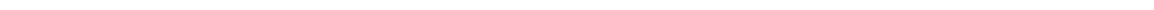




QUARTERLY REPORT

at March 31, 2007



Date of issue: May 10, 2007

This Quarterly Report is available on the website:

www.safilo.com

SAFILO GROUP S.P.A.

Settima Strada, 15

35129 Padua - Italy

Contents

CORPORATE OFFICERS AT MARCH 31, 2007	4
DIRECTORS' REPORT ON OPERATIONS.....	5
General information and activities of the Group.....	5
Key consolidated performance indicators	6
Introduction.....	8
Sales Analysis	8
Group economic results	11
Balance sheet and financial position	12
Reconciliation of the parent company's Shareholders' equity and net income with the consolidated balances	15
Personnel.....	16
Significant events after March 31	16
CONSOLIDATED FINANCIAL STATEMENTS	17
Consolidated balance sheet.....	17
Consolidated statement of operations	19
Consolidated statement of cash flow.....	20
Consolidated statement of recognised income and expense	21
Statement of changes in Shareholders' equity	22
Consolidated balance sheet pursuant to Consob Resolution no. 15519 of July 27, 2006	24
Consolidated statement of operations pursuant to Consob Resolution no. 15519 of July 27, 2006	26
NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS	27
1. Basis of preparation.....	27
2. Notes on the consolidated balance sheet	30
3. Notes on the consolidated statement of operations.....	47
RELATED PARTY TRANSACTIONS	53
CONTINGENT LIABILITIES	54
COMMITMENTS	54
SAFILO GROUP S.p.A. – FINANCIAL STATEMENTS AT MARCH 31, 2007	55
Balance sheet	55
Statement of operations	56
Statement of cash flow	57
Statement of changes in Shareholders' equity	58

CORPORATE OFFICERS AT MARCH 31, 2007

Board of Directors

<i>Chairman</i>	Vittorio Tabacchi
<i>Vice-Chairman</i>	Giannino Lorenzon
<i>Chief Executive Officer</i>	Claudio Gottardi
<i>Co-Chief Executive Officer</i>	Massimiliano Tabacchi
<i>Directors</i>	Ennio Doris Carlo Gilardi Riccardo Ruggiero

Board of Statutory Auditors

<i>Chairman</i>	Franco Corgnati
<i>Regular Auditor</i>	Nicola Gianese
<i>Regular Auditor</i>	Paolo Mazzi
<i>Alternate member</i>	Ornella Rossi
<i>Alternate member</i>	Giampietro Sala

Internal Control Committee

<i>Chairman</i>	Carlo Gilardi Ennio Doris Riccardo Ruggiero
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Remuneration Committee

<i>Chairman</i>	Carlo Gilardi Giannino Lorenzon Riccardo Ruggiero
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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, at the Safilo S.p.A. headquarters.

Companies included in the consolidation area are reported in paragraph 1.2 "Consolidation method and consolidation area".

Safilo has been in the eyewear market for over 70 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 three sports eyewear producers and distributors worldwide.

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

The Group has built and 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 of 5 to 8 years, 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, Banana Republic, BOSS - Hugo Boss, Bottega Veneta, Boucheron, Diesel, 55DSL, Dior, Emporio Armani, Fossil, Giorgio Armani, Gucci, HUGO - Hugo Boss, Imatra, J. Lo by Jennifer Lopez, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max & Co., Nine West, Oliver, Pierre Cardin, Saks Fifth Avenue, Stella McCartney, Valentino* and *Yves Saint Laurent*.

Key consolidated performance indicators

Economic data (Euro in millions)	1 Quarter 2007	%	1 Quarter 2006	%
Net sales	341.4	100.0	302.1	100.0
Cost of sales	(136.8)	40.1	(117.0)	38.7
Gross profit	204.6	59.9	185.1	61.3
Ebitda (*)	58.5	17.1	52.9	17.5
Operating profit	48.9	14.3	43.9	14.5
Income before taxation	36.6	10.7	30.7	10.2
Group net income	20.8	6.1	17.0	5.6

Balance sheet data (Euro in millions)	March 31, 2007	%	December 31, 2006	%
Total assets	1,857.6	100.0	1,813.6	100.0
Non-current assets	1,121.9	60.4	1,130.9	62.4
Net working capital (*)	434.1	23.4	362.3	20.0
Net financial position (*)	(556.1)	29.9	(531.8)	29.3
Group Shareholders' equity	853.2	45.9	838.8	46.3

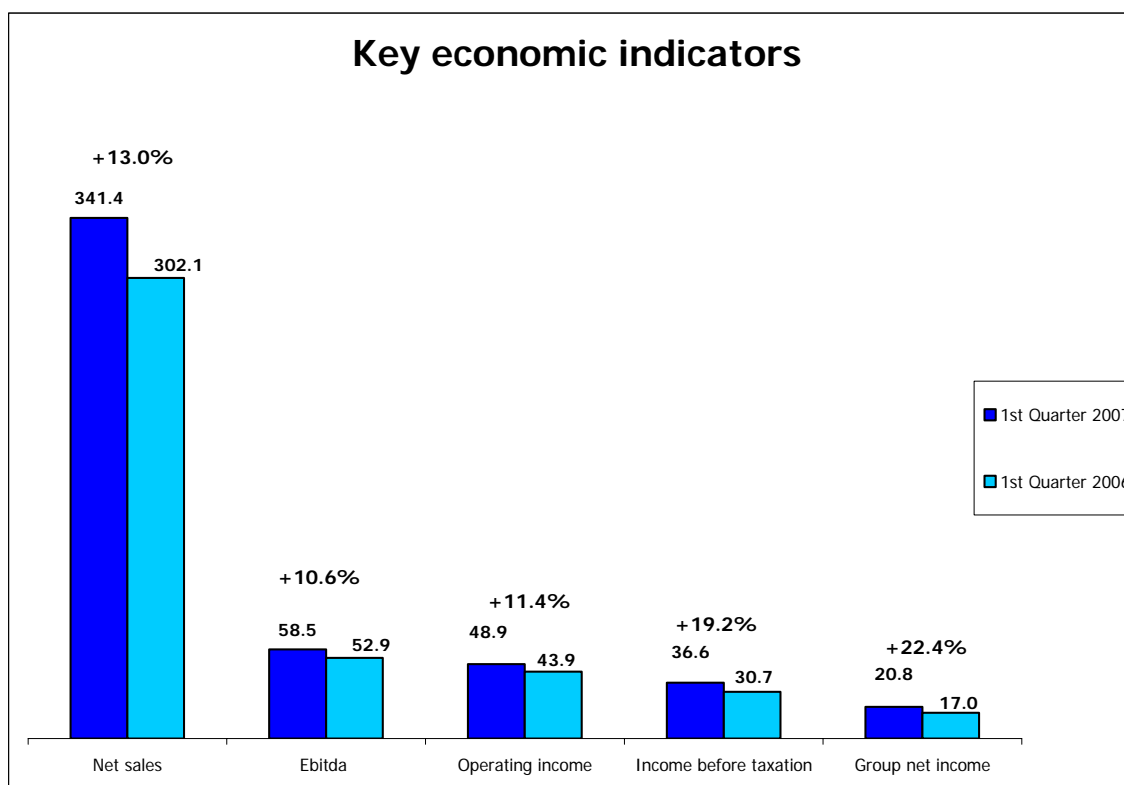
Financial data (Euro in millions)	1 Quarter 2007	%	1 Quarter 2006	%
Cash flows operating activities	(15.0)		(7.9)	
Cash flows investing activities	(10.5)		(7.6)	
Cash flows financing activities	17.9		7.1	
Closing net cash and cash equivalents	(0.4)		35.8	

Earnings per share (in Euro)	1 Quarter 2007	%	1 Quarter 2006	%
EPS - Base	0.07		0.06	
EPS - Diluted	0.07		0.06	
No. of shares	283,372,852		283,372,852	

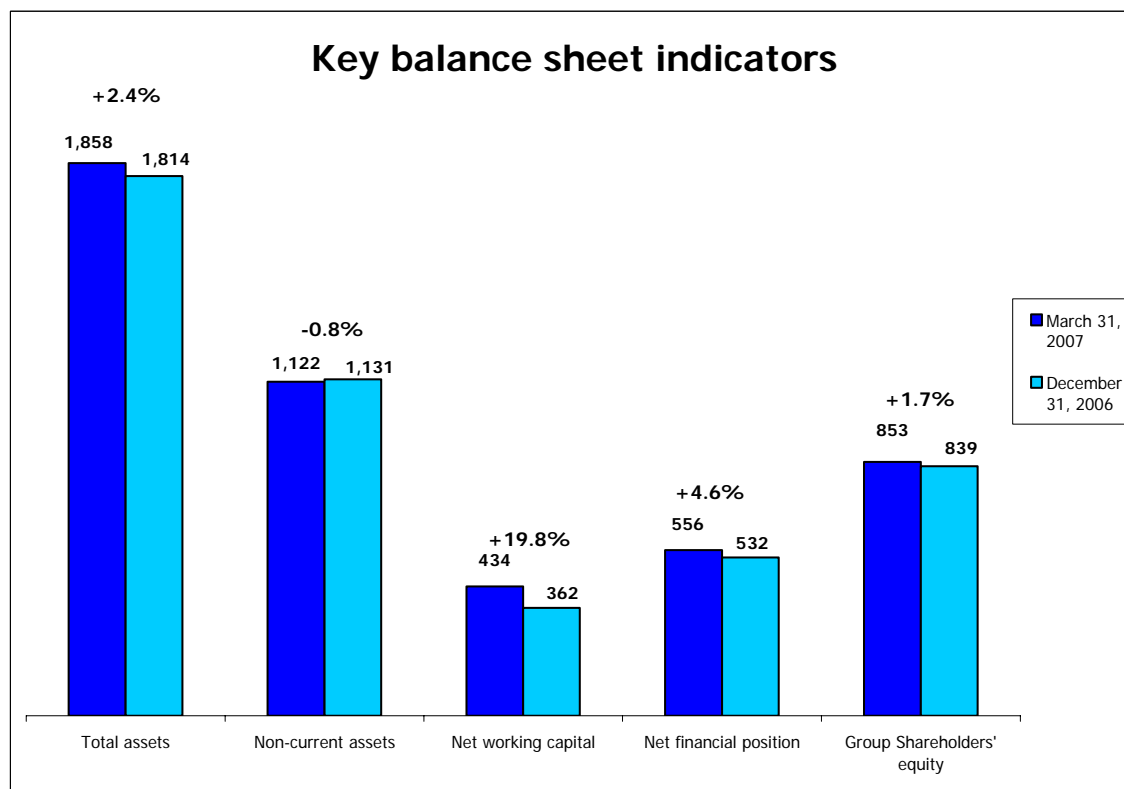
(*) We underline that:

- "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.

