



Half-year Financial Report
for the period ended 30th June 2016

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www.safilogroup.com

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Board of Directors, committees and auditors

Board of Directors

<i>Chairman</i>	Robert Polet
<i>Chief Executive Officer</i>	Luisa Deplazes de Andrade Delgado
<i>Independent Director</i>	Jeffrey A. Cole
<i>Director</i>	Melchert Frans Groot
<i>Independent Director</i>	Guido Guzzetti
<i>Independent Director</i>	Marco Jesi
<i>Independent Director</i>	Ines Mazzilli
<i>Independent Director</i>	Eugenio Razelli

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
Massimiliano Pascale

Control and Risk Committee

<i>Chairman</i>	Eugenio Razelli Ines Mazzilli Melchert Frans Groot
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Remuneration and Nomination Committee

<i>Chairman</i>	Jeffrey A. Cole Robert Polet Marco Jesi
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Related Parties Transactions Committee

Eugenio Razelli
Ines Mazzilli
Guido Guzzetti

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 more than 80 years and is the second largest worldwide producer of sunglasses and prescription frames. Safilo is active in the design, manufacture and wholesale and retail distribution of eyewear products. Safilo is the global leader in the high-end eyewear segment of the market and also one of the leading sports eyewear producers and distributors worldwide.

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

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

The Group manages a brand portfolio of both licensed and proprietary brands, selected according to their competitive positioning in the segmentation of the eyewear market. Safilo has extensively complemented its proprietary brand portfolio with numerous brands from the luxury and fashion industry, rooted in long-term relationships with licensors through license agreements, many of which are repeatedly renewed.

The Group’s brands include Carrera, Oxydo, Polaroid, Safilo, Smith– and the licensed brands Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Céline, Dior, Dior Homme, Elie Saab, Fendi, Fossil, Givenchy, Gucci, Havaianas, HUGO, Jack Spade, Jimmy Choo, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Max Mara, Max&Co., Pierre Cardin, Saks Fifth Avenue, Swatch and Tommy Hilfiger.

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2016	%	First semester 2015	%
Net sales	651.1	100.0	674.9	100.0
Cost of sales	(256.5)	(39.4)	(265.0)	(39.3)
Gross profit	394.6	60.6	409.9	60.7
Ebitda	52.2	8.0	60.3	8.9
Ebitda pre non-recurring items	58.3	8.9	62.7	9.3
Operating profit	30.4	4.7	40.7	6.0
Operating profit pre non-recurring items	37.5	5.8	43.1	6.4
Group profit before taxes	31.2	4.8	16.9	2.5
Profit attributable to the Group	16.3	2.5	8.4	1.2
Profit attributable to the Group pre non-recurring items	22.9	3.5	9.9	1.5

Economic data (Euro in millions)	Second quarter 2016 (unaudited)	%	Second quarter 2015 (unaudited)	%
Net sales	349.5	100.0	350.6	100.0
Gross profit	210.4	60.2	213.4	60.9
Ebitda	32.4	9.3	29.0	8.3
Ebitda pre non-recurring items	33.1	9.5	30.2	8.6

Balance sheet data (Euro in millions)	June 30, 2016	%	December 31, 2015	%
Total assets	1,608.2	100.0	1,590.8	100.0
Total non-current assets	933.9	58.1	940.5	59.1
Capital expenditure	22.8	1.4	47.9	3.0
Net invested capital	1,100.8	68.5	1,088.5	68.4
Net working capital	305.2	19.0	277.7	17.5
Net financial position	(102.8)	(6.4)	(89.9)	(5.7)
Group Shareholders' equity	996.7	62.0	997.5	62.7

Financial data (Euro in millions)	First semester 2016	First semester 2015
Cash flow operating activity	13.0	67.0
Cash flow investing activity	(22.4)	(15.4)
Cash flow financing activity	5.0	(47.2)
Closing net financial indebtedness (short-term)	42.1	48.5
Free cash flow	(9.3)	51.6

Earnings/(Losses) per share (in Euro)	First semester 2016	First semester 2015
Earnings per share - basic	0.260	0.134
Earnings per share - diluted	0.260	0.133
No. shares in share capital	62,629,965	62,579,965

Group personnel	June 30, 2016	June 30, 2015
Punctual	7,072	7,123

It should be noted that:

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

With reference to the disclosure by geographical area it should be noted that starting from this fiscal year, the Group has redefined the disclosure relative to sales by geographical area in line with the reporting used internally by the management, the comparative figures have been restated accordingly. This redefinition has not had a significant impact.

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 the first six months of 2016 to Euro 7.1 million (Euro 2.4 million in the first six months of 2015);
- “Capital expenditure” refers to purchases of tangible and intangible fixed assets;
- “Net invested capital” refers to the algebraic sum of shareholders’ equity of the Group and minority interests and the “Net financial position” (see below);
- “Free Cash Flow” means the algebraic sum of cash flow from/(for) operating activities and the cash flow from/(for) investing activities;
- “Net working capital” means the algebraic sum of inventories, trade receivables and trade payables;
- “Net financial position” means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held in hand and at bank. Such indicator does not include the valuation at the reporting date of derivative financial instruments;
- “Non-recurring items” refers to charges not related to the ordinary operations. The table below summarizes the reconciliation between the economic indicators and their adjusted value per non-recurring items:

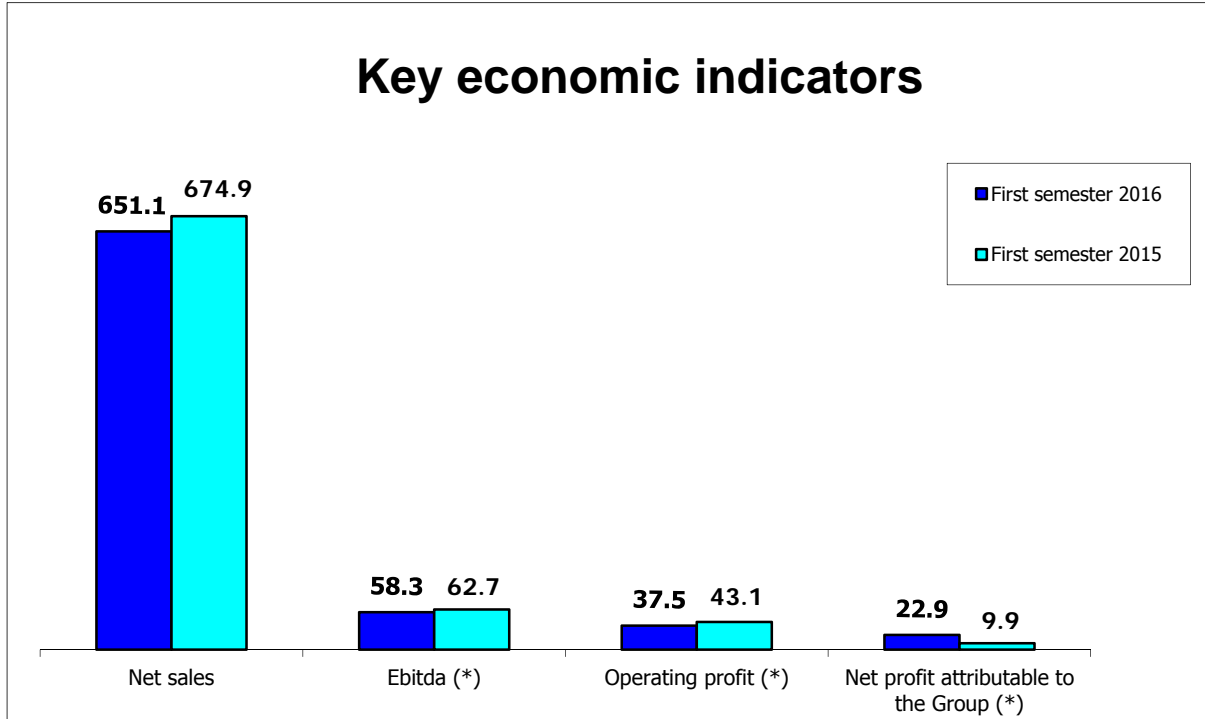
(Euro in million)	First semester 2016			First semester 2015		
	Ebitda	Operating profit	Profit attributable to the Group	Ebitda	Operating profit	Profit attributable to the Group
Economic indicators	52.2	30.4	16.3	60.3	40.7	8.4
Restructuring costs	6.1	7.1	7.1	2.4	2.4	2.4
Tax effect on non recurring items			(0.6)			(0.9)
Economic indicators pre non recurring items	58.3	37.5	22.9	62.7	43.1	9.9

- During the first six months of 2016 the Group has incurred non-recurring items for a total amount of Euro 7.1 million (Euro 6.1 million on EBITDA), of which Euro 5.9 million related to overhead cost saving initiatives, such as the planned integration of Vale of Leven (Scotland) Polaroid lens production into Safilo’s China based corporate supply network, and Euro 1.2 million to commercial restructuring costs in the EMEA region.

