Half-year Financial Report

for the period ended 30th June 2013

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This interim report is available on the website:

www.safilo.com

SAFILO GROUP S.p.A.

Settima Strada, 15

35129 Padua - Italy

Contents

Corporate officers as of June 30th, 2013

Board of Directors (*)

Chairman	Robert Polet
Chief Executive Officer	Roberto Vedovotto
Director	Giovanni Ciserani
Director	Jeffrey A. Cole
Director	Luisa Deplazes de Andrade Delgado
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

Control and Risk Committee

Chairman	Eugenio Razelli
	Marco Jesi
	Massimiliano Tabacchi

Remuneration and Nomination Committee

Chairman	Jeffrey A. Cole
	Melchert Frans Groot
	Marco Jesi

Independent Auditors

PricewaterhouseCoopers S.p.A.

(*) On June 19th, 2013 the Board of Directors decided that on October 15th, 2013 its non-executive Board member Luisa Deplazes de Andrade Delgado will be appointed as the new CEO of Safilo Group. The current CEO Roberto Vedovotto will maintain his position within the Board of Directors as non-executive director.

REPORT ON OPERATIONS

General information and activities of the Group

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

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

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

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

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

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

The Group's brands include Safilo, Carrera, Polaroid, Smith Optics, Oxydo – and the licensed brands Alexander McQueen, Banana Republic, Bobbi Brown (starting from 2014), BOSS, BOSS Orange, Bottega Veneta, Céline, Dior, Fendi (starting from 2014), Fossil, Gucci, HUGO, J.Lo by Jennifer Lopez, Jimmy Choo, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max&Co., Pierre Cardin, Saint Laurent, Saks Fifth Avenue and Tommy Hilfiger.

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2013	%	First semester 2012	%
Net sales	598.4	100.0	613.3	100.0
Cost of sales	(226.3)	(37.8)	(248.0)	(40.4)
Gross profit	372.1	62.2	365.3	59.6
Ebitda	65.0	10.9	70.7	11.5
Ebitda pre non-recurring items	72.4	12.1	70.7	11.5
Operating profit	47.3	7.9	51.2	8.3
Operating profit pre non-recurring items	54.7	9.1	51.2	8.3
Group profit before taxes	32.3	5.4	36.1	5.9
Profit attributable to the Group	20.1	3.4	21.5	3.5
Profit attributable to the Group pre non-recurring items	25.6	4.3	21.5	3.5

Economic data (Euro in millions)	Second quarter 2013	%	Second quarter 2012	%
Net sales	301.4	100.0	324.6	100.0
Cost of sales	(109.0)	(36.2)	(133.4)	(41.1)
Gross profit	192.4	63.8	191.1	58.9
Ebitda	30.3	10.1	38.4	11.8
Ebitda pre non-recurring items	37.7	12.5	38.4	11.8
Operating profit	21.6	7.1	28.1	8.7
Operating profit pre non-recurring items	29.0	9.6	28.1	8.7
Group profit before taxes	12.1	4.0	17.5	5.4
Profit attributable to the Group	6.7	2.2	9.6	3.0
Profit attributable to the Group pre non-recurring items	12.2	4.0	9.6	3.0

Balance sheet data (Euro in millions)	June 30, 2013	%	December 31, 2012	%
Total assets	1,484.0	100.0	1,491.3	100.0
Total non-current assets	897.7	60.5	901.4	60.4
Capital expenditure	11.2	0.8	29.3	2.0
Net invested capital	1,082.5	72.9	1,078.1	72.3
Net working capital	285.0	19.2	277.4	18.6
Net financial position	(200.8)	13.5	(215.3)	14.4
Group Shareholders' equity	878.7	59.2	857.7	57.5

Financial data (Euro in millions)	First semester 2013	First semester 2012
Cash flow operating activity	26.0	41.1
Cash flow investing activity	(14.5)	(81.4)
Cash flow financing activity	(1.6)	7.0
Closing net financial indebtedness (short-term)	58.2	45.6

Earnings per share (in Euro)	First semester 2013	First semester 2012
Earnings per share - basic	0.325	0.364
Earnings per share - diluted	0.323	0.364
No. shares in share capital at June 30	61,739,965	61,739,965

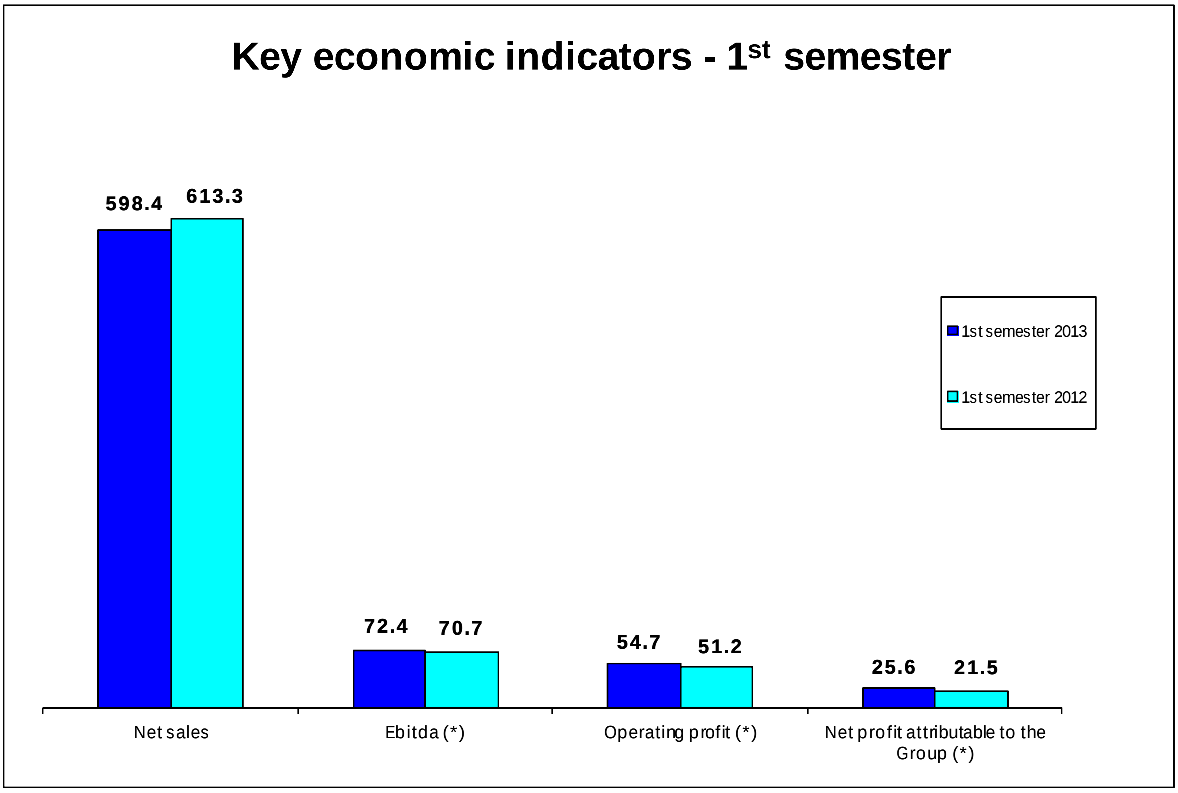
Group personnel	June 30 2013	June 30 2012
Punctual	7,734	7,986

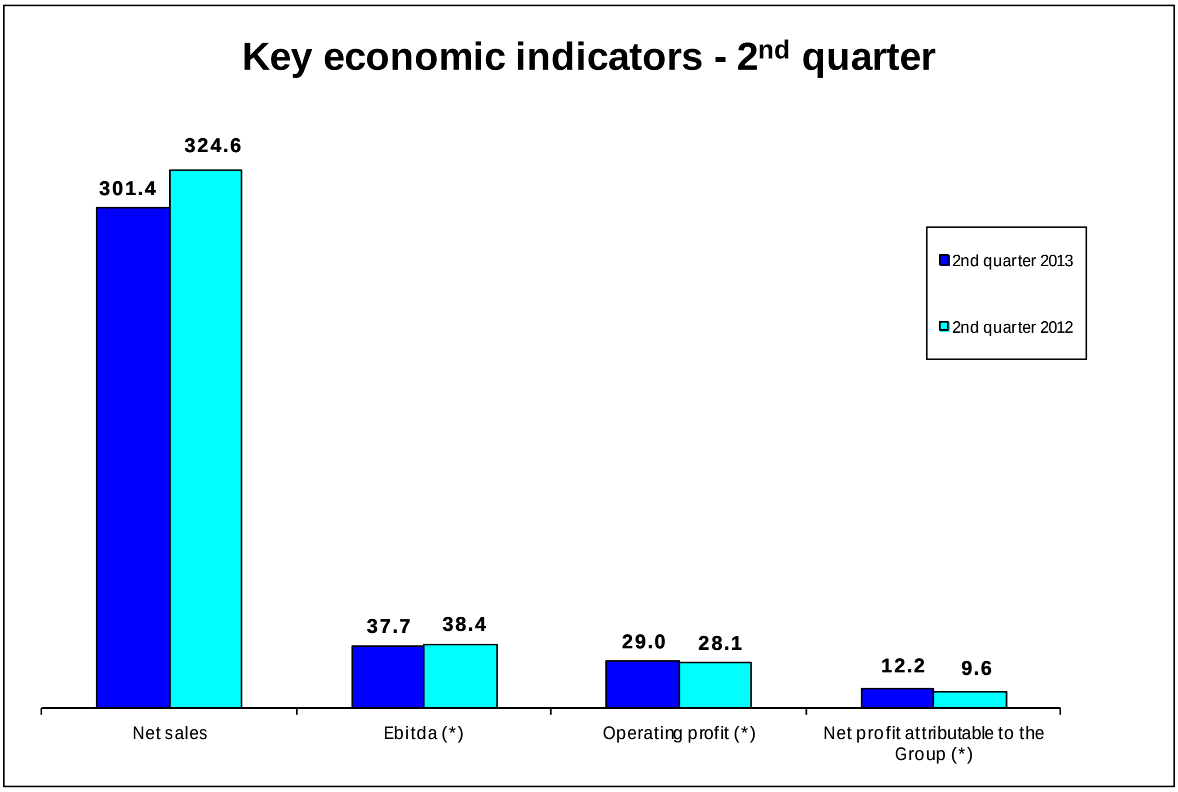
It should be noted that:

- non-recurring items refer to the CEO succession plan for 6 million Euro and to other restructuring costs for 1.4 million Euro accrued in the second quarter of 2013;
- the item "Trade receivables" of the Net working Capital for the comparative period 2012 has been restated following the reclassification of the "debts for customers' bonuses" as performed starting from the interim report of 30th September 2012 and described in Notes;
- certain figures in the 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.

