Interim Report

for the period ended 31st March 2014

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

www.safilo.com

SAFILO GROUP S.p.A.

Settima Strada, 15

35129 Padua - Italy

Contents

Board of Directors, committees and auditors

Board of Directors

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

Board of Statutory Auditors

Chairman	Paolo Nicolai
Regular Auditor	Franco Corgnati
Regular Auditor	Bettina Solimando
Alternate Auditor	Marzia Reginato
Alternate Auditor	Gianfranco Gaudioso

Corporate Governance Committee

	Franco Corgnati
	Eugenio Razelli
	Carlo Bonini

Control and Risk Committee

Chairman	Eugenio Razelli
	Marco Jesi
	Massimiliano Tabacchi

Remuneration and Nomination Committee

Chairman	Jeffrey A. Cole
	Melchert Frans Groot
	Marco Jesi

Related Parties Transactions Committee

	Eugenio Razelli
	Marco Jesi
	Giovanni Ciserani

Independent Auditors

Deloitte & Touche S.p.A.

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), whilst the administrative headquarters are located in Padua at offices of the subsidiary Safilo S.p.A..

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 80 years and is the second worldwide producer of sunglasses and prescription frames. Safilo is active in the design, manufacture and wholesale and retail distribution of eyewear products. Safilo is the global leader in the high-end eyewear segment of the market and also one of the top three 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 Carrera, Oxydo, Polaroid, Safilo, Smith Optics – and the licensed brands Alexander McQueen, Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Bottega Veneta, Céline, Dior, Fendi, Fossil, Gucci, HUGO, J.Lo by Jennifer Lopez, Jack Spade, 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 e Tommy Hilfiger.

Key consolidated performance indicators

Economic data (Euro in millions)	First quarter 2014	%	First quarter 2013	%
Net sales	293.2	100.0	297.0	100.0
Cost of sales	(109.2)	(37.2)	(117.3)	(39.5)
Gross profit	184.0	62.8	179.7	60.5
Ebitda	35.4	12.1	34.7	11.7
Operating profit	26.8	9.1	25.7	8.7
Group profit before taxes	24.5	8.3	20.2	6.8
Profit attributable to the Group	16.5	5.6	13.4	4.5

Balance sheet data (Euro in millions)	March 31, 2014	%	December 31, 2013	%
Total assets	1,493.4	100.0	1,465.6	100.0
Total non-current assets	868.9	58.2	871.5	59.5
Capital expenditure	6.2	0.4	36.7	2.5
Net invested capital	1,067.6	71.5	1,028.6	70.2
Net working capital	295.5	19.8	246.9	16.8
Net financial position	(207.5)	13.9	(182.5)	12.5
Group Shareholders' equity	857.9	57.4	843.1	57.5

Financial data (Euro in millions)	First quarter 2014	First quarter 2013
Cash flow operating activity	(17.0)	(0.8)
Cash flow investing activity	(7.6)	(4.7)
Cash flow financing activity	8.7	18.7
Closing net financial indebtedness (short-term)	52.7	59.7

Earnings per share (in Euro)	First quarter 2014	First quarter 2013
Earnings per share - basic	0.264	0.217
Earnings per share - diluted	0.262	0.216
No. shares in share capital as at March 31st	62,289,965	61,739,965

Group personnel	March 31, 2014	March 31, 2013
Punctual	7,435	7,809

It should be noted that:

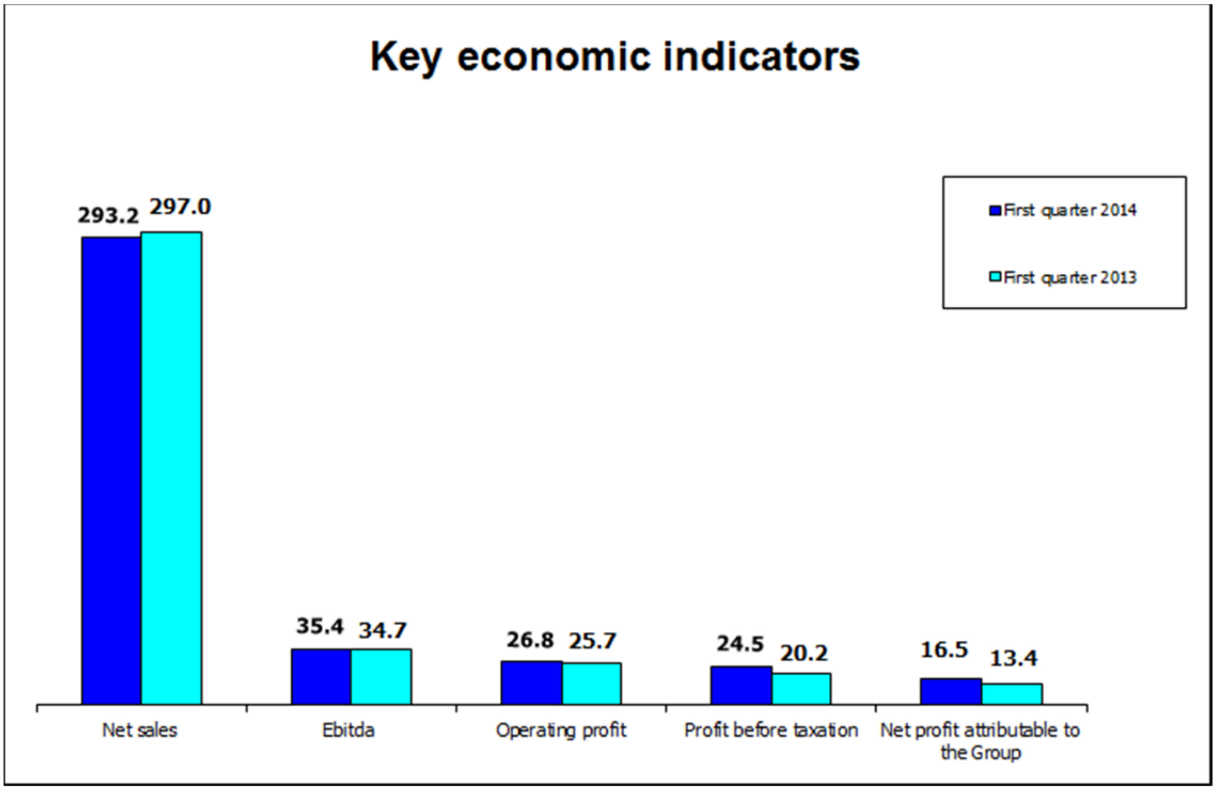
- certain figures in the Report on operations have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them;
- the percentage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

