Half year Financial Report

for the period ended June 30th, 2019

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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 (1)

Chairman	Eugenio Razelli
Chief Executive Officer	Angelo Trocchia
Non-executive Director	Jeffrey A. Cole
Non-executive Director	Melchert Frans Groot
Non-executive Director	Robert Polet
Non-executive, Independent Director	Ines Mazzilli
Non-executive, Independent Director	Guido Guzzetti
Non-executive, Independent Director	Catherine Gèrardin-Vautrin
Non-executive, Independent Director	Cinzia Morelli-Verhoog

Board of Statutory Auditors (2)

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

Supervisory Committe (3)

Chairman	Franco Corgnati
	Ines Mazzilli
	Carlotta Boccadoro

Control Risk and Sustainability Committee (3)

Chairman	Ines Mazzilli
	Melchert Frans Groot
	Guido Guzzetti

Remuneration and Nomination Committe (4)

Chairman	Catherine Gèrardin-Vautrin
	Jeffrey A. Cole
	Cinzia Morelli-Verhoog

Transactions with Related Parties Committee (3)

Chairman	Ines Mazzilli
	Guido Guzzetti
	Catherine Gèrardin-Vautrin

Independent Auditors

Deloitte & Touche S.p.A.

(1) Appointed by the Shareholders' Meeting held on April 24th, 2018
(2) Appointed by the Shareholders' Meeting held on April 26th, 2017
(3) Appointed by the Board of Directors' Meeting held on April 24th, 2018
(4) Appointed by the Board of Directors' Meeting held on April 24th, 2018 and subsequently amended in its composition on March 13th, 2019

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, with the legal seat in 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 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. Safilo reaches points of sale all over the world including opticians, optometrists, ophthalmologists, distribution chains, department stores, specialised retailers, licensors' own stores, duty free shops and sports shops.

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, Polaroid, Safilo, Smith, and the licensed brands Banana Republic, BOSS, David Beckham, Dior, Dior Homme, Elie Saab, Fendi, Fossil, Givenchy, havaianas, HUGO, Jimmy Choo, Juicy Couture, kate spade new york, Liz Claiborne, Marc Jacobs, Levi's, Max Mara, Max&Co., Missoni, M Missoni, Moschino, Love Moschino, Pierre Cardin, rag & bone, Rebecca Minkoff, Saks Fifth Avenue, Swatch and Tommy Hilfiger.

Key consolidated performance indicators

Following the completion of the divestiture of its US retail chain Solstice as of July 1st, 2019, the Group's financial statements and key performance indicators are shown both on a basis of the total Group, and its continuing operations (i.e. total Group excluding US retail business).

Economic data total operations (Euro in millions)	First semester 2019	%	First semester 2018	%
Net sales	521.6	100.0	492.2	100.0
Cost of sales	(245.0)	(47.0)	(238.1)	(48.4)
Gross profit	276.6	53.0	254.1	51.6
Ebitda	33.0	6.3	21.7	4.4
Ebitda pre non-recurring items	39.3	7.5	25.1	5.1
Ebitda pre non-recurring items and IFRS 16	26.5	5.1	25.1	5.1
Operating profit/(loss)	(241.4)	(46.3)	(0.4)	(0.1)
Operating profit/(loss) pre non-recurring items	5.3	1.0	3.1	0.6
Group profit/(loss) before taxes	(246.4)	(47.2)	(10.0)	(2.0)
Profit/(Loss) attributable to the Group	(273.2)	(52.4)	(13.9)	(2.8)
Profit/(Loss) attributable to the Group pre non-recurring items	0.6	0.1	(10.4)	(2.1)
Profit/(Loss) attributable to the Group pre non-recurring items and IFRS 16	1.1	0.2	(10.4)	(2.1)

Economic data total operations (Euro in millions)	Second quarter 2019 (unaudited)	%	Second quarter 2018 (unaudited)	%
Net sales	263.4	100.0	241.3	100.0
Gross profit	140.8	53.5	126.6	52.5
Ebitda	14.7	5.6	10.3	4.3
Ebitda pre non-recurring items	19.9	7.5	12.1	5.0
Ebitda pre non-recurring items and IFRS 16	13.5	5.1	12.1	5.0

Economic data continuing operations (Euro in millions)	First semester 2019	%	First semester 2018	%
Net sales	495.9	100.0	465.7	100.0
Cost of sales	(229.8)	(46.3)	(225.9)	(48.5)
Gross profit	266.2	53.7	239.8	51.5
Ebitda	36.3	7.3	26.8	5.8
Ebitda pre non-recurring items	41.2	8.3	30.3	6.5
Ebitda pre non-recurring items and IFRS 16	34.2	6.9	30.3	6.5
Operating profit/(loss)	(218.8)	(44.1)	5.5	1.2
Operating profit/(loss) pre non-recurring items	13.3	2.7	9.1	1.9
Group profit/(loss) before taxes	(221.7)	(44.7)	(2.5)	(0.5)
Profit/(Loss) attributable to the Group	(246.9)	(49.8)	(7.9)	(1.7)
Profit/(Loss) attributable to the Group pre non-recurring items	8.5	1.7	(4.3)	(0.9)
Profit/(Loss) attributable to the Group pre non-recurring items and IFRS 16	8.7	1.8	(4.3)	(0.9)

Economic data continuing operations (Euro in millions)	Second quarter 2019 (unaudited)	%	Second quarter 2018 (unaudited)	%
Net sales	248.6	100.0	226.6	100.0
Gross profit	135.9	54.7	118.5	52.3
Ebitda	17.4	7.0	12.3	5.4
Ebitda pre non-recurring items	21.2	8.5	14.1	6.2
Ebitda pre non-recurring items and IFRS 16	17.7	7.1	14.1	6.2

Balance sheet data of total operations (Euro in millions)	June 30, 2019	%	December 31, 2018	%
Total assets	925.3	100.0	1,189.7	100.0
Total non-current assets	344.5	37.2	536.4	45.1
Capital expenditure	16.1	1.7	30.7	2.6
Net invested capital	472.2	51.0	679.2	57.1
Net working capital	257.4	27.8	251.3	21.1
Net financial position	(77.4)	(8.4)	(32.9)	(2.8)
Net financial position pre IFRS 16	(3.9)	(0.4)	(32.9)	(2.8)
Group Shareholders' equity	394.8	42.7	646.3	54.3
Group Shareholders' equity pre IFRS 16	395.4	42.7	646.3	54.3

Financial data of total operations (Euro in millions)	First semester 2019	First semester 2019 pre IFRS 16	First semester 2018
Cash flow from operating activities	37.9	26.2	(24.3)
Cash flow from investing activities	(17.3)	(15.8)	(13.0)
Cash flow from financing activities	(95.7)	(85.5)	125.0
Closing net financial indebtedness (short-term)	100.6	100.6	108.9
Free cash flow	20.6	10.4	(37.3)

Earnings/(Losses) per share (in Euro)	First semester 2019	First semester 2018
Earnings/(Losses) per share - basic	(0.991)	(0.222)
Earnings/(Losses) per share - diluted	(0.991)	(0.222)
No. shares in share capital	275,703,846	62,659,965

Group personnel	June 30, 2019	December 31, 2018
Punctual at period end	6,639	6,594

Adjusted performance indicators

Adjusted performace indicators exclude the effect of items not related to the ordinary operations which may have an impact on the quality of earnings such as restructuring costs, non recurring costs and legal litigations, impairments when impairment is the result of a non-recurring event. Adjusted indicators exclude the following non-recurring items:

- In the first semester 2019, economic results pre non-recurring items of the Continuing Operations exclude: (i) the impairment of the entire goodwill allocated to the Group's cash generating units for Euro 227.1 million, (ii) non-recurring costs for Euro 5 million (Euro 3.8 million in the second quarter 2019) due to restructuring expenses related to the ongoing cost saving program, and (iii) a write-down of deferred tax assets of Euro 23.3 million. In the first semester 2019, economic results pre non-recurring items of the Total Operations also exclude non-recurring items related to the retail discontinued operations: (i) Euro 17.0 million for the loss on disposal (of which 3.8 million related to write down of deferred tax assets) and (ii) non-recurring costs for Euro 1.3 million.

- In the first semester 2018, economic results pre non-recurring items excluded non-recurring costs for Euro 3.5 million (Euro 1.8 million in the second quarter 2018), mainly related to the CEO succession plan and reorganization costs in North America.

	First semester 2019			First semester 2018		
(Euro in millions)	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group
Economic indicators total operations	**33.0**	**(241.4)**	**(273.2)**	**21.7**	**(0.4)**	**(13.9)**
Restructuring costs and other non recurring costs	6.3	6.4	6.4	3.5	3.5	3.5
Impairment of goodwill	-	227.1	227.1	-	-	-
Provision for loss on disposal of retail business	-	13.2	13.2	-	-	-
Write Down of Deferred Tax Assets	-	-	27.1	-	-	-
Tax effect on non recurring items	-	-	-	-	-	-
Economic indicators total operations pre non recurring items	**39.3**	**5.3**	**0.6**	**25.1**	**3.1**	**(10.4)**
IFRS 16 impacts	(12.8)	(0.7)	0.5	-	-	-
Economic indicators total operations pre non recurring items and IFRS 16	**26.5**	**4.6**	**1.1**	**25.1**	**3.1**	**(10.4)**

	First semester 2019			First semester 2018		
(Euro in millions)	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group
Economic indicators continuing operations	**36.3**	**(218.8)**	**(246.9)**	**26.8**	**5.5**	**(7.9)**
Restructuring costs and other non recurring costs	4.9	5.0	5.0	3.5	3.5	3.5
Impairment of goodwill	-	227.1	227.1	-	-	-
Write Down of Deferred Tax Assets	-	-	23.3	-	-	-
Tax effect on non recurring items	-	-	-	-	-	-
Economic indicators continuing operations pre non recurring items	**41.2**	**13.3**	**8.5**	**30.3**	**9.1**	**(4.3)**
IFRS 16 impacts	(7.0)	(0.4)	0.2	-	-	-
Economic indicators continuing operations pre non recurring items and IFRS 16	**34.2**	**12.9**	**8.7**	**30.3**	**9.1**	**(4.3)**

Alternative performance indicators definition

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 on hand and at bank. This indicator does not include the valuation of derivative financial instruments at the reporting date.

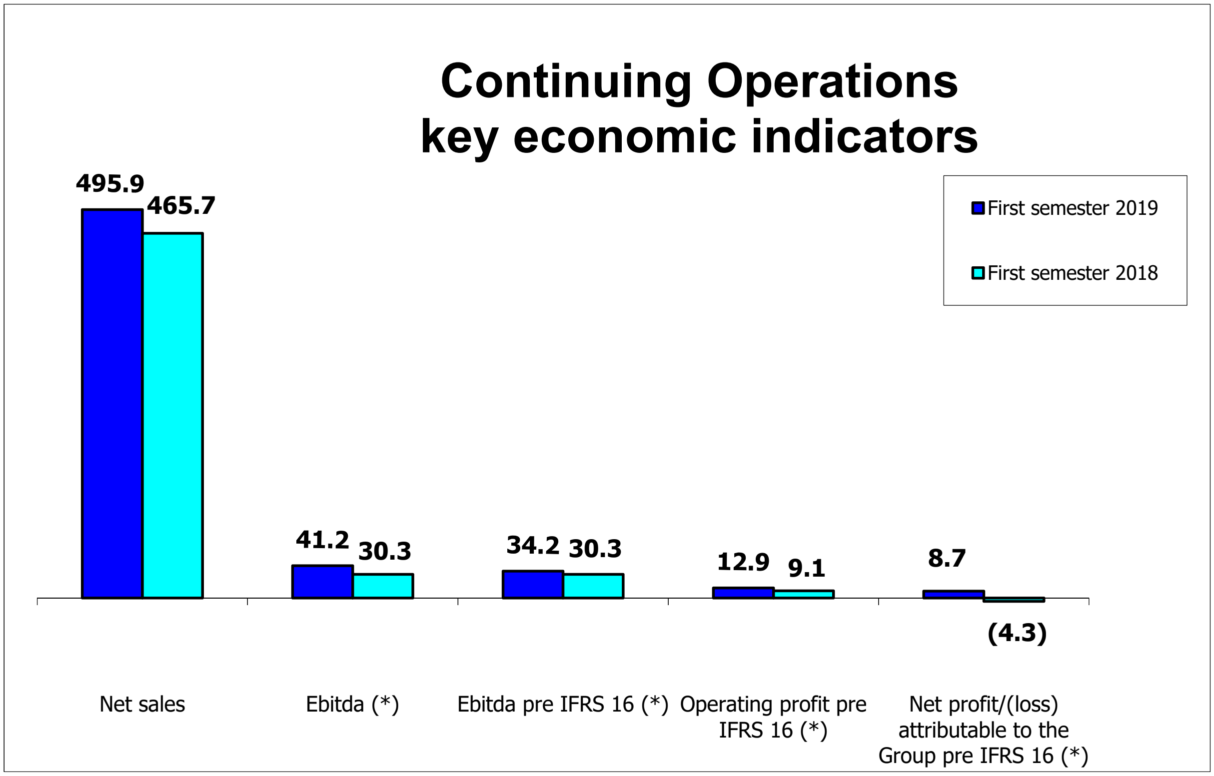
It should be noted that:

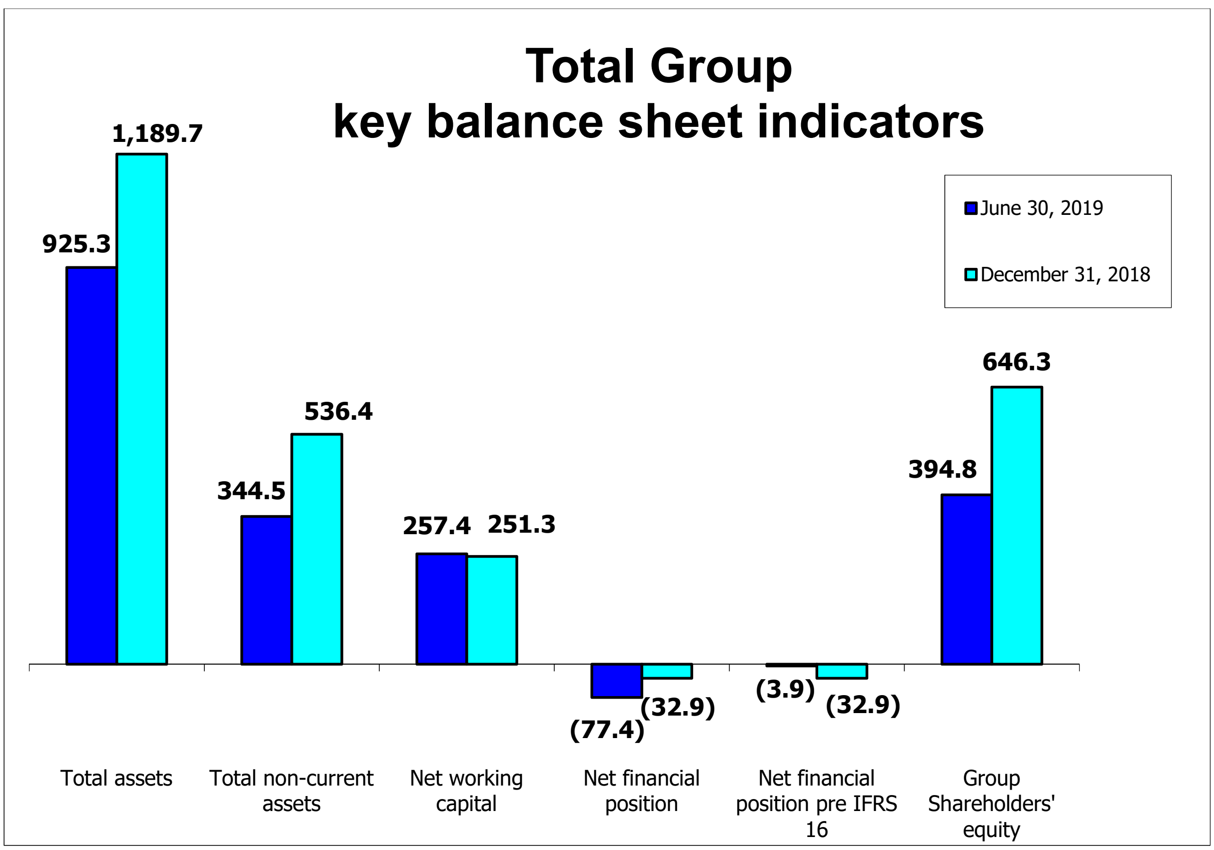
- certain figures in this report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them;
- the percentage variations 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.

Following the entry into force on March 18, 2016 of the Italian Legislative Decree no. 25 of 15 February 2016, which eliminates, in accordance with the European Union's Transparency Directive, the obligation to publish interim management statements, the Group releases on a voluntary basis a trading update for first and third quarter showing only financial KPIs.

Disclaimer

This interim report and, in particular, the section entitled "Subsequent events and Outlook" contains forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which are beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.





(*) Economic indicators continuing operations pre non-recurring items

Information on Group economic results

2019 First Half has been characterized by some important events that are reflected in Group Financial Statements:

Sale of Solstice retail operations

On July 1, 2019 Safilo communicated the closing of the transaction to sell Solstice retail business for a cash consideration of USD 9.0 million. Such discontinued operations generated a total loss of Euro 26.2 million, of which Euro 17.0 related to the assets disposal and Euro 9.2 million to the net result of the chain in the period.
2019 results and comments focus on the Group's Continuing Operations, excluding the retail discontinued operations.

Non-cash goodwill impairment and write-down of deferred tax assets

Following the recent developments in the Group's license portfolio, as communicated to the market on July 1, 2019, Management has stated the necessity to prepare a new business plan, which is expected to be published by the end of 2019. As a consequence, even if the expectations until 2020 remain confirmed, the projections beyond that period which were previously used to perform the impairment test for the 2018 financial statements, need to be updated. Based on the requirements of IAS 36, this triggers the need to perform an impairment test as of June 30, 2019.
To determine the cash flow projections, the board of directors has approved on July 30, 2019 a five-year first financial projection for the period 2019 – 2023 ("First Financial Projection").
Certain aspects of this First Financial Projection might be revised as soon as the Group is in the process of developing a new Group business plan which will be published once it has been definitively approved.
This "First Financial Projection" includes certain preliminary key assumptions regarding sales and cost reduction initiatives. In the elaboration of these assumptions and projections, Management has used its best estimates based on available information about the most recent developments concerning the Group's brand portfolio, market context and competitive landscape.
The Impairment test resulted in a non-cash impairment of the entire goodwill on the Balance Sheet, equal to a charge of Euro 227.1 million, and in a non-cash write down of deferred tax assets of Euro 23.3 million.

First adoption of IFRS 16

The Group elected to implement IFRS 16, applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized at its relevant effective date on January 1, 2019 without the restatement of 2018 comparative information.
IFRS 16 has a significant impact on the Group's consolidated balance sheet side due to the right of use assets and lease liabilities that are now recognized for contracts in which the Group is a lessee.
In the consolidated statement of income, the majority of the current operating rental costs is now presented as depreciation of right of use assets and interest expenses on the lease liabilities, with a material positive impact in terms of EBITDA and a minor effect on EBIT and net income.

2019 Group's results are commented on a pre IFRS 16 basis in order to support the transition and to allow proper comparison with the previous period.

FIRST SEMESTER TOTAL OPERATIONS ECONOMIC PERFORMANCE

Consolidated income statement (Euro in millions)	First semester 2019	Of which Continu-ing	Of which Disconti-nued	First semester 2019 pre IFRS 16	First semester 2018	Of which Continu-ing	Of which Disconti-nued	Change pre IFRS 16 %
Net sales	521.6	495.9	25.7	521.6	492.2	465.7	26.5	6.0%
Cost of sales	(245.0)	(229.8)	(15.2)	(245.0)	(238.1)	(225.9)	(12.2)	2.9%
Gross profit	**276.6**	**266.2**	**10.4**	**276.6**	**254.1**	**239.8**	**14.3**	**8.9%**
Selling and marketing expenses	(207.8)	(192.9)	(14.9)	(208.3)	(202.3)	(186.5)	(15.8)	2.9%
General and administrative expenses	(64.3)	(60.9)	(3.4)	(64.5)	(69.1)	(64.8)	(4.3)	-6.6%
Other operating income/(expenses)	(5.6)	(4.2)	(1.4)	(5.6)	16.9	17.0	(0.1)	n.s.
Provision for loss on disposal of retail business	(13.2)	-	(13.2)	(13.2)	-	-	-	
Impairment loss on goodwill	(227.1)	(227.1)	-	(227.1)	-	-	-	
Operating profit/(loss)	**(241.4)**	**(218.8)**	**(22.6)**	**(242.1)**	**(0.4)**	**5.5**	**(5.9)**	**n.s.**
Financial charges, net	(5.0)	(2.9)	(2.1)	(3.7)	(9.7)	(8.1)	(1.6)	-61.4%
Profit/(Loss) before taxation	**(246.4)**	**(221.7)**	**(24.7)**	**(245.9)**	**(10.0)**	**(2.5)**	**(7.5)**	**n.s.**
Income taxes	0.3	(1.9)	2.2	0.3	(3.9)	(5.4)	1.5	n.s
Write down of deferred tax assets	(27.0)	(23.3)	(3.7)	(27.0)	-	-	-	
Net profit/(loss)	**(273.2)**	**(246.9)**	**(26.2)**	**(272.6)**	**(13.9)**	**(7.9)**	**(6.0)**	**n.s.**
EBITDA	**33.0**	**36.3**	**(3.3)**	**20.2**	**21.7**	**26.8**	**(5.1)**	**-7.0%**

Economic indicators pre non-recurring items	First semester 2019	Continu-ing	Disconti-nued	First semester 2019 pre IFRS 16	First semester 2018	Continu-ing	Disconti-nued	Change pre IFRS 16 %
EBIT pre non-recurring items	**5.3**	**13.3**	**(8.0)**	**4.6**	**3.1**	**9.1**	**(5.9)**	**44.7%**
EBITDA pre non-recurring items	**39.3**	**41.2**	**(1.9)**	**26.5**	**25.1**	**30.3**	**(5.1)**	**5.2%**
Net profit/(loss) attributable to the Group pre non-recurring items	**0.6**	**8.5**	**(7.9)**	**1.1**	**(10.4)**	**(4.3)**	**(6.0)**	**n.s.**

FIRST SEMESTER CONTINUING OPERATIONS ECONOMIC PERFORMANCE

Consolidated income statement (Euro in millions)	**First semester 2019**	**%**	**First semester 2019 pre IFRS 16**	**%**	**First semester 2018**	**%**	**Change pre IFRS 16 %**
Net sales (*)	495.9	100.0	495.9	100.0	465.7	100.0	6.5%
Cost of sales	(229.8)	(46.3)	(229.8)	(46.3)	(225.9)	(48.5)	1.7%
Gross profit	**266.2**	**53.7**	**266.2**	**53.7**	**239.8**	**51.5**	**11.0%**
Selling and marketing expenses	(192.9)	(38.9)	(193.0)	(38.9)	(186.5)	(40.0)	3.5%
General and administrative expenses	(60.9)	(12.3)	(61.1)	(12.3)	(64.8)	(13.9)	-5.7%
Other operating income/(expenses)	(4.2)	(0.8)	(4.2)	(0.8)	17.0	3.6	n.s.
Impairment loss on goodwill	(227.1)	(45.8)	(227.1)	(45.8)	0.0	0.0	
Operating profit/(loss)	**(218.8)**	**(44.1)**	**(219.2)**	**(44.2)**	**5.5**	**1.2**	**n.s.**
Financial charges, net	(2.9)	(0.6)	(2.2)	(0.5)	(8.1)	(1.7)	-72.1%
Profit/(Loss) before taxation	**(221.7)**	**(44.7)**	**(221.4)**	**(44.6)**	**(2.5)**	**(0.5)**	**n.s.**
Income taxes	(1.9)	(0.4)	(1.9)	(0.4)	(5.4)	(1.2)	-64.5%
Write down of deferred tax assets	(23.3)	(4.7)	(23.3)	(4.7)	0.0	0.0	
Profit/(Loss) of the period from continuing operations	**(246.9)**	**(49.8)**	**(246.7)**	**(49.7)**	**(7.9)**	**(1.7)**	**n.s.**
Profit/(Loss) of the period from discontinued operation	**(26.2)**		**(25.9)**		**(6.0)**		**n.s.**
Net profit/(loss) attributable to the Group (**)	**(273.2)**	**(52.4)**	**(272.6)**	**(52.3)**	**(13.9)**	**(2.8)**	**n.s.**
EBITDA from continuing operations	**36.3**	**7.3**	**29.2**	**5.9**	**26.8**	**5.8**	**9.1%**

Economic indicators pre non-recurring items	**First semester 2019**	**%**	**First semester 2019 pre IFRS 16**	**%**	**First semester 2018**	**%**	**Change pre IFRS 16 %**
EBIT continuing operations pre non-recurring items	**13.3**	**2.7**	**12.9**	**2.6**	**9.1**	**1.9**	**42.7%**
EBITDA continuing operations pre non-recurring items	**41.2**	**8.3**	**34.2**	**6.9**	**30.3**	**6.5**	**12.9%**
Net profit/(loss) attributable to the Group continuing operations pre non-recurring items	**8.5**	**1.7**	**8.7**	**1.8**	**(4.3)**	**(0.9)**	**n.s.**
Net profit/(loss) attributable to the Group pre non-recurring items (**)	**0.6**	**0.1**	**1.1**	**0.2**	**(10.4)**	**(2.1)**	**n.s.**

(*) At constant exchange rates, 2019 first semester net sales increased by 3.9% compared to 2018, amounting to Euro 483.8 million.

(**) Percentage impacts on total Group net sales.

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

In the first semester of 2019, **gross profit of the Continuing Operations** grew by 11.0% to Euro 266.2 million compared to Euro 239.8 million in the first half of 2018, with the gross margin up by 220 basis points, from 51.5% to 53.7%. The improvement reflected in particular higher plant efficiencies and a favorable sales mix effect.

In the first semester of 2019, Safilo recovered also at the operating expenses level mainly thanks to the overheads cost savings totaling in the period Euro 9 million.

Positive sales dynamics together with the industrial and operational improvements achieved in the first six months of 2019 overbalanced the income of Euro 19.5 million booked in the first half of 2018 for the early termination of the Gucci license.

On a pre-IFRS 16 basis, the **first semester of 2019 EBITDA pre non-recurring items of the Continuing Operations** grew by 12.9% to Euro 34.2 million compared to Euro 30.3 million recorded in the first half of 2018, with the margin on sales at 6.9%.

On a pre-IFRS 16 basis, the **first semester of 2019 Operating result pre non-recurring items of the Continuing Operations** increased by 42.7% to Euro 12.9 million compared to Euro 9.1 million recorded in the first half of 2018, with the margin on sales at 2.6%.

On a pre-IFRS 16 basis, the first semester of 2019 net financial charges of the Continuing Operations totaled Euro 2.2 million compared to Euro 8.1 million in the first half of 2018.