Key economic indicators



Key balance sheet indicators



Introduction

The 2007 first quarter results confirm the Group's growth trend both in terms of turnover, with a remarkable performance in all the markets the Group operates in, and profitability, despite the negative impact deriving from the exit of some brands from the Group's portfolio and the strengthening of the Euro against the US dollar.

Operating profit, although significantly increased in absolute terms, does not achieve a proportional growth when considered as a percentage on turnover, due to both the negative effect of the weak US dollar and to the higher impact of marketing investments which will support further future development of sales. From an industrial point of view, the Group is now focused on reducing working capital, which had grown considerably in recent quarters, now that constraints which had limited production capacity have been overcome and that the industrial reorganization program is continuing.

The impressive commercial trend and the significant reduction in financial expenses, largely due to the re-negotiation of the Senior Loan concluded in June 2006, positively impacted the Group's net profit, which grew considerably (+22.4%) when compared to the same period of the previous year.

Cash flow in the period reflects the same trend recorded in 2006 even considering the significant commercial growth in the quarter which may have led to expectations of a higher cash absorption. It should be remembered that the seasonal trend of working capital usually leads to cash absorption during the first half of the year, which is largely compensated in the second semester.

Sales Analysis

The first quarter of 2007 further confirms the Group's commercial strength, with significant increases in sales in all the worldwide markets where the Group operates. Consolidated turnover, despite the negative impact deriving from exchange rate effects, has grown by 13.0% compared to the same period of previous year (+16.8% at constant exchange rates), thanks mainly to the excellent results achieved in Italy (+13.4%) and, in general, in the European market (+35.0%). The American and the Far Eastern markets, at constant exchange rates, would have achieved a +0.9% and a +19.4% increase, respectively.

In addition to the constant strong growth trend in the sales of sunglasses (+15.1%) noteworthy performance has been also achieved in the prescription frames segment (+10.3%), confirmation of the recovery trend shown by this category of products in the last quarters.

The excellent results recorded in the first three months of the 2007 have been achieved thanks to the positive performance in the sales of licensed brands and to the remarkable recovery of the sales of the house brands (+10.1%), demonstrating the success of the re-launch of the house brands marketing strategy.

The remarkable commercial results confirm the effectiveness of the Group's portfolio strategies, particularly in relation to the launch of the new collections that are replacing those brands which are no longer in the Group's portfolio.

Net sales by geographical region (Euro in millions)	1 Quarter				
	2007	%	2006	%	Change%
Italy	45.2	13.3	39.9	13.2	+13.4
Europe (excluding Italy)	127.3	37.3	94.3	31.2	+35.0
The Americas	110.6	32.4	119.3	39.5	-7.3
Asia Pacific	39.4	11.5	35.8	11.9	+10.1
Other	18.8	5.5	12.8	4.2	+47.0
Total	341.4	100.0	302.1	100.0	+13.0

Net sales by product (Euro in millions)	1 Quarter				
	2007	%	2006	%	Change%
Prescription frames	118.5	34.8	107.4	35.6	+10.3
Sunglasses	204.2	59.8	177.5	58.7	+15.1
Sport products	13.5	3.9	13.2	4.4	+2.1
Other	5.2	1.5	4.0	1.3	+30.6
Total	341.4	100.0	302.1	100.0	+13.0

Net sales by distribution channel (Euro in millions)	1 Quarter				
	2007	%	2006	%	Change%
Wholesale	325.7	95.4	294.1	97.4	+10.7
Retail	15.7	4.6	8.0	2.6	+96.8
Total	341.4	100.0	302.1	100.0	+13.0

Italy. The sales in the Italian market continue their growth trend (+13.4% compared to the same period of the previous year) with double-digit growth rates in both sunglasses and prescription frames. Excellent results were achieved by the *Armani*, *Gucci* and *Max Mara* brands as well as by the house brands *Safilo* and *Oxydo*. The latter benefited, as stated above, from the coordinated action taken to relaunch their image.

Europe (excluding Italy). Improved delivery times and high level of customer service led the European market to strong growth (+35.0%), both in the sales of sunglasses and prescription frames. The breakdown by country registers excellent results in France (+29.6%), Great Britain (+53.0%) and Germany (+11.8%). The analysis of turnover by brand shows good performances by *Armani*, *Diesel*, *Dior*, and *Gucci*, and among the house brands, *Safilo*, *Carrera* and *Oxydo*, as well as the emerging brand *Marc Jacobs* (+64.7%). Without including the acquisition of the Spanish chain Loop Vision, sales in the European market would have grown by +28.6%.

America. The American market is strongly affected by the negative impact of the exchange rate effect, caused by the

9.0% devaluation of the US dollar against the Euro. At constant exchange rates, turnover reported a +0.9% increase compared to the same period in 2006. In a difficult situation due to the exit of the most successful brand, the performance in the sport products segment (+5.9%) is worthy of note and, among the brands, *Armani*, *Dior*, *J.Lo by Jennifer Lopez* and *Marc Jacobs*. Amongst the house brands, the growth in sales of *Carrera* branded products is particularly significant. Finally, the retail chain *Solstice*, that counted 89 points of sale at March 31 2007 (6 new openings during 2007), reported a strong sales increase in the quarter (+32.0%).

Asia. The turnover in the Far East confirms the satisfactory growth recorded in previous quarters (+10.1% at current exchange rates and +19.4% at constant exchange rates), mainly as a result of the performance achieved in the sunglasses business segment. The *Armani*, *Dior* and *Max Mara* brands have been particularly well received and, by geographical area, impressive results were registered in China (+74.5%), Thailand (+67.8%) Indonesia (+82.5%) and the Philippines, where turnover has more than doubled compared to the first quarter of the previous year.

Group economic results

Consolidated statement of operations (Euro in millions)	1 Quarter 2007	%	1 Quarter 2006	%	Change %
Net sales	341.4	100.0	302.1	100.0	13.0
Cost of sales	(136.8)	(40.1)	(117.0)	(38.7)	16.9
Gross profit	204.6	59.9	185.1	61.3	10.5
Selling and marketing expenses	(123.6)	(36.2)	(111.8)	(37.0)	10.6
General and administrative expenses	(32.3)	(9.5)	(29.6)	(9.8)	9.1
Other operating income/(expenses), net	0.2	0.1	0.2	0.1	(0.0)
Operating income	48.9	14.3	43.9	14.5	11.4
Interest expense and other financial charges, net	(12.3)	(3.6)	(13.2)	(4.4)	(6.8)
Income before taxation	36.6	10.7	30.7	10.2	19.2
Income taxes	(14.1)	(4.1)	(12.6)	(4.2)	11.9
Net income	22.5	6.6	18.1	6.0	24.3
Net income attributable to minority interests	1.7	0.5	1.1	0.4	54.5
Net income attributable to the Group	20.8	6.1	17.0	5.6	22.4
EBITDA	58.5	17.1	52.9	17.5	10.6
Earnings per share - base (Euro)	0.07		0.06		
Earnings per share - diluted (Euro)	0.07		0.06		

At a gross profit level, the decrease in profitability is exclusively due to the negative impact of the devaluation of the US dollar and to the sale of Polo stock which have negatively impacted on the Group's profitability. The positive effects deriving from the industrial reorganization programme are in line with expectations.

Marketing expenses have slightly increased, as a percentage on sales, when compared to the first quarter of previous year as a result of the marketing activities aimed at supporting above all the relaunch of the housebrands. The other commercial costs and the general and administrative expenses increased at a lower rate compared to the sales' growth, benefiting from the weakness of the US dollar.

Group operating income improved from Euro 43.9 million in 2006 to Euro 48.9 million in the first quarter of 2007, as a result of the positive commercial trend already described.

Despite the increase of the average financial debt position, financial expenses have been significantly reduced as a result of the refinancing operation completed at the end of the first half of 2006.

The positive effects deriving from financing activities combined with a lower impact of income taxes, have further improved the net income, which has grown by 22.4%, from Euro 17.0 million in 2006 to Euro 20.8 million in 2007.

Balance sheet and financial position

Condensed balance sheet (Euro in millions)	March 31, 2007	December 31, 2006	Change
Cash in hand and at bank	53.6	43.4	10.2
Trade receivables, net	370.0	319.5	50.5
Inventory, net	273.4	271.6	1.8
Other current assets	38.7	48.2	(9.5)
Total current assets	735.7	682.7	53.0
Property, plant and equipment, net	201.4	201.9	(0.5)
Intangible assets	22.6	22.3	0.3
Goodwill	799.8	804.9	(5.1)
Other non-current assets	98.1	101.8	(3.7)
Total non current assets	1,121.9	1,130.9	(9.0)
Total assets	1,857.6	1,813.6	44.0
Short-term borrowings	117.5	99.7	17.8
Trade payables	209.3	228.8	(19.5)
Other current liabilities	108.3	94.3	14.0
Total current liabilities	435.1	422.8	12.3
Long-term borrowings	492.2	475.6	16.6
Employee benefit liability	41.8	41.0	0.8
Other non-current liabilities	28.3	30.0	(1.7)
Total non current liabilities	562.3	546.6	15.7
Group Shareholders' equity	853.2	838.8	14.4
Minority interests	7.0	5.4	1.6
Total liabilities and Shareholders' eq.	1,857.6	1,813.6	44.0

Condensed consolidated statement of cash flow (Euro in millions)	1 Quarter 2007	1 Quarter 2006	Change
Opening net cash and cash equivalents	7.0	44.5	(37.5)
Cash flow operating activities	(15.0)	(7.9)	(7.1)
Cash flow investing activities	(10.5)	(7.6)	(2.9)
Cash flow financing activities	17.9	7.1	10.8
Translation exchange differences	0.2	(0.3)	0.5
Closing net cash and cash equivalents	(0.4)	35.8	(36.2)

Cash flow for operating activities

The management of operating cash flow in the first quarter of 2007 was impacted by the normal seasonality in working capital which leads to a cash erosion during the first semester which is then compensated for in the second part of the year.