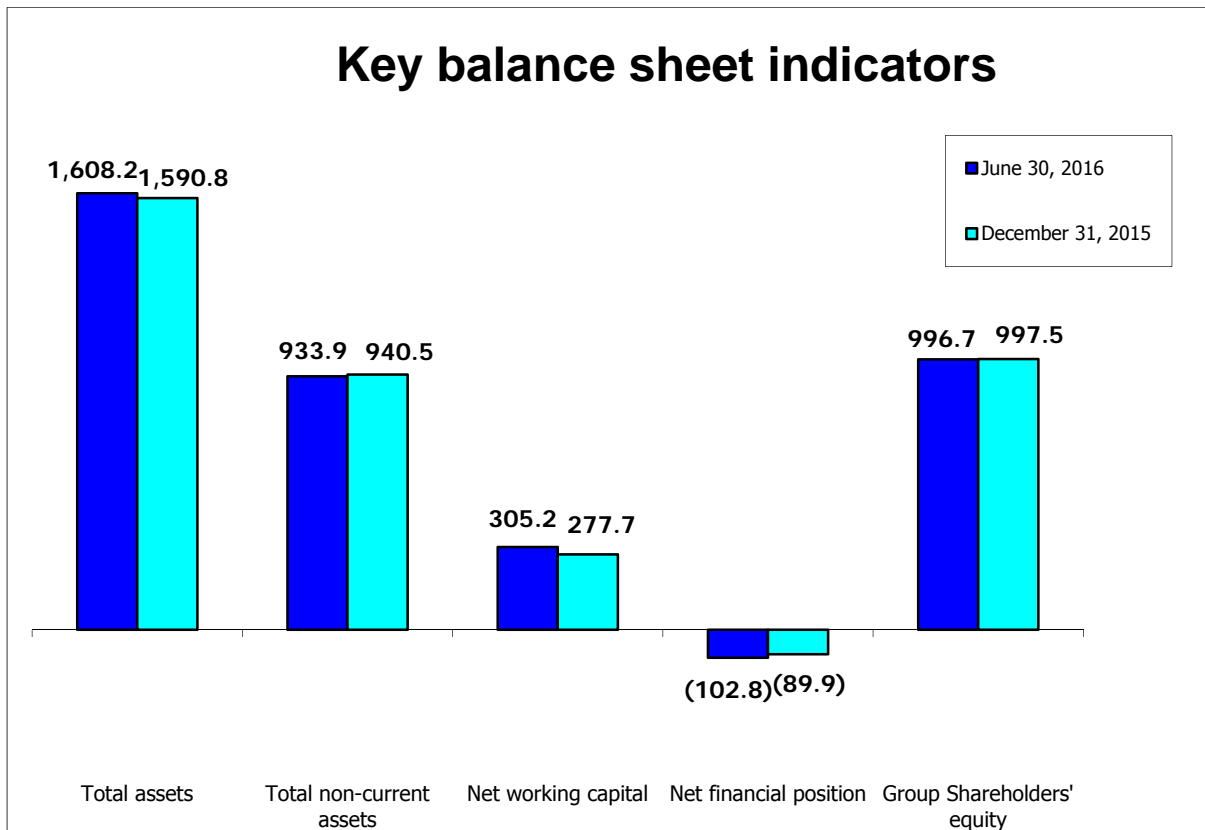
In the first half of 2015, the adjusted economic results do not include non-recurring costs for a total of Euro 2.4 million related to commercial restructuring costs in the EMEA region for Euro 1.2 million and other non-recurring costs for Euro 1.2 million mainly related to the consolidation of the Group’s North American distribution network into its Denver facility.

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.



(*) pre non-recurring items



Information on Group economic results

The first half of the year was one of improving overall momentum as the period progressed, in particular from sales of the going forward brands in Europe, North America and IMEA and in the cost saving and operational improvement programmes.

Net sales for the first six months of 2016 registered a decline of 3.5% at current exchange rates and of 2.1% at constant currencies while sales of the going-forward brands portfolio increased by 5.3%. Business recovered momentum during the second quarter, with revenues broadly flat at current exchange rates (-0.3%) but growing 2.0% at constant exchange rates. This reflected the improved sales performance of the going-forward brands portfolio, increasing 9.0% at constant exchange rates and more than offsetting the negative impact of the brands that the Group stopped/will stop servicing. Progress was particularly evident in Europe as well as in the Group's core business in North America and in IMEA, while Asia remained subdued.

In the first half of 2016, the gross profit margin was substantially in line with the same period of 2015, at 60.6% of sales. In the second quarter of the year, gross profit margin stood at 60.2% of sales compared to 60.9% in the second quarter of 2015.

At the operating level, the first half of 2016 adjusted EBITDA margin of 8.9% was 40 basis points lower than in the first half of 2015, but it recorded an improvement of 90 basis points in the second quarter, to 9.5% of sales, thanks to higher costs savings and better operating leverage.

In the first six months of 2016, the Group's adjusted net result increased 130.6%, mainly reflecting positive dynamics in net financial charges.

At the end of June 2016, Group net debt stood at Euro 102.8 improving from the position of Euro 110.1 million recorded at the end of June 2015.

Group economic results

Consolidated income statement (Euro in millions)	First semester 2016		First semester 2015		Change
		%		%	%
Net sales	651.1	100.0	674.9	100.0	-3.5%
Cost of sales	(256.5)	(39.4)	(265.0)	(39.3)	-3.2%
Gross profit	394.6	60.6	409.9	60.7	-3.7%
Selling and marketing expenses	(272.6)	(41.9)	(283.3)	(42.0)	-3.8%
General and administrative expenses	(85.1)	(13.1)	(84.1)	(12.5)	1.2%
Other operating income/(expenses)	(6.6)	(1.0)	(1.8)	(0.3)	n.s.
Operating profit	30.4	4.7	40.7	6.0	-25.4%
Financial charges, net	0.8	0.1	(23.8)	(3.5)	n.s.
Profit before taxation	31.2	4.8	16.9	2.5	85.0%
Income taxes	(14.7)	(2.3)	(8.4)	(1.2)	74.9%
Net profit	16.5	2.5	8.5	1.3	95.0%
Net profit attributable to minority interests	0.2	0.0	0.1	0.0	n.s.
Net profit attributable to the Group	16.3	2.5	8.4	1.2	94.8%
EBITDA	52.2	8.0	60.3	8.9	-13.4%

Economic indicators pre non-recurring items	First semester 2016		First semester 2015		Change
		%		%	%
EBIT pre non-recurring items	37.5	5.8	43.1	6.4	-12.8%
EBITDA pre non-recurring items	58.3	8.9	62.7	9.3	-7.0%
Net profit attributable to the Group pre non-recurring items	22.9	3.5	9.9	1.5	130.6%

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

In the first half of 2016, Group total net sales of Euro 651.1 million decreased 3.5% at current exchange rates and 2.1% at constant exchange rates compared to Euro 674.9 million in the same period of 2015. Going-forward portfolio sales increased by 5.3% (wholesale revenues +6.8%).

Net sales in Europe of Euro 291.4 million increased 5.3% at current exchange rates and 6.1% at constant exchange rates compared to Euro 276.9 million in the first half of 2015.

In the second quarter of 2016, net sales in Europe grew 12.0% at current exchange rates and 13.2% at constant exchange rates, reaching Euro 161.4 million compared to Euro 144 million in the same period of 2015.

In the first half of 2016, sales performance of the going forward brands in Europe increased 11.8% at constant exchange rates, accelerating to a 18.6% increase in the second quarter, thanks to a broad based strong performance in all key markets, in particular Italy, Germany, France and UK, but also to recovering trends in Russia after a difficult 2015.

Net sales in North America of Euro 259.8 million declined 3.9% at current exchange rates and 3.4% at constant exchange rates compared to Euro 270.5 million in the first half of 2015. Wholesale revenues of Euro 221.2 million were slightly down at current exchange rates (-1.1%) and substantially in line (-0.4%) with Euro 223.5 million in the same period of 2015 at constant exchange rates.

In the second quarter of 2016, net sales in North America of Euro 132.7 million were down 3.6% at current exchange rates and 1.2% at constant exchange rates compared to Euro 137.6 million in the same period of 2015. In the period, wholesale revenues of Euro 110.8 million were substantially in line with Euro 110.4 million in the second quarter of 2015 at current exchange rates (+0.3%), while they grew 3.0% at constant exchange rates.

Sales in the 118 Solstice stores in the United States declined 17.7% and 18.2% at constant exchange rates, respectively in the first half and in the second quarter of the year.

In the first half of 2016, sales performance of the going forward brands in North America grew by 2.0% at constant exchange rates, accelerating to a growth of 3.1% in the second quarter of the year.

Net sales in Asia of Euro 58.8 million contracted 29.2% at current exchange rates and 27.8% at constant exchange rates compared to Euro 83 million in the same period of 2015.

In the second quarter of 2016, net sales of Euro 32.1 million declined 29.5% at current exchange rates and 27.3% at constant exchange rates compared to Euro 45.5 million in the same period of 2015, with the business remaining difficult particularly in China, Hong Kong, Japan and Korea while South East Asia and Australia continued to perform positively.

Sales performance of the going forward brands in Asia was negative by 14.4% and 14.2% at constant exchange rates respectively in the first half of 2016 and in the second quarter of the year.