On a pre-IFRS 16 basis, the **first semester of 2019 net result pre non-recurring items of the Continuing Operations** equaled a profit of Euro 8.7 million compared to a loss of Euro 4.3 million recorded in the first half of 2018.

On a pre-IFRS 16 basis, the **first semester of 2019 total net result pre non-recurring items,** including the retail discontinued operations, equaled a profit of Euro 1.1 million compared to a total loss pre non-recurring items of Euro 10.4 million recorded in the first half of 2018.

SECOND QUARTER TOTAL OPERATIONS ECONOMIC PERFORMANCE

Consolidated income statement (Euro in millions)	First semester 2019	Of which: Continu-ing	Of which: Disconti-nued	First semester 2019 pre IFRS 16	First semester 2018	Of which: Continu-ing	Of which: Disconti-nued	Change pre IFRS 16 %
Net sales	263.4	248.6	14.8	263.4	241.3	226.6	14.7	9.2%
Gross profit	**140.8**	**135.9**	**4.9**	**140.9**	**126.6**	**118.5**	**8.1**	**11.2%**
EBITDA	**14.7**	**17.4**	**(2.7)**	**8.3**	**10.3**	**12.3**	**(2.0)**	**-19.8%**
EBITDA pre non-recurring items	**19.9**	**21.2**	**(1.4)**	**13.5**	**12.1**	**14.1**	**(2.0)**	**11.3%**

SECOND QUARTER CONTINUING OPERATIONS ECONOMIC PERFORMANCE

Consolidated income statement continuing operations (Euro in millions)	Second quarter 2019 (unaudited)	%	Second quarter 2019 (unaudited) pre IFRS 16	%	Second quarter 2018 (unaudited)	%	Change pre IFRS 16 %
Net sales (*)	248.6	100.0	248.6	100.0	226.6	100.0	9.7%
Gross profit	**135.9**	**54.7**	**136.0**	**54.7**	**118.5**	**52.3**	**14.7%**
EBITDA from continuing operations	**17.4**	**7.0**	**13.8**	**5.6**	**12.3**	**5.4**	**11.9%**
EBITDA from continuing operations pre non-recurring items	**21.2**	**8.5**	**17.7**	**7.1**	**14.1**	**6.2**	**25.0%**

(*) At constant exchange rates, 2019 second quarter net sales increased by 7.4% compared to 2018, amounting to Euro 243.3 million.

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

On a pre-IFRS 16 basis, the **second quarter of 2019 EBITDA pre non-recurring items of the Continuing Operations** equaled Euro 17.7 million, with the margin on sales standing at 7.1%. As in the first quarter of the year, the result achieved in the second quarter marked a significant operational improvement, up 25.0% compared to Euro 14.1 million recorded in the second quarter of 2018, which included the income of Euro 9.8 million for the early termination of the Gucci license.

The second quarter of 2019 economic performance reflected 1) the improvement registered at **the gross profit** level, which at Euro 136.0 million grew in the period by 14.7% compared to Euro 118.5 million in the second quarter of 2018, with the margin on sales up by 240 basis points, from 52.3% to 54.7%, and 2) the additional recovery at the operating expenses level mainly reflecting further progress in the overheads saving program.

Net sales by geographical area of the continuing operations

Net sales by geographical area of the continuing operations (Euro in millions)	First Semester 2019	%	2018	%	Change %	Change % (*)
Europe	246.3	49.7	239.9	51.5	2.6%	3.0%
North America	169.5	34.2	157.3	33.8	7.8%	1.0%
Asia Pacific	43.5	8.8	32.5	7.0	33.7%	27.9%
Rest of the world	36.7	7.4	36.0	7.7	2.0%	0.8%
Total	**495.9**	**100.0**	**465.7**	**100.0**	**6.5%**	**3.9%**

(*) Sales performance at constant exchange rates.

Safilo closed the first half of 2019 with the **net sales of the Continuing Operations** at Euro 495.9 million, up 6.5% at current exchange rates and 3.9% at constant exchange rates compared to the same period of 2018 (+4.1% the wholesale business, excluding the business of the production supply agreement with Kering).

Sales trends reflected the positive progression recorded by the Group's brands in the main European and North American markets, where the portfolio grew by respectively 3.0% and 1.0% at constant exchange rates. The recovery was strong in Asia-Pacific, up 27.9% at constant exchange rates, driven in particular by the travel retail channel and China, while sales in the Rest of the World turned slightly positive (+0.8% at constant exchange rates) after recovering in the second quarter.

First half of 2019 performance was particularly positive for the Group’s own core brands, with Polaroid, Smith and Carrera which recorded overall growth of around 8% at constant exchange rates.
On the licensed brands portfolio, Dior, Hugo Boss, Tommy Hilfiger and Max Mara continued to stand out as key positive drivers.

Net sales by geographical area of the continuing operations (Euro in millions)	Second Quarter 2019	%	2018	%	Change %	Change % (*)
Europe	121.7	48.9	116.4	51.4	4.5%	4.8%
North America	80.6	32.4	74.3	32.8	8.4%	2.7%
Asia Pacific	25.7	10.3	18.2	8.0	41.6%	36.2%
Rest of the world	20.6	8.3	17.7	7.8	16.2%	14.0%
Total	**248.6**	**100**	**226.6**	**100**	**9.7%**	**7.4%**

(*) Sales performance at constant exchange rates.

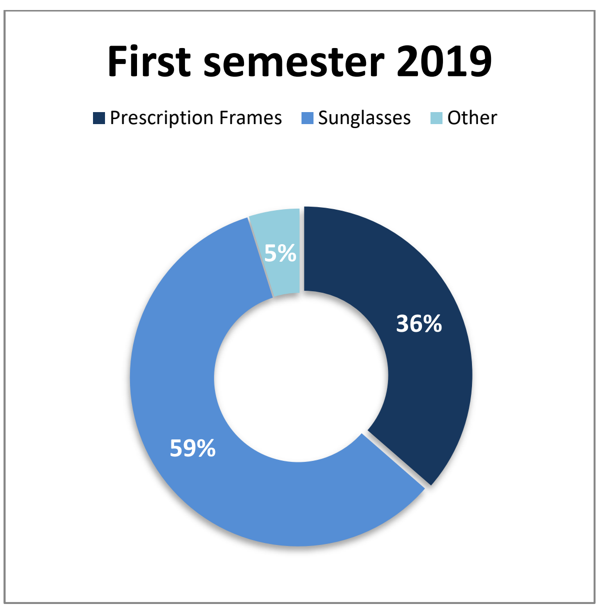
In the second quarter of 2019, Safilo **net sales of the Continuing Operations** equaled Euro 248.6 million, growing by 9.7% at current exchange rates and 7.4% at constant exchange rates compared to Euro 226.6 million in the second quarter of 2018 (+7.5% the wholesale business, excluding the business of the production supply agreement with Kering).

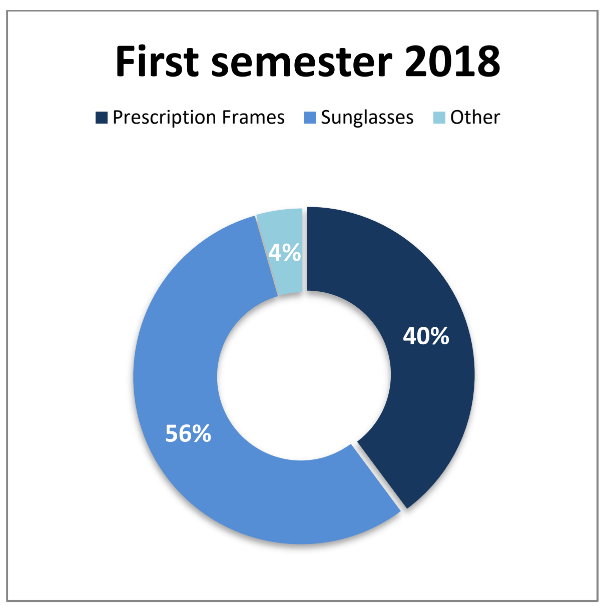
In the quarter, the recovery in sales was higher in the European markets more influenced by the contraction in sunglass sales experienced in the second quarter of 2018, while business performance in North America improved in the independent opticians' channel and in chains. At constant exchange rates, sales in Europe and North America increased respectively by 4.8% and 2.7%.

Sales in Asia-Pacific grew by 36.2% at constant exchange rates, in particular thanks to strong business trends continuing in the travel retail channel and the positive performance of China.

In the second quarter of 2019, net sales turned to growth also in Rest of the World, up 14.0% at constant exchange rates, mainly driven by the positive business trends recorded in the Latin American markets of Brazil and Mexico.

The charts below summarize the breakdown of net sales of the continuing operations for the first six months of 2019 and 2018 by product category:





Balance sheet reclassified

The table below shows the highlights from the total balance sheet of the Group, including the discontinued operation assets and liabilities, at June 30, 2019 compared with those of December 31, 2018.

Balance sheet (Euro in millions)	**June 30, 2019**	**June 30, 2019 pre IFRS 16**	**December 31, 2018**	**Change**	**Change pre IFRS 16**
Trade receivables	199.5	199.5	184.4	15.2	15.2
Inventory, net	236.1	236.1	237.7	(1.6)	(1.6)
Trade payables	(178.3)	(178.3)	(170.8)	(7.5)	(7.5)
Net working capital	**257.4**	**257.4**	**251.3**	**6.1**	**6.1**
Tangible assets	242.0	173.3	176.9	65.1	(3.6)
Intangible assets	55.7	55.7	58.5	(2.8)	(2.8)
Goodwill	0.0	0.0	226.3	(226.3)	(226.3)
Non-current assets held for sale	0.5	0.5	0.0	0.5	0.5
Net fixed assets	**298.2**	**229.6**	**461.6**	**(163.4)**	**(232.0)**
Employee benefit liability	(25.1)	(25.1)	(26.2)	1.1	1.1
Other assets / (liabilities), net	(58.3)	(62.5)	(7.5)	(50.8)	(55.0)
NET INVESTED CAPITAL	**472.2**	**399.3**	**679.2**	**(207.0)**	**(279.9)**
Cash in hand and at bank	103.6	103.6	178.2	(74.7)	(74.7)
Short term borrowings	(29.2)	(20.0)	(211.1)	181.9	191.1
Long term borrowings	(151.7)	(87.5)	0.0	(151.7)	(87.5)
NET FINANCIAL POSITION	**(77.4)**	**(3.9)**	**(32.9)**	**(44.5)**	**29.0**
Group Shareholders' equity	(394.8)	(395.4)	(646.3)	251.5	251.0
Non-controlling interests	(0.0)	(0.0)	0.0	(0.0)	(0.0)
TOTAL SHAREHOLDERS' EQUITY	**(394.8)**	**(395.4)**	**(646.3)**	**251.5**	**250.9**

Cash flow

The summary statement of cash flows for the first six months ended June 30 2019, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro in millions)	**First semester 2019**	**First semester 2019 pre IFRS 16**	**First semester 2018**	**Change pre IFRS 16**
Cash flow from operating activities	37.9	26.2	(24.3)	50.5
Cash flow from investing activities	(17.3)	(15.8)	(13.0)	(2.8)
Free cash flow	**20.6**	**10.4**	**(37.3)**	**47.7**

On a pre-IFRS 16 basis, the **first semester of 2019 Free Cash Flow** equaled a positive generation of Euro 10.4 million compared to the negative flow of Euro 37.3 million recorded in the first half of 2018.

In the period, the cash flow from operating activities was positive for Euro 26.2 million thanks to the significant improvement of the operating performance and favorable trends in net working capital management.

Cash flow for investment activities totaled Euro 15.8 million in the first six months, mainly related to the ongoing investments on product supply, including the new logistic center in Denver, and the rollout of new IT systems.

Net working capital

Net working capital (Euro in millions)	**June 30, 2019**	**June 30, 2018**	**Change vs June 2018**	**December 31, 2018**	**Change vs December 2018**
Trade receivables, net	199.5	185.8	13.7	184.4	15.2
Inventories	236.1	245.2	(9.1)	237.7	(1.6)
Trade payables	(178.3)	(179.3)	1.0	(170.8)	(7.5)
Net working capital	**257.4**	**251.7**	**5.6**	**251.3**	**6.1**
% on net sales LTM	*25.9%*	*25.7%*		*26.1%*	

Net working capital at June 30, 2019 amounted to Euro 257.4 million compared with Euro 251.7 million in the same period of 2018. The ratio of working capital to sales rolling LTM at June 30, 2019 was equal to 25.9% compared to 25.7% recorded on June 30, 2018.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro in millions)	First semester 2019	First semester 2018	Change
Headquarters	4.4	5.7	(1.3)
Production factories	5.9	7.6	(1.7)
Europe	0.1	0.2	(0.1)
Americas	5.2	0.9	4.3
Far East	0.5	0.3	0.2
Total investments in tangible and intangible fixed assets	**16.1**	**14.7**	**1.4**
Increase on rights of use (IFRS 16)	**2.3**	**-**	**2.3**
Total investments	**18.4**	**14.7**	**3.7**

In the first six months of 2019 capital expenditures amounted to Euro 16.1 million compared with Euro 14.7 million in the same period of the previous year.

Following the application of IFRS 16 the Group has recorded in the semester an additional increase of tangible assets for new Rights of Use on rent and lease contracts in the period for Euro 2.3 million.

