Half-year Financial Report

for the period ended 30th June 2017

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

www.safilogroup.com

SAFILO GROUP S.p.A.

Registered Office

Settima Strada, 15

35129 Padua - Italy

Contents

Board of Directors, committees and auditors

Board of Directors

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

Board of Statutory Auditors

Chairman	Carmen Pezzuto
Regular Auditor	Franco Corgnati
Regular Auditor	Bettina Solimando
Alternate Auditor	Marzia Reginato
Alternate Auditor	Gianfranco Gaudioso

Supervisory Committe

Chairman	Franco Corgnati
	Ines Mazzilli
	Carlotta Boccadoro

Control Risk and Sustainability Committee

Chairman	Ines Mazzilli
	Melchert Frans Groot
	Guido Guzzetti

Remuneration and Nomination Committe

Chairman	Jeffrey A. Cole
	Robert Polet
	Marco Jesi

Transactions with Related Parties Committee

Chairman	Ines Mazzilli
	Guido Guzzetti
	Marco Jesi

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 Extraordinary Shareholders' meeting of Safilo Group S.p.A. held on April 26, 2017 approved the transfer of the legal seat of Safilo Group S.p.A. from Pieve di Cadore (BL) to Padova, via Settima Strada no. 15.

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

Safilo Group has been in the eyewear market for 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 a 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.

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, havaianas, Jack Spade, Jimmy Choo, Juicy Couture, kate spade new york, Liz Claiborne, Marc Jacobs, Max Mara, Max&Co., Pierre Cardin, Saks Fifth Avenue, Swatch e Tommy Hilfiger.

As provided by Italian rules concerning listed companies, half year financial statements are subject to a limited review by the independent auditor. The corresponding review report can be found at the end of this document.

Key consolidated performance indicators

Economic data (Euro in millions)	First semester 2017	%	First semester 2016	%
Net sales	552.6	100.0	651.1	100.0
Cost of sales	(265.4)	(48.0)	(256.5)	(39.4)
Gross profit	287.2	52.0	394.6	60.6
Ebitda	24.1	4.4	52.2	8.0
Ebitda adjusted	27.8	5.0	58.3	8.9
Operating profit	3.3	0.6	30.4	4.7
Operating profit adjusted	7.0	1.3	37.5	5.8
Group profit/(loss) before taxes	(4.0)	(0.7)	31.2	4.8
Profit/(Loss) attributable to the Group	(9.6)	(1.7)	16.3	2.5
Profit/(Loss) attributable to the Group adjusted	(6.6)	(1.2)	22.9	3.5

Economic data (Euro in millions)	Second quarter 2017	%	Second quarter 2016	%
Net sales	315.3	100.0	349.5	100.0
Gross profit	170.4	54.0	210.4	60.2
Ebitda	33.7	10.7	32.4	9.3
Ebitda adjusted	34.0	10.8	33.1	9.5

Balance sheet data (Euro in millions)	June 30, 2017	%	December 31, 2016	%
Total assets	1,468.8	100.0	1,527.1	100.0
Total non-current assets	812.0	55.3	843.5	55.2
Capital expenditure	22.0	1.5	52.4	3.4
Net invested capital	920.3	62.7	921.2	60.3
Net working capital	283.5	19.3	261.7	17.1
Net financial position	(112.7)	(7.7)	(48.4)	(3.2)
Group Shareholders' equity	807.6	55.0	872.8	57.2

Financial data (Euro in millions)	First semester 2017	First semester 2016
Cash flow operating activity	(36.4)	13.0
Cash flow investing activity	(20.8)	(22.4)
Cash flow financing activity	(0.0)	5.0
Closing net financial indebtedness (short-term)	37.2	42.1
Free cash flow	(57.2)	(9.3)

Earnings/(Losses) per share (in Euro)	June 30, 2017	June 30, 2016
Earnings/(Losses) per share – basic	(0.153)	0.260
Earnings/(Losses) per share – diluted	(0.153)	0.260
No. shares in share capital	62,659,965	62,629,965

Group personnel	June 30, 2017	June 30, 2016
Punctual at period end	6,775	7,072

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.

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;
- "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:

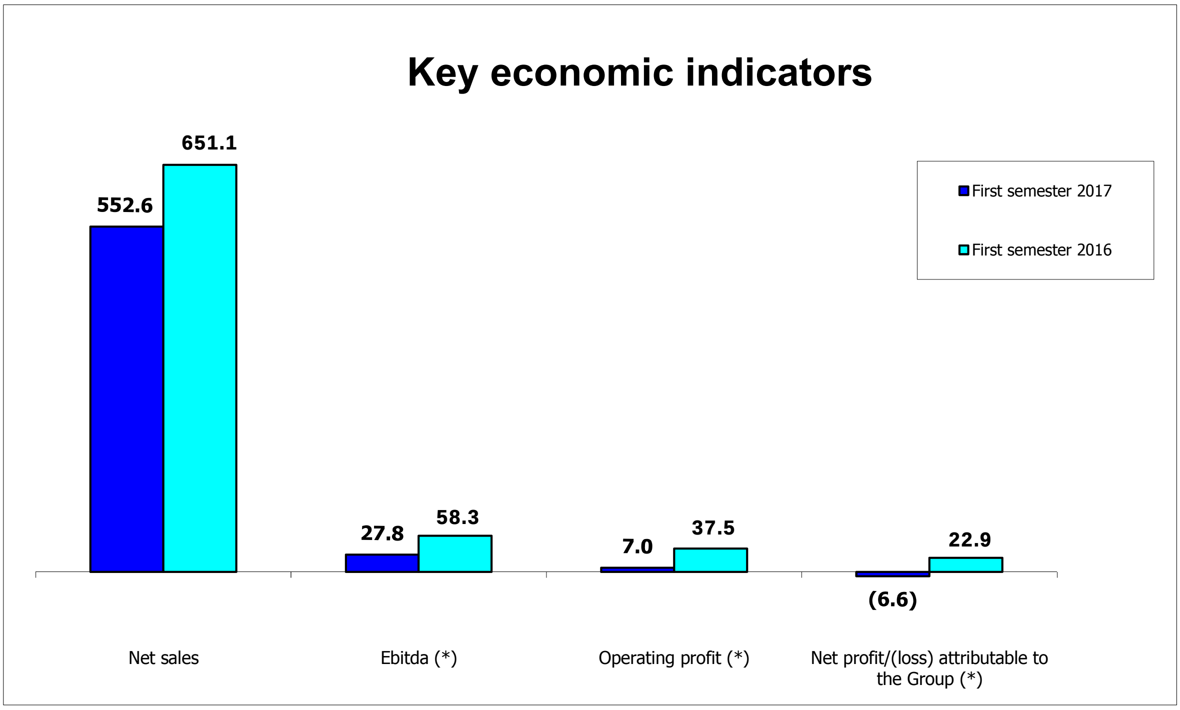
	First semester 2017			First semester 2016		
(Euro in million)	Ebitda	Operating profit	Profit / (Loss) attributable to the Group	Ebitda	Operating profit	Profit / (Loss) attributable to the Group
Economic indicators	**24.1**	**3.3**	**(9.6)**	**52.2**	**30.4**	**16.3**
Restructuring costs	3.6	3.7	3.7	6.1	7.1	7.1
Tax effect on non recurring items	-	-	(0.7)	-	-	(0.6)
Economic indicators adjusted	**27.8**	**7.0**	**(6.6)**	**58.3**	**37.5**	**22.9**