Net sales in the Rest of the World of Euro 41.0 million decreased 7.9% at current exchange rates, while increasing 2.0% at constant exchange rates compared to Euro 44.5 million in the same period of 2015.

In the second quarter of 2016, net sales in the area equaled Euro 23.4 million, flat at current exchange rates (-0.3%) and increasing 9.5% at constant exchange rates compared to Euro 23.4 million in the second quarter of

2015, with the business in the IMEA region recording a very positive performance and Latin America turning positive.

In the first half of 2016, sales performance of the going forward brands in the Rest of the World was positive by 7.6% at constant exchange rates, accelerating to +12.3% in the second quarter of the year.

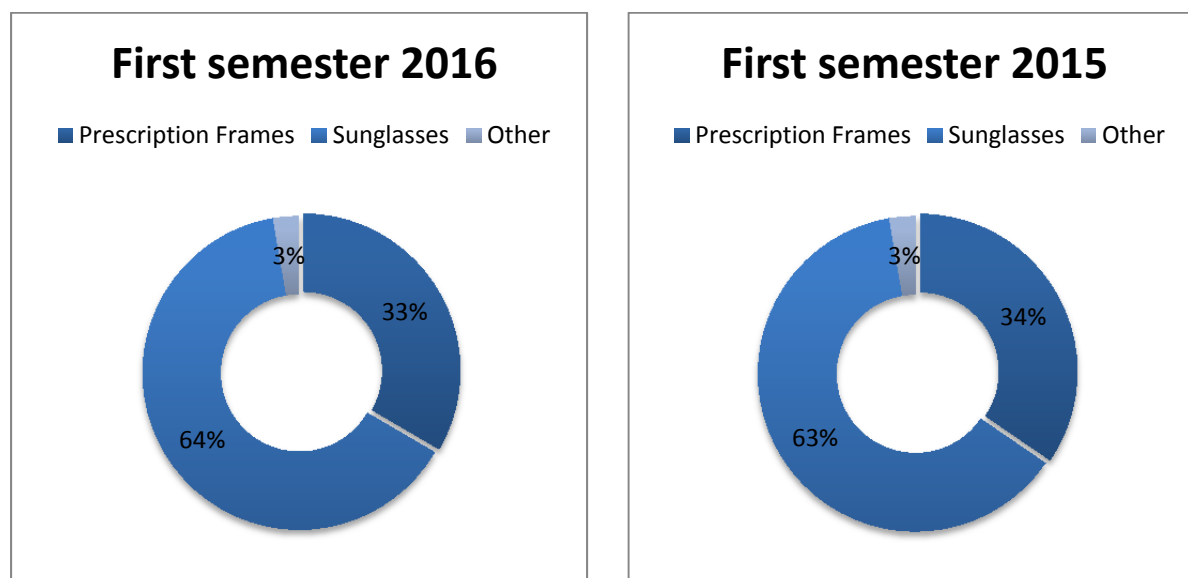
Net sales by geographical area			First semester			Change %	Change %
(Euro in millions)	2016	%	2015	%	Change %	(*)	(**)
Europe	291.4	44.8	276.9	41.0	5.3%	6.1%	11.8%
North America	259.8	39.9	270.5	40.1	-3.9%	-3.4%	2.0%
Asia Pacific	58.8	9.0	83.0	12.3	-29.2%	-27.8%	-14.4%
Rest of the world	41.0	6.3	44.5	6.6	-7.9%	2.0%	7.6%
Total	651.1	100	674.9	100	-3.5%	-2.1%	5.3%

Net sales by geographical area			Second quarter			Change %	Change %
(Euro in millions)	2016	%	2015	%	Change %	(*)	(**)
Europe	161.4	46.2	144.0	41.1	12.0%	13.2%	18.6%
North America	132.7	38.0	137.6	39.3	-3.6%	-1.2%	3.1%
Asia Pacific	32.1	9.2	45.5	13.0	-29.5%	-27.3%	-14.2%
Rest of the world	23.4	6.7	23.4	6.7	-0.3%	9.5%	12.3%
Total	349.5	100	350.6	100	-0.3%	2.0%	9.0%

(*) at constant exchange rates

(**) Going forward brands portfolio excludes all brands Safilo stopped/will stop servicing. Performance at constant exchange rates.

The charts below summarize the breakdown of net sales as at June 30, 2016 and 2015 by product category:



Gross profit of Euro 394.6 million declined 3.7% compared to Euro 409.9 million in the first half of 2015, while the gross profit margin of 60.6% was substantially in line with the margin recorded in the first half of 2015.

Adjusted EBITDA of Euro 58.3 million declined 7.0% compared to the adjusted EBITDA of Euro 62.7 million recorded in the same period of 2015. The adjusted EBITDA margin of 8.9% was 40 basis points lower than the 9.3% posted in first half of 2015, primarily due to lower sales.

Adjusted EBIT of Euro 37.5 million decreased 12.8% compared to the adjusted EBIT of Euro 43.1 million registered in the first half of 2015. Adjusted EBIT margin of 5.8% compared with 6.4% in the first half of 2015.

In the first half of 2016, total **net financial charges** were positive Euro 0.8 million compared to negative Euro 22.7 million in the first half of 2015. This reflected lower net interest charges and the positive impacts of the net exchange rates differences and of the fair value valuation of the option component embedded in the equity-linked bonds.

The above, coupled with a lower effective tax rate, enabled Safilo to post a **Group adjusted net result** of Euro 22.9 million, up 130.6% compared to the adjusted net result of Euro 9.9 million recorded in the first half of 2015.

Analysis by distribution channel – Wholesale/Retail

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

(Euro in millions)	WHOLESALE				RETAIL			
	First semester 2016	First semester 2015	Change %	Change % (**)	First semester 2016	First semester 2015	Change %	Change % (**)
Net sales to 3 rd parties	612.4	627.9	-2.5%	6.8%	38.7	47.0	-17.7%	-12.8%
Gross Profit	371.6	380.7	-2.4%		23.0	29.2	-21.2%	
%	60.7%	60.6%			59.5%	62.2%		
EBITDA (*)	59.0	58.6	0.7%		(0.7)	4.1	n.s.	
%	9.6%	9.3%			-1.9%	8.8%		

(*) Pre non recurring items in the first semester 2016 in wholesale segment for 6.1 million Euro (2.4 million Euro in the first semester 2015).

(**) Going forward brands portfolio at constant exchange rates.

Turnover for the Wholesale segment in the first six months of 2016 amounts to Euro 612.4 million compared with Euro 627.9 million for the same period of 2015, marking a decrease of 2.5% at current exchange rates (-1.0% at constant exchange rates). Sales performance of the going forward brands increased 6.8% at constant exchange rates.

Without considering non-recurring expenses, the EBITDA margin for the first semester 2016 is 9.6%, an increase compared with the 9.3% of the same period of 2015.

The Solstice retail chain, which currently numbers 118 stores, recorded sales of Euro 38.7 million in the first six months of 2016, compared with Euro 47.0 for the same period of the previous year marking a decrease of 17.7% at current exchange rates (-17.7% at constant exchange rates). Sales performance of the going forward brands decreased of 12.8% at constant exchange rates.

Balance sheet reclassified

Balance sheet (Euro in millions)	June 30, 2016	December 31, 2015	Change
Trade receivables	266.7	243.8	23.0
Inventory, net	268.6	254.1	14.5
Trade payables	(230.2)	(220.2)	(10.0)
Net working capital	305.2	277.7	27.5
Tangible assets	195.7	197.5	(1.8)
Intangible assets and goodwill	640.1	646.2	(6.2)
Financial assets	0.0	0.0	0.0
Non-current assets held for sale	9.7	9.9	(0.2)
Net fixed assets	845.5	853.7	(8.2)
Employee benefit liability	(33.2)	(31.2)	(2.0)
Other assets / (liabilities), net	(16.6)	(11.6)	(5.0)
NET INVESTED CAPITAL	1,100.8	1,088.5	12.3
Cash in hand and at bank	72.0	86.6	(14.7)
Short term borrowings	(39.9)	(44.0)	4.1
Long term borrowings	(134.9)	(132.5)	(2.4)
NET FINANCIAL POSITION	(102.8)	(89.9)	(12.9)
Group Shareholders' equity	(996.7)	(997.5)	0.8
Non-controlling interests	(1.3)	(1.1)	(0.2)
TOTAL SHAREHOLDERS' EQUITY	(998.0)	(998.6)	0.6

Cash flow

The summary statement of cash flows for the six months ended 30 June 2016, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro in millions)	First semester 2016	First semester 2015	Change
Cash flow operating activities	13.0	67.0	(54.0)
Cash flow investing activities	(22.4)	(15.4)	(7.0)
Free cash flow	(9.3)	51.6	(61.0)

Free cash flow recorded in the first six months of 2016 was negative for Euro 9.3 million (positive of Euro 51.6 million in the same period of 2015). The first semester 2015 benefitted from the first of three compensation payments of Euro 30 million received in January 2015 from Kering, the next of which is expected in December 2016.

In the first semester of 2016, Cash Flow for investing activities increased to Euro 22.4 million driven by product supply upgrades and IT investments.

