NINE – MONTH FINANCIAL REPORT

as of September 30th, 2009

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www.safilo.com

SAFILO S.p.A.

Settima Strada, 15

35129 Padua - Italy

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CORPORATE OFFICERS AS OF SEPTEMBER 30th, 2009

Board of Directors

Chairman	Vittorio Tabacchi
Executive Vice Chairman	Massimiliano Tabacchi
Chief Executive Officer	Roberto Vedovotto
Director	Ennio Doris
Director	Antonio Favrin
Director	Carlo Gilardi
Director	Giannino Lorenzon

Board of Statutory Auditors

Chairman	Franco Corgnati
Regular Auditor	Lorenzo Lago
Regular Auditor	Giampietro Sala

Corporate Governance Committee

Franco Corgnati
Carlo Gilardi
Simone Valentini

Internal Control Committee

Chairman	Carlo Gilardi
	Antonio Favrin
	Giannino Lorenzon

Remuneration Committee

Chairman	Antonio Favrin
	Carlo Gilardi
	Giannino Lorenzon

Independent Auditors

PricewaterhouseCoopers S.p.A.

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

Safilo Group S.p.A., the holding company, is a limited liability company registered in Italy. The registered office is located in Pieve di Cadore (BL) – Piazza Tiziano n. 8, whilst the administrative headquarters are located in Padua – Settima Strada n. 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 over 75 years and is one of the major operators, in terms of revenues, in the design, manufacture and distribution of glasses and other eyewear products. Safilo is the global leader in the high-end eyewear segment of the market and also one of the top sports eyewear producers and distributors worldwide.

Safilo, in recent years, has also developed the retail business in the American market with the opening and acquisition of over 150 stores in addition to the acquisition of chain stores in Europe, America and Far East.

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

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

The Group manages a brand portfolio of both licensed and house brands, selected according to competitive positioning and international prestige criteria and in order to implement a clear segmentation strategy of customers. Safilo has extensively integrated its house brand portfolio with numerous brands from the luxury and fashion industry, building long-term relationships with the licensors through license agreements, most of which are repeatedly renewed.

The Group's brands include Safilo, Oxydo, Carrera, Smith and Blue Bay while the licensed brands include Alexander McQueen, A/X Armani Exchange, Balenciaga, Banana Republic, BOSS - Hugo Boss, Bottega Veneta, Diesel, 55DSL, Dior, Emporio Armani, Fossil, Giorgio Armani, Gucci, HUGO - Hugo Boss, Jimmy Choo, J. Lo by Jennifer Lopez, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max & Co., Nine West, Pierre Cardin, Saks Fifth Avenue, Valentino and Yves Saint Laurent.

Key consolidated performance indicators

Economic data	Nine months ended September 30,			
(Euro in millions)	2009	%	2008	%
Net sales	774.7	100.0	865.7	100.0
Cost of sales	(328.3)	(42.4)	(362.6)	(41.9)
Gross profit	446.4	57.6	503.2	58.1
Ebitda	47.5	6.1	101.8	11.8
Ebitda pre non recurring	55.0	7.1	101.8	11.8
Operating profit (loss)	(134.5)	(17.4)	71.7	8.3
Profit (loss) before taxation	(166.9)	(21.5)	31.7	3.7
Group net profit (loss)	(186.2)	(24.0)	14.5	1.7

Economic data	Third quarter			
(Euro in millions)	2009	%	2008	%
Net sales	212.6	100.0	228.7	100.0
Cost of sales	(97.3)	(45.8)	(98.6)	43.1
Gross profit	115.2	54.2	130.1	56.9
Ebitda	3.5	1.6	16.7	7.3
Ebitda pre non recurring	3.5	1.6	16.7	7.3
Operating profit (loss)	(35.6)	(16.8)	6.5	2.9
Profit (loss) before taxation	(45.0)	(21.2)	(7.0)	(3.0)
Group net profit (loss)	(50.1)	(23.6)	(6.7)	(2.9)

Earnings per share	Nine months ended September 30,	
(in Euro)	2009	2008
EPS - Base	(0.65)	0.05
EPS - Diluted	(0.65)	0.05
No. of shares in share capital	285,394,128	285,394,128

Balance sheet data	September 30,		December 31,	
(Euro in millions)	2009	%	2008	%
Total assets	1,586.5	100.0	1,817.4	100.0
Net working capital	342.6	21.6	368.3	20.3
Net invested capital	1,189.3	75.0	1,374.3	75.6
Net financial position	(586.3)	37.0	(570.0)	31.4
Group shareholders' equity	594.7	37.5	795.9	43.8

Financial data	Nine months ended September 30,			
(Euro in millions)	2009	%	2008	%
Cash flows operating activities	16.0		50.7	
Cash flows investing activities	(28.3)		(76.2)	
Cash flows financing activities	25.5		34.2	
Closing net cash and cash equivalents (net financial indebtedness - short term)	(12.5)		(15.0)	

Group personnel	September 30,	September 30,
(number)	2009	2008
Punctual at September 30	8,168	8,750

We underline that:

- certain figures in the Directors' Report on Operations, including percentage amounts, 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 an arithmetic aggregation of the figures which precede them;

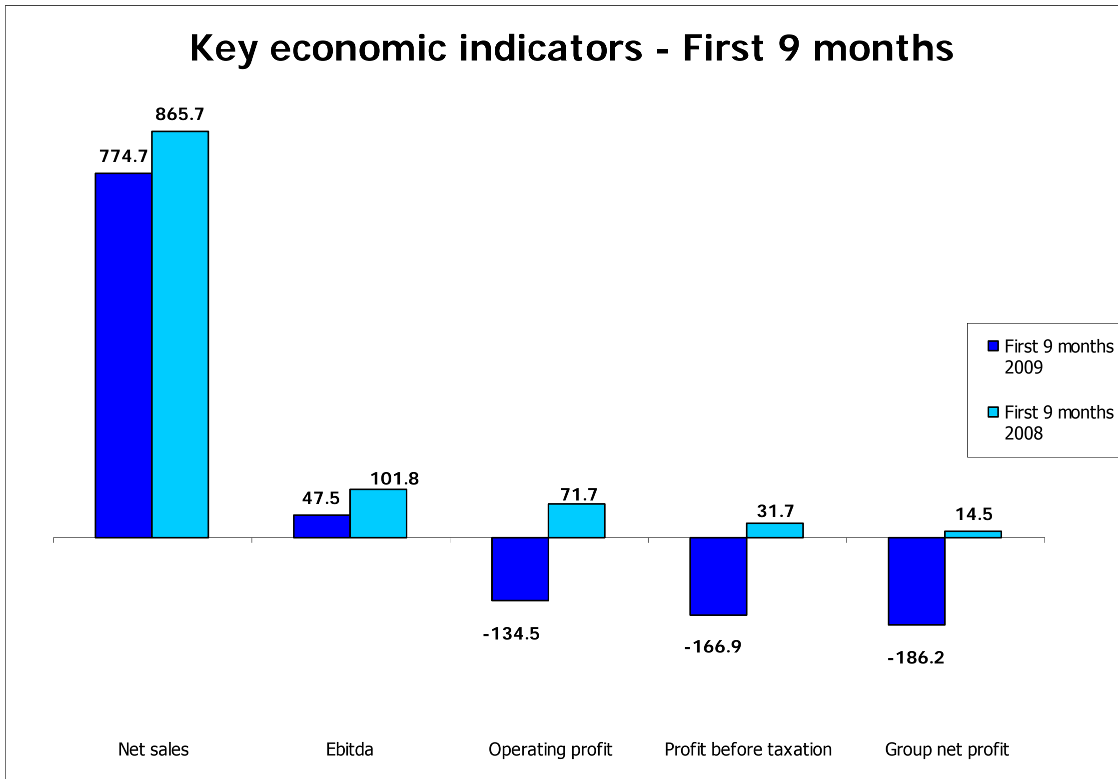
- "Ebitda" means operating profit before amortization and depreciation;

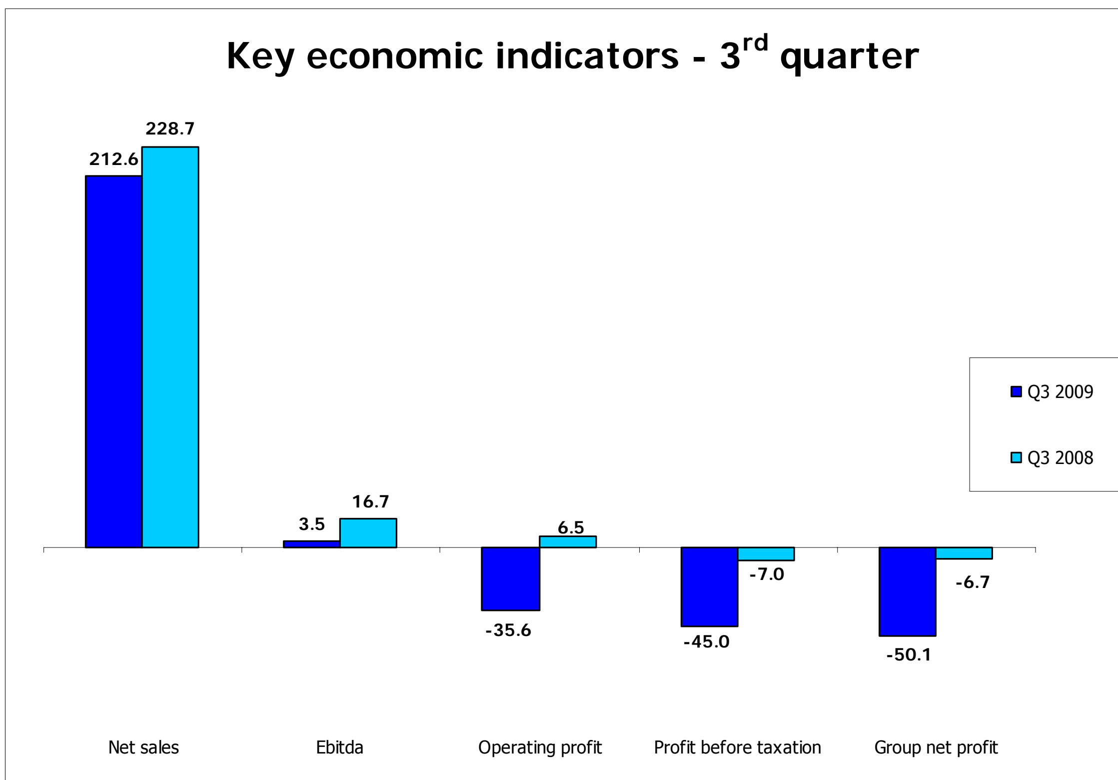
- "Net working capital" means the algebraic sum of inventories, trade receivables and trade payables;

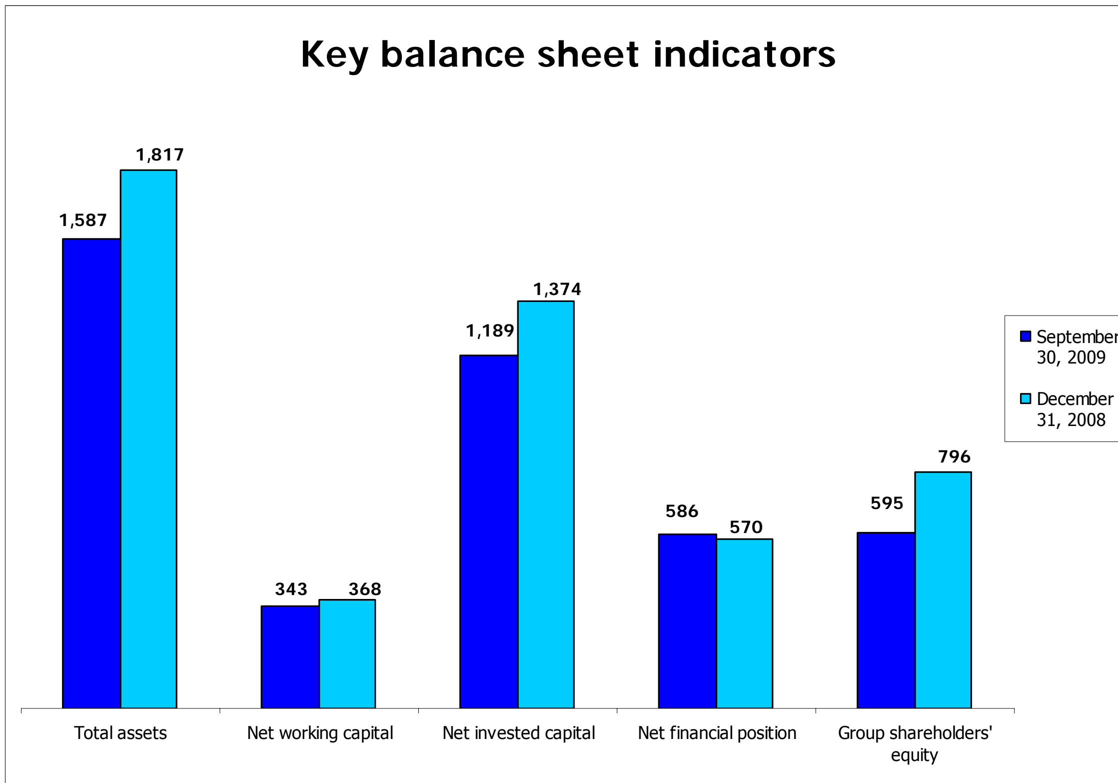
- "Net financial position" means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held in hand and at bank.

Disclaimer

This report, and in particular the section entitled "Significant events after September 30th, 2009 and outlook", contains forward-looking statements, based on Group's current expectations and projections about the future events. These statements, by their nature, are subject to inherent risks and uncertainties, as they depend on the occurrence of circumstances and factors, most of which are outside of Group's control. Actual results may differ, even materially, compared to those contained in there statements.


