



Nine-month Financial Report
for the period ended 30th September 2013

Date of issue: November 13th, 2013

This interim report is available on the website:

www.safilo.com

SAFILO GROUP S.p.A.

Settima Strada, 15

35129 Padua - Italy

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Corporate officers, committees and bodies

Board of Directors (*)

<i>Chairman</i>	Robert Polet
<i>Chief Executive Officer</i>	Luisa Deplazes de Andrade Delgado
<i>Director</i>	Giovanni Ciserani
<i>Director</i>	Jeffrey A. Cole
<i>Director</i>	Melchert Frans Groot
<i>Director</i>	Marco Jesi
<i>Director</i>	Eugenio Razelli
<i>Director</i>	Massimiliano Tabacchi
<i>Director</i>	Roberto Vedovotto

Board of Statutory Auditors

<i>Chairman</i>	Paolo Nicolai
<i>Regular Auditor</i>	Franco Corgnati
<i>Regular Auditor</i>	Bettina Solimando
<i>Alternate Auditor</i>	Marzia Reginato
<i>Alternate Auditor</i>	Gianfranco Gaudioso

Supervisory Committee

Franco Corgnati
Eugenio Razelli
Carlo Bonini

Control and Risk Committee

<i>Chairman</i>	Eugenio Razelli Marco Jesi Massimiliano Tabacchi
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Remuneration and Nomination Committee

<i>Chairman</i>	Jeffrey A. Cole Melchert Frans Groot Marco Jesi
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Related Parties Transactions Committee

Eugenio Razelli
Marco Jesi
Giovanni Ciserani

Independent Auditors

PricewaterhouseCoopers S.p.A.

(*) On October 15th, 2013 Luisa Delgado has been appointed as the new CEO of Safilo Group, as anticipated by the Company on June 19, 2013. Roberto Vedovotto, member of the Board of Safilo Group as a non executive Director, resigned on November 8th, 2013.

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 nine months 2013	%	First nine months 2012	%
Net sales	841.8	100.0	862.4	100.0
Cost of sales	(324.9)	(38.6)	(353.3)	(41.0)
Gross profit	516.9	61.4	509.1	59.0
Ebitda	81.3	9.7	85.9	10.0
Ebitda pre non-recurring items	88.7	10.5	85.9	10.0
Operating profit	54.1	6.4	56.9	6.6
Operating profit pre non-recurring items	61.5	7.3	56.9	6.6
Group profit before taxes	36.0	4.3	35.4	4.1
Profit attributable to the Group	21.8	2.6	20.9	2.4
Profit attributable to the Group pre non-recurring items	27.3	3.2	20.9	2.4

Economic data (Euro in millions)	Third quarter 2013	%	Third quarter 2012	%
Net sales	243.4	100.0	249.1	100.0
Cost of sales	(98.6)	(40.5)	(105.3)	(42.3)
Gross profit	144.8	59.5	143.8	57.7
Ebitda	16.3	6.7	15.2	6.1
Ebitda pre non-recurring items	16.3	6.7	15.2	6.1
Operating profit	6.8	2.8	5.7	2.3
Operating profit pre non-recurring items	6.8	2.8	5.7	2.3
Group profit before taxes	3.7	1.5	(0.7)	(0.3)
Profit attributable to the Group	1.7	0.7	(0.6)	(0.3)
Profit attributable to the Group pre non-recurring items	1.7	0.7	(0.6)	(0.3)

Balance sheet data (Euro in millions)	September 30, 2013	%	December 31, 2012	%
Total assets	1,437.9	100.0	1,491.3	100.0
Total non-current assets	881.4	61.3	901.4	60.4
Capital expenditure	18.8	1.3	29.3	2.0
Net invested capital	1,043.0	72.5	1,078.1	72.3
Net working capital	259.0	18.0	277.4	18.6
Net financial position	(180.7)	12.6	(215.3)	14.4
Group Shareholders' equity	859.3	59.8	857.7	57.5

Financial data (Euro in millions)	First nine months 2013	First nine months 2012
Cash flow operating activity	55.8	58.5
Cash flow investing activity	(21.9)	(89.6)
Cash flow financing activity	(18.6)	16.2
Closing net financial indebtedness (short-term)	61.4	61.1

Earnings per share (in Euro)	First nine months 2013	First nine months 2012
Earnings per share - basic	0.353	0.348
Earnings per share - diluted	0.350	0.348
No. shares in share capital	61,769,965	61,739,965

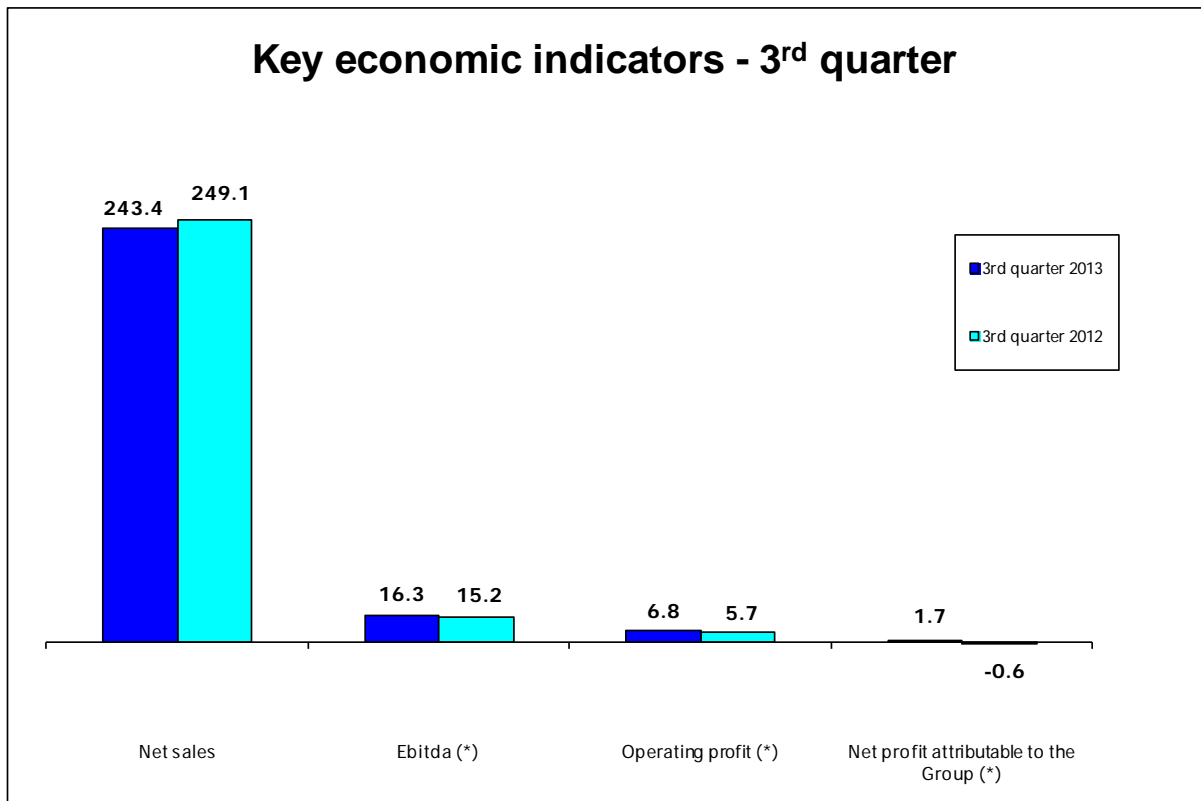
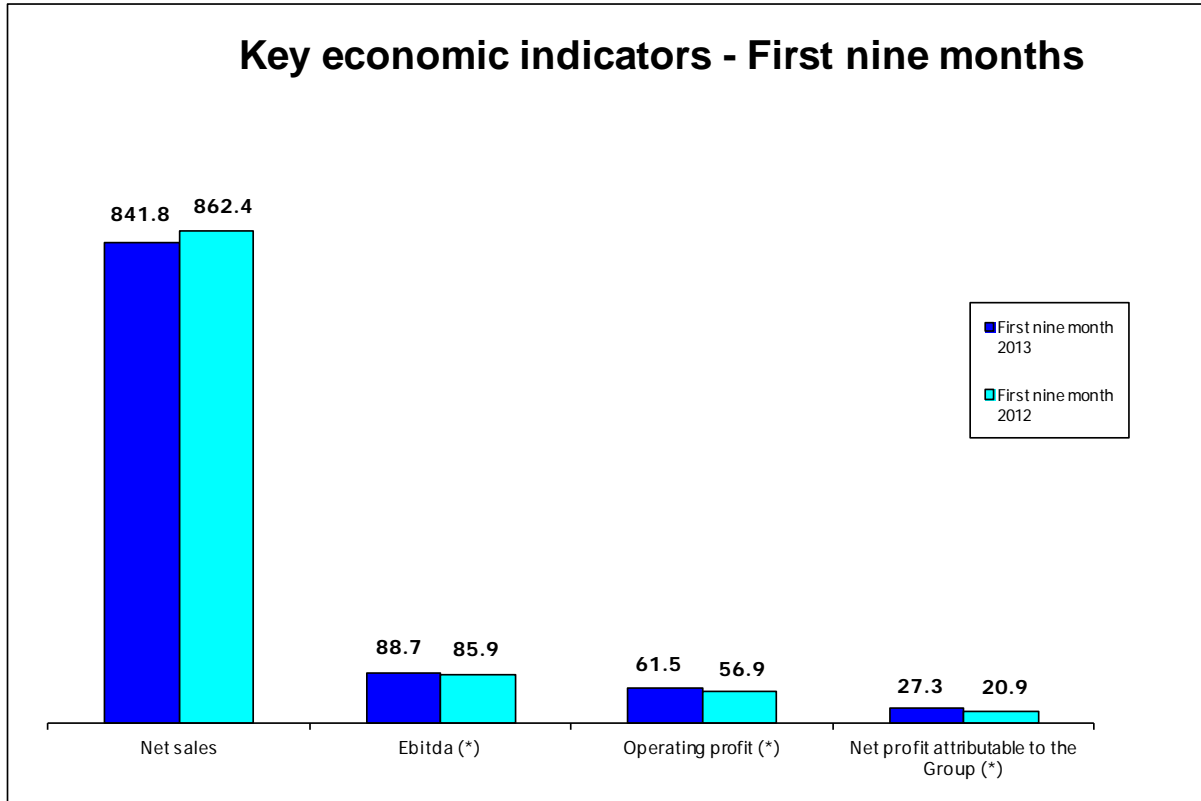
Group personnel	September 30, 2013	September 30, 2012
Punctual	7,803	7,762