In particular, the first quarter of 2007 has been heavily affected, at a working capital level, by the strong increase in sales and the cash outflows needed to pay for the supplies which contributed to the expansion of the inventory levels in the fourth quarter of 2006.

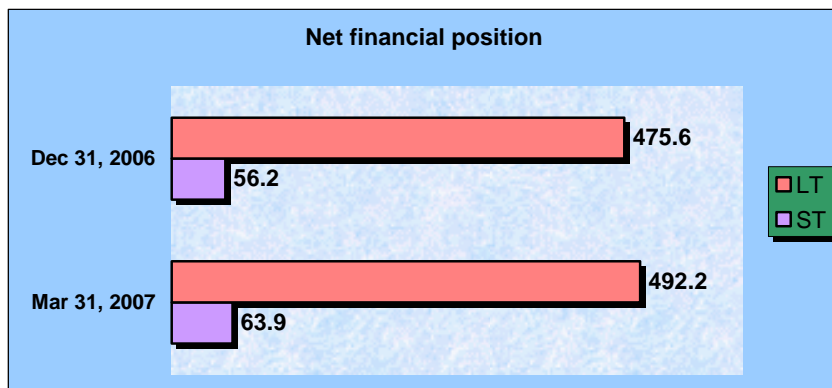
Cash flow for investing activities

The higher cash flow absorbed by the investing activities, during the first quarter of 2007 when compared to the same period of previous year, mainly reflects a different timing for projects in progress which, on a yearly basis, are not expected to involve higher expenditures than in the previous year.

Cash flow from financing activities

The cash flow from financing activities is the consequence of efforts aimed at optimising treasury planning and short-term financial needs.

Net financial position (Euro in millions)	March 31, 2007	December 31, 2006	Change
Current portion of long term borrowings	(22.4)	(22.5)	0.1
Bank overdrafts and short term bank borrowings	(54.0)	(36.4)	(17.6)
Other short term borrowings	(41.1)	(40.7)	(0.4)
Cash and cash equivalents	53.6	43.4	10.2
Short-term net financial position	(63.9)	(56.2)	(7.7)
Long term borrowings	(492.2)	(475.6)	(16.6)
Long-term net financial position	(492.2)	(475.6)	(16.6)
Net financial position	(556.1)	(531.8)	(24.3)



Legend:

ST: short-term

LT: long-term

Reconciliation of the parent company's Shareholders' equity and net income with the consolidated balances

<i>(Euro in millions)</i>	Equity as of March 31, 2007	Net income/ (loss) 3 months 2007	Equity as of December 31, 2006
Balances per Safilo Group S.p.A. statutory financial statements	829.5	(0.2)	829.7
Shareholders' equity of consolidated companies	1,418.6	70.9	1,411.1
Write-off of the book value of consolidated subsidiaries	(2,131.5)	-	(2,145.3)
Goodwill	758.7	-	764.4
Fair value attributable to tangible assets	10.4	(0.1)	10.5
Elimination of dividends paid within the Group	-	(43.2)	-
Elimination of intercompany gains within the Group	(15.4)	0.2	(15.6)
Elimination of intercompany profit included in inventory	(18.2)	(0.1)	(18.6)
Investments in associates - equity method	6.2	-	6.3
Other consolidation entries	1.9	(5.0)	1.7
Total Shareholders' equity	860.2	22.5	844.2
Shareholders' equity attributable to minority Shareholders	7.0	1.7	5.4
Total Shareholders' equity attributable to the Group	853.2	20.8	838.8

Personnel

Group personnel as at March 31, 2007, December 31, 2006 and March 31, 2006 is shown in the following table:

	March 31, 2007	December 31, 2006	March 31, 2006
Padua headquarters	866	849	799
Production facilities	4,872	4,573	4,210
Commercial companies	1,146	1,083	1,071
Retail	854	854	341
Total	7,738	7,359	6,421

The workforce of the Group has increased by 379 units when compared to December 31, 2006, mainly as a result of the decision by the subsidiary Smith Sport Optics Inc. to internalize part of the production, which involved an increase of 229 workers.

Significant events after March 31

In the period subsequent to March 31, 2007 there were no events that can be considered to have significantly affected the data contained in this report.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(Euro/000)	Note	31/03/2007	31/12/2006
ASSETS			
Current assets			
Cash in hand and at bank	2.1	53,596	43,433
Trade receivables, net	2.2	369,972	319,517
Inventory, net	2.3	273,450	271,573
Derivative financial instruments	2.4	1,133	1,597
Other current assets	2.5	37,598	46,564
Total current assets		735,749	682,684
Non-current assets			
Tangible fixed assets	2.6	201,377	201,951
Intangible assets	2.7	22,634	22,274
Goodwill	2.8	799,795	804,911
Investments in associates	2.9	12,381	12,535
Financial assets available-for-sale	2.10	3,756	3,472
Deferred tax assets	2.11	78,553	81,886
Derivative financial instruments	2.4	1,272	1,921
Other non-current assets	2.12	2,098	1,974
Total non-current assets		1,121,866	1,130,924
Total assets		1,857,615	1,813,608

(Euro/000)	Note	31/03/2007	31/12/2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	2.13	117,494	99,677
Trade payables	2.14	209,265	228,802
Tax payables	2.15	31,957	20,716
Other current liabilities	2.16	75,575	72,833
Provisions for risks and charges	2.17	848	828
Total current liabilities		435,139	422,856
Non-current liabilities			
Long-term borrowings	2.13	492,204	475,583
Employee benefits liability	2.18	41,772	40,952
Provisions for risks and charges	2.17	10,531	10,478
Deferred tax liabilities	2.11	11,326	13,082
Derivative financial instruments	2.4	992	1,336
Other non-current liabilities	2.19	5,413	5,171
Total non-current liabilities		562,238	546,602
Total liabilities		997,377	969,458
Shareholders' equity			
Share capital	2.20	70,843	70,843
Share premium reserve	2.21	751,276	751,276
Retained earnings and other reserves	2.22	8,194	(22,684)
Fair value and cash flow reserves	2.23	2,076	1,859
Income attributable to the Group		20,848	37,467
Total Shareholders' equity attributable to the Group		853,237	838,761
Shareholders' equity attributable to minority Shareholders		7,001	5,389
Total Shareholders' equity		860,238	844,150
Total liabilities and Shareholders' equity		1,857,615	1,813,608

Consolidated statement of operations

		Q1	Q1
(Euro/000)	Note	2007	2006
Net sales	3.1	341,395	302,125
Cost of sales	3.2	(136,833)	(117,008)
Gross profit		204,562	185,117
Selling and marketing expenses	3.3	(123,627)	(111,846)
General and administrative expenses	3.4	(32,304)	(29,654)
Other operating income/(expenses), net	3.5	279	247
Operating income		48,910	43,864
Share of income/(loss) of associates	3.6	39	38
Interest expense and other financial charges, net	3.7	(12,315)	(13,245)
Income before taxation		36,634	30,657
Income taxes	3.8	(14,132)	(12,589)
Net income		22,502	18,068
Net income attributable to minority interests		1,654	1,110
Net income attributable to the Group		20,848	16,958
EPS - base (Euro)		0.07	0.06
EPS - diluted (Euro)		0.07	0.06

Consolidated statement of cash flow

(Euro/000)	Q1 2007	Q1 2006
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	6,989	44,546
B - Cash flow from (for) operating activities		
Net income for the period (including minority interests)	22,502	18,068
Depreciation and amortization	9,632	9,078
Stock option	139	389
Share income/(loss) on equity investments	(39)	(38)
Net movements in the employee benefits liability	822	819
Net movements in other provisions	79	83
Interest expenses	9,576	10,955
Income tax expenses	14,132	12,589
Income from operating activities prior to movements in working capital	56,843	51,943
(Increase) Decrease in trade receivables and other current receivables	(38,718)	(34,325)
(Increase) Decrease in inventory, net	(3,007)	(5,967)
Increase (Decrease) in trade payables and other current payables	(22,049)	(8,022)
Interest expenses paid	(3,382)	(6,546)
Income tax paid	(4,705)	(5,020)
Total (B)	(15,018)	(7,937)
C - Cash flow from (for) investing activities		
Purchase of tangible fixed assets (net of disposals)	(9,091)	(7,084)
Purchase of intangible assets	(1,417)	(481)
Total (C)	(10,508)	(7,565)
D - Cash flow from (for) financing activities		
Proceeds from borrowings	18,325	11,423
Repayment of borrowings	(300)	(542)
Bank deposit for interests on convertible bond payment	-	(3,534)
Dividends paid	(103)	(249)
Total (D)	17,922	7,098
E - Cash flow for the period (B+C+D)	(7,604)	(8,404)
Translation exchange differences	254	(341)
Total (F)	254	(341)
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	(361)	35,801

Consolidated statement of recognised income and expense

<i>(Euro/000)</i>	<i>Note</i>	Q1 2007	Q1 2006
Profit (loss) attributable to the cash flow reserve	2.23	912	1,504
Profit (loss) attributable to the fair value reserve	2.23	284	930
Actuarial gains/(losses)	2.22	-	478
Profit (loss) attributable to the conversion fund	2.22	(6,745)	(2,250)
Profit (loss) attributable to Shareholders' equity	2.22	217	(287)
Total		(5,332)	375
Net income for the period		22,502	18,068
Total recognized income for the period		17,170	18,443
Attributable to:			
Group		15,456	17,273
Minority Shareholders		1,714	1,170
Total recognized income for the period		17,170	18,443

Statement of changes in Shareholders' equity

(Euro/000)	Share capital	Share premium	Translation differences	Fair value and cash flow reserve	Retained earnings	Net income	Total equity
Group Shareholders' equity at January 1, 2006	70,843	751,276	5,208	(3,899)	(4,850)	3,097	821,675
Previous year's income allocation	-	-	-	-	3,097	(3,097)	-
Retained earnings	-	-	(2,310)	2,970	580	-	1,240
Net income for the period	-	-	-	-	-	16,958	16,958
Group Shareholders' equity at March 31, 2006	70,843	751,276	2,898	(929)	(1,173)	16,958	839,873
Minority interests at January 1, 2006	-	-	102	-	2,215	3,220	5,537
Previous year's income allocation	-	-	-	-	3,220	(3,220)	-
Retained earnings	-	-	60	-	-	-	60
Dividends distribution	-	-	-	-	(249)	-	(249)
Net income for the period	-	-	-	-	-	1,110	1,110
Minority interests at March 31, 2006	-	-	162	-	5,186	1,110	6,458
Consolidated net equity at March 31, 2006	70,843	751,276	3,060	(929)	4,013	18,068	846,331

