1.4%	18.6	23.2	-4.6	-19.8%
EBITDA	14.7	16.6	(1.9)	-11.3%	2.7	1.1	1.6	n.s.
%	*7.0%*	*7.7%*			*14.7%*	*4.9%*		

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

Sales of the main wholesale segment totalled Euro 778.4 million, a rise of 3.6% versus the first nine months of 2010. In the third quarter of the year, the exchange rate trend led to a slight contraction in sales of 1.4%. At constant exchange rates, sales would have advanced by 6.2% in the first nine months and by 3.4% in the third quarter of the year.

The EBITDA margin of the wholesale segment was 7.0% in the third quarter of 2011, compared to 7.7% in the same quarter of 2010. In the third quarter, marked by lower operating leverage, the improvement registered in gross profit was offset by growth in general and selling expenses, due to the optimisation of the management structure and the strengthening of the main business activities, particularly in sales and marketing.

EBITDA(*) in the first nine months of 2011 increased by 15.1% compared to the same period of 2010. The EBITDA margin increased by 110 basis points, to 11.6% of sales.

The analysis of the retail segment compared with the previous year is affected by the sale of part of the business, namely the Mexican chain “Sunglass Island”, which was sold at the end of 2010.

Group retail activities are currently limited to the Solstice chain, which is present in the main US cities with 156 stores specialising in the sale of sunglasses. On a like-for-like store basis, sales rose by 7.1% in the first nine months of 2011 and by 7.5% in the third quarter of the year. In the third quarter, Solstice achieved an EBITDA margin of 14.7%, which represents a significant improvement compared to the past, and this is the effect of both higher sales and the first results of the new channel policies that favour the best locations of the current store network.

Balance sheet reclassified

Balance sheet *(Euro in millions)*	**September 30, 2011**	**December 31, 2010**	**Change**
Trade receivables	241.6	271.3	(29.7)
Inventory, net	211.8	220.4	(8.6)
Trade payables	(165.0)	(204.2)	39.2
Net working capital	**288.4**	**287.5**	**0.9**
Tangible assets	205.4	203.7	1.7
Intangible assets and goodwill	557.5	563.7	(6.2)
Financial assets	11.9	13.2	(1.3)
Net fixed assets	**774.8**	**780.6**	**(5.8)**
Employee benefit liability	(33.5)	(32.1)	(1.4)
Other assets / (liabilities), net	(4.2)	(12.8)	8.6
Net invested capital	**1,025.5**	**1,023.2**	**2.3**
Cash in hand and at bank	104.5	88.3	16.3
Short term borrowings	(137.2)	(56.6)	(80.5)
Long term borrowings	(206.7)	(287.8)	81.1
Net financial position	**(239.4)**	**(256.2)**	**16.8**
Group Shareholders' equity	(773.2)	(756.0)	(17.2)
Non controlling interest	(12.9)	(11.0)	(1.9)
Total shareholders' equity	**(786.1)**	**(767.0)**	**(19.1)**

Cash flow

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

Free cash flow *(Euro in millions)*	First nine months 2011	First nine months 2010	Change
Cash flow operating activities	43.4	83.2	(39.8)
Cash flow investing activities	(23.1)	(18.7)	(4.4)
Free cash flow	**20.3**	**64.5**	**(44.2)**

In the first nine months of the year, the Group confirmed its ability to generate cash through operating activities although, due to the seasonality of the business, the third quarter did not increase cash flows. In comparison with the same period of the previous year, it is to be noted that in spite of the better result of the period, the operating cash flow was influenced by the different seasonality of the working capital.
The use of resources for investments, net of the purchase of the building occupied by the distribution centre in the US, remained limited and in line with the previous year.

Net working capital

Net working capital *(Euro in millions)*	September 30, 2011	September 30, 2010	Change Sept. 2011 / Sept. 2010	December 31, 2010
Trade receivables, net	241.6	249.7	(8.1)	271.3
Inventories	211.8	199.6	12.2	220.4
Trade payables	(165.0)	(166.6)	1.6	(204.2)
Net working capital	**288.4**	**282.7**	**5.7**	**287.5**
% net sales rolling last 12 months	*26.3%*	*26.8%*		*26.6%*

Net working capital remained broadly unchanged versus the same period of 2010, not only in terms of overall amount, but also in its main components.
Apart from the effects caused by the fluctuation of exchange rates, the Group is monitoring the trend in working capital very carefully in order to constantly improve its financial situation. Payment and collection terms have not changed significantly, and any differences in exposure to customers are mainly a result of a different sales mix in various countries.
The increase in inventories is mainly due to the different way in which production is organised in the management of the autumn sales campaign.

Investments in tangible and intangible fixed assets

Investments in tangible and intangible assets made by the Group totalled Euro 18.5 million, compared with investments of Euro 19.7 million made in the same period of the previous financial year, and featured the following:

(Euro in millions)	First nine months 2011	First nine months 2010	Change
Padua headquarters	2.5	1.1	1.4
Production factories	12.4	14.5	(2.1)
Europe	0.2	0.4	(0.2)
America	3.0	2.9	0.1
Far-East	0.4	0.8	(0.4)
Total	**18.5**	**19.7**	**(1.2)**

The Group has not made any significant change to its investment policies, with investment remaining under control and in any case not higher than the previous year.

In addition to that shown in the table above, note that in the first half of the year, the Group acquired a real estate company (in which it already owned a 33% stake), which in turn owns the distribution centre and the regional headquarters in the US.

Net financial position

Net financial position *(Euro in millions)*	September 30, 2011	June 30, 2011	Change Sep/Jun	December 31, 2010	Change Sep/Dec
Current portion of long-term borrowings	(75.8)	(70.9)	(4.9)	(1.3)	(74.6)
Bank overdrafts and short term bank borrowings	(20.4)	(12.1)	(8.3)	(15.8)	(4.6)
Other short-term borrowings	(41.0)	(40.1)	(0.9)	(39.6)	(1.4)
Cash and cash equivalent	104.5	99.3	5.3	88.3	16.3
Short-term net financial position	**(32.6)**	**(23.8)**	**(8.8)**	**31.6**	**(64.3)**
Long term borrowings	(206.7)	(216.5)	9.7	(287.8)	81.1
Long-term net financial position	**(206.7)**	**(216.5)**	**9.7**	**(287.8)**	**81.1**
Net financial position	**(239.4)**	**(240.3)**	**0.9**	**(256.2)**	**16.8**

Due to business seasonality, which does not usually enable cash generation in the third quarter of the year, the net financial position remained unchanged versus the end of the first half. The breakdown of debt was also substantially unchanged, after the partial repayment of the High Yield bond in the first half of the year.
The debt/LTM EBITDA ratio remains under two.