It should be noted that:

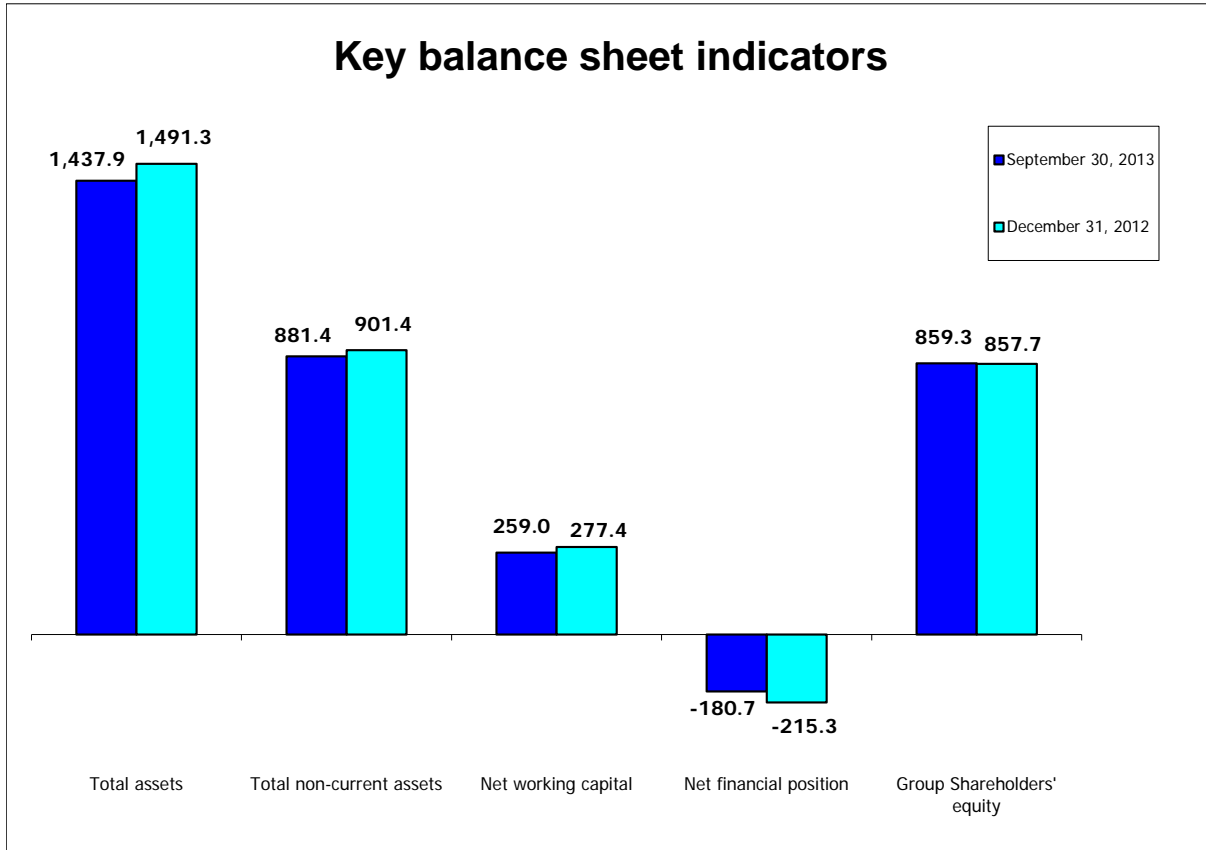
- non-recurring items refer to the CEO succession plan for 6 million Euro and to other restructuring costs for 1.4 million Euro accrued in the second quarter of 2013;
- certain figures in the Report on operations have been subject to rounding adjustments. Accordingly, figures shown for the same category 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



Information on Group economic results

Safilo Group confirmed in the third quarter, generally the seasonally weakest period of the year, the trend of the first six months of 2013 with a strong organic sales growth, an improved profitability at all levels and further reduction in net debt.

These results were achieved in an unfavorable and uncertain macroeconomic scenario, characterized in general by a slowing world economy and on the currency market, by the general devaluation of the main currencies against the Euro, in Safilo's case, in addition, by the discontinuity resulting from the termination of the Armani licenses, phased out in 2012, and the needs connected to the launch of the new Polaroid brand in markets outside Europe.

Net sales for the first nine months of 2013 total Euro 841.8 million, down 2.4% on the first nine months of 2012 (down 0.1% at constant exchange rates), but representing organic growth for existing brands, in the core sunglasses and prescription frames segments, of more than 10% at constant exchange rates. In the third quarter, the Group recorded net sales of Euro 243.4 million, down 2.3% on the previous year (up 2.9% at constant exchange rates), whilst organic growth for existing brands in the core sunglasses and prescription frames segments was 17% at constant exchange rates.

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 nine months of the year amounted to Euro 81.3 million. Without considering non-recurring expenses, EBITDA was Euro 88.7 million, representing an EBITDA margin of 10.5% and an improvement on the previous year (Euro 85.9 million and an EBITDA margin of 10.0%). EBITDA for the third quarter was Euro 16.3 million, representing an EBITDA margin of 6.7% (Euro 15.2 million and a margin of 6.1% for the same period of 2012).

The operating performance, the reduction of net financial expenses and the substantially stable incidence of tax expense have resulted in Group net profit for the first nine months of Euro 21.8 million (Euro 20.9 million for the same period of 2012).

The increase in Group net profit was also seen in the third quarter of 2013, with net profit for this period totalling Euro 1.7 million, compared with a loss of Euro 0.6 million in 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 180.7 million at 30 September 2013, compared with Euro 200.8 million at the end of June 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 1.5 times.