Net working capital

Net working capital (Euro in millions)	June 30, 2016	June 30, 2015	Change vs June 2015	December 31, 2015
Trade receivables, net	266.7	279.8	(13.1)	243.8
Inventories	268.6	247.5	21.1	254.1
Trade payables	(230.2)	(219.4)	(10.8)	(220.2)
Net working capital	305.2	307.9	(2.7)	277.7
<i>% on net sales LTM</i>	<i>24.3%</i>	<i>24.7%</i>		<i>21.7%</i>

Net working capital at 30 June 2016 amounted to Euro 305.2 million compared with Euro 307.9 million in the same period of 2015. The ratio of working capital to sales rolling LTM at 30 June 2016 is equal to 24.3% and is slightly below the 24.7% recorded on 30 June 2015.

Compared to December 2015 net working capital increased by Euro 27.5 million in the period, reflecting higher trade receivables due to seasonality and sales growth acceleration in the second quarter (notwithstanding a continuing satisfactory ratio of days of sales outstanding), and an increase in inventories.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro in millions)	First semester 2016	First semester 2015	Change
Headquarters	5.6	3.4	2.2
Production factories	12.8	8.4	4.4
Europe	0.3	0.4	(0.1)
Americas	3.9	2.7	1.2
Far East	0.2	0.4	(0.2)
Total	22.8	15.3	7.5

In the first six months of 2016 capital expenditures amounted to Euro 22.8 million compared with the Euro 15.3 million of the same period of the previous year.

Net financial position

Net financial position (Euro in millions)	June 30, 2016	March 31, 2016 (Unaudited)	Change Jun/Mar	December 31, 2015	Change Jun/Dec
Current portion of long-term borrowings	-	-	-	-	-
Bank overdrafts and short term bank borrowings	(29.9)	(48.4)	18.5	(39.0)	9.1
Other short-term borrowings	(10.0)	(5.0)	(5.0)	(5.0)	(5.0)
Cash and cash equivalent	72.0	77.4	(5.4)	86.6	(14.7)
Short-term net financial position	32.1	24.0	8.1	42.6	(10.5)
Bonds	(134.9)	(133.7)	(1.2)	(132.5)	(2.4)
Long-term borrowings	-	-	-	-	-
Long-term net financial position	(134.9)	(133.7)	(1.2)	(132.5)	(2.4)
NET FINANCIAL POSITION	(102.8)	(109.7)	6.9	(89.9)	(12.9)

The Group's net financial position at 30 June 2016 is negative for Euro 102.8 million compared with a negative amount of Euro 89.9 million at 31 December 2015. The net financial position does not include the option component embedded in the "equity-linked" Bonds estimated to approximately Euro 0.3 million (Euro 3.6 million at 31 December 2015), recognized under "derivative financial instruments" and the fair value of the other derivatives financial instruments, equal to a net asset of approximately Euro 3.2 million (a positive amount of Euro 0.9 million at 31 December 2015).

The ratio of net debt to EBITDA LTM adjusted is 1.0 times, stable vs. 31 December 2015.

Personnel

The Group's total workforce at 30 June 2016, 31 December 2015 and 30 June 2015 is summarized below:

	June 30, 2016	December 31, 2015	June 30, 2015
Padua headquarters	1,065	1,040	1,019
Production factories	4,038	4,141	3,891
Trading companies	1,208	1,319	1,385
Retail	761	825	828
Total	7,072	7,325	7,123

Subsequent events and Outlook

No other events have taken place after 30 June 2016 that could have a material impact on the results published in this report.

Safilo continues with its commitment to strengthen its main areas of business, to enable the Group's lasting and profitable growth, in accordance with the key strategies of the Safilo 2020 Plan.

Half-year Condensed Financial Statements
and Notes
at June 30th, 2016

Consolidated balance sheet

<i>(Euro/000)</i>	<i>Notes</i>	June 30, 2016	of which related parties	December 31, 2015	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	<i>2.1</i>	71,982		86,640	
Trade receivables	<i>2.2</i>	266,734	22,572	243,759	15,342
Inventory	<i>2.3</i>	268,625		254,079	
Derivative financial instruments	<i>2.4</i>	4,112		1,727	
Other current assets	<i>2.5</i>	53,115		54,183	
Total current assets		664,568		640,388	
Non-current assets					
Tangible assets	<i>2.6</i>	195,680		197,498	
Intangible assets	<i>2.7</i>	62,074		62,333	
Goodwill	<i>2.8</i>	577,994		583,908	
Deferred tax assets	<i>2.9</i>	94,859		93,597	
Derivative financial instruments	<i>2.4</i>	-		-	
Other non-current assets	<i>2.10</i>	3,282		3,167	
Total non-current assets		933,889		940,503	
Non-current assets held for sale	<i>2.6</i>	9,729		9,914	
TOTAL ASSETS		1,608,186		1,590,805	

<i>(Euro/000)</i>	<i>Notes</i>	June 30, 2016	of which related parties	December 31, 2015	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	<i>2.11</i>	39,888		44,022	
Trade payables	<i>2.12</i>	230,177	6,112	220,170	9,027
Tax payables	<i>2.13</i>	26,254		25,266	
Derivative financial instruments	<i>2.4</i>	923		877	
Other current liabilities	<i>2.14</i>	55,150		47,484	
Provisions for risks and charges	<i>2.15</i>	26,072		24,124	
Total current liabilities		378,464		361,943	
Non-current liabilities					
Long-term borrowings	<i>2.11</i>	134,913		132,526	
Employees benefits liability	<i>2.16</i>	33,209		31,175	
Provisions for risks and charges	<i>2.15</i>	17,645		16,213	
Deferred tax liabilities	<i>2.9</i>	10,358		11,146	
Derivative financial instruments	<i>2.4</i>	313		3,614	
Other non-current liabilities	<i>2.17</i>	35,281		35,584	
Total non-current liabilities		231,719		230,258	
TOTAL LIABILITIES		610,183		592,201	
Shareholders' equity					
Share capital	<i>2.18</i>	313,150		313,150	
Share premium reserve	<i>2.19</i>	484,845		484,845	
Retained earnings and other reserves	<i>2.20</i>	182,485		251,683	
Cash flow hedge reserve	<i>2.21</i>	(118)		572	
Income/(Loss) attributable to the Group		16,310		(52,745)	
Total shareholders' equity attributable to the Group		996,672		997,505	
Non-controlling interests		1,331		1,099	
TOTAL SHAREHOLDERS' EQUITY		998,003		998,604	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,608,186		1,590,805	

Consolidated income statement

<i>(Euro/000)</i>	<i>Notes</i>	First semester 2016	of which related parties	First semester 2015	of which related parties
Net sales	3.1	651,103	45,974	674,925	45,826
Cost of sales	3.2	(256,494)	-	(264,985)	(2,223)
Gross profit		394,609		409,940	
Selling and marketing expenses	3.3	(272,552)	(2,431)	(283,323)	(744)
General and administrative expenses	3.4	(85,104)		(84,136)	
Other operating income/(expenses)	3.5	(6,576)		(1,765)	
Operating profit		30,378		40,716	
Share of income/(loss) of associates	3.6	-		(1,131)	
Financial charges, net	3.7	847		(22,707)	
Profit before taxation		31,225		16,878	
Income taxes	3.8	(14,683)		(8,395)	
Profit of the period		16,542		8,483	
Profit attributable to:					
Owners of the parent		16,310		8,371	
Non-controlling interests		232		112	
Earnings per share - basic (Euro)	3.9	0.260		0.134	
Earnings per share - diluted (Euro)	3.9	0.260		0.133	

Consolidated statement of comprehensive income

<i>(Euro/000)</i>	<i>Notes</i>	First semester 2016	First semester 2015
Net profit for the period (A)		16,542	8,483
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		(1,953)	-
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		(1,953)	-
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	<i>2.21</i>	(690)	(203)
- Gains/(Losses) on exchange differences on translating foreign operations	<i>2.20</i>	(14,892)	68,883
Total gains/(losses) that will be reclassified subsequently to profit or loss:		(15,582)	68,680
Other comprehensive income/(loss), net of tax (B)		(17,535)	68,680
TOTAL COMPREHENSIVE INCOME/(LOSS) (A) + (B)		(993)	77,163
Attributable to:			
Owners of the parent		(1,225)	76,936
Non-controlling interests		232	227
TOTAL COMPREHENSIVE INCOME/(LOSS)		(993)	77,163