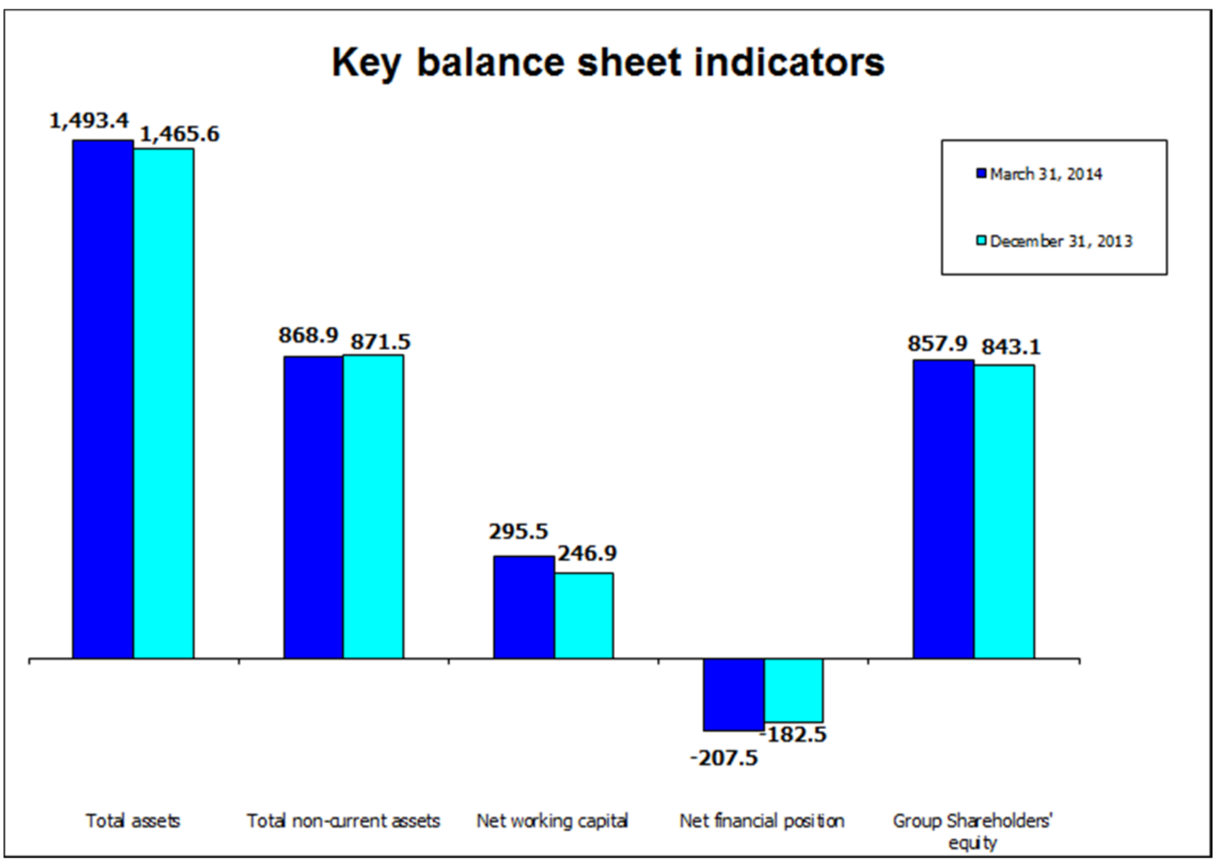
Certain “alternative performance indicators”, which are not foreseen in the IFRS accounting principles have been used in this interim Report. Their meaning and content is given below:

- “EBITDA” stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;
- “EBITDA LTM adjusted” stands for EBITDA calculated for the prior 12 consecutive months ending on the date of measurement before non-recurring items amounting in 2013 to Euro 10.1 million;
- “Capital expenditure” refers to purchases of tangible and intangible fixed assets;
- “Net invested capital” refers to the algebraic sum of shareholders’ equity of the Group and minority interests and the “Net financial position” (see below);
- “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 interim report and, in particular, the section entitled “Subsequent events and Outlook” contains forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.


Key economic indicators
First quarter 2014
First quarter 2013
293.2
297.0
35.4
34.7
26.8
25.7
24.5
20.2
16.5
13.4
Net sales
Ebitda
Operating profit
Profit before taxation
Net profit attributable to the Group


Key balance sheet indicators
March 31, 2014
December 31, 2013
1,493.4
1,465.6
868.9
871.5
295.5
246.9
-207.5
-182.5
857.9
843.1
Total assets
Total non-current assets
Net working capital
Net financial position
Group Shareholders' equity

Information on Group economic results

The Safilo Group saw a notable improvement in margins and all measures of profitability in the first quarter of 2014. The results were achieved in a macroeconomic environment in which the Euro continued to hold its value against the world's principal currencies and marked by ongoing uncertainty in the global economy.

The Group's net sales for the first three months of 2014 total Euro 293.2 million, up 1.9% at constant exchange rates on the same period of 2013 (down 1.3% at current exchange rates), whilst EBITDA is up from Euro 34.7 million in the first quarter of 2013 to Euro 35.4 million, resulting in an EBITDA margin up from 11.7% to 12.1%.

Net financial expenses for the first quarter of 2014 amount to Euro 2.3 million, compared with the Euro 5.5 million of the same period of the previous year. This benefitted from the impact of redemption of High Yield Bond in May 2013.

The significant improvement can also be seen at the level of net profit, which amounts to Euro 16.6 million for the first quarter of 2014, compared with Euro 13.6 million for the same period of the previous year.

In terms of financial position, the Group ended the quarter with net debt of Euro 207.5 million. This is up on the end of the previous year due to seasonal factors, but down on the end of March 2013 when net debt was Euro 220.4 million. This result has enabled the Group to lower its ratio of net debt to EBITDA LTM adjusted to 1.7 times (from 1.9 times at 31 March 2013).

Group economic results

Consolidated statement of operations (Euro in millions)	**First quarter 2014**	**%**	**First quarter 2013**	**%**	**Change %**
Net sales	293.2	100.0	297.0	100.0	-1.3%
Cost of sales	(109.2)	(37.2)	(117.3)	(39.5)	-7.0%
Gross profit	**184.0**	**62.8**	**179.7**	**60.5**	**2.4%**
Selling and marketing expenses	(119.5)	(40.8)	(118.4)	(39.9)	1.0%
General and administrative expenses	(37.7)	(12.9)	(35.4)	(11.9)	6.6%
Other operating income/(expenses)	0.0	0.0	(0.2)	(0.1)	n.s.
Operating profit	**26.8**	**9.1**	**25.7**	**8.7**	**4.3%**
Financial charges, net	(2.3)	(0.8)	(5.5)	(1.9)	-58.0%
Profit before taxation	**24.5**	**8.3**	**20.2**	**6.8**	**21.4%**
Income taxes	(7.9)	(2.7)	(6.6)	(2.2)	20.8%
Net profit	**16.6**	**5.6**	**13.6**	**4.6**	**21.7%**
Net profit attributable to minority interests	0.1	0.0	0.2	0.1	-57.1%
Net profit attributable to the Group	**16.5**	**5.6**	**13.4**	**4.5**	**22.9%**
EBITDA	**35.4**	**12.1**	**34.7**	**11.7**	**2.3%**

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

An analysis of sales in the first quarter of 2014 in terms of geographical area primarily shows continuing revenue growth in Europe, with sales rising 2.4% to Euro 131.3 million from Euro 128.2 million in the same period of 2013 (up 3.1% at constant exchange rates). The improvement on the previous year was seen above all in the German-speaking countries, in the Iberian peninsula and in the UK.

In the American market, total sales for the first three months of 2014 amount to Euro 112.9 million, compared with the Euro 118.6 million of the same period of 2013, reflecting the strengthening of the Euro against the US dollar and the area's other major currencies. At constant exchange rates, sales are substantially in line. Within this area, South America recorded good performances.

In Asia, revenue for the first quarter of 2014 amounts to Euro 45.0 million, compared with Euro 46.0 million in the same period of 2013, marking a decline of 2.2% (up 1.9% at constant exchange rates). Within this area, the Chinese and Korean businesses saw positive growth.