Group economic results

Consolidated statement of operations					
(Euro in millions)	First nine months 2013		First nine months 2012		Change
		%		%	%
Net sales	841.8	100.0	862.4	100.0	-2.4%
Cost of sales	(324.9)	(38.6)	(353.3)	(41.0)	-8.0%
Gross profit	516.9	61.4	509.1	59.0	1.5%
Selling and marketing expenses	(344.1)	(40.9)	(343.2)	(39.8)	0.3%
General and administrative expenses	(111.0)	(13.2)	(109.5)	(12.7)	1.4%
Other operating income/(expenses), net	(7.7)	(0.9)	0.4	0.0	n.s.
Operating profit	54.1	6.4	56.9	6.6	-4.8%
Interest expenses and other financial charges, net	(18.1)	(2.1)	(21.5)	(2.5)	-15.7%
Profit before taxation	36.0	4.3	35.4	4.1	1.7%
Income taxes	(13.9)	(1.6)	(13.9)	(1.6)	-0.1%
Net profit	22.1	2.6	21.5	2.5	2.9%
Net profit attributable to minority interest	0.3	0.0	0.6	0.1	-48.3%
Net profit attributable to the Group	21.8	2.6	20.9	2.4	4.5%
EBITDA	81.3	9.7	85.9	10.0	-5.4%

Economic indicators pre non-recurring items					
	First nine months 2013		First nine months 2012		Change %
		%		%	
EBIT pre non-recurring items	61.5	7.3	56.9	6.6	8.1%
EBITDA pre non-recurring items	88.7	10.5	85.9	10.0	3.2%
Net profit attributable to the Group pre non-recurring items	27.3	3.2	20.9	2.4	30.8%

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

Consolidated statement of operations					
(Euro in millions)	Third quarter 2013		Third quarter 2012		Change
		%		%	%
Net sales	243.4	100.0	249.1	100.0	-2.3%
Cost of sales	(98.6)	(40.5)	(105.3)	(42.3)	-6.4%
Gross profit	144.8	59.5	143.8	57.7	0.7%
Selling and marketing expenses	(102.0)	(41.9)	(100.9)	(40.5)	1.1%
General and administrative expenses	(36.0)	(14.8)	(36.0)	(14.5)	0.0%
Other operating income/(expenses), net	0.0	0.0	(1.2)	(0.5)	n.s.
Operating profit	6.8	2.8	5.7	2.3	20.9%
Interest expenses and other financial charges, net	(3.1)	(1.3)	(6.3)	(2.5)	-51.1%
Profit before taxation	3.7	1.5	(0.7)	(0.3)	n.s.
Income taxes	(2.0)	(0.8)	(0.2)	(0.1)	n.s.
Net profit	1.7	0.7	(0.9)	(0.3)	n.s.
Net profit attributable to minority interest	0.0	0.0	(0.3)	(0.1)	n.s.
Net profit attributable to the Group	1.7	0.7	(0.6)	(0.3)	n.s.
EBITDA	16.3	6.7	15.2	6.1	6.5%

Economic indicators pre non-recurring items					
	Third quarter 2013		Third quarter 2012		Change %
		%		%	%
EBIT pre non-recurring items	6.8	2.8	5.7	2.3	20.9%
EBITDA pre non-recurring items	16.3	6.7	15.2	6.1	6.5%
Net profit attributable to the Group pre non-recurring items	1.7	0.7	(0.6)	(0.3)	n.s.

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 nine months of 2013, with sales up to Euro 351.7 million from the Euro 342.0 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 third quarter, with organic sales growth driven by the Group's core markets in continental Europe, such as France, Germany and the UK, showing signs of recovery in Mediterranean countries such as Spain and Portugal.

In the American market, total sales for the first nine months of 2013 amounted to Euro 349.5 million, compared with the Euro 363.7 million of the same period of 2012, whilst organic growth continued in this area. In the third quarter 2013, total sales in this area was significantly influenced by the strengthening of the Euro against the United States Dollar and the other main currency of the area where, at constant exchange rates, was marked an increase of 1.7%. The third quarter of 2013 recorded growth of 6.1% in sales through directly operated Solstice stores at constant exchange rates.

Asian sales for the first nine months amounted to Euro 130.4 million, compared with Euro 144.7 million for the first nine months of 2012, affected by revenues for the third quarter of 2013 of Euro 34.1 million, compared with Euro 38.6 million for the same period of the previous year. Significant organic growth continued in this area during the third quarter 2013.

Net sales by geographical area (Euro in millions)	First nine months					
	2013	%	2012	%	Change %	Change % (*)
Europe	351.7	41.8	342.0	39.7	+2.8	+3.3
Americas	349.5	41.5	363.7	42.2	-3.9	-0.6
Asia	130.4	15.5	144.7	16.8	-9.9	-6.0
Rest of the world	10.2	1.2	12.0	1.4	-15.0	-7.9
Total	841.8	100.0	862.4	100.0	-2.4	-0.1

Net sales by geographical area (Euro in millions)	Third quarter					
	2013	%	2012	%	Change %	Change % (*)
Europe	96.8	39.8	91.1	36.6	+6.3	+7.7
Americas	109.7	45.1	115.7	46.4	-5.2	+1.7
Asia	34.1	14.0	38.6	15.5	-11.7	-3.5
Rest of the world	2.8	1.2	3.7	1.5	-24.3	-13.5
Total	243.4	100.0	249.1	100.0	-2.3	+2.9

(*) at constant exchange rates

In terms of product category, sales of prescription frames totalled Euro 312.3 million in the first nine months of 2013 (Euro 321.3 million in the same period of 2012), substantially stable at constant exchange rates. Organic

growth was again strong compared with the first nine months of 2012. Growth in the third quarter 2013 was higher compared with the same period of the previous year with an increase of 3.8% at constant exchange rates.

In the first nine months of 2013, the sunglasses segment sales totalled Euro 474.3 million, compared with Euro 487.9 million in the same period of the previous year, marking a reduction of 0.8% at constant exchange rates. Also in this segment, there has been good progress in organic growth in the first nine months of 2013 compared with the same period of the previous year. Organic growth of the segment was higher in the third quarter of 2013 compared to the same period of 2012.

Net sales by product (Euro in millions)	First nine months					
	2013	%	2012	%	Change %	Change % (*)
Prescription frames	312.3	37.1	321.3	37.3	-2.8	0.0
Sunglasses	474.3	56.3	487.9	56.6	-2.8	-0.8
Sport products	48.9	5.8	46.3	5.4	+5.6	+8.2
Other	6.3	0.7	6.9	0.8	-8.7	-6.9
Total	841.8	100.0	862.4	100.0	-2.4	-0.1

Net sales by product (Euro in millions)	Third quarter					
	2013	%	2012	%	Change %	Change % (*)
Prescription frames	97.4	40.0	99.2	39.8	-1.8	+3.8
Sunglasses	121.9	50.1	125.9	50.5	-3.2	+1.8
Sport products	22.2	9.1	21.7	8.7	+2.3	+6.4
Other	1.9	0.8	2.3	0.9	-17.4	-15.0
Total	243.4	100.0	249.1	100.0	-2.3	+2.9

(*) at constant exchange rates

Continuing with our analysis of the interim income statement, gross profit of Euro 516.9 million was up on the Euro 509.1 million of the first nine months of 2012, with a significant improvement in the gross profit margin to 61.4% (59.0% for the same period of 2012). The increase in gross profit continued in the third quarter of 2013, with a gross margin of 59.5% compared with the 57.7% 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 nine months of 2013 and the third 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 nine months of 2013 amounted to Euro 81.3 million. Without considering non-recurring expenses of Euro 7.4 million, EBITDA totalled Euro 88.7 million, representing an EBITDA margin of 10.5% and up on the previous year (Euro 85.9 million, equal to a margin of 10.0%). EBITDA for the third quarter of the year is Euro 16.3 million, representing a margin of 6.7% (compared with Euro 15.2 million and a margin of 6.1% for the same period of 2012).

Net financial expenses improved benefitting from redemption, in May 2013, of High Yield Bond and from a lower average debt on the period.

The tax rate for the nine months was 38.5%, substantially in line with the same period of the previous year.

