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as of March 31st, 2008

Sàfilo S.p.A.



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www.safilo.com

SAFILO S.P.A.

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Contents

| | |
|---|----|
| CORPORATE OFFICERS AS OF MARCH 31 st , 2008..... | 4 |
| DIRECTORS' REPORT ON OPERATIONS..... | 5 |
| General information and activities of the Group | 5 |
| Key consolidated performance indicators | 6 |
| Introduction | 8 |
| Group economic results | 9 |
| Analysis by distribution channel – Wholesale/Retail | 12 |
| Balance sheet and financial situation | 13 |
| Reconciliation of the parent company's shareholders' equity and net profit with the consolidated balances | 16 |
| Personnel | 17 |
| Significant events after March 31 st , 2008 | 17 |
| CONSOLIDATED FINANCIAL STATEMENTS | 18 |
| Consolidated balance sheet | 18 |
| Consolidated statement of operations..... | 20 |
| Consolidated statement of cash flow | 21 |
| Consolidated statement of recognised profit and loss | 22 |
| Statement of changes in shareholders' equity | 23 |
| NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS | 25 |
| 1. Basis of preparation | 25 |
| 2. Notes on the consolidated balance sheet | 29 |
| 3. Notes on the consolidated statement of operations | 48 |
| RELATED PARTY TRANSACTIONS..... | 55 |
| CONTINGENT LIABILITIES..... | 56 |
| COMMITMENTS..... | 56 |
| FORWARD-LOOKING STATEMENTS | 57 |

CORPORATE OFFICERS AS OF MARCH 31st, 2008

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> | Lorenzo Lago |
| <i>Regular Auditor</i> | Paolo Mazzi |
| <i>Alternate Auditor</i> | Ornella Rossi |
| <i>Alternate Auditor</i> | Giampietro Sala |

Independent Auditors

PricewaterhouseCoopers S.p.a.

(*) On April 7th, 2008, with effects as from that date, Mr Carlo Gilardi resigned. The number of the Directors has been reduced to six by the shareholders' meeting held on April 29th, 2008.

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

Safilo 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 1.2 "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 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, Balenciaga, Banana Republic, BOSS - Hugo Boss, Bottega Veneta, Boucheron, 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, Stella McCartney, Valentino* and *Yves Saint Laurent*.

Key consolidated performance indicators

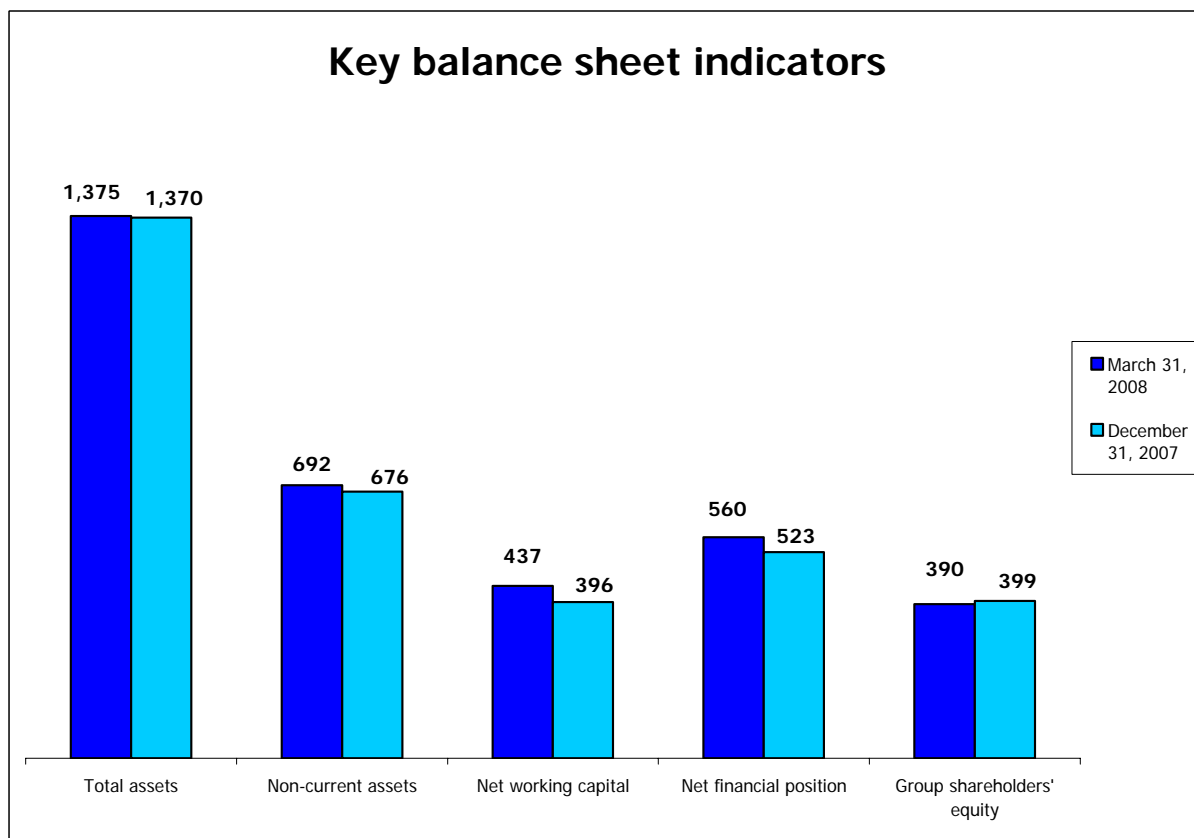
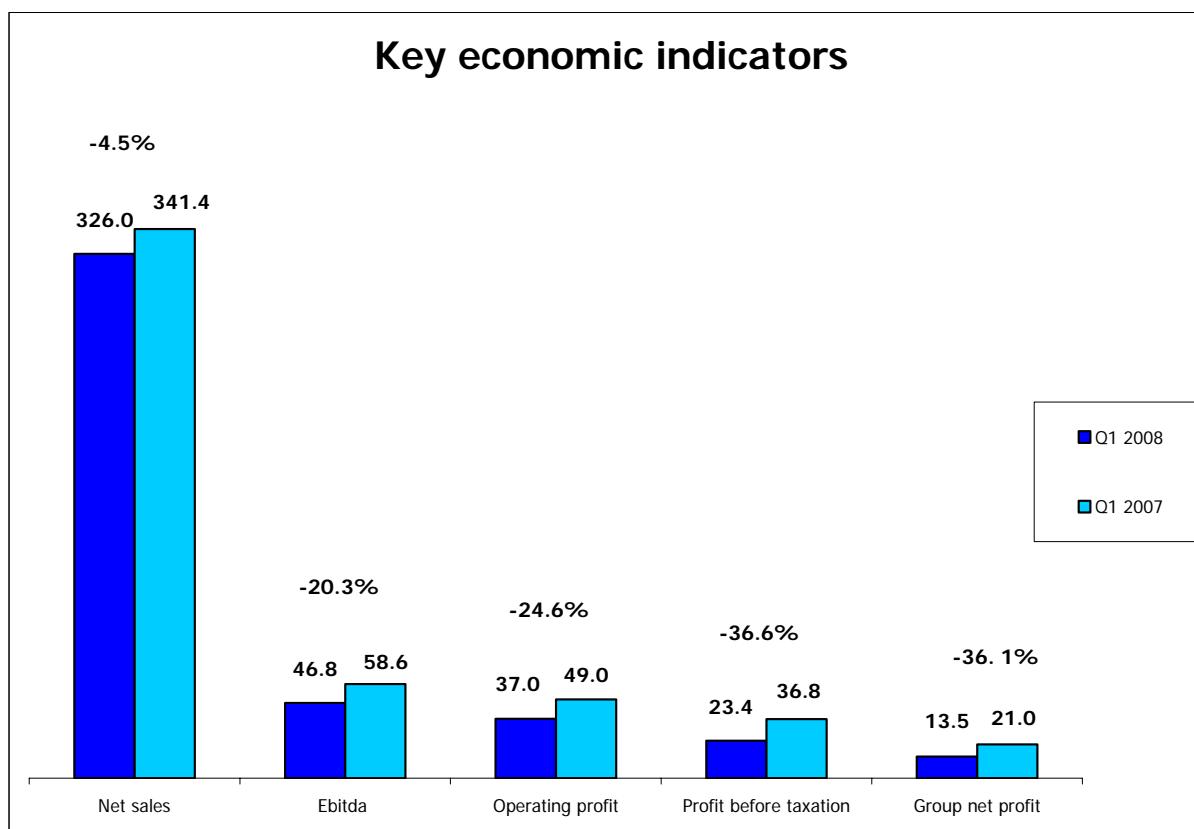
| Economic data (Euro in millions) | Q1 2008 | % | Q1 2007 | % |
|----------------------------------|---------|-------|---------|-------|
| Net sales | 326.0 | 100.0 | 341.4 | 100.0 |
| Cost of sales | (133.1) | 40.8 | (136.8) | 40.1 |
| Gross profit | 192.9 | 59.2 | 204.6 | 59.9 |
| Ebitda | 46.8 | 14.3 | 58.6 | 17.2 |
| Operating profit | 37.0 | 11.3 | 49.0 | 14.4 |
| Profit before taxation | 23.4 | 7.2 | 36.8 | 10.8 |
| Group net profit | 13.5 | 4.1 | 21.0 | 6.2 |