Net sales by geographical area (Euro in millions)	First quarter 2014	%	2013	%	Change %	Change % (*)
Europe	131.3	44.8	128.2	43.2	+2.4	+3.1
Americas	112.9	38.5	118.6	39.9	-4.8	+0.3
Asia	45.0	15.3	46.0	15.5	-2.2	+1.9
Rest of the world	4.0	1.4	4.2	1.4	-3.9	+11.0
Total	**293.2**	**100.0**	**297.0**	**100.0**	**-1.3**	**+1.9**

(*) at constant exchange rates

In terms of product category, sales of prescription frames in the first quarter of 2014 amount to Euro 110.1 million (Euro 109.2 million in the same period of 2013), marking an increase of 4.3% at constant exchange rates.

Sales of sunglasses in the first quarter of 2014 amount to Euro 165.3 million (Euro 170.2 million in the same period of 2013), substantially stable at constant exchange rates.

Net sales by product (Euro in millions)	First quarter 2014	%	2013	%	Change %	Change % (*)
Prescription frames	110.1	37.6	109.2	36.8	+0.8	+4.3
Sunglasses	165.3	56.4	170.2	57.3	-2.9	+0.1
Sport products	16.1	5.5	15.9	5.4	+0.9	+4.3
Other	1.8	0.6	1.7	0.5	+4.6	+5.2
Total	**293.2**	**100.0**	**297.0**	**100.0**	**-1.3**	**+1.9**

(*) at constant exchange rates

Turning to the income statement, **gross profit** of Euro 184.0 million is up on the Euro 179.7 million of the first quarter of 2013, resulting in a significant improvement in the gross profit margin to 62.8% (60.5% in the same period of 2013). This result reflects the improved sales mix combined with the increase in "Made in Italy" volumes and with the progress in efficiency made in the production processes.

Selling and marketing expenses have risen slightly as a proportion of sales compared with the same period of 2013, rising from 39.9% to 40.8% as a result of investment in growth initiatives and expansion of the brand portfolio.

EBITDA for the first three months of 2014 totals Euro 35.4 million, up on the same period of the previous year when the figure was Euro 34.7 million. The EBITDA margin is 12.1%, compared with the 11.7% of the first three months of 2013.

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

The tax rate for the first three months of 2014 is 32.4%, substantially stable with respect to the same period of the previous year.

The Group has thus ended the first three months of 2014 with **net profit attributable to the Group** of Euro 16.5 million, marking a significant improvement on the Euro 13.4 million of the first three months of 2013. The net profit margin is also up from 4.5% to 5.6%.

Analysis by distribution channel – Wholesale / Retail

The following table shows key data for each operating segment:

(Euro in millions)	WHOLESALE				RETAIL			
	First quarter 2014	First quarter 2013	Change	Change %	First quarter 2014	First quarter 2013	Change	Change %
Net sales to 3rd parties	276.7	279.6	(2.9)	-1.0%	16.5	17.4	(0.9)	-5.2%
EBITDA	34.5	32.9	1.6	4.9%	0.9	1.8	(0.9)	-45.8%
%	*12.5%*	*11.8%*			*5.8%*	*10.2%*		

Turnover for the Wholesale segment in the first three months of 2014 amounts to Euro 276.7 million, compared with Euro 279.6 million in the same period of 2013.
The EBITDA margin for the first three months of the year is 12.5%, an improvement on the 11.8% of the same period of 2013.

The Solstice retail chain, which currently numbers 132 stores, recorded sales of Euro 16.5 million in the first three months of 2014, compared with Euro 17.4 million in the same period of the previous year down 5.2%. The reduction, at constant exchange rates, is 1.6%. The results for the period were negatively influenced by the poor weather conditions affecting the United States during the period under review.

Balance sheet reclassified

Balance sheet (Euro in millions)	March 31, 2014	December 31, 2013	Change
Trade receivables	272.7	239.0	33.7
Inventory, net	213.8	212.8	1.0
Trade payables	(191.0)	(204.9)	13.9
Net working capital	**295.5**	**246.9**	**48.6**
Tangible assets	194.7	198.2	(3.5)
Intangible assets and goodwill	584.7	584.8	(0.1)
Financial assets	8.4	8.4	-
Net fixed assets	**787.8**	**791.4**	**(3.6)**
Employee benefit liability	(35.1)	(34.9)	(0.2)
Other assets / (liabilities), net	19.4	25.2	(5.8)
NET INVESTED CAPITAL	**1,067.6**	**1,028.6**	**39.0**
Cash in hand and at bank	79.8	82.6	(2.8)
Short term borrowings	(86.3)	(73.9)	(12.4)
Long term borrowings	(201.1)	(191.2)	(9.9)
NET FINANCIAL POSITION	**(207.5)**	**(182.5)**	**(25.0)**
Group Shareholders' equity	(857.9)	(843.1)	(14.8)
Non-controlling interests	(2.2)	(3.0)	0.8
TOTAL SHAREHOLDERS' EQUITY	**(860.1)**	**(846.1)**	**(14.0)**

Cash flow

The summary statement of cash flows for the three months ended 31 March 2014, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro in millions)	**First quarter 2014**	**First quarter 2013**	**Change**
Cash flow operating activities	(17.0)	(0.8)	(16.2)
Cash flow investing activities	(7.6)	(4.7)	(2.9)
Free cash flow	**(24.6)**	**(5.5)**	**(19.1)**

The cash outflow recorded in the first three months of 2014 amounts to Euro 24.6 million (a cash outflow of Euro 5.5 million in the first quarter of 2013). This reflects the different timing of operating events and the increased resources dedicated to investing activities.

Net working capital

Net working capital (Euro in millions)	**March 31, 2014**	**March 31, 2013**	**Change Mar.14 / Mar.13**	**December 31, 2013**
Trade receivables, net	272.7	301.4	(28.7)	239.0
Inventories	213.8	194.0	19.8	212.8
Trade payables	(191.0)	(187.0)	(4.0)	(204.9)
Net working capital	**295.5**	**308.4**	**(12.9)**	**246.9**
% on net sales rolling LTM	*26.4%*	*26.1%*		*22.0%*

Net working capital is down on the same period of 2013, linked primarily to the management of trade receivables, partly offset by movements in inventories, reflecting the normalisation of operations during the first quarter of the year.

The ratio of working capital to sales rolling LTM is substantially stable with respect to the same period of 2013.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro in millions)	First quarter 2014	First quarter 2013	Change
Padua headquarters	1.4	0.3	1.1
Production factories	3.3	3.0	0.3
Europe	0.3	0.1	0.2
Americas	1.0	1.3	(0.3)
Far-East	0.2	0.2	-
Total	**6.2**	**4.9**	**1.3**

In the first quarter of 2014 capital expenditure amounted to Euro 6.2 million, compared with the Euro 4.9 million of the same period of the previous year. The increase in expenditure on the Group's headquarters includes the cost of the transformation of the Group's operating systems.

Net financial position

Net financial position (Euro in millions)	March 31, 2014	December 31, 2013	Change
Current portion of long-term borrowings	(25.0)	(25.0)	-
Bank overdrafts and short term bank borrowings	(27.2)	(12.9)	(14.3)
Other short-term borrowings	(34.2)	(36.0)	1.8
Cash and cash equivalent	79.8	82.6	(2.8)
Short-term net financial position	**(6.5)**	**8.7**	**(15.2)**
Long-term borrowings	(201.1)	(191.2)	(9.9)
Long-term net financial position	**(201.1)**	**(191.2)**	**(9.9)**
NET FINANCIAL POSITION	**(207.5)**	**(182.5)**	**(25.0)**

The Group's net debt at 31 March 2014 amounts to Euro 207.5 million, marking an increase on the figure at 31 December 2013, primarily due to factors linked to the seasonal nature of the business.