Net financial position

Net financial position (Euro in millions)	June 30, 2019	December 31, 2018	Change vs December	June 30, 2018	Change vs June
Current portion of long-term borrowings	-	(207.8)	207.8	(280.1)	280.1
Bank overdrafts and short term bank borrowings	(3.0)	(3.3)	0.3	(4.0)	1.0
Current portion of long-term lease liability IFRS 16	(9.2)	-	(9.2)	-	(9.2)
Other short-term borrowings	(17.0)	-	(17.0)	-	(17.0)
Cash and cash equivalents	102.9	178.2	(75.3)	112.9	(10.0)
Short-term net financial position	**73.7**	**(32.9)**	**106.6**	**(171.1)**	**244.8**
Long-term borrowings	(87.5)	-	(87.5)	-	(87.5)
Long-term financial lease liability IFRS 16	(26.2)	-	(26.2)	-	(26.2)
Long-term net financial position	**(113.7)**	**-**	**(113.7)**	**-**	**(113.7)**
NET FINANCIAL POSITION CONTINUING OPERATIONS	**(40.0)**	**(32.9)**	**(7.2)**	**(171.1)**	**131.1**
Cash and cash equivalent included as Assets held for sale	0.7	-	0.7	-	0.7
Financial lease liability IFRS 16 included as Liabilities held for sale	(38.0)	-	(38.0)	-	(38.0)
NET FINANCIAL POSITION DISCONTINUED OPERATIONS	**(37.4)**	**-**	**(37.4)**	**-**	**(37.4)**
TOTAL NET FINANCIAL POSITION	**(77.4)**	**(32.9)**	**(44.5)**	**(171.1)**	**93.7**
TOTAL NET FINANCIAL POSITION PRE IFRS 16	**(3.9)**	**(32.9)**	**29.0**	**(171.1)**	**167.2**

On a pre-IFRS 16 basis, the total Group net debt at the end of June 2019 decreased to Euro 3.9 million compared to Euro 32.9 million at the end of December 2018, benefitting of the remaining proceeds, received on January 2, 2019 and equal to Euro 17.7 million, from the share capital increase executed in 2018, and of the free cash flow generation of the period.
At the end of June, the financial leverage stood at 0.1x compared to 0.7x at the end of December 2018.
Following the first application of the new IFRS 16 standard to the first semester of 2019, Group net debt stood at Euro 77.4 million, of which Euro 38 million related to the IFRS 16 impact on the retail discontinued operations.

Personnel

The Group's total workforce at 30 June 2019, 31 December 2018 and 30 June 2018 is summarized below:

	June 30, 2019	December 31, 2018	June 30, 2018
Padua headquarters	1,033	1,054	1,106
Production factories	3,851	3,706	3,704
Trading companies	1,196	1,239	1,269
Retail	559	595	648
Total	**6,639**	**6,594**	**6,727**

Subsequent events and Outlook

On July 31, 2019 HAL Holding has announced the signing of an agreement to sell its ownership interest in GrandVision N.V. to EssilorLuxottica, outlining its expectation that it will take approximately 12 to 24 months before closing of the transaction. In the first semester of 2019, Safilo's net sales to GrandVision were of Euro 36,747 thousand. The Group will factor the news into the development of its new Group business plan.

No other events have taken place after 30 June 2019 that could have a material impact on the results published in this report.

Notwithstanding the impairment loss on goodwill recorded, half year results are on track with 2020 plan to recover top line growth and a sustainable economic profile.

The Company will present a new Group Business Plan by the end of 2019.

Interim Condensed Consolidated Financial Statements

and Notes

as at and for six months period ended

June 30th, 2019

Interim condensed consolidated balance sheet

(Euro/000)	*Notes*	June 30, 2019	of which related parties	December 31, 2018	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	*2.1*	102,910		178,247	
Trade receivables	*2.2*	199,524	15,380	184,356	5,795
Inventory	*2.3*	218,089		237,710	
Derivative financial instruments	*2.4*	612		389	
Other current assets	*2.5*	39,027		52,582	
Total current assets		**560,162**		**653,284**	
Non-current assets					
Tangible assets	*2.6*	201,576		176,891	
Intangible assets	*2.7*	54,930		58,486	
Goodwill	*2.8*	-		226,267	
Deferred tax assets	*2.9*	32,970		63,248	
Derivative financial instruments	*2.4*	-		-	
Other non-current assets	*2.10*	13,571		11,552	
Total non-current assets		**303,047**		**536,444**	
Assets classified as held for sale and discontinued operation	*1.6*	**62,102**		**-**	
TOTAL ASSETS		**925,311**		**1,189,728**	

The Group has reported in the current period the Solstice retail business as discontinued operation and classified the assets and liabilities of the disposal segment as held for sale. The detail of the assets and liabilities related to the discontinued operations classified as held for sale is disclosed in Note 1.6.

(Euro/000)	***Notes***	**June 30, 2019**	**of which related parties**	**December 31, 2018**	**of which related parties**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.11*	29,238		211,129	
Trade payables	*2.12*	177,746	1,584	170,772	2,426
Tax payables	*2.13*	15,566		23,173	
Derivative financial instruments	*2.4*	1,039		408	
Other current liabilities	*2.14*	63,733		52,020	
Provisions	*2.15*	25,750		26,736	
Total current liabilities		**313,072**		**484,238**	
Non-current liabilities					
Long-term borrowings	*2.11*	113,711		-	
Employee benefit obligations	*2.16*	25,126		26,226	
Provisions	*2.15*	13,958		13,748	
Deferred tax liabilities	*2.9*	10,181		13,455	
Derivative financial instruments	*2.4*	-		-	
Other non-current liabilities	*2.17*	978		5,737	
Total non-current liabilities		**163,954**		**59,166**	
Liabilities classified as held for sale and discontinued operation	*1.6*	**53,448**		**-**	
TOTAL LIABILITIES		**530,473**		**543,404**	
Shareholders' equity					
Share capital	*2.18*	349,943		345,610	
Share premium reserve	*2.19*	594,277		581,121	
Retained earnings and other reserves	*2.20*	(276,200)		(247,961)	
Cash flow hedge reserve	*2.21*	(47)		-	
Income/(Loss) attributable to the Group		(273,175)		(32,446)	
Total shareholders' equity attributable to the Group		**394,799**		**646,324**	
Non-controlling interests		**39**		**-**	
TOTAL SHAREHOLDERS' EQUITY		**394,838**		**646,324**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**925,311**		**1,189,728**	

Interim condensed consolidated income statement

(Euro/000)	*Notes*	First semester 2019	of which related parties	First semester 2018 (Restated)*	of which related parties
Net sales	*3.1*	495,921	36,747	465,732	34,202
Cost of sales	*3.2*	(229,764)		(225,919)	
Gross profit		**266,157**		**239,813**	
Selling and marketing expenses	*3.3*	(192,871)	(1,595)	(186,501)	(1,682)
General and administrative expenses	*3.4*	(60,854)		(64,774)	
Other operating income/(expenses)	*3.5*	(4,170)		16,991	
Impairment loss on goodwill	*2.8 - 3.6*	(227,062)		-	
Operating profit/(loss)		**(218,800)**		**5,529**	
Financial charges, net	*3.7*	(2,898)		(8,057)	
Profit/(Loss) before taxation		**(221,698)**		**(2,528)**	
Income taxes	*3.8*	(1,913)		(5,393)	
Write down of deferred tax assets	*3.8*	(23,327)		-	
Profit/(Loss) of the period from continuing operations		**(246,938)**		**(7,921)**	
Profit/(Loss) of the period from discontinued operation	*1.6*	**(26,217)**		**(6,014)**	
Profit/(Loss) of the period		**(273,155)**		**(13,934)**	
Profit/(Loss) attributable to:					
Owners of the parent		(273,175)		(13,934)	
Non-controlling interests		21		-	
Earnings/(Losses) per share - basic (Euro)	*3.9*	(0.991)		(0.222)	
Earnings/(Losses) per share - basic from continuing operations (Euro)	*3.9*	(0.896)		(0.126)	
Earnings/(Losses) per share - diluted (Euro)	*3.9*	(0.991)		(0.222)	
Earnings/(Losses) per share - diluted from continuing operations (Euro)	*3.9*	(0.896)		(0.126)	

(*) The Group has reported in the current period the Solstice retail business as discontinued operations. The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in Note 1.6. The comparative consolidated income statement has been "restated" to show the contribution of the retail discontinued operation separately allowing a proper comparison with the current period.

Interim condensed consolidated statement of comprehensive income

(Euro/000)	***Notes***	**First semester 2019**	**First semester 2018**
Net profit (loss) for the period (A)		**(273,155)**	**(13,934)**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		-	2
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**-**	**2**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	*2.21*	(47)	374
- Gains/(Losses) on exchange differences on translating foreign operations	*2.20*	4,724	10,531
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**4,677**	**10,905**
Other comprehensive income/(loss), net of tax (B)		**4,677**	**10,907**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(268,477)**	**(3,027)**
Attributable to:			
Owners of the parent		(268,516)	(3,027)
Non-controlling interests		39	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(268,477)**	**(3,027)**

Interim condensed consolidated cash flow statement

(Euro/000)	*Notes*	First semester 2019	First semester 2018
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*2.1*	**174,968**	**20,842**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(273,155)	(13,934)
Depreciation and amortization	*2.6 - 2.7*	21,982	22,061
Right of Use amortization IFRS 16	*2.6 - 2.7*	12,059	-
Impairment loss on goodwill	*2.8 - 3.6*	227,062	-
Other non-monetary items		12,074	(674)
Interest expenses, net	*3.7*	4,779	5,298
Income tax expenses	*3.8*	26,729	3,893
Flow from operating activities prior to movements in working capital		**31,530**	**16,644**
(Increase) Decrease in trade receivables		(14,225)	(9,337)
(Increase) Decrease in inventory, net		2,893	15,280
Increase (Decrease) in trade payables		7,080	(25,731)
(Increase) Decrease in other receivables		7,528	(3,692)
Increase (Decrease) in other payables		8,111	(14,258)
Interest expenses paid		(1,475)	(2,059)
Interest expenses paid on lease liability IFRS 16		(1,320)	-
Income taxes paid		(2,223)	(1,161)
Total (B)		**37,900**	**(24,315)**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(11,875)	(10,397)
Increase Right of Use - IFRS 16		(2,292)	-
Net disposals of property, plant and equipment and assets held for sale		256	1,629
Net disposals of Right of Use - IFRS 16		837	-
Purchase of intangible assets, net of disposals		(4,206)	(4,266)
Total (C)		**(17,280)**	**(13,034)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		107,000	134,971
Increase lease liability IFRS 16		2,520	-
Repayment of borrowings		(210,000)	(10,000)
Repayment lease liability IFRS 16		(12,744)	-
Increase in share capital, net of transaction costs		17,489	-
Dividends paid		-	-
Total (D)		**(95,735)**	**124,971**
E - Cash flow for the period (B+C+D)		**(75,115)**	**87,622**
Translation exchange differences		725	477
Total (F)		**725**	**477**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**100,578**	**108,941**

The Group has reported in the current period the Solstice retail business as discontinued operations. The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total, including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 1.6.

Interim condensed consolidated statement of changes in 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, 2019	**345,610**	**581,121**	**78,205**	**-**	**(358,612)**	**646,324**	**-**	**646,324**
Change in accounting policy (*)	-	-	-	-	(600)	(600)		**(600)**
Consolidated net equity at January 1, 2019 restated	**345,610**	**581,121**	**78,205**	**-**	**(359,212)**	**645,724**	**-**	**645,724**
Profit/(Loss) for the period	-	-	-	-	(273,176)	(273,176)	21	**(273,155)**
Other comprehensive income (loss) for the period	-	-	4,706	(47)	-	4,659	18	**4,677**
Total comprehensive income (loss) for the period	**-**	**-**	**4,706**	**(47)**	**(273,176)**	**(268,516)**	**39**	**(268,477)**
Increase in share capital, net of transaction costs	4,333	13,156	-	-	-	17,490	-	**17,490**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	**-**
Net increase in the Reserve for share-based payments	-	-	-	-	101	101	-	**101**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at June 30, 2019	**349,944**	**594,277**	**82,910**	**(47)**	**(632,286)**	**394,799**	**39**	**394,838**

(*) Restatement for the change in accounting policy related to the new IFRIC 23 "Uncertainty over Income Tax Treatments".

(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 December 31, 2017	**313,300**	**484,862**	**61,110**	**(35)**	**(326,031)**	**533,205**	**-**	**533,205**
Change in accounting policy (**)	-	-	-	-	(600)	(600)		**(600)**
Consolidated net equity at January 1, 2018 restated	**313,300**	**484,862**	**61,110**	**(35)**	**(326,631)**	**532,605**	**-**	**532,605**
Profit/(Loss) for the period	-	-	-	-	(13,934)	(13,934)	-	**(13,934)**
Other comprehensive income (loss) for the period	-	-	10,531	374	2	10,907	-	**10,907**
Total comprehensive income (loss) for the period	**-**	**-**	**10,531**	**374**	**(13,932)**	**(3,027)**	**-**	**(3,027)**
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	-	-	-	-	180	180	-	**180**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at June 30, 2018	**313,300**	**484,862**	**71,641**	**339**	**(340,383)**	**529,759**	**-**	**529,759**

(**) Restatement for the change in accounting policy related to the new IFRS 9 trade receivables impairment model.

NOTES

1. Basis of preparation

1.1 General information

These interim condensed consolidated financial statements refer to the financial period from 1 January 2019 to 30 June 2019. Economic and financial information is provided with reference to the first six months of 2019 and 2018 whilst balance sheet information is provided with reference to 30 June 2019 and 31 December 2018.

The interim consolidated financial report of Safilo Group at June 30 2019, 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 financial statements. 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 31 December 2018.

The interim condensed consolidated financial statements have been prepared based on the going concern assumption.

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

These financial statements were approved by the Board of Directors on 2 August 2019.