| Balance sheet data (Euro in millions) | March 31, 2008 | % | December 31, 2007 | % |
|---------------------------------------|----------------|-------|-------------------|-------|
| Total assets | 1,374.5 | 100.0 | 1,370.1 | 100.0 |
| Non-current assets | 692.0 | 50.3 | 675.6 | 49.3 |
| Net working capital | 436.7 | 31.8 | 395.7 | 28.9 |
| Net financial position | (560.0) | 40.7 | (522.8) | 38.2 |
| Group shareholders' equity | 390.3 | 28.4 | 398.9 | 29.1 |

| Financial data (Euro in millions) | Q1 2008 | Q1 2007 |
|---------------------------------------|---------|---------|
| Cash flow operating activities | (6.7) | (14.5) |
| Cash flow investing activities | (37.1) | (10.5) |
| Cash flow financing activities | 20.3 | 17.9 |
| Closing net cash and cash equivalents | (57.3) | (7.6) |

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.



Introduction

In the first quarter of 2008 the Group consolidated its presence in the wholesale sector by accelerating the development of the retail channel, thanks to two acquisitions concluded during the first few weeks of the year. Generally speaking, the Group's activity has advanced despite the difficult market situation, characterised by a reduced inclination towards the purchase of consumer products and by a strong devaluation of the US dollar (it has weakened by more than 14% against the Euro in the comparison with the average value of the first quarter of 2007) which have penalised results both in terms of revenues and profitability.

The project to expand industrial capacity through the construction of a new plant in the Far East continues. During the course of the second quarter of the year the temporary rented site will become operational and the training activities will begin for the personnel who will then be transferred to the Safilo plant as soon as construction has been concluded.

With regards to the retail channel, as previously mentioned, two retail chains were purchased, in Australia and Mexico, which include 77 stores and which can be added to the 11 new Solstice stores opened in the United States, bringing the total number of shops owned by the Group to 268.

The Group's consolidated revenues grew, at constant exchange rates, by 0.9% (-4.5% at current exchange rates) but saw the wholesale segment penalised by the challenging comparison with the strong growth of the first quarter of 2007. In the analysis by product type, the first quarter highlights, against a fall in the sale of sunglasses which is more dependant on the end consumers' inclination to buy, a persistent growth in the sale of prescription frames as confirmation of the appropriateness of the Group's sales proposal.

On the basis of the expected sales scenarios, the Group has adapted its production decisions in order to avoid building up excessive levels of inventory compared to the expected market demand. This has led to a more moderate use of the existing industrial structures, with the consequent lower absorption of fixed production costs.