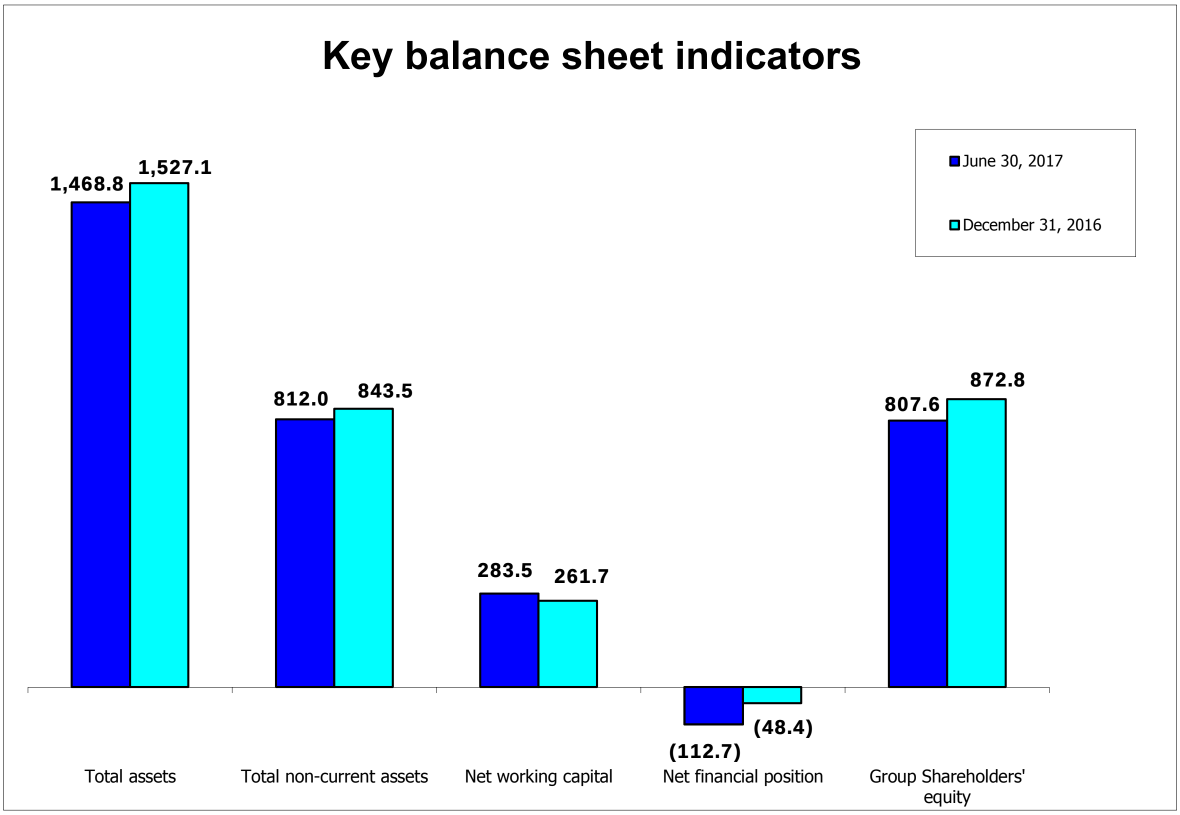
- In the first half of 2017, the adjusted economic results exclude non-recurring costs for Euro 3.7 million, mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives (Euro 3.0 on the Net result). H1 2017 adjusted economic results include an income of Euro 21.5 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 43 million for the full year 2017.

  In Q2 2017, the adjusted EBITDA excludes non-recurring costs for Euro 0.4 million related to overhead cost saving initiatives and it includes an income of Euro 10.8 million, as pro-rata portion of the accounting compensation for the early termination of the Gucci license.

  In the first half of 2016, the adjusted operating results excluded non-recurring costs for a total of Euro 7.1 million (Euro 6.1 million on EBITDA), related for Euro 5.9 million 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 for Euro 1.2 million to commercial restructuring costs in the EMEA region.

<u>Disclaimer</u>
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.





(*) adjusted pre non-recurring items

Information on Group economic results

Q2 2017 total net sales equal Euro 315.3 million, down 9.8% compared to last year at current exchange rates and 10.6% at constant exchange rates, taking H1 2017 total net sales to Euro 552.6 million, down 15.1% at current exchange rates and 16.2% at constant exchange rates.

Q2 Going Forward Brand Portfolio net sales grew 1.2% at constant exchange rate (+2.0% excluding retail), over last year's strong second quarter comparison base, when the business grew 9.0% at constant exchange rate (+11.2% excluding retail).
H1 Going Forward Brand Portfolio net sales declined -6.3% at constant exchange rates (-5.7% excluding retail).

At the operating level, in Q2 2017 the adjusted EBITDA reached Euro 34.0 million, increasing 2.9% compared to the same quarter of 2016. H1 2017 adjusted EBITDA equalled Euro 27.8 million, down 52.3% compared to the same period of 2016, heavily driven by the weak performance recorded in the first quarter of the year driven by the challenges around the implementation of the new Order-To-Cash IT systems in the Padova DC.

The adjusted EBITDA margin increased to 10.8% of sales from 9.5% in Q2 2016, thanks to effective operating cost saving initiatives resulting in a significant improvement of the operating expense leverage. For total H1, the adjusted EBITDA margin declined to 5.0% of sales from 8.9% in H1 2016.

In H1 2017, the Group's adjusted net result equalled a loss of Euro 6.6 million compared to a profit of Euro 22.9 million in H1 2016.

At the end of June 2017, the Group Net Debt stood at Euro 112.7 million, from Euro 111.3 million at the end of March 2017 and Euro 102.8 million at the end of June 2016.

Safilo's H1 results reflect the previously highlighted challenges relating to the implementation in January 2017 of a new Order-To-Cash IT system in the Padua Distribution Center, which negatively impacted a large part of the Group's worldwide sales order fulfillment in the first quarter. By the end of June the resulting backorders had been successfully recovered and full operations re-established.
Also as previously announced, the Group's sales and economic results reflect the exit of the Gucci license at the end of 2016.

Group economic results

Consolidated income statement (Euro in millions)	First semester 2017	%	First semester 2016	%	Change %
Net sales	552.6	100.0	651.1	100.0	-15.1%
Cost of sales	(265.4)	(48.0)	(256.5)	(39.4)	3.5%
Gross profit	**287.2**	**52.0**	**394.6**	**60.6**	**-27.2%**
Selling and marketing expenses	(216.6)	(39.2)	(272.6)	(41.9)	-20.5%
General and administrative expenses	(85.3)	(15.4)	(85.1)	(13.1)	0.2%
Other operating income/(expenses)	18.0	3.3	(6.6)	(1.0)	n.s.
Operating profit	**3.3**	**0.6**	**30.4**	**4.7**	**-89.2%**
Financial charges, net	(7.3)	(1.3)	0.8	0.1	n.s.
Profit/(Loss) before taxation	**(4.0)**	**(0.7)**	**31.2**	**4.8**	**n.s.**
Income taxes	(5.6)	(1.0)	(14.7)	(2.3)	-62.1%
Net profit/(loss)	**(9.6)**	**(1.7)**	**16.5**	**2.5**	**n.s.**
Net profit/(loss) attributable to minority interests	0.0	0.0	0.2	0.0	-100.0%
Net profit/(loss) attributable to the Group	**(9.6)**	**(1.7)**	**16.3**	**2.5**	**n.s.**
EBITDA	**24.1**	**4.4**	**52.2**	**8.0**	**-53.8%**

Economic indicators adjusted	First semester 2017	%	First semester 2016	%	Change %
EBIT adjusted	**7.0**	**1.3**	**37.5**	**5.8**	**-81.4%**
EBITDA adjusted	**27.8**	**5.0**	**58.3**	**8.9**	**-52.3%**
Net profit/(loss) attributable to the Group adjusted	**(6.6)**	**(1.2)**	**22.9**	**3.5**	**n.s.**

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

H1 2017 **Group total net sales** of Euro 552.6 million decreased 15.1% at current exchange rates and 16.2% at constant exchange rates compared to Euro 651.1 million in H1 2016.
In the first half, wholesale revenues were Euro 519.0 million, down 15.3% at current exchange rates and 16.3% at constant exchange rates compared to Euro 612.4 million in H1 2016.
The net sales of the Going Forward Brands declined -6.3% at constant exchange rates (-5.7% excl. retail).

H1 2017 **Gross profit** of Euro 287.2 million declined -27.2% compared to Euro 394.6 million in the first half of 2016, while the gross profit margin equaled 52.0% of sales compared to 60.6% in H1 2016.

H1 2017 **adjusted EBITDA** of Euro 27.8 million declined 52.3% compared to the adjusted EBITDA of Euro 58.3 million recorded in H1 2016. The adjusted EBITDA margin equaled 5.0% of sales compared to 8.9% in H1 2016.
In the first half, the adjusted EBITDA of the wholesale business equaled Euro 32.8 million, down 44.4% compared to the adjusted EBITDA of Euro 59.0 million recorded in H1 2016, while the adjusted wholesale margin was 6.3% of sales compared to 9.6% in H1 2016.

H1 2017 **adjusted EBIT** of Euro 7.0 million decreased 81.4% compared to the adjusted EBIT of Euro 37.5 million registered in H1 2016. The adjusted EBIT margin equaled 1.3% of sales from 5.8% in H1 2016.

H1 2017 total net financial charges equaled Euro 7.3 million compared to a positive impact of Euro 0.8 million in H1 2016. The period reflected the negative impact of net exchange rates differences of Euro 2.0 million (positive impact of Euro 3.8 million in H1 2016), while together net interest charges and other net financial charges decreased 8.0%.
In the first half, the impact of the fair value valuation of the option component embedded in the equity-linked bonds was positive for Euro 0.4 million compared to Euro 3.3 million in the first half of 2016.