1.2 Accounting standards, amendments and interpretations and impact of changes in accounting policies applied from 1 January 2019

Except for what described below about those accounting policies which changed due to new accounting standards, in preparing these interim consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31 December 2018 have been applied.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2019:

On January 13th 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 leases and introduces a criteria based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification 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 "low-value assets" and leases with expiry 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 1st 2019; the early adoption is allowed only for companies that apply the early adoption also for IFRS 15 Revenue from contracts with customers.

The Group has decided not to apply an early adoption of IFRS 16 and comply with this new standard from its relevant effective date on January 1st 2019. The Group elected to implement IFRS 16 applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized as an adjustment to the opening balance of retained earnings at January 1st, 2019, without restatement of comparative information.

In the valuation phase of the lease liabilities, the Group discounted the payments due for the leases using the hypothetical incremental borrowing rate at January 1, 2019. The average rate applied was around 3.3% and it was determined taking into account the term of the lease contracts, the currency in which they are denominated, the characteristics of the country and the economic environment in which the contract was stipulated and the credit adjustment applicable to the Group.

The Group has elected to apply the exemptions stated by the Standard that allow to keep leases off balance if they have an initial contractual duration of less than or equal to 12 months (IFRS16.5-a) or if they refer to a low-value asset (IFRS16.5-b). For contracts that provide for a renewal option at the end of the period that cannot be cancelled, the Group has chosen, based on historical evidence and business development plans, to consider, in addition to the period that cannot be cancelled, the period that is the subject of the renewal option. The exercise of these renewal options has been considered probable and applicable in a limited number of cases.

Impact of the adoption of IFRS 16:

The table below shows the impact, detailed by segment, of the initial application of the new standard as at 1 January 2019, that confirms the expected impact disclosed in the 2018 Annual Report, with minor differences due to the revision of some assumptions based on the latest information available.

(Euro/000)	**Continuing operations**	**Discontinued operations (Solstice retail business)**	**Total**
Balance sheet impact as at 1 January 2019			
Right to Use	38,189	41,442	79,631
Lease liability	(40,646)	(43,480)	(84,126)
Equity impact	-	-	-
Reclass with or gross up of other BS account	2,457	2,039	4,496

The table below shows the impact, detailed by segment, of the new standard on the first semester 2019 consolidated statement of income and the consolidated statement of financial position as at June 30, 2019.

(Euro/000)	**Continuing Operations**	**Discontinued Operations (Solstice retail business)**	**Total**
Income statement impact			
Reduction of operating rental expenses (additional EBITDA)	7,022	5,783	12,805
Increase in depreciation expenses	(6,652)	(5,407)	(12,059)
Increase in operating profit	**370**	**376**	**746**
Increase in interest expenses	(652)	(668)	(1,320)
Reduction of profit before tax	**(282)**	**(292)**	**(573)**
Balance sheet impact			
Financial lease liability	(35,441)	(38,030)	**(73,471)**
Tangible Assets for Right of Use	32,914	35,716	**68,630**
Other Liability	2,246	2,024	**4,270**
Impact on Equity	**(281)**	**(290)**	**(571)**

As reflected in the table above, IFRS 16 has a significant impact on the Group's main financial performance indicators and on the related disclosures relevant for the consolidated financial statements. On the consolidated balance sheet side there has been a significant increase of both assets and liabilities due to the items rights of use and lease liabilities that are recognized for contracts in which the Group is a lessee. In the consolidated statement of income the majority of the current operating rental costs has been presented as depreciation of right to use assets and interest expenses on the lease liabilities, with a significant impact in terms of EBITDA and a minor effect on the net income.

On June 7th 2017 the IASB published the interpretative document IFRIC 23 "Uncertainty over Income Tax Treatments". The document clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over the tax treatment adopted in the area of income tax and on recognition and measurement of tax assets and liabilities.

The document provides that an entity should reflect the effect of uncertainty in the financial statements for current and deferred tax when the entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment (and thus, it is probable that the entity will receive or pay amounts relating to the uncertain tax treatment); in such a case the entity shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency applying paragraph 88 of IAS 12.

In addition, the document does not contain any new disclosure requirements, but highlights that the entity will have to determine whether it is 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 is applicable from January 1, 2019.

Impact of the adoption of IFRIC 23:

The Group has performed an assessment on the uncertain tax treatments applied within the Group, in order to identify potential risk in case it was unclear whether that treatment is to be accepted by the tax authorities. For the tax treatments for which the assessment concluded that it is not probable that the tax position taken will be accepted by taxing authorities, the Group has reflected that uncertainty using on a case by case approach the most appropriate method to better predict the probable outcome of the resolution of the uncertainty.

The Group has applied the IFRIC 23 retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings on the date of initial application as at January 1, 2019 without the restatement of the comparatives.

According to the analysis performed, in consideration of the Group's business characteristics and the evaluation of the limited uncertain tax treatments identified, an additional tax related contingency of Euro 0.6 million as at 1 January 2019 has been recognised against retained earnings, adopting a modified retrospective approach. The amount of this additional tax liability has remained stable during the year to June, 30 2019. The additional tax liability accrued has been reported in the item "Other non current liabilities".

On December 12th 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs) which incorporates the amendments to certain principles as part of the annual improvement process. The new improvements have been applied since 1 January 2019. The adoption of this amendment had no effect on the Group consolidated financial statements.

On 7 February 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19). The document clarifies how an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after this event occurs, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The adoption of this amendment had no effect on the consolidated financial statements of the Group.

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 interim report:

- Amendments to references to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 3 Business Combinations;
- Amendment to IAS 1 and IAS 8: definition of Material.

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 2019, the Group's consolidation area changed as follow:

- on 13 May 2019 Safilo Korea Co. Ltd. was incorporated as a new company and it is owned at 51% by Safilo Far East Ltd.

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	70,000,000	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	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 Korea Co. Ltd. - Seoul (K)	KRW	50,000,000	51.0
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 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
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
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, 2019**	**December 31, 2018**	**%**	**June 30, 2019**	**June 30, 2018**	**%**
US Dollar	USD	1,1380	1,1450	-0,6%	1,1298	1,2104	-6,7%
Hong-Kong Dollar	HKD	8,8866	8,9675	-0,9%	8,8611	9,4863	-6,6%
Swiss Franc	CHF	1,1105	1,1269	-1,5%	1,1295	1,1698	-3,4%
Canadian Dollar	CAD	1,4893	1,5605	-4,6%	1,5069	1,5458	-2,5%
Japanese Yen	YEN	122,6000	125,8500	-2,6%	124,2836	131,6057	-5,6%
British Pound	GBP	0,8966	0,8945	0,2%	0,8736	0,8798	-0,7%
Swedish Krown	SEK	10,5633	10,2548	3,0%	10,5181	10,1508	3,6%
Australian Dollar	AUD	1,6244	1,6220	0,1%	1,6003	1,5688	2,0%
South-African Rand	ZAR	16,1218	16,4594	-2,1%	16,0434	14,8913	7,7%
Russian Ruble	RUB	71,5975	79,7153	-10,2%	73,7444	71,9601	2,5%
Brasilian Real	BRL	4,3511	4,4440	-2,1%	4,3417	4,1415	4,8%
Indian Rupee	INR	78,5240	79,7298	-1,5%	79,1240	79,4903	-0,5%
Singapore Dollar	SGD	1,5395	1,5591	-1,3%	1,5356	1,6054	-4,4%
Malaysian Ringgit	MYR	4,7082	4,7317	-0,5%	4,6545	4,7670	-2,4%
Chinese Renminbi	CNY	7,8185	7,8751	-0,7%	7,6678	7,7086	-0,5%
Korean Won	KRW	1.315,3500	1.277,9300	2,9%	1.295,1984	1.302,3752	-0,6%
Mexican Peso	MXN	21,8201	22,4921	-3,0%	21,6543	23,0850	-6,2%
Turkish Lira	TRY	6,5655	6,0588	8,4%	6,3562	4,9566	28,2%
Dirham UAE	AED	4,1793	4,2050	-0,6%	4,1491	4,4450	-6,7%

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, in the line "Financial charges, net".

1.5 Use of estimates

The preparation of the interim condensed 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. Actual results may differ from previous estimates and assumptions 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.

1.6 Discontinued operations

In May 2019 the Group announced the agreement to sell the US retail chain Solstice to Fairway LLC, a US limited liability company, formed by a group of investors active in the US and in the European eyewear retail business. The sale of the Solstice retail business confirms the Group's efforts to focus on its core wholesale business, and thereby marks a further key step in Safilo's strategy of recovering a sustainable economic profile.

The closing of the transaction has been executed on July 1, 2019 which is the effective date of the transaction, for a cash consideration of USD 9 million on a cash and debt free basis, subject to the customary price adjustment mechanisms.

The consideration has been partially settled for the amount of USD 3 million at signing before the end of June, the remaining USD 6 million are guaranteed by a Buyer Secured Note that shall be payable in four equal quarterly installments with the first payment due on October 31. The price adjustments stated by the agreement have been calculated according to the best information available at the reporting date, no significant changes are expected.

Following this agreement the Group has reported in the current period the Solstice retail business as discontinued operations and classified the assets and liabilities of the disposal segment as held for sale. The retail business segment was not previously classified as a discontinued operation, the comparative consolidated income statement and the statement of comprehensive income have been "restated" to show the contribution of the discontinued operation separately allowing a proper comparison with the previous period. In contrast the balance sheet information for the prior year has not been "restated".

Financial information relating to the discontinued operation for the period is set out below.

Discontinued operations Income Statement

Discontinued operation generated a total loss of Euro 26,217 thousand, of which Euro 16,962 thousand related to the disposal loss, including Euro 3,724 thousand for the write down of deferred tax assets no longer recoverable after the disposal, and Euro 9,255 thousand to the net result of the retail business in the period.

(Euro/000)	First semester 2019	First semester 2018
Net sales	25,665	26,461
Cost of sales	(15,218)	(12,179)
Selling and marketing expenses	(14,984)	(15,832)
General and administrative expenses	(3,491)	(4,360)
Other operating income/(expenses)	(1,312)	-
Financial charges, net	(2,150)	(1,603)
Loss before taxation	**(11,490)**	**(7,513)**
Income taxes	2,235	1,499
Loss before loss on disposal	**(9,255)**	**(6,014)**
Provision for disposal loss	(13,238)	-
Write down of deferred tax assets for disposal	(3,724)	-
Loss on sale of discontinued operation	**(16,962)**	**-**
Loss of the period discontinued operation	**(26,217)**	**(6,014)**

Discontinued operation net assets held for sale

The following assets and liabilities have been reclassified as held for sale in relation to the discontinued operations as at June 30, 2019.

(Euro/000)	Carrying amount as at June 30, 2019
Cash and cash equivalents	671
Inventory	18,044
Other current assets	1,435
Tangible Assets - Right of Use IFRS 16	35,716
Tangible Assets - Leasehold improvements	4,678
Intangible assets Software	797
Other non-current assets	217
ASSETS	**61,558**
Trade payables	525
Tax payables	580
Other current liabilities	745
Financial Lease Liability IFRS 16	38,030
Other non-current liabilities	329
LIABILITIES	**40,210**
NET ASSETS HELD FOR SALE	**21,348**
PROVISION ACCRUED FOR DISPOSAL LOSS	**(13,238)**
TOTAL NET ASSETS HELD FOR SALE INCLUDING PROVISION FOR DISPOSAL LOSS	**8,110**

The closing of the transaction has been fixed on July 1, 2019, as at June 30, 2019 the Group has classified as held for sale the total net assets belonging to retail business subject to the disposal for a total amount of Euro 21,348 thousand. The difference between the consideration for the transactions equals to Euro 8.110 thousand (9,229 thousand USD), including the contractual price adjustment, and the total net assets disposed equal to 21,348 thousand Euro, has been accrued as provision for loss on disposal for a total amount of Euro 13,238 thousand. Details on the calculation of the loss accrued are set out below.

(Euro/000)	
Cash consideration received and receivable	8,110
Carrying amount of net assets sold	(21,348)
PROVISION FOR DISPOSAL LOSS ACCRUED AS AT JUNE 30, 2019	**(13,238)**

Discontinued operations Cash Flows

The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total, including both continuing and discontinued operations, amounts related to discontinued operations by operating, investing and financing activities are disclosed in the following table:

(Euro/000)	**First semester 2019**
Cash flow from operating activities	632
Cash flow from investing activities	(93)
Cash flow from financing activities	(642)
Cash flow of the period	**(103)**

2. Notes to the condensed consolidated balance sheet

The Group has reported in the current period the Solstice retail business as discontinued operations and classified the assets and liabilities of the disposal segment as held for sale. The retail business segment was not previously classified as a discontinued operation, the comparative balance sheet information for the prior year has not been "restated". The detail of the assets and liabilities related to the discontinued operations classified as held for sale is disclosed in Note 1.6.

2.1 Cash and cash equivalents

At 30 June 2019 this account totals Euro 103,582 thousand (of which Euro 671 thousand related to discontinued operations reclassified as held for sale), compared to Euro 178,247 thousand at 31 December 2018 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, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	102,910	178,247	112,935
Cash and cash equivalents included as Assets held for sale	671	-	-
Bank overdrafts	(2)	(278)	(994)
Current bank borrowings	(3,002)	(3,001)	(3,000)
Net cash and cash equivalents	**100,578**	**174,968**	**108,941**

The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total, including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 1.6.

2.2 Trade receivables

This item breaks down as follows:

(Euro/000)	June 30, 2019	December 31, 2018
Gross value trade receivables	214,014	198,365
Allowance for doubtful accounts	(14,490)	(14,009)
Net value	**199,524**	**184,356**

The Group has no particular concentration of credit risk, as its credit exposure is spread over a large number of clients and geographies. The carrying amount of the trade receivables, is considered to be approximately equal to their *fair value*.