The Group thus reported net profit of Euro 21.8 million for the first nine months of 2013. wWithout considering non-recurring items, this figure amounted to Euro 27.3 million, marking a significant improvement on the Euro 20.9 million of the first nine months of 2012, thanks to the result for the third quarter of 2013, totalling Euro 1.7 million (a loss of Euro 0.6 million for the third quarter of 2012).

Analysis by distribution channel – Wholesale/Retail

The table below shows the key data by operating segment:

(Euro in millions)	WHOLESALE				RETAIL			
	First nine months 2013	First nine months 2012	Change	Change %	First nine months 2013	First nine months 2012	Change	Change %
Net sales to 3 rd parties	780.0	800.9	(20.9)	-2.6%	61.8	61.5	0.3	0.4%
EBITDA (*)	79.9	76.9	3.0	3.7%	8.8	9.0	(0.2)	-1.5%
%	10.2%	9.6%			14.3%	14.6%		

(Euro in millions)	WHOLESALE				RETAIL			
	Third quarter 2013	Third quarter 2012	Change	Change %	Third quarter 2013	Third quarter 2012	Change	Change %
Net sales to 3 rd parties	222.5	228.2	(5.7)	-2.5%	20.9	20.9	0.0	0.3%
EBITDA	13.6	12.5	1.1	8.4%	2.7	2.7	0.0	-2.2%
%	6.1%	5.5%			13.0%	13.3%		

(*) pre non-recurring items in the second quarter 2013 in wholesale segment referring to 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 nine months of 2013 amounted to Euro 780.0 million, compared with Euro 800.9 million in the same period of 2012.

Without considering non-recurring expenses, the EBITDA margin for the first nine months of the year was 10.2%, an improvement on the 9.6% of the same period of 2012.

The Solstice retail chain, which currently numbers 133 stores, recorded sales of Euro 61.8 million in the first nine months of 2013, compared with Euro 61.5 million in the same period of the previous year. Turnover was up 3.3% 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)	September 30, 2013	December 31, 2012	Change
Trade receivables	226.7	280.4	(53.7)
Inventory, net	204.1	207.6	(3.5)
Trade payables	(171.8)	(210.6)	38.8
Net working capital	259.0	277.4	(18.4)
Tangible assets	196.8	204.7	(7.9)
Intangible assets and goodwill	588.8	603.6	(14.8)
Financial assets	9.3	10.9	(1.6)
Net fixed assets	794.9	819.2	(24.3)
Employee benefit liability	(36.3)	(36.8)	0.5
Other assets / (liabilities), net	25.4	18.3	7.1
Net invested capital	1,043.0	1,078.1	(35.1)
Cash in hand and at bank	77.1	59.4	17.7
Short term borrowings	(76.9)	(182.7)	105.8
Long term borrowings	(180.9)	(92.0)	(88.9)
Net financial position	(180.7)	(215.3)	34.6
Group Shareholders' equity	(859.3)	(857.7)	(1.6)
Non-controlling interest	(3.0)	(5.1)	2.1
Total Shareholders' equity	(862.3)	(862.8)	0.5

Cash flow

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

Free cash flow (Euro in millions)	First nine months 2013	First nine months 2012	Change
Cash flow operating activities	55.8	58.5	(2.7)
Cash flow investing activities	(21.9)	(89.6)	67.7
Free cash flow	33.9	(31.1)	65.0

Operating activities generated cash flow of Euro 33.9 million in the first nine months of 2013, amply offsetting the cash used in investing activities.

Cash used in investing activities in the first nine months 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)	September 30, 2013	September 30, 2012	Change September 13/September 12	December 31, 2012
Trade receivables, net	226.7	233.9	(7.2)	280.4
Inventories	204.1	220.2	(16.1)	207.6
Trade payables	(171.8)	(169.4)	(2.4)	(210.6)
Net working capital	259.0	284.7	(25.7)	277.4
<i>% net sales rolling LTM</i>	<i>22.4%</i>	<i>25.2%</i>		<i>23.6%</i>

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.

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

Investments in tangible and intangible fixed assets

The Group's capital expenditure amounts to Euro 18.8 million and breaks down as follows:

(Euro in millions)	First nine months 2013	First nine months 2012	Change
Padua headquarters	2.1	1.9	0.2
Production factories	10.9	11.4	(0.5)
Europe	0.3	0.7	(0.4)
America	4.8	5.1	(0.3)
Far-East	0.7	0.5	0.2
Total	18.8	19.6	(0.8)

Net financial position

Net financial position (Euro in millions)	September 30, 2013	June 30, 2013	Change Sep/Jun	December 31, 2012	Change Sep/Dec
Current portion of long-term borrowings	(26.1)	(26.1)	-	(1.3)	(24.8)
Bank overdrafts and short term bank borrowings	(15.8)	(12.1)	(3.7)	(13.8)	(2.0)
Other short-term borrowings	(35.0)	(42.0)	7.0	(40.0)	5.0
Ordinary bonds	-	-	-	(127.6)	127.6
Cash and cash equivalent	77.1	70.2	6.9	59.4	17.7
Short-term net financial position	0.2	(10.0)	10.2	(123.3)	123.5
Long-term borrowings	(180.9)	(190.8)	9.9	(92.0)	(88.9)
Long-term net financial position	(180.9)	(190.8)	9.9	(92.0)	(88.9)
Net financial position	(180.7)	(200.8)	20.1	(215.3)	34.6

The Group's net debt was down with respect to both the beginning of the year and the end of the first half of 2013, when it amounted to Euro 200.8 million.

Bonds were redeemed during the second quarter of 2013, totalling Euro 127.9 million. At 30th September 2013, medium/long-term lines of credit totalling Euro 180.9 million have been used (Euro 190.8 million at 30th June 2013). The ratio of net debt to LTM adjusted EBITDA was 1.5 times, an improvement on the end of the third quarter of the previous year (2 times).

Personnel

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

	September 30, 2013	December 31, 2012	September 30, 2012
Padua headquarters	987	948	954
Production factories	4,600	4,571	4,622
Trading companies	1,409	1,393	1,422
Retail	807	855	764
Total	7,803	7,767	7,762

The workforce employed at the Group's production facilities is showing substantial stability with respect to the same period of the previous year.

Subsequent events and Outlook

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

Financial Statements
and Notes
at September 30th, 2013

Consolidated balance sheet

<i>(Euro/000)</i>	<i>Notes</i>	September 30, 2013	of which related parties	December 31, 2012	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	<i>2.1</i>	77,115		59,388	
Trade receivables, net	<i>2.2</i>	226,732	14,086	280,442	21,122
Inventory, net	<i>2.3</i>	204,149		207,639	
Derivative financial instruments	<i>2.4</i>	125		126	
Other current assets	<i>2.5</i>	48,396		42,344	
Total current assets		556,517		589,939	
Non-current assets					
Tangible assets	<i>2.6</i>	196,809		204,713	
Intangible assets	<i>2.7</i>	43,206		45,646	
Goodwill	<i>2.8</i>	545,576		558,046	
Investments in associates	<i>2.9</i>	9,267		10,916	
Available-for-sale financial assets	<i>2.10</i>	234		245	
Deferred tax assets	<i>2.11</i>	81,177		76,987	
Derivative financial instruments	<i>2.4</i>	69		-	
Other non-current assets	<i>2.12</i>	5,015		4,825	
Total non-current assets		881,353		901,378	
Total assets		1,437,870		1,491,317	

<i>(Euro/000)</i>	<i>Notes</i>	September 30, 2013	of which related parties	December 31, 2012	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	<i>2.13</i>	76,941		182,643	68,301
Trade payables	<i>2.14</i>	171,784	4,108	210,573	13,672
Tax payables	<i>2.15</i>	16,787		16,193	
Derivative financial instruments	<i>2.4</i>	1,519		1,000	
Other current liabilities	<i>2.16</i>	51,776		47,739	959
Provisions for risks and charges	<i>2.17</i>	2,689		2,851	
Total current liabilities		321,496		460,999	
Non-current liabilities					
Long-term borrowings	<i>2.13</i>	180,868		92,034	
Employees benefits liability	<i>2.18</i>	36,306		36,819	
Provisions for risks and charges	<i>2.17</i>	22,870		24,004	
Deferred tax liabilities	<i>2.11</i>	8,927		7,745	
Derivative financial instruments	<i>2.4</i>	10		1,555	
Other non-current liabilities	<i>2.19</i>	5,071		5,315	
Total non-current liabilities		254,052		167,472	
Total liabilities		575,548		628,471	
Shareholders' equity					
Share capital	<i>2.20</i>	308,850		308,700	
Share premium reserve	<i>2.21</i>	481,255		481,163	
Retained earnings (losses) and other reserves	<i>2.22</i>	48,113		43,563	
Fair value and cash flow reserves	<i>2.23</i>	(725)		(1,555)	
Income attributable to the Group		21,817		25,865	
Total shareholders' equity attributable to the Group		859,310		857,736	
Non-controlling interests		3,012		5,110	
Total shareholders' equity		862,322		862,846	
Total liabilities and shareholders' equity		1,437,870		1,491,317	