Personnel

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

	September 30, 2011	December 31, 2010	September 30, 2010
Padua headquarters	951	896	885
Production factories	5,138	5,195	5,158
Commercial companies	1,238	1,174	1,179
Retail	804	883	1,180
Total	**8,131**	**8,148**	**8,402**

Not considering the effect resulting from the sale of the Mexican retail chain, the number of people employed by the group remains practically unchanged versus the previous year.
Compared with 2010, the modest decrease in the industrial area was offset by a slight increase in the distribution subsidiaries and at headquarters, which also includes the Group's largest distribution centre. This increase in headcount was the result of higher sales volumes and the optimisation of the management structure, mainly to support sales.

Subsequent events and Outlook

There are no significant events to mention after 30th September 2011 that can be considered to have significantly affected the data contained in this report.

Financial statements

and Notes

at September 30th, 2011

Consolidated balance sheet

(Euro/000)	*Notes*	September 30, 2011	of which related parties	December 31, 2010	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	104,534		88,267	
Trade receivables, net	*2.2*	241,579	9,141	271,317	12,561
Inventory, net	*2.3*	211,817		220,443	
Derivative financial instruments	*2.4*	540		-	
Other current assets	*2.5*	61,069		60,471	
Total current assets		**619,539**		**640,498**	
Non-current assets					
Tangible assets	*2.6*	205,399		203,680	
Intangible assets	*2.7*	11,476		13,731	
Goodwill	*2.8*	546,051		550,013	
Investments in associates	*2.9*	11,883		13,202	
Financial assets available-for-sale	*2.10*	234		540	
Deferred tax assets	*2.11*	57,524		50,705	
Derivative financial instruments	*2.4*	-		177	
Other non-current assets	*2.12*	2,441		2,440	
Total non-current assets		**835,008**		**834,488**	
Total assets		**1,454,547**		**1,474,986**	

(Euro/000)	*Notes*	September 30, 2011	of which related parties	December 31, 2010	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	137,172		56,643	
Trade payables	*2.14*	165,023	3,633	204,189	5,186
Tax payables	*2.15*	19,398		17,795	
Derivative financial instruments	*2.4*	591		1,827	
Other current liabilities	*2.16*	70,984		72,298	
Provisions for risks and charges	*2.17*	6,260		6,679	
Total current liabilities		**399,428**		**359,431**	
Non-current liabilities					
Long-term borrowings	*2.13*	206,742	68,301	287,794	98,657
Employee benefit liability	*2.18*	33,528		32,096	
Provisions for risks and charges	*2.17*	18,350		19,392	
Deferred tax liabilities	*2.11*	4,692		1,708	
Derivative financial instruments	*2.4*	970		265	
Other non-current liabilities	*2.19*	4,738		7,265	
Total non-current liabilities		**269,020**		**348,520**	
Total liabilities		**668,448**		**707,951**	
Shareholders' equity					
Share capital	*2.20*	284,110		284,110	
Share premium reserve	*2.21*	461,491		461,491	
Retained earnings (losses) and other reserves	*2.22*	2,194		9,689	
Fair value and cash flow reserves	*2.23*	(1,172)		(21)	
Income attributable to the Group		26,598		731	
Total shareholders' equity attributable to the Group		**773,221**		**756,000**	
Non controlling interest		**12,878**		**11,035**	
Total shareholders' equity		**786,099**		**767,035**	
Total liabilities and shareholders' equity		**1,454,547**		**1,474,986**	

Consolidated income statement

(Euro/000)	Notes	First nine months 2011	of which related parties	First nine months 2010	of which related parties	Third quarter 2011	of which related parties	Third quarter 2010	of which related parties
Net sales	*3.1*	833,490	30,270	818,184	29,246	230,234	7,988	237,857	7,730
Cost of sales	*3.2*	(335,921)	(8,010)	(335,441)	(12,660)	(96,960)	(2,551)	(101,644)	(3,576)
Gross profit		**497,569**		**482,743**		**133,274**		**136,213**	
Selling and marketing expenses	*3.3*	(328,007)	(154)	(330,183)	(106)	(92,357)	(66)	(95,460)	(49)
General and administrative expenses	*3.4*	(99,487)	(208)	(100,702)	(979)	(32,850)	-	(33,366)	(332)
Other oper. income/(expenses), net	*3.5*	(39)	101	528	155	106	-	337	51
Operating profit		**70,036**		**52,386**		**8,173**		**7,724**	
Share of income/(loss) of associates	*3.6*	(443)		342		(24)		262	
Interest expenses and other financial charges, net	*3.7*	(22,738)	(6,270)	(29,675)	(7,122)	(11,598)	(1,643)	(642)	(2,374)
Profit (Loss) before taxation		**46,855**		**23,053**		**(3,449)**		**7,344**	
Income taxes	*3.8*	(18,263)		(23,478)		(1,374)		(6,478)	
Net profit/(loss)		**28,592**		**(425)**		**(4,823)**		**866**	
Net profit/(loss) attributable to:									
The Group		26,598		(3,635)		(4,681)		(365)	
Non controlling interest		1,994		3,210		(142)		1,231	
Earnings/(losses) per share - basic (Euro)	*3.9*	0.468		(0.078)		(0.082)		0.001	
Earnings/(losses) per share - diluted (Euro)	*3.9*	0.467		(0.078)		(0.081)		0.001	

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Net profit (loss) for the period		**28,592**	**(425)**	**(4,823)**	**866**
Gains/(Losses) on cash flow hedges	*2.23*	(1,125)	(327)	(1,299)	(327)
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	(26)	(17)	(14)	1
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	(8,971)	36,113	36,377	(61,725)
Other Gains/(Losses)	*2.22*	-	96	-	306
Other comprehensive income / (loss), net of tax		**(10,122)**	**35,865**	**35,064**	**(61,745)**
Total Comprehensive income / (loss)		**18,470**	**35,440**	**30,241**	**(60,879)**
Attributable to:					
Group		16,227	31,798	29,481	(59,830)
Non controlling interest		2,243	3,642	760	(1,049)
Total Comprehensive income / (loss)		**18,470**	**35,440**	**30,241**	**(60,879)**