Key economic indicators - First 9 months
774.7
865.7
47.5
101.8
-134.5
71.7
-166.9
31.7
-186.2
14.5
First 9 months 2009
First 9 months 2008
Net sales
Ebitda
Operating profit
Profit before taxation
Group net profit


Key economic indicators - 3rd quarter
212.6
228.7
3.5
16.7
-35.6
6.5
-45.0
-7.0
-50.1
-6.7
Q3 2009
Q3 2008
Net sales
Ebitda
Operating profit
Profit before taxation
Group net profit


Key balance sheet indicators
1,587
1,817
343
368
1,189
1,374
586
570
595
796
Total assets
Net working capital
Net invested capital
Net financial position
Group shareholders' equity
September 30, 2009
December 31, 2008

Information on the operations

The difficult market conditions which characterised the first part of the year have once again been evident in the second half, not allowing for a significant improvement to be expected for 2009.
The end-consumers, and therefore our indirect clients, are tending to delay the purchase of sunglasses and favouring brands with a price positioning that does not correspond to the market segment in which Safilo's product offer is most concentrated.
The Company has reacted to this situation by repositioning and widening its range of products in more appealing sectors of the market and, at the same time, investing in those brands which, because of their stylistic characteristics, price point or brand appeal, have been more favoured by the end-consumer.

These activities have allowed the fall in turnover to be contained, at least as far as volumes in terms of quantity are concerned, but have also led to a progressive decrease of the average retail price as a result of the greater success of models with a retail price, to the end-consumer, of less than 200 Euro.
It is immediately clear how this sudden change in the end-consumer's preference has lead to a compression of the Group's margin which, on one hand, has seen the average unit margin contribution for each pair of glasses fall and, on the other, the under-use of production capacity and consequent difficulty in the absorption of the fixed industrial costs.
The Group's retail chains have also experienced the same challenges. It remains difficult to attract customers to the stores without resorting to intensive marketing activities or without proposing promotional campaigns which impact the segment's profitability. Like for like sales in the stores continue to show a negative trend compared to the previous year leading to difficulties in recovering the management costs of the points of sales.

At the end of the first nine months of the year the Group's sales reached 774.7 million Euro, a fall of 10.5% compared to the same period of the previous year (-13.3% at current exchange rates). An analysis of the turnover, if compared to 2008, does however highlight an improvement with a fall in sales in the third quarter of only of 7% (-7.7% at current exchange rates) thanks to the first results of the actions previously mentioned and to an easier comparison with the previous year. This improvement can be seen in all geographic areas, and in particular in Europe. With regards to product type, the quarter highlighted greater difficulty in the performance of prescription frames rather than sunglasses which have benefitted more quickly from the product re-positioning activities.
The success of the Carrera brand is increasing more and more throughout Europe. During the third quarter countries such as France and Spain have seen a very strong growth in the brand's sales, leading to a growth in the brand's sales in Europe of more than 30% since the beginning of the year.

The current preferences of clients is penalising above all those products positioned in the higher market bands, and which are soley produced in the Group's production sites, thereby reducing the need to employ the production capacity available. This situation, which led in the first half of the year to a significant reorganisation of the industrial structure, is persisting also in the second half of the year resulting in the under-use of production capacity to the

detriment of economies of scale and the absoprtion of fixed costs.

The difficulties in developing sales in the short term have led, during the year, to various activites aimed at the containment of both sales and infrastructure fixed costs. Commercial costs, aside from the impact deriving from the development of the retail business, remain completely variable with the exclusion of the royalties which cannot fall below a certain limit given that they are linked to the achievement of minimum contractual turnover levels . The Group has furthermore considered it appropriate to adjust the amount of credit risk fund in consideration of the general lack of liquidity evident in the market, and in anticipation of a possible future increase in the insolvency of smaller clients.
The Group's capacity for cash generation has again continued to improve in the third quarter. Over the last three months, contrary to the sitution seen in previous years, it has achieved a positive operating cash flow, thanks to a constant focus on the management of working capital and in particular the component related to the inventory.
The total net profitability of the quarter remains negative leading to a net loss for the nine months of around 186.2 million Euro, for the most part generated by non recurring restructuring costs and the extraordinary impairment loss on goodwill registered in the first part of the year.
In relation to the previously announced recapitalization plan to be operated by HAL Holding N.V., assets for 28 million Euro were written off in view of the possible impact of the sale of the retail companies, which will presumably be concluded in the fourth quarter of 2009.

Group economic results

Consolidated statement of operations	Nine months ended September 30,									
(Euro in millions)	2009	%	2008	%	Ch. %	Q3 2009	%	Q3 2008	%	Ch. %
Net sales	774.7	100.0	865.7	100.0	-10.5%	212.6	100.0	228.7	100.0	-7.0%
Cost of sales	(328.3)	(42.4)	(362.6)	(41.9)	-9.5%	(97.3)	(45.8)	(98.6)	(43.1)	-1.3%
Gross profit	**446.4**	**57.6**	**503.2**	**58.1**	**-11.3%**	**115.2**	**54.2**	**130.1**	**56.9**	**-11.5%**
Selling and marketing expenses	(325.6)	(42.0)	(336.9)	(38.9)	-3.4%	(90.7)	(42.7)	(94.0)	(41.1)	-3.5%
General and administrative expenses	(99.8)	(12.9)	(95.0)	(11.0)	5.0%	(32.2)	(15.2)	(30.3)	(13.3)	6.2%
Other operating income/(expenses), net	0.6	0.1	0.4	0.1	45.3%	0.1	0.0	0.7	0.3	-87.6%
Restructuring cost non recurring	(7.4)	(1.0)	-	-	n.s.	0.0	0.0	-	-	n.s.
Impairment loss on goodwill and other non current assets	(148.7)	(19.2)	-	-	n.s.	(28.0)	(13.2)	-	-	n.s.
Operating profit	**(134.5)**	**(17.4)**	**71.7**	**8.3**	**n.s.**	**(35.6)**	**(16.8)**	**6.5**	**2.9**	**n.s.**
Interest expense and other financial charges, net	(32.4)	(4.2)	(40.0)	(4.6)	-18.9%	(9.4)	(4.4)	(13.5)	(5.9)	-30.2%
Profit before taxation	**(166.9)**	**(21.5)**	**31.7**	**3.7**	**n.s.**	**(45.0)**	**(21.2)**	**(7.0)**	**(3.0)**	**n.s.**
Income taxes	(18.3)	(2.4)	(14.9)	(1.7)	23.0%	(5.0)	(2.3)	0.7	0.3	n.s.
Net profit	**(185.2)**	**(23.9)**	**16.8**	**1.9**	**n.s.**	**(50.0)**	**(23.5)**	**(6.3)**	**(2.7)**	**n.s.**
Net profit attributable to minority interests	1.0	0.1	2.3	0.3	-56.0%	0.2	0.1	0.4	0.2	-56.4%
Net profit attributable to the Group	**(186.2)**	**(24.0)**	**14.5**	**1.7**	**n.s.**	**(50.1)**	**(23.6)**	**(6.7)**	**(2.9)**	**n.s.**
EBITDA	**47.5**	**6.1**	**101.8**	**11.8**	**-53.3%**	**3.5**	**1.6**	**16.7**	**7.3**	**-79.1%**
EBITDA PRE NON RECURRING	**55.0**	**7.1**	**101.8**	**11.8**	**-46.0%**	**3.5**	**1.6**	**16.7**	**7.3**	**-79.1%**
Earnings (losses) per share - base (Euro)	(0.65)		0.05			(0.18)		(0.02)		
Earnings (losses) per share - diluted (Euro)	(0.65)		0.05			(0.18)		(0.02)		

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

Net sales in the first nine months of the year reached 774.7 million Euro, a reduction of 10.5% compared to the same period of 2008 (-13.3% at constant exchange rates). The third quarter registered an improvement compared to the trend of the first months of the year with a slow-down in sales of around 7% (-7.7% at constant exchange rates).

During the third quarter the tendency towards a fall in the average retail price became more evident, especially within the sunglass segment. This phenomenon is increasingly evident given that the new collections presented by the Group are responding more and more to the current prefence of the end-consumers who are favouring products positioned in more economic price bands. The re-positioning of part of the high level collections and investments in marketing to support more economic brands, although penalising the absolute value of the turnover, are however allowing the Group to maintain important display areas within opticians shops and department stores.

A geographical analysis of the results highlights a general slowing of the contraction of the international markets. Starting with Europe, the third quarter has confirmed that France and Italy are the countries which have managed to counter most effectively the effects of the economic crisis which is affecting above all the high-end products. Both these markets have furthermore been able to benefit from the great success deriving from the sales of Carrera branded products which are beginning to guarantee significant results also outside Italy. The situation in Spain is

improving, although it still remains much behind the results of last year. The North European markets remain weak, particularly in the Scandinavian penninsula. Good sales results have been achieved by the sports products.
In the American continent sales in the quarter registered a slow-down of 7.9% (-8.8% at constant exchange rates) especially in the prescription frames sector where a particularly high level of sales was seen in the third quarter of 2008, especially in the month of September.
Sales in the wholesale channel in Mexico and Brasil are recovering, and an improvement has been seen in the sales of sunwear products in the sports channel.
The geographical area experiencing greater difficulty in recovering sales is the Far East where the major market of the area, Japan, is not displaying signs of improvement. Sales in the quarter have registered a slow-down of 16.9% (-17.6% at constant exchange rates) also because the collection re-positioning activities are less effective in a market which is particularly oriented towards the highest price band and where a more marked reduction in volumes is registered. Sales in the third quarter in countries such as China, Hong Kong and Singapore remain in decline, while there are some signs of recovery in the Korean market.

Net sales by geographical region	Nine months ended September 30,					Third Quarter				
(Euro in millions)	2009	%	2008	%	Ch. %	2009	%	2008	%	Ch. %
Europe	337.9	43.6	411.0	47.5	-17.8	81.0	38.1	91.7	40.1	-11.7
The Americas	312.3	40.3	323.9	37.4	-3.6	96.1	45.2	104.3	45.6	-7.9
Asia	98.2	12.7	111.7	12.9	-12.1	24.5	11.5	29.5	12.9	-16.9
Other	26.3	3.4	19.1	2.2	37.7	11.0	5.2	3.2	1.4	243.8
Total	**774.7**	**100.0**	**865.7**	**100.0**	**-10.5**	**212.6**	**100.0**	**228.7**	**100.0**	**-7.0**

Net sales by product	Nine months ended September 30,					Third Quarter				
(Euro in millions)	2009	%	2008	%	Ch. %	2009	%	2008	%	Ch. %
Prescription frames	310.2	40.0	343.3	39.6	-9.6	95.7	45.0	111.4	48.8	-14.1
Sunglasses	410.8	53.0	466.0	53.8	-11.8	89.9	42.3	95.7	41.8	-6.1
Sport products	36.7	4.7	38.6	4.5	-4.9	19.4	9.1	16.1	7.0	20.5
Other	17.0	2.2	17.8	2.1	-4.5	7.6	3.6	5.5	2.4	38.2
Total	**774.7**	**100.0**	**865.7**	**100.0**	**-10.5**	**212.6**	**100.0**	**228.7**	**100.0**	**-7.0**

The slow-down in sales, the reduction of stock levels and the production reorganisation have heavily penalised **industrial profitability**. As previously noted, the end-consumers's current preference is penalising the brands which are produced internally. This market trend has pushed the Group into reconsidering its industrial strategy and embarking upon a profound reorganisation of its production sites which has led to a lower use of its production capacity. In the short term this situation creates both expenses related to the lower absorption of fixed industrial costs and a greater incidence of the components of the cost of goods sold irregardless of the volumes invoiced (for example obsolescene). The effect of these phenomena was then amplified in the third quarter which, due to the characteristics of the seasonal nature of the sales, is the period of year when the industrial structure is used less.

The incidence of **sales costs** on turnover, although decreasing in absolute value, has increased. The reason for the lack of this absolute variability is mostly due to the greater impact of the management costs of the retail segment which also during the course of 2009 has been further developed with the opening of new stores throughout the world. The greater incidence of royalties, resulting from the contractual minimal levels of turnover not being reached, explains the remaining increased incidence of the sales costs.

General costs have remained overall unchanged compared to the previous year with the exception of the decision to increase the provisions to cover the risk of insolvency of the Group's clients. In consideration of the overall financial situation and the difficulties in accessing credit it has been considered appropriate to increase the credit risk fund for client insolvency in countries where it is normal to make payments over long periods of time.

It was not considered necessary to update the amount set aside in the previous quarterly report with regards to restructuing costs and write-down of goodwill.

It was considered sensible to create a fund of 28 million Euro to cover the impairment of non current assets which will be registered at the moment of sale of the retail chains in view of the Group's recapitalization plan.

Following the limited amount of sales and the difficulty in reducing, in the short term, many costs, the Group ended the third quarter with an operating loss of 35.6 million which, following the non-recurring costs evident in the first six months, has led to an operating loss of 134.5 million Euro in the first nine months of the year.

The financial costs continue to fall considerably compared to the previous year as a result of the positive impact of the exposure in dollars deriving from the strenthening of the European currency.

The prudent decision not to set aside active deferred taxes has meant that the negative tax burden has not varied despite the losses accumulated. Net profit therefore displays a loss of over 186.2 million Euro in the first nine months of the year.

Analysis by distribution channel – Wholesale/Retail

The main data per activity sector is shown in the table below:

(Euro/000)	WHOLESALE				RETAIL			
	September 30, 2009	September 30, 2008	Change	Ch. %	September 30, 2009	September 30, 2008	Change	Ch. %
Net sales	692.0	787.7	(95.7)	-12.1%	82.7	78.0	4.7	6.0%
Ebitda	50.7	99.9	(49.2)	-49.2%	(3.2)	1.9	(5.1)	n.s.
%	*7.3%*	*12.7%*			*-3.9%*	*2.5%*		
Ebitda pre non recurring	58.2	99.9	(41.7)	-41.8%	(3.2)	1.9	(5.1)	n.s.
%	*8.4%*	*12.7%*			*-3.9%*	*2.5%*		

(Euro/000)	WHOLESALE				RETAIL			
	Q3, 2009	Q3, 2008	Change	Ch. %	Q3, 2009	Q3, 2008	Change	Ch. %
Net sales	184.3	203.7	(19.4)	-9.5%	28.3	25.0	3.3	13.2%
Ebitda	4.1	16.5	(12.4)	-75.1%	(0.6)	0.2	(0.8)	n.s.
%	*2.2%*	*8.1%*			*-2.2%*	*0.6%*		
Ebitda pre non recurring	4.1	16.5	(12.4)	-75.1%	(0.6)	0.2	(0.8)	n.s.
%	*2.2%*	*8.1%*			*-2.2%*	*0.6%*		

The wholesale segment registered a slow-down in sales in the first nine months of the year and in the quarter of 12.1% and 9.5% respectively. This slow-down, as described in detail above, is a result of a general contraction of expenditure which was particularly marked in the luxury accessories sector.