Consolidated income statement

(Euro/000)	Notes	First nine months 2013	of which related parties	First nine months 2012	of which related parties	Third quarter 2013	of which related parties	Third quarter 2012	of which related parties
Net sales	3.1	841,769	47,313	862,360	45,415	243,408	13,197	249,074	14,480
Cost of sales	3.2	(324,929)	(7,681)	(353,250)	(7,682)	(98,596)	(2,952)	(105,299)	(2,852)
Gross profit		516,840		509,110		144,812		143,775	
Selling and marketing expenses	3.3	(344,124)	(694)	(343,169)	(5,388)	(101,989)	(363)	(100,927)	(3,786)
General and administrative expenses	3.4	(110,986)		(109,494)		(35,993)		(35,999)	
Other operating income/(expenses)	3.5	(7,627)		408		23		(1,180)	
Operating profit		54,103		56,855		6,853		5,669	
Share of income/(loss) of associates	3.6	(1,440)		96		(238)		1	
Financial charges, net	3.7	(16,657)	(2,447)	(21,562)	(4,937)	(2,859)	-	(6,337)	(1,645)
Profit (loss) before taxation		36,006		35,389		3,756		(667)	
Income taxes	3.8	(13,863)		(13,880)		(1,959)		(203)	
Profit (loss) of the period		22,143		21,509		1,797		(870)	
Profit (loss) attributable to:									
Owners of the parent		21,817		20,878		1,728		(646)	
Non-controlling interest		326		631		69		(224)	
Earnings per share - basic (Euro)	3.9	0.353		0.348		0.028		(0.016)	
Earnings per share - diluted (Euro)	3.9	0.350		0.348		0.027		(0.016)	

Consolidated statement of comprehensive income

<i>(Euro/000)</i>	<i>Notes</i>	First nine months 2013	First nine months 2012	Third quarter	
				2013	2012
Net profit for the period (A)		22,143	21,509	1,797	(870)
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		(206)	-	(206)	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		(206)	-	(206)	-
Gains/(Losses) that will be reclassified subsequently to profit or loss:					
- Gains/(Losses) on cash flow hedges	<i>2.23</i>	829	(497)	39	37
- Gains/(Losses) on fair value of available-for-sale financial assets	<i>2.23</i>	-	-	-	-
- Gains/(Losses) on exchange differences on translating foreign operations	<i>2.22</i>	(20,349)	1,523	(21,358)	(15,426)
- Other gains/(losses)	<i>2.22</i>	-	17	-	(2)
- 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:		(19,520)	1,043	(21,319)	(15,391)
Other comprehensive income/(loss), net of tax (B)		(19,726)	1,043	(21,525)	(15,391)
Total comprehensive income/(loss) (A) + (B)		2,417	22,552	(19,728)	(16,261)
Attributable to:					
Owners of the parent		2,156	21,911	(19,714)	(15,917)
Non-controlling interest		261	641	(14)	(344)
Total comprehensive income/(loss)		2,417	22,552	(19,728)	(16,261)

Consolidated statement of cash flows

<i>(Euro/000)</i>	<i>Notes</i>	First nine months 2013	First nine months 2012
A - Opening net cash and cash equivalents (net financial indebtedness - short term)			
	<i>2.1</i>	45,623	76,528
B - Cash flow from (for) operating activities			
Net profit for the period (including minority interests)		22,143	21,509
Depreciation and amortization	<i>2.6-2.7</i>	27,161	29,059
Other non-monetary P&L items	<i>2.9-2.17-2.18</i>	465	(2,130)
Interest expenses, net	<i>3.7</i>	9,508	14,464
Income tax expenses	<i>3.8</i>	13,862	13,880
Income (loss) from operating activities prior to movements in working capital		73,139	76,782
(Increase) Decrease in trade receivables		47,517	56,571
(Increase) Decrease in inventory, net		2,037	7,534
Increase (Decrease) in trade payables		(36,713)	(38,486)
(Increase) Decrease in other current receivables		(13,626)	7,425
Increase (Decrease) in other current payables		9,985	(20,724)
Interest expenses paid		(10,391)	(10,857)
Income taxes paid		(16,148)	(19,765)
Total (B)		55,801	58,480
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(16,710)	(17,648)
Acquisition of subsidiary (net of cash acquired)		-	(58,359)
Acquisition of minorities (in subsidiaries)		(3,750)	(12,186)
(Acquisition) Disposal of investments and bonds		-	(13)
Purchase of intangible assets		(1,455)	(1,378)
Total (C)		(21,914)	(89,584)
D - Cash flow from (for) financing activities			
Proceeds from borrowings		115,000	52,062
Repayment of borrowings		(133,843)	(80,115)
Share capital increase		241	44,262
Dividends paid		-	-
Total (D)		(18,602)	16,209
E - Cash flow for the period (B+C+D)		15,285	(14,895)
Translation exchange differences		452	(582)
Total (F)		452	(582)
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)			
	<i>2.1</i>	61,360	61,051

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	150	92	-	-	-	-	242
Changes in other reserves	-	-	-	-	(824)	-	(824)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	(20,285)	830	(206)	21,817	2,156
Group shareholders' equity at September 30, 2013	308,850	481,255	(19,791)	(725)	67,904	21,817	859,310
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	-	-	(65)	-	-	326	261
Non-controlling interests at September 30, 2013	-	-	1,466	-	1,220	326	3,012
Consolidated net equity at September 30, 2013	308,850	481,255	(18,325)	(725)	69,124	22,143	862,322

(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	-	-	-	-	(463)	-	(463)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,513	(497)	17	20,878	21,911
Group shareholders' equity at September 30, 2012	308,700	481,163	15,517	(1,838)	45,493	20,878	869,912
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	-	-	-	-	(7,096)	-	(7,096)
Dividends distribution	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	10	-	-	631	641
Non-controlling interests at September 30, 2012	-	-	1,611	-	2,843	631	5,085
Consolidated net equity at September 30, 2012	308,700	481,163	17,128	(1,838)	48,336	21,509	874,997

NOTES

1. Basis of preparation

1.1 General information

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

Nine-month consolidated financial report of Safilo Group at September 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 13th November 2013.

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

In preparing these nine-month consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31st December 2012 have been applied.