Consolidated statement of cash flows

<i>(Euro/000)</i>	<i>Notes</i>	First semester 2016	First semester 2015
A - Opening net cash and cash equivalents (net financial indebtedness - short term)			
	<i>2.1</i>	47,618	39,494
B - Cash flow from (for) operating activities			
Net profit for the period (including minority interests)		16,542	8,483
Depreciation and amortization	<i>2.6-2.7</i>	21,855	19,633
Other non-monetary P&L items		(6,677)	17,244
Interest expenses, net	<i>3.8</i>	3,236	4,221
Income tax expenses	<i>3.9</i>	14,683	8,395
Flow from operating activities prior to movements in working capital		49,639	57,975
(Increase) Decrease in trade receivables		(22,396)	(3,528)
(Increase) Decrease in inventory, net		(16,534)	7,157
Increase (Decrease) in trade payables		11,869	1,762
(Increase) Decrease in other receivables		(1,029)	(8,980)
Increase (Decrease) in other payables		9,232	36,121
Interest expenses paid		(983)	(1,777)
Income taxes paid		(16,754)	(21,709)
Total (B)		13,044	67,021
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(18,291)	(12,743)
Net disposals of property, plant and equipment		426	1,084
Acquisition of minorities (in subsidiaries)		-	(1,132)
(Acquisition) Disposal of investments and bonds		-	-
Purchase of intangible assets, net of disposals		(4,495)	(2,563)
Total (C)		(22,359)	(15,354)
D - Cash flow from (for) financing activities			
Proceeds from borrowings		5,000	2,711
Repayment of borrowings		-	(50,568)
Share capital increase		-	631
Dividends paid		-	-
Total (D)		5,000	(47,226)
E - Cash flow for the period (B+C+D)		(4,316)	4,441
Translation exchange differences		(1,208)	4,528
Total (F)		(1,208)	4,528
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)			
	<i>2.1</i>	42,094	48,463

Statement of changes in shareholders' equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2016	313,150	484,845	129,357	572	69,581	997,505	1,099	998,604
Profit for the period	-	-	-	-	16,310	16,310	232	16,542
Other comprehensive income (loss) for the period	-	-	(14,892)	(690)	(1,953)	(17,535)	-	(17,535)
Total comprehensive income (loss) for the period	-	-	(14,892)	(690)	14,357	(1,225)	232	(993)
Increase in share capital due to the exercising of stock option	-	-	-	-	-	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	-
Net increase in the Reserve for share-based payments	-	-	-	-	392	392	-	392
Changes in other reserves	-	-	-	-	-	-	-	-

Consolidated net equity at June 30, 2016	313,150	484,845	114,465	(118)	84,330	996,672	1,331	998,003
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(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2015	312,675	484,689	53,166	-	121,006	971,536	2,720	974,256
Profit for the period	-	-	-	-	8,371	8,371	112	8,483
Other comprehensive income (loss) for the period	-	-	68,768	(203)	-	68,565	115	68,680
Total comprehensive income (loss) for the period	-	-	68,768	(203)	8,371	76,936	227	77,163
Increase in share capital due to the exercising of stock option	225	129	-	-	277	631	-	631
Dividends distribution	-	-	-	-	-	-	-	-
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	(567)	(567)	(566)	(1,133)
Net increase in the reserve for share-based payments	-	-	-	-	263	263	-	263
Changes in other reserves	-	-	-	-	8	8	(54)	(46)

Consolidated net equity at June 30, 2015	312,900	484,818	121,934	(203)	129,358	1,048,807	2,327	1,051,134
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NOTES

1. Basis of preparation

1.1 General information

These half-year condensed consolidated financial statements refer to the financial period from January 1st 2016 to June 30th 2016. Economic and financial information is provided with reference to the first semester of 2016 and 2015 whilst balance sheet information is provided with reference to June 30th 2016 and December 31st 2015.

The half-year consolidated financial report of Safilo Group at June 30th 2016, 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 should be read in conjunction with the consolidated financial statements for the financial year ended 31st December 2015.

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

These financial statements were approved by the Board of Directors on 3rd August 2016.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2016

In preparing these half-year consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31st December 2015 have been applied.

Following below we report the new standards or amendments, effective from 1 January 2016, that are applicable to the Group.

On 21 November 2013, the IASB published narrow scope amendments to IAS 19—Defined Benefit Plans: Employee Contributions. The amendment reduces current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered. The adoption of this amendment did not have any effect on the Group.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 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), to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement, and IAS 16, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model. The adoption of this amendment did not have any effect on the Group.

On 12 May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - "Clarification of acceptable methods of depreciation and amortization". The amendments to IAS 16 require that the criteria of depreciation determined on the basis of revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the use of amortized assets generally reflect different factors and not only the consumption of the economic benefits of the asset. The amendments to IAS 38 introduce a presumption, that a depreciation method based on revenues is considered generally inappropriate for the same reasons set out by the amendments made to IAS 16. In the case of intangible assets, however, this presumption may be overcome, but only in limited and specific circumstances. The adoption of this amendment did not have any effect on the Group.

On 25 September 2014, the IASB issued a set of amendments to IFRSs (Annual Improvements to IFRSs - Cycle 2012- 2014). They cover the following principles: the criteria for classification and evaluation of assets classified as "held for sale" or "held for distribution" in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, further guidance relating to the disclosures required by IFRS 7 for interim financial statements, certain clarifications to the determination of the discount rate in accordance with IAS 19 and the new requirements for disclosure under IAS 34 "Interim financial reporting". The adoption of this amendment did not have any effect on the Group.

On 18 December 2014, the IASB issued amendments to IAS 1 Disclosure Initiative. The amendments concern materiality, the aggregation of items, structure of the notes, information about accounting policies and the presentation of other comprehensive income arising from the measurement of equity method investments. The adoption of this amendment did not have any effect on the Group.

[Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Group](#)

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

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

- Identify the contracts with a customer;

- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when the entity satisfies a performance obligation.

The new standard is applicable to periods beginning on or after January 1, 2018, subject to any subsequent deferrals established during its approval by the European Union.

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

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

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

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

The new standard is applicable to periods beginning on or after January 1, 2018 or after.

On 13 January 2016, the IASB issued the new standard IFRS 16 "Leases" to replace IAS 17 Leases, IFRIC 4

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

On 19 January 2016 the IASB published the document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" that contains the amendments to IAS 12. The document aims to provide some clarification on the recognition of deferred taxes on unrealized losses upon the occurrence of certain circumstances and the estimated taxable income for future years. The changes will apply from 1 January 2017 but early adoption is permitted.

On 29 January 2016 the IASB published the document "Disclosure Initiative (Amendments to IAS 7)" that contains the amendments to IAS 7. The document aims to provide some clarification to improve disclosures on financial liabilities. In particular, the amendments require to disclose information that enables users of financial statements to understand the changes in liabilities arising from financing operations. The changes will apply from 1 January 2017 but early application is allowed. It is not required to present comparative information relating to prior years.

On 20 June 2016 the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" that contains some clarifications in relation to the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment which alter their classification as cash-settled to equity-settled. The changes will apply from 1 January 2018 but early application is allowed.

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

1.3 Consolidation method and consolidation area

During the first six months of 2016, the Group's consolidation area has not changed; the only change refers to the following reorganization:

- with effective date 1st January 2016 Canam Sport Eyewear Inc. is wholly owned by Safilo Canada Inc.

and the holding company Quebec Inc. has been absorbed into Safilo Canada Inc..

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
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 Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,896,370	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Moscow (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	100.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	100.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzhen Limited- Shenzhen (RC)	CNY	2,481,000	100.0
Safilo Eyewear (Shenzhen) Company Limited - (RC)	CNY	46,546,505	100.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129,704,740	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
Safilo d.o.o. Ormož - Ormož (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	117,435,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safint Optical UK Ltd. - London (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - London (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo 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
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199,975	100.0
Polaroid Eyewear Holding BV - Amsterdam (NL)	EUR	18,000	100.0
Polaroid Eyewear BV - Amsterdam (NL)	EUR	45,378	100.0
Polaroid Eyewear Ltd - Dumbarton (UK)	GBP	2	100.0
Polaroid Eyewear AB - Stockholm-Globen (S)	SEK	100,000	100.0
Polaroid Eyewear GMBH - Zurig (CH)	CHF	20,000	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000.0	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	100.0

1.4 Translation of financial statement in currencies other than Euro

The exchange rates applied in the conversion of subsidiaries' financial statements prepared in currencies other than the Euro are given in the following table; appreciation (figures with a minus sign in the table below) indicates as increase in the value of the currency against the Euro.

