Press Release

THE BOARD OF DIRECTORS OF SAFILO GROUP S.P.A. APPROVES THE RESULTS OF THE FIRST HALF OF 2011

Key highlights *(in millions of euro):*

Net Sales: ***· 302.6 in Q2 2011, +2.8% (+10.5% constant perimeter and exchange rates)***
· 603.3 in H1 2011, +4.0% (+7.8% constant perimeter and exchange rates)

EBITDA: ***· 39.5 in Q2 2011 (13.1% margin), +30.9%***
· 80.2 in H1 2011 (13.3% margin), +23.8%

EBIT: ***· 30.5 in Q2 2011 (10.1% margin), +48.3%***
· 61.9 in H1 2011 (10.3% margin), +38.5%

Net Profit: ***· 12.9 in Q2 2011 (4.3% margin), compared to the Net loss of 5.0 in 2Q 2010***
· 31.3 in H1 2011 (5.2% margin), compared to the Net loss of 3.3 in 1H 2010

Net Debt: ***· 240.3 at the end of June 2011, from 268.2 at the end of March 2011 and 269.4 at the end of June 2010***
· Net Debt/EBITDA at 1.95x from previous 2.4x

Padua, August 2, 2011, h. 5.45pm – The Board of Directors of SAFILO GROUP S.p.A. today reviewed and approved the results of the second quarter and first half of 2011.

In the second quarter of 2011, the Group reported an acceleration in the underlying growth trends, delivering a double-digit organic sales increase and solid improvement of margins.

Specifically, in the period:

- Revenues grew by 10.5% at constant perimeter[1] and exchange rates, with the quarterly trends driven by the upbeat growth of the main fast-growing Asian and Latin American countries, the sound trading conditions of the US market and better performance of Europe;

- EBITDA and EBIT rose by 30.9% and 48.3% respectively, benefitting of the higher gross margin and the continuing deleverage of SG&A expenses both in the core wholesale business as well as at retail stores level. Below the operating line, lower financial expenses and tax rate also contributed to the consistent improvement of the Group's net result;

- Net Debt declined both compared to the end of the previous quarter and the end of June 2010 thanks to the improved profitability of the period and the tight control on working capital management.

Roberto Vedovotto, Chief Executive Officer of the Safilo Group, commented:

"We are pleased with the additional growth delivered by our business during the second quarter of this year, especially as the positive performance of the top line came with an even more significant improvement of the Group's profitability.

This press release uses some 'alternative performance indicators' not foreseen by the IFRS-EU accounting standards (EBITDA, Net Financial Position, Net Capital Employed and Free Cash Flow), and whose meaning and contents are illustrated in the specific section of the press release and in accordance with the CESR/05-178b recommendation published 3rd November 2005.

Expansion in high-growth regions further accelerated in the period, confirming both the quality of our products and of our commercial propositions, which are today further strengthened by the very dynamic work of the Group on all its strategic top licensed brands as well as its house brand, Carrera.
In our core regions, we were glad with the resilient performance of the US market and the momentum gained by our strategic European countries.

Margins were on a rise at all levels, significantly outpacing top line growth, thanks to the good quality of sales as well as the leaner operating and financial costs structure.

Quarterly results allowed the Group to close the first half of the year with a new record financial leverage of net debt to EBITDA below 2.0x.

In the period, all business areas developed according to our plans. We continued to work for the reduction of the Group's net interest expenses through the early redemption of Euro 60 million of Safilo Capital International Senior Notes 9 $^{5/8\%}$ 5/2013.

We are well aware that the economic and business environment in which we operate remains dotted by numerous uncertainties and we must maintain a strong focus on the sustainable improvement of the Group's business and financial indicators."