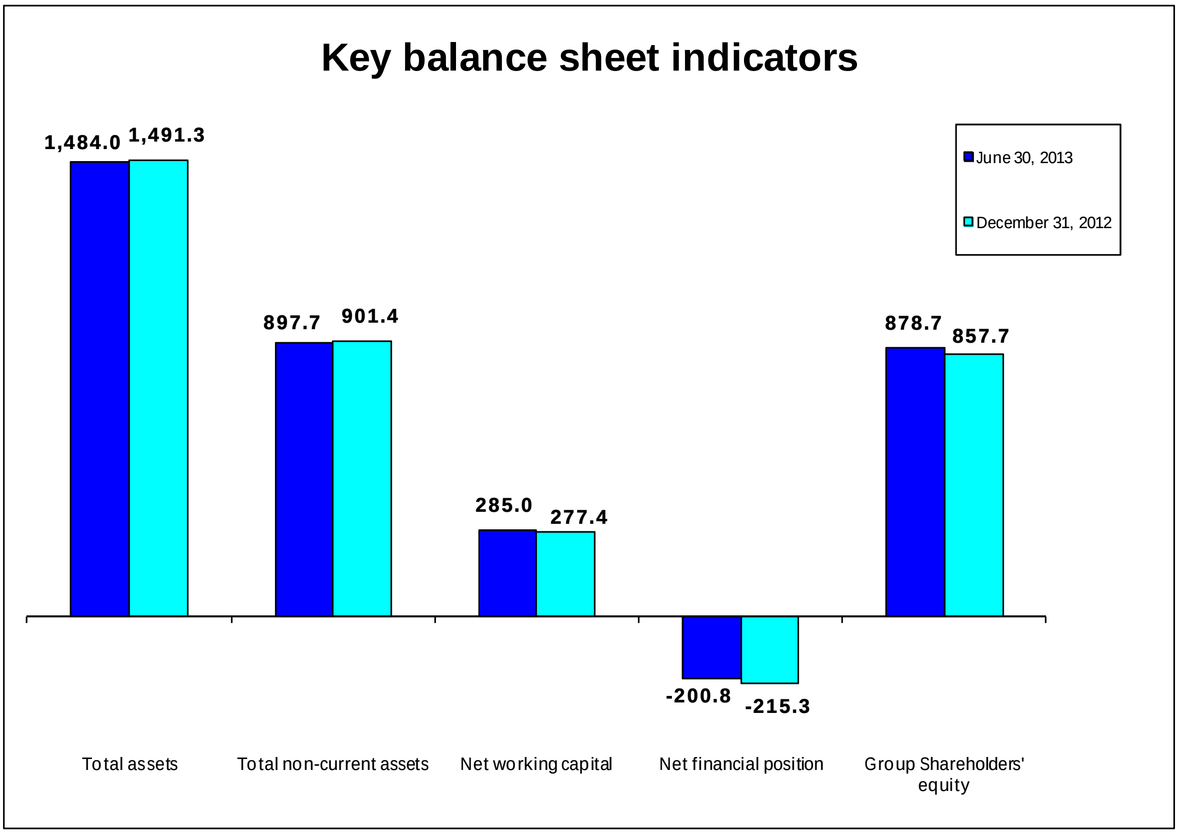
Disclaimer

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.





(*) pre non-recurring items


Key balance sheet indicators
June 30, 2013
December 31, 2012
1,484.0
1,491.3
897.7
901.4
285.0
277.4
-200.8
-215.3
878.7
857.7
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity

Information on Group economic results

Safilo's results for the first half of 2013 confirm the Group's ability to achieve organic sales growth in its continuing brand portfolio, to improve operating profit from ordinary operations and to generate cash, further cutting net debt and reducing financial leverage.

Above all, this was achieved against a general backdrop of a slowing world economy and an ongoing crisis in consumer spending in the Mediterranean area of Europe and, in Safilo's case, the discontinuity deriving from the phase-out of the Armani licences and, at the same time, the needs connected to the launch of the new Polaroid brand in markets outside Europe.

Net sales for the first six months of 2013 total Euro 598.4 million, down 2.4% on the first half of 2012 (down 1.2% at constant exchange rates), but representing organic growth for continuing brands of more than 8% at constant exchange rates. In the second quarter, the Group recorded net sales of Euro 301.4 million, down 7.2% on the previous year (down 5.7% at constant exchange rates), whilst organic growth for continuing brands was more than 6% at constant exchange rates.

Compared with the improvement in ordinary activities, the results for the period were negatively impacted by non-recurring expenses of Euro 7.4 million. This includes approximately Euro 6.0 million relating to the succession plan for the CEO announced on 19 June last, and approximately Euro 1.4 million connected to restructuring initiatives, primarily in Europe.

EBITDA for the first six months of the year amounted to Euro 65.0 million. Without considering non-recurring expenses, EBITDA was Euro 72.4 million, representing an EBITDA margin of 12.1% and an improvement on the previous year (Euro 70.7 million and an EBITDA margin of 11.5%). EBITDA for the second quarter was Euro 30.3 million. Without considering non-recurring expenses, the figure was Euro 37.7 million, representing an EBITDA margin of 12.5% (Euro 38.4 million and a margin of 11.8% for the same period of 2012).

The operating performance and the substantially stable impact of net financial expenses and tax expense have resulted in Group net profit for the semester of Euro 20.1 million. This figure, without considering non-recurring expenses, rose to Euro 25.6 million, marking a significant improvement on the result for the same period of 2012, when net profit was Euro 21.5 million.

The increase in Group net profit before non-recurring expenses was also seen in the second quarter of 2013, with net profit for this period totalling Euro 12.2 million, compared with the Euro 9.6 million of the same period of the previous year.

Cash flows from operating activities and effective working capital management have resulted in an improvement in the Group's net debt, which amounted to Euro 200.8 million at 30 June 2013, compared with Euro 220.4

million at the end of March 2013. This has enabled the Group to achieve a significant improvement in its financial leverage, reducing the ratio of net debt to LTM adjusted EBITDA to 1.7 times.

Group economic results

Consolidated statement of operations (Euro in millions)	**First semester 2013**	**%**	**First semester 2012**	**%**	**Change %**
Net sales	598.4	100.0	613.3	100.0	-2.4%
Cost of sales	(226.3)	(37.8)	(248.0)	(40.4)	-8.7%
Gross profit	**372.1**	**62.2**	**365.3**	**59.6**	**1.8%**
Selling and marketing expenses	(242.1)	(40.5)	(242.2)	(39.5)	0.0%
General and administrative expenses	(75.0)	(12.5)	(73.5)	(12.0)	2.0%
Other operating income/(expenses)	(7.7)	(1.3)	1.6	0.3	n.s.
Operating profit	**47.3**	**7.9**	**51.2**	**8.3**	**-7.7%**
Interest expenses and other financial charges, net	(15.0)	(2.5)	(15.1)	(2.5)	-0.9%
Profit before taxation	**32.3**	**5.4**	**36.1**	**5.9**	**-10.6%**
Income taxes	(11.9)	(2.0)	(13.7)	(2.2)	-13.0%
Net profit	**20.4**	**3.4**	**22.4**	**3.6**	**-9.1%**
Net profit attributable to minority interest	0.3	0.0	0.9	0.1	-69.9%
Net profit attributable to the Group	**20.1**	**3.4**	**21.5**	**3.5**	**-6.7%**
EBITDA	**65.0**	**10.9**	**70.7**	**11.5**	**-8.0%**

Economic indicators pre non-recurring items	**First semester 2013**	**%**	**First semester 2012**	**%**	**Change %**
EBIT pre non-recurring items	**54.7**	**9.1**	**51.2**	**8.3**	**6.7%**
EBITDA pre non-recurring items	**72.4**	**12.1**	**70.7**	**11.5**	**2.5%**
Net profit attributable to the Group pre non-recurring items	**25.6**	**4.3**	**21.5**	**3.5**	**18.9%**

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

Consolidated statement of operations (Euro in millions)	**Second quarter 2013**	**%**	**Second quarter 2012**	**%**	**Change %**
Net sales	301.4	100.0	324.6	100.0	-7.2%
Cost of sales	(109.0)	(36.2)	(133.4)	(41.1)	-18.3%
Gross profit	**192.4**	**63.8**	**191.1**	**58.9**	**0.6%**
Selling and marketing expenses	(123.7)	(41.1)	(125.9)	(38.8)	-1.7%
General and administrative expenses	(39.6)	(13.1)	(38.4)	(11.8)	3.1%
Other operating income/(expenses)	(7.5)	(2.5)	1.3	0.4	n.s.
Operating profit	**21.6**	**7.1**	**28.1**	**8.7**	**-23.4%**
Interest expenses and other financial charges, net	(9.5)	(3.1)	(10.6)	(3.3)	-11.0%
Profit before taxation	**12.1**	**4.0**	**17.5**	**5.4**	**-30.9%**
Income taxes	(5.3)	(1.8)	(7.6)	(2.3)	-29.8%
Net profit	**6.8**	**2.2**	**9.9**	**3.0**	**-31.7%**
Net profit attributable to minority interest	0.1	0.0	0.3	0.1	-81.1%
Net profit attributable to the Group	**6.7**	**2.2**	**9.6**	**3.0**	**-30.1%**
EBITDA	**30.3**	**10.1**	**38.4**	**11.8**	**-21.0%**

Economic indicators pre non-recurring items	**Second quarter 2013**	**%**	**Second quarter 2012**	**%**	**Change %**
EBIT pre non-recurring items	**29.0**	**9.6**	**28.1**	**8.7**	**2.9%**
EBITDA pre non-recurring items	**37.7**	**12.5**	**38.4**	**11.8**	**-1.7%**
Net profit attributable to the Group pre non-recurring items	**12.2**	**4.0**	**9.6**	**3.0**	**27.3%**

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

An analysis of sales by geographical area highlights the revenue growth achieved in Europe in the first half of 2013, with sales up to Euro 254.9 million from the Euro 250.9 million of the same period of 2012. The increase is all the more significant in view of the performance of organic revenues. The improvement compared with the previous year was also seen in the second quarter, with organic sales growth driven by the Group's core markets in continental Europe, such as France and Germany, by the UK and by new markets in this area, above all Russia.