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation) /Depreciation
		June 30, 2016	December 31, 2015	%	June 30, 2016	June 30, 2015	%
US Dollar	USD	1.1102	1.0887	2.0%	1.1157	1.1158	0.0%
Hong-Kong Dollar	HKD	8.6135	8.4376	2.1%	8.6669	8.6517	0.2%
Swiss Franc	CHF	1.0867	1.0835	0.3%	1.0959	1.0567	3.7%
Canadian Dollar	CAD	1.4384	1.5116	-4.8%	1.4846	1.3774	7.8%
Japanese Yen	YEN	114.0500	131.0700	-13.0%	124.4162	134.2042	-7.3%
British Pound	GBP	0.8265	0.7340	12.6%	0.7787	0.7323	6.3%
Swedish Krown	SEK	9.4242	9.1895	2.6%	9.3020	9.3401	-0.4%
Australian Dollar	AUD	1.4929	1.4897	0.2%	1.5218	1.4261	6.7%
South-African Rand	ZAR	16.4461	16.9530	-3.0%	17.1977	13.3048	29.3%
Russian Ruble	RUB	71.5200	80.6736	-11.3%	78.3228	64.6407	21.2%
Brasilian Real	BRL	3.5898	4.3117	-16.7%	4.1310	3.3101	24.8%
Indian Rupee	INR	74.9603	72.0215	4.1%	74.9940	70.1244	6.9%
Singapore Dollar	SGD	1.4957	1.5417	-3.0%	1.5398	1.5061	2.2%
Malaysian Ringgit	MYR	4.4301	4.6959	-5.7%	4.5734	4.0621	12.6%
Chinese Renminbi	CNY	7.3755	7.0608	4.5%	7.2955	6.9408	5.1%
Korean Won	KRW	1,278.480	1,280.7800	-0.2%	1,318.8060	1,227.3118	7.5%
Mexican Peso	MXN	20.6347	18.9145	9.1%	20.1703	16.8887	19.4%
Turkish Lira	TRY	3.2060	3.1765	0.9%	3.2583	n.a.	n.a.
Dirham United Emirates	AED	4.0755	3.9966	2.0%	4.0959	4.0967	0.0%

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

1.5 Use of estimates

The preparation of the 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 the amounts reported in the financial statements such as the balance sheet, the income statement and the cash flow statement and the disclosures in the notes to the accounts. 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 71,982 thousand, compared to Euro 86,640 thousand at 31st December 2015 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:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015	June 30, 2015
Cash and cash equivalents	71,982	86,640	80,055
Bank overdrafts	(4,888)	(3,022)	(4,228)
Current bank borrowings	(25,000)	(36,000)	(27,364)
Net cash and cash equivalents	42,094	47,618	48,463

2.2 Trade receivables, net

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Gross value receivables	306,371	279,724
Allowance for doubtful accounts and sales returns	(39,636)	(35,965)
Net value	266,734	243,759

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:

<i>(Euro/000)</i>	Balance at January 1, 2016	Posted to income statement	Use (-)	Transl. Diff.	Balance at June 30, 2016
Allowance for bad debts	23,695	2,449	(3,158)	113	23,099
Allowance for sales returns	12,270	6,439	(1,969)	(201)	16,538
Total	35,965	8,887	(5,127)	(88)	39,636

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>	June 30, 2016	December 31, 2015
Raw materials	106,509	109,621
Work in progress	6,594	8,996
Finished products	278,043	252,326
Gross	391,146	370,943
Obsolescence provision (-)	(122,521)	(116,864)
Total	268,625	254,079

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:

<i>(Euro/000)</i>	Balance at January 1, 2016	Posted to income statement	Transl. Diff.	Balance at June 30, 2016
Inventory gross value	370,943	22,772	(2,570)	391,146
Obsolescence provision	(116,864)	(6,238)	581	(122,521)
Total net	254,079	16,534	(1,989)	268,625

2.4 Derivative financial instruments

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

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Current assets:		
- Foreign currency contracts - Fair value through P&L	4,112	1,155
- Foreign currency contracts - cash flow hedge	-	572
Total	4,112	1,727

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	805	877
- Foreign currency contracts - cash flow hedge	118	-
Total	923	877
Non-current liabilities:		
- Fair value cash settlement option convertible Bond	313	3,614
Total	313	3,614

The market value of the forward hedge contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had outstanding contracts for the hedging against exchange rate fluctuations for a positive net market value of Euro 3.189 thousand.

The non-current liabilities refers to the conversion option embedded in the "equity-linked" Bond issued on 22 May 2014 which, given the presence of a "cash settlement option", represents a derivative financial instrument booked at fair value under non-current liabilities. The fair value changes of this instrument are immediately charged to income statement, at the balance sheet date, the fair value of the option amounts to Euro 313 thousand.

2.5 Other current assets

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
VAT receivable	12,026	13,592
Tax credits and payments on account	13,306	13,099
Prepayments and accrued income	20,205	20,849
Receivables from agents	260	372
Other current receivables	7,318	6,271
Total	53,115	54,183

“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 include:

- prepaid royalty costs of Euro 12,343 thousand;
- prepaid rent and operating leases of Euro 2,120 thousand;
- prepaid advertising costs of Euro 1,000 thousand;
- prepaid insurance costs of Euro 1,278 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 7,318 thousand and mainly refer to:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 1,855 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;
- deposit payments for Euro 921 thousand;
- other receivables, mainly of commercial nature, for the remainder.

2.6 Property, plant and equipment, net

Changes in tangible assets in the first semester of 2016 are shown below:

<i>(Euro/000)</i>	Balance at January 1, 2016	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2016
Gross value						
Land and buildings	139,301	57	(94)	-	(1,281)	137,983
Plant and machinery	204,636	1,087	(1,709)	3,962	(1,707)	206,269
Equipment and other assets	261,260	4,126	(11,452)	5,318	(2,470)	256,782
Assets under constructions	6,279	13,021	(200)	(9,281)	(43)	9,777
Total	611,476	18,291	(13,454)	-	(5,501)	610,811
Accumulated depreciation						
Land and buildings	49,125	1,768	(82)	-	(266)	50,546
Plant and machinery	151,458	5,439	(1,518)	-	(969)	154,410
Equipment and other assets	213,395	10,001	(11,427)	-	(1,793)	210,176
Total	413,978	17,208	(13,027)	-	(3,028)	415,131
Net value	197,498	1,082	(426)	-	(2,474)	195,680

Investments in tangible assets in the first semester of 2016 totalled Euro 18,291 thousand and mainly comprised:

- Euro 14,582 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 3,248 thousand in the US companies;
- for the remaining amount in other Group's companies.

The balance reported as "Non-current assets held for sale" mainly refers to the headquarters and distribution centre of the American company Safilo USA Inc. that is subject to a plan of disposal in course of finalization.

2.7 Intangible assets

Changes in intangible assets in the first semester of 2016 are shown below:

<i>(Euro/000)</i>	Balance at January 1, 2016	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2016
Gross value						
Software	55,716	556	(59)	335	(319)	56,228
Trademarks and licenses	55,065	-	-	131	3	55,199
Other intangible assets	8,580	-	(160)	59	(89)	8,390
Intangible assets in progress	5,259	3,940	-	(525)	10	8,683
Total	124,619	4,495	(219)	-	(395)	128,500
Accumulated amortization						
Software	32,251	3,500	(59)	-	(251)	35,441
Trademarks and licenses	22,616	1,094	-	-	4	23,714
Other intangible assets	7,420	52	(160)	-	(42)	7,271
Total	62,287	4,647	(219)	-	(288)	66,426
Net value	62,333	(151)	-	-	(107)	62,074

The increase in investments reported under the construction in progress is mainly due to further investments on 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:

<i>(Euro/000)</i>	<i>Notes</i>	First semester 2016	First semester 2015
Cost of sales	3.2	10,772	11,401
Selling and marketing expenses	3.3	2,967	2,518
General and administrative expenses	3.4	7,004	5,714
Other operating income/(expenses)	3.5	1,112	-
Total		21,855	19,633

2.8 Goodwill

The change in goodwill in the first semester of 2016 is shown in the table below:

<i>(Euro/000)</i>	Balance at January 1, 2016	Increase	Decrease	Transl. diff.	Balance at June 30, 2016
Goodwill	583,908	-	-	(5,915)	577,994

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
June 30, 2016	160,772	230,059	187,163	577,994
December 31, 2015	161,743	231,328	190,837	583,908

The impairment test of goodwill was carried out during the preparation of the annual financial statements 2015, during the first semester of 2016 there were no indicators that require an immediate valuation of a potential loss in value.

2.9 Deferred tax assets and deferred tax liabilities

Deferred tax assets

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

Deferred tax liabilities

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

Allowance for deferred tax assets

Deferred tax assets, net (where applicable) of deferred tax liabilities, in the financial statements of some companies of the Group, have been written down through a provision, in order to take into account the 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>	June 30, 2016	December 31, 2015
Net deferred tax assets	94,859	93,597
Deferred tax liabilities	(10,358)	(11,146)
Total	84,501	82,451

2.10 Other non-current assets

This item totals 3,282 thousand Euro, compared to 3,167 thousand Euro as at 31st December 2015, of this sum, Euro 3,081 thousand 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.

2.11 Bank loans and borrowings

Borrowings break down as follows:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Bank overdrafts	4,888	3,022
Short-term bank loans	25,000	36,000
Debt to the factoring company	10,000	5,000
Short-term borrowings	39,888	44,022
Convertible Bonds	134,913	132,526
Long-term borrowings	134,913	132,526
Total	174,801	176,548

The item "Long-term bank loans and borrowings" mainly relates to the following items:

- an unsecured and unsubordinated equity-linked Bond issued on 22 May 2014 by the parent company Safilo Group S.p.A., guaranteed by Safilo S.p.A., maturing on 22 May 2019 with an aggregate principal amount of Euro 150 million;
- an unsubordinated and unsecured "Revolving Credit Facility", amounting to Euro 150 million expiring in July 2018, not drawn at 30th June 2016.

The Bond is carried at amortised cost, through the use of an effective interest rate deemed to be appropriate for the risk profile of an equivalent financial instrument without the conversion component. Given the presence of a “cash settlement option”, the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are immediately charged to income statement. At the balance sheet date, the fair value of the option amounts to Euro 313 thousand (see note 2.4).