The operating margin, which went from 14.4% in the first quarter of 2007 to 11.3% in 2008, was affected furthermore by a sales mix which favoured the geographical areas with lower profitability (such as the United States, penalised by the weak dollar) and by the greater burden of the costs of administrative and sales structures in a quarter of limited sales growth.

The Group's net financial position, although greater compared to the end of 2007 due to the normal seasonal nature of the working capital and above all to the acquisitions made at the beginning of the year, benefited from a clear improvement in the generation of operating cash flows.

Finally, with regards to the relations with the licensors, the licence agreement with the brand Stella McCartney, which contributed around 0.1% to the Group's turnover, will not be renewed, while the Group is focused instead on the possible advance renewal of licence agreements due to expire in the next three years.

Group economic results

| Consolidated statement of operations (Euro in millions) | % (*) | | % Change | |
|--|--------------|--------------|-------------|-------------|
| | Q1 2008 | Q1 2007 | | % (*) |
| Net sales | 326.0 | 341.4 | 100.0 | -4.5% |
| Cost of sales | (133.1) | (136.8) | (40.8) | (40.1) |
| Gross profit | 192.9 | 204.6 | 59.2 | 59.9 |
| Selling & marketing expenses | (122.0) | (123.6) | (37.4) | (36.2) |
| General & administrative expenses | (33.9) | (32.3) | (10.4) | (9.5) |
| Other operating income/(expenses), net | (0.0) | 0.3 | (0.0) | 0.1 |
| Operating profit | 37.0 | 49.0 | 11.3 | 14.4 |
| Interest expenses and other financial charges, net | (13.6) | (12.2) | (4.2) | (3.6) |
| Profit before taxation | 23.4 | 36.8 | 7.2 | 10.8 |
| Income taxes | (8.6) | (14.1) | (2.6) | (4.1) |
| Net profit | 14.8 | 22.7 | 4.5 | 6.6 |
| Net profit attributable to minority interests | 1.3 | 1.7 | 0.4 | 0.5 |
| Net profit attributable to the Group | 13.5 | 21.0 | 4.1 | 6.2 |
| EBITDA | 46.8 | 58.6 | 14.3 | 17.2 |

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

The Group's **net sales** for the first quarter of the year reached 326 million Euro, showing an increase of 0.9% at constant exchange rates but a decrease of 4.5% due to the devaluation of foreign currencies (in particular the American dollar). The negative trend in sales affected exclusively the wholesale sector, and in particular was concentrated in Europe where some countries felt the widespread uncertainty of our clients regarding the economic prospects in the respective markets. This is the case for Spain for example (showing around a 20% decrease as compared with a growth of about the same percentage for the same period of the previous year) and to a more contained extent Italy, the UK (penalised exclusively by the exchange rate) and in general the North European countries. Slightly positive growth was registered for the Central European countries with particularly good results in France.

Sales in local currency in the American continent continue to show strong growth although there is a reduction of the average price due to the tendency of the consumer to choose styles with a lower unit price. In the retail sector, since the shops exclusively sell sunglasses, the comparable sales remain substantially in line with 2007 with different tendencies in the two countries of the area in which the Group is present (negative in the USA and positive in Mexico).

In the Far East the growth in turnover in local currency of the first quarter was lower than the trend established over the last few years. The explanation for this resides in the weakness of the Japanese market (up till now still the most significant area) which has compensated for the usual strong growth in the emerging markets of the area, such as Korea and China, the latter which also in the first quarter of 2008 showed a growth of more than 55% as compared with the same period of the previous year.

| Net sales by geographical region (Euro in millions) | Q1 | | | | |
|--|--------------|--------------|--------------|--------------|-------------|
| | 2008 | % | 2007 | % | Change % |
| Europe | 167.0 | 51.2 | 172.5 | 50.6 | -3.2 |
| The Americas | 113.2 | 34.7 | 110.6 | 32.4 | +2.4 |
| Asia Pacific | 38.2 | 11.7 | 39.4 | 11.5 | -3.0 |
| Other | 7.6 | 2.4 | 18.8 | 5.5 | -59.4 |
| Total | 326.0 | 100.0 | 341.4 | 100.0 | -4.5 |

| Net sales by product (Euro in millions) | Q1 | | | | |
|--|--------------|--------------|--------------|--------------|-------------|
| | 2008 | % | 2007 | % | Variaz.% |
| Prescription frames | 118.4 | 36.3 | 118.5 | 34.8 | -0.1 |
| Sunglasses | 187.1 | 57.4 | 204.2 | 59.8 | -8.4 |
| Sport products | 14.6 | 4.5 | 13.5 | 3.9 | +7.8 |
| Other | 5.9 | 1.8 | 5.2 | 1.5 | +13.8 |
| Total | 326.0 | 100.0 | 341.4 | 100.0 | -4.5 |

As regards the typology of products, the first quarter was marked by greater difficulty in the sales of sunglasses which suffer, both in terms of volume and average selling price, from the greater caution in the approach to buying during periods of economic uncertainty.

The sales of prescription frames, at equal exchange rates, continue to show growth confirming the fact that customers' and end consumers' appreciation of the brands and collections distributed by the Group has remained unchanged.

The **gross profit** reached 192.9 million Euro, equal to 59.2% of sales, a slight decline in percentage compared to the same period of the previous year (in the first quarter of 2007 the 204.6 million Euro of gross profit corresponded to 59.9% of the turnover). The reasons for such a contraction in marginality reside in the strong impact of the exchange rate and in a minor absorption of production costs. In view of a possible prolongation of the market conditions with moderate growth it was considered opportune to maintain the inventory at lower levels than the previous quarters in order to minimise the risk of future obsolescence, even though this has led to the installed production capacity not being put to full use.

Furthermore, the first quarter of the year saw the continuation of the policy of focusing on the slower moving styles in order to bring forward the sales of production surplus with a below average profitability.