H1 2017 **Group adjusted net result** equaled a loss of Euro 6.6 million compared to the adjusted net positive result of Euro 22.9 million recorded in H1 2016.

Consolidated income statement (Euro in millions)	**Second quarter 2017**	**%**	**Second quarter 2016**	**%**	**Change %**
Net sales	315.3	100.0	349.5	100.0	-9.8%
Gross profit	**170.4**	**54.0**	**210.4**	**60.2**	**-19.0%**
EBITDA	**33.7**	**10.7**	**32.4**	**9.3**	**3.9%**

Economic indicators adjusted	**Second quarter 2017**	**%**	**Second quarter 2016**	**%**	**Change %**
EBITDA adjusted	**34.0**	**10.8**	**33.1**	**9.5**	**2.9%**

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

Q2 2017 **Group total net sales** of Euro 315.3 million decreased 9.8% at current exchange rates and 10.6% at constant exchange rates compared to Euro 349.5 million in Q2 2016.
In the quarter, wholesale revenues were Euro 295.2 million, down 9.9% at current exchange rates and 10.6% at constant exchange rates compared to Euro 327.6 million in Q2 2016.
The sales of the Going Forward Brands Portfolio increased 1.2% at constant exchange rates (+2.0% excl. retail), reflecting on one side the recovery of backorders, on the other a challenging comparison base with Q2 2016, when the business increased 9.0% at constant exchange rates (+11.2% excl. retail).

In Q2 2017, the economic performance reflected, at the gross margin level, the negative price/mix effect mainly driven by the exit of the Gucci license and its replacement with the Strategic Product Partnership Agreement with Kering, while the adjusted EBITDA margin benefitted from effective costs saving initiatives and progress on the overhead productivity plan.

Q2 2017 **Gross profit** totaled Euro 170.4 million, down 19.0% compared to Euro 210.4 million in Q2 2016. Gross profit margin equaled 54.0% of net sales compared to 60.2% in Q2 2016.

Q2 2017 **adjusted EBITDA** reached Euro 34.0 million, up 2.9% compared to Euro 33.1 million in Q2 2016.
The adjusted EBITDA margin equaled 10.8% of net sales compared to 9.5% in Q2 2016.
In the second quarter, the adjusted EBITDA of the wholesale business equaled Euro 35.0 million, up 10.1% compared to Euro 31.8 million recorded in Q2 2016, while the adjusted wholesale margin was 11.9% of sales compared to 9.7% in Q2 2016.

Net sales by geographical area (Euro in millions)	**2017**	**%**	**2016**	**%**	**First semester** Change %	Change % (*)	Change % (**)
Europe	267.2	48.3	291.4	44.8	-8.3%	-7.8%	-6.7%
North America	221.8	40.1	259.8	39.9	-14.6%	-17.1%	-4.2%
Asia Pacific	28.9	5.2	58.8	9.0	-50.8%	-51.4%	-17.2%
Rest of the world	34.7	6.3	41.0	6.3	-15.5%	-20.0%	-5.3%
Total	**552.6**	**100**	**651.1**	**100**	**-15.1%**	**-16.2%**	**-6.3%**

Net sales by geographical area (Euro in millions)	**2017**	**%**	**2016**	**%**	**Second quarter** Change %	Change % (*)	Change % (**)
Europe	166.0	52.6	161.4	46.2	2.9%	3.3%	6.9%
North America	107.4	34.1	132.7	38.0	-19.1%	-20.8%	-7.6%
Asia Pacific	17.9	5.7	32.1	9.2	-44.4%	-44.6%	-3.8%
Rest of the world	24.1	7.6	23.4	6.7	3.1%	-1.6%	17.3%
Total	**315.3**	**100**	**349.5**	**100**	**-9.8%**	**-10.6%**	**1.2%**

(*) at constant exchange rates

(**) Sales performance at constant exchange rates of the Going Forward Brand Portfolio, excluding Gucci business

Europe

H1 2017 net sales in Europe equaled Euro 267.2 million compared to Euro 291.4 million in H1 2016, down 8.3% at current exchange rates and 7.8% at constant exchange rates. In the first half, the sales of the Going Forward Brand Portfolio declined by 6.7% at constant exchange rates, due to the significant shortfall in sales order fulfillment recorded in the first quarter of the year.

Q2 2017 net sales in Europe reached Euro 166.0 million compared to Euro 161.4 million in Q2 2016, up 2.9% at current exchange rates and 3.3% at constant exchange rates.

In the quarter, the sales of the Going Forward Brand Portfolio grew by 6.9% at constant exchange rates, a significant recovery performed by the region in most of its important markets on a very challenging comparison base (Europe +18.6% in Q2 2016).

North America

H1 2017 net sales in North America equaled Euro 221.8 million, down 14.6% at current exchange rates and 17.1% at constant exchange rates compared to Euro 259.8 million in H1 2016.

Q2 2017 net sales were Euro 107.4 million, down 19.1% at current exchange rates and 20.8% at constant exchange rates compared to Euro 132.7 million in Q2 2016.

In the first half, the wholesale revenues of the Going Forward Brand Portfolio declined by 2.3% at constant exchange rates, due to the negative performance recorded by the Portfolio in the second quarter (-7.3% at constant exchange rates).

The quarter reflected the continuing weakness of the market environment in department stores and the impact of the renewed strategic direction we are promoting in the market for solid and transparent commercial partnerships, in particular with independent opticians.

Sales of the 103 Solstice stores in the United States (118 stores at the end of June 2016) were Euro 33.5 million in H1 2017 and Euro 20.1 million in Q2, declining respectively 15.8% and 10.7% at constant exchange rates compared to the same periods of 2016. Same store sales performance was negative by 11.0% in H1 and by 5.6% in Q2 2017.

Asia

H1 2017 net sales in Asia equaled Euro 28.9 million, down 50.8% at current exchange rates and 51.4% at constant exchange rates compared to Euro 58.8 million in H1 2016.

In Q2 2017, net sales were Euro 17.9 million, down 44.4% at current exchange rates and 44.6% at constant exchange rates compared to Euro 32.1 million in Q2 2016.

In H1 the Group's total business in Asia-Pacific was over-proportionally impacted by the exit of the Gucci license, which historically accounted for roughly half of the portfolio regional sales, while the significant shortfall in sales order fulfillment suffered in the first quarter largely contributed to the weakness of the going forward business in its development phase.

In H1 the sales of the Going Forward Brands Portfolio declined by 17.2% at constant exchange rates, with the business performance remaining slightly negative also in the second quarter (-3.8% at constant exchange rates).

Rest of the World

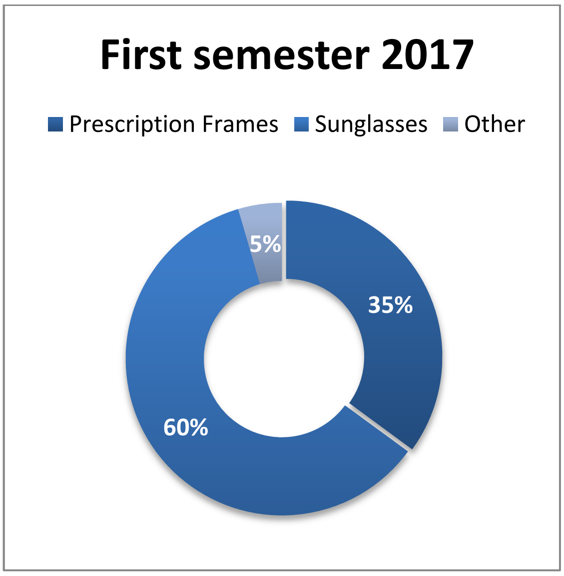
H1 2017 net sales in the Rest of the World equaled Euro 34.7 million, down 15.5% at current exchange rates and 20.0% at constant exchange rates compared to Euro 41.0 million in H1 2016.

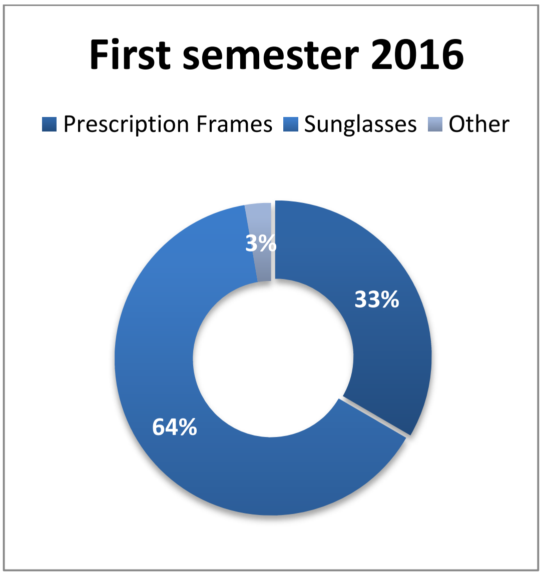
In Q2 2017, net sales were Euro 24.1 million, up 3.1% at current exchange rates and down 1.6% at constant exchange rates compared to Euro 23.4 million in Q2 2016.