In the American market, total sales for the first half 2013 amounted to Euro 239.8 million, compared with the Euro 248.0 million of the same period of 2012. The Group's organic growth held up well in this area, despite a slackening in the second quarter of 2013, reflecting a slowdown in both the USA and in certain Latin American countries in June. The second quarter of 2013 recorded growth of 1.9% in sales through directly operated Solstice stores at constant exchange rates.

Asian sales for the first half amounted to Euro 96.3 million, compared with Euro 106.1 million for the first six months of 2012 affected by revenues for the second quarter of 2013 of Euro 50.3 million, compared with Euro 57.2 million for the same period of the previous year. Significant organic growth was also achieved in this area, with double-digit growth in countries such as China and Japan.

Net sales by geographical area	**First semester**					
(Euro in millions)	**2013**	**%**	**2012**	**%**	**Change %**	**Change % (*)**
Europe	254.9	42.6	250.9	40.9	+1.6	+1.7
Americas	239.8	40.1	248.0	40.4	-3.3	-1.7
Asia	96.3	16.1	106.1	17.3	-9.2	-7.0
Rest of the world	7.4	1.2	8.3	1.4	-10.8	-5.3
Total	**598.4**	**100.0**	**613.3**	**100.0**	**-2.4**	**-1.2**

Net sales by geographical area	**Second quarter**					
(Euro in millions)	**2013**	**%**	**2012**	**%**	**Change %**	**Change % (*)**
Europe	126.7	42.0	132.5	40.8	-4.4	-4.0
Americas	121.2	40.2	130.6	40.2	-7.2	-5.6
Asia	50.3	16.7	57.2	17.6	-12.1	-9.4
Rest of the world	3.2	1.1	4.3	1.3	-25.6	-11.3
Total	**301.4**	**100.0**	**324.6**	**100.0**	**-7.2**	**-5.7**

(*) at constant exchange rates

In terms of product category, sales of prescription frames totalled Euro 214.9 million in the first half of 2013 (Euro 222.1 million in the same period of 2012), down 1.7% at constant exchange rates. Organic growth was again strong compared with the first half of 2012.
Organic growth for this product category was also solid, albeit more moderate, in the second quarter of 2013.

The sunglasses segment saw a similar trend in the period under review, with sales in the first half of 2013 amounting to Euro 352.4 million, compared with Euro 362.0 million in the same period of the previous year, marking a reduction of 1.7% at constant exchange rates. Also in this segment, there has been good progress in organic growth in the first half of 2013 compared to the same period of the previous year. Organic growth of the segment was slightly lower in the second quarter of 2013 compared to the same period of 2012.

Net sales by product	**First semester**					
(Euro in millions)	**2013**	**%**	**2012**	**%**	**Change %**	**Change % (*)**
Prescription frames	214.9	35.9	222.1	36.2	-3.2	-1.7
Sunglasses	352.4	58.9	362.0	59.0	-2.7	-1.7
Sport products	26.7	4.5	24.6	4.0	+8.5	+9.7
Other	4.4	0.7	4.6	0.8	-4.3	-2.8
Total	**598.4**	**100.0**	**613.3**	**100.0**	**-2.4**	**-1.2**

Net sales by product	**Second quarter**					
(Euro in millions)	**2013**	**%**	**2012**	**%**	**Change %**	**Change % (*)**
Prescription frames	105.7	35.1	112.7	34.7	-6.2	-4.2
Sunglasses	182.2	60.5	196.5	60.5	-7.3	-6.1
Sport products	10.8	3.6	12.9	4.0	-16.3	-15.1
Other	2.7	0.9	2.5	0.8	+8.0	+10.8
Total	**301.4**	**100.0**	**324.6**	**100.0**	**-7.2**	**-5.7**

(*) at constant exchange rates

Continuing with our analysis of the interim income statement, gross profit of Euro 372.1 million was up on the Euro 365.3 million of the first half of 2012, with a significant improvement in the gross profit margin to 62.2% (59.6% for the same period of 2012). The increase in gross profit was even more evident in the second quarter of 2013, with a gross margin of 63.8% compared with the 58.9% of the same period of the previous year. This result reflects a better sales mix and a reduction in obsolete stock as a result of a more effective planning of the supply chain.

The impact of selling and marketing expenses was slightly up in both the first half of 2013 and the second quarter of 2013, compared with the same periods of 2012. This reflects investment in growing and expanding the brands in portfolio.

EBITDA for the first six months of 2013 amounted to Euro 65.0 million. Without considering non-recurring expenses of Euro 7.4 million, EBITDA totaled Euro 72.4 million, representing an EBITDA margin of 12.1% and up on the previous year (Euro 70.7 million, equal to a margin of 11.5%). EBITDA for the second quarter of the year is Euro 30.3 million, amounting to Euro 37.7 million without considering non-recurring expenses and a margin of 12.5% (compared with Euro 38.4 million and a margin of 11.8% for the same period of 2012).

Net financial expenses was substantially stable benefitting from redemption, in May 2013, of High Yield bonds partly offset by the negative impact of exchange rate differences.

The tax rate for the six months was 36.9%, substantially in line with the same period of the previous year.

The Group thus reported net profit of Euro 20.1 million for the first half of 2013. This figure, without considering non-recurring items, amounted to Euro 25.6 million, marking a significant improvement on the Euro 21.5 million of the first half of 2012, thanks to the result for the second quarter of 2013, totalling Euro 12.2 million (Euro 9.6 million for the second quarter of 2012).

Analysis by distribution channel – Wholesale / Retail

The table below shows the key data by operating segment:

	WHOLESALE				RETAIL			
(Euro in millions)	First semester 2013	First semester 2012	Change	Change %	First semester 2013	First semester 2012	Change	Change %
Net sales to 3rd parties	557.6	572.7	(15.1)	-2.6%	40.8	40.6	0.2	0.5%
EBITDA (*)	66.3	64.5	1.8	2.8%	6.1	6.2	(0.1)	-1.2%
%	*11.9%*	*11.3%*			*15.0%*	*15.3%*		

	WHOLESALE				RETAIL			
(Euro in millions)	Second quarter 2013	Second quarter 2012	Change	Change %	Second quarter 2013	Second quarter 2012	Change	Change %
Net sales to 3rd parties	277.9	301.2	(23.3)	-7.7%	23.5	23.4	0.1	0.2%
EBITDA (*)	33.3	33.2	0.1	0.7%	4.4	5.2	(0.8)	-16.7%
%	*12.0%*	*11.0%*			*18.6%*	*22.4%*		

(*) pre non-recurring items in the second quarter of 2013 in the wholesale segment refer to the CEO succession plan for 6 million Euro and to other restructuring costs for 1.4 million Euro.

Turnover for the wholesale segment in the first half of 2013 amounted to Euro 557.6 million, compared with Euro 572.7 million in the same period of 2012.
Without considering non-recurring expenses, the EBITDA margin for the first half of the year was 11.9%, an improvement on the 11.3% of the same period of 2012.

The Solstice retail chain, which currently numbers 133 stores, recorded sales of Euro 40.8 million in the first half of 2013, compared with Euro 40.6 million in the same period of the previous year. Turnover was up 1.8% at constant exchange rates. EBITDA for the period is substantially in line with the figure for the same period of the previous year.

Balance sheet reclassified

Balance sheet (Euro in millions)	June 30, 2013	December 31, 2012	Change
Trade receivables	275.0	280.4	(5.4)
Inventory, net	193.4	207.6	(14.2)
Trade payables	(183.4)	(210.6)	27.2
Net working capital	**285.0**	**277.4**	**7.6**
Tangible assets	200.4	204.7	(4.3)
Intangible assets and goodwill	601.5	603.6	(2.1)
Financial assets	9.8	10.9	(1.1)
Net fixed assets	**811.7**	**819.2**	**(7.5)**
Employee benefit liability	(36.3)	(36.8)	0.5
Other assets / (liabilities), net	22.1	18.3	3.8
Net invested capital	**1,082.5**	**1,078.1**	**4.4**
Cash in hand and at bank	70.2	59.4	10.8
Short-term borrowings	(80.2)	(182.7)	102.5
Long-term borrowings	(190.8)	(92.0)	(98.8)
Net financial position	**(200.8)**	**(215.3)**	**14.5**
Group Shareholders' equity	(878.7)	(857.7)	(21.0)
Non-controlling interest	(3.0)	(5.1)	2.1
Total Shareholders' equity	**(881.7)**	**(862.8)**	**(18.9)**

Cash flow

The following table shows the main items of the cash flow statement as at 30th June 2013 compared to the figures for the same period in the previous financial year:

Free cash flow (Euro in millions)	**First semester 2013**	**First semester 2012**	**Change**
Cash flow operating activities	26.0	41.1	(15.1)
Cash flow investing activities	(14.5)	(81.4)	66.9
Free cash flow	**11.5**	**(40.3)**	**51.8**

Operating activities generated cash flow of Euro 11.5 million in the first half of 2013, amply offsetting the cash used in investing activities.

Cash used in investing activities in the first half of 2012 partly reflected acquisition of the Polaroid Eyewear business, resulting in a cash outflow, net of cash acquired, of Euro 58.4 million.