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 reclassifiable 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 nine months 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 Shenzhen Ltd. and Safilo Eyewear (Shenzhen) 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 Shenzhen Limited- Shenzhen (RC)	CNY	2,481,000	97.0
Safilo Eyewear (Shenzhen) 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	As of	(Appreciation)/	Avg. for the		(Appreciation)/
		September 30, 2013	December 31, 2012	Depreciation	nine months		Depreciation
				%	2013	2012	%
US Dollar	USD	1.3505	1.3194	2.4%	1.3171	1.2808	2.8%
Hong-Kong Dollar	HKD	10.4722	10.2260	2.4%	10.2176	9.9381	2.8%
Swiss Franc	CHF	1.2225	1.2072	1.3%	1.2316	1.2044	2.3%
Canadian Dollar	CAD	1.3912	1.3137	5.9%	1.3486	1.2839	5.0%
Japanese Yen	YEN	131.7800	113.6100	16.0%	127.3796	101.6148	25.4%
British Pound	GBP	0.8361	0.8161	2.4%	0.8521	0.8120	4.9%
Swedish Krown	SEK	8.6575	8.5820	0.9%	8.5825	8.7311	-1.7%
Australian Dollar	AUD	1.4486	1.2712	14.0%	1.3480	1.2381	8.9%
South-African Rand	ZAR	13.5985	11.1727	21.7%	12.5015	10.3092	21.3%
Russian Ruble	RUB	43.8240	40.3295	8.7%	41.6819	39.7994	4.7%
Brasilian Real	BRL	3.0406	2.7036	12.5%	2.7934	2.4555	13.8%
Indian Rupee	INR	84.8440	72.5600	16.9%	75.7604	68.0616	11.3%
Singapore Dollar	SGD	1.6961	1.6111	5.3%	1.6489	1.6121	2.3%
Malaysian Ringgit	MYR	4.4103	4.0347	9.3%	4.1259	3.9686	4.0%
Chinese Reminbi	CNY	8.2645	8.2207	0.5%	8.1225	8.1058	0.2%
Korean Won	KRW	1,451.8400	1,406.2300	3.2%	1,456.7199	1,458.7802	-0.1%
Mexican Peso	MXN	17.8462	17.1845	3.9%	16.7064	16.9437	-1.4%

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 77,115 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:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012	September 30, 2012
Cash in hand and at bank	77,115	59,388	72,297
Bank overdrafts	(6,185)	(2,998)	(965)
Current bank borrowings	(9,570)	(10,767)	(10,281)
Net cash and cash equivalents	61,360	45,623	61,051

2.2 Trade receivables, net

This item breaks down as follows:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Gross value receivables	260,950	312,996
Allowance for doubtful accounts and sales returns	(34,218)	(32,554)
Net value	226,732	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 nine months are shown below:

<i>(Euro/000)</i>	Balance at January 1, 2013	Posted to income statement	Use (-)	Transl. Diff.	Balance at September 30, 2013
Allowance for bad debts	23,899	4,396	(1,614)	(280)	26,402
Allowance for sales returns	8,655	3,026	(3,721)	(144)	7,816
Total	32,554	7,422	(5,334)	(424)	34,218

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:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Raw materials	72,882	64,655
Work-in-progress	7,245	5,827
Finished products	207,417	209,063
Gross	287,544	279,545
Obsolescence provision (-)	(83,395)	(71,906)
Total	204,149	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:

<i>(Euro/000)</i>	Balance at January 1, 2013	Posted to income statement	Transl. Diff.	Balance at September 30, 2013
Obsolescence provision	71,906	12,903	(1,414)	83,395
Total	71,906	12,903	(1,414)	83,395

2.4 Derivative financial instruments

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

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Current assets:		
- Foreign currency contracts - Fair value through P&L	125	126
Total	125	126
Non-current assets:		
- Interest rate swaps - cash flow hedge	69	-
Total	69	-

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	733	1,000
- Foreign currency contracts - cash flow hedge	48	-
- Interest rate swaps - cash flow hedge	738	-
Total	1,519	1,000
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	10	1,555
Total	10	1,555

The market value of the interest rate swap contracts appearing in the financial statements at 30th September 2013 was negative for 678 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 negative net market value of Euro 656 thousand, of which Euro 48 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 September 2013 and at 31st December 2012:

<i>Interest rate swaps</i>	September 30, 2013			December 31, 2012		
	<i>(Euro/000)</i>		<i>Fair value</i> <i>(Euro/000)</i>	<i>(Euro/000)</i>		<i>Fair value</i> <i>(Euro/000)</i>
	<i>Contractual value</i> <i>(USD/000)</i>	<i>(Euro/000)</i>		<i>Contractual value</i> <i>(USD/000)</i>	<i>(Euro/000)</i>	
Expiry year 2014	-	55,000	(738)	-	55,000	(1,498)
Expiry year 2015	-	70,000	59	-	20,000	(57)
Total	-	125,000	(678)	-	75,000	(1,555)

2.5 Other current assets

This item breaks down as follows:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
VAT receivable	11,117	3,691
Tax credits and payments on account	12,767	14,246
Prepayments and accrued income	18,669	18,522
Receivables from agents	164	417
Other current receivables	5,679	5,468
Total	48,396	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 September 2013 include:

- prepaid costs relating license agreements of Euro 13,556 thousand;
- prepaid rent and operating leases of Euro 2,008 thousand;
- prepaid advertising costs of Euro 418 thousand;
- prepaid insurance costs of Euro 418 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 5,679 thousand and mainly refer to:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 2,116 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 770 thousand;
- deposit payments due within 12 months for Euro 634 thousand;
- other receivables of Euro 2,159 thousand.

2.6 Property, plant and equipment, net

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

<i>(Euro/000)</i>	Balance at January 1, 2013	Increase	Decrease	Reclass.	Transl. diff.	Balance at September 30, 2013
Gross value						
Land and buildings	144,581	1,189	(2,595)	597	(591)	143,181
Plant and machinery	197,064	3,326	(6,273)	10	(291)	193,836
Equipment and other assets	223,785	12,696	(8,628)	(629)	(2,613)	224,611
Assets under constructions	42	74	(42)	-	-	74
Total	565,472	17,285	(17,538)	(22)	(3,495)	561,702
Accumulated depreciation						
Land and buildings	42,031	4,245	(2,554)	415	(186)	43,951
Plant and machinery	139,058	6,513	(6,037)	9	(118)	139,425
Equipment and other assets	179,670	12,609	(8,353)	(466)	(1,943)	181,517
Total	360,759	23,367	(16,944)	(42)	(2,247)	364,893
Net value	204,713	(6,082)	(594)	20	(1,248)	196,809

Investments in tangible assets in the first nine months of 2013 totalled Euro 17,285 thousand and mainly comprised:

- Euro 10,900 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 4,100 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 nine months of 2013 are shown below:

<i>(Euro/000)</i>	Balance at January 1, 2013	Increase	Decrease	Reclass.	Transl. diff.	Balance at September 30, 2013
Gross value						
Software	27,718	1,272	(86)	305	(395)	28,814
Trademarks and licenses	82,594	201	-	-	(26)	82,769
Other intangible assets	8,382	3	(47)	(39)	(74)	8,225
Intangible assets in progress	-	-	-	-	-	-
Total	118,694	1,476	(133)	266	-495	119,808
Accumulated depreciation						
Software	21,139	2,092	(85)	305	(309)	23,142
Trademarks and licenses	44,754	1,626	-	-	(23)	46,357
Other intangible assets	7,155	76	(48)	(19)	(61)	7,103
Total	73,048	3,794	(133)	286	(393)	76,602
Net value	45,646	(2,318)	-	(20)	(102)	43,206

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

<i>(Euro/000)</i>	<i>Notes</i>	First nine months 2013	First nine months 2012
Cost of sales	3.2	13,778	14,834
Selling and marketing expenses	3.3	3,085	3,846
General and administrative expenses	3.4	9,849	10,379
Other operating income/(expenses)	3.5	449	-
Total		27,161	29,059

2.8 Goodwill

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

<i>(Euro/000)</i>	Balance at January 1, 2013	Increase	Decrease	Changes in the scope of consolid.	Transl. diff.	Balance at September 30, 2013
Goodwill	558,046	-	-	-	(12,470)	545,576
Net value	558,046	-	-	-	(12,470)	545,576

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

<i>(Euro/000)</i>	Italy and Europe	Americas	Asia	Total
September 30, 2013	160,089	196,657	188,830	545,576
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 Optical 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 nine months of 2013 are shown below:

<i>(Euro/000)</i>	Gross value	Revaluation / (write-down)	Value at January 1, 2013	Movements of the period			Value at September 30, 2013
				Share of period results and write-down of dividends	Impairment	Transl. diff.	
Elegance Optical Int. Holdings Ltd	5,298	5,377	10,675	(768)	(431)	(209)	9,267
Optifashion As	353	(112)	241	-	(241)	-	-
Total	5,651	5,265	10,916	(768)	(672)	(209)	9,267

The valuation of the investment in the associate Elegance International Holding Ltd has led to the recognition of a loss of Euro 1,199 thousand, of which Euro 768 thousand relating to the portion of the loss of the period made by the company and Euro 431 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 30th September 2013, amounted to approximately 2.4 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. Following his liquidation its carrying value has been fully impaired as it was no longer considered recoverable.