In the first half, the sales of the Going Forward Brands Portfolio declined by 5.3% at constant exchange rates, due to the weak performance recorded in Q1 behind the delivery issues.

In the second quarter, the sales of the Going Forward Brands Portfolio saw a significant recovery, up 17.3% at constant exchange rates, thanks to the strong progress of the IMEA markets and the important catch-up recorded by the Latin America business, despite the continued weakness of the Brazilian market.

The charts below summarize the breakdown of net sales as at June 30, 2017 and 2016 by product category:





Analysis by distribution channel – Wholesale / Retail

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

	WHOLESALE					RETAIL				
(Euro million)	First semester 2017	First semester 2016	Change	Change %	Change % (**)	First semester 2017	First semester 2016	Change	Change %	Change % (**)
Net sales to 3rd parties	519.0	612.4	(93.4)	-15.3%	-5.7%	33.6	38.7	(5.1)	-13.2%	-14.3%
EBITDA (*)	32.8	59.0	(26.2)	-44.4%		(5.0)	(0.7)	(4.3)	n.s.	
%	*6.3%*	*9.6%*				*-15.0%*	*-1.9%*			

(*) Pre non recurring items in the first semester 2017 in wholesale segment for 3,6 million Euro (6,1 million Euro in the first semester 2016).

(**) Sales performance at constant exchange rates of the Going Forward Brand Portfolio, excluding Gucci business

Turnover for the wholesale segment in the first six months of 2017 amounts to Euro 519.0 million compared to Euro 612.4 million of the same period of 2016, marking a decrease of 15.3% at current exchange rates (-16.3% at constant exchange rates). Sales performance of the going forward brands decreased 5.7% at constant exchange rates.

The EBITDA adjusted margin for the first semester 2017 is 6.3%, compared to 9.6% of the same period of 2016.

The Solstice retail chain, which currently numbers 103 stores, recorded sales of Euro 33.6 million in the first six months of 2017, compared to Euro 38.7 of the same period of the previous year marking a decrease of 13.2% at current exchange rates (-15.8% at constant exchange rates). Sales performance of the going forward brands decreased of 14.3% at constant exchange rates.

Balance sheet reclassified

Balance sheet (Euro million)	**June 30, 2017**	**December 31, 2016**	**Change**
Trade receivables	235.9	237.4	(1.5)
Inventory, net	271.1	272.8	(1.7)
Trade payables	(223.5)	(248.5)	25.0
Net working capital	**283.5**	**261.7**	**21.7**
Tangible assets	193.4	197.6	(4.2)
Intangible assets and goodwill	489.9	512.4	(22.5)
Financial assets	-	-	-
Non-current assets held for sale	1.4	1.5	(0.0)
Net fixed assets	**684.8**	**711.5**	**(26.7)**
Employee benefit liability	(29.7)	(31.4)	1.7
Other assets / (liabilities), net	(18.3)	(20.7)	2.4
NET INVESTED CAPITAL	**920.3**	**921.2**	**(0.9)**
Cash in hand and at bank	78.2	109.0	(30.8)
Short term borrowings	(51.0)	(20.0)	(31.0)
Long term borrowings	(139.9)	(137.4)	(2.5)
NET FINANCIAL POSITION	**(112.7)**	**(48.4)**	**(64.3)**
Group Shareholders' equity	(807.6)	(872.8)	65.2
Non-controlling interests	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**(807.6)**	**(872.8)**	**65.2**

Cash flow

The summary statement of cash flows for the six months ended 30 June 2017, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro million)	**First semester 2017**	**First semester 2016**	**Change**
Cash flow operating activities	(36.4)	13.0	(49.5)
Cash flow investing activities	(20.8)	(22.4)	1.5
Free cash flow	**(57.2)**	**(9.3)**	**(47.9)**

In H1 2017, Free Cash Flow was negative for Euro 57.2 million compared to a negative flow of Euro 9.3 million in H1 2016.

Cash flow from operating activities reflected the negative economic performance of the period and the cash absorption at the Working Capital level mainly due to the decrease of trade payables.

In H1 2017, Cash Flow for investing activities was Euro 20.8 million, driven by investments in the supply network and in Information Technology.

Net working capital

Net working capital (Euro million)	**June 30, 2017**	**June 30, 2016**	**Change vs June 2016**	**December 31, 2016**
Trade receivables, net	235.9	266.7	(30.8)	237.4
Inventories	271.1	268.6	2.4	272.8
Trade payables	(223.5)	(230.2)	6.7	(248.5)
Net working capital	**283.5**	**305.2**	**(21.7)**	**261.7**
% on net sales LTM	*24.6%*	*24.3%*		*20.9%*

Net working capital at 30 June 2017 amounted to Euro 283.5 million compared with Euro 305.2 million in the same period of 2016. The ratio of working capital to sales rolling LTM at 30 June 2017 is equal to 24.6% compared to 24.3% recorded on 30 June 2016.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro million)	First semester 2017	First semester 2016	Change
Headquarters	6.9	5.6	1.3
Production factories	9.3	12.8	(3.5)
Europe	0.1	0.3	(0.2)
Americas	5.6	3.9	1.7
Far East	0.1	0.2	(0.1)
Total	**22.0**	**22.8**	**(0.8)**

In the first six months of 2017 capital expenditures amounted to Euro 22.0 million compared with the Euro 22.8 million of the same period of the previous year.

Net financial position

Net financial position (Euro million)	June 30, 2017	March 31, 2017	Change vs March	June 30, 2016	Change vs June
Bank overdrafts and short term bank borrowings	(41.0)	(52.8)	11.7	(29.9)	(11.2)
Other short-term borrowings	(10.0)	(10.0)	0.0	(10.0)	0.0
Cash and cash equivalent	78.2	90.1	(11.8)	72.0	6.2
Short-term net financial position	**27.2**	**27.3**	**(0.1)**	**32.1**	**(4.9)**
Bonds	(139.9)	(138.6)	(1.3)	(134.9)	(5.0)
Long-term net financial position	**(139.9)**	**(138.6)**	**(1.3)**	**(134.9)**	**(5.0)**
NET FINANCIAL POSITION	**(112.7)**	**(111.3)**	**(1.4)**	**(102.8)**	**(9.9)**

At the end of June 2017, Group Net Debt stood at Euro 112.7 million, compared to Euro 111.3 million at the end of March 2017 and to Euro 102.8 million at the end of June 2016.

The net financial position does not include the option component embedded in the "equity-linked" Bonds at June 31, 2017 equal to Euro 30 thousand (Euro 0.5 million at 31 December 2016), recognized under "derivative financial instruments" and the fair value of the other derivatives financial instruments, equal to a net liability of approximately Euro 10.5 million (a positive amount of Euro 0.4 million at 31 December 2016).

Personnel

The Group's total workforce at 30 June 2017, 31 December 2016 and 30 June 2016 is summarized below:

	June 30, 2017	December 31, 2016	June 30, 2016
Padua headquarters	1,124	1,065	1,065
Production factories	3,820	4,117	4,038
Trading companies	1,133	1,141	1,208
Retail	698	805	761
Total	**6,775**	**7,128**	**7,072**

Half-year Condensed Financial Statements

and Notes

at June 30th, 2017

Consolidated balance sheet

(Euro/000)	***Notes***	**June 30, 2017**	**of which related parties**	**December 31, 2016**	**of which related parties**
ASSETS					
Current assets					
Cash and cash equivalents	*2.1*	78,222		109,038	
Trade receivables	*2.2*	235,899	22,388	237,407	20,965
Inventory	*2.3*	271,071		272,815	
Derivative financial instruments	*2.4*	144		1,997	
Other current assets	*2.5*	70,051		60,828	
Total current assets		**655,387**		**682,085**	
Non-current assets					
Tangible assets	*2.6*	193,435		197,606	
Intangible assets	*2.7*	63,866		64,108	
Goodwill	*2.8*	426,043		448,302	
Deferred tax assets	*2.9*	92,211		96,785	
Derivative financial instruments	*2.4*	-		-	
Other non-current assets	*2.10*	36,407		36,700	
Total non-current assets		**811,962**		**843,501**	
Non-current assets held for sale	*2.6*	**1,445**		**1,475**	
TOTAL ASSETS		**1,468,794**		**1,527,061**	