Net working capital

Net working capital (Euro in millions)	**June 30, 2013**	**June 30, 2012**	**Change June 13 / June 12**	**December 31, 2012**
Trade receivables, net	275.0	291.8	(16.8)	280.4
Inventories	193.4	216.6	(23.2)	207.6
Trade payables	(183.4)	(216.8)	33.4	(210.6)
Net working capital	**285.0**	**291.6**	**(6.6)**	**277.4**
% net sales rolling LTM	*24.6%*	*26.2%*		*23.6%*

Net working capital was down on the same period of 2012, linked primarily to the management of receivables and inventories, which has benefitted from stock controls that reflect the organisation of production, only partially offset by the performance of trade payables.

The ratio of working capital to sales shows improvement with respect to the end of the first half of 2012.

Investments in tangible and intangible fixed assets

The Group's capital expenditure amounts to Euro 11.2 million and breaks down as follows:

(Euro in millions)	First semester 2013	First semester 2012	Change
Padua headquarters	0.8	1.6	(0.8)
Production factories	6.7	8.2	(1.5)
Europe	0.2	0.6	(0.4)
America	3.1	2.6	0.5
Far-East	0.4	0.3	0.1
Total	**11.2**	**13.3**	**(2.1)**

Net financial position

Net financial position (Euro in millions)	June 30, 2013	March 31, 2013	Change Jun/Mar	December 31, 2012	Change Jun/Dec
Current portion of long-term borrowings	(26.1)	(1.3)	(24.8)	(1.3)	(24.8)
Bank overdrafts and short term bank borrowings	(12.1)	(12.2)	0.1	(13.8)	1.7
Other short-term borrowings	(42.0)	(34.1)	(7.9)	(40.0)	(2.0)
Ordinary bonds	-	(127.8)	127.8	(127.6)	127.6
Cash and cash equivalent	70.2	71.9	(1.7)	59.4	10.8
Short-term net financial position	**(10.0)**	**(103.5)**	**93.5**	**(123.3)**	**113.3**
Long-term borrowings	(190.8)	(116.9)	(73.9)	(92.0)	(98.8)
Long-term net financial position	**(190.8)**	**(116.9)**	**(73.9)**	**(92.0)**	**(98.8)**
Net financial position	**(200.8)**	**(220.4)**	**19.6**	**(215.3)**	**14.5**

The Group's net debt was down with respect to both the beginning of the year and the end of the first quarter of 2013, when it amounted to Euro 220.4 million.

Bonds, totalling Euro 127.9 million, were redeemed during the second quarter of 2013. At 30th June 2013 medium/long-term lines of credit totalling Euro 190.8 million have been used (Euro 116.9 million at 31st March 2013). The ratio of net debt to LTM adjusted EBITDA was 1.7 times, an improvement on the end of the first half of the previous year (2 times).

Personnel

The Group's total workforce as at 30th June 2013, 31st December 2012 and 30th June 2012 is summarized in the following table:

	June 30, 2013	December 31, 2012	June 30, 2012
Padua headquarters	962	948	942
Production factories	4,386	4,571	4,688
Trading companies	1,564	1,393	1,587
Retail	822	855	769
Total	**7,734**	**7,767**	**7,986**

The workforce employed at the Group's production facilities was down with respect to the same period of the previous year.

The increase in the workforce employed by trading companies was linked primarily to seasonal recruitment of sales personnel in Asia to support retail sales staff in department stores.

Subsequent events and Outlook

No events have taken place after 30th June 2013 that could have a material impact on the results published in this report.

Half-year Condensed Financial Statements

and Notes

at June 30^{th}, 2013

Consolidated balance sheet

(Euro/000)	*Notes*	June 30, 2013	of which related parties	December 31, 2012	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	70,221		59,388	
Trade receivables, net	*2.2*	274,993	17,252	280,442	21,122
Inventory, net	*2.3*	193,442		207,639	
Derivative financial instruments	*2.4*	794		126	
Other current assets	*2.5*	46,832		42,344	
Total current assets		**586,282**		**589,939**	
Non-current assets					
Tangible assets	*2.6*	200,352		204,713	
Intangible assets	*2.7*	43,847		45,646	
Goodwill	*2.8*	557,681		558,046	
Investments in associates	*2.9*	9,807		10,916	
Available-for-sale financial assets	*2.10*	201		245	
Deferred tax assets	*2.11*	80,387		76,987	
Derivative financial instruments	*2.4*	160		-	
Other non-current assets	*2.12*	5,234		4,825	
Total non-current assets		**897,669**		**901,378**	
Total assets		**1,483,951**		**1,491,317**	

(Euro/000)	*Notes*	June 30, 2013	of which related parties	December 31, 2012	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	80,227	-	182,643	68,301
Trade payables	*2.14*	183,393	3,764	210,573	13,672
Tax payables	*2.15*	17,317		16,193	
Derivative financial instruments	*2.4*	682		1,000	
Other current liabilities	*2.16*	46,450	-	47,739	959
Provisions for risks and charges	*2.17*	8,828		2,851	
Total current liabilities		**336,897**		**460,999**	
Non-current liabilities					
Long-term borrowings	*2.13*	190,792		92,034	
Employees benefits liability	*2.18*	36,290		36,819	
Provisions for risks and charges	*2.17*	23,518		24,004	
Deferred tax liabilities	*2.11*	8,765		7,745	
Derivative financial instruments	*2.4*	618		1,555	
Other non-current liabilities	*2.19*	5,348		5,315	
Total non-current liabilities		**265,331**		**167,472**	
Total liabilities		**602,228**		**628,471**	
Shareholders' equity					
Share capital	*2.20*	308,700		308,700	
Share premium reserve	*2.21*	481,163		481,163	
Retained earnings (losses) and other reserves	*2.22*	69,510		43,563	
Fair value and cash flow reserves	*2.23*	(765)		(1,555)	
Income attributable to the Group		20,089		25,865	
Total shareholders' equity attributable to the Group		**878,697**		**857,736**	
Non-controlling interests		**3,026**		**5,110**	
Total shareholders' equity		**881,723**		**862,846**	
Total liabilities and shareholders' equity		**1,483,951**		**1,491,317**	

Consolidated income statement

(Euro/000)	*Notes*	First semester 2013	of which related parties	First semester 2012	of which related parties	Second quarter 2013	of which related parties	Second quarter 2012	of which related parties
Net sales	*3.1*	598,361	34,116	613,286	30,935	301,343	16,976	324,564	15,305
Cost of sales	*3.2*	(226,333)	(4,729)	(247,951)	(4,830)	(109,010)	(1,950)	(133,418)	(2,795)
Gross profit		**372,028**		**365,335**		**192,333**		**191,146**	
Selling and marketing expenses	*3.3*	(242,135)	(331)	(242,242)	(1,603)	(123,760)	(262)	(125,910)	(1,585)
General and administrative expenses	*3.4*	(74,993)		(73,495)		(39,592)		(38,410)	
Other operating income/(expenses)	*3.5*	(7,650)		1,588		(7,454)		1,265	
Operating profit		**47,250**		**51,186**		**21,527**		**28,091**	
Share of income/(loss) of associates	*3.6*	(1,202)		95		(1,202)		95	
Financial charges, net	*3.7*	(13,798)	(2,447)	(15,225)	(3,292)	(8,231)	(803)	(10,692)	(1,649)
Profit before taxation		**32,250**		**36,056**		**12,094**		**17,494**	
Income taxes	*3.8*	(11,904)		(13,677)		(5,340)		(7,605)	
Profit of the period		**20,346**		**22,379**		**6,754**		**9,889**	
Profit attributable to:									
Owners of the parent		20,089		21,524		6,695		9,577	
Non-controlling interests		257		855		59		312	
Earnings per share - basic (Euro)	*3.9*	0.325		0.364		0.108		0.153	
Earnings per share - diluted (Euro)	*3.9*	0.323		0.364		0.107		0.153	

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Net profit for the period (A)		**20,346**	**22,379**	**6,754**	**9,889**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:					
- Remeasurements of post employment benefit obligations		-	-	-	-
- Income tax on gains/(losses) that will not be reclassified subsequently to profit or loss		-	-	-	-
Total gains/(losses) that will not be reclassified subsequently to profit or loss:		-	-	-	-
Gains/(Losses) that will be reclassified subsequently to profit or loss:					
- Gains/(Losses) on cash flow hedges	*2.23*	790	(534)	529	(293)
- Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	1,009	16,949	(19,136)	36,130
- Other gains/(losses)	*2.22*	-	18	-	18
- Income tax on gains/(losses) that will be reclassified subsequently to profit or loss		-	-	-	-
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**1,799**	**16,433**	**(18,607)**	**35,855**
Other comprehensive income / (loss), net of tax (B)		**1,799**	**16,434**	**(18,607)**	**35,855**
Total comprehensive income / (loss) (A) + (B)		**22,145**	**38,813**	**(11,853)**	**45,744**
Attributable to:					
Owners of the parent		21,870	37,828	(11,778)	45,043
Non-controlling interests		275	985	(75)	701
Total comprehensive income / (loss)		**22,145**	**38,813**	**(11,853)**	**45,744**

Consolidated statement of cash flows

(Euro/000)	*Notes*	First semester 2013	First semester 2012
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*2.1*	**45,623**	**76,528**
B - Cash flow from (for) operating activities			
Net profit for the period (including minority interests)		20,346	22,379
Depreciation and amortization	*2.6-2.7*	17,768	19,474
Other non-monetary P&L items	*2.9 - 2.17 - 2.18*	6,909	(72)
Interest expenses, net	*3.7*	7,743	9,825
Income tax expenses	*3.8*	11,904	13,677
Income (loss) from operating activities prior to movements in working capital		**64,670**	**65,283**
(Increase) Decrease in trade receivables		2,715	(24,305)
(Increase) Decrease in inventory, net		14,616	13,767
Increase (Decrease) in trade payables		(26,731)	7,329
(Increase) Decrease in other current receivables		(10,193)	1,252
Increase (Decrease) in other current payables		2,661	3,064
Interest expenses paid		(8,636)	(9,424)
Income taxes paid		(13,120)	(15,861)
Total (B)		**25,982**	**41,104**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(10,268)	(11,802)
Acquisition of subsidiary (net of cash acquired)		-	(58,359)
Acquisition of minorities (in subsidiaries)		(3,750)	(10,155)
(Acquisition) Disposal of investments and bonds		-	(13)
Purchase of intangible assets		(524)	(1,058)
Total (C)		**(14,542)**	**(81,387)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		127,020	42,690
Repayment of borrowings		(128,635)	(79,773)
Share capital increase		-	44,262
Dividends paid		-	(155)
Total (D)		**(1,615)**	**7,024**
E - Cash flow for the period (B+C+D)		**9,825**	**(33,259)**
Translation exchange differences		2,705	2,319
Total (F)		**2,705**	**2,319**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**58,154**	**45,588**