This slow-down in turnover has led to a significant penalisation of the industrial profitability which has been heavily impacted by the considerable burden of the fixed production costs and the conseguent negative operating profitability. Over 2009 a series of activities has been implemented aimed at maintaining fixed costs and marketing and sales costs have in fact been reduced by 6.7% while general costs, net of the risk provision fund, have remained generally stable.

The retail segment is contributing in a negative fashion to the overall profitability. The greater number of stores (18 at the end of September) explains the increase in income, while like for like sales show a slow-down of 17.2%. As far as profitability is concerned, a contraction of the gross margin in the quarter is evident following the promotional activities which the single chains have implemented to increase footfall in the stores and to encourage purchases. The operating profit remains therefore negative following the significant management costs which, with the current level of sales, do not allow many stores to reach the break even point.

Balance sheet and financial situation

Condensed reclassified balance sheet *(Euro in millions)*	**September 30, 2009**	**December 31, 2008**	**Change**
Trade receivables, net	261.5	301.6	(40.1)
Inventories	221.9	272.1	(50.2)
Trade payables	(140.8)	(205.4)	64.6
Net working capital	**342.6**	**368.3**	**(25.7)**
Property, plant and equipment	222.0	228.8	(6.8)
Intangible fixed assets and goodwill	699.1	829.9	(130.8)
Financial fixed assets	12.4	13.2	(0.8)
Net fixed assets	**933.5**	**1,071.9**	**(138.4)**
Employee benefit liability	(44.6)	(42.1)	(2.5)
Other assets/(liabilities) net	(42.2)	(23.8)	(18.4)
Net invested capital	**1,189.3**	**1,374.3**	**(185.0)**
Cash in hand and at bank	46.2	53.7	(7.5)
Short-term borrowings	(161.9)	(162.6)	0.7
Long-term borrowings	(470.6)	(461.1)	(9.5)
Net financial position	**(586.3)**	**(570.0)**	**(16.3)**
Group shareholders' equity	(594.7)	(795.9)	201.2
Minority interests	(8.3)	(8.4)	0.1
Total shareholders' equity	**(603.0)**	**(804.3)**	**201.3**

Financial situation

In the following paragraphs the main items of the cash flow statement as at September 30th 2009, compared with the corresponding values of the previous year, are shown:

Free cash flow *(Euro in millions)*	**Nine months ended September 30, 2009**	**2008**	**Change**
Cash flow operating activities	16.0	50.7	(34.7)
Cash flow investing activities	(28.3)	(76.2)	47.9
Free cash flow	**(12.3)**	**(25.5)**	**13.2**

Cash flow management improved compared to the first nine months of the previous year following reduced absorption deriving from investment activities.

Operating cash flow generation is down compared to 2008 due to the effect of lower profitability of the core business, partially compensated for by improved management of working capital, particularly during the last quarter.

Greater control of investments continues compared to 2008 both in the industrial sector (it should be remembered that during the previous year significant resources were dedicated to the construction of a new plant in China) and in opening new stores which have remained substantially unchanged compared to the previous quarter.

Net working capital

Net working capital *(Euro in millions)*	**September 30, 2009**	**September 30, 2008**	**Change Sep. 09 - Sep. 08**	**December 31, 2008**
Trade receivables, net	261.5	282.7	(21.2)	301.6
Inventory, net	221.9	259.4	(37.5)	272.1
Trade payables	(140.8)	(165.7)	24.9	(205.4)
Net working capital	**342.6**	**376.4**	**(33.8)**	**368.3**
% on net sales of last 12 months	*32.4%*	*32.7%*		*32.1%*

The third quarter of 2009 has shown excellent results in the management of working capital, particularly for the part regarding the warehouse. For the component regarding credits from clients or debts to suppliers there are no significant variations in payment terms and therefore fluctuations in the working capital are due to the seasonal nature of the business. The reduction of the warehouse is however the result of stock reduction policies as a consequence of the uncertain market conditions.

In spite of the slow-down in turnover, the Group nevertheless succeeded in reducing, compared to the previous year, the incidence of working capital on turnover.

Investments in property, plant and equipment and intangible fixed assets

The investments in tangible and non-tangible assets carried out by the Group amount to a total of Euro 29.1 million compared to Euro 46.1 million during the same period of the previous year, thus summarised:

(Euro in millions)	Nine months ended September 30, 2009	2008	Change
Padua headquarters	4.6	3.9	0.7
Production facilities	17.9	21.7	(3.8)
Europe	0.7	1.9	(1.2)
America	4.9	15.3	(10.4)
Far East	1.0	3.3	(2.3)
Total	**29.1**	**46.1**	**(17.0)**

During 2009 particular attention has been paid to limiting Group investments which have remained substantially stable throughout the year.

The greatest contractions compared to the previous year have occurred in the retail sector where the uncertain performance of local economies have prompted a significant rethinking of the strategy of opening new stores. Furthermore in the industrial sector the Chinese plant, which absorbed many resources during 2008, is considered to be suited to current production capacity needs.

Net financial position

Net financial position *(Euro in millions)*	September 30, 2009	June 30, 2009	Change	December 31, 2008	Change Sep - Dec
Current portion of long-term borrowings	(54.9)	(58.1)	3.2	(37.6)	(17.3)
Bank overdrafts and short-term bank borrowings	(58.7)	(58.2)	(0.5)	(74.1)	15.4
Other short-term borrowings	(48.3)	(51.3)	3.0	(50.9)	2.6
Cash and cash equivalents	46.2	47.9	(1.7)	53.7	(7.5)
Short-term net financial position	**(115.7)**	**(119.7)**	**4.0**	**(108.9)**	**(6.8)**
Long-term borrowings	(470.6)	(472.4)	1.8	(461.1)	(9.5)
Long-term net financial position	**(470.6)**	**(472.4)**	**1.8**	**(461.1)**	**(9.5)**
Net financial position	**(586.3)**	**(592.1)**	**5.8**	**(570.0)**	**(16.3)**

The Group's net financial position increased compared to the end of 2008 mainly due to the normal seasonality of the working capital, passing from Euro 570 million in December 2008 to the current Euro 586.3 million. There were no substantial variations to the timeframes of the credit lines.

Personnel

The Group's total workforce at September 30th 2009 and at December 31st 2008 is summarised in the following table:

	September 30, 2009	December 31, 2008	September 30, 2008
Padua headquarters	875	872	890
Production facilities	4,583	4,909	4,814
Commercial companies	1,231	1,235	1,242
Retail	1,479	1,788	1,804
Total	**8,168**	**8,804**	**8,750**

The evolution of the Group's workforce shows a substantial contraction compared to 31st December 2008; the greatest variations can be seen in the production and retail sectors.

As regards the industrial sites, despite the start-up of the plant in China, there was a more than proportional reduction in the workforce in the European plants further to the industrial reorganisation. The decrease in the retail organisation was due to specific actions aimed at reducing the fixed costs of the retail structures which registered less consumer footfall as a result of the consumer crisis.

Transactions with related parties

Information on transactions with related parties is provided in the "Related parties transactions" paragraph, to which reference should be made for any details.

Significant events after September 30th, 2009 and the outlook for the year

The Board of Directors of Safilo Group S.p.A., held on 19th October 2009, approved a recapitalization plan for the Parent Company Safilo Group S.p.A. to be executed in connection with a binding investment agreement underwritten by HAL Holding N.V. (HAL),Only 3T S.p.A and Safilo. The proposed recapitalisation transaction aims at strengthening the Company's capital structure via the following steps as detailed below:

(i) the injection of new equity by HAL, an industrial partner that will become the new Safilo reference shareholder with a stake in between 37.23% and 49.99%;

(ii) the purchase by HAL of all the outstanding high yield notes denominated "€300,000,000 9⅝% Senior Notes 2013" issued by the Luxembourg company Safilo Capital International S.A. with principal amount of Euro 195 million (the HY Notes) and in any case not less than 60%;

(iii) the restructuring of Safilo's senior debt facilities, implemented through an arrangement with Safilo's main

financing banks (namely Intesa Sanpaolo and Unicredit Corporate Banking);

(iv) the sale of certain non-strategic retail chains.

The overall recapitalization plan is subject to the following main conditions:

1. the successful completion of a *tender offer* (Tender Offer) to be launched by HAL on the HY Notes. The Tender Offer is conditional upon HAL reaching an acceptance threshold equal to or higher than 60%;

2. the granting by the Commissione Nazionale per le Società e la Borsa (CONSOB) of the exemption for a mandatory tender offer;

3. the granting of clearance for the transaction by the relevant Antitrust Authorities;

4. the approval by the extraordinary shareholders' meeting of Safilo of the First and the Second Capital Increases and of the proposal to change the articles 5, 14, 15, 16, 19, 24 and 29 of the articles of association.

For more details on the operation refer to the paragraph concerning the assessment of going concern (paragraph 1.2) of the Note.

Nine-month condensed financial statements

as of September 30th, 2009

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(Euro/000)	*Note*	30/09/2009	of which, related parties	31/12/2008	of which, related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	46,211		53,653	
Trade receivables, net	*2.2*	261,500	11	301,562	172
Inventory, net	*2.3*	221,852		272,102	
Derivative financial instruments	*2.4*	-		772	
Other current assets	*2.5*	59,981	508	50,703	434
Total current assets		**589,544**		**678,792**	
Non-current assets					
Tangible assets	*2.6*	221,997		228,758	
Intangible assets	*2.7*	21,848		22,725	
Goodwill	*2.8*	677,260		807,209	
Investments in associates	*2.9*	11,434		12,298	
Financial assets available-for-sale	*2.10*	975		861	
Deferred tax assets	*2.11*	50,932		53,434	
Derivative financial instruments	*2.4*	284		455	
Other non-current assets	*2.12*	12,201	160	12,838	
Total non-current assets		**996,931**		**1,138,578**	
Total assets		**1,586,475**		**1,817,370**	

(Euro/000)	*Note*	30/09/2009	of which, related parties	31/12/2008	of which, related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	161,912	383	162,645	429
Trade payables	*2.14*	140,757	5,522	205,363	7,310
Tax payables	*2.15*	17,136		22,587	
Derivative financial instruments	*2.4*	287		-	
Other current liabilities	*2.16*	69,653		76,437	
Provisions for risks and charges	*2.17*	29,066		1,053	
Total current liabilities		**418,811**		**468,085**	
Non-current liabilities					
Long-term borrowings	*2.13*	470,600	1,117	461,084	1,720
Employee benefit liability	*2.18*	44,580		42,075	
Provisions for risks and charges	*2.17*	20,024		13,263	
Deferred tax liabilities	*2.11*	6,454		5,184	
Derivative financial instruments	*2.4*	6,380		5,740	
Other non-current liabilities	*2.19*	16,691		17,662	143
Total non-current liabilities		**564,729**		**545,008**	
Total liabilities		**983,540**		**1,013,093**	
Shareholders' equity					
Share capital	*2.20*	71,349		71,349	
Share premium reserve	*2.21*	747,471		747,471	
Retained earnings (losses) and other reserves	*2.22*	(29,915)		7,980	
Fair value and cash flow reserves	*2.23*	(8,087)		(7,620)	
Income attributable to the Group		(186,157)		(23,315)	
Total shareholders' equity attributable to the Group		**594,661**		**795,865**	
Minority interests		**8,274**		**8,412**	
Total shareholders' equity		**602,935**		**804,277**	
Total liabilities and shareholders' equity		**1,586,475**		**1,817,370**	

Consolidated statement of operations

(Euro/000)	*Note*	First 9 months 2009	of which related parties	First 9 months 2008	of which related parties	Q3 2009	of which related parties	Q3 2008	of which related parties
Net sales	*3.1*	774,700	58	865,726	98	212,559	13	228,766	39
Cost of sales	*3.2*	(328,304)	(9,977)	(362,570)	(13,437)	(97,314)	(3,137)	(98,608)	(4,555)
Gross profit (loss)		**446,396**		**503,156**		**115,245**		**130,158**	
Selling & marketing expenses	*3.3*	(325,609)	(144)	(336,910)		(90,711)	(40)	(93,958)	
General & administrative expenses	*3.4*	(99,772)	(1,217)	(95,037)	(786)	(32,227)	(443)	(30,345)	(265)
Other op. income/(expenses), net	*3.5*	648	22	446		88	3	708	
Restructuring cost non recurring	*3.6*	(7,422)		-		0		-	
Impairment loss on goodwill	*2.8-3.7*	(148,695)		-		(28,000)		-	
Operating profit (loss)		**(134,454)**		**71,655**		**(35,605)**		**6,563**	
Share of income/(loss) of associates	*3.8*	(76)		732		285		657	
Interest expenses and other financial charges, net	*3.9*	(32,284)	(158)	(40,700)		(9,703)	(49)	(14,153)	
Profit (loss) before taxation		**(166,814)**		**31,687**		**(45,023)**		**(6,933)**	
Income taxes	*3.10*	(18,335)		(14,912)		(4,951)		738	
Net profit (loss)		**(185,149)**		**16,775**		**(49,974)**		**(6,195)**	
Net profit attributable to minority interests		1,008		2,289		168		385	
Net profit (loss) attributable to the Group		**(186,157)**		**14,486**		**(50,142)**		**(6,580)**	
Earnings per share - *base (Euro)*	*3.11*	(0.65)		0.05		(0.18)		(0.02)	
Earnings - *diluted (Euro)*	*3.11*	(0.65)		0.05		(0.18)		(0.02)	

Consolidated statement of comprehensive income

(Euro/000)	*Note*	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Gains/(Losses) on cash flow hedges	*2.23*	(708)	255	17	(1,517)
Gains/(Losses) on fair value of available-for-sale financial assets	*2.23*	241	(639)	193	(87)
Gains/(Losses) on exchange differences on translating foreign operations	*2.22*	(13,552)	15,943	(14,105)	50,219
Other Gains/(Losses)	*2.22*	(220)	(60)	(571)	29
Total Other comprehensive income/(loss), net of tax		**(14,239)**	**15,499**	**(14,466)**	**48,644**
Net profit (loss) for the period		(185,149)	16,775	(49,974)	(6,195)
Total Comprehensive income/(loss)		**(199,388)**	**32,274**	**(64,440)**	**42,449**
Attributable to:					
Group		(199,968)	29,565	(64,336)	41,563
Minority interests		580	2,709	(104)	886
Total Comprehensive income/(loss)		**(199,388)**	**32,274**	**(64,440)**	**42,449**