2.10 Financial assets available for sale

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

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

<i>(Euro/000)</i>	Gross value	Revaluation/ (write-down)	Value at January 1, 2013	Movements for the year		Value at September 30, 2013
				Increase/ (Decrease)	Revaluation/ (write-down)	
Gruppo Banco Popolare	228	(67)	161	-	(20)	141
Unicredit S.p.A.	61	(23)	38	-	9	47
Other	46	-	46	-	-	46
Total	335	(90)	245	-	(11)	234

2.11 Deferred tax assets and deferred tax liabilities

Deferred tax assets

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

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

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Deferred tax assets	81,177	76,988
Deferred tax liabilities	(8,927)	(7,745)
Total net	72,250	69,242

2.12 Other non-current assets

This item totals Euro 5,015 thousand, compared to Euro 4,825 thousand as at 31st December 2012; of this sum, Euro 2,355 refers to security deposits for leasing contracts related to buildings used by some of the Group's companies.

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

2.13 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	September 30, 2013	December 31, 2012
Bank overdrafts	6,185	2,998
Short-term bank loans	9,570	10,767
Ordinary bonds	-	127,578
Short-term portion of long-term bank loans	26,149	1,312
Short-term portion of financial leasing	1,251	1,250
Debt to the factoring company	33,667	38,623
Other short-term loans	119	115
Short-term borrowings	76,941	182,643
Medium long-term loans	178,547	88,765
Medium-long term portion of financial leasing	2,321	3,150
Other medium long-term loans	-	119
Long-term borrowings	180,868	92,034
Total	257,809	274,677

At 30th September 2013, the Senior Loan is equal to Euro 204,939 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 September 2013 used for Euro 180 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.

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 September 2013:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Short-term portion of financial leasing	1,251	1,250
Long-term portion of financial leasing	2,321	3,150
Total debt	3,572	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 33,667 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:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
From 1 to 2 years	180,868	26,276
From 2 to 3 years	-	65,758
From 3 to 4 years	-	-
Beyond 5 years	-	-
Total	180,868	92,034

The following table shows borrowings divided by currency:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Short-term		
Euro	66,009	168,826
Chinese Reminbi	10,769	10,826
Brasilian Real	11	2,837
Swedish Kronor	152	154
Total	76,941	182,643
Medium long-term		
Euro	180,698	91,863
Swedish Kronor	170	171
Total	180,868	92,034
Total borrowings	257,809	274,677

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

<i>(Euro/000)</i>	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	70,885	15,754	55,131
Credit lines on long-term loans	326,329	206,329	120,000
Total	397,214	222,083	175,131

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 September 30th 2013 compared to the same as of December 31st, 2012 is as follows:

Net financial position <i>(Euro/000)</i>	September 30, 2013	December 31, 2012	Change
A Cash and cash equivalents	77,115	59,388	17,727
B Cash and cash equivalents included as Assets held for sale	-	-	-
C Current securities (securities held for trading)	-	-	-
D Liquidity (A+B+C)	77,115	59,388	17,727
E Receivables from financing activities	-	-	-
F Bank overdrafts and short-t. bank borrowings	(15,755)	(13,765)	(1,990)
Ordinary bonds	-	(127,578)	127,578
G Current portion of long-term borrowings	(26,149)	(1,312)	(24,837)
H Other short-term borrowings	(35,037)	(39,988)	4,951
I Debts and other current financial liabilities (F+G+H)	(76,941)	(182,643)	105,702
J Current financial position, net (D)+(E)+(I)	174	(123,255)	123,429
K Long-term bank borrowings	(178,547)	(88,765)	(89,782)
L Ordinary bonds	-	-	-
M Other long-term borrowings	(2,321)	(3,269)	948
N Debts and other non current financial liabilities (K+L+M)	(180,868)	(92,034)	(88,834)
I Net financial position (J)+(N)	(180,694)	(215,289)	34,595

2.14 Trade payables

This item breaks down as follows:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Trade payables for:		
Purchase of raw materials	30,372	32,012
Purchase of finished goods	58,225	71,334
Suppliers from subcontractors	3,593	3,158
Tangible and intangible assets	2,693	3,356
Commissions	2,142	4,092
Royalties	22,394	24,479
Advertising and marketing costs	29,275	36,930
Services	23,090	35,212
Total	171,784	210,573

2.15 Tax payables

At 30th September 2013, tax payables totalled Euro 16,787 thousand, versus Euro 16,193 thousand at 31st December 2012. Euro 8,413 thousand related to income tax payables, Euro 4,569 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:

<i>(Euro/000)</i>	September 30, 2013	December 31, 2012
Payables to personnel and social security institutions	42,356	36,405
Agent fee payables	2,223	1,758
Payables to pension funds	693	1,124
Accrued advertising and sponsorship costs	1,401	1,421
Accrued interests on long-term loans	377	1,963
Other accruals and deferred income	4,342	3,371
Other current liabilities	384	1,697
Total	51,776	47,739

Payables to personnel and social security institutions principally refer to salaries and wages for September, which are paid during the following month, 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:

<i>(Euro/000)</i>	Balance at January 1, 2013	Increase	Decrease	Reclass	Transl. diff.	Balance at September 30, 2013
Product warranty provision	5,734	279	(306)	-	(4)	5,703
Agents' severance indemnity	5,352	334	(489)	-	(2)	5,195
Provision for corporate restructuring	2,548	-	(710)	-	-	1,838
Other provisions for risks and charges	10,370	402	(638)	-	-	10,134
Provisions for risks - long term	24,004	1,015	(2,143)	-	(6)	22,870
Provisions for risks - short term	2,851	6,301	(427)	(6,000)	(36)	2,689
Total	26,855	7,316	(2,570)	(6,000)	(42)	25,559

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 nine months of 2013.

Provisions for other risks and charges refer to the best estimate made by the management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts. 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. On 24th October 2013, a statement have been received by the Italian company Safilo S.p.A. referring to tax year 2008 concerning the same arguments observed in the abovementioned notices of assessment.

The increase in the short-term provisions for risks mainly refers to the CEO succession plan for 6 million Euro accrued during second quarter. In the third quarter that provision has been reclassified as other current liabilities among “payables due to personnel”.

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:

<i>(Euro/000)</i>	Balance at January 1, 2013	Posted to income statement	Uses	Reclass.	Transl. diff.	Balance at September 30, 2013
Defined contribution plan	623	990	(434)	(467)	(21)	691
Defined benefit plan	36,196	398	(1,255)	467	(191)	35,615
Totale	36,819	1,388	(1,689)	-	(212)	36,306

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

2.19 Other non-current liabilities

At 30th September 2013 other non-current liabilities totalled Euro 5,071 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 September 2013, shareholders' equity amounted to Euro 862,232 thousand (of which Euro 3,012 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 September 2013 amounted to Euro 308,849,825 consisting of 61,769,965 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 481,254,724 at 30th September 2013.

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 mainly refers to the current value of interest rate swaps.

2.24 Stock options plans

During the nine months 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	8.470	240,000	8.470	320,000	8.470
Forfeited	-	-	(115,000)	7.219	(115,000)	7.219
Exercised	-	-	(30,000)	8.047	(30,000)	8.047
Expired	-	-	-	-	-	-
Outstanding at period-end	460,000	8.533	1,095,000	8.590	1,555,000	8.574

During the third quarter 30,000 options of the first tranche of the Plan have been exercised at an exercise price of 8.047 Euro equal to a total value of 241,410 Euro. The above transaction involved the issue of 30,000 new shares with a par value of 5.00 Euro resulting in an increase of share capital of 150,000 Euro and of share premium reserve of 91,410 Euro.