The **EBITDA** in the first quarter of the year was equal to 46.8 million Euro (equal to 14.3% of sales) compared to 58.6 million Euro registered in the first quarter of 2007 (equal to 17.2% of sales). The reduction of the operating profit is due mainly to the devaluation of the American dollar and to the lack of turnover growth at constant exchange rates. In addition to the already underlined effects regarding the gross profit, the following phenomena have been noted:

- lower profitability in the retail segment due to the lack of growth in comparable turnover in the Loop and Solstice chains.
- lower absorption of general costs in the wholesale segment despite the containment of the absolute value

of these expenses regarding the first quarter of 2007.

- greater impact of advertising and marketing costs that had already been planned to support own brands and new licensed brands.

The **net profit**, equal to 13.5 million Euro, is therefore showing a strong downturn compared to the first quarter of last year (when it reached 21.0 million Euro) due to the lower operative profitability and to the greater weight of financial costs further to the strong fluctuation of foreign currencies which has led to a greater impact on the negative exchange differences.

As expected the tax rate continues however to show a gradual improvement.

Analysis by distribution channel – Wholesale/Retail

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

| (Euro/000) | WHOLESALE | | | | RETAIL | | | |
|------------|-----------|---------|--------|----------|---------|---------|--------|----------|
| | Q1 2008 | Q1 2007 | Change | Change % | Q1 2008 | Q1 2007 | Change | Change % |
| Sales | 301.4 | 325.7 | -24.3 | -7.5% | 24.6 | 15.7 | 8.9 | 56.9% |
| Ebitda | 46.7 | 58.0 | -11.3 | -19.4% | 0.1 | 0.6 | -0.5 | -90.1% |
| % | 15.5% | 17.8% | | | 0.2% | 3.7% | | |

The Group's revenues in the wholesale segment resulted in a reduction of 7.5% as compared to last year mostly due to the exchange rate effect (net of the devaluation of foreign currencies, the decline would be reduced to 2.5% when compared to the first quarter of 2007). As already noted, this tendency can be explained by a geographic dynamic that is experiencing difficulty with sales in some European countries where a strong growth of revenues was registered in the same quarter in 2007.

The retail sector, however, is in strong growth mostly due to the acquisitions and to the new openings carried out in the year. At the end of March 2008 the total number of shops owned by the Group was 268 points of sale compared with 180 at the end of 2007 and 152 at the end of March 2007. In terms of comparable sales (with an equal number of shops) the retail segment has shown a slight downturn in the quarter.

In terms of profitability, the wholesale segment has been conditioned by the trend of sales and exchange rates, as better explained in previous paragraphs. The retail segment, which is showing a considerable decline in profitability, has strongly felt the impact of lower sales, not sufficient to compensate for the ordinary expenses in some points of sale, in particular the recently opened ones, which have a greater need for "traffic" within the shop in order to be able to compensate for the typical difficulties encountered in the start up of a new point of sale.

Balance sheet and financial situation

| Condensed balance sheet (Euro in millions) | March 31, 2008 | December 31, 2007 | Change |
|---|-------------------|----------------------|---------------|
| Cash in hand and at bank | 43.3 | 48.7 | (5.4) |
| Trade receivables, net | 345.7 | 315.8 | 29.9 |
| Inventories | 258.7 | 274.3 | (15.6) |
| Other current assets | 34.8 | 55.7 | (20.9) |
| Total current assets | 682.5 | 694.5 | (12.0) |
| Property, plant and equipment | 204.3 | 201.9 | 2.4 |
| Intangible fixed assets | 22.3 | 23.4 | (1.1) |
| Goodwill | 369.0 | 357.8 | 11.2 |
| Other non-current assets | 96.4 | 92.5 | 3.9 |
| Total non-current assets | 692.0 | 675.6 | 16.4 |
| Total assets | 1,374.5 | 1,370.1 | 4.4 |
| Short-term borrowings | 169.6 | 161.7 | 7.9 |
| Trade payables | 167.7 | 194.3 | (26.6) |
| Other current liabilities | 130.9 | 130.8 | 0.1 |
| Total current liabilities | 468.2 | 486.8 | (18.6) |
| Long-term borrowings | 433.7 | 409.8 | 23.9 |
| Employee benefit liability | 39.4 | 37.8 | 1.6 |
| Other non-current liabilities | 37.0 | 31.9 | 5.1 |
| Total non-current liabilities | 510.1 | 479.5 | 30.6 |
| Group shareholders' equity | 390.3 | 398.9 | (8.6) |
| Minority interests | 6.0 | 4.9 | 1.1 |
| Total liabilities and shareholders' equity | 1,374.5 | 1,370.1 | 4.4 |

Financial situation

The main items of the statement of cash flow and net financial position as at 31st, March 2008 compared with the relative values of the previous year.

| Free cash flow <i>(Euro in millions)</i> | Q1 2008 | Q1 2007 | Change |
|--|----------------|----------------|---------------|
| Cash flow operating activities | (6.7) | (14.5) | 7.8 |
| Cash flow investing activities | (37.1) | (10.5) | (26.6) |
| Free cash flow | (43.8) | (25.0) | (18.8) |

The management of the free cash flow in the first quarter of 2008 has led to the Group running into further debt due to the acquisition of the retail chains in Mexico and Australia over the course of the first weeks of the year leading to a net outlay of 26.7 million Euro.

As regards the management of the operating cash, there has been an improvement compared to 2007, despite the strong reduction of the net profit, thanks to a more efficient management of the working capital.

The capital expenditure is mostly stable.

Net working capital

The value of the net working capital related to the commercial activity has increased by 2.3 million Euro with respect to March 31st, 2007, slightly improving its impact on the year's turnover. The greater impact with respect to the end of the previous year is derived exclusively from the seasonality of sales.

| Net working capital <i>(Euro in millions)</i> | March 31, 2008 | March 31, 2007 | Change mar '08 - mar '07 | December 31, 2007 |
|---|---------------------------------|---------------------------------|---|------------------------------------|
| Trade receivables, net | 345.7 | 370.0 | (24.3) | 315.8 |
| Inventories | 258.7 | 273.5 | (14.8) | 274.3 |
| Trade payables | (167.7) | (209.1) | 41.4 | (194.3) |
| Net working capital | 436.7 | 434.4 | 2.3 | 395.7 |
| <i>% net sales</i> | <i>37.2%</i> | <i>37.4%</i> | | <i>33.2%</i> |

The net working capital has been influenced by the following dynamics:

- smaller amount of trade receivables against a drop in the turnover of the quarter compared to the same period of the previous year;
- large reduction of the inventory as a result of the policies made to improve the sales forecasts and minimise the potentially slow moving stock;

- large reduction of trade payables, which actually happened over the course of 2007, further to the payment of suppliers that had contributed to increasing the inventory at the end of 2006.