Key Economic data

(in millions of euro)	H1 2011	H1 2010	% change	% change*	Q2 2011	Q2 2010	% change	% change*
Net sales	603.3	580.3	+4.0%	+7.8%	302.6	294.3	+2.8%	+10.5%
Gross profit	364.3	346.5	+5.1%		181.3	172.9	+4.8%	
%	60.4%	59.7%			59.9%	58.8%		
EBITDA	80.2	64.8	+23.8%		39.5	30.2	+30.9%	
%	13.3%	11.2%			13.1%	10.2%		
Operating profit	61.9	44.7	+38.5%		30.5	20.6	+48.3%	
%	10.3%	7.7%			10.1%	7.0%		
Group net profit/(loss)	31.3	(3.3)	n.s.		12.9	(5.0)	n.s.	
%	5.2%	-0.6%			4.3%	-1.7%		

* at constant perimeter and exchange rates

Net sales increased by 2.8%, reaching Euro 302.6 million in the second quarter of 2011, heavily impacted by the USD devaluation against the Euro. At constant perimeter[1] and exchange rates, the Group delivered an organic sales growth of 10.5%.
In the first half of 2011, revenues totalled Euro 603.3 million, reporting an increase of 4.0% over the same period of 2010. The growth was equal to 7.8% at constant perimeter[1] and exchange rates.

In the second quarter of 2011, the wholesale business posted revenues of Euro 282.3 million, up 5.0% at current exchange rates and 10.3% at constant exchange rates (Euro 268.9 million in the second quarter of 2010). Sales of sunglasses and prescription frames contributed similarly to the organic, double-digit performance of the second quarter, with the prescription business growing nicely also in the more mature markets.

Such results translated into a growth, for the first half of 2011, equal to 5.7% at current exchange rates and 7.4% at constant exchange rates (Euro 566.8 million compared to Euro 536.4 million in the first half of 2010).

Net consolidated sales continued to be impacted by the non organic decline of the retail business (-20.1% to Euro 20.3 million in the second quarter of 2011, -16.9% to Euro 36.5 million in the first half of 2011), following the sale of the retail chain in Mexico at the end of 2010.
At constant perimeter[1] and exchange rate, the retail business grew by 12.1% and 14.9%, respectively in the second quarter and first half of 2011, thanks to the good performance of Solstice stores in US.

From a geographical standpoint, in the second quarter of 2011, the American market reported a 6.7% decline in sales to Euro 114.3 million. Such results were affected by the strong devaluation of the USD.

The underlying performance, at constant perimeter[1] and exchange rates, remained good at +8.7%, fuelled by the accelerated growth of the Latin American markets where the Group has been strengthening its organisation and commercial presence.
Momentum in the US market remained strong, driven by the healthy performance - in particular in the independent opticians channel - of the Group's top licensed brands as well as the continuing expansion of the house brand Carrera.
In the first half of 2011, sales in the Americas totalled Euro 233.0 million, down by 0.6% at current currency and increasing by 8.9% at constant perimeter[1] and exchange rates.

European sales reached Euro 131.7 million in the second quarter of 2011, increasing by 9.3% compared to the same period of 2010. Business trends were generally positive in the core markets where the growth of the big Retail Network is also contributing to the recovery of the countries still beset by weaker economic conditions, like Italy and Spain.
The new markets area, represented by Russia, Turkey and Eastern European countries, continued to deliver outperforming trends.
In the first half of 2011, sales in Europe totalled Euro 261.8 million, up 5.3% compared to Euro 248.7 million in the first half of 2010.

Asian markets more than confirmed the strong path of growth outlined in previous quarters, with China, Hong Kong, Korea, India and the Travel Retail business showing the most dynamic performances. Purchases of high-end, premium branded collections represented the major driver of growth in the region, with the Group progressively more active also in introducing the house brand Carrera and other branded collections.
In the second quarter of 2011, sales in Asia were equal to Euro 52.6 million, up 9.4% at current currency and 17.3% at constant exchange rates. The region contributed, at the end of the first half of 2011, to 16.6% of the total consolidated business (Euro 99.9 million, +12.1% at current exchange rates, +14.6% at constant exchange rates).