Statement of changes in shareholders' equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Fair value and cash flow reserves	Retained earnings and other reserves	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2013	**308,700**	**481,163**	**494**	**(1,555)**	**43,069**	**25,865**	**857,736**
Previous year's profit allocation	-	-	-	-	25,865	(25,865)	-
Share capital increase	-	-	-	-	-	-	-
Changes in other reserves	-	-	-	-	(911)	-	(911)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	993	790	-	20,089	21,872
Group shareholders' equity at June 30, 2013	**308,700**	**481,163**	**1,487**	**(765)**	**68,023**	**20,089**	**878,697**
Non-controlling interests at January 1, 2013	**-**	**-**	**1,531**	**-**	**2,843**	**736**	**5,110**
Previous year's profit allocation	-	-	-	-	736	(736)	-
Changes in other reserves	-	-	-	-	(2,359)	-	(2,359)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	18	-	-	257	275
Non-controlling interests at June 30, 2013	**-**	**-**	**1,549**	**-**	**1,220**	**257**	**3,026**
Consolidated net equity at June 30, 2013	**308,700**	**481,163**	**3,036**	**(765)**	**69,243**	**20,346**	**881,723**

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Fair value and cash flow reserves	Retained earnings and other reserves	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2012	**284,110**	**461,491**	**14,004**	**(1,341)**	**18,076**	**27,862**	**804,202**
Previous year's profit allocation	-	-	-	-	27,862	(27,862)	-
Share capital increase	24,590	19,672	-	-	-	-	44,262
Changes in other reserves	-	-	-	-	270	-	270
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	16,820	(534)	18	21,524	37,828
Group shareholders' equity at June 30, 2012	**308,700**	**481,163**	**30,824**	**(1,875)**	**46,226**	**21,524**	**886,562**
Non-controlling interests at January 1, 2012	**-**	**-**	**1,601**	**-**	**6,735**	**3,204**	**11,540**
Previous year's profit allocation	-	-	-	-	3,204	(3,204)	-
Changes in other reserves	-	-	-	-	(5,994)	-	(5,994)
Dividends distribution	-	-	-	-	(155)	-	(155)
Total comprehensive income (loss) for the period	-	-	129	-	-	855	984
Non-controlling interests at June 30, 2012	**-**	**-**	**1,730**	**-**	**3,790**	**855**	**6,376**
Consolidated net equity at June 30, 2012	**308,700**	**481,163**	**32,554**	**(1,875)**	**50,017**	**22,379**	**892,938**

NOTES

1. Basis of preparation

1.1 General information

These half-year condensed consolidated financial statements refer to the financial period from January 1st 2013 to June 30th 2013. Economic and financial information are provided with reference to the first semester of 2013 and 2012 whilst balance sheet information are provided with reference to June 30th 2013 and December 31st 2012.

Half-year consolidated financial report of Safilo Group at June 30th 2013, 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 2012.
All values are shown in thousands of Euro unless otherwise indicated.
These financial statements were approved by the Board of Directors on 1st August 2013.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2013

In preparing these half-year consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31st December 2012 have been applied.
Starting from the 2012 nine-month financial report, premiums payable to customers have been accounted for as direct reduction of "trade receivables". Before that, the above-mentioned liabilities were included in the item "Other current liabilities". This reclassification was made to improve the representation of the Group's financial situation given that the bonuses are primarily settled by offsetting them against amounts receivable from customers.
Due to this reclassification, for this interim financial report in the statements of cash flows it was necessary to restate the comparative balances relating to the items "(Increase) Decrease in trade receivables" and "(Increase) Decrease in other current payables".

Regarding amendments, improvements or interpretations effective from 1st January 2013 applicable to the Group at the date of these interim consolidated financial statements, the following items have to be pointed out.

On June 16th, 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring companies to group items presented in "Total comprehensive income/loss" depending on whether they are potentially reclassificable to profit or loss subsequently. The amendment is applicable for periods beginning on or after July 1st, 2012. The Group has been applying this amendment since January 1st, 2013. Its application had no effect on the measurement of items and had a limited effect on the disclosures provided in this report.

On June 16th, 2011 the IASB issued an amendment to IAS 19 – Employees Benefits, retrospectively applicable from January 1st, 2013. The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expenses and the classification of net interest expenses arising from defined benefit plans.
The amendment application had no effect neither on the measurement of items nor on the disclosures provided in this interim report since the Group did not defer actuarial gains and losses in accordance with the corridor method but already recognised all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise. As far as concern the introduction of the net interest expenses and the classification of net interest expenses arising from defined benefit plans it had no effect since the Group plans have no plan assets.

On May 12th, 2011 the IASB issued IFRS 13 – Fair Value Measurement, which clarifies the determination of fair value for the purpose of the financial statements and it is applicable to all IFRSs, permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard has to be prospectively applied from January 1st, 2013. The application of this standard did not have any significant effect on the measurement of items in this report.

Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Group as at January 1, 2013

On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements replacing SIC-12 – Consolidation - Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements (subsequently reissued as IAS 27 - Separate Financial Statements which addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements superseding IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly-controlled Entities - Non-Monetary Contributions by Venturers. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form and requires a single method to account for interests in jointly controlled entities, the equity method. Following the issue of the new standard, IAS 28 – Investments in Associates has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard).

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles.

The standards are effective retrospectively from January 1st, 2013. The European Union completed their endorsement process, postponing the effective date to January 1st, 2014 but permitting earlier application. The Group has evaluated the effect related to the adoption of these new standards and has considered that their application will not have any effect on the measurement and disclosures provided in the Group report.

1.3 Consolidation method and consolidation area

During the first semester of 2013, the Group's consolidation area changed as follows:

- on 31st May 2013 the subsidiary, Safilo Far East Ltd., acquired additional 7% interests in Safint Optical Investment Ltd., a holding company registered in Hong Kong, and already 90% owned. As a result of the acquisitions, the Group now owns 97% of the holding company and indirectly of the Chinese trading companies Safilo Trading Shenzen Ltd. and Safilo Eyewear (Shenzen) Company Ltd., wholly owned by it;

- on 31st May 2013 the subsidiary, Safilo Far East Ltd., acquired a further 10% interest in the trading company, Safilo Hong Kong Ltd., a holding company registered in Hong Kong, and already 70% owned. As a result of the acquisition, the Group has increased its interest to 80%.

Starting from 1st January 2013 the American trading company Polaroid Eyewear U.S. LLC. has been merged into Safilo USA Inc..

During the second quarter it has been also completed the liquidation of the Italian subsidiary Smith Sport Optics S.r.l..

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

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Polaroid Eyewear S.r.l. - Varese	EUR	104,000	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Capital Int. S.A. - Luxembourg (L)	EUR	31,000	100.0
Luxury Trade S.A - Luxembourg (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	3,896,370	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Moscow (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	97.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	80.0
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	97.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	97.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	100.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
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 – Saint Paul (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	88.5
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Optifashion Hong Kong Ltd (in liquidation) - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - London (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - London (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo 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
Safilo de Mexico S.A. de C.V. - Distrito Federal (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
Polaroid Eyewear Holding BV - Amsterdam (NL) - former StyleMark Eyewear Holding BV	EUR	18,000	100.0
Polaroid Eyewear BV - Amsterdam (NL)	EUR	5,961,418	100.0
Polaroid Eyewear Ltd - Dumbarton (UK)	GBP	1	100.0
Polaroid Eyewear AB - Stockholm-Globen (S)	SEK	100,000	100.0
Polaroid Eyewear GMBH - Zurig (CH)	CHF	20,000	100.0

1.4 Translation of financial statement in currencies other than Euro

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

Currency	Code	As of June 30, 2013	As of December 31, 2012	(Appreciation) / Depreciation %	Avg. for the semester 2013	Avg. for the semester 2012	(Appreciation) / Depreciation %
US Dollar	USD	1.3080	1.3194	-0.9%	1.3134	1.2965	1.3%
Hong-Kong Dollar	HKD	10.1477	10.2260	-0.8%	10.1901	10.0619	1.3%
Swiss Franc	CHF	1.2338	1.2072	2.2%	1.2299	1.2048	2.1%
Canadian Dollar	CAD	1.3714	1.3137	4.4%	1.3341	1.3040	2.3%
Japanese Yen	YEN	129.3900	113.6100	13.9%	125.4591	103.3102	21.4%
British Pound	GBP	0.8572	0.8161	5.0%	0.8508	0.8225	3.4%
Swedish Krown	SEK	8.7773	8.5820	2.3%	8.5311	8.8824	-4.0%
Australian Dollar	AUD	1.4171	1.2712	11.5%	1.2961	1.2559	3.2%
South-African Rand	ZAR	13.0704	11.1727	17.0%	12.1153	10.2942	17.7%
Russian Ruble	RUB	42.8450	40.3295	6.2%	40.7539	39.7093	2.6%
Brasilian Real	BRL	2.8899	2.7036	6.9%	2.6683	2.4144	10.5%
Indian Rupee	INR	77.7210	72.5600	7.1%	72.2776	67.5963	6.9%
Singapore Dollar	SGD	1.6545	1.6111	2.7%	1.6328	1.6391	-0.4%
Malaysian Ringgit	MYR	4.1340	4.0347	2.5%	4.0391	4.0022	0.9%
Chinese Reminbi	CNY	8.0280	8.2207	-2.3%	8.1285	8.1901	-0.8%
Korean Won	KRW	1,494.2400	1,406.2300	6.3%	1,450.2198	1,480.4092	-2.0%
Mexican Peso	MXN	17.0413	17.1845	-0.8%	16.4982	17.1867	-4.0%

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 70,221 thousand, compared to Euro 59,388 thousand at 31st December 2012 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

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

(Euro/000)	June 30, 2013	December 31, 2012	June 30, 2012
Cash in hand and at bank	70,221	59,388	56,323
Bank overdrafts	(1,179)	(2,998)	(862)
Current bank borrowings	(10,888)	(10,767)	(9,873)
Net cash and cash equivalents	**58,154**	**45,623**	**45,588**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	June 30, 2013	December 31, 2012
Gross value receivables	309,129	312,996
Allowance for doubtful accounts and sales returns	(34,136)	(32,554)
Net value	**274,993**	**280,442**

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 first semester are shown below:

(Euro/000)	Balance at January 1, 2013	Posted to income statement	Use (-)	Transl. Diff.	Balance at June 30, 2013
Allowance for bad debts	23,899	3,057	(528)	(202)	26,226
Allowance for sales returns	8,655	3,051	(3,785)	(11)	7,910
Total	**32,554**	**6,108**	**(4,313)**	**(213)**	**34,136**

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 sales returns includes the provision for products which, in accordance with specific contractual clauses, may not be sold to final consumers and therefore may be returned in the future. This provision is accounted for in the income statement as a direct reduction of sales.