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

The following table shows changes in the above mentioned allowance:

(Euro/000)	Balance at January 1, 2019	Addition	Use	Transl. Diff.	Balance at June 30, 2019
Allowance for doubtful accounts	14,009	1,581	(1,195)	95	14,490

2.3 Inventory

This item breaks down as follows:

(Euro/000)	June 30, 2019	December 31, 2018
Raw materials	72,221	75,892
Work in progress	6,699	7,235
Finished goods	226,951	246,398
Gross	**305,871**	**329,525**
Provision for obsolete inventory (-)	(87,782)	(91,815)
Total	**218,089**	**237,710**

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 of finished goods and use of raw materials and semi-finished products. This item is charged in the income statement in "cost of sales" (note 3.2).

The movements in the period are shown below:

(Euro/000)	Balance at January 1, 2019	Posted to income statement	Reclass to Assets held for sale	Transl. Diff.	Balance at June 30, 2019
Inventory gross value	329,525	(7,181)	(18,044)	1,570	305,871
Provision for obsolete inventory	(91,815)	4,288	-	(255)	(87,782)
Total net	**237,710**	**(2,893)**	**(18,044)**	**1,315**	**218,089**

2.4 Derivative financial instruments

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

(Euro/000)	**June 30, 2019**	**December 31, 2018**
Current assets:		
- Foreign currency contracts - Fair value through P&L	612	389
Total	**612**	**389**
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	988	408
- Foreign currency contracts - cash flow hedge	51	-
Total	**1,039**	**408**

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 427 thousand.

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	**June 30, 2019**	**December 31, 2018**
VAT receivable	9,131	13,314
Income tax receivables	13,272	19,455
Prepayments and accrued income	11,024	11,286
Other receivables	5,600	8,526
Total	**39,027**	**52,582**

VAT receivables amounted to 9,131 thousand Euro (13,314 thousand Euro at December 31, 2018), the reduction mainly driven by the Group's efforts to recover VAT credit positions. Income tax receivables are mainly related to tax credits and advance payments made during the period which will be offset against the related tax payable.

Prepayments and accrued income amounted to 11,024 thousand Euro (11,286 thousand Euro at December 31, 2018) and mainly consisted of prepaid royalties for 3,107 thousand Euro, prepaid rent and operating lease costs, related to contracts outside the scope of IFRS 16, for 994 thousand Euro, prepaid insurance for 808 thousand Euro.

Other current receivables amounted to 5,600 thousand Euro, compared to 8,526 thousand Euro of December 2018, the balance is mainly related to the receivables reported by the subsidiary Safilo S.p.A. for 1,373 thousand

Euro, referring mainly to receivables due from insolvent customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the recovery procedure is unsuccessfully closed, receivables from agents for 357 thousand Euro mainly deriving from the sale of samples, deposit payments due within 12 months for 327 thousand Euro and other receivables for 3,543 thousand Euro.

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

2.6 Tangible assets

Changes in tangible assets in the six months of 2019 are shown below:

(Euro/000)	Balance at January 1, 2019	Increase	Decrease	Reclass.	First adoption IFRS 16	Reclass. assets held for sale	Transl. diff.	Balance at June 30, 2019
Gross value								
Land and buildings	145.898	2.121	(1.754)	168	72.990	(43.134)	(189)	176.101
Plant and machinery	209.067	441	(822)	1.354	-	-	138	210.178
Equipment and other assets	162.177	1.370	(3.185)	6.077	6.640	(22.185)	588	151.482
Assets under constructions	5.606	10.236	(122)	(7.598)	-	-	(7)	8.114
Total	**522.748**	**14.167**	**(5.883)**	**-**	**79.631**	**(65.318)**	**530**	**545.874**
Accumulated depreciation								
Land and buildings	62.259	12.635	(1.232)	-		(6.951)	50	66.762
Plant and machinery	156.083	4.357	(853)	-		-	77	159.665
Equipment and other assets	127.514	10.052	(2.712)	-		(17.429)	446	117.871
Total	**345.857**	**27.044**	**(4.797)**	**-**	**-**	**(24.379)**	**573**	**344.298**
Net value	**176.891**	**(12.877)**	**(1.087)**	**-**	**79.631**	**(40.939)**	**(43)**	**201.576**

Investments in tangible assets in the first six months totalled Euro 14,167 thousand and mainly comprised:

- Euro 2,292 thousand for the recognition of additional Right to Use assets on the new lease rent contracts in which the Group is a lessee (as detailed in the following dedicated table);
- Euro 689 thousand mainly for the upgrading of IT and logistic equipment in the Italian Headquarter and the distribution center;
- Euro 5,667 thousand in production facilities, mainly for the upgrading of plants and for the purchase and production of equipment for new models;
- Euro 4,879 thousand for the U.S. companies, mainly related to the consolidation of North American logistic operations in a new distribution center in Denver;
- the remaining part in other companies of the Group.

The balance related to the reclassification to "Non-current assets held for sale" refers to the tangible assets of the discontinued Retail business amounting to Euro 40,394 thousand (for more details see the note 1.6) and for Euro 545 thousand to the real estate of an inactive manufacturing site in Precenicco.

The balance related to the column "First adoption IFRS 16" refers to the impact at the transition date 1 January 2019 in term of recognition of the new Right of Use assets.

Below we recap the Rigth of Use asset balances included in the items "Land and Building" and "Equipment and other assets" mainly related respectively to real estate rent contracts and to long term operating lease contracts for company cars.

(Euro/000)	Balance at January 1, 2019	First adoption IFRS 16	Increase	Decrease	Reclass. assets held for sale	Transl. diff.	Balance at June 30, 2019
Gross value							
Buildings Right of Use	-	72,990	1,597	(694)	(40,885)	(454)	32,555
Other assets Right of Use	-	6,640	695	(407)	-	(1)	6,928
Total	**-**	**79,631**	**2,292**	**(1,101)**	**(40,885)**	**(455)**	**39,482**
Accumulated depreciation							
Buildings Right of Use	-	-	10,345	(201)	(5,168)	(58)	4,918
Other assets Right of Use	-	-	1,714	(63)	-	-	1,651
Total	**-**	**-**	**12,059**	**(264)**	**(5,168)**	**(58)**	**6,569**
Net value	**-**	**79,631**	**(9,767)**	**(837)**	**(35,716)**	**(397)**	**32,914**

2.7 Intangible assets

Changes in intangible assets in the first six months of 2019 are shown below:

(Euro/000)	Balance at January 1, 2019	Increase	Decrease	Reclass.	Reclass. assets held for sale	Transl. diff.	Balance at June 30, 2019
Gross value							
Software	81,884	144	(266)	760	(2,640)	122	80,003
Trademarks and licenses	56,117	-	-	46	-	14	56,176
Other intangible assets	7,413	14	(3,594)	452	-	56	4,341
Intangible assets in progress	5,504	4,045	4	(1,258)	-	17	8,311
Total	**150,917**	**4,202**	**(3,857)**	**-**	**(2,640)**	**208**	**148,830**
Accumulated amortization							
Software	58,309	5,514	(266)	-	(1,843)	109	61,823
Trademarks and licenses	29,253	1,167	-	-	-	14	30,433
Other intangible assets	4,869	315	(3,594)	-	-	54	1,645
Total	**92,431**	**6,996**	**(3,860)**	**-**	**(1,843)**	**177**	**93,901**
Net value	**58,486**	**(2,794)**	**4**	**-**	**(797)**	**31**	**54,930**

The increase in investments reported under the intangible assets in progress is mainly due to the continuing investments to implement the new integrated information system (ERP) of the Group.

The decrease of the item "Other intangible assets" equal to Euro 3,594 thousand in both the gross and the accumulated depreciation value is related to the accounting offset and cleaning of assets already fully depreciated and no longer in use booked in the US company.

Amortization and depreciation for tangible and intangible assets, related to both continuing and discontinued operations, are allocated over the following income statement items:

(Euro/000)	*Notes*	First semester 2019	First semester 2018
Continuing Operations			
Cost of sales	*3.2*	11,833	10,627
Selling and marketing expenses	*3.3*	3,769	1,544
General and administrative expenses	*3.4*	12,393	9,103
Discontinued Operations			
Selling and marketing expenses	*1.6*	5,926	700
General and administrative expenses	*1.6*	120	87
Total		**34,041**	**22,061**

The increase in the amortization and depreciation is mainly due to the impact of the additional depreciation on the Right of Use assets recognised in the Tangible Assets starting from 1 January 2019 according to IFRS 16. The Right to Use depreciation in the first semester 2019 amounts to Euro 12,059 thousand Euro (of which Euro 6,652 thousand for the continuing operations and 5,407 for the discontinued operations).

2.8 Goodwill

The item mainly refers to goodwill which arose in July 2001 following the public takeover bid (OPA) through a special purpose vehicle subsequently merged into the parent company. This goodwill upon the listing of 2005 and the transition to International Accounting Standards was then allocated to the various Group companies identified as Cash Generating Units (CGU) and then aggregated at the level of the Business Units of the Group, and therefore CGUs took the current configuration. This asset is therefore expressed in the functional currency of each individual company to which it was allocated.

The following table shows changes in goodwill:

(Euro/000)	**Balance at January 1, 2019**	**Increase**	**Decrease**	**Transl. diff.**	**Balance at June 30, 2019**
Goodwill	226,267	-	(227,062)	795	-

The table below provides a breakdown of goodwill, allocated to the CGUs, by geographical area as at December 31, 2018.

(Euro/000)	**EMEA**	**Americas**	**Total**
December 31, 2018	97,039	129,228	226,267

During the current period, the item recorded an increase of Euro 795 thousand due to the translation difference for the goodwill denominated in currencies other than the Euro and a decrease for an impairment loss equal to its total balance of Euro 227,062 thousand.

Impairment test

Following the recent developments in the Group's license portfolio, as communicated to the market on July 1, 2019, Management has stated the necessity to prepare a new business plan, which will be published by the end of 2019. As a consequence, even if the expectations until 2020 remain confirmed, the projections beyond that period which were previously used to perform the impairment test for the 2018 financial statements, need to be updated. Based on the requirements of IAS 36, this situation triggers the need to perform an impairment test as of June 30, 2019.

The approach followed and the assumptions made to perform the impairment test are described below. For each identified CGU of the Group, the recoverable amount is based on its value in use determined based on estimated future cash flow projections over 5 years.

To determine the cash flow projections, the board of directors has approved on July 30, 2019 a five-year first financial projection for the period 2019 – 2023 (First Financial Projections). Certain aspects of this First Financial Projections could be revised soon as the Group is in the process of developing a new Group business plan which will be published once it has been definitively approved. This First Financial Projections includes certain preliminary key assumptions regarding sales and cost reduction initiatives. In the elaboration of these assumptions and projections, Management has used its best estimates based on available information about the most recent developments concerning the Group's brand portfolio, market context and competitive landscape. The First Financial Projections have been prepared adopting a pre-IFRS 16 approach.

Overall, the impairment test methodology used for the 2019 financial statements is consistent with the criteria used for the 2018 financial statements and is in line with the following factors:

- Management used the most recent information available to calculate the WACC (weighted average cost of capital), in particular: risk free rate, market risk premium, beta, specific risk premium for Safilo, cost of debt, debt / equity structure;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country in which the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2023.

To calculate the present value, the future cash flows thus obtained were discounted to their present value at a discount rate (WACC) as at the test's date of reference that took into account the specificities of each area where the Group operates. The cash flows generated after the horizon considered were determined on the basis of perpetual growth rates considered adequate with reference to the economic conditions of the country of reference.

The following table summarizes the WACC (after tax) and "g" rates used by the Group for the analyses performed when preparing the financial statements:

Key assumptions	**"WACC" discount rate**		**Growth rate "g"**	
Business units	**June 2019**	**December 2018**	**June 2019**	**December 2018**
EMEA	9.4%	9.3%	1.7%	1.8%
Americas	10.1%	10.1%	2.3%	2.3%

The execution of the test, substantially confirms that the entire amount of goodwill is impaired, and therefore it was determined to write its value down for the total balance of Euro 227,062 thousand.
In particular, in the development of the First Financial Projection, Management has taken into account a new

market and portfolio context and competitive landscape – reflecting changes in its market position in the Luxury segment and in certain key geographies.
The key assumptions underlying the First Financial Projections, reflect on one side the impact of the most recent developments in the Group's brand portfolio and the divestiture of its Solstice retail chain. On the other side they reflect certain organic growth projections of its going-forward wholesale business exploiting the Group's multi-segment brand portfolio, recovering moderate growth in developed markets and growing in emerging markets. Cost reductions are centered around overheads productivity and efficiency initiatives in the supply chain.
While the main key strategies underlying the sales expectations have not changed compared to the previous business plan used for the full year 2018 financial statement impairment test, using a top-down approach Management has assumed for the period beyond 2020 a moderate level of organic growth, based on market growth forecasts, and included the contribution of the newly signed licenses (Levi's, Missoni, David Beckham); the retail business has been excluded from the financial projections following its sale. On the costs side, the financial projections include an hypothesis to strengthen savings compared to the last business plan and, in compliance with IAS 36, assumes no savings on the cost of goods sold and no changes in the manufacturing footprint if not related to committed and communicated restructuring activities. With reference to working capital, a smoother glide path has been assumed.

Management has used the most reliable information available at this moment. In monitoring the goodwill value, Management has taken into consideration also exogenous factors, such as the stock market capitalization. The stock market valuation in general and considering Safilo's situation may be subject to different expectations and various fluctuations and hence in practice different valuation methods exist, such as those based on expected cash flows. In the case of Safilo, the value determined by current stock market prices is significantly different than the one obtainable with other methods. The Directors however believe that the assumptions incorporated in the first financial projections underlying the impairment test are reasonable, and that the Group has the necessary skills and resources to meet planned goals considering that an appropriate execution risk of the plan has been embedded in WACC used for the test. Therefore, the Group's economic value has been consistently considered in the impairment test.