Gross profit amounted to Euro 181.3 million in the second quarter of 2011, or 59.9% of sales, up 4.8% compared to the gross profit of Euro 172.9 million (58.8% of sales) reported in the second quarter of 2010. The 110 basis point improvement is explained by the increasing utilization of the internal production capacity, thanks to the growing flows of high-volume brands, the higher quality of products in stock and a more favourable mix.
In the first half of 2011, gross profit totalled Euro 364.3 million compared to Euro 346.5 million reported in the first half of 2010. The gross margin improved to 60.4% of sales from the 59.7% of the same period of 2010.

Operating profit (EBIT) totalled Euro 30.5 million in the second quarter of 2011, growing by 48.3% compared to Euro 20.6 million in the second quarter of 2010. Operating profitability improved to 10.1% of sales (7.0% in the second quarter of 2010), reflecting the performance at the gross profit level and the more efficient costs structure of the wholesale business in the area of selling and marketing costs as well as general and administrative expenses. The retail business - today represented exclusively by the Solstice stores chain in US – significantly improved its operating performance, contributing to the enhancement of the Group's profitability.

In the first half of 2011, the Group's operating profit totalled Euro 61.9 million, up 38.5% compared to Euro 44.7 million reported in the first half of 2010. The operating profitability improved to 10.3% of sales from the 7.7% margin reached in the same period of 2010.

EBITDA was equal to Euro 39.5 million in the second quarter of 2011, increasing by 30.9% compared to Euro 30.2 million recorded in the same period of 2010. The EBITDA margin stood at 13.1% of sales, up 290 basis points over the 10.2% margin registered in the second quarter of 2010.
In the first half of 2011, EBITDA totalled Euro 80.2 million, up 23.8% compared to Euro 64.8 million reported in the first half of 2010. The EBITDA margin improved to 13.3% of sales from the 11.2% margin reached in the same period of 2010.

The Group's net profit amounted to Euro 12.9 million in the second quarter of 2011 compared to the loss of Euro 5.0 million recorded in the second quarter of 2010. The Group's net result also benefitted of the continued decrease of the net financial charges as a result of the reduction of the average financial debt, the positive impact of exchange rate differences and better tax rate of the period.
In the first half of 2011, the Group's net profit reached Euro 31.3 million, compared to the loss of Euro 3.3 million registered in the first half of 2010.

Key Cash Flow data

(in millions of euro)	H1 2011	H1 2010	Q2 2011	Q2 2010
Cash flow from operating activities before changes in working capital	50.8	20.1	14.0	(2.8)
Change in working capital	(11.6)	42.4	20.9	56.1
Cash flow from operating activities	39.2	62.5	34.9	53.3
Cash flow for investment activities	(16.6)	(10.6)	(5.5)	(4.5)
Free Cash Flow	22.6	51.9	29.4	48.8

The Free Cash Flow in the first half of 2011 was positive for Euro 22.6 million compared to the cash generation of Euro 51.9 million recorded in the first half of 2010.
In the second quarter of 2011, the Group generated a positive free cash flow of Euro 29.4 million (Euro 48.8 million in the second quarter of 2010) as a result of the following factors:

- the positive result of the period;
- the tight management of working capital, especially as far as inventories are concerned. In the period, stocks remained in fact under control, declining despite the growing turnover.
  At the end of June 2011, the incidence of net working capital on the last 12-month rolling sales declined to 26.6% from 30.0% in June 2010;
- the stable cash outflow for investing activities, which in the second quarter of 2011 was equal to Euro 5.5 million compared to Euro 4.5 million in the second quarter of 2010.

The Net Debt at the end of June 2011 was equal to Euro 240.3 million, declining both compared to Euro 268.2 million reported at the end of March 2011 and Euro 269.4 million in June 2010.
The financial leverage (Net Debt/EBITDA LTM) declined at the end of the period below 2.0x (1.95x from 2.4x of the previous quarter).

This press release uses some 'alternative performance indicators' not foreseen by the IFRS-EU accounting standards (EBITDA, Net Financial Position, Net Capital Employed and Free Cash Flow), and whose meaning and contents are illustrated in the specific section of the press release and in accordance with the CESR/05-178b recommendation published 3rd November 2005.