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first nine months 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:

	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Purchase of raw materials and finished goods	234,488	242,908	80,633	81,001
Capitalisation of costs for increase in tangible assets (-)	(5,699)	(5,533)	(1,926)	(1,952)
Change in inventories	2,037	7,559	(12,581)	(6,208)
Wages and social security contributions	61,893	69,960	21,439	20,586
Subcontracting costs	8,366	12,935	3,084	3,533
Depreciation	13,779	14,834	4,503	4,761
Rental and operating leases	549	571	193	175
Other industrial costs	9,516	10,016	3,251	3,403
Total	324,929	353,250	98,596	105,299

The change in inventories can be broken down as follows:

(Euro/000)	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Finished products	4,294	8,789	(4,416)	(3,358)
Work-in-progress	(1,449)	(890)	(1,076)	(17)
Raw materials	(808)	(340)	(7,089)	(2,833)
Total	2,037	7,559	(12,581)	(6,208)

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

	First nine months 2013	First nine months 2012
Padua Headquarters	967	932
Production facilities	4,469	4,786
Trading companies	1,510	1,515
Retail companies	809	773
Total	7,755	8,006

3.3 Selling and marketing expenses

This item breaks down as follows:

<i>(Euro/000)</i>	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Payroll and social security contributions	89,219	85,831	28,068	27,549
Sales commissions	46,002	53,347	13,764	17,656
Royalty expenses	68,561	71,632	18,928	19,099
Advertising and promotional costs	93,468	84,761	26,888	21,777
Amortization and depreciation	3,086	3,846	954	1,208
Logistic costs	13,878	13,307	4,332	3,603
Consultants fees	483	2,714	131	745
Rental and operating leases	10,963	10,832	3,664	3,671
Utilities	683	658	246	243
Provision for risks	262	142	(382)	(62)
Other sales and marketing expenses	17,519	16,099	5,396	5,438
Total	344,124	343,169	101,989	100,927

3.4 General and administrative expenses

This item breaks down as follows:

<i>(Euro/000)</i>	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Payroll and social security contributions	54,819	55,191	17,791	18,194
Allowance and write off of doubtful accounts	4,787	2,434	1,517	217
Amortization and depreciation	9,850	10,379	3,490	3,617
Consultants fees	8,986	10,240	2,266	3,633
Rental and operating leases	6,354	6,271	2,146	2,166
EDP costs	4,361	3,725	1,604	1,306
Insurance costs	2,061	2,123	688	761
Utilities, security and cleaning	5,141	5,846	1,879	2,160
Taxes (other than on income)	3,516	3,252	1,064	1,006
Other general and administrative expenses	11,111	10,033	3,548	2,939
Total	110,986	109,494	35,993	35,999

3.5 Other income (expenses)

This item breaks down as follows:

<i>(Euro/000)</i>	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Losses on disposal of assets	(355)	(295)	(120)	(174)
Other operating expenses	(7,939)	(2,915)	(205)	(1,041)
Write downs of tangible assets	(446)	-	(446)	-
Gains on disposal of assets	75	48	31	20
Other operating incomes	1,038	3,570	763	15
Total	(7,627)	408	23	(1,180)

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:

	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Interest expenses on loans	4,992	5,071	1,848	1,474
Interest expenses and charges on High Yield	4,902	9,931	-	3,334
Bank commissions	4,061	4,707	1,386	1,366
Negative exchange rate differences	10,834	9,490	3,086	1,685
Financial discounts	630	831	178	217
Other financial charges	518	898	108	185
Total financial charges	25,937	30,928	6,606	8,261
Interest income	386	538	83	169
Positive exchange rate differences	8,869	8,521	3,739	1,667
Other financial income	25	307	(75)	88
Total financial income	9,280	9,366	3,747	1,924
Total financial charges, net	16,657	21,562	2,859	6,337

3.8 Income tax expenses

This item breaks down as follows:

(Euro/000)	First nine months 2013	First nine months 2012	Third quarter 2013	Third quarter 2012
Current taxes	(19,569)	(20,432)	(4,213)	(3,701)
Deferred taxes	5,706	6,552	2,254	3,498
Total	(13,863)	(13,880)	(1,959)	(203)

3.9 Earning (Loss) per Share

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

Basic

	First nine months 2013	First nine months 2012
Profit for ordinary shares (in Euro/000)	21,817	20,878
Average number of ordinary shares (in thousands)	61,746	60,053
Earnings per share - basic (in Euro)	0.353	0.348

Diluted

	First nine months 2013	First nine months 2012
Profit for ordinary shares (in Euro/000)	21,817	20,878
Profit for preferred shares	-	-
Profit in income statement	21,817	20,878
Average number of ordinary shares (in thousands)	61,746	60,053
<i>Dilution effects:</i>		
- stock option (in thousands)	525	-
Total	62,271	60,053
Earnings per share - diluted (in Euro)	0.350	0.348

The issuance of stock options plan has resulted in a not significant dilutive effect in the first nine months 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 nine months 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 nine months 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 September 2013 and 30th September 2012 as well as to the third quarters 2013 and 2012 is shown in the tables below:

September 30, 2013				
<i>(Euro/000)</i>	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	10,591	-	(10,591)	-
- to third parties	779,994	61,775	-	841,769
Total net sales	790,585	61,775	(10,591)	841,769
Gross profit	476,622	40,218	-	516,840
Operating profit	48,172	5,931	-	54,103
Share of income of associates	(1,440)	-		(1,440)
Financial charges, net				(16,657)
Income taxes				(13,863)
Net profit				22,143
Other information				
Capital expenditure	17,303	1,457		18,760
Depreciation & amortization	24,245	2,916		27,161

September 30, 2012				
<i>(Euro/000)</i>	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	9,584	-	(9,584)	-
- to third parties	800,856	61,504	-	862,360
Total net sales	810,440	61,504	(9,584)	862,360
Gross profit	468,807	40,303	-	509,110
Operating profit	51,378	5,477	-	56,855
Share of income of associates	96	-		96
Financial charges, net				(21,562)
Income taxes				(13,880)
Net profit				21,509
Other information				
Capital expenditure	18,599	1,014		19,613
Depreciation & amortization	25,556	3,503		29,059

Third quarter 2013				
<i>(Euro/000)</i>	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	2,384	-	(2,384)	-
- to third parties	222,460	20,948	-	243,408
Total net sales	224,844	20,948	(2,384)	243,408
Gross profit	131,662	13,150	-	144,812
Operating profit	5,109	1,744	-	6,853
Share of income of associates	(238)	-		(238)
Financial charges, net				(2,859)
Income taxes				(1,959)
Net profit				1,797
Other information				
Capital expenditure	6,958	639		7,597
Depreciation & amortization	8,423	970		9,393

Third quarter 2012				
<i>(Euro/000)</i>				
	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	2,414	-	(2,414)	-
- to third parties	228,192	20,882	-	249,074
Total net sales	230,606	20,882	(2,414)	249,074
Gross profit	130,546	13,229	-	143,775
Operating profit	3,957	1,712	-	5,669
Share of income of associates	1	-		1
Financial charges, net				(6,337)
Income taxes				(203)
Net profit				(870)
Other information				
Capital expenditure	5,558	726		6,284
Depreciation & amortization	8,524	1,062		9,586

RELATED PARTIES TRANSACTIONS

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

Related parties transactions (Euro/000)	Relationship	September 30 2013	December 31 2012
<i>Receivables</i>			
Companies controlled by HAL Holding N.V.	(b)	14,086	21,122
Total		14,086	21,122
<i>Payables</i>			
Elegance Optical International Holdings Ltd	(a)	3,559	3,326
Companies controlled by HAL Holding N.V.	(b)	549	10,465
<i>Long term borrowings (High Yield) and accrued interests</i>			
HAL International Investments N.V.	(b)	-	69,141
Total		4,108	82,932
Related parties transactions (Euro/000)	Relationship	September 30 2013	September 30 2012
<i>Revenues</i>			
Companies controlled by HAL Holding N.V.	(b)	47,313	45,415
Total		47,313	45,415
<i>Operating expenses</i>			
Elegance Optical International Holdings Ltd	(a)	7,681	7,682
Companies controlled by HAL Holding N.V.	(b)	694	5,388
<i>Financial expenses</i>			
HAL International Investments N.V.	(b)	2,447	4,937
Total		10,822	18,008

(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 Optical 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
Luisa Deplazes de Andrade Delgado

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

The manager responsible for the preparation of the company's financial documents, Mr. Vincenzo Giannelli, hereby declares, in accordance with paragraph 2, article 154 bis of the Consolidated Finance Act (TUF), that the accounting information contained in these quarterly financial statements at 30th September 2013 corresponds to the accounting results, registers and records.

Padua, 13th November 2013

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