Consolidated statement of cash flows

(Euro/000)	Notes	First nine months 2011	First nine months 2010
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**72,495**	**(20,919)**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including non controlling interest)		28,592	(425)
Depreciation and amortization	*2.6 - 2.7*	27,599	30,101
Other non-monetary P&L items	*2.9-2.17-2.18*	(994)	172
Interest expenses, net	*3.7*	17,589	20,713
Income tax expenses	*3.8*	18,263	23,132
Income from operating activities prior to movements in working capital		**91,049**	**73,693**
(Increase) Decrease in trade receivables		25,917	26,784
(Increase) Decrease in inventory, net		8,150	10,955
Increase (Decrease) in trade payables		(39,131)	13,611
(Increase) Decrease in other current receivables		(3,797)	(7,354)
Increase (Decrease) in other current payables		(1,348)	5,037
Interest expenses paid		(14,467)	(21,365)
Income tax paid		(22,926)	(18,173)
Total (B)		**43,447**	**83,188**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(14,285)	(17,403)
Acquisition of subsidiary (net of cash acquired)		(6,749)	-
(Acquisition) Disposal of investments and bonds		213	-
Purchase of intangible assets		(2,282)	(1,325)
Total (C)		**(23,103)**	**(18,728)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		51,426	516
Repayment of borrowings		(61,543)	(237,673)
Share capital increase net of paid fees		-	264,975
Dividends paid		(397)	(1,873)
Total (D)		**(10,514)**	**25,945**
E - Cash flow for the period (B+C+D)		**9,830**	**90,405**
Translation exchange difference		1,848	(624)
Total (F)		**1,848**	**(624)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**84,173**	**68,862**

Statement of changes in shareholders' equity

First nine months 2010

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings and other reserves	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2010	**71,349**	**745,105**	**(62,529)**	**32**	**35,924**	**(351,448)**	**438,433**
Previous year's profit allocation	-	(331,429)	-	-	(20,019)	351,448	-
Share capital increase	212,761	57,203	-	-	-	-	269,964
Changes in other reserves	-	(6,489)	-	-	1,091	-	(5,398)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	35,722	(344)	56	(3,635)	31,798
Group shareholders' equity at September 30, 2010	**284,110**	**464,390**	**(26,807)**	**(312)**	**17,052**	**(3,635)**	**734,797**
Non controlling interest at January 1, 2010	**-**	**-**	**248**	**-**	**6,652**	**659**	**7,559**
Previous year's profit allocation	-	-	-	-	659	(659)	-
Changes in other reserves	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	(781)	-	(781)
Total comprehensive income for the period	-	-	391	-	41	3,210	3,642
Non controlling interest at September 30, 2010	**-**	**-**	**639**	**-**	**6,571**	**3,210**	**10,420**
Consolidated net equity at September 30, 2010	**284,110**	**464,390**	**(26,168)**	**(312)**	**23,623**	**(425)**	**745,217**

First nine months 2011

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings and other reserves	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2011	**284,110**	**461,491**	**(7,878)**	**(21)**	**17,567**	**731**	**756,000**
Previous year's profit allocation	-	-	-	-	731	(731)	-
Changes in other reserves	-	-	-	-	994	-	994
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(9,220)	(1,151)	-	26,598	16,227
Group shareholders' equity at September 30, 2011	**284,110**	**461,491**	**(17,098)**	**(1,172)**	**19,292**	**26,598**	**773,221**
Non controlling interest at January 1, 2011	**-**	**-**	**905**	**-**	**6,297**	**3,833**	**11,035**
Previous year's profit allocation	-	-	-	-	3,833	(3,833)	-
Changes in other reserves	-	-	-	-	(3)	-	(3)
Dividends distribution	-	-	-	-	(397)	-	(397)
Total comprehensive income for the period	-	-	249	-	-	1,994	2,243
Non controlling interest at September 30, 2011	**-**	**-**	**1,154**	**-**	**9,730**	**1,994**	**12,878**
Consolidated net equity at September 30, 2011	**284,110**	**461,491**	**(15,944)**	**(1,172)**	**29,022**	**28,592**	**786,099**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

These interim consolidated financial statements, expressed in thousands of Euro, refer to the financial period from January 1st 2011 to September 30th 2011. Economic and financial information are provided with reference to the third quarter of 2011 and 2010 whilst balance sheet information are provided with reference to September 30th 2011 and December 31st 2010.

Consolidated quarterly financial report of Safilo Group at September 30th 2011, including condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.2 58/98 - T.U.F. - and subsequent amendments and additions. This interim financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual budget. They refer only to those components that in amount, composition or variations are essential for understanding the economic situation and financial position of the Group. Therefore, this interim financial report must be read in conjunction with the consolidated financial statements for the financial year ended 31st December 2010.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 7th November 2011.

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

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

Starting from March 31st 2011, the Group retroactively changed the classification of the receivable towards the "INPS central treasury fund" by adjusting the opening balances; this receivable relates to portion post employment benefit provision transferred by the Italian companies to the fund. This amount, classified in the item "Other non-current assets" until last financial year ended December 31st 2010, from March 31st 2011 has been classified as reduction of the debt for the post employment benefit provision (TFR) classified in the item "Employee benefits". The reclassification was made to improve the representation of the Group's financial position and it is justified by the fact that this asset, according to the law, is realized in combination with the settlement of the debt to employees.
The amount of the receivable reclassified at September 30th 2011 amounted to 13,871 thousand of Euro (at December, 31st 2010 11,323 thousand of Euro).

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

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

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

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

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

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

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

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

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

1.3 Consolidation method and consolidation area

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

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

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

	Value	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	66,176,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidazione) – Padova	EUR	102,775	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Investment Far East B.V. - Amsterdam (NL)	EUR	18,000	100.0
Safilo Capital Int. S.A. - Lussemburgo (L)	EUR	31,000	100.0
Luxury Trade S.A - Lussemburgo (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	1,000,000	100.0
Safilo France S.a.r.l. - Parigi (F)	EUR	960,000	100.0
Safilo Gmbh - Colonia (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Mosca (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	51.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	51.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzen Limited- Shenzen (RC)	CNY	2,481,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	100.0
Safilo Retail (Shangai) Co. Ltd - (RC)	USD	5,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Atene (GR)	EUR	489,990	100.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Carrera Optyl D.o.o. - Ormoz (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – San Paolo (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbona (P)	EUR	500,000	100.0
Safilo Switzerland AG – Liestal (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	88.5
Safint Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo Australia Partnership – Sydney (AUS)	AUD	204,081	61.0
Optifashion Hong Kong Ltd - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - Londra (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - North Yorkshire (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Realty Corp. - Delaware (USA)	USD	10,000	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safint Eyewear de Mexico S.A. de C.V. - Cancun (MEX)	MXP	10,035,575	100.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0