The committed, unsubordinated and unsecured “Revolving Credit Facility” amounting to Euro 150 million expiring in July 2018, was underwritten by Safilo S.p.A. and Safilo U.S.A. Inc. in July 2014. This loan is subject to operating and financial commitments, standard for similar transactions.

The short-term payables towards factoring companies refer to the subsidiary Safilo S.p.A. for Euro 10,000 thousand.

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

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
From 1 to 2 years	-	-
From 2 to 3 years	134,913	-
From 3 to 4 years	-	132,526
From 4 to 5 years	-	-
Beyond 5 years	-	-
Total	134,913	132,526

The bank loans and financial borrowings are all in Euro.

The following table details the credit lines granted to the Group, the uses and the lines available at June 30th 2016:

<i>(Euro/000)</i>	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	143,737	29,882	113,855
Credit lines on long-term loans	150,000	-	150,000
Total	293,737	29,882	263,855

As a consequence of the above mentioned modification the credit lines available on long-term loans are related to a committed revolving financing called “Revolving Credit Facility”, underwritten by Intesa San Paolo, Unicredit and BNP Paribas, totalling a maximum of Euro 150 million, expiring on July 2018, not drawn during the first semester 2016.

The net financial position of the Group at June 30th, 2016 compared to the same as of December 31st, 2015 is as

follows:

Net financial position (Euro/000)	June 30, 2016	December 31, 2015	Change
A Cash and cash equivalents	71,982	86,640	(14,658)
B Cash and cash equivalents included as Assets held for sale	-	-	-
C Current securities (securities held for trading)	-	-	-
D Liquidity (A+B+C)	71,982	86,640	(14,658)
E Receivables from financing activities	-	-	-
F Bank overdrafts and short-t. bank borrowings	(29,888)	(39,022)	9,134
G Current portion of long-term borrowings	-	-	-
H Other short-term borrowings	(10,000)	(5,000)	(5,000)
I Debts and other current financial liabilities (F+G+H)	(39,888)	(44,022)	4,134
J Current financial position, net (D)+(E)+(I)	32,094	42,618	(10,524)
K Long-term bank borrowings	-	-	-
L Bonds	(134,913)	(132,526)	(2,387)
M Other long-term borrowings	-	-	-
N Debts and other non current financial liabilities (K+L+M)	(134,913)	(132,526)	(2,387)
I Net financial position (J)+(N)	(102,819)	(89,908)	(12,911)

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

2.12 Trade payables

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Trade payables for:		
Purchase of raw materials	42,171	47,469
Purchase of finished goods	66,820	60,031
Suppliers from subcontractors	5,325	7,503
Tangible and intangible assets	5,721	6,053
Commissions	3,540	2,812
Royalties	27,681	24,606
Advertising and marketing costs	42,648	35,625
Services	36,271	36,071
Total	230,177	220,170

2.13 Tax payables

At 30th June 2016, tax payables total Euro 26,254 thousand, compared to Euro 25,266 thousand at 31st December 2015, of which Euro 15,555 thousand related to income tax payables, Euro 3,962 thousand to VAT payables and the remainder to withholding and local taxes different from those on income.

2.14 Other current liabilities

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Payables to personnel and social security institutions	46,539	37,596
Agent fee payables	1,268	1,510
Payables to pension funds	932	1,160
Accrued advertising and sponsorship costs	1,044	952
Accrued interests on long-term loans	199	203
Other accruals and deferred income	4,382	4,308
Other current liabilities	786	1,755
Total	55,150	47,484

Payables to personnel and social security institutions mainly refer to salaries and wages for June, 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.

2.15 Provision for risks and charges

This item breaks down as follows:

<i>(Euro/000)</i>	Balance at January 1, 2016	Increase	Decrease	Transl. diff.	Balance at June 30, 2016
Product warranty provision	5,308	85	(80)	-	5,313
Agents' severance indemnity	3,230	3	-	3	3,236
Provision for corporate restructuring	363	-	-	(7)	356
Other provisions for risks and charges	7,312	2,081	(653)	(0)	8,740
Provisions for risks - long term	16,213	2,169	(733)	(5)	17,645
Product warranty provision	2,303	172	(168)	45	2,352
Provision for corporate restructuring	1,143	2,722	(318)	(149)	3,398
Other provisions for risks and charges	20,678	105	(446)	(14)	20,322
Provisions for risks - short term	24,124	2,998	(933)	(118)	26,072
Total	40,337	5,167	(1,665)	(123)	43,717

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.

Provisions for other risks and charges refer to the best estimate made by the management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts. The increase of the long term portion of the other provision for risks is mainly related to the further accrual for the estimated liability related to a commercial restructuring in the EMEA Region.

The short term portion of the provision for other risks and charges includes the provision of 17,000 thousand Euro related to the litigation with the French Competition Authority accrued in 2015.

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects in place, the increase of the provision in the first semester of 2016 for 2,722 Euro period is mainly related to the estimated cost associated with integration of Polaroid lens production into Safilo's China based supply network and to the reorganization of the EMEA customer services and Japanese distribution center as part of the Group's global logistics footprint simplification initiative.

Their estimate takes into account, where applicable, the opinion of legal consultants and other experts, the company's past experience and others' in similar situations, as well as the intention of the company to take

further actions in each case. The provision is the sum of the individual accruals made by each company of the Group.

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

2.16 Employees benefits liability

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2016	December 31, 2015
Defined contribution plan	301	454
Defined benefit plan	32,908	30,721
Total	33,209	31,175

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

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

<i>(Euro/000)</i>	Balance at January 1, 2016	Posted to income statement	Actuarial (gains)/losses	Uses	Transl. diff.	Balance at June 30, 2016
Defined benefit plan	30,721	181	2,315	(503)	194	32,908

2.17 Other non-current liabilities

<i>(Euro/000)</i>	Balance at January 1, 2016	Increase	Decrease	Transl. diff.	Balance at June 30, 2016
Other non current liabilities	35,584	113	(307)	(109)	35,281

The balance is mainly related to the first tranche equal to 30 million Euro, received on 12 January 2015, of the compensation amounting to Euro 90 million, agreed with the contract executed on January 12, 2015 with Kering Group that confirms the conclusion of the Gucci license agreement at the end of December 2016. After this first payment, the second will be paid in December 2016, the third in September 2018.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30th June 2016, shareholders' equity amounted to Euro 998,003 thousand (of which Euro 1,331 thousand represent minority interests), against Euro 998,604 thousand at 31st December 2015 (of which 1,099 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.

2.18 Share capital

At 30th June 2016 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 313,149,825 consisting of no. 62.629,965 ordinary shares with a par value of Euro 5.00 each.

2.19 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 484,845,364 at 30th June 2016.

2.20 Retained earnings and other reserves

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

2.21 Cash flow hedge reserve

The cash flow hedge reserve mainly refers to the current value of currency forwards contracts.

2.22 Stock options plans

The extraordinary general meeting held on 15 April 2014, as proposed by the Board of Directors held on 5 March 2014, have approved the capital increase up to a nominal value of Euro 7,500,000.00 by means of the issuance of up to a maximum of 1,500,000 ordinary shares, with a par value equal to 5.00 Euro, for the purpose of the 2014-2016 Stock Option Plan in favour of directors and/or employees of Safilo Group S.p.A. and of its subsidiaries.

This plan, aimed at the retention and motivation of directors and/or employees, by means of granting in tranches and free of charge a maximum of 1,500,000 options which give the beneficiaries the right to subscribe newly issued ordinary shares of the Company, at a par value of Euro 5.00 each, arising from a paid and separable capital increase, with exclusion of the option rights according to article 2441, paragraph 4 second part of the Civil Code, at the rate of no. 1 share for each Option.

The Plan has a total duration of approximately 10 years (from 2014 to 2024). The options granted to beneficiaries are exercisable after a minimum of two years from the last possible granting date of each tranche.

In particular, there are three different granting dates:

- the first tranche was granted from the Board of Directors held on 29 April 2014;
- the second tranche has been granted from the Board of Directors which has approved the financial statements of the Company for the year ended 31.12.2014;
- the third tranche has been granted from the Board of Directors which approved the financial statements of the Company for the year ended 31.12.2015.

This Plan is in addition to the one already in place deliberated by the Extraordinary Meeting held on 5th November 2010, in which the Shareholders approved the issue of up to 1,700,000 new ordinary shares with a par value of 5.00 Euro each, for a total of 8,500,000.00, to be offered to directors and/or employees of the Company and its subsidiaries in connection with the "2010-2013 Stock Option Plan".

This Plan, designed to incentivise and retain directors and/or employees/managers, is carried out through the grant, in different tranches, of up to 1,700,000 options, each such option entitling the beneficiary to subscribe to 1 of the foregoing ordinary Company share with a par value of 5.00 Euro each, issued for cash and without any all-or-none clause, excluding all pre-emptive rights pursuant to article 2441, paragraph four, second sentence of the Italian Civil Code.

The Plan will last for 9 years (from 2010 to 2019). The options granted to the beneficiaries may be exercised after three years from the grant date (except the first tranche, which will benefit from a shorter vesting period).