Investments in property, plant and equipment and intangible fixed assets

The investments in tangible and intangible fixed assets carried out by the Group amount to 9.9 million Euro against 10.1 million for the same period of the previous year and are divided as follows:

| <i>(Euro in millions)</i> | Q1 2008 | Q1 2007 | Change |
|---------------------------|------------|-------------|--------------|
| Padua headquarters | 1.0 | 1.0 | - |
| Production facilities | 4.4 | 3.8 | 0.6 |
| Europe | 0.8 | 0.8 | - |
| The Americas | 3.6 | 4.1 | (0.5) |
| Asia Pacific | 0.1 | 0.4 | (0.3) |
| Total | 9.9 | 10.1 | (0.2) |

The investments relating to the Group's production plants were carried out in the new Chinese industrial site for 1.5 million Euro and for the remaining part were destined to the normal renovation and improvement of the plants, machinery and equipment of the factories situated in Italy and Slovenia.

The investments in America and Europe are mainly relative to the retail area and are destined to the opening of new shops and to the restructuring of already existing ones.

Net financial position

| <i>(Euro in millions)</i> | March 31, 2008 | December 31, 2007 | Change |
|---|-------------------|----------------------|---------------|
| Current portion of long-term borrowings | (30.1) | (34.5) | 4.4 |
| Bank overdrafts and short-term borrowings | (100.6) | (85.4) | (15.2) |
| Other short-term borrowings | (38.9) | (41.8) | 2.9 |
| Cash and cash equivalents | 43.3 | 48.7 | (5.4) |
| Short-term net financial position | (126.3) | (113.0) | (13.3) |
| Long-term borrowings | (433.7) | (409.8) | (23.9) |
| Long-term net financial position | (433.7) | (409.8) | (23.9) |
| Net financial position | (560.0) | (522.8) | (37.2) |

The Group's net financial position has increased when compared to the end of 2007 due to the impact of the acquisitions concluded at the beginning of the year and the normal seasonality of the working capital, going from 522.8 million Euro in December 2007 to 560 million Euro at the end of the first quarter of this year. It is nevertheless important to observe that the total debt, despite the aforementioned acquisitions, remains lower than the total net debt at the end of the first quarter of 2007, which was equal to 563.4 million Euro. There are no substantial changes to the timeframe of the total debt.

Reconciliation of the parent company's shareholders' equity and net profit with the consolidated balances

| <i>(Euro in millions)</i> | Equity as of March 31, 2008 | Net profit/(loss) Q1 2008 | Equity as of December 31, 2007 |
|--|--------------------------------|------------------------------|--------------------------------------|
| Balances per Safilo S.p.A. statutory financial statements | 445.6 | (4.8) | 451.7 |
| Shareholders' equity of consolidated companies | 998.1 | 22.3 | 968.7 |
| Elimination of the book value of consolidated subsidiaries | (1,362.8) | - | (1,324.6) |
| Goodwill | 327.4 | (0.0) | 319.1 |
| Fair value attributable to property, plant and equipment | 10.9 | (0.1) | 11.0 |
| Elimination of dividends paid within the Group | - | (3.0) | - |
| Elimination of intercompany gains within the Group | (12.5) | 0.4 | (12.9) |
| Elimination of intercompany profit included in inventory | (14.7) | 0.7 | (16.6) |
| Investments in associates - equity method | 6.2 | 0.0 | 6.6 |
| Other consolidation entries | (1.9) | (0.6) | 0.8 |
| Total shareholders' equity | 396.3 | 14.8 | 403.8 |
| Shareholders' equity attributable to minority shareholders | 6.0 | 1.3 | 4.9 |
| Shareholders' equity attributable to the Group | 390.3 | 13.5 | 398.9 |

Personnel

Group personnel as at March 31st, 2008, December 31st, 2007 and March 31st, 2007 is shown in the following table:

| | March 31, 2008 | December 31, 2007 | March 31, 2007 |
|-----------------------|----------------|-------------------|----------------|
| Padua headquarters | 868 | 846 | 861 |
| Production facilities | 4,658 | 4,722 | 4,872 |
| Commercial companies | 1,412 | 1,170 | 1,146 |
| Retail | 1,742 | 1,258 | 854 |
| Total | 8,680 | 7,996 | 7,733 |

Compared with December 31st, 2007 the workforce has increased by 684 units, mostly due to the new acquisitions in the retail sector.

Significant events after March 31st, 2008

In the period subsequent to March 31st, 2008 there were no events that can be considered to have significantly affected the data contained in this report.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

| <i>(Euro/000)</i> | <i>Note</i> | March 31, 2008 | December 31, 2007 |
|-------------------------------------|-------------|------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash in hand and at bank | <i>2.1</i> | 43,268 | 48,713 |
| Trade receivables, net | <i>2.2</i> | 345,664 | 315,792 |
| Inventory, net | <i>2.3</i> | 258,717 | 274,283 |
| Derivative financial instruments | <i>2.4</i> | 816 | 271 |
| Other current assets | <i>2.5</i> | 34,061 | 55,448 |
| Total current assets | | 682,526 | 694,507 |
| Non-current assets | | | |
| Property, plant and equipment, net | <i>2.6</i> | 204,310 | 201,858 |
| Intangible assets | <i>2.7</i> | 22,255 | 23,430 |
| Goodwill | <i>2.8</i> | 368,966 | 357,765 |
| Investments in associates | <i>2.9</i> | 11,507 | 12,279 |
| Financial assets available-for-sale | <i>2.10</i> | 1,820 | 2,443 |
| Deferred tax assets | <i>2.11</i> | 54,625 | 50,793 |
| Derivative financial instruments | <i>2.4</i> | 1,041 | 1,608 |
| Other non-current assets | <i>2.12</i> | 27,466 | 25,388 |
| Total non-current assets | | 691,990 | 675,564 |
| Total assets | | 1,374,516 | 1,370,071 |