1.4 Translation of financial statement in currencies other than Euro

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

Currency	Code	As of September 30, 2011	As of December 31, 2010	(Appreciation) / Depreciation %	Avg. for the first 9 months 2011	Avg. for the first 9 months 2010	(Appreciation) / Depreciation %
US Dollar	USD	1.3503	1.3362	1.1%	1.4063	1.3145	7.0%
Hong-Kong Dollar	HKD	10.5213	10.3856	1.3%	10.9502	10.2153	7.2%
Swiss Franc	CHF	1.2170	1.2504	-2.7%	1.2342	1.4002	-11.9%
Canadian Dollar	CAD	1.4105	1.3322	5.9%	1.3750	1.3615	1.0%
Japanese Yen	YEN	103.7900	108.6500	-4.5%	113.2057	117.6606	-3.8%
British Pound	GBP	0.8667	0.8608	0.7%	0.8714	0.8573	1.6%
Swedish Krown	SEK	9.2580	8.9655	3.3%	9.0089	9.6484	-6.6%
Australian Dollar	AUD	1.3874	1.3136	5.6%	1.3539	1.4655	-7.6%
South-African Rand	ZAR	10.9085	8.8625	23.1%	9.8210	9.8084	0.1%
Russian Ruble	RUB	43.3500	40.8200	6.2%	40.4828	39.7623	1.8%
Brasilian Real	BRL	2.5067	2.2177	13.0%	2.2942	2.3409	-2.0%
Indian Rupee	INR	66.1190	59.7580	10.6%	63.6646	60.4753	5.3%
Singapore Dollar	SGD	1.7589	1.7136	2.6%	1.7536	1.8180	-3.5%
Malaysian Ringgit	MYR	4.3112	4.0950	5.3%	4.2590	4.2793	-0.5%
Chinese Reminbi	CNY	8.6207	8.8220	-2.3%	9.1374	8.9474	2.1%
Korean Won	KRW	1,594.9200	1,499.0600	6.4%	1,540.6096	1529.4576	0.7%
Mexican Peso	MXN	18.5936	16.5475	12.4%	16.9236	16.7086	1.3%

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

1.5 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements such as the balance sheet, the income statement and the cash flow statement and on the disclosures in the notes to the accounts. The final outcome of the various accounts in the financial statements, which uses the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Some valuation processes, in particular the most complex such as the calculation of permanent impairments in values for fixed assets, are only made in full for the preparation of the Annual financial statements when all the necessary information is available, unless "impairment" indicators exist that require an immediate valuation of a potential loss in value.

2. Notes on the consolidated balance sheet

2.1 Cash in hand and at bank

This account totals Euro 104,534 thousand, compared with Euro 88,267 thousand at 31st December 2010 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

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

(Euro/000)		September 30, 2011	September 30, 2010
Cash in hand and at bank		104,534	83,572
Bank overdrafts	2.13	(10,617)	(1,031)
Current bank borrowings	2.13	(9,744)	(14,027)
Cash in hand and at bank reclassified in the line 'Assets of disposal group classified as held for sale'		-	348
Net cash and cash equivalents		**84,173**	**68,862**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	September 30, 2011	December 31, 2010
Gross value	275,574	302,097
Allowance for doubtful accounts and sales returns	(33,995)	(30,780)
Net value	**241,579**	**271,317**

The Group's credit risk is not significantly concentrated since credit exposure is spread over a large number of customers.

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

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Use (-)	Transl. Diff.	Balance at September 30, 2011
Allowance for bad debts	19,669	3,672	(869)	(208)	22,264
Allowance for sales returns	11,111	1,714	(1,075)	(19)	11,731
Total	**30,780**	**4,643**	**(449)**	**(864)**	**33,995**

The allowance for bad and doubtful debts includes the provision for insolvency posted on the income statement under the item "general and administrative expenses" (note 3.4).
The allowance for bad and doubtful debts includes the provision for products which, in accordance with specific contractual clauses, may not be sold to final consumers and therefore may be returned in the future. This provision is accounted for in the income statement as a direct reduction of sales.

2.3 Inventory, net

This item breaks down as follows:

(Euro/000)	September 30, 2011	December 31, 2010
Raw materials	54,826	59,378
Work-in-progress	6,130	6,028
Finished products	210,323	216,301
Gross	**271,279**	**281,707**
Obsolescence provision (-)	(59,462)	(61,264)
Total	**211,817**	**220,443**

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

The movements in the aforementioned provision are shown below:

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Transl. Diff.	Balance at September 30, 2011
Obsolescence provision	61,264	(1,290)	(512)	59,462
Total	**61,264**	**(1,290)**	**(512)**	**59,462**

2.4 Derivative financial instruments

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

(Euro/000)	September 30, 2011	December 31, 2010
Current assets:		
- Interest rate swaps - cash flow hedge	5	-
- Foreign currency contracts - Fair value through P&L	535	-
Total	**540**	**-**
Non-current assets:		
- Interest rate swaps - cash flow hedge	-	177
Total	**-**	**177**

(Euro/000)	September 30, 2011	December 31, 2010
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	11	-
- Interest rate swaps - cash flow hedge	240	-
- Interest rate swaps - Fair value through P&L	340	1,827
Total	**591**	**1,827**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	970	265
Total	**970**	**265**

The net market value of the forward hedge contracts appearing in the financial statements at 30th September 2011 was positive for 524 thousand of Euro, calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate at balance sheet date.

The market value of the interest rate swap contracts appearing in the financial statements at 30th September 2011 was negative for 1,545 thousand of Euro and was estimated by specialist financial institutions based on normal market conditions. Group interest rate risk policy usually provides for the hedging of future financial flows that will appear in the accounts in subsequent years, and the related hedging effect must be suspended in the cash flow reserve and posted to the income statement in subsequent years as the expected flows appear.
At 30th September 2011 a portfolio of interest rate swap contracts was in place that, after the debt restructuring, no longer qualified as a hedging relationship, the fair value of these contracts was therefore entered directly to the income statement. The portfolio, which will expire at 31st December 2011, has a negative value of 340 thousand Euro.