On 13 November 2013, the Board of Directors has amended the rules of the "Stock Options Plan 2010-2013" in order to reassign certain options returned in the availability of the Company as a result of resignations by some beneficiaries. In application of the amendment on that date was then proceeded to reassign a tranche of 65,000 options ("Fourth Tranche - bis") that may be exercised under the same operating conditions and in the same exercise period for the options set out in the fourth tranche.

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

The table below shows the changes in the stock option plans occurred during the relevant period:

	No. of options	Average exercise price in Euro
Stock Option Plan 2010-2013		
Outstanding at the beginning of the period	600,000	8.319
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(117,500)	8.284
Outstanding at period-end	482,500	8.328
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	845,000	13.884
Granted	585,000	8.351
Forfeited	(45,000)	13.290
Exercised	-	-
Expired	(50,000)	12.370
Outstanding at period-end	1,335,000	11.536

During the first semester 585,000 options have been granted related to the third tranche of the new Plan 2014-2016.

The adoption of these plans has affected the income statement for the period for Euro 392 thousand (Euro 263 thousand at 30th June 2015).

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first semester of 2016 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:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Purchase of raw materials and finished goods	187,998	183,538
Capitalisation of costs for increase in tangible assets (-)	(4,784)	(4,289)
Change in inventories	(16,534)	7,131
Wages and social security contributions	59,080	50,425
Subcontracting costs	11,504	9,465
Depreciation	10,772	11,401
Rental and operating leases	522	434
Other industrial costs	7,936	6,880
Total	256,494	264,985

The change in inventories can be broken down as follows:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Finished products	(20,024)	(1,014)
Work-in-progress	2,232	1,561
Raw materials	1,259	6,584
Total	(16,534)	7,131

The average number of Group employees in the first semester of 2016 and 2015 can be summarised as follows:

	First semester 2016	First semester 2015
Executives	141	130
Clerks and middle management	2,983	3,207
Factory workers	3,932	3,863
Total	7,056	7,200

3.3 Selling and marketing expenses

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Payroll and social security contributions	68,023	66,018
Sales commissions	37,970	40,096
Royalty expenses	56,495	61,863
Advertising and promotional costs	75,492	81,257
Amortization and depreciation	2,967	2,517
Logistic costs	10,513	8,337
Consultants fees	447	350
Rental and operating leases	8,341	8,981
Utilities	511	509
Provision for risks	57	645
Other sales and marketing expenses	11,736	12,750
Total	272,552	283,323

3.4 General and administrative expenses

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Payroll and social security contributions	42,746	42,945
Allowance and write off of doubtful accounts	2,501	1,597
Amortization and depreciation	7,004	5,714
Consultants fees	6,360	7,721
Rental and operating leases	5,537	5,313
EDP costs	5,578	4,605
Insurance costs	1,113	1,651
Utilities, security and cleaning	3,185	3,597
Taxes (other than on income)	3,093	2,858
Other general and administrative expenses	7,987	8,135
Total	85,104	84,136

3.5 Other income (expenses)

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Losses on disposal of assets	(90)	(62)
Other operating expenses	(6,279)	(3,439)
Write downs of tangible assets	(1,112)	-
Gains on disposal of assets	17	50
Other operating incomes	888	1,686
Total	(6,576)	(1,765)

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 first semester of 2016 were accounted for non-recurring costs of Euro 7,152 thousand (including Euro 1,112 of write down of tangible assets) related to overhead cost saving initiatives, such as the integration of Vale Polaroid lens production into Safilo's China based corporate supply network, and other commercial restructuring costs in the EMEA region. In the same period of the last year non-recurring costs of Euro 1,175 thousand were accounted for mainly related to the consolidation of the Group's North American distribution network into its Denver facility.

3.6 Share of income (loss) of associates

On September 18th 2015 the Group through its subsidiary Safilo Far East Ltd. has finalized the sale of the shares held in the associate Elegance Optical International Holding Ltd, currently the Group no longer has any investments in associates.

3.7 Interest expenses and other financial charges, net

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Interest expenses on loans	300	1,130
Interest expenses and charges on Bond	3,323	3,195
Bank commissions	3,511	3,772
Negative exchange rate differences	15,737	32,737
Fair value charges on the Equity-linked Bond incorporated derivative	-	4,865
Other financial charges	80	46
Total financial charges	22,951	45,745
Interest income	386	104
Positive exchange rate differences	19,526	22,837
Fair value gains on the Equity-linked Bond incorporated derivative	3,300	-
Other financial income	586	97
Total financial income	23,798	23,038
Total financial charges, net	(847)	22,707

The item exchange rate differences includes gains and losses on valuation of financial instruments related to forward contracts at fair value through profit or loss amounted to a gain of Euro 3,029 thousand (a loss of Euro 505 thousand in the first semester 2015).

3.8 Income tax expenses

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2016	First semester 2015
Current taxes	(16,819)	(15,343)
Deferred taxes	2,136	6,948
Total	(14,683)	(8,395)

3.9 Earnings (Losses) per Share

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

Basic

	First semester 2016	First semester 2015
Profit for ordinary shares (in Euro/000)	16,310	8,371
Average number of ordinary shares (in thousands)	62,630	62,535
Earnings per share - basic (in Euro)	0.260	0.134

Diluted

	First semester 2016	First semester 2015
Profit for ordinary shares (in Euro/000)	16,310	8,371
Profit for preferred shares	-	-
Profit in income statement	16,310	8,371
Average number of ordinary shares (in thousands)	62,630	62,545
<i>Dilution effects:</i>		
- stock option (in thousands)	61	226
Total	62,691	62,771
Earnings per share - diluted (in Euro)	0.260	0.133

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

3.10 Seasonality

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

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

In the first semester of 2016, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of 28th July 2006.

3.12 Dividends

In the first semester of 2016, 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 management in line with the management and control model used for the Group. In particular, the criteria applied for the identification of these segments was based on the ways in which the management manages the Group and attributes operational responsibilities.

Information by segment relating to the period ending 30th June 2016 and 30th June 2015 is shown in the tables below.

June 30, 2016				
<i>(Euro/000)</i>				
	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	6,536	-	(6,536)	-
- to third parties	612,442	38,661	-	651,103
Total net sales	618,978	38,661	(6,536)	651,103
Gross profit	371,601	23,008	-	394,609
Operating profit	32,710	(2,332)	-	30,378
Share of income of associates	-	-	-	-
Financial charges, net				847
Income taxes				(14,683)
Net profit				16,542
Other information				
Capital expenditure	21,083	1,703		22,786
Depreciation & amortization	20,266	1,589		21,855

June 30, 2015 (Euro/000)	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	9,124	-	(9,124)	-
- to third parties	627,965	46,960	-	674,925
Total net sales	637,089	46,960	(9,124)	674,925
Gross profit	380,726	29,214	-	409,940
Operating profit	38,514	2,202	-	40,716
Share of income of associates	(1,131)	-		(1,131)
Financial charges, net				(22,707)
Income taxes				(8,395)
Net profit				8,483
Other information				
Capital expenditure	14,455	851		15,306
Depreciation & amortization	17,725	1,908		19,633

RELATED PARTIES TRANSACTIONS

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

Related parties transactions (Euro/000)	Relationship	June 30, 2016	December 31, 2015
<i>Receivables</i>			
Companies controlled by HAL Holding N.V.	(b)	22,572	15,342
Total		22,572	15,342
<i>Payables</i>			
Companies controlled by HAL Holding N.V.	(b)	6,112	9,027
Total		6,112	9,027

Related parties transactions (Euro/000)	Relationship	First semester 2016	First semester 2015
<i>Revenues</i>			
Companies controlled by HAL Holding N.V.	(b)	45,974	45,826
Total		45,974	45,826
<i>Operating expenses</i>			
Elegance Optical International Holdings Ltd	(a)	-	2,223
Companies controlled by HAL Holding N.V.	(b)	2,431	744
Total		2,431	2,967

(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:

- In the third quarter 2015 the Group has disposed the investment in Elegance Optical International Holdings Limited ("Elegance"), a company listed on the Hong Kong stock exchange, owned by Safilo Far East Limited (an indirect subsidiary) for 23.05%, a supplier of optical products for the Group in Asia. The price and other conditions of the production agreement between Safilo Far East Limited and Elegance were 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 Group, with which Safilo carries out commercial transactions in line with market conditions.

CONTINGENT LIABILITIES

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

COMMITMENTS

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

For the Board of Directors
The Chief Executive Officer
Luisa Deplazes de Andrade Delgado

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

The undersigned Luisa Deplazes de Andrade Delgado, as the Chief Executive Officer, and Gerd Graehsler, as the officer responsible for the preparation of Safilo Group S.p.A. financial statements, hereby attest, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree February 24th 1998, no. 58, the adequacy of the administrative and accounting procedures with respect to the Company structure and their effective application in the preparation of the 2016 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2016 were based and the evaluation of their adequacy has been made on a process defined by Safilo Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

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

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

Padua, 3rd August 2016

Luisa Deplazes de Andrade Delgado
Chief Executive Officer

Gerd Graehsler
Manager responsible for the preparation of
the company’s financial documents

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

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

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Safilo Group S.p.A. and subsidiaries (the “Safilo Group”), which comprise the statement of financial position as of June 30, 2016 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Safilo Group as at June 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padova, Italy
August 4, 2016

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