Consolidated statement of cash flow

(Euro/000)	*Note*	First 9 months 2009	First 9 months 2008
A - Opening net cash and cash equivalents (net financial indebtedness - short term)		**(20,442)**	**(28,469)**
B - Cash flow from (for) operating activities			
Net profit (loss) for the period (including minority interests)		(185,149)	16,775
Depreciation and amortization		33,300	30,163
Impairment loss on goodwill and other non current assets		148,695	-
Stock option		-	418
Share income/(loss) on equity investments		288	(298)
Net movements in the employee benefit liability		2,549	3,585
Net movements in other provisions		6,780	308
Interest expenses, net		31,474	30,597
Income tax expenses		18,335	14,912
Income from operating activities prior to movements in working capital		**56,272**	**96,460**
(Increase) Decrease in trade receivables and other current receivables		33,976	6,459
(Increase) Decrease in inventory, net		49,430	22,329
Increase (Decrease) in trade payables and other current payables		(76,810)	(28,506)
Interest expenses paid		(29,523)	(22,585)
Income tax paid		(17,333)	(23,435)
Total (B)		**16,012**	**50,722**
C - Cash flow from (for) investing activities			
Purchase of property, plant and equipment (net of disposals)		(24,231)	(42,159)
Acquisition of subsidiaries (net of cash acquired)		-	(30,159)
(Acquisition) Disposal of investments and bonds		128	64
Purchase of intangible assets		(4,218)	(3,901)
Total (C)		**(28,321)**	**(76,155)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		34,503	78,952
Repayment of borrowings		(7,018)	(18,120)
Dividends paid		(1,954)	(26,589)
Total (D)		**25,531**	**34,243**
E - Cash flow for the period (B+C+D)		**13,222**	**8,810**
Translation exchange difference		(5,232)	4,685
Total (F)		**(5,232)**	**4,685**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*2.1*	**(12,452)**	**(14,974)**

Statement of changes in shareholders' equity

First nine months 2008

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2008	**71,349**	**747,471**	**(75,805)**	**(280)**	**42,265**	**51,018**	**836,018**
Previous year's profit allocation	-	-	-	-	51,018	(51,018)	-
Changes in other reserves	-	-	15,528	(384)	(778)	-	14,366
Dividends distribution	-	-	-	-	(24,259)	-	(24,259)
Net profit for the period	-	-	-	-	-	14,486	14,486
Group shareholders' equity at Semtember 30, 2008	**71,349**	**747,471**	**(60,277)**	**(664)**	**68,246**	**14,486**	**840,611**
Minority interests at January 1, 2008	**-**	**-**	**(147)**	**-**	**1,542**	**3,525**	**4,920**
Previous year's profit allocation	-	-	-	-	3,525	(3,525)	-
Retained earnings	-	-	415	-	(1,348)	-	(933)
Dividends distribution	-	-	-	-	(1,199)	-	(1,199)
Net profit for the period	-	-	-	-	-	2,289	2,289
Minority interests at September 30, 2008	**-**	**-**	**268**	**-**	**2,520**	**2,289**	**5,077**
Consolidated Total profit (loss)						**16,775**	**16,775**
Consolidated net equity at September 30, 2008	**71,349**	**747,471**	**(60,009)**	**(664)**	**70,766**	**16,775**	**845,688**

First nine months 2009

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit (loss)	Total equity
Group shareholders' equity at January 1, 2009	**71,349**	**747,471**	**(55,889)**	**(7,620)**	**63,869**	**(23,315)**	**795,865**
Previous year's profit allocation	-	-	-	-	(23,315)	23,315	-
Changes in other reserves	-	-	(13,102)	(467)	(1,478)	-	(15,047)
Dividends distribution	-	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	(186,157)	(186,157)
Group shareholders' equity at September 30, 2009	**71,349**	**747,471**	**(68,991)**	**(8,087)**	**39,076**	**(186,157)**	**594,661**
Minority interests at January 1, 2009	**-**	**-**	**529**	**-**	**5,108**	**2,775**	**8,412**
Previous year's profit allocation	-	-	-	-	2,775	(2,775)	-
Retained earnings	-	-	(450)	-	22	-	(428)
Dividends distribution	-	-	-	-	(718)	-	(718)
Net profit for the period	-	-	-	-	-	1,008	1,008
Minority interests at September 30, 2009	**-**	**-**	**79**	**-**	**7,187**	**1,008**	**8,274**
Consolidated Total profit (loss)						**(185,149)**	**(185,149)**
Consolidated net equity at September 30, 2009	**71,349**	**747,471**	**(68,912)**	**(8,087)**	**46,263**	**(185,149)**	**602,935**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

These consolidated financial statements, expressed in thousands of Euro, refer to the financial period from January 1st 2009 to September 30th 2009. Economic and financial information are provided with reference to the first nine months of 2009 and 2008, whilst balance sheet information are provided with reference to September 30th 2009 and December 31st 2008.

Consolidated quarterly financial report of Safilo S.p.A. at 30th September 2009, including quarterly condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.5 58/98 - T.U.F. - and subsequent amendments and additions. This quarterly financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual budget, they refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this quarterly financial report must be read in conjunction with the consolidated financial statements for the financial year ended 31 th December 2008.

All values are shown in thousands of Euro unless otherwise indicated. The quarterly condensed consolidated financial statements is subject to limited audit by PricewaterhouseCoopers S.p.A.

1.2 Assessment of going concern:

During the last financial year, and in part also in the first few months of 2009, Safilo Group registered a considerable fall in revenues and a progressive decline in economic results. The continued worldwide economic difficulties, which are reflected also in a significant contraction of consumer spending on non-essential durable goods, and the eventuality that the Group must continue to operate in this economic setting, have brought about a significant uncertainty over the Group's capability to deal with ordinary management activitites in addition to to the financial commitments taken on. Furthermore, despite activities being implmented in order to obtain an increasingly more efficient management of working capital, it has not been possible to significantly reduce its absorption of financial resources, leading to an increased resort to taking on bank debts, through the wide use of credit lines revocable.

Therefore, the Board of Directors notes that, based on expected cash flows over the next twelve months and commitments of capital repayment of senior loan, there are significant uncertainties regarding the Group's ability to continue to operate on the assumption of going concern.

Despite the abovementioned uncertainties, the Board of Directors maintains that the prerequisites for the preparation of this nine-month report exist in the assumption of going concern, in consideration of the positive outcome expected from managerial and organisational initiatives put into place. In this setting of financial crisis, as previously indicated in the consolidated half-year report, the Group has in fact implemented a series of initiatives,

described in detail below, aimed at facing this negative economic situation and creating the prerequisites for a management which will guarantee the continuity and profitable relaunch of the Group, in the interests of its shareholders.

In particular, it is noted that the Board of Directors Meeting held on 19th October 2009, approved the binding proposal received on the same date from HAL Holding N.V. ("Hal"), international investment company with registered offices in Monaco, based in the Netherlands Antilles. All shares of Hal Holding are held by HAL Trust and form the Trust's entire assets. HAL Trust's share are quoted on the Amsterdam stock Exchange.

HAL's strategy is focused in the aquisition of equity investments, with the objective of increasing stock value in the long term. The company pays great attention to the investments selected, as well as to reinvesting, profitability criteria and the possibility of taking an active role as shareholder and/or member of the Board of Directors. The company does not limit its activity to any specific sector. Given the concentration of long term investments, the company does not have a predetermined view regarding investments.

HAL holds, amongst others, a wide investment portfolio in companies which are not listed on the stock exchange, in various sectors ranging from office furmiture to hearing aids, to the production of medium-high pressure laminates. The most significant investment in non-listed companies is in the retail of optical products.

HAL has operated in the optical products retail sector since 1996, when it bought a sales chain in the Netherlands. From then onwards, HAL has continued to expand its presence in the retail of optical products through various acquisitions and a structured growth. AT the end of 2008 the retail companies operated in about 4,000 stores in 37 different countries for total sales of about 2.6 billion Euro.

HAL is currently one of the Group's main customers, based on its long-standing and extensive experience and its wide retail network and retains that it will be able to add significant value for Safilo.

The proposed recapitalisation transaction aims at strengthening the Group's capital structure via the following steps as detailed below:

(a) *tender offer* ("Tender Offer") on the outstanding high yield notes denominated "€300,000,000 9⅝% Senior Notes 2013", with principal amount of Euro 195 million, issued by the Luxembourg company Safilo Capital International S.A., indirectly entirely hold by Safilo S.p.A.

(b) recapitalization of the parent company Safilo Group S.p.A. by the following capital increases ("Capital increase")

(i) the first capital increase for consideration reserved to HAL, pursuant to art. 2441, par. 4, second part, of the Civil Code, will be limited to 10% of the pre-existing share capital. The total amount of the first capital increase is estimated to be approximately Euro 12,8 million, after amendement of art. 5 of the articles of association;

(ii) the second capital increase is estimated to be Euro 250 million (inclusive of share premium). Such second capital increase will be underwritten by HAL also for the percentage of option rights pertaining to O3T and to other shareholders who do not intend to to exercise their option rights up to Euro 162,2 million. As to the option rights issued in connection with the second capital increase pertaining to other shareholders who do not intend to exercise their option rights, it shall

be guaranteed also by Banca IMI and Unicredit Group (HVB Milan) up to a maximum of 35,2% of the capital increase;

By effect of the above mentioned capital increases HAL's participation in the Company share capital will be equal to a percentage ranging between 37.23% and 49.99% (calculated on a fully diluted basis).

In consideration to the fact that HAL with this transaction will acquire a participation in the share capital of Safilo Group S.p.A. higher than 30%, it has been presented to the Commissione Nazionale per le Società e la Borsa (CONSOB) a request for the exemption for a mandatory tender offers.

(c) Settlement between Safilo Group and the "*lenders*", Intesa Sanpaolo e Unicredit Corporate Banking, of a restructuring agreement of the financial indebtness of the Group.

In this regard, on 16 th September 2009 a "term sheet" was signed whose effectiveness, among other conditions, has been subject to obtaining the approval of the transaction by the committees of Intesa Sanpaolo and UniCredit Corporate Banking, condition that was fulfilled respectively on 9 th October 2009 and on 14 th October 2009.

Based on this *term sheet*, dated October 19 th, 2009 a *letter of undertaking* was prepared by the banks to which the text of the final contract called the "*Amendment Agreement*" is attached, which substantiates the restructuring agreement, which banks undertake to subscribe, subject to this transaction. The above restructuring agreement provides better conditions for the Group compared to the existing senior loan, such as increased duration, much lower margins and less stringent financial covenants in the complex.

(d) the sale of certain non-strategic retail chains for a consideration of approximately Euro 20 million.

The overall recapitalization plan is subject to the following main conditions:

1. the successful completion of a *tender offer* (Tender Offer) to be launched by HAL on the HY Notes. The Tender Offer is conditional upon HAL reaching an acceptance threshold equal to or higher than 60%;

2. the granting by the Commissione Nazionale per le Società e la Borsa (CONSOB) of the exemption for a mandatory tender offer as provided for under art. 49, par. 1, lett. b) of the Consob Regulation n. 11971/99;

3. the granting of clearance for the transaction by the relevant Antitrust Authorities;

4. the approval by the extraordinary shareholders' meeting of Safilo of the First and the Second Capital Increases and of the proposal to change the articles 5, 14, 15, 16, 19, 24 and 29 of the articles of association.

During the quarter the Company has furthermore continued to develop certain initiatives, previously described in the half year report. The activities include:

- *Reorganisation of the Industrial Structure,* aimed at improving the efficiency of the industrial economics. In particular, certain measures have concerned all of the production sites belonging to Safilo S.p.A. where, during the period in question, a significant use has been made of the "Cassa Integrazione Guadagni Ordinaria" (special public fund to protect workers' income). This involved over 2,500 employees at different periods of time and still

concerns around 1,100 employees. More wider reaching measures of a more definitive nature have been put into place in the two production sites located in Friuli, and have involved a total of around 750 people who, from 1st July entered the "Cassa Integrazione Guadagni Straordinaria".

With regards to the production site in Slovenia, owned by the subsidiary Carrera Optyl D.o.o., it has been necessary to proceed with the downsizing of the personnel structure following the significant fall in production levels. At the end of the previous year 145 fixed term contracts were not renewed, and during 2009 trade union agreements were signed which saw the redundancy of 168 employees.

The costs relating to this restructuring were completely set aside in the first six months of the year.

As previously indicated, the Board of Directors believes, bearing in mind not only the actions described above but also the outlook for the year and the foreseeable cash flows, that a reasonable prospect exists that the Group will have sufficient resources to continue to operate in the foreseeable future. In particular the Directors believe, in consideration of the actions undertaken for the reorganisation of the Group, the re-negotiation process of the Senior Loan towards which the financing banks have shown willingness, together with the entry of HAL in order to strengthen the company's capital structure, the conditions exist to prepare this consolidated quarterly report on the assumption of going concern.

This nine months report has approved by the Board of Directors on 11th November 2009.

1.3 Accounting standards, amendments and interpretations applied from 1st January 2009

As previously indicated, in preparing the consolidated quarterly financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31th December 2008 have been applied, except for standards and interpretations listed below, which are applicable from 1st January 2009: IAS 1 Reviewed – Presentation of the financial statements.

IFRS 8 - Operating Segments

This standard introduces the approach that segments must be identified in the same manner in which it is prepared for internal management reporting to the top management. There is no impact deriving from changes to the Standard, since the Group has always made use of management reporting for the preparation of segment information.

Amendments to IAS 23 "Borrowing Costs"

The revised version of the Standard removes the option previously available to immediately recognize as an expense borrowing costs directly attributable to the acquisition, construction or production of a good that justifies the capitalization ("qualifying assets"), and consider them as part of cost of the asset. There is no impact deriving from changes to the Standard, since, at present, there are no situations for which capitalization of interest would be required.

IAS 1 Revised: - "Presentation of Financial Statements"

The revised version of IAS 1 led to a formal change in the designation of some statements of the financial reporting. The Group has applied the revised IAS 1 from 1st January 2009 and retrospectively, by inserting the statement of comprehensive income in the statement of the financial reporting and renaming the "income statement" as "separate consolidated income statement". An amendment to the IAS 1 Revised has been published within the Improvement Report 2008 conducted by the IASB, in which it was established that the assets and liabilities arising from derivative financial instruments, which are not held for trading, are classified in the financial position, with the distinction between both current and non current assets and liabilities. To be noted here that the adoption of this amendment does not introduce any changes to the presentation of assets and liabilities arising from derivative financial instruments, as this approach to the classification of accounting entries in question had already been adopted by the Group.