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

Interest rate swaps	**September 30, 2011**			**December 31, 2010**		
(Euro/000)	**Contractual value**		***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2011	-	37,000	(268)	-	49,000	(1,397)
Expiry year 2011	13,468	-	(72)	26,938	-	(430)
Expiry year 2012	-	2,170	5	-	2,170	2
Expiry year 2012	98,100	-	(240)	98,100	-	(265)
Expiry year 2014	-	55,000	(970)	-	25,000	175
Total	**111,568**	**94,170**	**(1,545)**	**125,038**	**76,170**	**(1,915)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**September 30, 2011**	**December 31, 2010**
VAT receivable	9,533	11,086
Tax credits and payments on account	11,066	10,214
Prepayments and accrued income	23,471	21,323
Receivables from agents	312	602
Other current receivables	16,687	17,246
Total	**61,069**	**60,471**

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

Accrued income and deferred charges at 30th September 2011 include:

- prepaid royalty costs of Euro 14,137 thousand;
- prepaid rent and operating leases of Euro 1,886 thousand;
- prepaid advertising costs of Euro 4,316 thousand;
- other prepaid costs, mainly of commercial nature, for the remainder.

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

Other short-term receivables amount to Euro 16,687 thousand and mainly refer to:

- advance payments of minimum annual guarantees relating to 2012 royalties for a total amount of Euro 11,508 thousand;
- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,184 thousand, referring to receivables due from bankrupt customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the distribution plan of the bankruptcy

procedure is executed;

- receivables for insurance repayments of Euro 740 thousand;
- deposit payments due within 12 months for Euro 176 thousand;

2.6 Property, plant and equipment, net

Changes in tangible assets in the first nine months 2011 are shown below:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at September 30, 2011
Gross value							
Land and buildings	132,019	502	(75)	-	9,594	826	142,866
Plant and machinery	185,180	3,570	(3,248)	-	-	367	185,869
Equipment and other assets	206,398	10,637	(8,391)	-	-	(846)	207,798
Assets under constructions	1,393	3,878	-	(2,541)	-	19	2,749
Total	**524,990**	**18,587**	**(11,714)**	**(2,541)**	**9,594**	**366**	**539,282**
Accumulated depreciation							
Land and buildings	36,115	2,759	-	-	-	61	38,935
Plant and machinery	125,395	6,892	(2,026)	-	-	74	130,335
Equipment and other assets	159,800	13,216	(7,927)	-	-	(476)	164,613
Total	**321,310**	**22,867**	**(9,953)**	**-**	**-**	**(341)**	**333,883**
Net value	**203,680**	**(4,280)**	**(1,761)**	**(2,541)**	**9,594**	**707**	**205,399**

Investments in tangible assets in the first nine months of 2011 totalled Euro 16,046 thousand, and mainly comprised:

- Euro 11,550 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 2,347 thousand in the US companies, mainly in the retail chain in America;
- for the remaining amount in other Group's companies.

2.7 Intangible assets

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

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Reclass.	Transl. diff.	Balance at September 30, 2011
Gross value						
Software	22,213	1,687	(41)	68	13	23,940
Trademarks and licenses	43,408	257	-	-	(21)	43,644
Other intangible assets	8,125	102	(1)	-	(18)	8,208
Intangible assets in progress	83	448	-	(68)	-	463
Total	**73,829**	**2,494**	**(42)**	**-**	**(26)**	**76,255**
Accumulated depreciation						
Software	17,077	1,842	(18)	-	5	18,906
Trademarks and licenses	36,712	2,562	-	-	(16)	39,258
Other intangible assets	6,308	328	-	-	(22)	6,614
Total	**60,098**	**4,732**	**(18)**	**-**	**(33)**	**64,779**
Net value	**13,731**	**(2,238)**	**(24)**	**-**	**7**	**11,476**

The table below shows depreciation and amortisation expenses related to tangible and intangible assets, recorded under the following items on the income statement:

(Euro/000)	*Notes*	First nine months 2011	First nine months 2010
Cost of sales	*3.2*	13,745	14,415
Selling and marketing expenses	*3.3*	4,284	5,912
General and administrative costs	*3.4*	9,570	9,774
Net value		**27,599**	**30,101**

2.8 Goodwill

The change in goodwill in the nine months of 2011 is shown in the table below:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Transl. diff.	Balance at September 30, 2011
Goodwill	550,013	3,745	(189)	(7,518)	546,051
Net value	**550,013**	**3,745**	**(189)**	**(7,518)**	**546,051**

The value of goodwill broken down by the geographical regions of the CGUs to which it is allocated is as follows:

Goodwill *(Euro/000)*	**Italy and Europe**	**Americas**	**Asia**	**Total**
September 30, 2011	160,981	199,360	185,710	546,051
December 31, 2010	161,494	200,316	188,203	550,013

2.9 Investments in associates

Investments in associates refer to the following companies:

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

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

	January 1, 2011			**Movements of the period**			
(Euro/000)	**Gross value**	**Revaluation / (write-down)**	**Value at January 1, 2011**	**Share of results and write-down of dividends**	**Changes in the scope of consolidation**	**Transl. diff.**	**Value at September 30, 2011**
TBR Inc.	445	60	505	-	(423)	(82)	-
Elegance I. Holdings Ltd	5,511	6,945	12,456	(647)	-	(167)	11,642
Optifashion As	353	(112)	241	-	-	-	241
Total	**6,309**	**6,893**	**13,202**	**(647)**	**(423)**	**(249)**	**11,883**

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

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

2.10 Financial assets available for sale

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

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

	January 1, 2011			Movements for the year		
(Euro/000)	Gross value	Revaluation / (write-down)	Net value	Increase / (Decrease)	Revaluation / (write-down)	Value at September 30, 2011
Gruppo Banco Popolare	4,096	(3,656)	440	(212)	(67)	161
Unicredit S.p.A.	48	6	54	-	(26)	28
Other	46	-	46	(1)	-	45
Total	**4,190**	**(3,650)**	**540**	**(213)**	**(93)**	**234**

2.11 Deferred tax assets and deferred tax liabilities

Deferred tax assets

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

Deferred tax liabilities

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

Allowance for deferred tax assets

Deferred tax assets net (where applicable) of deferred tax liabilities in the financial statements of some companies of the Group, have been written down through a provision, in order to take into account the changed expectations of future recoverability. This prudential provision totals Euro 73,141 thousand.

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

(Euro/000)	**September 30, 2011**	**December 31, 2010**
Deferred tax assets	130,665	123,478
Depreciation Fund (-)	(73,141)	(72,773)
Total net deferred tax assets	57,524	50,705
Deferred tax liabilities	(4,692)	(1,708)
Total	**52,832**	**48,997**

2.12 Other non-current assets

This item totals Euro 2,441 thousand, compared with Euro 2,440 thousand as at 31 December 2010; of this sum, Euro 2,215 refers to security deposits for leasing contracts related to buildings used by some of the Group's companies.