(Euro/000)	*Notes*	June 30, 2017	of which related parties	December 31, 2016	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.11*	51,038		20,013	
Trade payables	*2.12*	223,493	6,310	248,492	8,386
Tax payables	*2.13*	30,925		18,627	
Derivative financial instruments	*2.4*	10,688		1,624	
Other current liabilities	*2.14*	79,150		91,967	
Provisions for risks and charges	*2.15*	25,171		27,640	
Total current liabilities		**420,465**		**408,363**	
Non-current liabilities					
Long-term borrowings	*2.11*	139,885		137,393	
Employees benefits liability	*2.16*	29,716		31,395	
Provisions for risks and charges	*2.15*	14,309		14,798	
Deferred tax liabilities	*2.9*	11,977		16,241	
Derivative financial instruments	*2.4*	30		484	
Other non-current liabilities	*2.17*	44,853		45,583	
Total non-current liabilities		**240,770**		**245,894**	
TOTAL LIABILITIES		**661,235**		**654,257**	
Shareholders' equity					
Share capital	*2.18*	313,300		313,300	
Share premium reserve	*2.19*	484,862		484,862	
Retained earnings and other reserves	*2.20*	19,291		216,743	
Cash flow hedge reserve	*2.21*	(293)		-	
Income/(Loss) attributable to the Group		(9,601)		(142,101)	
Total shareholders' equity attributable to the Group		**807,559**		**872,804**	
Non-controlling interests		**-**		**-**	
TOTAL SHAREHOLDERS' EQUITY		**807,559**		**872,804**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,468,794**		**1,527,061**	

Consolidated income statement

(Euro/000)	*Notes*	First semester 2017	of which related parties	First semester 2016	of which related parties
Net sales	*3.1*	552,584	33,538	651,103	45,974
Cost of sales	*3.2*	(265,377)	-	(256,494)	-
Gross profit		**287,207**		**394,609**	
Selling and marketing expenses	*3.3*	(216,645)	(1,047)	(272,552)	(2,431)
General and administrative expenses	*3.4*	(85,253)		(85,104)	
Other operating income/(expenses)	*3.5*	17,961		(6,576)	
Operating profit / (loss)		**3,270**		**30,378**	
Share of income/(loss) of associates		-		-	
Financial charges, net	*3.6*	(7,303)		847	
Profit / (Loss) before taxation		**(4,032)**		**31,225**	
Income taxes	*3.7*	(5,569)		(14,683)	
Profit / (Loss) of the period		**(9,601)**		**16,542**	
Profit / (Loss) attributable to:					
Owners of the parent		(9,601)		16,310	
Non-controlling interests		-		232	
Earnings/(Losses) per share - basic (Euro)	*3.8*	(0.153)		0.260	
Earnings/(Losses) per share - diluted (Euro)	*3.8*	(0.153)		0.260	

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	First semester 2017	First semester 2016
Net profit (loss) for the period (A)		**(9,601)**	**16,542**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		12	(1,953)
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**12**	**(1,953)**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	*2.21*	(293)	(690)
- Gains/(Losses) on exchange differences on translating foreign operations	*2.20*	(55,593)	(14,892)
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**(55,886)**	**(15,582)**
Other comprehensive income/(loss), net of tax (B)		**(55,874)**	**(17,535)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(65,475)**	**(993)**
Attributable to:			
Owners of the parent		(65,475)	(1,225)
Non-controlling interests		-	232
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(65,475)**	**(993)**

Consolidated statement of cash flows

(Euro/000)	*Notes*	**First semester 2017**	**First semester 2016**
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*2.1*	**99,025**	**47,618**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(9,601)	16,542
Depreciation and amortization	*2.6-2.7*	20,879	21,855
Other non-monetary P&L items		(13,254)	(6,677)
Interest expenses, net	*3.8*	3,566	3,236
Income tax expenses	*3.9*	5,570	14,683
Flow from operating activities prior to movements in working capital		**7,161**	**49,639**
(Increase) Decrease in trade receivables		(6,190)	(22,396)
(Increase) Decrease in inventory, net		(6,719)	(16,534)
Increase (Decrease) in trade payables		(20,611)	11,869
(Increase) Decrease in other receivables		(9,727)	(1,029)
Increase (Decrease) in other payables		12,486	9,232
Interest expenses paid		(979)	(983)
Income taxes paid		(11,850)	(16,754)
Total (B)		**(36,430)**	**13,044**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(16,138)	(18,291)
Net disposals of property, plant and equipment		1,182	426
Acquisition of minorities (in subsidiaries)		-	-
(Acquisition) Disposal of investments and bonds		-	-
Purchase of intangible assets, net of disposals		(5,866)	(4,495)
Total (C)		**(20,822)**	**(22,359)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		-	5,000
Repayment of borrowings		-	-
Share capital increase		-	-
Dividends paid		-	-
Total (D)		**-**	**5,000**
E - Cash flow for the period (B+C+D)		**(57,253)**	**(4,316)**
Translation exchange differences		(4,589)	(1,208)
Total (F)		**(4,589)**	**(1,208)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**37,184**	**42,094**

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, 2017	**313,300**	**484,862**	**149,803**	**-**	**(75,161)**	**872,804**	**-**	**872,804**
Profit/(Loss) for the period	-	-	-	-	(9,601)	(9,601)	-	**(9,601)**
Other comprehensive income (loss) for the period	-	-	(55,593)	(293)	12	(55,874)	-	**(55,874)**
Total comprehensive income (loss) for the period	**-**	**-**	**(55,593)**	**(293)**	**(9,589)**	**(65,475)**	**-**	**(65,475)**
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	-	-	-	-	230	230	-	**230**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at June 30, 2017	**313,300**	**484,862**	**94,210**	**(293)**	**(84,520)**	**807,559**	**-**	**807,559**

(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/(Loss) 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**

NOTES

1. Basis of preparation

1.1 General information

These half-year condensed consolidated financial statements refer to the financial period from January 1st 2017 to June 30th 2017. Economic and financial information is provided with reference to the first semester of 2017 and 2016 whilst balance sheet information is provided with reference to June 30th 2017 and December 31st 2016.

The half-year consolidated financial report of Safilo Group at June 30th 2017, 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 2016.

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

These financial statements were approved by the Board of Directors on 2nd August 2017.

1.2 Accounting standards, amendments and interpretations applied from 1st January 2017

In preparing these half-year consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31st December 2016 have been applied.

There are no new standards or amendments, effective from 1 January 2017, that are applicable to the Group.

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

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 a 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.

The Group will comply with these new standards and amendments based on their relevant effective dates, and is currently evaluating their potential impacts, according to the analysis performed, expecting that their application should not cause any significant effect on the Consolidated financial statements.

Accounting standards, amendments and interpretations not yet completed and endorsed by the European Union

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

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 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 leases 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. Considering that these amendments were applicable from January 1, 2017 but have not yet been approved by the European Union, the Group has not adopted them as of June 30, 2017.

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. Considering that these amendments were applicable from January 1, 2017 but have not yet been approved by the European Union, the Group has not adopted them as of June 30, 2017.

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.

On 8 December 2016 the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle" (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) that partially integrate the pre-existing standards.

On 8 December 2016 the IASB published the interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration". The interpretation has the scope to provide guidelines for transactions incurred in foreign currency where non-monetary prepayments or advance payments will be recognized in the financial statement, before the recognition of related asset, expense or revenue. This document provides the directions on how an entity has to define the date of a transaction, and consequently, the spot exchange rate to use when will incur transaction in foreign currency in which the payment is made or received in advance. IFRIC 22 will apply from 1 January 2018, but early application is allowed.

On 8 December 2016 the IASB published the amendment to IAS 40 "Transfers of Investment Property". These changes clarify the reclassification of an asset to, or from, property investment. In particular, an entity has to reclassify an asset between, or from, property investments only when there is the evidence that there has been a change of use. This change must be brought back to a specific event that happened and should not therefore be limited to a change of intention by the management of an entity. Such changes will apply from 1 January 2018, but early application is allowed.

On 7 June 2017 the IASB published the interpretative document IFRIC 23 "Uncertainty over Income Tax Treatments". The document addresses uncertainties about the fiscal treatment to be adopted in the area of income tax. The document provides that uncertainties in the determination of liabilities or tax assets are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question.
In addition, the document does not contain any new disclosure requirements, but highlights that the entity will have to determine whether it will be necessary to provide with information on management's considerations about the inherent uncertainty in the accounting for taxes, in compliance with IAS 1. The new interpretation will apply from 1 January 2019, 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 2017, the Group's consolidation area has not changed, the relevant events occurred during the semester refer to:

- starting from 1 January 2017 Safilo Industrial S.r.l., established on 12 October 2016, has been effective as Italian manufacturing company comprising Safilo's Italian plants and workforce;
- on 1 February 2017 the liquidation process of Safilo Korea Ltd. has formally started;
- on 3 April 2017 the liquidation of Polaroid UK Ltd. has formally started, the final step of the integration plan of the Polaroid lens production process into Safilo's China based corporate supply network.