2.3 Inventory, net

This item breaks down as follows:

(Euro/000)	**June 30, 2013**	**December 31, 2012**
Raw materials	63,940	64,655
Work-in-progress	6,245	5,827
Finished products	195,209	209,063
Gross	**265,394**	**279,545**
Obsolescence provision (-)	(71,952)	(71,906)
Total	**193,442**	**207,639**

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, 2013**	**Posted to income statement**	**Transl. Diff.**	**Balance at June 30, 2013**
Obsolescence provision	71,906	542	(496)	71,952
Total	**71,906**	**542**	**(496)**	**71,952**

2.4 Derivative financial instruments

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

(Euro/000)	June 30, 2013	December 31, 2012
Current assets:		
- Foreign currency contracts - Fair value through P&L	725	126
- Foreign currency contracts - cash flow hedge	69	-
Total	**794**	**126**
Non-current assets:		
- Interest rate swaps - cash flow hedge	160	-
Total	**160**	**-**

(Euro/000)	June 30, 2013	December 31, 2012
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	13	1,000
- Foreign currency contracts - cash flow hedge	341	-
- Interest rate swaps - cash flow hedge	328	-
Total	**682**	**1,000**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	618	1,555
Total	**618**	**1,555**

The market value of the interest rate swap contracts appearing in the financial statements at 30th June 2013 was negative for 786 thousand of Euro and was estimated by specialist financial institutions based on normal market conditions. The 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.
The market value of the forward hedge contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had outstanding contracts for the hedging against exchange rate fluctuations for a positive net market value of Euro 440 thousand, of which Euro 21 thousand suspended in the cash flow reserve.

The following table shows the characteristics and the fair value of the interest rate swap (IRS) contracts in force at 30th June 2013 and at 31st December 2012:

Interest rate swaps	June 30, 2013			December 31, 2012		
(Euro/000)	Contractual value		***Fair value***	Contractual value		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2014	-	55,000	(946)	-	55,000	(1,498)
Expiry year 2015	-	70,000	160	-	20,000	(57)
Total	**-**	**125,000**	**(786)**	**-**	**75,000**	**(1,555)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**June 30, 2013**	**December 31, 2012**
VAT receivable	7,852	3,691
Tax credits and payments on account	13,107	14,246
Prepayments and accrued income	20,571	18,522
Receivables from agents	207	417
Other current receivables	5,095	5,468
Total	**46,832**	**42,344**

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

Accrued income and deferred charges at 30th June 2013 include:

- prepaid costs relating license agreements of Euro 14,107 thousand;
- prepaid rent and operating leases of Euro 2,027 thousand;
- prepaid advertising costs of Euro 1,017 thousand;
- prepaid insurance costs of Euro 717 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 5,095 thousand and mainly refer to:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,080 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 178 thousand;
- deposit payments due within 12 months for Euro 561 thousand;
- other receivables of Euro 2,276 thousand.

2.6 Property, plant and equipment, net

Changes in tangible assets in the first semester of 2013 are shown below:

(Euro/000)	Balance at January 1, 2013	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2013
Gross value						
Land and buildings	144,581	419	(414)	654	462	145,702
Plant and machinery	197,064	1,763	(2,913)	10	150	196,074
Equipment and other assets	223,785	8,396	(1,801)	(686)	227	229,921
Assets under constructions	42	61	(42)	-	-	61
Total	**565,472**	**10,639**	**(5,170)**	**(22)**	**839**	**571,758**
Accumulated depreciation						
Land and buildings	42,031	2,617	(400)	460	(9)	44,699
Plant and machinery	139,058	4,444	(2,749)	9	(12)	140,750
Equipment and other assets	179,670	8,351	(1,629)	(511)	76	185,957
Total	**360,759**	**15,412**	**(4,778)**	**(42)**	**55**	**371,406**
Net value	**204,713**	**(4,773)**	**(392)**	**20**	**784**	**200,352**

Investments in tangible assets in the first semester of 2013 totalled Euro 10,639 thousand and mainly comprised:

- Euro 6,682 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 807 thousand in the US retail company;
- for the remaining amount in other Group's companies.

2.7 Intangible assets

Changes in intangible assets in the first semester of 2013 are shown below:

(Euro/000)	Balance at January 1, 2013	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2013
Gross value						
Software	27,718	409	(82)	305	4	28,354
Trademarks and licenses	82,594	114	-	-	(9)	82,699
Other intangible assets	8,382	1	(47)	(40)	26	8,322
Intangible assets in progress	-	-	-	-	-	-
Total	**118,694**	**524**	**(129)**	**265**	**21**	**119,375**
Accumulated depreciation						
Software	21,139	1,222	(82)	305	(29)	22,555
Trademarks and licenses	44,754	1,080	-	-	(9)	45,825
Other intangible assets	7,155	54	(47)	(20)	6	7,148
Total	**73,048**	**2,356**	**(129)**	**285**	**(32)**	**75,528**
Net value	**45,646**	**(1,832)**	**-**	**(20)**	**53**	**43,847**

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

(Euro/000)	*Notes*	First semester 2013	First semester 2012
Cost of sales	*3.2*	9,276	10,073
Selling and marketing expenses	*3.3*	2,132	2,638
General and administrative expenses	*3.4*	6,360	6,763
Total		**17,768**	**19,474**

2.8 Goodwill

The change in goodwill in the first semester of 2013 is shown in the table below:

(Euro/000)	Balance at January 1, 2013	Increase	Decrease	Transl. diff.	Balance at June 30, 2013
Goodwill	558,046	-	-	(365)	557,681
Net value	**558,046**	**-**	**-**	**(365)**	**557,681**

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

(Euro/000)	Italy and Europe	Americas	Asia	Total
June 30, 2013	159,704	203,032	194,945	557,681
December 31, 2012	160,462	203,274	194,310	558,046

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 Int. Holdings Ltd	Hong Kong	23.05%	Associated company	Trading
Optifashion As	Turkey	50.0%	Non-consolidated subsidiary	Trading

The movements of shareholdings in associated companies in the first semester of 2013 are shown below:

(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2013	Movements of the period Share of results and write-down of dividends	Impairment	Transl. diff.	Value at June 30, 2013
Elegance Int. Holdings Ltd	5,298	5,377	10,675	(770)	(432)	93	9,566
Optifashion As	353	(112)	241	-	-	-	241
Total	**5,651**	**5,265**	**10,916**	**(770)**	**(432)**	**93**	**9,807**

The valuation of the investment in the associate Elegance International Holding Ltd has led to the recognition of a loss of Euro 1,202 thousand, of which Euro 770 thousand relating to the portion of the loss of the period made by the company and Euro 432 thousand relating to the impairment of goodwill recognized at the time of its acquisition. The fair value of this investment, which reflects the closing market price at 28th June 2013, amounted to approximately 3.3 million Euro, compared to 4.5 million Euro at 31st December 2012. Such amount is deemed to be lower than the recoverable value of the investment.

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 not significant for the purpose of representing a true and fair view of the Group's financial position and result.

2.10 Financial assets available for sale

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

Changes in the item in the first semester of 2013 are shown in the table below:

				Movements for the year		
(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2013	Increase / (Decrease)	Revaluation / (write-down)	Balance at June 30, 2013
Gruppo Banco Popolare	228	(67)	161	-	(43)	118
Unicredit S.p.A.	61	(23)	38	-	(1)	37
Other	46	-	46	-	-	46
Total	**335**	**(90)**	**245**	**-**	**(44)**	**201**

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 it is considered probable that they may be recovered through future taxable income.

Deferred tax liabilities

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

Allowance for deferred tax assets

Deferred tax assets net (where applicable) of deferred tax liabilities in the financial statements of some companies of the Group, have been written down through a provision, in order to take into account the changed expectations of future recoverability. As at June 30, 2013 this provision totals Euro 64,962 thousand.

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

(Euro/000)	**June 30, 2013**	**December 31, 2012**
Deferred tax assets	145,349	140,642
Depreciation Fund (-)	(64,962)	(63,654)
Total net deferred tax assets	80,387	76,987
Deferred tax liabilities	(8,765)	(7,745)
Total	**71,622**	**69,242**

2.12 Other non-current assets

This item totals Euro 5,234 thousand, compared to Euro 4,825 thousand as at 31st December 2012; of this sum, Euro 2,769 refers to security deposits for leasing contracts related to buildings used by some of the Group's companies.