At 31 March 2014 medium/long-term lines of credit totalling Euro 225.1 million have been used (Euro 215.1 million at 31 December 2013). The ratio of net debt to EBITDA LTM adjusted is 1.7 times, an improvement on the end of the first quarter of the previous year (1.9 times).

Personnel

The Group's total workforce at 31 March 2014, 31 December 2013 and 31 March 2013 is summarized below:

	March 31, 2014	December 31, 2013	March 31, 2013
Padua headquarters	1,002	991	966
Production factories	4,202	4,753	4,481
Trading companies	1,437	1,402	1,571
Retail	794	907	791
Total	**7,435**	**8,053**	**7,809**

The change in the workforce at the Group's manufacturing facilities reflects the union agreement signed in February 2014, covering over 500 workers employed at the Group's plants in the Friuli Venezia Giulia region. The agreement marks the end of a process that has witnessed the use of various forms of income support for the workers involved in the restructuring that began in 2009.

Subsequent events and Outlook

No events have taken place after 31 March 2014 that could have a material impact on the results published in this report.

Financial Statements

and Notes

at March 31st, 2014

Consolidated balance sheet

(Euro/000)	***Notes***	**March 31, 2014**	**of which related parties**	**December 31, 2013**	**of which related parties**
ASSETS					
Current assets					
Cash and cash equivalents	*2.1*	79,833		82,608	
Trade receivables	*2.2*	272,741	15,735	238,979	8,367
Inventory	*2.3*	213,824		212,780	
Derivative financial instruments	*2.4*	32		54	
Other current assets	*2.5*	58,097		59,760	
Total current assets		**624,527**		**594,181**	
Non-current assets					
Tangible assets	*2.6*	194,704		198,176	
Intangible assets	*2.7*	48,568		48,703	
Goodwill	*2.8*	536,080		536,075	
Investments in associates	*2.9*	8,437		8,432	
Available-for-sale financial assets	*2.10*	335		237	
Deferred tax assets	*2.11*	77,996		77,168	
Derivative financial instruments	*2.4*	23		34	
Other non-current assets	*2.12*	2,719		2,631	
Total non-current assets		**868,862**		**871,456**	
TOTAL ASSETS		**1,493,389**		**1,465,637**	

(Euro/000)	Notes	March 31, 2014	of which related parties	December 31, 2013	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	2.13	86,304		73,874	
Trade payables	2.14	190,982	5,583	204,934	6,733
Tax payables	2.15	29,951		18,210	
Derivative financial instruments	2.4	1,663		1,673	
Other current liabilities	2.16	47,300		43,518	
Provisions for risks and charges	2.17	3,290		3,325	
Total current liabilities		**359,490**		**345,534**	
Non-current liabilities					
Long-term borrowings	2.13	201,057		191,230	
Employees benefits liability	2.18	35,065		34,879	
Provisions for risks and charges	2.17	13,520		34,593	
Deferred tax liabilities	2.11	8,093		8,061	
Derivative financial instruments	2.4	27		24	
Other non-current liabilities	2.19	16,094		5,254	
Total non-current liabilities		**273,856**		**274,041**	
TOTAL LIABILITIES		**633,346**		**619,575**	
Shareholders' equity					
Share capital	2.20	311,450		311,000	
Share premium reserve	2.21	482,839		482,565	
Retained earnings and other reserves	2.22	47,405		34,526	
Cash flow reserve	2.23	(271)		(490)	
Income attributable to the Group		16,462		15,521	
Total shareholders' equity attributable to the Group		**857,885**		**843,122**	
Non-controlling interests		**2,158**		**2,940**	
TOTAL SHAREHOLDERS' EQUITY		**860,043**		**846,062**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,493,389**		**1,465,637**	

Consolidated income statement

(Euro/000)	*Notes*	First quarter 2014	of which related parties	First quarter 2013	of which related parties
Net sales	*3.1*	293,203	19,759	297,018	17,140
Cost of sales	*3.2*	(109,154)	(1,844)	(117,323)	(2,778)
Gross profit		**184,049**		**179,695**	
Selling and marketing expenses	*3.3*	(119,530)	(231)	(118,375)	(70)
General and administrative expenses	*3.4*	(37,734)		(35,401)	
Other operating income/(expenses)	*3.5*	33		(196)	
Operating profit		**26,818**		**25,723**	
Share of income/(loss) of associates	*3.6*	-		-	
Financial charges, net	*3.7*	(2,340)	-	(5,567)	(1,643)
Profit before taxation		**24,478**		**20,156**	
Income taxes	*3.8*	(7,931)		(6,564)	
Profit of the period		**16,547**		**13,592**	
Profit attributable to:					
Owners of the parent		16,462		13,394	
Non-controlling interests		85		198	
Earnings per share - basic (Euro)	*3.9*	0.264		0.217	
Earnings per share - diluted (Euro)	*3.9*	0.262		0.216	

Consolidated statement of comprehensive income

(Euro/000)	***Notes***	**First quarter 2014**	**First quarter 2013**
Net profit for the period (A)		**16,547**	**13,592**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post-employment benefit obligations		-	-
- Other gains/(losses)		-	-
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*	219	261
- Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	(2,010)	20,145
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**(1,791)**	**20,406**
Other comprehensive income/(loss), net of tax (B)		**(1,791)**	**20,406**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**14,756**	**33,998**
Attributable to:			
Owners of the parent		14,691	33,648
Non-controlling interests		65	350
TOTAL COMPREHENSIVE INCOME/(LOSS)		**14,756**	**33,998**

Consolidated statement of cash flows

(Euro/000)	*Notes*	First quarter 2014	First quarter 2013
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*2.1*	**69,669**	**45,623**
B - Cash flow from (for) operating activities			
Net profit for the period (including minority interests)		16,547	13,592
Depreciation and amortization	*2.6-2.7*	8,626	8,938
Other non-monetary P&L items		(401)	(110)
Interest expenses, net	*3.7*	1,758	4,569
Income tax expenses	*3.8*	7,931	6,564
Income from operating activities prior to movements in working capital		**34,460**	**33,553**
(Increase) Decrease in trade receivables		(33,986)	(17,141)
(Increase) Decrease in inventory, net		(1,178)	15,235
Increase (Decrease) in trade payables		(13,775)	(24,588)
(Increase) Decrease in other current receivables		893	(1,350)
Increase (Decrease) in other current payables		2,872	(22)
Interest expenses paid		(1,528)	(1,195)
Income taxes paid		(4,796)	(5,315)
Total (B)		**(17,036)**	**(823)**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(5,074)	(4,799)
Net disposals of property, plant and equipment		241	199
Acquisition of subsidiary (net of cash acquired)		-	-
Acquisition of minorities (in subsidiaries)		(1,551)	-
(Acquisition) Disposal of investments and bonds		(69)	-
Purchase of intangible assets		(1,121)	(126)
Total (C)		**(7,575)**	**(4,726)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		11,559	25,000
Repayment of borrowings		(3,616)	(6,329)
Share capital increase		724	-
Dividends paid		-	-
Total (D)		**8,667**	**18,671**
E - Cash flow for the period (B+C+D)		**(15,944)**	**13,122**
Translation exchange differences		(1,046)	905
Total (F)		**(1,046)**	**905**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**52,679**	**59,650**