	Share capital	Share premium reserve	Translation differences	Fair value and cash flow reserves	Retained earnings	Net income	Total equity
<i>(Euro/000)</i>							
Group Shareholders' equity at January 1, 2007	70,843	751,276	(22,726)	1,859	42	37,467	838,761
Previous year's profit allocation	-	-	-	-	37,467	(37,467)	-
Changes in other reserves	-	-	(6,715)	217	126	-	(6,372)
Net income for the period	-	-	-	-	-	20,848	20,848
Group Shareholders' equity at March 31, 2007	70,843	751,276	(29,441)	2,076	37,635	20,848	853,237
Minority interests at January 1, 2007	-	-	(2)	-	2,045	3,346	5,389
Previous year's profit allocation	-	-	-	-	3,346	(3,346)	-
Retained earnings	-	-	-	-	91	-	91
Dividend distribution	-	-	(30)	-	(103)	-	(133)
Net income for the period	-	-	-	-	-	1,654	1,654
Minority interests at March 31, 2007	-	-	(32)	-	5,379	1,654	7,001
Consolidated net equity at March 31, 2007	70,843	751,276	(29,473)	2,076	43,014	22,502	860,238

Consolidated balance sheet pursuant to Consob Resolution no. 15519 of July 27, 2006

(Euro/000)	Note	31/03/2007	of which related parties	31/12/2006	of which related parties
ASSETS					
Current assets					
Cash in hand and at bank	2.1	53,596		43,433	
Trade receivables, net	2.2	369,972	31	319,517	4
Inventory, net	2.3	273,450		271,573	
Derivative financial instruments	2.4	1,133		1,597	
Other current assets	2.5	37,598		46,564	
Total current assets		735,749		682,684	
Non-current assets					
Tangible fixed assets	2.6	201,377		201,951	
Intangible assets	2.7	22,634		22,274	
Goodwill	2.8	799,795		804,911	
Investments in associates	2.9	12,381		12,535	
Financial assets available-for-sale	2.10	3,756		3,472	
Deferred tax assets	2.11	78,553		81,886	
Derivative financial instruments	2.4	1,272		1,921	
Other non-current assets	2.12	2,098		1,974	
Total non-current assets		1,121,866		1,130,924	
Total assets		1,857,615		1,813,608	

(Euro/000)	Note	31/03/2007	of which related parties	31/12/2006	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	2.13	117,494		99,677	
Trade payables	2.14	209,265	10,773	228,802	10,360
Tax payables	2.15	31,957		20,716	
Other current liabilities	2.16	75,575		72,833	
Provisions for risks and charges	2.17	848		828	
Total current liabilities		435,139		422,856	
Non-current liabilities					
Long-term borrowings	2.13	492,204		475,583	
Employee benefits liability	2.18	41,772		40,952	
Provisions for risks and charges	2.17	10,531		10,478	
Deferred tax liabilities	2.11	11,326		13,082	
Derivative financial instruments	2.4	992		1,336	
Other non-current liabilities	2.19	5,413		5,171	
Total non-current liabilities		562,238		546,602	
Total liabilities		997,377		969,458	
Shareholders' equity					
Share capital	2.20	70,843		70,843	
Share premium reserve	2.21	751,276		751,276	
Retained earnings and other reserves	2.22	8,194		(22,684)	
Fair value and cash flow reserves	2.23	2,076		1,859	
Income attributable to the Group		20,848		37,467	
Total Shareholders' equity attributable to the Group		853,237		838,761	
Shareholders' equity attributable to minority Shareholders		7,001		5,389	
Total Shareholders' equity		860,238		844,150	
Total liabilities and Shareholders' equity		1,857,615		1,813,608	

Consolidated statement of operations pursuant to Consob Resolution no. 15519 of July 27, 2006

<i>(Eur/000)</i>	<i>Note</i>	Q1 2007	of which related parties	Q1 2006	of which related parties
Net sales	3.1	341,395	38	302,125	158
Cost of sales	3.2	(136,833)	7,489	(117,008)	12,646
Gross profit		204,562		185,117	
Selling and marketing expenses	3.3	(123,627)		(111,846)	
General and administrative expenses	3.4	(32,304)	290	(29,655)	299
Other operating income/(expenses), net	3.5	279		247	
Operating income		48,910		43,863	
Share of income/(loss) of associates	3.6	39		38	
Interest expense and other financial charges, net	3.7	(12,315)		(13,244)	
Income before taxation		36,634		30,657	
Income taxes	3.8	(14,132)		(12,589)	
Net income		22,502		18,068	
Net income attributable to minority interests		1,654		1,110	
Net income attributable to the Group		20,848		16,958	
EPS - base (Euro)	3.9	0.07		0.06	
EPS - diluted (Euro)	3.9	0.07		0.06	

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 1, 2007 to March 31, 2007. Economic and financial information is provided with reference to the first three months of 2007 and 2006, whilst balance sheet information is provided with reference to March 31, 2007 and December 31, 2006.

This Quarterly Report and the related consolidated financial statements have been prepared in accordance with Consob regulations no. 11971 dated May 14, 1999 as modified by Consob resolution no. 14990 dated April 14, 2005.

The consolidated financial information reported for the period ended March 31, 2007 has been prepared in accordance with the IFRS issued by the *International Accounting Standards Board* and approved by the European Commission as of March 31, 2007. In particular, this interim financial report has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, considering the recommendations given by Consob resolution no. DEM 6064293 dated July 28, 2006.

Accounting policies adopted for the preparation of this interim consolidated financial report have been applied in a comparative manner for the financial periods presented. They are also consistent with those applied for the Group IFRS annual consolidated financial statements as of December 31, 2006.

The date of approval of these consolidated financial statements by the Board of Directors is May 10, 2007.

1.2 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 liquidation) - 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. - Luxembourg (L)	EUR	31,000	100.0
Luxury Trade S.A - Luxembourg (L)	EUR	1,650,000	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.A. - Madrid (E)	EUR	390,650	100.0
Fashion Optic S.L. - Madrid (E)	EUR	1,126,845	100.0
Navoptik S.L. - Madrid (E)	EUR	664,118	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo 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 Co. Inc. - Shenzhen (RC)	CNY	2,481,000	51.0
Safilo Eyewear (Shenzhen) Company Limited	USD	700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited	USD	1,000,000	100.0
Safilo Korea Ltd - Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. - Athens (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	3,383	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Carrera Optyl D.o.o. - Ormoz (SLO)	SIT	135,101,000	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 - Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG - Liestal (CH)	CHF	1,000,000	77.0
Safilo India 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
Safint Optical UK Ltd. - London (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
FTL Corp. - Delaware (USA)	USD	10	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
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

1.3 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:

	Year end March 31, 2007	Year end December 31, 2006	Year end March 31, 2006	Average 1 Q 2007	Average 1 Q 2006
USD	1.3318	1.3170	1.2104	1.3106	1.2023
HKD	10.4070	10.2409	9.3923	10.2334	9.3273
CHF	1.6247	1.6069	1.5801	1.6162	1.5590
CAD	1.5366	1.5281	1.4084	1.5357	1.3894
JPY	157.3200	156.9300	142.4200	156.4322	140.5132
GBP	0.6798	0.6715	0.6964	0.6706	0.6862
SEK	9.3462	9.0404	9.4315	9.1894	9.3525
AUD	1.6484	1.6691	1.6997	1.6671	1.6274
ZAR	9.7005	9.2124	7.5066	9.4919	7.4113
SIT ¹	-	239.6400	239.5600	-	239.5088
BRL	2.7158	2.8133	2.6437	2.7633	2.6409
IND	58.0066	58.2975	54.0109	57.8585	53.3708
SGD	2.0204	2.0202	1.9582	2.0073	1.9552
MYR	4.6047	4.6490	4.4580	4.5842	4.4814
CNY	10.2951	10.2793	9.7038	10.1688	9.6793
KRW	1,253.0200	1,224.8100	1,176.0900	1,230.7847	1,173.7765

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.

1.4 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.

¹ Slovenia has adopted the Euro starting from January 1, 2007.

2. Notes on the consolidated balance sheet

2.1 Cash in hand and at bank

The account represents the temporary liquidity held invested at market rates.

(Euro/000)	March 31, 2007	December 31, 2006
Cash in hand and at bank	53,596	43,433
Total	53,596	43,433

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

(Euro/000)	March 31, 2007	March 31, 2006
Cash in hand and at bank	53,596	49,248
Bank overdrafts	(53,957)	(9,913)
Bank deposit for interests on convertible bond payment	-	(3,534)
Total	(361)	35,801

2.2 Trade receivables, net

This account is comprised as follows:

(Euro/000)	March 31, 2007	December 31, 2006
Gross value	394,996	342,485
Allowance for doubtful accounts	(25,024)	(22,968)
Net value	369,972	319,517

At constant exchange rates, net trade receivables increased by Euro 51,881 thousand, due to the increase in sales in the first quarter of 2007 compared to the fourth quarter of the previous year.

The Group does not have a significant concentration of its credit risk as its receivables are related to a large number of customers.

Allowance for doubtful accounts 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.

The allowance for doubtful accounts also includes the accrual for insolvency accounted for in the income statement under "general and administrative expenses" (note 3.4).

2.3 Inventory, net

This account is comprised as follows:

<i>(Euro/000)</i>	March 31, 2007	December 31, 2006
Raw materials	44,287	50,491
Work-in-progress	8,076	7,868
Finished products	245,246	238,743
Gross	297,609	297,102
Obsolescence provision (-)	(24,159)	(25,529)
Total	273,450	271,573

The increase in finished products inventory level when compared to the end of 2006 is directly related to the necessity to ensure an optimal level of customer service to support sales, which reach their peak during the middle of the first half of the year.