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

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	June 30, 2013	December 31, 2012
Bank overdrafts	1,179	2,998
Short-term bank loans	10,888	10,767
Ordinary bonds	-	127,578
Short-term portion of long-term bank loans	26,196	1,312
Short-term portion of financial leasing	1,240	1,250
Debt to the factoring company	40,606	38,623
Other short-term loans	118	115
Short-term borrowings	**80,227**	**182,643**
Medium long-term loans	188,195	88,765
Medium-long term portion of financial leasing	2,597	3,150
Other medium long-term loans	-	119
Long-term borrowings	**190,792**	**92,034**
Total	**271,019**	**274,677**

At 30th June 2013, the Senior Loan is equal to Euro 214,918 and breaks down as follows:

- *Facility A1 –Tranche 2*, totalling Euro 24.9 million, expiring 30th June 2014 and booked under the item "Short-term portion of long-term bank loans";

- a *revolving* line called "Facility B", totalling a maximum of Euro 200 million, expiring 30th June 2015, comprising two tranches, also payable in USD, at 30th June 2013 used for Euro 190 million and booked under the item "Medium long-term loans";

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 Inc., 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, 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. As at 30th June, 2013, the Group is in compliance with these ratios.

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.

During the second quarter, on 15th May 2013, reached its maturity and was fully reimbursed the High Yield bond issued on 15th May 2003 by the Luxembourg subsidiary Safilo Capital International S.A. at a fixed rate of 9.625%, for a residual nominal amount of Euro 135 million, of which 7,1 million Euro hold by the subsidiary Safilo S.p.A..

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 2 years. All the lease contracts in force involve at increasing principal repayments and no restructuring of the original plans is envisaged.

The following table illustrates the short term and medium/long term portions relating to lease contracts at 30th June 2013:

(Euro/000)	**June 30, 2013**	**December 31, 2012**
Short-term portion of financial leasing	1,240	1,250
Long-term portion of financial leasing	2,597	3,150
Total debt	**3,837**	**4,400**

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 39,900 thousand and by the subsidiary Safilo do Brasil for Euro 706 thousand.

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

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

(Euro/000)	**June 30, 2013**	**December 31, 2012**
From 1 to 2 years	189,490	26,276
From 2 to 3 years	1,302	65,758
From 3 to 4 years	-	-
Beyond 5 years	-	-
Total	**190,792**	**92,034**

The following table shows borrowings divided by currency:

(Euro/000)	June 30, 2013	December 31, 2012
Short-term		
Euro	67,238	168,826
Chinese Reminbi	11,086	10,826
Brasilian Real	1,753	2,837
Swedish Kronor	150	154
Total	**80,227**	**182,643**
Medium long-term		
Euro	190,625	91,863
Swedish Kronor	167	171
Total	**190,792**	**92,034**
Total borrowings	**271,019**	**274,677**

The following table details the credit lines granted to the Group, the uses and the lines available at June 30th 2013:

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	72,514	12,773	59,741
Credit lines on long-term loans	326,397	216,397	110,000
Total	**398,911**	**229,170**	**169,741**

The credit lines on long-term loans increased in comparison to December 31st 2012 , when they amounted to Euro 301.7 million, due to the subscription, in the second quarter, of the following financing transactions for a total amount of Euro 100 million:

- a new revolving credit facility (part of the existing Senior Loan), for a total amount of Euro 60 million, maturing June 30th 2015, underwritten by Intesa Sanpaolo, Unicredit and BNP Paribas;
- a new revolving financing, for a total amount of Euro 40 million, maturing June 30th 2015, underwritten by Multibrands Italy B.V., a company controlled by HAL Holding N.V..

At the reporting date, such new lines were not used.

The net financial position of the Group at June 30th 2013 compared to the same as of December 31st, 2012 is as follows:

	Net financial position *(Euro/000)*	**June 30, 2013**	**December 31, 2012**	**Change**
A	Cash and cash equivalents	70,221	59,388	10,833
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**70,221**	**59,388**	**10,833**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(12,067)	(13,765)	1,698
	Ordinary bonds	-	(127,578)	127,578
G	Current portion of long-term borrowings	(26,196)	(1,312)	(24,884)
H	Other short-term borrowings	(41,964)	(39,988)	(1,976)
I	**Debts and other current financial liabilities (F+G+H)**	**(80,227)**	**(182,643)**	**102,416**
J	**Current financial position, net (D)+(E)+(I)**	**(10,006)**	**(123,255)**	**113,249**
K	Long-term bank borrowings	(188,195)	(88,765)	(99,430)
L	Ordinary bonds	-	-	-
M	Other long-term borrowings	(2,597)	(3,269)	672
N	**Debts and other non current financial liabilities (K+L+M)**	**(190,792)**	**(92,034)**	**(98,758)**
I	**Net financial position (J)+(N)**	**(200,798)**	**(215,289)**	**14,491**

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	June 30, 2013	December 31, 2012
Trade payables for:		
Purchase of raw materials	28,733	32,012
Purchase of finished goods	56,698	71,334
Suppliers from subcontractors	2,500	3,158
Tangible and intangible assets	1,974	3,356
Commissions	4,133	4,092
Royalties	30,857	24,479
Advertising and marketing costs	34,086	36,930
Services	24,412	35,212
Total	**183,393**	**210,573**

2.15 Tax payables

At 30th June 2013, tax payables totalled Euro 17,317 thousand, versus Euro 16,193 thousand at 31st December 2012. Euro 8,532 thousand related to income tax payables, Euro 4,942 thousand to VAT payables and the remainder to withholding and local taxes different from those on income.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	June 30, 2013	December 31, 2012
Payables to personnel and social security institutions	36,622	36,405
Agent fee payables	1,828	1,758
Payables to pension funds	654	1,124
Accrued advertising and sponsorship costs	1,627	1,421
Accrued interests on long-term loans	427	1,963
Other accruals and deferred income	4,870	3,371
Other current liabilities	422	1,697
Total	**46,450**	**47,739**

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

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, 2013	Increase	Decrease	Transl. diff.	Balance at June 30, 2013
Product warranty provision	5,734	266	(191)	2	5,811
Agents' severance indemnity	5,352	283	(70)	(2)	5,563
Provision for corporate restructuring	2,548	-	(650)	-	1,898
Other provisions for risks and charges	10,370	383	(507)	-	10,246
Provisions for risks - long term	**24,004**	**932**	**(1,418)**	**-**	**23,518**
Provisions for risks - short term	**2,851**	**6,223**	**(223)**	**(23)**	**8,828**
Total	**26,855**	**7,155**	**(1,641)**	**(23)**	**32,346**

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 case of termination of the agency agreement. This provision has been calculated based on the in force laws.

The restructuring fund includes provisions made in the first half of 2009 for restructuring costs relating to the downsizing of the Italian production sites. The decrease relates to the costs sustained for staff that left the company in the first semester of 2013.

Provisions for other risks and charges during the year refer to the best estimate made by the management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts. Their estimate takes into account, where applicable, the opinion of legal consultants and other experts, past company's experience and others' in similar situations, as well as the intention of the company to take further actions in each case. The provision in the consolidated financial statements is the sum of the individual accruals made by each company of the Group.

With reference to the above, it has to be pointed out that the item "Other risks and charges" includes also the provision accrued at 31st December 2012 to cover the risk relating to two notices of assessment and a notice of penalties referring to the tax year 2007 and concerning transfer pricing and withholding tax requirements, received by the Italian company Safilo S.p.A. on 28th December 2012.

The increase in the short-term provisions for risks mainly refers to the CEO succession plan for 6 million Euro.

It is considered that the above-mentioned allowances are sufficient to cover the existing risks.

2.18 Employees benefits liability

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

(Euro/000)	Balance at January 1, 2013	Posted to income statement	Actuarial gains/ (losses)	Reclass.	Uses	Transl. diff.	Balance at June 30, 2013
Defined contribution plan	623	771	-	(467)	(431)	(19)	477
Defined benefit plan	36,196	232	7	467	(912)	(177)	35,813
Totale	**36,819**	**1,003**	**7**	**-**	**(1,343)**	**(196)**	**36,290**

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

2.19 Other non-current liabilities

At 30th June 2013 other non-current liabilities totalled Euro 5,348 thousand, compared to Euro 5,315 thousand at 31st December 2012, and comprised Euro 3,813 thousand for long-term debt under leases of stores of the U.S. subsidiary Solstice and the remaining portion for non-current liabilities recorded by some Group's companies.;

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30th June 2013, shareholders' equity amounted to Euro 881,723 thousand (of which Euro 3,026 thousand represent minority interests), against Euro 862,846 thousand at 31st December 2012 (of which 5,110 thousand represent minority interests).

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

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

2.20 Share capital

The share capital of parent company Safilo Group S.p.A. at 30th June 2013 amounted to Euro 308,699,825 consisting of 61,739,965 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 and 2012.

The share premium reserve of the parent company totalled Euro 481,163,313.69 at 30th June 2013 unchanged from 31st December 2012.

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

The fair value reserve relates to the current value of investments recognised as available-for-sale financial assets, while the cash flow reserve refers to the current value of interest rate swaps.

2.24 Stock options plans

During the semester the Board of Directors, at its meeting held on 6th March 2013 to approve the results for the financial year ended 31st December 2012, assigned the fourth tranche of the 2010-2013 Stock Options Plan approved by the Extraordinary General Meeting of 5th November 2010.

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

The table below shows the changes in the stock option plans occurred during the relevant period along with the new above-mentioned grant:

	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 period	**380,000**	**8.546**	**1,000,000**	**8.445**	**1,380,000**	**8.473**
Granted	80,000	8.47	240,000	8.47	320,000	8.47
Forfeited	-		-		-	
Excercised	-		-		-	
Expired	-		-		-	
Outstanding at period-end	**460,000**	**8.533**	**1,240,000**	**8.450**	**1,700,000**	**8.473**

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first semester 2013 versus the same period of the previous year, please refer to the section “Report on Operations”.