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 not been recognised, in order to take into account the expectations of future recoverability.

The following table shows the amounts of deferred tax assets and liabilities, net of the write-down applied:

(Euro/000)	**June 30, 2019**	**AS at December 31, 2018**
Net deferred tax assets	32,970	63,248
Deferred tax liabilities	(10,181)	(13,455)
Total	**22,790**	**49,793**

Deferred tax assets, net of deferred tax liabilities, relating to some Group companies have been written down via provisioning of an allowance for tax asset impairment. This valuation allowance, considered prudent, has increased by 23,327 thousand Euro in order to take into account any potential assets that might not be recovered by the future taxable profit forecasted as per the First Financial Projections 2019-2023, for which reference is made to the previous note 2.8.

This write-down can be reversed in future years to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

2.10 Other non-current assets

(Euro/000)	**June 30, 2019**	**AS at December 31, 2018**
Long-term guarantee deposits	2,295	2,432
Other long-term receivables	498	553
Long-term tax receivables	10,778	8,568
Total	**13,571**	**11,552**

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

This item breaks down as follows:

(Euro/000)	June 30, 2019	December 31, 2018
Bank overdrafts	2	278
Short-term bank loans	3,002	3,001
Short-term portion of long-term bank loans	-	60,000
Convertible Bonds	-	147,849
Short-term portion of financial lease liability IFRS 16	9,234	-
Debt to the factoring company	17,000	-
Short-term borrowings	**29,238**	**211,128**
Medium long-term loans	87,504	-
Medium long-term portion of financial lease liability IFRS 16	26,207	-
Long-term borrowings	**113,711**	**-**
Total	**142,949**	**211,128**

In the first semester 2019, the Group has accomplished the expected reimbursement of the remaining Euro 60,000,000 loan under the Revolving Credit Facility Agreement signed in 2014 and expired on 31 January 2019 (the "2014 RCF") and Euro 150,000,000 Equity Linked Bonds 2014-2019 issued by the Parent company Safilo Group S.p.A. and expired on 22 May 2019.

This final step completed the refinancing plan carried out by the Group during 2018, for a total amount of Euro 300,000,000, split between a share capital increase and a new credit agreement expiring in 2023. In particular, the new committed, unsubordinated and unsecured Term and Revolving Credit Facility Agreement for a total amount equal to Euro 150,000,000 (the "2018 T&RCF"), including a Term loan facility of Euro 75,000,000 and a Revolving Credit Facility of equal amount, both maturing on 30 June 2023, has been provided to the subsidiary Safilo S.p.A. by a pool of banks formed by Banca IMI S.p.A., BNP Paribas Italian Branch and Unicredit S.p.A. as arrangers and BNP Paribas Italian Branch, Intesa Sanpaolo S.p.A., ING Italian Branch and Unicredit S.p.A. as lenders. It can be partially syndicated and increased up to a maximum amount of Euro 200,000,000. Following repayment and cancellation of the "2014 RCF", the "2018 T&RCF" has become effectively available upon the above mentioned redemption at maturity of the Euro 150,000,000 Equity Linked Bonds 2019.

Excluding the impact of the IFRS 16 new financial lease liability, recognised starting from the transition date 1 January 2019, that represents the financial commitment deriving from the lease contracts under which the Group is a lessee, on 30 June 2019 the Group exhibits short-term borrowings for a total amount of Euro 20,004 thousands and long-term borrowings for Euro 87,504 thousand related to the new "2018 T&RCF", and in detail to the Term loan facility for Euro 75,000 thousand and to the Revolving Credit Facility for Euro 15,000 thousand.

The new Term and Revolving Facility is carried at amortised cost, the outstanding transaction costs amortised along the duration of the facility and reported as its reduction amount to Euro 2,496 thousand Euro.

This new committed, unsubordinated and unsecured Term and Revolving Facility Agreement is subject to operating and financial commitments, standard for similar transactions.

The Group has no financial borrowings in currencies other than 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	17,562	3,002	14,560
Credit lines on long-term loans	150,000	90,000	60,000
Total	**167,562**	**93,002**	**74,560**

The net financial position of the Group at 30 June 2019 compared to the same as of 31 December 2018, including the discontinued Retail business, reclassified as held for sale, is as follows:

	Net financial position *(Euro/000)*	**June 30, 2019**	**December 31, 2018**	**Change**
A	Cash and cash equivalents	102,910	178,247	(75,336)
B	Cash and cash equivalents included as Assets held for sale	671	-	671
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**103,582**	**178,247**	**(74,665)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(3,004)	(3,279)	275
G	Current portion of long-term borrowings	-	(207,849)	207,849
G	Current portion of long-term lease liability IFRS 16	(9,234)	-	(9,234)
H	Other short-term borrowings	(17,000)	-	(17,000)
I	**Debts and other current financial liabilities (F+G+H)**	**(29,238)**	**(211,129)**	**181,890**
J	**Current financial position, net (D)+(E)+(I)**	**74,344**	**(32,882)**	**107,225**
K	Long-term bank borrowings	(87,504)	-	(87,504)
L	Bonds	-	-	-
M	Other long-term borrowings	-	-	-
M	Long-term lease liability IFRS 16	(26,207)	-	(26,207)
M	Long-term lease liability IFRS 16 included as Liabilities held for sale	(38,030)	-	(38,030)
N	**Debts and other non current financial liabilities (K+L+M)**	**(151,741)**	**-**	**(151,741)**
I	**Net financial position (J)+(N)**	**(77,398)**	**(32,882)**	**(44,516)**
I	**Net financial position pre-IFRS 16**	**(3,927)**	**(32,882)**	**28,955**

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, 2019	December 31, 2018
Trade payables for:		
Purchase of raw materials	35,394	35,920
Purchase of finished goods	46,821	40,082
Suppliers from subcontractors	4,697	4,870
Tangible and intangible assets	3,452	4,537
Commissions	4,548	3,719
Royalties	13,438	14,146
Advertising and marketing costs	11,802	11,415
Services	44,519	46,633
Sales returns liabilities (Refund Liability)	13,077	9,451
Total	**177,746**	**170,772**

The book value of the trade payables is maintained as being approximately the same as their fair value.

Sales returns liabilities refer to the amount accrued against the risk of returns of products sold and delivered to customers that, based on the relevant sales terms, might be returned. This sum is charged to the income statement and is deducted directly from revenues. The refund liability refers to well identified items and customers and Management has elements to estimate the liability with a high reliability level.

2.13 Tax payables

This item breaks down as follows:

(Euro/000)	June 30, 2019	December 31, 2018
Income tax payables	5,229	13,407
VAT payables	3,617	1,650
Other taxes payables	6,720	8,116
Total	**15,566**	**23,173**

At 30 June 2019 tax payables amounted to Euro 15,566 thousand (compared to Euro 23,173 thousand at 31 December 2018). Of this sum Euro 5,229 thousand referred to income tax for the period, Euro 3,617 thousand to VAT payable and Euro 6,720 thousand to taxes withheld, current and local taxes.

The provision for the year's current income tax is shown in note 3.8 concerning income tax.

2.14 Other current liabilities

This item breaks down as follows:

(Euro/000)	**June 30, 2019**	**December 31, 2018**
Payables to personnel and social security institutions	42,487	33,045
Agent fee payables	207	114
Payables to pension funds	1,291	1,539
Accrued advertising and sponsorship costs	2,126	1,375
Accrued interests on long-term loans	428	422
Other accruals and deferred income	13,464	14,143
Other current liabilities	3,730	1,382
Total	**63,733**	**52,020**

"Payables to personnel and social security institutions" mainly refer to salaries and wages, which are paid during the following month, the increase is mainly due to the contractual supplemental salary and wages and holidays accrued but not taken at the reporting date.

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, 2019	Increase	Decrease	Transl. diff.	Balance at June 30, 2019
Product warranty provision	5,799	-	-	-	5,799
Agents' severance indemnity	2,527	90	-	3	2,620
Other provisions for risks and charges	5,422	304	(186)	-	5,540
Provisions for risks - long term	**13,748**	**394**	**(186)**	**3**	**13,958**
Product warranty provision	1,178	44	-	38	1,260
Provision for corporate restructuring	44	2,598	(1,147)	(1)	1,494
Other provisions for risks and charges	25,514	905	(3,433)	9	22,995
Provisions for risks - short term	**26,736**	**3,547**	**(4,580)**	**47**	**25,750**
Total	**40,484**	**3,941**	**(4,766)**	**49**	**39,708**

The product warranty provision was recorded against the costs to be incurred for the replacement of products sold before the balance sheet date.

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 existing laws at the balance sheet date considering all the future expected financial cash outflows.

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way.

Provisions for other risks and charges refer to the best estimate made by the Management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts.

The short term portion of the "Other provisions for risks and charges" includes the provision of Euro 17,000 thousand related to the proceedings before the French Competition Authority ("FCA") accrued in 2015. Safilo's French subsidiary (Safilo France S.A.R.L.) together with other major competitors and a number of leading retailers in the French eyewear industry, has been the subject of an investigation conducted by the FCA relating to pricing and sales practices in the industry. In May 2015, Safilo France S.A.R.L. and Safilo S.p.A. in its capacity of parent-company received a Statement of Objections from the FCA (the "Initial SO"). On February 2nd 2016, Safilo reached an agreement with the FCA's Investigation Services limiting the Group's liability at Euro 17,000 thousand. Consequently, a provision was booked by the Group as the best estimate for the expected liability. On February 24th 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.

On April 19, 2019, Safilo France S.A.R.L., Safilo S.p.A and, in its capacity of parent company, Safilo Group S.p.A received a new statement objections (the "Supplementary SO"), which supplements the Initial SO (the charges raised in the Initial SO being maintained). In July 2019, Safilo filed a brief in response to both the Initial SO and the Supplementary SO, in which it contested all the charges raised against it by the investigation services. The Group expects to receive the final investigation report by the end of 2019 or beginning of 2020. At this stage of the proceedings, it is not possible to determine whether Safilo will be imposed a fine by the FCA.

The estimate of the above mentioned allowances takes into account, where applicable, the opinion of legal consultants and other experts, past company experience and others' in similar situations, as well as the intention of the company to take further actions in each case. The provision in the consolidated financial statements is the sum of the individual accruals made by each company of the Group.

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, 2019**	**December 31, 2018**
Defined contribution plan	(21)	21
Defined benefit plan	25,147	26,205
Total	**25,126**	**26,226**

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, 2019**	**Addition**	**Actuarial (gains)/losses**	**Uses**	**Transl. diff.**	**Balance at June 30, 2019**
Defined benefit plan	26,205	173	-	(1,240)	8	25,147

2.17 Other non-current liabilities

(Euro/000)	Balance at January 1, 2019	Increase	Decrease	First adoption IFRS 16	Changes in accounting principle	Reclass. liabilities held for sale	Transl. diff.	Balance at June 30, 2019
Other non current liabilities	5,737	-	(600)	(4,496)	600	(329)	66	978

The "other non current liabilities" balance was mainly related to the long-term deferred rent liability accrued for the normalization of the escalating rent contracts of the stores of the U.S. subsidiary Solstice. The balance has significantly decreased as a consequence of the first adoption of the IFRS 16. According to the new accounting standard this deferred rent lease liability has been fully reclassified as reduction of the Right of Use assets.

The amount equal to Euro 600 thousand reported in the item "changes in accounting principle" refers to the estimate the additional tax liability accrued according to the new IFRS 23, effective from 1 Janaury 2019, on the basis of the assessment of the limited uncertain tax treatment identified within the Group.

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 30 June 2019, shareholders' equity amounted to Euro 394,799 thousand, compared to Euro 646,324 thousand at 31 December 2018.

In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus securing the company's continuity and the Group constantly monitors the ratio between indebtedness and shareholders' equity.

2.18 Share capital

On 2 January 2019, the reference shareholder Multibrands Italy B.V., a subsidiary of HAL Holding N.V., in compliance with the commitment undertaken on 26 September 2018, subscribed for and paid-in all the 25,193,337 ordinary shares remained unsubscribed at the end of the rights auction, which ended on 28 December 2018, for a total consideration of Euro 17,736,109.25. Following this subscription the share capital increase resolved by the Extraordinary Shareholders' meeting held on 29 October 2018 was fully subscribed for a total number of 213,043,881 newly issued shares and for a total consideration of Euro 149,982,892.22.

The total consideration collected for the subscription of the newly issued shares has been allocated to share capital for 4,333,254 Euro and to share premium reserve for 13,402,855 Euro.

At 30 June 2019 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 349,943,373 (Euro 345,610,119 as at 31 December 2018) consisting of no. 275,703,846 ordinary shares with no par value.

2.19 Share premium reserve

At 30 June 2019 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 594,277,350 (581,121,027 as at 31 December 2018).

The increase of the period is due to the share capital increase allocated to the share premium reserve equal to Euro 13,156,323 Euro net of capital increase transaction costs of Euro 246,532.

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.

During the first semester, the movements of the item "retained earnings and other reserve" mainly refer to:

- an increase of 4,707 thousand Euro due to the positive translation differences coming from the translation of the subsidiaries' financial statements into Euro;

- an increase of 100 thousand Euro related to the cost of the period of the *stock option* plans in place.

2.21 Cash flow hedge reserve

The cash flow hedge reserve mainly refers to the current value of derivative instruments currency forward contracts that cover the currency exchange rate risk on future highly probable transactions.