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

The movements in the obsolescence provision were as follows:

<i>(Euro/000)</i>	Balance at January 1, 2007	Increase	Decrease	Transl. diff.	Balance at March 31, 2007
Obsolescence provision	25.529	554	(1.851)	(73)	24.159
Total	25.529	554	(1.851)	(73)	24.159

2.4 Derivative financial instruments

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

<i>(Euro/000)</i>	March 31, 2007	December 31, 2006
Current assets:		
- Foreign currency contracts	1,133	1,205
- Interest rate swaps - cash flow hedge	-	266
- Interest rate swaps - at fair value through P&L	-	126
Total	1,133	1,597
Non-current assets:		
- Interest rate swaps - cash flow hedge	589	361
- Options	683	1,560
Total	1,272	1,921
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	-	-
- Interest rate swaps - at fair value through P&L	992	1,336
Total	992	1,336

A summary of the characteristics and the fair value of the derivative contracts in force at March 31, 2007 and December 31, 2006 is shown below:

Foreign currency contracts	March 31, 2007		December 31, 2006	
	Contractual value	Fair value	Contractual value	Fair value
	<i>(USD/000)</i>	<i>(Euro/000)</i>	<i>(USD/000)</i>	<i>(Euro/000)</i>
Expiry year 2007	\$29,000	1,133	\$39,000	1,205
Total	29,000	1,133	39,000	1,205

The gains and losses directly recorded under equity in the period are recognised in the income statement on the closing of the hedge contract.

A summary of the characteristics and the fair value of interest rate swap contracts in force at March 31, 2007 and December 31, 2006 is shown below:

Interest rate swaps <i>(Euro/000)</i>	March 31, 2007		December 31, 2006	
	Contractual value	Fair value	Contractual value	Fair value
Expiry year 2007	-	-	170,361	392
Expiry year 2010	25,000	(371)	25,000	(522)
Expiry year 2011	105,000	(32)	85,000	(453)
Total	130,000	(403)	280,361	(583)

The market valuation of interest rate swap contracts was calculated by specialised financial institutions on the basis of normal market conditions.

The fair value of the advanced repayment option included in the notes issued by the subsidiary Safilo Capital International S.A. is reported among non current assets. The valuation was made using models applied by primary financial institutions and resulted in the recognition of a fair value of the option of Euro 683 thousand.

2.5 Other current assets

This account is comprised as follows:

<i>(Euro/000)</i>	March 31, 2007	December 31, 2006
VAT receivable	8,074	9,218
Tax credits and payments on account	7,775	9,515
Prepayments and accrued income	13,775	7,505
Receivables from agents	4,205	4,483
Other current receivables	3,769	15,843
Total	37,598	46,564

The tax credits and payments on account principally relate to the income tax payments on account and will be compensated against the relative taxes payable.

Prepayments and accrued income at March 31, 2007 include:

- prepaid advertising costs of Euro 4,889 thousand;
- prepaid insurance premiums of Euro 746 thousand;
- prepaid rent and operating leases of Euro 1,365 thousand;
- prepaid costs incurred for the "Revolving Facility" loan of Euro 1,378 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 decrease in "other current receivables" is mainly due to the offsetting of the advance payment made in the previous year on 2007 royalties with the trade payables for royalties matured during the first quarter of 2007. The account "other current receivables" is mainly composed of receivables for insurance reimbursements and other short term receivables related to various Group companies.

2.6 Property, plant and equipment, net

(Euro/000)	Balance at January 1, 2006	Increase	Decrease	Reclass.	New acquisition	Transl. diff.	Balance at December 31, 2006
Gross value							
Land and buildings	108,103	2,555	(165)	(1,277)	-	(433)	108,783
Plant and machinery	156,536	8,256	(1,308)	319	-	(397)	163,406
Equipment and other assets	126,625	25,347	(4,547)	-	10,998	(4,561)	153,862
Assets under constructions	2,831	4,441	-	(1,197)	-	(56)	6,019
Total	394,095	40,599	(6,020)	(2,155)	10,998	(5,447)	432,070
Accumulated depreciation							
Land and buildings	21,302	3,242	(38)	(1,277)	-	(117)	23,112
Plant and machinery	90,192	11,621	(1,085)	78	-	(183)	100,623
Equipment and other assets	88,998	15,673	(3,374)	-	7,524	(2,437)	106,384
Total	200,492	30,536	(4,497)	(1,199)	7,524	(2,737)	230,119
Net book value	193,603	10,063	(1,523)	(956)	3,474	(2,710)	201,951

(Euro/000)	Balance at January 1, 2007	Increase	Decrease	Reclass.	New acquisition	Transl. diff.	Balance at March 31, 2007
Gross value							
Land and buildings	108,783	111	(34)	-	-	(42)	108,818
Plant and machinery	163,406	1,796	(179)	-	-	(50)	164,973
Equipment and other assets	153,862	6,399	(501)	(1,520)	-	(507)	157,733
Assets under constructions	6,019	1,138	-	(62)	-	(9)	7,086
Total	432,070	9,444	(714)	(1,582)	-	(608)	438,610
Accumulated depreciation							
Land and buildings	23,112	810	(27)	-	-	(15)	23,880
Plant and machinery	100,623	2,993	(146)	-	-	(25)	103,445
Equipment and other assets	106,384	4,285	(250)	(269)	-	(242)	109,908
Total	230,119	8,088	(423)	(269)	-	(282)	237,233
Net book value	201,951	1,356	(291)	(1,313)	-	(326)	201,377

The investments in property, plant and equipment during the first quarter of 2007 amount to Euro 9,382 thousand (compared to Euro 7,173 thousand during the first quarter of the previous year) and refer to:

the Italian factories, for Euro 3,587 thousand, concerning the renewal of machinery and equipment relating to new models;

the American subsidiaries, for Euro 3,811 thousand, mainly relating to the acquisition of a business unit by the subsidiary Smith Sport Optics Inc. and the expenditures related to the development of the Solstice retail chain;

Europe, for Euro 1,688 thousand, mainly in relation to the the Slovenian production site;

Far East, for Euro 296 thousand.

2.7 Intangible assets

	Balance at January 1, 2006	Increase	Decrease and write-down	New acquisition	Transl. diff.	Balance at December 31, 2006
(Euro/000)						

Gross value

Software	8,139	2,264	(19)	308	(170)	10,522
Trademarks and licenses	41,509	367	-	33	(52)	41,857
Other intangible assets	7,162	753	(2,014)	686	(174)	6,413
Intangible assets in progress	33	-	(16)	-	(2)	15
Total	56,843	3,384	(2,049)	1,027	(398)	58,807

Accumulated depreciation

Software	5,942	1,592	(19)	287	(108)	7,694
Trademarks and licenses	18,818	4,268	-	19	(39)	23,066
Other intangible assets	6,503	442	(1,616)	537	(93)	5,773
Total	31,263	6,302	(1,635)	843	(240)	36,533

Net book value	25,580	(2,918)	(414)	184	(158)	22,274
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	Balance at January 1, 2007	Increase	Decrease and write-down	Reclass.	Transl. diff.	Balance at March 31, 2007
(Euro/000)						

Gross value

Software	10,522	634	(32)	1,859	(49)	12,934
Trademarks and licenses	41,857	47	-	-	(5)	41,899
Other intangible assets	6,413	4	(7)	(339)	4	6,075
Intangible assets in progress	15	-	-	-	-	15
Total	58,807	685	(39)	1,520	(50)	60,923

Accumulated depreciation

Software	7,694	397	(32)	603	(17)	8,645
Trademarks and licenses	23,066	1,036	-	-	(5)	24,097
Other intangible assets	5,773	111	-	(334)	(3)	5,547
Total	36,533	1,544	(32)	269	(25)	38,289

Net book value	22,274	(859)	(7)	1,251	(25)	22,634
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Amortization and depreciation expenses related to intangible assets and property, plant and equipment for the three months ended March 31, 2007 and 2006 are divided into the following income statement accounts:

(Euro/000)	Note	Q1 2007	Q1 2006
Cost of sales	3.2	5,240	5,673
Selling and marketing expenses	3.3	1,026	683
General and administrative costs	3.4	3,366	2,722
Total		9,632	9,078

2.8 Goodwill

<i>(Euro/000)</i>	Balance at January 1, 2006	Increase / (Decrease)	Transl. diff.	Balance at December 31, 2006
Goodwill	797,734	26,839	(19,662)	804,911
Net book value	797,734	26,839	(19,662)	804,911

<i>(Euro/000)</i>	Balance at January 1, 2007	Increase / (Decrease)	Transl. diff.	Balance at March 31, 2007
Goodwill	804,911	739	(5,855)	799,795
Net book value	804,911	739	(5,855)	799,795

The change compared to the end of 2006 relates to the acquisition of a business unit from DFG Inc. by the American subsidiary Smith Sport Optics Inc. and to the translation differences which occurred in the period.

2.9 Investments in associates

Investments in associates refer to the following:

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	Turchia	50.0%	Non consolidated subsidiary	Commercial
TBR Inc.	USA	33.3%	Associated company	Real estate

The movements in investments in associates during the period were as follows:

<i>(Euro/000)</i>	31.12.2006			Movements for the period		Value at March 31, 2007
	Gross value	Revaluation/(write- down)	Value at December 31, 2006	Share of results and write-down of divid. of assoc. comp.	Transl. diff.	
TBR Inc.	437	502	939	39	(11)	967
Elegance I. Holdings Ltd	5,406	5,988	11,394	-	(182)	11,212
Optifashion As	353	(151)	202	-	-	202
Total	6,196	6,339	12,535	39	(193)	12,381

There were no acquisitions during the first three months of 2007. The changes compared to December 31, 2006 are mainly due to the gains realized in the quarter and to exchange rate effects.

The company Optifashion A.s., with its registered office in Istanbul (Turkey), a 50% held subsidiary of the Group, 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 current value with a corresponding entry in the fair value equity reserve. This value is calculated with reference to official listed market prices at the interim balance sheet date.

(Euro/000)	Relationship	Value at March 31, 2007	Value at December 31, 2006
Banca Popolare Italiana S.p.A.	Other equity investment	3,507	3,238
Unicredit S.p.A.	Other equity investment	206	191
Others	Other equity investment	43	43
Total		3,756	3,472

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

(Euro/000)	31.12.2006			Movements for the period		Value at March 31, 2007
	Gross value	Revaluation/ (write-down)	Net value	Incr./Decr.	Revaluation/(write down)	
Banca Pop. Italiana S.p.A.	6,855	(3,617)	3,238	-	269	3,507
Unicredit S.p.A.	48	143	191	-	15	206
Others	43	-	43	-	-	43
Total	6,946	(3,474)	3,472	-	284	3,756

2.11 Deferred tax assets and deferred tax liabilities

(Euro/000)	March 31, 2007	December 31, 2006
Deferred tax assets	78,553	81,886
Deferred tax liabilities	(11,326)	(13,082)
Total net	67,227	68,804

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.