1.4 Accounting priniciples, amendments and interpretations not yet applicable and not early adopted by the Group.

The new accounting standards or interpretations issued but not yet applicable or not yet approved by the European Union and therefore not applicable are listed below and briefly explained.

IFRS 3 Revised "Business combinations"

This review has the purpose of aligning the accounting treatment of business combinations. The main changes from the previous version include:

- the acquisition related costs (costs of legal advisors, valuers, auditors and professionals in general) is required to be recognised as expenses in the income statement;

- option for the recognition of minority interests at fair value (i.e. full goodwill); this option can be taken for each business combinations;

- acquisitions in stages (step acquisitions): in particular, in the case of acquisition of control of a company which already had a minority interest, the investment previously held must be recorded at fair value, and the effects of this adjustment measured through the income statement;

- potential charges (contingent consideration): the obligations of the purchaser to transfer additional assets or shares to the seller if certain future events occur or certain conditions must be recognized and measured at fair value at the date of acquisition. Subsequent changes to the fair value of such agreements are generally recognized in the income statement.

IAS 27 Revised "Consolidated and Separate"

The revised IFRS 3 "Business Combinations" has also resulted in changes to IAS 27 "Consolidated and separate ', summarized as follows:

- changes in shareholders of a subsidiary, not involving loss of control, qualify as transactions on capital (equity

transactions), in other words, the difference between the price paid/received and share of net assets purchased/sold must be recognized in equity;

- in case of loss of control, but maintaining an interest, the minority interest should be measured at fair value at the date of occurrence of the loss of control.

Amendmen to IAS 39 - "Financial Instruments: Recognition and Measurement - description of the items covered in a hedging relationship

This change explains and clarifies what can be designated as a hedged item in special situations:

- designation of a hedged item such as "one-sided risk", i.e. when only variations in cash flow or fair value above or below a certain level, instead of the entire movement, is designated as a hedged item;

- designation of inflation as a hedged item.

Amendment to IFRS 7 - Financial instruments: presentation - Improvements in the presentation of information on financial instruments

This change focuses on information related to measurement of fair value and liquidity risk. As regards the measurement of fair value, the level of information required by the principle increases and a fair value hierarchy with 3 levels, for each of which is requested a quantity of information, is introduced. As regards information relating to liquidity risk, the amendments clarify which items must be included in the analysis by maturity date and require greater integration between quantitative and qualitative.

1.5 Consolidation method and consolidation area

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:

	Value	Share capital	Quota held %
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	35,000,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidazione) – Padova	EUR	102,775	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safint B.V. - Rotterdam (NL)	EUR	18,200	100.0
Safilo Capital Int. S.A. - Lussemburgo (L)	EUR	31,000	100.0
Luxury Trade S.A - Lussemburgo (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,343,960	100.0
Navoptik S.L. - Madrid (E)	EUR	664,118	100.0
Safilo France S.a.r.l. - Parigi (F)	EUR	960,000	100.0
Safilo Gmbh - Colonia (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Mosca (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	51.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	51.0
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	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	3,000,000	100.0
Safilo Retail Shangai Co. Ltd - (RC)	USD	2,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Atene (GR)	EUR	489,990	70.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Carrera Optyl D.o.o. - Ormoz (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – San Paolo (BR)	BRL	8,077,500	100.0
Safilo Portugal Lda – Lisbona (P)	EUR	500,000	100.0
Safilo Switzerland AG – Liestal (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	88.5
Safint Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo Australia Partnership – Sydney (AUS)	AUD	204,081	61.0
Optifashion Australia Pty Ltd. - Sydney (AUS)	AUD	23,000,000	100.0
Just Spectacles Pty Ltd - Perth (AUS)	AUD	2,000	100.0
Just Spectacles (Franchisor) Pty Ltd - Perth - (AUS)	AUD	200	100.0
Just Specs Direct Pty Ltd - Perth (AUS)	AUD	400	100.0
Just Protection Eyewear Pty Ltd - Perth (AUS)	AUD	2	100.0
Optifashion Hong Kong Ltd - Hong Kong (RC)	HKD	300,000	100.0
Safint Optical UK Ltd. - Londra (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - North Yorkshire (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Realty Corp. - Delaware (USA)	USD	10,000	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,162	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safint Eyewear de Mexico - Cancun (MEX)	MXP	100,000	100.0
Tide Ti S.A. de C.V. - Cancun (MEX)	MXP	52,010,000	60.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0

1.6 Translation of financial statements in currencies other than the Euro

The exchange rates applied in the conversion of subsidiaries' financial statements prepared in a currency other than the Euro were as follows:

Currency	Code	As of September 30, 2009	As of December 31, 2008	(Appreciation) /Depreciation %	Avg. for the 9 months ended September 30, 2009	September 30, 2008	(Appreciation) /Depreciation %
US Dollar	USD	1.4643	1.3917	5.2%	1.3665	1.5217	-10.2%
Hong-Kong Dollar	HKD	11.3485	10.7858	5.2%	10.5922	11.8658	-10.7%
Swiss Franc	CHF	1.5078	1.4850	1.5%	1.5104	1.6082	-6.1%
Canadian Dollar	CAD	1.5709	1.6998	-7.6%	1.5928	1.5487	2.8%
Japanese Yen	YEN	131.0700	126.1400	3.9%	129.5192	161.0364	-19.6%
British Pound	GBP	0.9093	0.9525	-4.5%	0.8862	0.7820	13.3%
Swedish Krown	SEK	10.2320	10.8700	-5.9%	10.7103	9.4091	13.8%
Australian Dollar	AUD	1.6596	2.0274	-18.1%	1.8232	1.6664	9.4%
South-African Rand	ZAR	10.8984	13.0667	-16.6%	11.8778	11.7191	1.4%
Russian Ruble	RUB	43.9800	41.2830	6.5%	44.3259	n/a	n/a
Brasilian Real	BRL	2.6050	3.2436	-19.7%	2.8345	2.5564	10.9%
Indian Rupee	INR	70.0010	67.6360	3.5%	66.8291	63.5742	5.1%
Singapore Dollar	SGD	2.0654	2.0040	3.1%	2.0117	2.1153	-4.9%
Malaysian Ringgit	MYR	5.0679	4.8048	5.5%	4.8672	4.9592	-1.9%
Chinese Reminbi	CNY	9.9958	9.4956	5.3%	9.3362	10.6263	-12.1%
Korean Won	KRW	1,723.9500	1,839.1300	-6.3%	1,788.8970	1542.6356	16.0%
Mexican Peso	MXN	19.7454	19.2333	2.7%	18.6282	15.9928	16.5%

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

1.7 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the various accounts in the financial statements, which uses the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Some valuation processes, in particular the most complex such as the calculation of permanent impairments in values for fixed assets, are only made in full for the preparation of the Annual financial statements when all the necessary information is available, unless "impairment" indicators exist that require an immediate valuation of a potential loss in value.

2. Notes on the consolidated balance sheet

2.1 Cash in hand and at bank

The account above amounts to Euro 46,211 thousand, compared to Euro 53,653 thousand as of December 31st, 2008 and represents the temporary liquidity held, invested at market rates. The book value of cash in hand and at bank is in line with its fair value at the balance sheet date and the credit risk is very limited, being the counterparts primary financial institutions.

The following table shows the reconciliation with the closing net cash reported in the cash flow statement:

(Euro/000)	September 30, 2009	September 30, 2008
Cash in hand and at bank	46,211	52,318
Bank overdrafts	(2,767)	(9,740)
Bank borrowings current	(55,896)	(57,552)
Total	**(12,452)**	**(14,974)**

2.2 Trade receivables, net

This account is composed as follows:

(Euro/000)	September 30, 2009	December 31, 2008
Gross value	287,720	324,809
Allowance for doubtful accounts	(17,855)	(13,506)
Provision for sales return	(8,365)	(9,741)
Total provision	**(26,220)**	**(23,247)**
Net value	**261,500**	**301,562**

Net trade receivables decreased mainly as a result of the decrease of net sales. It should be noted that the Group does not have a significant concentration of its credit risk as its trade receivables are related to a large number of customers.

Allowance for doubtful accounts includes the accrual for insolvency accounted for in the income statement under "general and administrative expenses" (note 3.4). The allowance for doubtful accounts also includes the accrual for products supplied to clients which, in accordance with specific contractual clauses, are expected to be returned when not sold to the final customer. This accrual is accounted for as a reduction of sales in the income statement.

2.3 Inventory, net

This account is composed as follows:

(Euro/000)	September 30, 2009	December 31, 2008
Raw materials	47,913	50,754
Work-in-progress	5,896	6,315
Finished products	204,739	251,621
Gross	**258,548**	**308,690**
Obsolescence provision (-)	(36,696)	(36,588)
Total	**221,852**	**272,102**

For obsolete and slow moving items, a specific provision has been accounted for, based on their possible future sale or use. The above provision impacted upon the income statement at the line "cost of sales" (note 3.2).

The following table shows the movements in the obsolescence provision:

(Euro/000)	Balance at January 1, 2009	Posted to income statement	Transl. diff.	Balance at September 30, 2009
Obsolescence provision	36,588	343	(235)	36,696
Total	**36,588**	**343**	**(235)**	**36,696**

2.4 Derivative financial instruments

The following table represents the amounts related to the derivative financial instruments contained in the balance sheet:

(Euro/000)	September 30, 2009	December 31, 2008
Current assets:		
- Foreign currency contracts - at fair value through P&L	-	772
Total	**-**	**772**
Non-current assets:		
- Options	284	455
Total	**284**	**455**
Current liabilities:		
- Foreign currency contracts - at fair value through P&L	287	-
Total	**287**	**-**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	6,380	5,740
Total	**6,380**	**5,740**

The fair value of the foreign currency contracts is determined on the basis of the present value of the differences between the contracted forward exchange rate and the forward market rate at the balance sheet date.

The market value of interest rate swaps is determined by specialist financial institutes on the basis of normal market conditions. The Group's interest rate risk management policies involve the hedging of the future cash flows that will be accounted for also in successive years; it is therefore reasonable to maintain that the relative suspended hedging effect of the cash flow reserve should be entered in the income statement of the successive periods when such expected cash flows actually take place. At the balance sheet date, there was no over-hedging for covering future cash flows.

The following table shows the characteristics and the fair value of the interest rate contracts in force at September 30th, 2009 and at 31st December 2008:

Interest rate swaps	**September 30, 2009**			**December 31, 2008**		
(Euro/000)	**Contractual value**		***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2010	-	55,000	(1,840)	-	55,000	(1,612)
Expiry year 2011	-	73,000	(3,377)	-	81,000	(2,544)
Expiry year 2011	59,263	-	(1,164)	70,038	-	(1,584)
Total	**59,263**	**128,000**	**(6,380)**	**70,038**	**136,000**	**(5,740)**

2.5 Other current assets

This account is composed as follows:

(Euro/000)	September 30, 2009	December 31, 2008
VAT receivable	9,925	8,715
Tax credits and payments on account	10,436	8,523
Prepayments and accrued income	20,580	10,857
Receivables from agents	676	633
Other current receivables	18,364	21,975
Total	**59,981**	**50,703**

The tax credits and payments on account principally relate to the income tax payments on account and will be compensated against the related tax payables.

Pre-payments and accrued income at September 30th, 2009 include:

- prepaid advertising costs of Euro 5,860 thousand;
- preapaid costs for royalties of Euro 9,035 thousand;
- prepaid costs incurred for the "Revolving Facility" loan of Euro 776 thousand;
- prepaid rent and operating leases of Euro 1,846 thousand;
- prepaid insurance premiums of Euro 665 thousand;
- other prepaid costs, mainly commercial, for the remaining part.

The receivables from sales agents principally refer to receivables deriving from the sale of product samples.

The other short term receivables amount to 18,364 thousand Euro and mainly refer to:

- payments of minimum annual guarantees relating to 2010 royalties for a total amount of 11,106 thousand Euro;
- receivables due from bankrupt customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the distribution plan of the bankruptcy procedure is executed, for a total amount of 2,161 thousand Euro.

2.6 Property, plant and equipment, net

The movements in the tangible fixed assets for the first nine months of 2009 are presented below:

(Euro/000)	Balance at January 1, 2009	Increase	Decrease	Reclass.	New acquisition	Transl. diff.	Balance at September 30, 2009
Gross value							
Land and buildings	129,048	6,500	(905)	7,187	-	(761)	141,069
Plant and machinery	177,913	6,012	(1,440)	(3)	-	(687)	181,795
Equipment and other assets	192,555	11,033	(2,540)	(3,167)	-	(2,313)	195,568
Assets under constructions	6,439	4,187	-	(6,935)	-	(24)	3,667
Total	**505,955**	**27,732**	**(4,885)**	**(2,918)**	**-**	**(3,785)**	**522,099**
Accumulated depreciation							
Land and buildings	33,708	4,685	(901)	455	-	(34)	37,913
Plant and machinery	116,305	7,958	(571)	(3)	-	(208)	123,481
Equipment and other assets	127,184	15,987	(2,493)	(791)	-	(1,179)	138,708
Total	**277,197**	**28,630**	**(3,965)**	**(339)**	**-**	**(1,421)**	**300,102**
Net book value	**228,758**	**(898)**	**(920)**	**(2,579)**	**-**	**(2,364)**	**221,997**

2.7 Intangible assets

The movements in the intangible fixed assets for the first nine months of 2009 are presented below:

(Euro/000)	Balance at January 1, 2009	Increase	Decrease	Reclass.	Transl. diff.	Balance at September 30, 2009
Gross value						
Software	17,754	2,006	(18)	-	(279)	19,463
Trademarks and licenses	42,930	145	(3)	-	(2)	43,071
Other intangible assets	9,573	461	(90)	(173)	(73)	9,698
Intangible assets in progress	431	1,462	-	(115)	(0)	1,778
Total	**70,688**	**4,074**	**(110)**	**(289)**	**(355)**	**74,009**
Accumulated depreciation						
Software	12,140	1,778	(19)	-	(140)	13,759
Trademarks and licenses	29,869	2,576	-	-	(2)	32,443
Other intangible assets	5,954	315	(90)	(173)	(46)	5,960
Total	**47,963**	**4,668**	**(109)**	**(173)**	**(188)**	**52,161**
Net book value	**22,725**	**(594)**	**(1)**	**(115)**	**(167)**	**21,848**

Amortization and depreciation expenses related to intangible assets and to property, plant and equipment for the first nine months of 2009 and 2008 can be divided as follows:

(Euro/000)	*note*	First 9 months 2009	First 9 months 2008
Cost of sales	*3.2*	15,623	15,920
Selling and marketing expenses	*3.3*	7,726	4,296
General and administrative costs	*3.4*	9,949	9,947
Total		**33,298**	**30,163**

2.8 Goodwill

(Euro/000)	Balance at January 1, 2009	Increase	Decrease	Transl. diff.	Balance at September 30, 2009
Goodwill	807,209	370	(120,695)	(9,624)	677,260
Net book value	**807,209**	**370**	**(120,695)**	**(9,624)**	**677,260**

The goodwill broken down according to CGUs group is illustrated below:

Goodwill *(Euro/000)*	Italy and Europe	Americas	Asia Pacific	Total
30-Sep-09	232,259	216,198	228,803	677,260
31-Dec-08	285,362	234,472	287,375	807,209

As highlighted in the half yearly financial report as at 30th June 2009, in view of the changed market conditions, the Group considered appropriate to test its goodwill for impairment.