Statement of changes in shareholders' equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2014	**311,000**	**482,565**	**(35,172)**	**(490)**	**85,219**	**843,122**	**2,940**	**846,062**
Profit for the period	-	-	-	-	16,462	16,462	85	**16,547**
Other comprehensive income (loss) for the period	-	-	(1,990)	219	-	(1,771)	(20)	**(1,791)**
Total comprehensive income (loss) for the period	**-**	**-**	**(1,990)**	**219**	**16,462**	**14,691**	**65**	**14,756**
Increase in share capital due to the exercising of stock option	450	274	-	-	-	724	-	**724**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	(704)	(704)	(847)	**(1,551)**
Net increase in the Reserve for share-based payments	-	-	-	-	52	52	-	**52**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at March 31, 2014	**311,450**	**482,839**	**(37,162)**	**(271)**	**101,029**	**857,885**	**2,158**	**860,043**
Consolidated net equity at January 1, 2013	**308,700**	**481,163**	**494**	**(1,555)**	**68,934**	**857,736**	**5,110**	**862,846**
Profit for the period	-	-	-	-	13,394	13,394	198	**13,592**
Other comprehensive income (loss) for the period	-	-	19,993	261	-	20,254	152	**20,406**
Total comprehensive income (loss) for the period	**-**	**-**	**19,993**	**261**	**13,394**	**33,648**	**350**	**33,998**
Increase in share capital	-	-	-	-	-	-	-	**-**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	**-**
Net increase in the Reserve for share-based payments	-	-	-	-	306	306	-	**306**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at March 31, 2013	**308,700**	**481,163**	**20,487**	**(1,294)**	**82,634**	**891,690**	**5,460**	**897,150**

NOTES

1. Basis of preparation

1.1 General information

These interim consolidated financial statements refer to the financial period from January 1st 2014 to March 31st 2014. Economic and financial information are provided with reference to the first quarter of 2014 and 2013 whilst balance sheet information are provided with reference to March 31st 2014 and December 31st 2013.

The consolidated quarterly financial report of Safilo Group at March 31st 2014, 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 2013.

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

These financial statements were approved by the Board of Directors on 29th April 2014.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2014

In preparing these consolidated quarterly financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31st December 2013 have been applied.

Here follow we report the new standards or amendments, effective from 1 January 2014, that are applicable to the Group.

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 28 June 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The standard is applicable retrospectively from 1 January 2014. The adoption of this new standard had no impact on the group consolidation area.

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). The application of this starndard had no effect on the disclosures presented in this report.

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.

On 16 December 2011, the IASB issued certain amendments to IAS 32 – Financial Instruments: Presentation to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. No significant effect has occurred from the first time adoption of the standard.

On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. No significant effect has occurred from the first time adoption of this amendment.

On 27 June 2013, the IASB issued narrow scope amendments to IAS 39 – Financial Instruments: Recognition and Measurement entitled “Novation of Derivatives and Continuation of Hedge Accounting”. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 - Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. No significant effect has occurred from the first time adoption of these amendments.

Accounting standards, amendments and interpretations not yet applicable starting from 1st January, 2014

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

On 12 November 2009, the IASB issued IFRS 9 – Financial Instruments. The new standard was reissued in October 2010 and subsequently amended in November 2013. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. It replaces the relevant parts of IAS 39 – Financial Instruments: recognition and measurement. As part of the November 2013 amendments, among other, the IASB removed the standard's mandatory effective date, previously set on 1 January 2015. This date will be added to the standard when all phases of the IFRS 9 project are completed and a final complete version of the standard is issued.

On 20 May 2013, the IASB issued the IFRIC Interpretation 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

On 21 November 2013, the IASB published narrow scope amendments to IAS 19 – Employee benefits entitled "Defined Benefit Plans: Employee Contributions". These amendments apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases. The amendments are effective, retrospectively, for annual periods beginning on or after 1 July 2014 with earlier application permitted.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – Share based payment, the aggregation of operating segments in IFRS 8 – Operating Segments, the definition of key management personnel in IAS 24 – Related Party disclosures, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements (as defined in IFRS 11 – Joint arrangements) and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement.

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

1.3 Consolidation method and consolidation area

In the first quarter the subsidiary, Safilo Far East Ltd., acquired a further 10% interest in the company, Safilo Hong Kong Ltd., a trading company registered in Hong Kong, and already 80% owned. As a result of the acquisition, the Group has increased its interest to 90%. Following this exercise, although not yet legally finalized the transfer of shares, it was decided to consolidate 90% of the subsidiary and to detect the corresponding liability for the price not yet settled.

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 – Sao Paulo (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)	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 currencies other than the Euro are given in the following table; appreciation (figures with a minus sign in the table below) indicates as increase in the value of the currency against the Euro.

		As of		(Appreciation) / Depreciation	Avg. for the first quarter		(Appreciation) / Depreciation
Currency	**Code**	**March 31, 2014**	**December 31, 2013**	**%**	**2014**	**2013**	**%**
US Dollar	USD	1.3788	1.3791	0.0%	1.3696	1.3206	3.7%
Hong-Kong Dollar	HKD	10.6973	10.6933	0.0%	10.6287	10.2428	3.8%
Swiss Franc	CHF	1.2194	1.2276	-0.7%	1.2237	1.2284	-0.4%
Canadian Dollar	CAD	1.5225	1.4671	3.8%	1.5107	1.3313	13.5%
Japanese Yen	YEN	142.4200	144.7200	-1.6%	140.7978	121.7950	15.6%
British Pound	GBP	0.8282	0.8337	-0.7%	0.8279	0.8511	-2.7%
Swedish Krown	SEK	8.9483	8.8591	1.0%	8.8569	8.4965	4.2%
Australian Dollar	AUD	1.4941	1.5423	-3.1%	1.5275	1.2714	20.1%
South-African Rand	ZAR	14.5875	14.5660	0.1%	14.8866	11.8264	25.9%
Russian Ruble	RUB	48.7800	45.3246	7.6%	48.0425	40.1518	19.7%
Brasilian Real	BRL	3.1276	3.2576	-4.0%	3.2400	2.6368	22.9%
Indian Rupee	INR	82.5784	85.3660	-3.3%	84.5794	71.5390	18.2%
Singapore Dollar	SGD	1.7366	1.7414	-0.3%	1.7379	1.6345	6.3%
Malaysian Ringgit	MYR	4.4976	4.5221	-0.5%	4.5184	4.0699	11.0%
Chinese Renminbi	CNY	8.5754	8.3491	2.7%	8.3576	8.2209	1.7%
Korean Won	KRW	1,465.9800	1,450.9300	1.0%	1,465.3425	1,433.0926	2.3%
Mexican Peso	MXN	18.0147	18.0731	-0.3%	18.1299	16.7042	8.5%

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

1.5 Use of estimates

The preparation of the interim 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 and cash equivalents

This account totals Euro 79,833 thousand, compared to Euro 82,608 thousand at 31st December 2013 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 and cash equivalents" with the cash balance presented on the cash flow statement:

(Euro/000)	March 31, 2014	December 31, 2013	March 31, 2013
Cash and cash equivalents	79,833	82,608	71,880
Bank overdrafts	(2,931)	(1,380)	(1,120)
Current bank borrowings	(24,223)	(11,559)	(11,110)
Net cash and cash equivalents	**52,679**	**69,669**	**59,650**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	March 31, 2014	December 31, 2013
Gross value receivables	306,725	271,336
Allowance for doubtful accounts and sales returns	(33,984)	(32,357)
Net value	**272,741**	**238,979**