| <i>(Euro/000)</i> | <i>Note</i> | March 31, 2008 | December 31, 2007 |
|---|-------------|------------------|-------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term borrowings | <i>2.13</i> | 169,552 | 161,709 |
| Trade payables | <i>2.14</i> | 167,739 | 194,336 |
| Tax payables | <i>2.15</i> | 26,110 | 20,535 |
| Other current liabilities | <i>2.16</i> | 104,005 | 109,447 |
| Provisions for risks and charges | <i>2.17</i> | 788 | 803 |
| Total current liabilities | | 468,194 | 486,830 |
| Non-current liabilities | | | |
| Long-term borrowings | <i>2.13</i> | 433,737 | 409,827 |
| Employee benefit liability | <i>2.18</i> | 39,350 | 37,768 |
| Provisions for risks and charges | <i>2.17</i> | 13,016 | 12,789 |
| Deferred tax liabilities | <i>2.11</i> | 14,226 | 11,080 |
| Derivative financial instruments | <i>2.4</i> | 1,311 | 359 |
| Other non-current liabilities | <i>2.19</i> | 8,416 | 7,643 |
| Total non-current liabilities | | 510,056 | 479,466 |
| Total liabilities | | 978,250 | 966,296 |
| Shareholders' equity | | | |
| Share capital | <i>2.20</i> | 35,000 | 35,000 |
| Share premium reserve | <i>2.21</i> | 2,305 | 2,305 |
| Retained earnings and other reserves | <i>2.22</i> | 341,116 | 308,563 |
| Fair value and cash flow reserves | <i>2.23</i> | (1,615) | (280) |
| Income attributable to the Group | | 13,460 | 53,267 |
| Total shareholders' equity attributable to the Group | | 390,266 | 398,855 |
| Minority interests | | 6,000 | 4,920 |
| Total shareholders' equity | | 396,266 | 403,775 |
| Total liabilities and shareholders' equity | | 1,374,516 | 1,370,071 |

Consolidated statement of operations

| <i>(Euro/000)</i> | <i>Note</i> | Q1 2008 | Q1 2007 |
|--|-------------|----------------|----------------|
| Net sales | <i>3.1</i> | 326,020 | 341,395 |
| Cost of sales | <i>3.2</i> | (133,080) | (136,833) |
| Gross profit | | 192,940 | 204,562 |
| Selling and marketing expenses | <i>3.3</i> | (122,021) | (123,630) |
| General and administrative expenses | <i>3.4</i> | (33,923) | (32,175) |
| Other op. income/(expenses), net | <i>3.5</i> | (35) | 278 |
| Operating profit | | 36,961 | 49,035 |
| Share of income/(loss) of associates | <i>3.6</i> | 38 | 39 |
| Interest expenses and other financial charges, net | <i>3.7</i> | (13,636) | (12,245) |
| Profit before taxation | | 23,363 | 36,829 |
| Income taxes | <i>3.8</i> | (8,585) | (14,107) |
| Net profit | | 14,778 | 22,722 |
| Net profit attributable to minority interests | | 1,318 | 1,654 |
| Net profit attributable to the Group | | 13,460 | 21,068 |

Consolidated statement of cash flow

| <i>(Euro/000)</i> | Q1 2008 | Q1 2007 |
|--|-----------------|-----------------|
| A - Opening net cash and cash equivalents (net financial indebtedness - short term) | (36,638) | (801) |
| B - Cash flow from (for) operating activities | | |
| Net profit for the period (including minority interests) | 14,778 | 22,722 |
| Depreciation and amortization | 9,812 | 9,632 |
| Stock option | 139 | 139 |
| Share income/(loss) on equity investments | (38) | (39) |
| Net movements in the employee benefit liability | 1,586 | 821 |
| Net movements in other provisions | 244 | 79 |
| Interest expenses, net | 10,373 | 9,510 |
| Income tax expenses | 8,585 | 14,107 |
| Income from operating activities prior to movements in working capital | 45,479 | 56,971 |
| (Increase) Decrease in trade receivables and other current receivables | (23,036) | (38,703) |
| (Increase) Decrease in inventory, net | 11,518 | (3,007) |
| Increase (Decrease) in trade payables and other current payables | (28,313) | (21,677) |
| Interest expenses paid | (4,463) | (3,382) |
| Income tax paid | (7,865) | (4,705) |
| Total (B) | (6,680) | (14,503) |
| C - Cash flow from (for) investing activities | | |
| Purchase of property, plant and equipment (net of disposals) | (9,801) | (9,091) |
| Acquisition of subsidiaries (net of cash acquired) | (26,671) | - |
| Disposal of investments and bonds | (21) | - |
| Purchase of intangible assets | (588) | (1,417) |
| Total (C) | (37,081) | (10,508) |
| D - Cash flow from (for) financing activities | | |
| Proceeds from borrowings | 28,179 | 18,325 |
| Reimbursement of loan given to parent company | 14,000 | - |
| Repayment of borrowings | (6,882) | (300) |
| Dividends paid | (15,030) | (103) |
| Total (D) | 20,267 | 17,922 |
| E - Cash flow for the period (B+C+D) | (23,494) | (7,089) |
| Translation exchange difference | 2,834 | 254 |
| Total (F) | 2,834 | 254 |
| G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F) | (57,298) | (7,636) |