The following table shows the Group's fiscal losses on which deferred tax assets have been calculated as there is a reasonable expectation of the recovery of these amounts through future assessable income.

Financial year	Expiring date	Loss (Euro/000)	Taxes (Euro/000)
2004	2009	27,883	9,201
2005	2010	74,785	24,679
2006	2011	4,519	1,491
2007	2012	864	285
Total		108,051	35,656

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 derives from the effects of the different criteria used in the calculation of the depreciation of the property, plant and equipment of Safilo S.p.A..

2.12 Other non-current assets

At March 31, 2007, the "other non-current assets" amount to Euro 2,098 thousand and mainly refer to guarantee deposits and other long-term receivables due to various Group companies.

2.13 Bank loans and borrowings

This account is comprised as follows:

(Euro/000)	March 31, 2007	December 31, 2006
Payables to banks and short-term loans		
Bank overdrafts	5,621	6,631
Short-term bank loans	48,336	29,813
Short-term portion of long-term bank loans	22,404	22,523
Short-term portion of financial leasing and other loans	1,092	1,121
Other short-term loans	40,041	39,589
Total	117,494	99,677
Payables to banks and medium and long-term loans		
Medium long-term loans	481,890	465,103
Payables for financial leasing	9,549	9,708
Other medium long-term loans	765	772
Total	492,204	475,583
Total borrowings and bank loans	609,698	575,260

The senior loan, which at March 31, 2007 had a short-term portion equal to Euro 18,770 thousand and a medium/long-term portion equal to Euro 288,933 thousand, matures on December 31, 2011 and is subdivided into the following credit lines:

- Euro 200 million, relating to the "Facility A", with half yearly repayments starting from December 2006 until December 2011. The Facility A is in turn subdivided into three tranches, of which one in Euro (Tranche A1, Euro 80 million) at an interest rate of Euribor plus an initial margin of 0.60%, and two in US Dollars (Tranche A2 and Tranche A3, USD 70.4 million and USD 80.5 million respectively) at an interest rate of Libor plus an initial margin of 0.60%.

- Euro 200 million, relating to the "Revolving Facility" composed of two Tranches also provided in US Dollars (Tranche B1 Euro 170 million, Tranche B2 Euro 30 million) utilised at March 31, 2007 for Euro 120 million and USD 10 million.

The margin applied on "Facility A" and "Revolving Facility" decreased from 0,60% to 0,55% as a result of the calculation, as prescribed by the new loan agreement, of the ratio between net financial position and EBITDA as of December 31, 2006.

The High Yield bond equal to a nominal value of Euro 195 million as at March 31, 2007 is included in the account "Long-term borrowings".

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

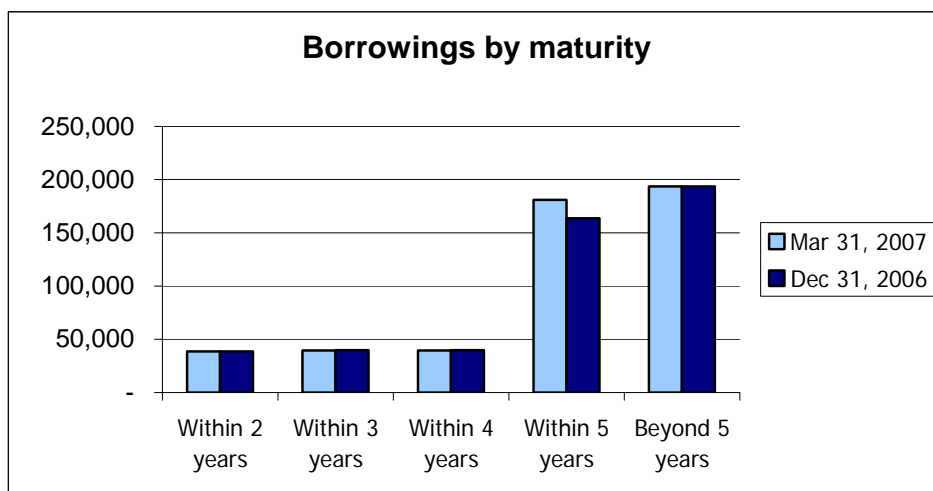
The payables for financial leases refer to property, plant and equipment acquired under leasing contracts by companies belonging to the Group. The average residual life of leasing contracts is 8.5 years. All leasing contracts at the interim balance sheet date are repayable through equal installments and the contracts do not include any option for reviewing the original contract.

Some Group companies have entered into operating lease contracts. Costs related to operating lease contracts are recorded in the income statement in the accounts "cost of sales" (note 3.2), "selling and marketing expenses" (note 3.3) and "general and administrative expenses" (note 3.4).

Other short-term loans include, for an amount of Euro 38,570 thousand, a payable to a primary factoring company deriving from the contract signed by Safilo S.p.A..

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

<i>(Euro/000)</i>	March 31, 2007	December 31, 2006
Within 2 years	38,529	38,693
Within 3 years	39,443	39,656
Within 4 years	39,610	39,822
Within 5 years	181,094	163,739
Beyond 5 years	193,528	193,673
Total	492,204	475,583



Borrowings by currency are as follows:

(Euro/000)	March 31, 2007	December 31, 2006
Short term		
Euro	102,745	84,857
US Dollar	11,040	11,160
Brasilian Real	2,336	2,265
Hong Kong Dollar	1,373	1,395
Total	117,494	99,677
Medium long-term		
Euro	393,416	383,359
US Dollar	97,517	90,950
Yen	1,271	1,274
Total	492,204	475,583
Total borrowings	609,698	575,260

The following table shows credit lines granted to the Group, their utilization and the credit lines available at the interim balance sheet date:

(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	160,091	51,972	108,119
Credit lines on long-term bank loans	390,537	318,046	72,491
Total	550,628	370,018	180,610

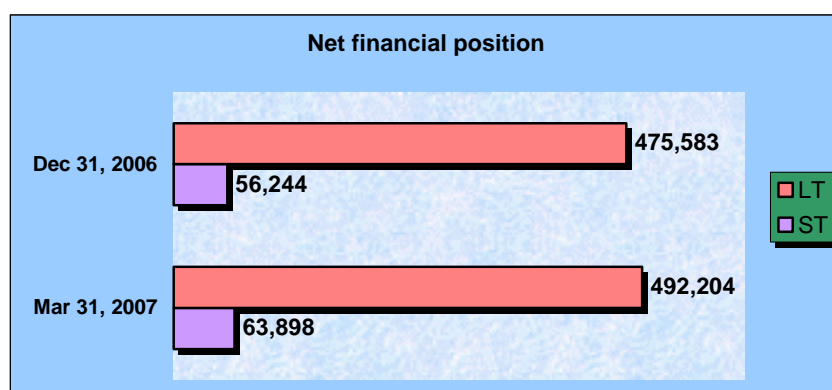
The contractual agreements relating to the loans granted include a series of obligations which concern the operating and financial aspects of said loans. In particular, it is requested that pre-determined levels related to certain parametric

indices (covenants), calculated based on the data of the final statements at the end of every six month period, are respected. The possibility cannot be excluded that such parameters may not be complied with. Should such parameters not be complied with, the conditions with which the loan relationship is to be continued must be negotiated with the financiers, that is appropriate waivers or modifications to adapt the above-mentioned parameters. If this does not happen, an "Event of Default" could take place, that may involve obligatory early repayment of the loans granted.

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 net financial position as of March 31 2007 compared with the same as of December 31, 2006 is the following:

Net financial position (Euro/000)	March 31, 2007	December 31, 2006	Change
Current portion of long term borrowings	(22,404)	(22,523)	119
Bank overdrafts and short t. bank borrowings	(53,957)	(36,444)	(17,513)
Other short term borrowings	(41,133)	(40,710)	(423)
Cash and cash equivalents	53,596	43,433	10,163
Short term net financial position	(63,898)	(56,244)	(7,654)
Long term borrowings	(492,204)	(475,583)	(16,621)
Long term net financial position	(492,204)	(475,583)	(16,621)
Net financial position	(556,102)	(531,827)	(24,275)



Legenda:

- LT: long-term.
- ST: short-term.

2.14 Trade payables

The decrease in trade payables for purchase of raw materials and finished goods reflects the cash outflows needed to

pay the suppliers which contributed to the expansion of the inventory levels in the fourth quarter of 2006. The reduction in payables for royalties mainly refers to the offsetting of the advance payment made in previous year on 2007 royalties with the trade payables for royalties matured during the first quarter of 2007.

<i>(Euro/000)</i>	March 31, 2007	December 31, 2006
Purchase of raw materials	47,179	51,295
Purchase of finished goods	77,468	83,536
Suppliers from subcontractors	9,104	9,902
Purchase of tangible and intangible assets	2,913	3,912
Commissions	8,095	5,304
Royalties	13,675	20,220
Advertising and marketing costs	22,815	24,058
Services received from third parties	28,016	30,575
Total	209,265	228,802

2.15 Tax payables

Tax payables as of March 31, 2007 amount to Euro 31,957 thousand compared to Euro 20,716 thousand as at December 31, 2006 and relate for Euro 17,689 thousand to income taxes, for Euro 8,330 thousand to VAT payables and for the remainder to advanced and various tax liabilities and local taxes. The accrual for current income tax expenses is disclosed in the note related to income taxes (3.8).

2.16 Other current liabilities

This account is comprised as follows:

<i>(Euro/000)</i>	March 31, 2007	December 31, 2006
Payables to personnel and social security institutions	36,236	32,064
Premiums to clients	17,257	20,541
Agent fee payables	2,806	2,202
Accrued advertising and sponsorship costs	1,444	520
Accrued interests on long-term payables	8,426	7,302
Other accruals and deferred income	2,953	3,314
Due to minority Shareholders for dividends	3,511	3,553
Other current liabilities	2,942	3,337
Total	75,575	72,833

The account "payables to personnel and social security institutions" mainly refers to wages and salaries for March, the accrual for Christmas bonuses and for vacation days matured and not taken.

The account "due to minority Shareholders for dividends" relates to the dividends approved at the Shareholders' meetings and not yet paid at the interim balance sheet date.