Outlook for the year

After reaching a significant improvement in the economic and financial performance of the first half-year, the Group remains focused on development and improvement projects. At the same time it remains cautious on the outlook for the current year in the light of the macroeconomic uncertainty, particularly in Europe and in the US.

...

[1] Excluding the sold retail chain in Mexico, which had recorded sales of Euro 5.2 million in the second quarter of 2010 and a total of 10.3 million in the first half of 2010.

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

The manager responsible for the preparation of the company's financial documents, Mr. Francesco Tagliapietra, hereby declares, in accordance with paragraph 2 article 154 bis of the "Testo Unico della Finanza", that the accounting information contained in this press release corresponds to the accounting results, registers and records.

Disclaimer

This document contains forward-looking statements, relating to future events and operating, economic and financial results for Safilo Group. Such forecasts, due to their nature, imply a component of risk and uncertainty due to the fact that they depend on the occurrence of certain future events and developments. The actual results may therefore vary even significantly to those announced in relation to a multitude of factors

Alternative Performance Indicators

The definitions of the "Alternative Performance Indicators", not foreseen by the IFRS-EU accounting principles and used in this press release to allow for an improved evaluation of the trend of economic-financial management of the Group, are provided below:

- Ebitda (gross operating profit) is calculated by Safilo by adding to the Operating profit, depreciation and amortization;
- The net financial position is for Safilo the sum of bank borrowings and short, medium and long-term loans, net of cash in hand and at bank;
- The net capital employed for Safilo is the sum of current assets and non-current assets net of current liabilities and non current liabilities, with the exception of the items previously considered in the Net Financial Position;
- The Free Cash Flow for Safilo is the sum of the cash flow from/(for) operating activities and the cash flow from /(for) investing activities.

Conference Call

Today, at 6.30 pm CET (5.30 pm GMT; 12.30 am EST) a conference call will be held with the financial community during which the results of the second quarter and first half of 2011 will be discussed.
It is possible to participate to the call by dialling the following number: +39 02 69682337 or +44 203 1408286 (for journalists: +39 02 69682336) and quoting the following confirmation code: 4716378. The playback of the conference call will be available from August 2 to August 4, 2011 by dialing the number +39 02 30413127 o +44 207 1111244 (access code: 4716378#). The conference call can also be followed with the webcast on the sitewww.safilo.com/en/investors.html. The presentation is available and downloaded from the company website.

Financial statement as of June 30, 2011

Please note that before the end of the day, the half-yearly financial report as of June 30, 2011 - containing the half-year condensed financial statements, interim directors' report and the declaration pursuant to article 154-bis subsection 5 of 'T.U.F.' (Testo Unico sulla Finanza or Italy's Financial Markets Consolidation Act) – will be made available to the public at the company's registered offices and the offices of Borsa Italiana S.p.A.; the report will be published on the company's internet website, at the address www.safilo.com/en/investors.html. Furthermore, the Auditors' report and any eventual observations made by the Board of Statutory Auditors will be made available to the public in the same way, as soon as they are available and in accordance with the law.

Sàfilo Group S.p.A.