Consolidated statement of recognised profit and loss

| <i>(Euro/000)</i> | <i>Note</i> | Q1 2008 | Q1 2007 |
|---|-------------|-----------------|----------------|
| Profit (loss) attributable to the cash flow reserve | <i>2.23</i> | (692) | 912 |
| Profit (loss) attributable to the fair value reserve | <i>2.23</i> | (643) | 284 |
| Profit (loss) attributable to the conversion fund | <i>2.22</i> | (20,868) | (3,576) |
| Profit (loss) attributable to shareholders' equity | <i>2.22</i> | (229) | 217 |
| Total profit/(loss) attributable to shareholders' equity | | (22,432) | (2,163) |
| Net profit for the period | | 14,778 | 22,722 |
| Total recognized profit for the period | | (7,654) | 20,559 |
| Attributable to: | | | |
| Group | | (8,729) | 18,845 |
| Minority interests | | 1,075 | 1,714 |
| Total recognized profit for the period | | (7,654) | 20,559 |

Statement of changes in shareholders' equity

First quarter 2007

| <i>(Euro/000)</i> | Share capital | Share premium reserve | Shareholders' stock account payment | Treasury shares | Translation difference | Fair value and cash flow reserves | Change in consolidation scope | Retained earnings | Net profit | Total equity |
|--|---------------|-----------------------|-------------------------------------|-----------------|------------------------|-----------------------------------|-------------------------------|-------------------|---------------|----------------|
| Group shareholders' equity at January 1, 2007 | 35,000 | 53,350 | 299,523 | (80,988) | (12,265) | 1,859 | 294 | 57,522 | 37,642 | 391,937 |
| Previous year's profit allocation | - | - | - | - | - | - | - | 37,642 | (37,642) | - |
| Changes in other reserves | - | - | - | - | (3,545) | 217 | - | 128 | - | (3,200) |
| Net profit for the period | - | - | - | - | - | - | - | - | 21,068 | 21,068 |
| Group shareholders' equity at March 31, 2007 | 35,000 | 53,350 | 299,523 | (80,988) | (15,810) | 2,076 | 294 | 95,292 | 21,068 | 409,805 |
| Minority interests at January 1, 2007 | - | - | - | - | (2) | - | (294) | 2,339 | 3,346 | 5,389 |
| Previous year's profit allocation | - | - | - | - | - | - | - | 3,346 | (3,346) | - |
| Retained earnings | - | - | - | - | - | - | - | 91 | - | 91 |
| Dividends distribution | - | - | - | - | (30) | - | - | (103) | - | (133) |
| Net profit for the period | - | - | - | - | - | - | - | - | 1,654 | 1,654 |
| Minority interests at March 31, 2007 | - | - | - | - | (32) | - | (294) | 5,673 | 1,654 | 7,001 |
| Consolidated net equity at March 31, 2007 | 35,000 | 53,350 | 299,523 | (80,988) | (15,842) | 2,076 | - | 100,965 | 22,722 | 416,806 |

First quarter 2008

| <i>(Euro/000)</i> | Share capital | Share premium reserve | Shareholders' stock account payment | Treasury shares | Translation difference | Fair value and cash flow reserves | Retained earnings | Net profit | Total equity |
|--|---------------|-----------------------|-------------------------------------|-----------------|------------------------|-----------------------------------|-------------------|---------------|----------------|
| Group shareholders' equity at January 1, 2008 | 35,000 | 2,305 | 299,523 | (80,988) | (40,347) | (280) | 130,375 | 53,267 | 398,855 |
| Previous year's profit allocation | - | - | - | - | - | - | 53,267 | (53,267) | - |
| Retained earnings | - | - | - | - | (20,646) | (1,335) | (68) | - | (22,049) |
| Dividends distribution | - | - | - | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | - | - | 13,460 | 13,460 |
| Group shareholders' equity at March 31, 2008 | 35,000 | 2,305 | 299,523 | (80,988) | (60,993) | (1,615) | 183,574 | 13,460 | 390,266 |
| Minority interests at January 1, 2008 | - | - | - | - | (147) | - | 1,542 | 3,525 | 4,920 |
| Previous year's profit allocation | - | - | - | - | - | - | 3,525 | (3,525) | - |
| Retained earnings | - | - | - | - | (222) | - | 431 | - | 209 |
| Dividend distribution | - | - | - | - | - | - | (447) | - | (447) |
| Net profit for the period | - | - | - | - | - | - | - | 1,318 | 1,318 |
| Minority interests at March 31, 2008 | - | - | - | - | (369) | - | 5,051 | 1,318 | 6,000 |
| Consolidated net equity at March 31, 2008 | 35,000 | 2,305 | 299,523 | (80,988) | (61,362) | (1,615) | 188,625 | 14,778 | 396,266 |

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, 2008 to March 31st, 2008. Economic and financial information is provided with reference to the first three months of 2008 and 2007, whilst balance sheet information is provided with reference to March 31st, 2008 and December 31st, 2007.

The consolidated financial information reported for the period ended March 31st, 2008 has been prepared in accordance with the IFRS issued by the *International Accounting Standards Board* and approved by the European Commission as of March 31st, 2008. In particular, this interim financial report has been prepared in accordance with IAS 34 – *Interim Financial Reporting*.

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 31st, 2007.

The date of approval of these consolidated financial statements by the Board of Directors is May 6th, 2008.