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. – Padua	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	100.0
Safilo Industrial S.r.l. - Padua	EUR	10,000	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo 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 Shenzen Limited- Shenzen (RC)	CNY	2,481,000	100.0
Safilo Eyewear (Shenzen) 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	16,713,710,000	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	197,135,000	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 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	100,000	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 Ltd - Dumbarton (UK)	GBP	2	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000	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.

		As of		(Appreciation) / Depreciation	Average for		(Appreciation) / Depreciation
Currency	**Code**	**June 30, 2017**	**December 31, 2016**	**%**	**June 30, 2017**	**June 30, 2016**	**%**
US Dollar	USD	1.1412	1.0541	8.3%	1.0830	1.1157	-2.9%
Hong-Kong Dollar	HKD	8.9068	8.1751	9.0%	8.4199	8.6669	-2.8%
Swiss Franc	CHF	1.0930	1.0739	1.8%	1.0766	1.0959	-1.8%
Canadian Dollar	CAD	1.4785	1.4188	4.2%	1.4453	1.4846	-2.6%
Japanese Yen	YEN	127.7500	123.4000	3.5%	121.7804	124.4162	-2.1%
British Pound	GBP	0.8793	0.8562	2.7%	0.8606	0.7787	10.5%
Swedish Krown	SEK	9.6398	9.5525	0.9%	9.5968	9.3020	3.2%
Australian Dollar	AUD	1.4851	1.4596	1.7%	1.4364	1.5218	-5.6%
South-African Rand	ZAR	14.9200	14.4570	3.2%	14.3063	17.1977	-16.8%
Russian Ruble	RUB	67.5449	64.3000	5.0%	62.8057	78.3228	-19.8%
Brasilian Real	BRL	3.7600	3.4305	9.6%	3.4431	4.1310	-16.7%
Indian Rupee	INR	73.7445	71.5935	3.0%	71.1760	74.9940	-5.1%
Singapore Dollar	SGD	1.5710	1.5234	3.1%	1.5208	1.5398	-1.2%
Malaysian Ringgit	MYR	4.8986	4.7287	3.6%	4.7511	4.5734	3.9%
Chinese Renminbi	CNY	7.7385	7.3202	5.7%	7.4448	7.2955	2.0%
Korean Won	KRW	1,304.5600	1,269.3600	2.8%	1,236.3302	1,318.8060	-6.3%
Mexican Peso	MXN	20.5839	21.7719	-5.5%	21.0441	20.1703	4.3%
Turkish Lira	TRY	4.0134	3.7072	8.3%	3.9391	3.2583	20.9%
Dirham United Emirates	AED	4.1893	3.8696	8.3%	3.9758	4.0959	-2.9%

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 78,222 thousand, compared to Euro 109,038 thousand at 31st December 2016 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 item "Cash and cash equivalents" with the cash balance presented on the cash flow statement:

(Euro/000)	**June 30, 2017**	**December 31, 2016**	**June 30, 2016**
Cash and cash equivalents	78,222	109,038	71,982
Bank overdrafts	(1,038)	(13)	(4,888)
Current bank borrowings	(40,000)	(10,000)	(25,000)
Net cash and cash equivalents	**37,184**	**99,025**	**42,094**

2.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Gross value receivables	262,973	266,829
Allowance for doubtful accounts and sales returns	(27,074)	(29,422)
Net value	**235,899**	**237,407**

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

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

(Euro/000)	**Balance at January 1, 2017**	**Posted to income statement**	**Use (-)**	**Transl. Diff.**	**Balance at June 30, 2017**
Allowance for bad debts	19,589	1,598	(4,933)	(226)	16,028
Allowance for sales returns	9,833	4,060	(2,450)	(397)	11,045
Total	**29,422**	**5,658**	**(7,383)**	**(623)**	**27,074**

The allowance for bad and doubtful debts includes the provision for insolvency posted on the income statement under the item "general and administrative expenses" (note 3.4).

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

2.3 Inventory, net

This item breaks down as follows:

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Raw materials	106,220	111,562
Work in progress	5,655	8,212
Finished products	280,377	280,084
Gross	**392,252**	**399,858**
Obsolescence provision (-)	(121,181)	(127,043)
Total	**271,071**	**272,815**

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

The movements in the period are shown below:

(Euro/000)	**Balance at January 1, 2017**	**Posted to income statement**	**Transl. Diff.**	**Balance at June 30, 2017**
Inventory gross value	399,858	4,085	(11,691)	392,252
Obsolescence provision	(127,043)	2,634	3,228	(121,181)
Total net	**272,815**	**6,719**	**(8,463)**	**271,071**

2.4 Derivative financial instruments

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

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Current assets:		
- Foreign currency contracts - Fair value through P&L	144	1,997
Total	**144**	**1,997**

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	10,399	1,624
- Foreign currency contracts - cash flow hedge	289	-
Total	**10,688**	**1,624**
Non-current liabilities:		
- Fair value cash settlement option convertible Bond	30	484
Total	**30**	**484**

The market value of the forward hedge contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had outstanding contracts for the hedging against exchange rate fluctuations for a negative net market value of Euro 10,544 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 30 thousand.

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	June 30, 2017	December 31, 2016
VAT receivable	34,186	21,410
Tax credits and payments on account	15,731	18,005
Prepayments and accrued income	12,225	14,644
Receivables from agents	474	684
Other current receivables	7,435	6,085
Total	**70,051**	**60,828**

"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 6,757 thousand;
- prepaid rent and operating leases of Euro 1,163 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 mainly refer to deposit payments and other receivables, mainly of commercial nature.

2.6 Property, plant and equipment, net

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

(Euro/000)	**Balance at January 1, 2017**	**Increase**	**Decrease**	**Reclass.**	**Transl. diff.**	**Balance at June 30, 2017**
Gross value						
Land and buildings	137,658	55	(369)	378	(1,474)	136,248
Plant and machinery	211,663	321	(6,241)	5,229	(1,555)	209,418
Equipment and other assets	215,853	2,290	(2,501)	5,230	(9,273)	211,599
Assets under constructions	6,643	13,474	(13)	(10,838)	(280)	8,987
Total	**571,818**	**16,139**	**(9,123)**	**-**	**(12,581)**	**566,252**
Accumulated depreciation						
Land and buildings	50,870	1,627	(229)	-	(456)	51,812
Plant and machinery	153,755	4,153	(6,050)	39	(823)	151,074
Equipment and other assets	169,587	9,336	(1,663)	(39)	(7,290)	169,932
Total	**374,212**	**15,116**	**(7,942)**	**-**	**(8,569)**	**372,817**
Net value	**197,606**	**1,023**	**(1,182)**	**-**	**(4,012)**	**193,435**

Investments in tangible assets in the first semester totalled Euro 16,139 thousand and mainly comprised:

- Euro 9,252 thousand in production facilities, mainly to renovate plants and to acquire and produce equipment for new models;
- Euro 5,074 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 refers to the production plant of Polaroid UK Ltd. which is subject to a plan of disposal in course of negotiation.

2.7 Intangible assets

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

(Euro/000)	Balance at January 1, 2017	Increase	Decrease	Reclass.	Transl. diff.	Balance at June 30, 2017
Gross value						
Software	63,547	147	(193)	7,263	(1,211)	69,553
Trademarks and licenses	55,052	-	(34)	323	(49)	55,291
Other intangible assets	9,123	49	(246)	83	(66)	8,942
Intangible assets in progress	8,049	5,702	-	(7,669)	(73)	6,009
Total	**135,771**	**5,897**	**(473)**	**-**	**(1,400)**	**139,796**
Accumulated amortization						
Software	39,183	4,594	(162)	-	(998)	42,618
Trademarks and licenses	24,801	1,098	(34)	-	(50)	25,815
Other intangible assets	7,679	72	(246)	-	(8)	7,497
Total	**71,663**	**5,764**	**(442)**	**-**	**(1,055)**	**75,930**
Net value	**64,108**	**133**	**(31)**	**-**	**(345)**	**63,866**

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

(Euro/000)	***Notes***	First semester 2017	First semester 2016
Cost of sales	*3.2*	10,297	10,772
Selling and marketing expenses	*3.3*	2,514	2,967
General and administrative expenses	*3.4*	8,068	7,004
Other operating income/(expenses)	*3.5*	-	1,112
Total		**20,879**	**21,855**

2.8 Goodwill

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

(Euro/000)	Balance at January 1, 2017	Increase	Decrease	Transl. diff.	Balance at June 30, 2017
Goodwill	448,302	-	-	(22,259)	426,043

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

(Euro/000)	Italy and Europe	Americas	Asia	Total
June 30, 2017	160,153	223,596	42,294	426,043
December 31, 2016	160,612	241,610	46,080	448,302

The impairment test on goodwill has been performed for the purposes of the 2016 annual report. In consideration of the performance of the first half 2017, Management deemed it to be appropriate to perform a verification aimed at ascertaining, with particular reference to the CGU Far East, that no indication exists that the value of the goodwill may need to be impaired.