Consolidated income statement

(Euro/000)	1st Semester 2011	1st Semester 2010	1st Semester Change %	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter Change %
Net sales	603,256	580,327	4.0%	302,592	294,356	2.8%
Cost of sales	(238,961)	(233,797)	2.2%	(121,327)	(121,406)	-0.1%
Gross profit	**364,295**	**346,530**	**5.1%**	**181,265**	**172,950**	**4.8%**
Selling and marketing expenses	(235,650)	(234,723)	0.4%	(116,391)	(118,028)	-1.4%
General and administrative expenses	(66,637)	(67,336)	-1.0%	(34,261)	(34,198)	0.2%
Other operating income (expenses), net	(145)	191	n.s.	(133)	(171)	-22.2%
Operating profit	**61,863**	**44,662**	**38.5%**	**30,480**	**20,553**	**48.3%**
Share of income/(loss) of associates	(419)	80	n.s.	(35)	37	n.s.
Interest expenses and other financial charges, net	(11,140)	(29,033)	-61.6%	(8,104)	(16,666)	-51.4%
Profit before taxation	**50,304**	**15,709**	**n.s.**	**22,341**	**3,924**	**n.s.**
Income taxes	(16,889)	(17,000)	-0.7%	(8,389)	(8,270)	1.4%
Net profit (loss)	**33,415**	**(1,291)**	**n.s.**	**13,952**	**(4,346)**	**n.s.**
Minority interests	2,136	1,979	7.9%	1,032	633	63.0%
Net profit (Loss) attributable to the Group	**31,279**	**(3,270)**	**n.s.**	**12,920**	**(4,979)**	**n.s.**
EBITDA	**80,196**	**64,765**	**23.8%**	**39,506**	**30,170**	**30.9%**
Basic EPS (Euro)	0.550	(0.079)		0.227	(0.144)	
Diluted EPS (Euro)	0.548	(0.079)		0.226	(0.144)	

Sàfilo Group S.p.A.
Consolidated net sales

Net sales by geographical area	1st Semester					2nd Quarter				
(Euro in millions)	2011	%	2010	%	Change %	2011	%	2010	%	Change %
Europe	261.8	43.4	248.7	42.9	+5.3	131.7	43.5	120.5	40.9	+9.3
Americas	233.0	38.6	234.3	40.4	-0.6	114.3	37.8	122.5	41.6	-6.7
Asia	99.9	16.6	89.1	15.4	+12.1	52.6	17.4	48.1	16.3	+9.4
Rest of the world	8.6	1.4	8.2	1.4	+4.9	4.0	1.3	3.2	1.1	+25.0
Total	**603.3**	**100.0**	**580.3**	**100.0**	**+4.0**	**302.6**	**100.0**	**294.3**	**100.0**	**+2.8**

Net sales by product	1st Semester					2nd Quarter				
(Euro in millions)	2011	%	2010	%	Change %	2011	%	2010	%	Change %
Prescription frames	222.6	36.9	213.3	36.8	+4.4	109.4	36.2	100.7	34.2	+8.6
Sunglasses	352.0	58.3	339.8	58.6	+3.6	183.3	60.6	181.5	61.7	+1.0
Sport products	23.7	3.9	21.2	3.7	+11.8	8.5	2.8	9.0	3.1	-5.6
Other	5.0	0.8	6.0	1.0	-16.7	1.4	0.5	3.1	1.1	-54.8
Total	**603.3**	**100.0**	**580.3**	**100.0**	**+4.0**	**302.6**	**100.0**	**294.3**	**100.0**	**+2.8**

Sàfilo Group S.p.A.

Consolidated Balance sheet

(Euro/000)	June 30, 2011	December 31, 2010	Change
ASSETS			
Current assets			
Cash in hand and at bank	99,251	88,267	10,984
Trade receivables, net	289,226	271,317	17,909
Inventory, net	192,132	220,443	(28,311)
Derivative financial instruments	134	-	134
Other current assets	52,419	60,471	(8,052)
Total current assets	**633,162**	**640,498**	**(7,336)**
Non-current assets			
Tangible assets	202,888	203,680	(792)
Intangible assets	11,384	13,731	(2,347)
Goodwill	525,880	550,013	(24,133)
Investments in associates	11,337	13,202	(1,865)
Financial assets available-for-sale	290	540	(250)
Deferred tax assets	53,542	50,705	2,837
Derivative financial instruments	442	177	265
Other non-current assets	2,436	2,440	(4)
Total non-current assets	**808,199**	**834,488**	**(26,289)**
Total assets	**1,441,361**	**1,474,986**	**(33,625)**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	123,090	56,643	66,447
Trade payables	187,917	204,189	(16,272)
Tax payables	18,665	17,795	870
Derivative financial instruments	1,251	1,827	(576)
Other current liabilities	67,433	72,298	(4,865)
Provisions for risks and charges	9,485	6,679	2,806
Total current liabilities	**407,841**	**359,431**	**48,410**
Non-current liabilities			
Long-term borrowings	216,456	287,794	(71,338)
Employee benefit liability	33,067	32,096	971
Provisions for risks and charges	18,894	19,392	(498)
Deferred tax liabilities	5,186	1,708	3,478
Derivative financial instruments	38	265	(227)
Other non-current liabilities	4,410	7,265	(2,855)
Total non-current liabilities	**278,051**	**348,520**	**(70,469)**
Total liabilities	**685,892**	**707,951**	**(22,059)**
Shareholders' equity			
Share capital	284,110	284,110	-
Share premium reserve	461,491	461,491	-
Retained earnings (losses) and other reserves	(33,609)	9,689	(43,298)
Fair value and cash flow reserves	135	(21)	156
Income (Loss) attributable to the Group	31,279	731	30,548
Total shareholders' equity attributable to the Group	**743,406**	**756,000**	**(12,594)**
Minority interests	**12,063**	**11,035**	**1,028**
Total shareholders' equity	**755,469**	**767,035**	**(11,566)**
Total liabilities and shareholders' equity	**1,441,361**	**1,474,986**	**(33,625)**