The increase in "accrued interests on long-term payables" relates to the interests matured on the new credit facility as

of March 31, 2007.

2.17 Provisions for risks and charges

This account is comprised as follows:

(Euro/000)	Balance at January 1, 2006	Increase	Decrease	New acquisition	Trans. diff.	Balance at December 31, 2006
Product warranty provision	3,119	682	-	-	-	3,801
Agents' severance indemnity	3,164	612	(87)	-	-	3,689
Litigation	2,000	-	(812)	-	-	1,188
Other provisions for risks and charges	361	1,373	-	117	(51)	1,800
Provisions for risks - long term	8,644	2,667	(899)	117	(51)	10,478
Provisions for risks - short term	128	675	-	25	-	828
Total	8,772	3,342	(899)	142	(51)	11,306

(Euro/000)	Balance at January 1, 2007	Increase	Decrease	New acquisition	Trans. diff.	Balance at March 31, 2007
Product warranty provision	3,801	142	-	-	-	3,943
Agents' severance indemnity	3,689	155	-	-	-	3,844
Litigation	1,188	-	-	-	-	1,188
Other provisions for risks and charges	1,800	50	(288)	-	(6)	1,556
Provisions for risks - long term	10,478	347	(288)	-	(6)	10,531
Provisions for risks - short term	828	20	-	-	-	848
Total	11,306	367	(288)	-	(6)	11,379

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 severance 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 flows.

The accrual for the period has been recorded in the income statement in the line "selling and marketing expenses" (note 3.3).

2.18 Employee benefit liability

This account shows the following movements:

(Euro/000)	Balance at January 1, 2006	Posted to income statement	Actuarial differences	Use	Translation differences	Balance at December 31, 2006
Employee benefit liability	39,424	7,429	(3,012)	(2,801)	(88)	40,952
Total	39,424	7,429	(3,012)	(2,801)	(88)	40,952

(Euro/000)	Balance at January 1, 2007	Posted to income statement	Actuarial differences	Use	Translation differences	Balance at March 31, 2007
Employee benefit liability	40,952	2,006	-	(1,184)	(2)	41,772
Total	40,952	2,006	-	(1,184)	(2)	41,772

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

2.19 Other non current liabilities

The other non-current liabilities as of March 31, 2007 amount to Euro 5,413 thousand and include liabilities deriving from existing contracts with licensors for the production and distribution of licensed products.

2.20 Share capital

Safilo's capital stock as of March 31, 2007 amounted to Euro 70,843,213 thousand and consisted of 283,372,852 ordinary shares having a nominal value of Euro 0.25 per share.

2.21 Share premium reserve

The share premium reserve amounts to Euro 751,276 thousand and consists of:

- Euro 406,217 thousand, the higher value attributed in 2002 on the conferment of shares by the subsidiary Safilo S.p.A. compared to the nominal value of the corresponding increase in share capital;
- Euro 345,059 thousand (i) 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, (ii) the higher value coming from stock options exercised and (iii) the higher amount deriving from the conversion of the convertible bonds.

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 comprised as follows:

<i>(Euro/000)</i>	Balance at January 1, 2006	Impact on equity	Impact on P&L	Balance at December 31, 2006
Cash flow reserve	(2,780)	2,533	1,468	1,221
Fair value reserve	(1,119)	1,016	741	638
Total	(3,899)	3,549	2,209	1,859

<i>(Euro/000)</i>	Balance at January 1, 2007	Impact on equity	Impact on P&L	Balance at March 31, 2007
Cash flow reserve	1,221	(67)	-	1,154
Fair value reserve	638	284	-	922
Total	1,859	217	-	2,076

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 and the fair value of forward exchange contracts designated to hedge against the exchange risk.

The fair value reserve refers to the current value of the investments classified under financial assets available-for-sale.

2.24 Stock option plans

On March 25, 2003, the Extraordinary Shareholders' Meetings of Safilo Holding S.p.A. (now Safilo Group S.p.A.) approved the "Stock Option Plans of Safilo Holding S.p.A. and Safilo S.p.A. for 2003-2007" (in short "2003 Plan"), which provides for the free vesting of rights for the subscription of new shares issued at the current value of the company, to some employees and consultants of the companies of the Group.

On November 24, 2004, the Extraordinary Shareholders' Meeting of Safilo Group S.p.A. approved a new plan, the "Stock Option Plan of Safilo Group S.p.A. and Safilo S.p.A. 2004-2008" (in short "2004 Plan"), which provides for the free vesting of rights for the subscription of new shares issued at the current value of the company, to some employees and consultants of the companies of the Group.

Further to the mandate granted by the Extraordinary Shareholders' Meeting on October 24, 2005, the Board of Directors of Safilo Group S.p.A. resolved to increase the share capital on May 31, 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 (in short "2006 Plan"). This plan is valid for 4 financial periods (2006 – 2010) and, like the previous ones, is addressed to certain directors, executives and consultants of the 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.

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, when the options are exercised.

With reference to the first stock option plan (2003 Plan), the Group has decided to apply the exemption for share-based payments. In substance, IFRS 2 is applied from January 1, 2004 for all the options issued after November 7, 2002 but not matured ("vested") before January 1, 2005. The application of this exemption results in the recording of only the third tranche of the 2003-2007 Stock Option Plan as a cost in the income statement of the Group.

In December 2005 the holders of the options relative to the 2003 Plan and 2004 Plan, in consideration of the quotation of Safilo Group S.p.A. on the Italian Stock Market, exercised 50% of the rights in their possession. The beneficiaries can exercise the remaining rights in the possession respectively within June 20, 2007 and September 20, 2008.

The total of the costs allocated to the income statement in the first three months of 2007 and 2006 can be summarised as follows:

<i>(Euro/000)</i>	Q1 2007	Q1 2006
2004 plan	-	389
2006 plan	139	-
Total	139	389

3. Notes on the consolidated statement of operations

3.1 Net sales

Group sales in the first three months of 2007 amount to Euro 341,395 thousand and report an increase of 13.0% compared to the same period of the previous year.

Reference should be made to the paragraphs "Sales analysis" in "Directors' report on operations" for further details regarding the sales trend of the first three months of 2007 compared to the same period of the previous year.

3.2 Cost of sales

This account is comprised as follows:

(Euro/000)	Q1 2007	Q1 2006
Purchase of raw materials and finished goods	97,862	85,149
Capitalisation of costs for increase in property, plant and equipment (-)	(2,510)	(2,407)
Change in inventory	(3,007)	(5,963)
Payroll and social security contributions	27,962	24,058
Subcontracting costs	8,583	8,396
Depreciation	5,240	5,673
Rental and operating leases	201	146
Other industrial costs	2,502	1,956
Total	136,833	117,008

The increase in the cost of materials and finished products is a direct consequence of the strong request of products from the market which led to higher production levels and purchase volumes.

The change in inventories, already commented in note 2.3, is broken down as follows:

(Euro/000)	Q1 2007	Q1 2006
Finished products	(8,806)	(5,634)
Work-in-progress	(226)	(154)
Raw materials	6,025	(175)
Total	(3,007)	(5,963)

Compared to the same period in the previous year, cost for the Group's production personnel have increased by 16.2% as a consequence of the normal labour increases and a higher average number of employees at the production plants, following the decision by the American subsidiary Smith Sport Optics Inc. to internalize part of the production.

The total average workforce of the Group for the first three months of 2007 and 2006 is broken down as follows:

	Q1 2007	Q1 2006
Padua headquarters	861	789
Production facilities	4,897	4,206
Commercial companies	1,133	1,067
Retail	846	350
Total	7,737	6,412

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 comprised as follows:

(Euro/000)	Q1 2007	Q1 2006
Payroll and social security contributions	25,910	22,291
Commissions to sales agents	22,496	21,690
Royalty expenses	28,629	27,130
Advertising and promotional costs	29,629	24,849
Amortization and depreciation	1,026	683
Logistic costs	4,943	3,961
Consultants fees	1,433	2,118
Rental and operating leases	2,857	1,703
Utilities	379	181
Provision for risks	316	429
Other sales and marketing expenses	6,009	6,811
Total	123,627	111,846

The increase in labor costs is the result of the development of the American retail chain Solstice, as well as of the acquisition, at the end of 2006, of the Spanish chain Loop Vision.

The marketing costs increased compared to 2006, as a consequence of higher advertising investments aimed at developing the communication, and so the sales, of the Group's housebrands.

3.4 General and administrative expenses

This account is comprised as follows:

<i>(Euro/000)</i>	Q1 2007	Q1 2006
Payroll and social security contributions	15,604	15,462
Allowance for doubtful accounts	597	566
Amortization and depreciation	3,366	2,722
Consultants fees	3,093	1,391
Rental and operating leases	1,719	1,700
EDP costs	981	895
Insurance costs	657	718
Utilities, security and cleaning	1,624	1,468
Taxes (other than on income)	625	552
Other general and administrative expenses	4,038	4,181
Total	32,304	29,655

Some costs, in particular wages and salaries, benefited from the weakness of the US dollar which compensated the regular labor cost evolution.

3.5 Other income/(expenses), net

This account is comprised as follows:

<i>(Euro/000)</i>	Q1 2007	Q1 2006
Losses on disposal of assets	(9)	(31)
Other operating expenses	(129)	(59)
Gains on disposal of assets	7	8
Other operating incomes	410	329
Total	279	247

Other operating incomes mainly include extraordinary income and insurance reimbursements.

3.6 Share of income/(loss) of associates

This account amounts to Euro 39 thousand and consists of the income deriving from the equity valuation of the holdings in associated companies.

3.7 Interest expense and other financial charges, net

This account is comprised as follows:

<i>(Euro/000)</i>	Q1 2007	Q1 2006
Interest expense on loans	4,940	5,928
Interest expense and charges on High Yield	4,850	5,354
Bank commissions	843	985
Foreign exchange rate differences	1,787	3,438
Financial discounts	1,105	1,465
Other financial charges	1,011	300
Total financial charges	14,536	17,470
Interest income	214	327
Foreign exchange rate differences	1,979	3,215
Other financial income	28	684
Total financial income	2,221	4,226
Total financial charges, net	12,315	13,244

Interest expenses significantly decreased when compared to the first three months of 2006 as a consequence of the better conditions under the new credit agreement compared to the previous Senior Loan.