Management identified the difficulties related to the go live of the new Order-To-Cash IT system in the Padova DC as the main reason for the performance below expectations obtained in the first half 2017 for all CGU's, and, with the confidence that this issue has been solved, did not consider it necessary to modify the hypotheses underlying the impairment test prepared for the purposes of 2016 annual report.

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:

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Net deferred tax assets	92,211	96,785
Deferred tax liabilities	(11,977)	(16,241)
Total	**80,234**	**80,544**

2.10 Other non-current assets

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Long-term guarantee deposits	3,218	3,475
Other long-term receivables	30,177	30,213
Long-term tax receivables	3,012	3,012
Total	**36,407**	**36,700**

Long-term guarantee deposits mainly refer to security deposits for leasing contracts related to buildings used by some of the Group's companies.

Other long-term receivables mainly refer to the third tranche of the Gucci compensation, agreed as part of the contracts executed on January 12, 2015 with Kering Group for the conclusion of the license agreement at the end of December 2016, equal to 30 million Euro that will be collected in September 2018.

It is considered that the book value of the other non-current assets is approximately equal to their fair value.

2.11 Bank loans and borrowings

Borrowings break down as follows:

(Euro/000)	June 30, 2017	December 31, 2016
Bank overdrafts	1,038	13
Short-term bank loans	40,000	10,000
Debt to the factoring company	10,000	10,000
Short-term borrowings	**51,038**	**20,013**
Convertible Bonds	139,885	137,393
Long-term borrowings	**139,885**	**137,393**
Total	**190,923**	**157,406**

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 2017.

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 30 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:

(Euro/000)	**June 30, 2017**	**December 31, 2016**
From 1 to 2 years	139,885	-
From 2 to 3 years	-	137,393
From 3 to 4 years	-	-
From 4 to 5 years	-	-
Beyond 5 years	-	-
Total	**139,885**	**137,393**

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 the date of this report:

(Euro/000)	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	149,994	41,038	108,956
Credit lines on long-term loans	150,000	-	150,000
Total	**299,994**	**41,038**	**258,956**

The credit lines available on bank accounts and short term bank loan are underwitten with several banks and are renewed every year.

The credit lines available on long-term loans are related to the 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 at 30th June 2017.

The net financial position of the Group at June 30th, 2017 compared to the same as of December 31st, 2016 is as follows:

	Net financial position *(Euro/000)*	**June 30, 2017**	**December 31, 2016**	**Change**
A	Cash and cash equivalents	78,222	109,038	(30,816)
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**78,222**	**109,038**	**(30,816)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(41,038)	(10,013)	(31,025)
G	Current portion of long-term borrowings	-	-	-
H	Other short-term borrowings	(10,000)	(10,000)	-
I	**Debts and other current financial liabilities (F+G+H)**	**(51,038)**	**(20,013)**	**(31,025)**
J	**Current financial position, net (D)+(E)+(I)**	**27,184**	**89,025**	**(61,841)**
K	Long-term bank borrowings	-	-	-
L	Bonds	(139,885)	(137,393)	(2,492)
M	Other long-term borrowings	-	-	-
N	**Debts and other non current financial liabilities (K+L+M)**	**(139,885)**	**(137,393)**	**(2,492)**
I	**Net financial position (J)+(N)**	**(112,701)**	**(48,368)**	**(64,333)**

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:

(Euro/000)	June 30, 2017	December 31, 2016
Trade payables for:		
Purchase of raw materials	64,519	55,824
Purchase of finished goods	63,944	72,247
Suppliers from subcontractors	4,012	7,078
Tangible and intangible assets	6,282	7,456
Commissions	2,661	1,775
Royalties	18,101	20,409
Advertising and marketing costs	18,612	26,758
Services	45,362	56,945
Total	**223,493**	**248,492**

2.13 Tax payables

At 30th June 2017, tax payables total Euro 30,925 thousand, compared to Euro 18,627 thousand at 31st December 2016, of which Euro 7,259 thousand related to income tax payables, Euro 17,614 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:

(Euro/000)	June 30, 2017	December 31, 2016
Payables to personnel and social security institutions	43,819	38,047
Agent fee payables	735	1,280
Payables to pension funds	1,140	1,294
Accrued advertising and sponsorship costs	2,708	581
Accrued interests on long-term loans	203	204
Other accruals and deferred income	29,373	48,625
Other current liabilities	1,172	1,936
Total	**79,150**	**91,967**

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.

The decrease of the "other accruals and deferred income" is mainly related to the accounting of the compensation for the conclusion of the Gucci license agreement that, according to the analysis of the underlying performance obligations, has been deferred for the most part in term of profit and loss impact. The other current deferred incomes include the residual part of this compensation, equal to 43 million Euro as at December 31, 2016, that will be recognized in the profit and loss in in the second half of 2017. As at June 30, 2017 the amount recognized on the profit and loss as pro rata portion has been equal to 21.5 million Euro, see also the information reported on note 3.5 "Other operating income (expenses)".

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:

(Euro/000)	Balance at January 1, 2017	Increase	Decrease	Transl. diff.	Balance at June 30, 2017
Product warranty provision	5,434	43	(58)	-	5,419
Agents' severance indemnity	2,995	52	(152)	(3)	2,892
Provision for corporate restructuring	375	-	(59)	(26)	290
Other provisions for risks and charges	5,994	285	(572)	-	5,708
Provisions for risks - long term	**14,798**	**379**	**(841)**	**(28)**	**14,309**
Product warranty provision	2,352	88	(117)	(70)	2,254
Provision for corporate restructuring	2,583	1,068	(2,461)	(45)	1,145
Other provisions for risks and charges	22,705	208	(1,092)	(48)	21,772
Provisions for risks - short term	**27,640**	**1,364**	**(3,671)**	**(163)**	**25,171**
Total	**42,438**	**1,743**	**(4,511)**	**(191)**	**39,480**

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.

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects in place, the decrease of the provision in mainly related to release to cover the cost incurred for the completion of the integration of Polaroid lens production into Safilo's China based supply network.

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 ("FCA") accrued in 2015. On 24 February 2017, the FCA's Body decided to refer the entire case back for further investigation to the FCA's Investigation Services, without imposing any sanction on all the companies currently under investigation. While the next steps in the case from the side of the Authority are not yet known at today's date, the Group has at this point decided to maintain its provision unchanged at 17,000 thousand Euro.

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:

(Euro/000)	**June 30, 2017**	**December 31, 2016**
Defined contribution plan	517	192
Defined benefit plan	29,199	31,203
Total	**29,716**	**31,395**

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:

(Euro/000)	**Balance at January 1, 2017**	**Posted to income statement**	**Uses**	**Transl. diff.**	**Balance at June 30, 2017**
Defined benefit plan	31,203	(485)	(1,500)	(19)	29,199

2.17 Other non-current liabilities

(Euro/000)	Balance at January 1, 2017	Increase	Decrease	Transl. diff.	Balance at June 30, 2017
Other non current liabilities	45,583	9	(339)	(401)	44,853

Other non-current liabilities are mainly related to the accounting of the compensation for the conclusion of the Gucci license agreement which, according to the analysis of the underlying performance obligations has been deferred for the most part in terms of profit and loss impact. The non-current deferred income relating the part of the compensation, equal to 39 million Euro, will be recognized in the profit and loss in 2018.

The other non-current liabilities comprised also 5,853 thousand Euro mainly related to long-term debt under leases of stores of the U.S. subsidiary Solstice and the remaining portion for non-current liabilities recorded by some Group's companies.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30th June 2017, shareholders' equity amounted to Euro 807,559 thousand, against Euro 872,804 thousand at 31st December 2016.

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 and the Group constantly monitors the ratio between indebtedness and shareholders' equity.