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Purchase of raw materials and finished goods	153,855	161,907	80,838	84,450
Capitalisation of costs for increase in tangible assets (-)	(3,773)	(3,581)	(2,040)	(1,625)
Change in inventories	14,618	13,767	(617)	13,274
Wages and social security contributions	40,454	49,374	19,881	23,786
Subcontracting costs	5,282	9,402	2,547	4,783
Depreciation	9,276	10,073	4,750	5,242
Rental and operating leases	356	396	153	206
Other industrial costs	6,265	6,613	3,498	3,302
Total	**226,333**	**247,951**	**109,010**	**133,418**

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Finished products	8,710	12,147	3,501	16,416
Work-in-progress	(373)	(873)	(315)	(92)
Raw materials	6,281	2,493	(3,803)	(3,050)
Total	**14,618**	**13,767**	**(617)**	**13,274**

The average number of Group employees in the first semester of 2013 and 2012 can be summarised as follows:

	First semester 2013	First semester 2012
Padua Headquarters	963	923
Production facilities	4,446	4,852
Trading companies	1,518	1,505
Retail companies	808	774
Total	**7,735**	**8,054**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Payroll and social security contributions	61,151	58,282	30,360	30,235
Sales commissions	32,238	35,691	16,446	18,135
Royalty expenses	49,633	52,533	25,189	27,276
Advertising and promotional costs	66,580	62,984	34,782	33,585
Amortization and depreciation	2,132	2,638	1,014	1,341
Logistic costs	9,546	9,704	5,041	5,816
Consultants fees	352	1,969	281	945
Rental and operating leases	7,299	7,161	3,715	3,591
Utilities	437	415	240	217
Provision for risks	644	204	434	(558)
Other sales and marketing expenses	12,123	10,661	6,258	5,327
Total	**242,135**	**242,242**	**123,760**	**125,910**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Payroll and social security contributions	37,028	36,997	19,637	19,658
Allowance and write off of doubtful accounts	3,270	2,217	2,208	1,273
Amortization and depreciation	6,360	6,763	3,066	3,731
Consultants fees	6,720	6,607	3,175	3,360
Rental and operating leases	4,208	4,105	2,031	1,998
EDP costs	2,757	2,419	1,761	1,271
Insurance costs	1,373	1,362	689	664
Utilities, security and cleaning	3,262	3,686	1,489	2,001
Taxes (other than those on income)	2,452	2,246	1,422	995
Other general and administrative expenses	7,563	7,093	4,114	3,459
Total	**74,993**	**73,495**	**39,592**	**38,410**

3.5 Other income (expenses)

This item breaks down as follows:

(Euro/000)	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Losses on disposal of assets	(235)	(121)	(155)	(116)
Other operating expenses	(7,734)	(1,874)	(7,400)	(1,714)
Gains on disposal of assets	44	28	29	26
Other operating income	275	3,555	72	3,069
Total	**(7,650)**	**1,588**	**(7,454)**	**1,265**

Other operating expenses and income comprise cost and revenue components either not related to the Group's ordinary operations or that are of non-recurring nature.

During the second quarter of 2013 non-recurring costs of Euro 7,385 thousand were accounted for, of which Euro 6,000 thousand relating to the CEO succession plan and Euro 1,385 thousand for other restructuring costs.

3.6 Share of income (loss) of associates

This item shows gains/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 semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Interest expenses on loans	3,144	3,597	1,750	1,763
Interest expenses and charges on High Yield	4,902	6,597	1,610	3,312
Bank commissions	2,675	3,341	1,459	2,104
Negative exchange rate differences	7,748	7,805	3,502	5,752
Financial discounts	452	614	243	354
Other financial charges	410	713	191	394
Total financial charges	**19,331**	**22,667**	**8,755**	**13,679**
Interest income	303	369	186	178
Positive exchange rate differences	5,130	6,854	304	2,665
Other financial income	100	219	34	144
Total financial income	**5,533**	**7,442**	**524**	**2,987**
Total financial charges, net	**13,798**	**15,225**	**8,231**	**10,692**

3.8 Income tax expenses

This item breaks down as follows:

(Euro/000)	First semester 2013	First semester 2012	Second quarter 2013	Second quarter 2012
Current taxes	(15,356)	(16,731)	(7,061)	(8,493)
Deferred taxes	3,452	3,054	1,721	888
Total	**(11,904)**	**(13,677)**	**(5,340)**	**(7,605)**

3.9 Earning (Loss) per Share

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

Basic

	First semester 2013	First semester 2012
Profit for ordinary shares (in Euro/000)	20,089	21,524
Average number of ordinary shares (in thousands)	61,740	59,200
Earnings per share - basic (in Euro)	**0.325**	**0.364**

Diluted

	First semester 2013	First semester 2012
Profit for ordinary shares (in Euro/000)	20,089	21,524
Profit for preferred shares	-	-
Profit in income statement	**20,089**	**21,524**
Average number of ordinary shares (in thousands)	61,740	59,200
Dilution effects:		
- stock option (in thousands)	430	-
Total	**62,170**	**59,200**
Earnings per share - diluted (in Euro)	**0.323**	**0.364**

The issuance of stock options plan has resulted in a not significant dilutive effect in the first semester of 2013.

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 historically at their lowest in the third quarter of the year, since the sales campaign for the second half is launched in autumn.

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

In the first semester of 2013, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of 28th July 2006.

3.12 Dividends

In the first semester of 2013, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders.

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 June 2013 and 30th June 2012 as well as to the second quarters 2013 and 2012 is shown in the tables below:

June 30, 2013 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	8,207	-	(8,207)	-
- to third parties	557,534	40,827	-	598,361
Total net sales	**565,741**	**40,827**	**(8,207)**	**598,361**
Gross profit	**344,960**	**27,068**	**-**	**372,028**
Operating profit	**43,063**	**4,187**	**-**	**47,250**
Share of income of associates	(1,202)	-		(1,202)
Financial charges, net				(13,798)
Income taxes				(11,904)
Net profit				**20,346**
Other information				
Capital expenditure	10,345	818		11,163
Depreciation & amortization	15,822	1,946		17,768

June 30, 2012 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	7,170	-	(7,170)	-
- to third parties	572,664	40,622	-	613,286
Total net sales	**579,834**	**40,622**	**(7,170)**	**613,286**
Gross profit	**338,261**	**27,074**	**-**	**365,335**
Operating profit	**47,421**	**3,765**	**-**	**51,186**
Share of income of associates	95	-		95
Financial charges, net				(15,225)
Income taxes				(13,677)
Net profit				**22,379**
Other information				
Capital expenditure	13,040	288		13,329
Depreciation & amortization	17,032	2,442		19,474

Second quarter 2013 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,994	-	(3,994)	-
- to third parties	277,891	23,452	-	301,343
Total net sales	**281,885**	**23,452**	**(3,994)**	**301,343**
Gross profit	**177,029**	**15,304**	**-**	**192,333**
Operating profit	**18,144**	**3,383**	**-**	**21,527**
Share of income of associates	(1,202)	-		(1,202)
Financial charges, net				(8,231)
Income taxes				(5,340)
Net profit				**6,754**
Other information				
Capital expenditure	5,721	496		6,217
Depreciation & amortization	7,853	977		8,830

Second quarter 2012 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	4,455	-	(4,455)	-
- to third parties	301,154	23,410	-	324,564
Total net sales	**305,609**	**23,410**	**(4,455)**	**324,564**
Gross profit	**175,765**	**15,381**	**-**	**191,146**
Operating profit	**24,092**	**3,999**	**-**	**28,091**
Share of income of associates	95	-		95
Financial charges, net				(10,692)
Income taxes				(7,605)
Net profit				**9,889**
Other information				
Capital expenditure	7,249	169		7,418
Depreciation & amortization	9,076	1,236		10,313

RELATED PARTIES TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**June 30 2013**	**December 31 2012**
Receivables			
Companies controlled by HAL Holding N.V.	(b)	17,252	21,122
Total		**17,252**	**21,122**
Payables			
Elegance International Holdings Ltd	(a)	3,048	3,326
Companies controlled by HAL Holding N.V.	(b)	716	10,465
Long term borrowings (High Yield) and accrued interests			
HAL International Investments N.V.	(b)	-	69,141
Total		**3,764**	**82,932**

Related parties transactions *(Euro/000)*	**Relationship**	**June 30 2013**	**June 30 2012**
Revenues			
Companies controlled by HAL Holding N.V.	(b)	34,116	30,935
Total		**34,116**	**30,935**
Operating expenses			
Elegance International Holdings Ltd	(a)	4,729	4,830
Companies controlled by HAL Holding N.V.	(b)	331	1,603
Financial expenses			
HAL International Investments N.V.	(b)	2,447	3,292
Total		**7,507**	**9,725**

(a) Associated company

(b) 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:

- 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), expired and fully reimbursed during the second quarter of 2013.

As explained in paragraph 2.13, in the second quarter 2013, it was underwritten by Multibrands Italy B.V., a company controlled by HAL Holding N.V., a revolving financing for a total amount of Euro 40 million, maturing June 30th 2015. At the date of the present report this credit line has not been used.

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 2012, and, although these actions are considered to be groundless, a negative outcome beyond estimates could have adverse effects on the financial results of the Group.

COMMITMENTS

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

For the Board of Directors
The Chief Executive Officer
Roberto Vedovotto

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

The undersigned Roberto Vedovotto, as the Chief Executive Officer, and Vincenzo Giannelli, as the officer responsible for the preparation of Safilo Group S.p.A. financial statements, hereby attest, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree February 24th 1998, no. 58, the adequacy of the administrative and accounting procedures with respect to the Company structure and their effective application in the preparation of the 2013 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2013 were based and the evaluation of their adequacy has been made on a process defined by Safilo Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Trade way Commission an internationally-accepted reference framework.

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

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

Padua, 1st August 2013

Roberto Vedovotto
Chief Executive Officer

Vincenzo Giannelli
Manager responsible for the preparation of
the company's financial documents

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

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

To the Shareholders of
Safilo Group SpA

1 We have reviewed the condensed consolidated interim financial statements of Safilo Group SpA and subsidiaries (Safilo Group) as of 30 June 2013 and for the six months period then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and explanatory related notes. The Directors of Safilo Group SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard n°34 (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (Consob) with Resolution n°10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the comparative amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year period, presented for comparative purposes, reference should be made to our reports dated 29 March 2013 and 2 August 2012, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Safilo Group as of 30 June 2013 and for the sixth months period than ended have not been prepared, in all material respects, in

accordance with the International Accounting Standard n°34 (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Padua, 2 August 2013

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.