3.8 Income tax expenses

<i>(Euro/000)</i>	Q1 2007	Q1 2006
Current taxes	(12,113)	(9,609)
Deferred taxes	(2,019)	(2,980)
Total	(14,132)	(12,589)

3.9 Earnings per share

<i>(Euro)</i>	Q1 2007	Q1 2006
Basic EPS	0.07	0.06
Diluted EPS	0.07	0.06

<i>(Euro/000)</i>	Q1 2007	Q1 2006
Profit for ordinary shares	20,848	16,958
Average number of ordinary shares	283,372,852	283,372,852
Basic EPS	0.07	0.06

<i>(Euro/000)</i>	Q1 2007	Q1 2006
Profit for ordinary shares	20,848	16,958
Profit for preferred shares	-	-
Profit at income statement	20,848	16,958
Average number of ordinary shares	283,372,852	283,372,852
Dilutive effects:		
- stock option	900,991	1,220,183
Total	284,273,843	284,593,035
Diluted EPS	0.07	0.06

3.10 Seasonality and unusual items

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.

During the first three months of 2007, there were no unusual or extraordinary items affecting assets, liabilities, equity, net income or cash flows.

3.11 Dividends

During the first nine months of 2007 the holding company Safilo Group S.p.A. did not pay any dividends to its Shareholders.

3.12 Segment information

The following information is provided with reference to the geographical areas in which the Group operates. The geographical area has been identified as the primary segment. The criteria used in identifying the primary segment are based on the way in which management runs the Group and the manner in which it attributes managerial responsibilities. Such criteria are based on the grouping of geographical areas which are defined by the location of the registered office of each Group Company. Segment information is therefore determined by the invoices issued at country of origin and not by the country of destination.

At the date of these financial statements the secondary segment is not identified. In particular the secondary segment could be defined, in line with the standard procedure, as "wholesale". In our case, the distribution of products is almost entirely "wholesale", whilst the distribution activity through direct sales points controlled by the Group ("retail") is only marginal.

March 31, 2007 (Euro/000)	Italy (1)	Europe (2)	America (3)	Asia (4)	Corporate (5)	Eliminat.	Total
Net sales							
-to other segments	100,155	13,645	317	8	105	(114,230)	-
-to third parties	83,650	109,414	108,901	39,430	-	-	341,395
Total Net Sales	183,805	123,059	109,219	39,438	105	(114,230)	341,395
Gross Profit	73,045	56,651	54,731	20,629	-	(493)	204,562
Operating income	17,600	17,168	7,280	7,360	(69)	(428)	48,910
Interest expense							(14,536)
Interest income							2,221
Share income/(loss) of associates	-	-	39	-	-		39
Income taxes							(14,132)
Net income							22,502
<i>Gross profit margin</i>	<i>40%</i>	<i>46%</i>	<i>50%</i>	<i>52%</i>			<i>60%</i>
<i>Operating income margin</i>	<i>10%</i>	<i>14%</i>	<i>7%</i>	<i>19%</i>			<i>14%</i>
Other information							
Depreciation & Amortization	6,387	1,623	1,323	299	-		9,632

March 31, 2006 (Euro/000)	Italy (1)	Europe (2)	America (3)	Asia (4)	Corporate (5)	Eliminat.	Total
Net sales							
-to other segments	87,199	11,671	102	306	-	(99,278)	-
-to third parties	67,644	80,414	118,221	35,846	-	-	302,125
Total Net Sales	154,843	92,085	118,323	36,152	-	(99,278)	302,125
Gross Profit	66,464	42,011	60,745	17,092	-	(1,195)	185,117
Operating income	17,970	10,639	10,574	5,448	(30)	(738)	43,863
Interest expense							(17,470)
Interest income	-	-	-	-	-		4,226
Share income/(loss) of associates	-	-	38	-	-		38
Income taxes							(12,589)
Net income							18,068
<i>Gross profit margin</i>	<i>43%</i>	<i>46%</i>	<i>51%</i>	<i>47%</i>			<i>61%</i>
<i>Operating income margin</i>	<i>12%</i>	<i>12%</i>	<i>9%</i>	<i>15%</i>			<i>15%</i>
Other information							
Depreciation & Amortization	6,432	1,292	1,089	242	23		9,078

- (1) Operating companies with registered office in Italy;
(2) operating companies based in European countries other than Italy, in India and South Africa;
(3) operating companies based in USA, Canada and Brazil;
(4) operating companies based in the Far East and Australia;
(5) non-operating companies.

RELATED PARTY TRANSACTIONS

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

Related parties transactions (Euro/000)	Relationship	March 31, 2007	December 31, 2006
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Receivables

Optifashion As	(a)	31	4
Total		31	4

Payables

Elegance International Holdings Ltd	(b)	10,773	10,360
Total		10,773	10,360

Related parties transactions (Euro/000)	Relationship	Q1 2007	Q1 2006
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Revenues

Optifashion As	(a)	38	158
Total		38	158

Costs

Elegance International Holdings Ltd	(b)	7,489	12,646
TBR Inc.	(b)	290	299
Total		7,779	12,945

- (a) Unconsolidated subsidiary;
- (b) associated company.

These transactions relate to commercial relationships and are based on prices defined at normal market conditions for similar transactions with third parties.

Safilo USA rents its headquarters and distribution centre in the USA (New Jersey), based on a rental contract with TBR Inc., a company one-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. and one third by a third party. Safilo Group S.p.A. indirectly acquired the holding in TBR Inc. in 2002 for Euro 629 thousand. In the first three months of 2007, the Group paid rent of Euro 290 thousand to TBR Inc. The terms and conditions of the rental contract are in line with market conditions for similar contracts.

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.

Massimiliano Tabacchi, Co-Chief Executive Officer of Safilo Group S.p.A., and Mario Pietribiasi, executive of the Group, are non-executive directors of Elegance. In addition, Mario Pietribiasi is also a shareholder of the company with a holding lower than 0.50%.

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 March 31, 2007, 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: (i) 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; (ii) a claim alleging unfair business practices against Safilo S.p.A. by one of our clients who later filed bankruptcy. The claim has been taken over by the plaintiff's receiver, who seeks damages; (iii) two companies (having the same owner), clients of the Group, filed two claims against Safilo S.p.A. seeking damages for breach of contract. We filed a claim against the same two companies, seeking payment owed to us for products sold.

COMMITMENTS

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

SAFILO GROUP S.p.A. – FINANCIAL STATEMENTS AT MARCH 31, 2007

Balance sheet

<i>(in Euro)</i>	31/03/2007	31/12/2006
ASSETS		
Current assets		
Cash held in hand and at bank	7,274,951	7,790,241
Other current assets	22,072,112	21,229,856
Total current assets	29,347,063	29,020,097
Non-current assets		
Investments	805,025,463	805,025,463
Deferred tax assets	30,566,452	30,714,440
Total non-current assets	835,591,915	835,739,903
Total assets	864,938,978	864,760,000
Current liabilities		
Short-term borrowings	14,000,000	14,200,000
Trade payables	181,063	486,445
Tax payables	45,510	39,572
Other current liabilities	1,404,176	507,248
Total current liabilities	15,630,749	15,233,265
Non-current liabilities		
Employee benefit liability	73,357	72,316
Other non-current liability	19,757,720	19,757,720
Total non-current liabilities	19,831,077	19,830,036
Total liabilities	35,461,826	35,063,301
Shareholders' equity		
Share capital	70,843,213	70,843,213
Share premium reserve	751,276,368	751,276,368
Retained earnings and other reserves	7,577,118	(8,247,983)
Income (loss) of the period	(219,547)	15,825,101
Total Shareholders' equity	829,477,152	829,696,699
Total liabilities and Shareholders' equity	864,938,978	864,760,000

Statement of operations

<i>(in Euro)</i>	Q1 2007	Q1 2006
Net sales	105,000	-
Cost of sales	-	-
Gross profit	105,000	-
General and administrative expenses	(233,778)	(116,687)
Operating income (loss)	(128,778)	(116,687)
Financial income (charges), net	(66,102)	107,681
Income (loss) before taxation	(194,880)	(9,006)
Income taxes	(24,667)	-
Income (loss) of the period	(219,547)	(9,006)

Statement of cash flow

(in Euro)	Q1 2007	Q1 2006
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	7,790,241	18,679,431
B - Cash flow from (for) operating activities		
Net income (loss) for the period	(219,547)	(9,006)
Net movements in the employee benefit liability	1,041	2,322
Interest expenses	133,822	1,512
Income tax expenses	24,667	-
Income (loss) from (for) operating activities prior to movements in working capital	(60,017)	(5,172)
(Increase) Decrease in trade receivables and other current receivables	(694,268)	(458,189)
Increase (Decrease) in trade payables and other current payables	179,408	(2,668,229)
Interest expenses paid	259,587	-
Income tax paid	-	-
Total (B)	(315,290)	(3,131,590)
C - Cash flow from (for) investing activities		
Investments in equity	-	-
Total (C)	-	-
C - Cash flow from (for) financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(200,000)	(700,000)
Share capital increase	-	-
Total (D)	(200,000)	(700,000)
E - Cash flow for the period (B+C+D)	(515,290)	(3,831,590)
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	7,274,951	14,847,841

Statement of changes in Shareholders' equity

<i>(in Euro)</i>	Share capital	Share premium reserve	Retained earnings	Net Income (loss)	Total equity
Group Shareholders' equity as at 01.01.2006	70,843,213	751,276,368	(906,355)	(7,345,516)	813,867,710
Previous year's profit allocation	-	-	(7,345,516)	7,345,516	-
Changes in other reserves	-	-	-	-	-
Net income for the period	-	-	-	(9,006)	(9,006)
Group Shareholders' equity as at 31.03.2006	70,843,213	751,276,368	(8,251,871)	(9,006)	813,858,704

<i>(in Euro)</i>	Share capital	Share premium reserve	Retained earnings	Net Income (loss)	Total equity
Group Shareholders' equity as at 01.01.2007	70,843,213	751,276,368	(8,247,983)	15,825,101	829,696,699
Previous year's profit allocation	-	-	15,825,101	(15,825,101)	-
Net income for the period	-	-	-	(219,547)	(219,547)
Group Shareholders' equity as at 31.03.2007	70,843,213	751,276,368	7,577,118	(219,547)	829,477,152

For the Board of Directors
The Chairman
Vittorio Tabacchi