2.22 Stock options plans

The Extraordinary Shareholders' Meeting of April 26th 2017 resolved to increase the share capital by a maximum nominal value of Euro 12,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no. 2,500,000, to be offered for subscription to directors and/or employees of Safilo Group S.p.A. and its subsidiaries pursuant to the 2017-2020 Stock Option Plan.

This 2017-2020 Plan, aimed to incentivize and strengthen the loyalty of the directors and/or the employees/managers of the Company and/or of the subsidiary companies, is executed through the assignment, free of charge and in several tranches, of a maximum of no. 2,500,000 options, which entitle the beneficiaries to the right to subscribe newly issued ordinary shares of the Company, arising from the above mentioned capital increase, with exclusion of the option rights according to Article 2441, paragraph 4, second sentence, of the Italian Civil Code, at the rate of no. 1 share for each option.

The Plan has a total duration of ten years (from 2017 to 2027). The options assigned to the beneficiaries may be exercised after two years from the allocation date.

This Plan is in addition to the 2014-2016 Plans already in place deliberated by the Extraordinary Meetings respectively held April 15th 2014, in which the Shareholders approved the issue of 1,500,000 new ordinary shares, for a total of 7,500,000 to be offered to directors and/or employees of the Company and its subsidiaries.

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 adoption of these plans has affected the income statement for the period for Euro 101 thousand (Euro 180 thousand at 30 June 2018).

3. Notes on the consolidated income statement

The Group has reported in the current period the Solstice retail business as discontinued operation disclosing the contribution in term of post tax result in a single item of the consolidated income statement. An analysys of this single amount is reported in the Note 1.6. The following tables referred only to the income statement of the continuing operations related to the wholesale business. The retail business segment was not previously classified as a discontinued operation, the comparative consolidated income statement have been "restated" to show the contribution of the discontinued operation separately allowing a proper comparison with the previous period.

3.1 Net sales

The Group primary revenue segment is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners. Revenue is recognised when all the risks and rewards relating to the ownership of the goods have been transferred to the client, or on delivery to the client, in accordance with the sales terms agreed, payment terms and right of return condition depend by the cluster of each customer.

Safilo closed the first half of 2019 with the net sales of the Continuing Operations at Euro 495.9 million, up 6.5% at current exchange rates and 3.9% at constant exchange rates compared to the same period of 2018 (+4.1% excluding Kering business). Sales trends reflected the positive progression recorded by the Group's brands in the main European and North American markets, where the portfolio grew by respectively 3.0% and 1.0% at constant exchange rates. The recovery was strong in Asia-Pacific, up 27.9% at constant exchange rates, driven in particular by the travel retail channel and China, while sales in the Rest of the World turned slightly positive (+0.8% at constant exchange rates) after recovering in the second quarter. 2019 performance was particularly positive for the Group's own core brands, with Polaroid, Smith and Carrera which recorded overall growth of around 8% at constant exchange rates. On the licensed brands portfolio, Dior, Tommy Hilfiger, Hugo Boss and Max Mara continued to stand out as key positive drivers.

For more details concerning the sales performance in the first six months of 2019 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 2019	First semester 2018 (Restated)
Purchase of raw materials and finished goods	149,291	133,383
Capitalisation of costs for increase in tangible assets (-)	(3,891)	(4,488)
Change in inventories	(1,936)	16,343
Wages and social security contributions	59,068	55,368
Subcontracting costs	7,519	6,469
Amortization and depreciation	11,073	10,627
Amortization and depreciation Right to Use - IFRS 16	760	-
Rental and operating leases	945	829
Offset Rental and operating leases - IFRS 16	(751)	-
Utilities, security and cleaning	4,048	3,578
Other industrial costs	3,638	3,810
Total	**229,764**	**225,919**

Cost of sales increased by Euro 3,845 thousand (or 1.7%), from Euro 225,919 thousand for the six months ended 30 June 2018, to Euro 229,764 thousand for the six months ended 30 June 2019. This was mainly due to an increase in Payroll and social security contribution by Euro 3,700 thousand (or 6.7%), from Euro 55,368 thousand to Euro 59,068 thousand for the six months ended 30 June 2019 mainly due to higher level of personnel employed in terms of temporary workers for the six months ended 30 June 2019.

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2019	First semester 2018 (Restated)
Finished products	(9.650)	14.498
Work-in-progress	588	(265)
Raw materials	7.126	2.109
Total	**(1.936)**	**16.343**

The average number of Group employees in the first six months of 2019 and 2018 can be summarised as follows:

	First semester 2019	First semester 2018
Executives	117	128
Clerks and middle management	2,992	3,162
Factory workers	3,597	3,572
Total	**6,705**	**6,862**

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2019	First semester 2018 (Restated)
Payroll and social security contributions	52.601	51.787
Sales commissions	25.436	24.485
Royalty expenses	36.399	33.471
Advertising and promotional costs	55.638	52.400
Amortization and depreciation	1.327	1.544
Amortization and depreciation Right to Use - IFRS 16	2.442	-
Logistic costs	9.829	10.829
Consultants fees	989	575
Rental and operating leases	3.304	2.685
Offset Rental and operating leases - IFRS 16	(2.587)	-
Utilities, security and cleaning	663	691
Provision for risks	(387)	(82)
Other sales and marketing expenses	7.217	8.116
Total	**192.871**	**186.501**

Selling and marketing expenses increased by Euro 6,370 thousand (or 3.4%), from Euro 186,501 thousand for the six months ended 30 June 2018 to Euro 192,871 thousand for the six months ended 30 June 2019. This was mainly due to an increase in the Royalty expenses and in the Advertising and promotional costs respectively by Euro 2,928 thousand and Euro 3,238 thousand, remaining substantially in line in term of incidence with the previous period.

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	**First semester 2019**	**First semester 2018 (Restated)**
Payroll and social security contributions	26.745	30.029
Allowance and write off of doubtful accounts	1.473	1.093
Amortization and depreciation	8.943	9.103
Amortization and depreciation Right to Use - IFRS 16	3.450	-
Professional services	6.452	7.467
Rental and operating leases	3.996	3.814
Offset Rental and operating leases - IFRS 16	(3.684)	-
EDP costs	6.439	6.523
Insurance costs	1.123	1.187
Utilities, security and cleaning	1.814	1.935
Taxes (other than on income)	997	1.555
Other general and administrative expenses	3.105	2.068
Total	**60.854**	**64.774**

General and administrative expenses decreased by Euro 3,920 thousand (or 6.1%), from Euro 64,774 thousand for the six months ended June 30, 2018 to Euro 60,854 thousand for the six months ended 30 June, 2019. This was mainly due to a decrease in Payroll and social security contributions by Euro 3,284 thousand (or 10.9%), from Euro 30.029 thousand for the six months ended 30 June, 2018 to Euro 26,745 thousand for the six months ended 30 June, 2019, benefitting also of the Group's overhead productivity program as part of the fixed cost reduction initiative.

3.5 Other operating income (expenses)

This item breaks down as follows:

(Euro/000)	**First semester 2019**	**First semester 2018 (Restated)**
Losses on disposal of assets	(74)	(59)
Other operating expenses	(5.394)	(5.269)
Gains on disposal of assets	69	166
Other operating incomes	1.229	22.153
Total	**(4.170)**	**16.991**

Other operating income and expenses include cost and revenue components either not related to the Group's ordinary operations or that are considered by Management to be of non-recurring nature. This item does not include transportation costs charged to customers who have been classified as a reduction of the respective cost item.

During the first six months of 2019 under "other operating expenses" non-recurring costs of Euro 5,032 thousand were accounted for mainly related to restructuring expenses for the ongoing cost saving program. In the same period of the last year non-recurring costs of Euro 3,531 thousand were accounted for mainly related to the completion of the CEO succession plan and to reorganization costs in North America.

"Other operating incomes" decrease significantly returning to include residual other operating income, in the same period of the last year the item included Euro 19,500 as pro-rata portion of the accounting compensation for the early termination of the Gucci license.

3.6 Impairment loss on goodwill

As reported in note 2.8 "Goodwill", the Group has performed the impairment test of goodwill. The execution of the test, substantially confirms that the entire amount of goodwill is impaired, and therefore it was determined to write its value down for the total balance of Euro 227,062 thousand.

3.7 Interest expenses and other financial charges, net

This item breaks down as follows:

	First semester 2019	First semester 2018 (Restated)
Nominal interest expenses on loans	767	1.654
Figurative interest expenses on loans	89	226
Nominal interest expenses on Bond	735	934
Figurative interest expenses on Bond	2.151	2.619
Interest expenses on operating leases - IFRS 16	652	-
Bank commissions	2.168	2.554
Negative exchange rate differences	6.654	18.417
Other financial charges	222	327
Total financial charges	**13.438**	**26.731**
Interest income	1.254	1.230
Positive exchange rate differences	6.931	15.587
Other financial income	2.355	1.857
Total financial income	**10.540**	**18.674**
Total financial charges, net	**2.898**	**8.057**

Total net financial charges decreased by Euro 5,159 thousand (or 64.0%) from Euro 8,057 thousand for the six months ended 30 June 2018 to Euro 2,898 thousand for the six months ended 30 June 2019. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 652 thousand, interest on loans decreased by Euro 1,691 thousand, from Euro 5,433 thousand for the six months ended 30 June, 2018 to Euro 3,742 thousand for the six months ended 30 June 2019, as a consequence of the lower average financial debts in the period. Net exchange rate differences are equal to a gain of Euro 277 thousand Euro in the first six months ended 30 June 2019 (a loss of Euro 2,830 thousand Euro in the firs six months of 2018).

The items "figurative interest expenses on loans and Bond" is related to the additional figurative interest component calculated according to the amortised cost method on the basis of the effective interest rate including any transaction costs and, for the Bond, the effect of the annual accretion of the bond floor value.

3.8 Income tax expenses

This item breaks down as follows:

(Euro/000)	**First semester 2019**	**First semester 2018 (Restated)**
Current tax	(1.602)	(4.673)
Deferred tax	(311)	(720)
Total income taxes	**(1.913)**	**(5.393)**
Write downs of deferred tax assets	(23.327)	-
Total write downs of deferred tax assets	**(23.327)**	**-**
Total	**(25.239)**	**(5.393)**

Income taxes increase by Euro 19,846 thousand from Euro 5,393 thousand for the six months ended 30 June 2018 to Euro 25,239 thousand for the six months ended 30 June 2019.

The increase of the income taxes is primarily affected by the write-down of deferred tax assets for Euro 23,327 thousand related to the Italian legal entities for which the realization of sufficient future taxable profits was not considered probable enough to support the recognition of the related deferred tax assets.

3.9 Earnings (Losses) per Share

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

Basic

	First semester 2019	First semester 2018 (Restated)
Profit/(Loss) for ordinary shares (in Euro/000)	(273,175)	(13,934)
Profit/(Loss) for ordinary shares from continuing operations (in Euro/000)	(246,938)	(7,921)
Average number of ordinary shares (in thousands)	275,565	62,660
Earnings/(Losses) per share - basic (in Euro)	(0.991)	(0.222)
Earnings/(Losses) per share – basic from continuing operations (in Euro)	(0.896)	(0.126)

Diluted

	First semester 2019	First semester 2018 (Restated)
Profit/(Loss) for ordinary shares (in Euro/000)	(273,175)	(13,934)
Profit/(Loss) for ordinary shares from continuing operations (in Euro/000)	(246,938)	(7,921)
Average number of ordinary shares (in thousands)	275,565	62,660
Dilution effects:		
- stock option (in thousands)	97	-
Total	**275,661**	**62,660**
Earnings/(Losses) per share - diluted (in Euro)	(0.991)	(0.222)
Earnings/(Losses) per share – diluted from continuing operations (in Euro)	(0.896)	(0.126)

3.10 Seasonality

Group revenues are partially affected by seasonal factors, as demand is higher in the first half of the year as a result of sunglasses sales ahead of the summer. Revenues are historically at their lowest in the third quarter of the year, since the sales campaign for the second half is launched in autumn. The described trend in sales has related effects on trade receivables, inventory, trade payables and the liquidity of the Group.

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

In the first six months of 2019, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of July 28th 2006.

3.12 Dividends

In the first six months of 2019, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders.

3.13 Segment reporting

The operating segments (Wholesale and Retail) were identified by Management in line with the Management and control model used for the Group.

Following the announcement on the disposal of the retail chain Solstice the Group has reported in the current period the retail business as discontinued operation and classified the assets and liabilities of the disposal segment as held for sale. The operating segment disclosure usually reported in this note has been considered no longer relevant for the present Report.

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 2019**	**December 31 2018**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	15.380	5.795
Total		**15.380**	**5.795**
Payables			
Companies controlled by HAL Holding N.V.	(a)	1.584	961
HAL Investments B.V.	(a)	-	1.465
Total		**1.584**	**2.426**

Related parties transactions *(Euro/000)*	**Relationship**	**First semester 2019**	**First semester 2018**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	36.747	34.202
Total		**36.747**	**34.202**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	1.595	1.682
Total		**1.595**	**1.682**

(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. These actions are considered to be groundless and/or their eventual negative outcome cannot be determined at this stage.

COMMITMENTS

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

SUBSEQUENT EVENTS

On July 31, 2019 HAL Holding has announced the signing of an agreement to sell its ownership interest in GrandVision N.V. to EssilorLuxottica, outlining its expectation that it will take approximately 12 to 24 months before closing of the transaction. In the first semester of 2019, Safilo's net sales to GrandVision were of Euro 36,747 thousand. The Group will factor the news into the development of its new Group business plan.

No other events have taken place after 30 June 2019 that could have a material impact on the results published in this report.

For the Board of Directors
The Chief Executive Officer
Angelo Trocchia

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

The undersigned Angelo Trocchia, 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 2019 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2019 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 2019

Angelo Trocchia
Chief Executive Officer

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

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