The impairment test conducted revealed an impairment loss equal to 120.7 million Euro which was already recognized in the income statement as at 30 th June 2009.

Here follow is provided a brief description of the main assumptions used at 30 th June 2009 for the impairment test analysis.

For impairment test purposes, the Group has identified its cash-generating units (CGUs), which substantially correspond with the entities operating in each country. The recoverable amount of the CGUs is based on their value in use determined by the estimated future cash flow projections. This calculation is based on five-year financial plans, in consideration of the forecasts of development of the market and Group.

As a consequence of the persistent downturn in the markets, in the presence of a detailed Revised Budget for CGUs and the actual results of the first half of the year, the Group has re-evaluated the value of goodwill at June 30th, 2009.

Overall, compared with the impairment test performed on the occasion of preparing the 2008 financial statement the main differences arise from the following aspects:

- the management has more updated information regarding the 2009 results and forecast, based on the Business Plan updated in view of the continually difficult market situation;
- the growth rate (market premium risk) used to calculate the WACC (weighted average cost of capital) has increased;
- the growth rates for the periods beyond the plan (rate "g") for some countries and in particular the Far East region, have decreased in the first semester of the year;

The cash flows taken into consideration for the purpose of the impairment tests have been constructed starting from the 2009 three year Plan approved by the Board of Directors and developed for the following years, on the basis of the best knowledge available within the company and confirmed by external analysis carried out by leading specialist institutes.

To determine the terminal value, the cash flow projections thereby obtained were carried out at a discount rate (WACC) at the reference date of the test, which considers the specific nature and risks of each area in which the Group operates.

Cash flows beyond the five-year period were extrapolated using the estimated perpetual growth rate ("g rate") which does not exceed the long-term average growth rates forecast by analysts for the sector in which the Group operates.

At June 30th, 2009 was processed an update of the parameters determining the Enterprise Value, using the same methodology as the previous tests. Comparing the WACC and the "g" growth rates at June 30th 2009 with those used for the tests at December 31st 2008 it can be noted:

- ✓ An increase of WACC due to:
  - Increase of free risk and Swap rates;
  - Increase of market risk premium from 4,5% to 5%. In light of the economic crisis, the management has considered it appropiate to increase this rate, reflecting an higher uncertainty of the investment yield;
- ✓ The growth rates for the periods beyond the plan (rate "g") for some countries and in particular the Far East region.

The following table summarises the "WACC" and "g rates" used by the Group:

Key assumptions	"WACC" discount rate		Growth rate "g"	
	June 30,2009	December 31, 2008	June 30,2009	December 31, 2008
Euro zone	6.8%	6.3%	1.0%	1.0%
USA zone	6.8%	5.4%	1.0%	1.0%
Far East zone	9.0%	7.5%	1.6%	2.4%
Australia	8.8%	7.2%	1.0%	1.0%
Japan	4.8%	4.4%	1.0%	1.0%
South Africa	11.8%	10.3%	5.7%	6.0%
Mexico	9.7%	8.3%	3.6%	3.6%
India	12.4%	11.1%	4.3%	4.8%
Brasil	11.0%	9.7%	3.8%	3.7%

The transposition of the new estimates and taking into account the figures of the first semester at each CGU level, has suggested a more cautious assessment of the performance of some countries compared to the previous year end test, in particular with the Asian region, thus resulting in the need to proceed with the write-down of goodwill for a total amount of Euro 120.7 million. In particular the impairment of gooodwill has affected both Retail segment and Wholesale segment, by respectively Euro 91 million and Euro 29.7 million.
The CGUs which mostly determinate to the write down of the goodwill were: Safilo Japan Co. Ltd for Euro 32.7 million, Safilo Australia Partnership for Euro 14.5 million, Safilo Espana S.L. for Euro 14 million, Safilo France S.a.r.l. for Euro 9.6 million, the retail companies for a total of Euro 29.7 million.
At 30th September 2009, the management is confident that the business plan used at 30th June 2009 for the above analysis appears to be substantially confirmed as well as the assumptions and parameters used on 30th June, and did not consider it necessary to conduct any further analysis to assess the recoverability of goodwill in the balance.
It should however be highlighted that the analysis of recoverability of assets is based on certain estimates of future events that may not necessarily occur. In particular, the differences between final values and budget value contained in the business plan and the parameters used in the analysis of impairment could be significant, because of uncertainty related to the implementation of any future event: both the coming of an event, both the extent and timing of its manifestation, and therefore cannot be guaranteed that no other impairment of goodwill will be needed in the future.
The circumstances and events that caused loss of value will be the subject of constant attention from the Group but the discretion inherent to the use of estimates by the management can not in any way guarantee that there will not be losses of goodwill recorded in the balance sheet of future periods.
The management also maintains that the current prices of the shares, reduced by the negative world economic situation and by the generalised and exceptional fall in the lists of all the main world stock exchanges, do not reflect the Group's real economic value and potential.

2.9 Investments in associates

Investments in associates refer to the following companies:

Company	Registered office or headquarters	% of share capital	Type of investment	Main activity
Elegance I. Holdings Ltd	Hong Kong	23.05%	Associated company	Commercial
Optifashion As	Turkey	50.00%	Non consolidated subsidiary	Commercial
TBR Inc.	USA	33.33%	Associated company	Real estate

The movements in investments in associates during the first nine months of 2009 are the following:

	January 1, 2009			Movements for the period		
(Euro/000)	Gross value	Revaluation/(write-down)	Value at December 31, 2008	Share of results and write-down of divid. of assoc. comp.	Transl. diff.	Value at September 30, 2009
TBR Inc.	427	(244)	183	112	(16)	279
Elegance Ltd	5,307	6,567	11,874	(400)	(560)	10,914
Optifashion As	353	(112)	241	-	-	241
Total	**6,087**	**6,211**	**12,298**	**(288)**	**(576)**	**11,434**

The company Optifashion A.s., a 50% held subsidiary of the Group with registered office in Istanbul (Turkey), is not included in the consolidation scope as the amounts are considered insignificant in relation to the true and fair view of the consolidated assets and liabilities, financial position and results of operations of the Group.

2.10 Financial assets available for sale

This account represents the financial assets which may be sold. They are measured at fair value, calculated with reference to official listed market prices at the reporting date, with counterbalance in the shareholders' equity.

(Euro/000)	Relationship	Value at September 30, 2009	Value at December 31, 2008
Gruppo Banco Popolare	Other equity investment	852	638
Unicredit S.p.A.	Other equity investment	78	50
Others	Other equity investment	45	173
Total		**975**	**861**

The movements of the account in the period are shown below:

(Euro/000)	31.12.2008			Movements for the period		
	Gross value	Revaluation/(write-down)	Net value	Increase/ (Decrease)	Revaluation/(write-down)	Value at September 30, 2009
Gruppo Banco Popolare	4,096	(3,458)	638	-	214	852
Unicredit S.p.A.	48	2	50	-	28	78
Others	173	-	173	(128)	-	45
Total	**4,317**	**(3,456)**	**861**	**(128)**	**242**	**975**

2.11 Deferred tax assets and deferred tax liabilities

(Euro/000)	September 30, 2009	December 31, 2008
Deferred tax assets	100,136	93,438
Deferred tax liabilities	(6,454)	5,184
Total	93,682	88,254
Depreciation Fund (-)	(49,204)	(40,004)
Total, net	**44,478**	**48,250**

Deferred tax assets

Deferred tax assets refer to income taxes calculated on fiscal losses recoverable in future years and temporary differences between the tax basis of assets and liabilities and their book carrying amount. Deferred tax assets on Group losses have been calculated as there is the reasonable expectation of their recovery through future assessable incomes.

Deferred tax liabilities

Deferred tax liabilities refer to taxes calculated on the temporary differences between the book value of the assets and liabilities and the related tax value. The most important account included in deferred tax liabilities mainly relates the property, plant and equipment and the goodwill amortization, calculated only for fiscal purposes.

Provision for deferred tax assets

On December 31th, 2008 deferred tax assets net of deferred tax liabilities in the financial statements of some companies of the Group, have been written down through a provision, in order to take into account the recent market trend and the changed expectations of future levels of profitability. The provision amount to Euro 52,004 thousand, of which about Euro 12,000 thousand mature in the first nine months of 2009.

2.12 Other non-current assets

This account is composed as follows:

(Euro/000)	**September 30, 2009**	**December 31, 2008**
Receivables from Social Security Institution	7,973	5,665
Long-term guarantee deposit	3,927	3,358
Other long-term receivables	300	3,815
Totale netto	**12,201**	**12,838**

The Treasury Fund receivables founded by the Italian Social Security Institution (INPS) refers to the receivable in the Safilo S.p.A. balance sheet related to the quotas of employment benefit liability (TFR) further to the modifications introduced by the Finance Bill no. 296 of 2006.

The guarantee deposits are manly related to rental contracts for the shops of the Spanish subsidiary Navoptik S.L., the Mexican subsidiary Tide Ti S.A. de C.V and the American subsidiary Solstice Marketing Corp..

2.13 Bank loans and borrowings

This account is composed as follows:

(Euro/000)	September 30, 2009	December 31, 2008
Short-term borrowings		
Bank overdrafts	2,767	4,238
Short-term bank loans	55,895	69,857
Short-term portion of long-term bank loans	54,873	37,646
Short-term portion of financial leasing	1,557	1,522
Debt to the factoring company	46,714	49,279
Other short-term loans	106	103
Total	**161,912**	**162,645**
Long-term borrowings		
Medium long-term loans	461,665	450,660
Payables for financial leasing	8,480	9,863
Other medium long-term loans	455	561
Total	**470,600**	**461,084**
Total borrowings and bank loans	**632,512**	**623,729**

The short-term portion of long-term bank loans, equal to Euro 54,213 thousand, represents the portion of the senior loan, stipulated at the end of June 2006. The long-term portion of the above loan, denominated "senior", equal to Euro 262,644 thousand, is included in the medium long-term loans. The loan above is structured as follows:

- Euro 200 millions, related to "Facility A", with half yearly repayments starting from December 2006 until December 2011, which is in turn subdivided into three tranches, of which one in Euro (Tranche A1, for an original notional equal to Euro 80 million), and two in US Dollars (Tranche A2 and Tranche A3, for an original notional of USD 70.4 million and USD 80.5 million respectively), due in December 31st 2011. As of June 30th, 2009, the long term portion of this loan amounts to 68,798 thousand Euro and the spread applied is currently equal to 1.80%;

- Euro 200 million, related to "Revolving Facility" expiring on December 31st, 2012, composed of two tranches also provided in US Dollars (Tranche B1: Euro 170 million, Tranche B2: Euro 30 million) utilised at June 30th, 2009 for Euro 195 million. The revolving facility expires on December 31 th, 2012.

The contractual agreements relating to the Senior Loan granted to some Group companies from a pool of banks coordinated by Bayerische Hypo und Vereinsbank AG, include a series of obligations which concern the operating and financial aspects. In particular, it is requested that predetermined levels related to certain parametric indices (covenants), calculated based on the data of the final statements at the end of every six month period, are

respected. Should they not be complied with in the future, the conditions with which the loan relationship is to be continued must be negotiated with the financers, that is appropriate waivers or modifications to adapt the above-mentioned parameters. If this does not happen, an "Event of Default", that may involve obligatory early repayment of the loans granted, could take place. Covenants in the current contractual agreement are calculated as a ratio between net financial position and EBITDA and EBITDA and financial income and expenses. The Group has obtained from the banks a derogation of the verification of the financial covenant's levels at June 30th, 2009 and the prorogation of the installment of June 30th, 2009 to December 31 th, 2009.

It should be noted that on 19th October 2009 a "letter of undertaking" was issued by the banks,to which the text of the final loan agreement called the "Amendment Agreement" is attached, which substantiates the restructuring agreement, and which the banks undertake to subscribe, subject to this transaction referred in the above section Score 1.2 - Assessment of going concern. The above restructuring agreement provides better conditions for the Group compared to the existing senior loan, such as increased duration, much lower margins and less stringent financial covenants as a whole and in particular, during the first 24 months, when it is expected that the two main financial covenants will not be considered.

At 30th September 2009 there are no situations of non-compliance with the covenants or other constraints defined by the loan contracts.

The account "Medium long-term loans" also include the High Yield bond, equal to a nominal value of Euro 195 million and the long-term portion of the borrowings present in the balance sheet of other Group companies, amounting to 8,580 thousand Euro.

The above loans, valued under the amortised cost method, are principally guaranteed by pledges on the shares of Safilo S.p.A. and by personal guarantees provided by the directly financed companies.

The payables for financial leases refer to property, plant and equipment acquired under leasing contracts by companies belonging to the Group. The average residual life of leasing contracts is approximately 6.5 years. All leasing contracts at the interim balance sheet date are repayable through equal instalments and the contracts do not include any option for reviewing the original contract.

The following table shows short term and long term portion of payables for finance leases as at 30th September 2009:

(Euro/000)	**September 30, 2009**	**December 31, 2008**
Debiti per leasing finanziario (quota a breve)	1,557	1,522
Debiti per leasing finanziario (quota a lungo)	8,480	9,863
Totale debito	**10,037**	**11,385**

Some Group companies have signed operating leasing contracts. Costs for operating leases are charged to the income statement under "Cost of sales", "Selling and marketing" and "General and administrative costs".

The other medium and long term loans refer to a loan granted to the subsidiary Safilo SpA under the Law 46/82 at a rate of 2,82%.