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

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	September 30, 2011	December 31, 2010
Short-term borrowings		
Bank overdrafts	10,617	1,222
Short-term bank loans	9,744	14,550
Short-term portion of long-term bank loans	75,829	1,250
Short-term portion of financial leasing	1,306	1,299
Debt to the factoring companies	39,564	38,213
Other short-term loans	112	109
Total	**137,172**	**56,643**
Long-term borrowings		
Medium long-term loans	75,560	100,207
Ordinary bonds	126,432	181,755
Payables for financial leasing	4,515	5,486
Other medium long-term loans	235	346
Total	**206,742**	**287,794**
Total borrowings	**343,914**	**344,437**

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

- "Facility A1 –Tranche 1", totalling Euro 2.2 million, expiring 30th June 2012;
- "Facility A1 –Tranche 2", totalling Euro 24.8 million, expiring 30th June 2014;
- "Facility A2", in USD, totalling Euro 33.8 million, expiring 30th June 2012;
- "Facility A3", in USD, totalling Euro 38.6 million, expiring 30th June 2012;
- a revolving line called "Facility B", totalling a maximum of Euro 200 million, expiring 30th June 2015, comprising two tranches, also payable in USD of which Euro 50 million was used on 30th September 2011 for the partial early redemption of the High Yield bonds as further detailed in the paragraph relating to the item "Bonds issued".

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

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

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

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

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

In 2010, the subsidiary Safilo S.p.A. purchased, in different instances, a total nominal value of approximately 10.3 million Euro - representing around 5.3% of total bonds outstanding. The total price paid was approximately 10.2 million Euro.

On 16th June 2011 Safilo Capital International S.A. made a partial early redemption of 30.8% of the nominal value of the above-mentioned bonds issued on the market, for a total of Euro 60 million. The operation was carried out at a residual value price of 100 (at par), as provided for in the bond regulations.

The reimbursement aimed to the reduction of the Group's interest expenses.

As at 30th September 2011 the amount of bonds outstanding, calculated using the amortised cost method, totalled Euro 126,432 thousand.

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

The following table illustrates the short term and medium/long term portions relating to lease contracts at 30th September 2011:

(Euro/000)	**September 30, 2011**	**December 31, 2010**
Short-term portion of financial leasing	1,306	1,299
Long-term portion of financial leasing	4,515	5,486
Total debt	**5,821**	**6,785**

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

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 39,060 thousand and by the subsidiary Safilo do Brasil for Euro 504 thousand.

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

(Euro/000)	**September 30, 2011**	**December 31, 2010**
Within 2 years	129,068	76,877
From 2 to 3 years	27,194	183,730
From 3 to 4 years	50,480	25,538
Beyond 4 years	-	1,650
Total	**206,742**	**287,794**

The following table shows borrowings divided by currency:

(Euro/000)	**September 30, 2011**	**December 31, 2010**
Short-term		
Euro	53,310	39,920
US Dollar	72,346	-
Chinese Reminbi	10,904	12,923
Brasilian Real	521	895
Japanese Yen	46	2,802
Swedish Kronor	46	103
Total	**137,172**	**56,643**
Medium long-term		
Euro	204,226	212,463
US Dollar	-	72,810
Chinese Reminbi	2,320	2,267
Brasilian Real	17	32
Japanese Yen	21	61
Swedish Kronor	158	161
Total	**206,742**	**287,794**
Total borrowings	**343,914**	**344,437**

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

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	73,047	20,306	52,741
Credit lines on long-term bank loans	303,904	153,904	150,000
Total	**376,951**	**174,210**	**202,741**

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

	Net financial position *(Euro/000)*	September 30, 2011	December 31, 2010	Change
A	Cash and cash equivalents	104,534	88,267	16,267
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**104,534**	**88,267**	**16,267**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(20,361)	(15,772)	(4,589)
G	Current portion of long-term borrowings	(75,829)	(1,250)	(74,579)
H	Other short-term borrowings	(40,982)	(39,621)	(1,361)
I	**Debts and other current financial liabilities (F+G+H)**	**(137,172)**	**(56,643)**	**(80,529)**
J	**Current financial position, net (D)+(E)+(I)**	**(32,638)**	**31,624**	**(64,262)**
K	Long-term bank borrowings	(75,560)	(100,207)	24,647
L	Ordinary bonds	(126,432)	(181,755)	55,323
M	Other long-term borrowings	(4,750)	(5,832)	1,082
N	**Debts and other non current financial liabilities (K+L+M)**	**(206,742)**	**(287,794)**	**81,052**
I	**Net financial position (J)+(N)**	**(239,380)**	**(256,170)**	**16,790**

The net financial position for the first nine months has made it possible to reduce the Group's total net debt which is substantially lower than both as at 31 December 2010 and 30th September 2010, when it amounted to Euro 262,706 thousand of Euro.

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	September 30, 2011	December 31, 2010
Trade payables for:		
Purchase of raw materials	31,739	42,357
Purchase of finished goods	52,332	62,762
Suppliers from subcontractors	2,290	4,944
Tangible and intangible assets	2,157	5,299
Commissions	4,079	5,744
Royalties	12,044	19,600
Advertising and marketing costs	30,963	27,941
Services	29,419	35,542
Total	**165,023**	**204,189**

2.15 Tax payables

At 30th September 2011, tax payables totalled Euro 19,398 thousand, versus Euro 17,795 thousand at 31st December 2010. Euro 11,336 thousand related to income tax payables, Euro 4,403 thousand to VAT payables and the remainder to withholding and local taxes different from those on income.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	September 30, 2011	December 31, 2010
Payables to personnel and social security institutions	35,209	36,264
Premiums to customers	20,775	22,322
Agent fee payables	1,983	1,975
Payables to pension funds	883	1,320
Accrued advertising and sponsorship costs	1,295	875
Accrued interests on long-term loans	5,494	2,667
Other accruals and deferred income	2,892	3,194
Payables for dividends	2,090	2,294
Other current liabilities	363	1,387
Total	**70,984**	**72,298**

Payables to personnel and social security institutions principally refer to salaries and wages for September, which are paid during October, accrued thirteenth month's pay and holidays accrued but not taken.

Payables to minority shareholders refer to dividends that have already been approved by the shareholders' meetings but had not yet been paid at the balance sheet date.