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

The movements of the credit risk and sales return provisions are shown below:

(Euro/000)	Balance at January 1, 2014	Posted to income statement	Use (-)	Transl. Diff.	Balance at March 31, 2014
Allowance for bad debts	26,300	608	(969)	(37)	25,902
Allowance for sales returns	6,057	2,026	-	-	8,083
Total	**32,357**	**2,634**	**(969)**	**(37)**	**33,984**

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)	**March 31, 2014**	**December 31, 2013**
Raw materials	91,772	91,701
Work in progress	8,206	8,492
Finished products	213,142	200,354
Gross	**313,120**	**300,547**
Obsolescence provision (-)	(99,296)	(87,767)
Total	**213,824**	**212,780**

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 period are shown below:

(Euro/000)	**Balance at January 1, 2014**	**Posted to income statement**	**Transl. Diff.**	**Balance at March 31, 2014**
Inventory gross value	300,547	12,955	(382)	313,120
Obsolescence provision	(87,767)	(11,778)	249	(99,296)
Total net	**212,780**	**1,177**	**(133)**	**213,824**

2.4 Derivative financial instruments

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

(Euro/000)	March 31, 2014	December 31, 2013
Current assets:		
- Foreign currency contracts - Fair value through P&L	10	43
- Foreign currency contracts - cash flow hedge	22	11
Total	**32**	**54**
Non-current assets:		
- Interest rate swaps - cash flow hedge	23	34
Total	**23**	**34**

(Euro/000)	March 31, 2014	December 31, 2013
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	1,374	1,163
- Foreign currency contracts - cash flow hedge	17	-
- Interest rate swaps - cash flow hedge	272	510
Total	**1,663**	**1,673**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	27	24
Total	**27**	**24**

The market value of the interest rate swap contracts appearing in the financial statements at 31st March 2014 was negative for 276 thousand of Euro and was estimated 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 1,359 thousand.

The following table shows the characteristics and the fair value of the interest rate swap (IRS) contracts in force at 31st March 2014 and at 31st December 2013:

	March 31, 2014			December 31, 2013		
(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	(272)	-	55,000	(510)
Expiry year 2015	-	70,000	(4)	-	70,000	10
Total	**-**	**125,000**	**(276)**	**-**	**125,000**	**(500)**

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**March 31, 2014**	**December 31, 2013**
VAT receivable	13,899	16,898
Tax credits and payments on account	10,808	11,696
Prepayments and accrued income	23,021	21,611
Receivables from agents	174	381
Other current receivables	10,195	9,174
Total	**58,097**	**59,760**

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

Prepayments and accrued income at 31st March 2014 include:

- prepaid royalty costs of 14,508 thousand Euro;
- prepaid rent and operating leases of 2,845 thousand Euro;
- prepaid advertising costs of 1,559 thousand Euro;
- prepaid insurance costs of 1,235 thousand Euro;
- 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 10,195 thousand and mainly refer to:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for 1,964 thousand Euro, 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;
- amounts receivable for insurance refunds totalling 819 thousand Euro;
- deposit payments due within 12 months for 702 thousand Euro;
- receivables from social security institutions for 3,407 thousand Euro for benefits resulting from the application of social welfare measures in the subsidiary Safilo S.p.A.
- other receivables of 3,303 thousand Euro.

2.6 Property, plant and equipment, net

Changes in tangible assets in the first quarter of 2014 are shown below:

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Reclass.	Transl. diff.	Balance at March 31, 2014
Gross value						
Land and buildings	142,220	239	-	15	(514)	141,960
Plant and machinery	190,925	238	(50)	362	(423)	191,052
Equipment and other assets	224,344	1,753	(2,640)	1,362	(268)	224,551
Assets under constructions	6,185	2,844	(160)	(1,740)	(35)	7,094
Total	**563,674**	**5,074**	**(2,850)**	**-**	**(1,240)**	**564,657**
Accumulated depreciation						
Land and buildings	44,534	959	-	-	(56)	45,437
Plant and machinery	137,836	2,117	(63)	-	(124)	139,765
Equipment and other assets	183,128	4,344	(2,546)	-	(175)	184,751
Total	**365,498**	**7,419**	**(2,609)**	**-**	**(355)**	**369,953**
Net value	**198,176**	**(2,345)**	**(241)**	**-**	**(885)**	**194,704**

Investments in tangible assets in the first quarter of 2014 totalled Euro 5,074 thousand and mainly comprised:

- Euro 3,329 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 822 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 quarter of 2014 are shown below:

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Reclass.	Transl. diff.	Balance at March 31, 2014
Gross value						
Software	29,453	383	(8)	84	(64)	29,848
Trademarks and licenses	54,030	35	-	-	(9)	54,055
Other intangible assets	8,168	-	-	(84)	(44)	8,040
Intangible assets in progress	5,484	704	-	-	2	6,189
Total	**97,136**	**1,121**	**(8)**	**-**	**(116)**	**98,132**
Accumulated depreciation						
Software	23,272	650	(8)	58	(43)	23,928
Trademarks and licenses	18,083	541	-	-	(9)	18,615
Other intangible assets	7,078	16	-	(58)	(15)	7,021
Total	**48,433**	**1,207**	**(8)**	**-**	**(68)**	**49,564**
Net value	**48,703**	**(86)**	**-**	**-**	**(49)**	**48,568**

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

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

(Euro/000)	*Notes*	First quarter 2014	First quarter 2013
Cost of sales	*3.2*	4,624	4,526
Selling and marketing expenses	*3.3*	1,208	1,118
General and administrative expenses	*3.4*	2,794	3,294
Total		**8,626**	**8,938**

2.8 Goodwill

The change in goodwill in the first quarter of 2014 is shown in the table below:

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Transl. diff.	Balance at March 31, 2014
Goodwill	536,075	-	-	5	536,080
Net value	**536,075**	**-**	**-**	**5**	**536,080**

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
March 31, 2014	159,828	191,464	184,788	536,080
December 31, 2013	159,816	191,440	184,819	536,075

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 (in liquidation)	Turkey	50.0%	Non-consolidated subsidiary	Trading

The movements of shareholdings in associated companies are shown below:

			Movements of the period			
(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2014	Share of period results and write-down of dividends	Transl. diff.	Value at March 31, 2014
Elegance Optical Int. Holdings Ltd	5,298	3,134	8,432	-	5	8,437
Optifashion A.s. (in liquidation)	353	(353)	-	-	-	-
Total	**5,651**	**2,781**	**8,432**	**-**	**5**	**8,437**

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 quarter of 2014 are shown in the table below:

			Movements for the year			
(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2014	Increase / (Decrease)	Revaluation / (write-down)	Value at March 31, 2014
Gruppo Banco Popolare	228	(49)	179	69	16	264
Unicredit S.p.A.	61	(6)	55	-	13	68
Other	46	(43)	3	-	-	3
Total	**335**	**(98)**	**237**	**69**	**29**	**335**

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:

(Euro/000)	**March 31, 2014**	**December 31, 2013**
Deferred tax assets	127,887	135,975
Depreciation Fund (-)	(49,891)	(58,807)
Total net deferred tax assets	77,996	77,168
Deferred tax liabilities	(8,093)	(8,061)
Total	**69,903**	**69,107**

2.12 Other non-current assets

This item totals 2,719 thousand Euro, compared to 2,631 thousand Euro as at 31st December 2013; of this sum, Euro 2,539 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)	March 31, 2014	December 31, 2013
Bank overdrafts	2,931	1,380
Short-term bank loans	24,223	11,559
Short-term portion of long-term bank loans	24,980	24,959
Short-term portion of financial leasing	1,186	1,181
Debt to the factoring company	30,987	34,320
Other short-term loans	118	118
Other debts for purchase of minority interests	1,879	357
Short-term borrowings	**86,304**	**73,874**
Medium long-term loans	199,444	189,333
Medium long-term portion of financial leasing	1,613	1,897
Long-term borrowings	**201,057**	**191,230**
TOTAL	**287,361**	**265,104**

At 31st March 2014, the Senior Loan is equal to Euro 224,424 thousand and breaks down as follows:

- *Facility A1 –Tranche 2*, totalling Euro 25 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 31st March 2014 fully used 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.