The short-term debts towards factoring companies refer to payables to primary factoring companies arising from contracts concluded by the subsidiary Safilo SpA for an amount of Euro 45,591 thousand and the subsidiary Safilo do Brasil for an amount of Euro 1,123 thousands.

The repayment dates of medium long-term loans are as follows:

(Euro/000)	**September 30, 2009**	**December 31, 2008**
Within 2 years	46,833	41,950
Within 3 years	29,208	53,695
Within 4 years	390,045	168,047
Within 5 years	2,362	193,323
Beyond 5 years	2,152	4,069
Total	**470,600**	**461,084**

The following table displays borrowings divided by currency:

(Euro/000)	**September 30, 2009**	**December 31, 2008**
Short-term		
Euro	111,886	128,240
US Dollars	30,528	21,478
Chinese Reminbi	15,607	9,057
Japanese Yen	2,289	793
Swedish SEK	87	-
Mexican Pesos	383	472
Brasilian Real	1,132	2,597
South African Rand	-	8
Total	**161,912**	**162,645**
Medium long-term		
Euro	428,907	407,691
US Dollars	35,843	48,589
Chinese Reminbi	4,002	-
Japanese Yen	-	2,378
Swedish SEK	124	-
Mexican Pesos	1,117	1,670
Brasilian Real	32	-
Australian Dollars	575	756
Total	**470,600**	**461,084**
Total borrowings	**632,512**	**623,729**

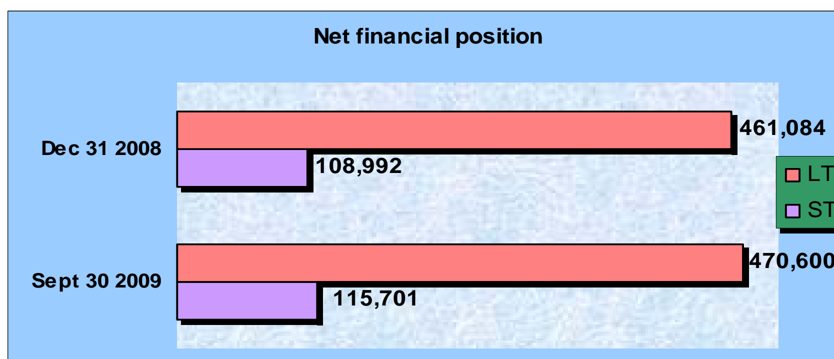
The following table shows credit lines granted to the Group, their utilization and the credit lines available at September 30th 2009:

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	102,118	56,339	45,779
Credit lines on long-term bank loans	335,086	330,086	5,000
Total	**437,204**	**386,425**	**50,779**

The short term credit lines yet are available, until revocation and however subject to the ability to use advances under reserve.

The Group net financial position as of September 30th, 2009 compared with the same as of June 30st, 2009 and December 31st, 2008 is the following:

Net financial position *(Euro/000)*	**September 30, 2009**	**June 30 2009**	**Change Sept- Jun**	**December 31, 2008**	**Change Sept - Dec**
Current portion of long-term borrowings	(54,873)	(58,091)	3,218	(37,646)	(17,227)
Bank overdrafts and short-t. bank borrowings	(58,663)	(58,159)	(504)	(74,095)	15,432
Other short-term borrowings	(48,376)	(51,370)	2,994	(50,904)	2,528
Cash and cash equivalents	46,211	47,891	(1,680)	53,653	(7,442)
Short-term net financial position	**(115,701)**	**(119,729)**	**4,028**	**(108,992)**	**(6,709)**
Long-term borrowings	(470,600)	(472,415)	1,815	(461,084)	(9,516)
Long-term net financial position	**(470,600)**	**(472,415)**	**1,815**	**(461,084)**	**(9,516)**
Net financial position	**(586,301)**	**(592,144)**	**5,843**	**(570,076)**	**(16,225)**



Legend:

- LT= long-term.

- ST= short-term.

2.14 Trade payables

This item is composed as follows:

(Euro/000)	September 30, 2009	December 31, 2008
Trade payables for:		
Purchase of raw materials	26,262	42,371
Purchase of finished goods	45,622	76,108
Suppliers from subcontractors	2,159	4,842
Purchase of tangible and intangible fixed assets	1,857	5,129
Commissions	3,776	5,677
Royalties	6,871	14,703
Advertising and marketing costs	27,785	25,820
Services	26,425	30,713
Total	**140,757**	**205,363**

2.15 Tax payables

This item is composed as follows:

	September 30, 2009	December 31, 2008
Income tax payables	9,125	11,445
VAT payables	4,495	2,517
Other taxes payables	3,516	8,625
	17,136	**22,587**

2.16 Other current liabilities

This item is composed as follows:

(Euro/000)	September 30, 2009	December 31, 2008
Payables to personnel and social security institutions	31,772	30,497
Premiums to clients	19,574	25,476
Agent fee payables	1,983	2,082
Payables to pension funds	711	1,106
Accrued advertising and sponsorship costs	942	775
Accrued interests on long-term loans	7,971	7,811
Other accruals and deferred income	2,425	2,830
Payables to minority shareholders for dividends	2,906	2,630
Other current liabilities	1,369	3,230
Total	**69,653**	**76,437**

The payables to personnel and social security institutions primarily relate to wages and salaries for the month of September, to the accrual for thirtheen months, and to accrued vacation.

The payables to minority shareholders or dividends relates to the dividends approved at the shareholders' meetings and not yet paid at the interim balance sheet date.

Payables Overdue:

(Euro/000)	at September 30, 2009	of which overdue	%
Current payables:			
Financial debts	161,912	-	0%
Trade payables	140,757	4,173	3%
Tax payables	17,136	-	0%
Other current liabilities	69,653	35	0%
Totale	**389,458**	**4,208**	**1%**

At 30th September 2009, the current payables of the Group amounted to Euro 389,458 thousand. The share overdue at that time and not yet paid amounts to Euro 4.208 thousands, and relates to payments made mostly in October 2009 or debit positions presently subject to dispute. In view of these payables overdue there is no significant action for the recovery forced by the creditors.

2.17 Provisions for risks and charges

This item is composed as follows:

(Euro/000)	Balance at January 1, 2009	Increase	Decrease	Transl. diff.	Balance at September 30, 2009
Product warranty provision	4,602	502	(695)	(5)	4,404
Agents' severance indemnity	4,888	498	(409)	-	4,977
Provision for corporate restructuring	-	7,000	(212)	-	6,788
Other provisions for risks and charges	3,773	425	(343)	-	3,855
Provisions for risks - long term	**13,263**	**8,425**	**(1,659)**	**(5)**	**20,024**
Provisions for risks - short term	**1,053**	**28,660**	**(647)**	**-**	**29,066**
Total	**14,316**	**37,085**	**(2,306)**	**(5)**	**49,090**

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

The agent’s indemnity provision was created against the risk deriving from the payment in the event of termination of the agency agreement. This provision has been calculated based on existing laws at the interim balance sheet date considering all the future expected financial cash outflows.

The provision for other risks and charges refer to the provision for restructuring costs accrued in the current period, related to downsizing the structure of production plants in Italy, described in more detail in the Directors’ report on operations. The decrease is related to the costs already incurred for staff who resigned on 30th September 2009.

The provision for other risks refer to provisions made in previous financial years for litigation still pending at the balance scheet date.

The increase of the provision for short term risks for 28 million Euro relates to the provision made in respect of probable loss is expected to realize from the sale of non-strategic retail chains in the fourth quarter of 2009. For more details see Section 3.7.

It is believed that these provisions are adequate to cover the risks existing at the interim balance sheet date.

2.18 Employee benefit liability

This account shows the following movements:

(Euro/000)	Balance at January 1, 2009	Posted to income statement	Use/ Payments	Transl. diff.	Balance at September 30, 2009
Defined contribution plan	6,099	5,720	(2,096)	-	9,723
Defined benefit plan	35,976	151	(1,226)	(44)	34,857
Total	**42,075**	**5,872**	**(3,323)**	**(44)**	**44,580**

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 activities.
The employee severance fund of Italian companies ("TFR"), which constitutes the main part of such benefits, has always been considered to be a defined benefit plan. However, following the changes in legislation governing the employment severance fund introduced by Italian law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

- the portion of the employee benefit liability matured from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";

- the portion of the employee benefit liability matured as of 31st December 2006, must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

2.19 Other non-current liabilities

The other non-current liabilities as of September 30th, 2009 amount to Euro 16,691 thousand compared to Euro 17,662 thousand as at December 31st, 2008 and mainly include:

- the value of the put options held by minority shareholders in some Group companies;
- the liability deriving from some rental contracts for some stores belonging to an American subsidiary;
- the liabilities arising from a settlement agreement reached by the U.S. subsidiary for the resolution of a dispute arising from the use of a patent.

SHAREHOLDERS' EQUITY

Shareholders' equity is made of 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). As of September 30th, 2009 the shareholders' equity amounted to 602,935 thousand Euro (of which 8,274 thousand Euro represent the minority interests), compared to 804,277 thousand Euro (of which 8,412 thousand Euro are the minority interests) as of December 31st, 2008.

Managing its capital, the Group's aim is to create value for the shareholders, developing its business and thus guaranteeing the continuity of the company.

The Group constantly monitors the ratio between indebtedness and shareholders' equity, for the purpose of maintaining a balance, also in respect of the long-term loans debt covenants currently in force.

2.20 Share capital

Safilo's capital stock as of September 30th, 2009 amounted to Euro 71,348,532 thousand and consisted of 285,394,128 ordinary shares having a nominal value of Euro 0.25 per share.

2.21 Share premium reserve

The share premium reserve amounts to Euro 747,471 thousand and refers to:

- the higher value attributed on the conferment of shares by the subsidiary Safilo S.p.A. compared to the nominal value of the corresponding increase in share capital:
- the higher price paid compared to the nominal value of the shares, at the moment of placing the shares on the Italian Stock Market, less the quotation charges incurred;
- the higher amount deriving from the conversion of the convertible bond;
- the higher value coming from stock options exercised.

2.22 Retained earnings and other reserves

The retained earnings and other reserves include both the reserves of the subsidiary companies generated after their inclusion in the consolidation scope and the currency differences deriving from the conversion into Euro of the financial statements of the consolidated companies.

2.23 Fair value and cash flow reserves

This account is composed as follows:

(Euro/000)	Balance at January 1, 2009	Impact on equity	Impact on income statement	Balance at September 30, 2009
Cash flow reserve	(5,518)	(708)	-	(6,226)
Fair value reserve	(2,102)	241	-	(1,861)
Total	**(7,620)**	**(467)**	**-**	**(8,087)**

The cash flow reserve, created in accordance with IAS 39, includes the fair value of the interest rate swap contracts to hedge interest rate variations. The fair value reserve refers to the current value of the investments classified under financial assets available for sale.

2.24 Stock option plans

Further to the mandate granted by the Extraordinary shareholders' meeting on October 24th, 2005, the Board of Directors of Safilo Group S.p.A. resolved to increase the share capital on May 31st, 2006 to a maximum nominal figure of Euro 2,125,296.25 by issuing up to a maximum of 8,501,185 ordinary shares of a value of Euro 0.25 each, with a share premium of Euro 4.16. These shares had been and will be available for subscription by the beneficiaries listed in the new "Stock Option Plan of Safilo Group S.p.A. 2006-2010" that was approved by the above Board. This plan is valid for 4 financial periods (2006 - 2010) and, is addressed to certain directors, executives and consultants of Safilo Group and provides accruing option rights equal to ¼ for each financial period in the Plan. The accrual criteria for the options is based on reaching certain conventional EBITDA consolidated levels in the balance sheet of Safilo Group S.p.A., that have been fixed by the Board of Directors.

Each option gives the right to subscribe a share at the average price of the financial period.

The fair value of the options, in accordance with the requirements of IFRS, is recorded under personnel costs with a corresponding increase in a specific equity reserve over the duration of the maturity period, as the stock option plans are of an "equity-settled" type. In compliance with the requirements of IFRS 2, irrespective of which company issues the new shares, the stock option costs are recorded in the company in which the employees carry out their employment. The amount received, net of the costs directly attributable to the transaction, will be credited to the share capital (nominal value) and the share premium reserve for the remaining part, when the options are exercised.

3. Notes on the consolidated statement of operations

3.1 Net sales

Reference should be made to the Directors' report on operations for further details regarding the sales trend of the first nine months of 2009 compared to the same period of the previous year.

3.2 Cost of sales

This account is composed as follows:

(Euro/000)	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Purchase of raw materials and finished goods	193,763	235,963	61,968	75,771
Capitalisation of costs for increase in tangible fixed assets (-)	(6,477)	(8,011)	(2,388)	(2,249)
Change in inventories	49,427	20,716	9,793	(9,127)
Payroll and social security contributions	63,069	79,524	18,346	24,011
Subcontracting costs	4,840	10,653	1,488	2,154
Depreciation	15,623	15,920	5,437	5,291
Rental and operating leases	853	935	258	244
Other industrial costs	7,206	6,870	2,412	2,513
Total	**328,304**	**362,570**	**97,314**	**98,608**

The decrease in the cost of materials and finished goods is mainly due to the Group strategy aimed at reducing the levels of inventory.

The change in inventories is broken down as follows:

(Euro/000)	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Finished products	45,869	11,349	13,298	(5,521)
Work-in-progress	(146)	1,132	(886)	(524)
Raw materials	3,704	8,235	(2,619)	(3,082)
Total	**49,427**	**20,716**	**9,793**	**(9,127)**

The reduction in Payroll and social security contributions is mainly due to a lower production request in the Italian facilities, whose the Group reacted with a work force reduction in the European's production facilities and the utilize of social security plan.

The average number of employees per category is summarised as follows:

	First 9 months 2009	First 9 months 2008
Padua headquarters	873	879
Production facilities	4,623	4,694
Commercial companies	1,336	1,354
Retail	1,598	1,758
Total	**8,430**	**8,685**

The other industrial costs include energy, industrial services, maintenance and consultancy services relating to the production area.