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

2.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2011	Increase	Decrease	Transl. diff.	Balance at September 30, 2011
Product warranty provision	5,474	580	(525)	(2)	5,527
Agents' severance indemnity	5,296	556	(508)	(3)	5,341
Provision for corporate restructuring	5,065	-	(1,000)	-	4,065
Other provisions for risks and charges	3,557	123	(263)	-	3,417
Provisions for risks - long term	**19,392**	**1,259**	**(2,296)**	**(5)**	**18,350**
Provisions for risks - short term	**6,679**	**3,310**	**(3,617)**	**(112)**	**6,260**
Total	**26,071**	**4,569**	**(5,913)**	**(117)**	**24,610**

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

The agents' severance indemnity was created against the risk deriving from the payment of indemnities in the case of termination of the agency agreement. This provision has been calculated based on existing laws.

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

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

It is considered that these allowances are sufficient to cover the existing risks.

2.18 Employees benefit liability

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

(Euro/000)	Balance at January 1, 2011	Posted to income statement	Uses / Payments	Transl. diff.	Balance at September 30, 2011
Defined contribution plan	264	6,289	(4,305)	-	2,248
Defined benefit plan	31,832	-	(613)	61	31,280
Total	**32,096**	**6,289**	**(4,918)**	**61**	**33,528**

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

2.19 Other non-current liabilities

At 30th September 2011 other non-current liabilities totalled Euro 4,738 thousand, compared to Euro 7,265 thousand at 31st December 2010, and comprised:

- Euro 4,068 thousand for long-term debt under certain leases of stores of the U.S. subsidiaries;
- Euro 154 thousand for the payable deriving from the agreement reached by a US subsidiary in settlement of a dispute that arose in relation to the use of a patent;
- the remaining portion, relating to non-current liabilities recorded by some Group's companies.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30th September 2011, shareholders' equity amounted to Euro 786,099 thousand (of which Euro 12,878 thousand represent minority interests), against Euro 767,035 thousand at 31st December 2010 (of which 11,035 thousand represent minority interests).

In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus guarantee the company's continuity.

The Group constantly monitors the ratio between indebtedness and shareholders' equity, for the purpose of maintaining a balance, also in respect of the long-term loans currently outstanding.

2.20 Share capital

After this increase, the share capital of parent company Safilo Group S.p.A. at 30th September 2011 amounted to Euro 284,109,825, consisting of 56,821,965 ordinary shares with a nominal value of Euro 5.00 each.

2.21 Share premium reserves

The share premium reserve represents:

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

The share premium reserve of the parent company totalled Euro 461,491,313.69 at 30th September 2011 unchanged from 31st December 2010.

2.22 Retained earnings and other reserves

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

2.23 Fair value and cash flow reserve

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2011	Profit (loss) of the period	Balance at September 30, 2011
Cash flow reserve	(26)	(1,125)	(1,151)
Fair value reserve	5	(26)	(21)
Total	**(21)**	**(1,151)**	**(1,172)**

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

2.24 Stock options plans

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

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

The table below shows the changes in the stock options plans occurred during the first nine months:

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

3. Notes on the consolidated income statement

3.1 Net sales

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

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Purchase of raw materials and finished goods	226,427	223,177	78,026	84,605
Capitalisation of costs for increase in tangible assets (-)	(6,784)	(5,621)	(2,249)	(2,213)
Change in inventories	7,106	10,705	(13,004)	(16,657)
Payroll and social security contributions	72,829	70,604	22,618	22,670
Subcontracting costs	13,386	12,654	3,809	5,006
Depreciation	13,745	14,415	4,478	4,755
Rental and operating leases	573	692	192	213
Other industrial costs	8,639	8,815	3,090	3,265
Total	**335,921**	**335,441**	**96,960**	**101,644**

The change in inventories can be broken down as follows:

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Finished products	1,136	19,783	(7,226)	(4,445)
Work-in-progress	(82)	(1,863)	(133)	(1,309)
Raw materials	6,052	(7,215)	(5,645)	(10,903)
Total	**7,106**	**10,705**	**(13,004)**	**(16,657)**

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

	First nine months 2011	First nine months 2010
Padua Headquarters	930	875
Production facilities	4,882	4,900
Commercial companies	1,311	1,263
Retail companies	825	1,168
Total	**7,948**	**8,206**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Payroll and social security contributions	76,130	74,981	23,227	21,941
Commissions to sales agents	52,824	53,472	15,709	17,664
Royalty expenses	71,051	67,962	19,300	18,636
Advertising and promotional costs	82,783	83,117	20,468	20,894
Amortization and depreciation	4,284	5,912	1,290	1,996
Logistic costs	12,159	13,101	2,868	3,795
Consultants fees	3,269	2,983	868	874
Rental and operating leases	10,134	12,386	3,370	4,352
Utilities	671	1,135	99	322
Provision for risks	258	1,691	(154)	1,439
Other sales and marketing expenses	14,444	13,443	5,312	3,547
Total	**328,007**	**330,183**	**92,357**	**95,460**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Payroll and social security contributions	48,236	46,046	16,474	15,748
Allowance for doubtful accounts	3,640	6,025	358	1,499
Amortization and depreciation	9,570	9,774	3,499	3,247
Consultants fees	9,354	9,153	3,322	3,016
Rental and operating leases	5,972	7,002	1,939	2,409
EDP costs	3,230	3,179	1,080	981
Insurance costs	1,888	2,209	599	684
Utilities, security and cleaning	5,455	5,568	1,939	2,132
Taxes (other than on income)	3,277	2,740	1,014	931
Other general and administrative expenses	8,865	9,006	2,626	2,719
Total	**99,487**	**100,702**	**32,850**	**33,366**

3.5 Other income (expenses), net

This item breaks down as follows:

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Losses on disposal of assets	(131)	(196)	(19)	(79)
Other operating expenses	(3,527)	(452)	(83)	(28)
Gains on disposal of assets	31	39	3	10
Other operating incomes	3,588	1,137	205	434
Total	**(39)**	**528**	**106**	**337**

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

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

3.6 Share of income (loss) of associates

This item showed a loss of Euro 443 thousand, compared with a profit of Euro 342 thousand in the same period of 2010, and includes the profit and losses deriving from the valuation at equity of shareholdings in associates

3.7 Interest expenses and other financial charges, net

This item breaks down as follows:

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Interest expenses on loans	4,712	6,100	2,020	1,200
Interest expenses and charges on High Yield	13,260	14,957	3,276	5,066
Bank commissions	4,203	4,277	1,274	1,545
Negative exchange rate differences	7,142	13,423	3,439	(5,289)
Financial discounts	828	1,128	244	170
Other financial charges	1,229	1,262	334	381
Total financial charges	**31,374**	**41,147**	**10,587**	**3,073**
Interest income	383	344	161	159
Positive exchange rate differences	8,182	10,984	(1,164)	2,102
Dividends	5	11	-	-
Other financial income	66	133	(8)	170
Total financial income	**8,636**	**11,472**	**(1,011)**	**2,431**
Total financial charges, net	**22,738**	**29,675**	**11,598**	**642**

3.8 Income tax expenses

(Euro/000)	First nine months 2011	First nine months 2010	Third quarter 2011	Third quarter 2010
Current taxes	(24,610)	(24,660)	(5,192)	(5,732)
Deferred taxes	6,347	1,182	3,818	(746)
Total income taxes	(18,263)	(23,478)	(1,374)	(6,478)
Total	**(18,263)**	**(23,478)**	**(1,374)**	**(6,478)**

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

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

3.9 Earning (Loss) per Share

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

Basic

	First nine months 2011	First nine months 2010
Profit/(loss) for ordinary shares (in Euro/000)	26,598	(3,635)
Average number of ordinary shares (in thousands)	56,822	46,726
Earnings (losses) per share - basic	**0.468**	**(0.078)**

Diluted

	First nine months 2011	First nine months 2010
Profit/(loss) for ordinary shares (in Euro/000)	26,598	(3,635)
Profit for preferred shares	-	-
Profit / (loss) in income statement	**26,598**	**(3,635)**
Average number of ordinary shares (in thousands)	56,822	46,726
Dilution effects:		
- stock options (in thousands)	161	-
Total	**56,983**	**46,726**
Earnings (losses) per share - diluted	**0.467**	**(0.078)**

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

3.10 Seasonality

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

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

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

3.12 Dividends

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

3.13 Segment reporting

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

Information by segment relating to the period ending 30th September 2011 and 30th September 2010 as well as to the third quarter 2011 and 2010 is shown in the tables below:

September 30, 2011 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	8,384	-	(8,384)	-
- to third parties	778,443	55,047	-	833,490
Total net sales	**786,827**	**55,047**	**(8,384)**	**833,490**
Gross profit	**460,784**	**36,785**	**-**	**497,569**
Operating profit	**69,583**	**453**	**-**	**70,036**
Share of income of associates	(443)	-		(443)
Financial charges, net				(22,738)
Income taxes				(18,263)
Net profit				**28,592**
Other information				
Capital expenditure	17,569	971		18,541
Depreciation & amortization	23,638	3,961		27,599

September 30, 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	10,031	-	(10,031)	-
- to third parties	751,086	67,098	-	818,184
Total net sales	**761,117**	**67,098**	**(10,031)**	**818,184**
Gross profit	**439,982**	**42,724**	**37**	**482,743**
Operating profit	**54,077**	**(1,692)**		**52,386**
Share of income of associates	342	-		342
Financial charges, net				(29,675)
Income taxes				(23,478)
Net profit (loss)				**(425)**
Other information				
Capital expenditure	17,779	1,954		19,733
Depreciation & amortization	24,449	5,652		30,101

Third quarter 2011 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,044	-	(3,044)	-
- to third parties	211,696	18,538	-	230,234
Total net sales	**214,740**	**18,538**	**(3,044)**	**230,234**
Gross profit	**121,199**	**12,075**	**-**	**133,274**
Operating profit	**6,639**	**1,534**	**-**	**8,173**
Share of income of associates	(24)	-		(24)
Financial charges, net				(11,598)
Income taxes				(1,374)
Net profit (loss)				**(4,823)**
Other information				
Capital expenditure	6,259	490		6,749
Depreciation & amortization	8,079	1,189		9,267

Third quarter 2010 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	2,227	-	(2,227)	-
- to third parties	214,644	23,213	-	237,857
Total net sales	**216,871**	**23,213**	**(2,227)**	**237,857**
Gross profit	**121,526**	**14,699**	**(12)**	**136,213**
Operating profit	**8,516**	**(792)**		**7,724**
Share of income of associates	262	-		262
Financial charges, net				(642)
Income taxes				(6,478)
Net profit				**866**
Other information				
Capital expenditure	7,272	1,090		8,362
Depreciation & amortization	8,075	1,924		9,998

RELATED PARTIES TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**September 30, 2011**	**December 31, 2010**
Receivables			
Optifashion As	(a)	-	73
Elegance International Holdings Ltd	(b)	-	8
Companies controlled by HAL Holding N.V.	(c)	9,141	12,407
Total		**9,141**	**12,488**
Trade Payables			
Elegance International Holdings Ltd	(b)	3,341	4,823
Companies controlled by HAL Holding N.V.	(c)	292	364
Long term borrowings (High Yield)			
HAL International Investments N.V.	(c)	68,301	98,657
Total		**71,934**	**103,843**

Related parties transactions *(Euro/000)*	**Relationship**	**September 30, 2011**	**September 30, 2010**
Revenues			
Optifashion As	(a)	112	-
Elegance International Holdings Ltd	(b)	40	19
Companies controlled by HAL Holding N.V.	(c)	30,218	29,382
Total		**30,370**	**29,401**
Operating expenses			
Elegance International Holdings Ltd	(b)	8,010	12,660
Tbr Inc.	(b)	208	979
Companies controlled by HAL Holding N.V.	(c)	154	106
Financial expenses			
HAL International Investments N.V.	(c)	6,270	7,122
Total		**14,642**	**20,868**

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

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

In regard to the table illustrated above, note that:

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

On 14th February 2011, the Group acquired 66.7% of TBR Inc., turning it into a wholly-owned subsidiary. The purchase price was USD 9.3 million. On 11th May 2010 TBR Inc. was incorporated into the US subsidiary Safilo Realty Corp.

In addition, during the year the shareholders of Only 3T S.r.l. which holds a stake of 10.02% in Safilo Group S.p.A. have accrued by various way remunerations for a total amount of Euro 2,547 thousand.

CONTINGENT LIABILITIES

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

COMMITMENTS

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

For the Board of Directors
The Chief Executive Officer
Roberto Vedovotto

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

The manager responsible for the preparation of the company's financial documents, Mr. Francesco Tagliapietra, hereby declares, in accordance with paragraph 2, article 154 bis of the Consolidated Finance Act (TUF), that the accounting information contained in these quarterly financial statements at 30th September 2011 corresponds to the accounting results, registers and records.

Padua, 7th November 2011

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