Sàfilo Group S.p.A.

Consolidated statement of cash flows

(Euro/000)	1st Semester 2011	1st Semester 2010
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**72,495**	**(20,919)**
B - Cash flow from (for) operating activities		
Net profit (loss) for the period (including minority interests)	33,415	(1,291)
Depreciation and amortization	18,332	20,103
Other non-monetary P&L items	1,957	(372)
Interest expenses, net	12,454	14,606
Income tax expenses	16,889	16,999
Income from operating activities prior to movements in working capital	**83,047**	**50,045**
(Increase) Decrease in trade receivables	(25,692)	(23,529)
(Increase) Decrease in inventory, net	20,110	27,292
Increase (Decrease) in trade payables	(11,474)	30,971
(Increase) Decrease in other current receivables	3,414	(811)
Increase (Decrease) in other current payables	2,089	8,443
Interest expenses paid	(12,950)	(16,571)
Income tax paid	(19,364)	(13,362)
Total (B)	**39,180**	**62,478**
C - Cash flow from (for) investing activities		
Purchase of property, plant and equipment (net of disposals)	(9,095)	(10,062)
Acquisition of subsidiary (net of cash acquired)	(6,749)	-
(Acquisition) Disposal of investments and bonds	212	-
Purchase of intangible assets	(937)	(508)
Total (C)	**(16,569)**	**(10,570)**
D - Cash flow from (for) financing activities		
Proceeds from borrowings	60,404	2,728
Repayment of borrowings	(61,194)	(222,279)
Share capital increase net of paid fees	-	269,964
Dividends paid	(455)	(1,368)
Total (D)	**(1,245)**	**49,045**
E - Cash flow for the period (B+C+D)	**21,366**	**100,953**
Translation exchange difference	(6,689)	8,498
Total (F)	**(6,689)**	**8,498**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	**87,172**	**88,532**

The Safilo Group is worldwide leader in the premium eyewear sector and maintains a leadership position in the prescription, sunglasses, fashion and sports eyewear sectors. Present in the international market through exclusive distributors and 30 subsidiaries in primary markets (U.S.A., Europe and Far East). The main proprietary branded collections distributed are: Safilo, Carrera, Smith Optics, Oxydo, Blue Bay, and the licensed branded collections are: Alexander McQueen, A/X Armani Exchange, Balenciaga, Banana Republic, Bottega Veneta, BOSS by Hugo Boss, Boss Orange, Dior, Emporio Armani, Fossil, Giorgio Armani, Gucci, HUGO by Hugo Boss, J.Lo by Jennifer Lopez, Jimmy Choo, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max&Co., Nine West, Pierre Cardin, Saks Fifth Avenue, Tommy Hilfiger, Valentino, Yves Saint Laurent.

This press release is also available on the website www.safilo.com.

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