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 31st March 2014:

(Euro/000)	**March 31, 2014**	**December 31, 2013**
Short-term portion of financial leasing	1,186	1,181
Long-term portion of financial leasing	1,613	1,897
Total debt	**2,799**	**3,078**

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for Euro 30,987 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)	**March 31, 2014**	**December 31, 2013**
From 1 to 2 years	201,057	191,230
From 2 to 3 years	-	-
From 3 to 4 years	-	-
Beyond 5 years	-	-
Total	**201,057**	**191,230**

The following table shows borrowings divided by currency:

(Euro/000)	**March 31, 2014**	**December 31, 2013**
Short-term		
Euro	77,012	62,242
Chinese Renminbi	9,212	9,462
Brasilian Real	8	2,097
Swedish Kronor	72	73
Total	**86,304**	**73,874**
Medium long-term		
Euro	201,031	191,204
Swedish Kronor	26	26
Total	**201,057**	**191,230**
Total borrowings	**287,361**	**265,104**

The following table details the credit lines granted to the Group, the uses and the lines available at March 31st 2014:

March 31, 2014 *(Euro/000)*	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	86,404	27,135	59,269
Credit lines on long-term loans	325,119	225,119	100,000
Total	**411,523**	**252,254**	**159,269**

The credit lines available on long-term loans are related to the following financing transactions for a total amount of Euro 100 million:

- a 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 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 lines were not used.

The net financial position of the Group at March 31st 2014 compared to the same as of December 31st, 2013 is as follows:

	Net financial position *(Euro/000)*	**March 31, 2014**	**December 31, 2013**	**Change**
A	Cash and cash equivalents	79,833	82,608	(2,775)
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**79,833**	**82,608**	**(2,775)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(27,154)	(12,939)	(14,215)
G	Current portion of long-term borrowings	(24,980)	(24,959)	(21)
H	Other short-term borrowings	(34,170)	(35,976)	1,806
I	**Debts and other current financial liabilities (F+G+H)**	**(86,304)**	**(73,874)**	**(12,430)**
J	**Current financial position, net (D)+(E)+(I)**	**(6,471)**	**8,734**	**(15,205)**
K	Long-term bank borrowings	(199,444)	(189,333)	(10,111)
L	Ordinary bonds	-	-	-
M	Other long-term borrowings	(1,613)	(1,897)	284
N	**Debts and other non current financial liabilities (K+L+M)**	**(201,057)**	**(191,230)**	**(9,827)**
I	**Net financial position (J)+(N)**	**(207,528)**	**(182,496)**	**(25,032)**

2.14 Trade payables

This item breaks down as follows:

(Euro/000)	March 31, 2014	December 31, 2013
Trade payables for:		
Purchase of raw materials	37,003	43,544
Purchase of finished goods	56,203	59,033
Suppliers from subcontractors	3,402	5,058
Tangible and intangible assets	2,895	10,786
Commissions	3,408	2,708
Royalties	27,152	24,711
Advertising and marketing costs	32,635	28,739
Services	28,284	30,355
Total	**190,982**	**204,934**

2.15 Tax payables

At 31st March 2014, tax payables totalled Euro 29,951 thousand, compared to Euro 18,210 thousand at 31st December 2013, Euro 18,975 thousand related to income tax payables, Euro 6,431 thousand to VAT payables and the remainder to withholding and local taxes different from those on income. The increase in the income tax payables are related, besides current taxes, to the reclassification of the current portion of the provision related to the tax disputes accrued at 31st December 2013 under "Other provisions for risk and charges" defined on February 27, 2014. The definition have determined the settlement of the liability for a total of Euro 21 million to be paid in 12 quarterly instalments starting in February 2014, the current portion of such debt at 31st March 2014 totalled Euro 5.4 million.

2.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	March 31, 2014	December 31, 2013
Payables to personnel and social security institutions	38,653	33,567
Agent fee payables	1,689	1,523
Payables to pension funds	544	1,131
Accrued advertising and sponsorship costs	1,067	497
Accrued interests on long-term loans	522	411
Other accruals and deferred income	3,930	3,815
Other current liabilities	895	2,574
Total	**47,300**	**43,518**

Payables to personnel and social security institutions principally refer to salaries and wages for March, 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:

(Euro/000)	**Balance at January 1, 2014**	**Increase**	**Decrease**	**Transl. diff.**	**Balance at March 31, 2014**
Product warranty provision	5,375	248	(85)	(1)	5,537
Agents' severance indemnity	3,557	135	(165)	(1)	3,526
Provision for corporate restructuring	1,018	-	(1,018)	-	-
Other provisions for risks and charges	24,643	521	(20,707)	-	4,457
Provisions for risks - long term	**34,593**	**904**	**(21,975)**	**(2)**	**13,520**
Provisions for risks - short term	**3,325**	**191**	**(220)**	**(6)**	**3,290**
Total	**37,918**	**1,095**	**(22,195)**	**(8)**	**16,810**

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 relating to the downsizing of the Italian production sites. The reorganization has been completed in the first quarter of 2014.

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 decrease in item "Other risks and charges" is related to the reclassification under "tax payables" of the provision accrued at 31st December 2013 to cover tax disputes defined on February 27, 2014.

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, 2014	Posted to income statement	Uses	Transl. diff.	Balance at March 31, 2014
Defined contribution plan	373	281	78	2	734
Defined benefit plan	34,506	126	(319)	18	34,331
Totale	**34,879**	**407**	**(241)**	**20**	**35,065**

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

2.19 Other non-current liabilities

At 31st March 2014 other non-current liabilities totalled Euro 16,094 thousand, compared to Euro 5,254 thousand at 31st December 2013, and comprised Euro 11,052 thousand mainly related to the reclassification of the non-current portion of the provision related to the tax disputes accrued at 31st December 2013 under "Other provisions for risk and charges" defined on February 27, 2014, Euro 3,716 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 31st March 2014, shareholders' equity amounted to Euro 860,043 thousand (of which Euro 2,158 thousand represent minority interests), against Euro 846,062 thousand at 31st December 2013 (of which 2,940 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

During the quarter, it should be noted that some beneficiaries of the Stock Option Plan 2010-2013, exercised options for the first tranche for a total amount of 90,000 options exercised at an exercise price equal to Euro 8.047 per share. This exercise resulted in the issuance of an equal number of shares with a nominal value of 5.00 euros, an increase of the share capital amounted of Euro 450,000 and increase in the share premium reserve of 274,230.