2.18 Share capital

At 30th June 2017 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 313,299,825 consisting of no. 62,659,965 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 to 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 484,861,564.

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 26 April 2017, as proposed by the Board of Directors held on 15 March 2017, have approved the capital increase up to a nominal value of Euro 12,500,000.00 by means of the issuance of up to a maximum of 2,500,000 ordinary shares, with a par value equal to 5.00 Euro, for the purpose of the 2017-2020 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 2,500,000 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.

This Plan is in addition to the ones already in place:

- the one deliberated by the extraordinary general meeting held on 5th November 2010, in which the Shareholders approved the capital increase up to a nominal value of Euro 8,500,000 by means of the issuance of up to a maximum of 1,700,000 ordinary shares, with a par value of 5.00 Euro each, for the purpose of the the "2010-2013 Stock Option Plan";
- the one deliberated by the extraordinary general meeting held on 15 April 2014 in which the Shareholders 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 the par value equal to 5.00 Euro, for

the purpose of the "2014-2016 Stock Option Plan".

The options attributed by both plans will mature when both the following vesting conditions are met: the continuation of the employment 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	**452,500**	**8.590**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(35,000)	12.550
Outstanding at period-end	**417,500**	**8.258**
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**1,305,000**	**11.609**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at period-end	**1,305,000**	**11.609**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**-**	**-**
Granted	1,020,000	6.540
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at period-end	**1,020,000**	**6.540**

During the first semester 1,020,000 options have been granted related to the first tranche of the new Plan 2017-2020.

The adoption of these plans has affected the income statement for the period for Euro 230 thousand (Euro 392 thousand at 30th June 2016).

3. Notes on the consolidated income statement

3.1 Net sales

For details concerning the sales performance in the first semester of 2017 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:

(Euro/000)	First semester 2017	First semester 2016
Purchase of raw materials and finished goods	182,737	187,998
Capitalisation of costs for increase in tangible assets (-)	(4,335)	(4,784)
Change in inventories	(6,719)	(16,534)
Wages and social security contributions	64,192	59,080
Subcontracting costs	10,238	11,504
Amortization and depreciation	10,297	10,772
Rental and operating leases	753	522
Utilities, security and cleaning	3,585	3,527
Other industrial costs	4,629	4,409
Total	**265,377**	**256,494**

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2017	First semester 2016
Finished products	(16,732)	(20,024)
Work-in-progress	2,420	2,232
Raw materials	7,593	1,259
Total	**(6,719)**	**(16,534)**

The average number of Group employees in the first semester of 2017 and 2016 can be summarised as follows:

	First semester 2017	First semester 2016
Executives	136	141
Clerks and middle management	2,918	2,983
Factory workers	3,810	3,932
Total	**6,864**	**7,056**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2017	First semester 2016
Payroll and social security contributions	66,561	68,023
Sales commissions	28,390	37,970
Royalty expenses	34,838	56,495
Advertising and promotional costs	53,712	75,492
Amortization and depreciation	2,514	2,967
Logistic costs	9,305	10,513
Consultants fees	284	447
Rental and operating leases	8,893	8,341
Utilities, security and cleaning	548	542
Provision for risks	222	57
Other sales and marketing expenses	11,378	11,705
Total	**216,645**	**272,552**

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2017	First semester 2016
Payroll and social security contributions	40,714	42,746
Allowance and write off of doubtful accounts	745	2,501
Amortization and depreciation	8,068	7,004
Consultants fees	9,545	6,360
Rental and operating leases	5,972	5,537
EDP costs	7,904	5,578
Insurance costs	1,199	1,113
Utilities, security and cleaning	3,230	3,185
Taxes (other than on income)	2,772	3,093
Other general and administrative expenses	5,104	7,987
Total	**85,253**	**85,104**

3.5 Other income (expenses)

This item breaks down as follows:

(Euro/000)	First semester 2017	First semester 2016
Losses on disposal of assets	(182)	(90)
Other operating expenses	(4,023)	(6,279)
Write downs of tangible assets	-	(1,112)
Gains on disposal of assets	107	17
Other operating incomes	22,059	888
Total	**17,961**	**(6,576)**

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 2017 non-recurring costs of Euro 3,709 thousand were accounted for mainly related to the reorganization of the Ormoz plant in Slovenia and other overhead cost saving initiatives. In the same period of the last year non-recurring costs of Euro 7,152 thousand (including Euro 1,112 of write down of tangible assets) were recorded 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.

Other operating incomes include Euro 21.5 million as pro-rata portion of the accounting compensation for the early termination of the Gucci license, equal to Euro 43 million for the full year 2017. The accounting treatment of the compensation has been decided in coherence with the underlying obligations set forth in the Strategic Product Partnership Agreement ("SPPA") signed on January 12, 2015 with Kering Group. According to this, it was deemed appropriate by management to account for the majority of the compensation between 2017 and 2018, respectively in the measure of Euro 43 million in 2017 and Euro 39 million in 2018, following the contractual split of the volumes in the two years to which the agreed anticipated termination of the Gucci license (previously expiring at the end of December 2018) and key obligations under the SPPA agreement refer to.

3.6 Interest expenses and other financial charges, net

This item breaks down as follows:

(Euro/000)	First semester 2017	First semester 2016
Interest expenses on loans	260	300
Interest expenses and charges on Bond	3,426	3,323
Bank commissions	3,418	3,511
Negative exchange rate differences	12,424	15,737
Other financial charges	293	80
Total financial charges	**19,821**	**22,951**
Interest income	119	386
Positive exchange rate differences	10,411	19,526
Fair value gains on the Equity-linked Bond incorporated derivative	455	3,300
Other financial income	1,533	586
Total financial income	**12,518**	**23,798**
Total financial charges, net	**7,303**	**(847)**

3.7 Income tax expenses

This item breaks down as follows:

(Euro/000)	First semester 2017	First semester 2016
Current tax	(9,119)	(16,819)
Deferred tax	3,550	2,136
Total	**(5,569)**	**(14,683)**

3.8 Earnings (Losses) per Share

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

Basic

	First semester 2017	First semester 2016
Profit/(Loss) for ordinary shares (in Euro/000)	(9,601)	16,310
Average number of ordinary shares (in thousands)	62,660	62,630
Earnings/(Losses) per share - basic (in Euro)	**(0.153)**	**0.260**

Diluted

	First semester 2017	First semester 2016
Profit/(Loss) for ordinary shares (in Euro/000)	(9,601)	16,310
Profit for preferred shares	-	-
Profit in income statement	**(9,601)**	**16,310**
Average number of ordinary shares (in thousands)	62,660	62,630
Dilution effects:		
- Convertible Bond (in thousands)	-	-
- stock option (in thousands)	58	61
Total	**62,718**	**62,691**
Earnings/(Losses) per share - diluted (in Euro)	**(0.153)**	**0.260**

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.

3.9 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.

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

In the first semester of 2017, 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.

3.11 Dividends

In the first semester of 2017, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders.

3.12 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 2017 and 30th June 2016 is shown in the tables below.

June 30, 2017 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	3,133	-	(3,133)	-
- to third parties	519,036	33,548	-	552,584
Total net sales	**522,169**	**33,548**	**(3,133)**	**552,584**
Gross profit	**268,522**	**18,685**	**-**	**287,207**
Operating profit	**9,583**	**(6,313)**	**-**	**3,270**
Share of income of associates	-	-		-
Financial charges, net				(7,303)
Income taxes				(5,569)
Net profit / (Loss)				**(9,601)**
Other information				
Capital expenditure	21,129	906		22,035
Depreciation & amortization	19,586	1,293		20,879

June 30, 2016 *(Euro/000)*	**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

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 2017**	**December 31 2016**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	22,388	20,965
Total		**22,388**	**20,965**
Payables			
Companies controlled by HAL Holding N.V.	(a)	6,310	8,386
Total		**6,310**	**8,386**

Related parties transactions *(Euro/000)*	**Relationship**	**First semester 2017**	**First semester 2016**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	33,538	45,974
Total		**33,538**	**45,974**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	1,047	2,431
Total		**1,047**	**2,431**

(a) 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 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.

SUBSEQUENT EVENTS

On July 10, 2017 Safilo S.p.A. was notified a final tax audit report ("Processo Verbale di Constatazione") closing a tax investigation that was started on December 15, 2016 and is evaluating its response.

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 2017 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2017 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, 2nd August 2017

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

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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 half-yearly condensed consolidated financial statements of Safilo Group S.p.A. and subsidiaries (the "Safilo Group"), which comprise the balance sheet as of June 30, 2017 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 the half-yearly condensed consolidated financial statements 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 the half-yearly condensed consolidated financial statements 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 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, 2017 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 3, 2017

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