3.3 Selling and marketing expenses

This account is composed as follows:

	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Payroll and social security contributions	80,389	78,681	25,286	23,271
Commissions to sales agents	50,691	55,482	13,318	15,694
Royalty expenses	61,295	68,118	16,389	16,430
Advertising and promotional costs	76,807	80,059	18,740	21,215
Amortization and depreciation	7,726	4,296	2,366	1,451
Logistic costs	11,711	14,480	3,676	4,397
Consultants fees	2,906	3,509	795	1,151
Rental and operating leases	17,274	13,176	5,597	4,330
Utilities	1,703	1,239	504	491
Provision for risks	408	441	(129)	62
Other sales and marketing expenses	14,699	17,429	4,169	5,466
Total	**325,609**	**336,910**	**90,711**	**93,958**

3.4 General and administrative expenses

This account is composed as follows:

(Euro/000)	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Payroll and social security contributions	46,367	44,539	14,566	14,330
Allowance for doubtful accounts	5,898	2,151	2,654	749
Amortization and depreciation	9,949	9,947	3,277	3,360
Consultants fees	7,389	8,477	2,272	2,335
Rental and operating leases	6,514	5,814	2,112	1,904
EDP costs	3,114	2,818	998	893
Insurance costs	2,286	2,281	660	806
Utilities, security and cleaning	5,677	5,587	1,844	1,973
Taxes (other than on income)	2,308	2,151	459	757
Other general and administrative expenses	10,270	11,272	3,385	3,238
Total	**99,772**	**95,037**	**32,227**	**30,345**

3.5 Other income/(expenses), net

This account is composed as follows:

(Euro/000)	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Losses on disposal of assets	(194)	(147)	(141)	(73)
Other operating expenses	(694)	(831)	(204)	50
Gains on disposal of assets	59	16	26	11
Other operating incomes	1,477	1,408	407	720
Total	**648**	**446**	**88**	**708**

3.6 Restructuring costs non recurring

The restructuring of production facilities in Italy and Slovenia have involved a thousand people. In particular the agreement reached with the counterparties of the Italian trade union provides for the recognition of incentives for employees who willi voluntarily leave their jobs.

To meet this commitment the Group will support in the next three years a maximum amount of Euro 7,422 thousand.

3.7 Impairment of other non current assets

On 19th October 2009, the Board of Directors of Safilo Group S.p.A. approved the plan for disposal of certain retail chains not considered strategic, for a total price of up to Euro 20 million, determined in line with the current market value, taking into account the development of this activity.
That sale plan covers the retail chains "Loop Vision" in Spain, "Sunglass Island" and "Island Optical" in Mexico, "Just Spectacles" in Australia as well as 5 retail outlets in China, and is part of the operation for the recapitalization of the Group as already been shown in note 1.2 - Assessment of going concern. In particular, the assignment in question is subject to the success of the above operation and its price is determined by reference to the date of 31.12.2009.
The sale plan was subject to approval by the Board of Directors after the date of this quarterly report, therefore, in accordance with IFRS 5, paragraph 12, assets and liabilities held for sale have not been reclassified in separate items of the financial statement.
Following approval of the sale plan in question, the Group considered it appropriate to evaluate the assets held for sale at a value equal to the consideration agreed. This assessment at 30th September 2009 highlighted a devaluation of non-current assets amounting to 28 million Euro, which has been recorded in the income statement in the item - Impairment of goodwill and other non current assets.
Since a selling price at an individual chain level was not yet fixed, it was considered appropriate to record the devaluation of the non current assets as a provision for short-term risk.

Here follow are detailed the assets and liabilities covered by the plan of disposal:

(Euro/000)	**30 september 2009**
ASSETS	
Current assets	
Cash in hand and at bank	1,070
Trade receivables, net	813
Inventory, net	9,202
Other current assets	2,683
Total current assets	**13,769**
Non-current assets	
Tangible assets	12,650
Intangible assets	1,840
Goodwill	34,433
Deferred tax assets	7,932
Other non-current assets	2,210
Total non-current assets	**59,065**
Total assets	**72,834**

(Euro/000)	30 september 2009
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Short-term borrowings	383
Trade payables third parties	6,614
Trade payables intercompany	4,208
Tax payables	698
Other current liabilities third parties	1,621
Other current liabilities intercompany	349
Total current liabilities	**13,873**
Non-current liabilities	
Long-term borrowings	1,117
Provisions for risks and charges	384
Deferred tax liabilities	1,410
Other non-current liabilities	8,678
Total non-current liabilities	**11,587**
Total liabilities	**25,461**

3.8 Share of income/(loss) of associates

This account amounts to a loss of Euro 76 thousand (income of Euro 732 thousand for the same period of previous year) and consists of the income deriving from the equity valuation of the holdings in associated companies.

3.9 Interest expense and other financial charges, net

This account is composed as follows:

(Euro/000)	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Interest expense on loans	16,889	16,662	4,717	4,976
Interest expense and charges on High Yield	14,829	14,795	5,445	4,964
Bank commissions	3,599	3,632	1,201	1,229
Negative exchange rate differences	9,314	13,627	2,858	3,859
Financial discounts	1,557	2,696	363	1,057
Other financial charges	1,497	622	248	186
Total financial charges	**47,685**	**52,034**	**14,832**	**16,271**
Interest income	244	860	63	232
Positive exchange rate differences	15,040	10,078	5,033	1,666
Gains on fin. assets disposal	8	-	8	-
Dividends	-	85	-	-
Other financial income	109	311	25	220
Total financial income	**15,401**	**11,334**	**5,129**	**2,118**
Total financial charges, net	**32,284**	**40,700**	**9,703**	**14,153**

3.10 Income tax expenses

(Euro/000)	First 9 months 2009	First 9 months 2008	Q3 2009	Q3 2008
Current taxes	(14,970)	(24,659)	(623)	(4,559)
Deferred taxes	(3,365)	9,747	(4,328)	5,297
Total	**(18,335)**	**(14,912)**	**(4,951)**	**738**

As reported in item 2.11 "Deferred tax assets and Deferred tax liabilities", the difference between the deferred tax assets, net of deferred tax liabilities calculated on the loss of the period and on temporary differences between the book value of assets and liabilities and its tax value, have been carefully written down to an amount equal to Euro 9,200 thousand through the provision; this action has been put in place to take into account the changed outlook for

future profitability.

3.11 Earning per Share

The calculation of basic and diluted earnings per share is presented in the table below:

(Euro)	First 9 months 2009	First 9 months 2008
Profit for ordinary shares (in Euro/000)	(186,157)	14,486
Average number of ordinary shares (in thousand)	285,394	285,394
Basic EPS	**(0.65)**	**0.05**

(Euro)	First 9 months 2009	First 9 months 2008
Profit for ordinary shares (in Euro/000)	(186,157)	14,486
Profit for preferred shares (in Euro/000)	-	-
Profit at income statement	**(186,157)**	**14,486**
Average number of ordinary shares (in thousand)	285,394	285,394
Dilutive effects:		
- stock option (in thousand)	-	
Total	**285,394**	**285,394**
Diluted EPS	**(0.65)**	**0.05**

3.12 Seasonality

Revenues are partially influenced by seasonality, as Safilo Group experiences the highest level of demand during the first half-year due to the sales of sunglasses leading up to the summer months and the lower level of sales demand in the third quarter because, traditionally, the second half-year sales campaign is launched during Autumn.

3.13 Significant non-recurring operations and unusual items

Apart from what was said in paragraph 3.6, during the first semester of 2009, the Group did not perform any significant non-recurring operations and/or no unusual items, as defined in Consob Communication dated July 28th, 2006, occurred.

3.14 Dividends

During the first nine months of 2009 the holding company Safilo Group S.p.A. has paid no dividends to its shareholder.

The shareholders' meeting which approved the balance sheet at December 31st, 2008 resolved to carry forward the profit generated in 2008.

3.15 Segment information

Information by business (retail/wholesale) is disclosed according to IFRS8 – Segment reporting and is presented in the same manner in which it is prepared for internal management reporting to the chief operating decision maker of the Group.

September 30, 2009 *(Euro/000)*	WHOLESALE	RETAIL	Elimin.	Total
Net sales				
-to other segments	7,924	-	(7,924)	-
-to third parties	691,977	82,723	-	774,700
Total net sales	**699,901**	**82,723**	**(7,924)**	**774,700**
Gross profit	**394,719**	**51,652**	**25**	**446,396**
Operating profit	**(66,285)**	**(68,169)**	**-**	**(134,454)**
Share of income of associates				(76)
Financial charges, net				(32,284)
Income taxes				(18,335)
Net profit				**(185,149)**
Gross profit margin	*56%*	*62%*		*58%*
Operating profit margin	*-9%*	*-82%*		*-17%*
Other information				
Depreciation & amortization	26,023	7,275		33,298

September 30, 2008 *(Euro/000)*	WHOLESALE	RETAIL	Elimin.	Total
Net sales				
-to other segments	7,910	-	(7,910)	-
-to third parties	787,757	77,969	-	865,726
Total net sales	**795,667**	**77,969**	**(7,910)**	**865,726**
Gross profit	**453,000**	**50,076**	**80**	**503,156**
Operating profit	**73,868**	**(2,213)**	**-**	**71,655**
Share of income of associates	-	-		732
Financial charges, net				(40,700)
Income taxes				(14,912)
Net profit				**16,775**
Gross profit margin	*57%*	*64%*		*58%*
Operating profit margin	*9%*	*-3%*		*8%*
Other information				
Depreciation & amortization	26,008	4,155		30,163

Q3 2009 *(Euro/000)*	WHOLESALE	RETAIL	Elimin.	Total
Net sales				
-to other segments	1,893	-	(1,893)	-
-to third parties	184,285	28,274	-	212,559
Total net sales	**186,178**	**28,274**	**(1,893)**	**212,559**
Gross profit	**98,096**	**17,124**	**25**	**115,245**
Operating profit	**(4,696)**	**(30,909)**	**-**	**(35,605)**
Share of income of associates	-			285
Financial charges, net				(9,703)
Income taxes				(4,951)
Net profit				**(49,974)**
Gross profit margin	53%	61%		54%
Operating profit margin	-3%	-109%		-17%
Other information				
Depreciation & amortization	8,797	2,281		11,078

Q3 2008 *(Euro/000)*	WHOLESALE	RETAIL	Elimin.	Total
Net sales				
-to other segments	1,620	-	(1,620)	-
-to third parties	203,768	24,998	-	228,766
Total net sales	**205,388**	**24,998**	**(1,620)**	**228,766**
Gross profit	**114,262**	**15,819**	**77**	**130,158**
Operating profit	**7,802**	**(1,239)**		**6,563**
Share of income of associates				657
Financial charges, net				(14,153)
Income taxes				738
Net profit				**(6,195)**
Gross profit margin	56%	63%		57%
Operating profit margin	4%	-5%		3%
Other information				
Depreciation & amortization	8,701	1,401		10,102

RELATED PARTIES TRANSACTIONS

The nature of the related party transactions is disclosed in the table below:

Related parties transactions *(Euro/000)*	Relationship	September 30, 2009	December 31, 2008
Receivables			
Optifashion As	(a)	-	146
Elegance International Holdings Ltd	(b)	419	443
Minority shareholders	(c)	110	-
Island Cabo S.A. de C.V.	(c)	4	16
Leasing Cancun S.A. de C.V.	(c)	134	-
Servicios Optico del Caribe, S.C.	(c)	12	-
Total		**679**	**605**
Payables			
Elegance International Holdings Ltd	(b)	5,484	7,292
Minority shareholders	(c)	10	5
Leasing Cancun S.A. de C.V.	(c)	1,509	2,292
Servicios Optico del Caribe, S.C.	(c)	19	14
Total		**7,022**	**9,603**

Related parties transactions *(Euro/000)*	Relationship	Nine months ended September 30, 2009	2008
Revenues			
Elegance International Holdings Ltd	(b)	2	8
Optifashion As	(a)	56	90
Minority shareholders	(c)	1	-
Island Cabo S.A. de C.V.	(c)	21	-
Total		**80**	**98**
Costs			
Elegance International Holdings Ltd	(b)	9,977	13,437
TBR Inc.	(b)	919	786
Minority shareholders	(c)	125	-
Island Cabo S.A. de C.V.	(c)	1	-
Leasing Cancun S.A. de C.V.	(c)	296	-
Servicios Optico del Caribe, S.C.	(c)	180	-
Total		**11,498**	**14,223**

(a) Unconsolidated subsidiary.
(b) Associated company.
(c) Company with minority shareholders of the Mexican company Tide Ti S.A. de C.V.

These transactions relate to commercial relationships and are based on prices defined at normal market conditions for similar transactions with third parties. Optifashion A.s. is a production and commercial company based in Istanbul, Turkey, of which the Safilo Group owns 50%.

Safilo Far East Limited, a subsidiary of Safilo S.p.A, holds 23.05% of Elegance International Holdings Limited ("Elegance"), a company listed on the Hong Kong Stock Exchange. Elegance is a producer of eyewear products in Asia, and to which the Group assigns part of its production. The price and the other conditions of the production contract between Safilo Far East Limited and Elegance are in line with those applied by Elegance to its other clients. Safilo U.S.A. Inc. rents its headquarters and distribution centre in the U.S.A. (New Jersey), based on a rental

contract with TBR Inc., a company two-third owned by Vittorio Tabacchi, Chairman of the Board of Directors and shareholder of Safilo Group S.p.A., one-third by a subsidiary company of the Safilo Group S.p.A.. Safilo Group S.p.A. indirectly acquired the holding in TBR Inc. in 2002 for Euro 629 thousand. In the first nine months of 2009 the Group paid rent of Euro 919 thousand to TBR Inc. The terms and conditions of the rental contract are in line with market conditions for similar contracts. The economic and financial relationships with the parties grouped under letter c) of the above table refer to transactions between the Mexican subsidiary Tide Ti and companies owned by the minority shareholders of the said subsidiary.

CONTINGENT LIABILITIES

The Group does not have any significant contingent liabilities that have not been discussed in the previous notes or not covered by appropriate provisions. Nevertheless, at September 30th, 2009, we are currently party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, are groundless. However, a negative outcome of them beyond that estimated, could have a material adverse effect on our business, financial condition or on results of operations.

Among the most important claims in monetary terms, we highlight a June 2005 claim against Safilo S.p.A. in legal fees allegedly owed to an Italian law firm for legal services provided to the defendants from 1999 to 2001 related to the IPO.

COMMITMENTS

At the interim balance date, the Group has not significant purchase commitments.

For the Board of Directors

The Chairman

Vittorio Tabacchi

Statement by the officer responsible for the preparation of the Company's financial statements

The officer responsible for the preparation of the Company's financial statements, 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 the consolidated half year report at September 30th, 2009 corresponds to the results documented in the books, accounting and other records of the company.

Padua, November 11th, 2009

Mr. Francesco Tagliapietra
Officer responsible for the Preparation of the Company's financial statements