Following the above-mentioned capital increase, at 31st March 2014 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 311,449,825 consisting of no. 62,289,965 ordinary shares with a par 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 and following the capital increases.

The share premium reserve of the parent company totalled Euro 482,839,164 at 31st March 2014.

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 Cash flow reserve

The cash flow reserve mainly refers to the current value of interest rate swaps.

2.24 Stock options plans

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:

	No. of options	Average exercise price in Euro
Outstanding at the beginning of the period	**1,105,000**	**8.884**
Granted	-	
Forfeited	-	
Excercised	(90,000)	8.047
Expired	-	
Outstanding at period-end	**1,015,000**	**9.217**

During the quarter 90,000 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 724,230 Euro. The above transaction involved the issue of 90,000 new shares with a par value of 5.00 Euro resulting in an increase of share capital of 450,000 Euro and of share premium reserve of 274,230 Euro.

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first quarter of 2014 compared to the same period of the previous year, please refer to the section “Report on Operations”.

3.2 Cost of sales

This item breaks down as follows:

	First quarter 2014	First quarter 2013
Purchase of raw materials and finished goods	77,299	73,017
Capitalisation of costs for increase in tangible assets (-)	(2,064)	(1,733)
Change in inventories	(1,178)	15,235
Wages and social security contributions	22,994	20,573
Subcontracting costs	4,110	2,735
Depreciation	4,624	4,526
Rental and operating leases	177	203
Other industrial costs	3,192	2,767
Total	**109,154**	**117,323**

The change in inventories can be broken down as follows:

(Euro/000)	First quarter 2014	First quarter 2013
Finished products	(2,565)	5,209
Work-in-progress	218	(58)
Raw materials	1,169	10,084
Total	**(1,178)**	**15,235**

The average number of Group employees in the first quarter of 2014 and 2013 can be summarised as follows:

	First quarter 2014	First quarter 2013
Padua Headquarters	995	965
Production facilities	4,487	4,488
Trading companies	1,436	1,475
Retail companies	824	807
Total	**7,742**	**7,735**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First quarter 2014	First quarter 2013
Payroll and social security contributions	29,415	30,791
Sales commissions	16,925	15,792
Royalty expenses	24,736	24,444
Advertising and promotional costs	33,183	31,798
Amortization and depreciation	1,208	1,118
Logistic costs	4,243	4,505
Consultants fees	179	71
Rental and operating leases	3,678	3,584
Utilities	219	197
Provision for risks	211	210
Other sales and marketing expenses	5,533	5,865
Total	**119,530**	**118,375**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First quarter 2014	First quarter 2013
Payroll and social security contributions	18,963	17,391
Allowance and write off of doubtful accounts	754	1,062
Amortization and depreciation	2,794	3,294
Consultants fees	3,791	3,545
Rental and operating leases	2,143	2,177
EDP costs	1,764	996
Insurance costs	631	684
Utilities, security and cleaning	1,772	1,773
Taxes (other than on income)	1,103	1,030
Other general and administrative expenses	4,019	3,449
Total	**37,734**	**35,401**

3.5 Other income (expenses)

This item breaks down as follows:

(Euro/000)	First quarter 2014	First quarter 2013
Losses on disposal of assets	(9)	(80)
Other operating expenses	(117)	(474)
Gains on disposal of assets	8	15
Other operating incomes	151	343
Total	**33**	**(196)**

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.

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 quarter 2014	First quarter 2013
Interest expenses on loans	1,859	1,394
Interest expenses and charges on High Yield	-	3,292
Bank commissions	1,249	1,216
Negative exchange rate differences	2,469	4,246
Financial discounts	297	209
Other financial charges	73	219
Total financial charges	**5,947**	**10,576**
Interest income	101	117
Positive exchange rate differences	3,428	4,826
Other financial income	78	66
Total financial income	**3,607**	**5,009**
Total financial charges, net	**2,340**	**5,567**

3.8 Income tax expenses

This item breaks down as follows:

(Euro/000)	First quarter 2014	First quarter 2013
Current taxes	(8,747)	(8,295)
Deferred taxes	816	1,731
Total	**(7,931)**	**(6,564)**

3.9 Earning (Loss) per Share

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

Basic

	First quarter 2014	First quarter 2013
Profit for ordinary shares (in Euro/000)	16,462	13,394
Average number of ordinary shares (in thousands)	62,283	61,740
Earnings per share - basic (in Euro)	**0.264**	**0.217**

Diluted

	First quarter 2014	First quarter 2013
Profit for ordinary shares (in Euro/000)	16,462	13,394
Profit for preferred shares	-	-
Profit in income statement	**16,462**	**13,394**
Average number of ordinary shares (in thousands)	62,283	61,740
Dilution effects:		
- stock option (in thousands)	456	194
Total	**62,739**	**61,934**
Earnings per share - diluted (in Euro)	**0.262**	**0.216**

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 quarter of 2014, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of 28th July 2006.

3.12 Dividends

In the first quarter of 2014, 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 31st March 2014 and 31st March 2013 is shown in the tables below:

March 31, 2014 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,001	-	(3,001)	-
- to third parties	276,725	16,478	-	293,203
Total net sales	**279,726**	**16,478**	**(3,001)**	**293,203**
Gross profit	**173,118**	**10,931**	**-**	**184,049**
Operating profit (loss)	**26,850**	**(32)**	**-**	**26,818**
Share of income of associates	-	-		-
Financial charges, net				(2,340)
Income taxes				(7,931)
Net profit				**16,547**
Other information				
Capital expenditure	5,930	263		6,193
Depreciation & amortization	7,632	994		8,626

March 31, 2013 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	4,213	-	(4,213)	-
- to third parties	279,643	17,375	-	297,018
Total net sales	**283,856**	**17,375**	**(4,213)**	**297,018**
Gross profit	**167,931**	**11,764**	**-**	**179,695**
Operating profit (loss)	**24,919**	**804**	**-**	**25,723**
Share of income of associates	-	-	-	-
Financial charges, net				(5,567)
Income taxes				(6,564)
Net profit				**13,592**
Other information				
Capital expenditure	4,624	322		4,946
Depreciation & amortization	7,969	969		8,938

RELATED PARTIES TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**March 31 2014**	**December 31 2013**
Receivables			
Companies controlled by HAL Holding N.V.	(b)	15,735	8,367
Total		**15,735**	**8,367**
Payables			
Elegance Optical International Holdings Ltd	(a)	2,923	2,726
Companies controlled by HAL Holding N.V.	(b)	2,660	4,007
Total		**5,583**	**6,733**

Related parties transactions *(Euro/000)*	**Relationship**	**First quarter 2014**	**First quarter 2013**
Revenues			
Elegance International Holdings Ltd	(b)	4	-
Companies controlled by HAL Holding N.V.	(b)	19,755	17,140
Total		**19,759**	**17,140**
Operating expenses			
Elegance Optical International Holdings Ltd	(a)	1,844	2,167
Companies controlled by HAL Holding N.V.	(b)	231	681
Financial expenses			
HAL International Investments N.V.	(b)	-	1,643
Total		**2,075**	**4,491**

(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.

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 2013, 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. At the balance sheet date, however, the Group had contracts in force with licensor for the production and sale of sunglasses and frames bearing their signatures. The contracts not only establish minimum guarantees, but also a commitment for advertising investments.

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 31st March 2014 corresponds to the accounting results, registers and records.

Padua, 29th April 2014

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