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 S.p.A., are the following:

| | Value | Share capital | Quota held % |
|--|-------|---------------|--------------|
| ITALIAN COMPANIES | | | |
| 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) – Padua | 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.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. - Paris (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 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 Company Limited- Shenzhen (RC) | CNY | 2,481,000 | 51.0 |
| Safilo Eyewear (Shenzhen) Company Limited - (RC) | USD | 700,000 | 51.0 |
| Safilo Eyewear (Suzhou) Industries Limited - (RC) | USD | 3,000,000 | 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 | 3,383 | 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 - Mumbai (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 | 900,000 | 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 Spectacles 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. - 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 |
| 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 |
| Tide Ti S.A. de CV - 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 |

1.3 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:

| | As of | As of | Average for the 3 months ended | |
|------------------|----------------|----------------|--------------------------------|------------|
| | March 31, 2008 | March 31, 2007 | Q1 2008 | Q1 2007 |
| USD | 1.5812 | 1.3318 | 1.4976 | 1.3106 |
| HKD | 12.3075 | 10.4070 | 11.6737 | 10.2334 |
| CHF | 1.5738 | 1.6247 | 1.6014 | 1.6162 |
| CAD | 1.6226 | 1.5366 | 1.5022 | 1.5357 |
| JPY | 157.3700 | 157.3200 | 157.7987 | 156.4322 |
| GBP | 0.7958 | 0.6798 | 0.7570 | 0.6706 |
| SEK | 9.3970 | 9.3462 | 9.3996 | 9.1894 |
| AUD | 1.7334 | 1.6484 | 1.6533 | 1.6671 |
| ZAR | 12.8118 | 9.7005 | 11.2736 | 9.4919 |
| SIT ¹ | - | - | - | - |
| BRL | 2.7554 | 2.7158 | 2.5851 | 2.7633 |
| IND | 63.3037 | 58.0066 | 59.6098 | 57.8585 |
| SGD | 2.1819 | 2.0204 | 2.1107 | 2.0073 |
| MYR | 5.0575 | 4.6047 | 4.8325 | 4.5842 |
| CNY | 11.0874 | 10.2951 | 10.7268 | 10.1688 |
| KRW | 1,566.9700 | 1,253.0200 | 1,430.8415 | 1,230.7847 |
| MXP | 16.8983 | n/a | 16.1862 | 1,214.6900 |

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.

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.

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|--------------------------|----------------|-------------------|
| Cash in hand and at bank | 43,268 | 48,713 |
| Total | 43,268 | 48,713 |

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

| <i>(Euro/000)</i> | March 31, 2008 | March 31, 2007 |
|--------------------------|-----------------|----------------|
| Cash in hand and at bank | 43,268 | 46,321 |
| Bank overdrafts | (100,566) | (53,957) |
| Total | (57,298) | (7,636) |

2.2 Trade receivables, net

This account is comprised as follows:

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|---------------------------------|----------------|-------------------|
| Gross value | 365,969 | 335,329 |
| Allowance for doubtful accounts | (20,305) | (19,537) |
| Net value | 345,664 | 315,792 |

Net trade receivables increased mainly as a result of the seasonality of the business; 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 comprised as follows:

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|----------------------------|----------------|-------------------|
| Raw materials | 39,550 | 49,176 |
| Work-in-progress | 6,894 | 7,313 |
| Finished products | 236,897 | 243,737 |
| Gross | 283,341 | 300,226 |
| Obsolescence provision (-) | (24,624) | (25,943) |
| Total | 258,717 | 274,283 |

Raw materials inventory decreased when compared to December 31st 2007 in expectation of lower production levels compared to the previous financial year.

Finished product inventory levels decreased compared to the end of 2007, despite the first quarter of this year usually requires higher stocks. This inventory reduction is explained by slight increase in forecast turnover and the will of minimizing the risk of obsolescence in the future.

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:

| <i>(Euro/000)</i> | Balance at January 1, 2008 | Posted to income statement | Transl. diff. | Balance at March 31, 2008 |
|------------------------|----------------------------|----------------------------|---------------|---------------------------|
| Obsolescence provision | 25,943 | (603) | (716) | 24,624 |
| Total | 25,943 | (603) | (716) | 24,624 |

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, 2008 | December 31, 2007 |
|---|----------------|-------------------|
| Current assets: | | |
| - Foreign currency contracts - at fair value through P&L | 251 | 271 |
| - Foreign currency contracts - at fair value through shareholders' equity | 565 | - |
| - Interest rate swaps - cash flow hedge | - | - |
| Total | 816 | 271 |
| Non-current assets: | | |
| - Interest rate swaps - cash flow hedge | 359 | 926 |
| - Options | 682 | 682 |
| Total | 1,041 | 1,608 |
| Non-current liabilities: | | |
| - Interest rate swaps - cash flow hedge | 1,311 | 359 |
| - Interest rate swaps - at fair value through P&L | - | - |
| Total | 1,311 | 359 |

A summary of the characteristics and the fair value of the derivative contracts in force at March 31st, 2008 and December 31st, 2007 is shown below:

| Foreign currency contracts | March 31, 2008 | | December 31, 2007 | |
|----------------------------|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| | Contractual value <i>(USD/000)</i> | Fair value <i>(Euro/000)</i> | Contractual value <i>(USD/000)</i> | Fair value <i>(Euro/000)</i> |
| Expiry year 2008 | - | - | - | 1,150 |
| Expiry year 2008 | 14,000 | 816 | 18,000 | - |
| Total | 14,000 | 816 | 1,150 | 271 |

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

The characteristics and the fair value of interest rate swap contracts in force at March 31st, 2008 and December 31st, 2007 are summarized in the following table:

| Interest rate swaps <i>(Euro/000)</i> | March 31, 2008 | | December 31, 2007 | |
|--|-------------------|--------------|-------------------|------------|
| | Contractual value | Fair value | Contractual value | Fair value |
| Expiry year 2010 | 25,000 | (319) | 25,000 | (96) |
| Expiry year 2011 | 134,784 | (633) | 100,000 | 663 |
| Total | 159,784 | (952) | 125,000 | 567 |

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 682 thousand.

2.5 Other current assets

This account is comprised as follows:

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Receivables from the holding company Safilo Group S.p.A. | 41 | 14,000 |
| VAT receivable | 6,393 | 3,539 |
| Tax credits and payments on account | 6,080 | 9,054 |
| Prepayments and accrued income | 14,325 | 6,658 |
| Receivables from agents | 259 | 1,018 |
| Other current receivables | 6,963 | 21,179 |
| Total | 34,061 | 55,448 |

On September 15th, 2006, the holding company Safilo Group S.p.A. stipulated a facility agreement with its subsidiary Safilo S.p.A. bearing interest at the 3-months Euribor rate, plus a spread of 0.10% on an annual basis. At December 31st, 2007, the account receivables towards the holding company Safilo Group S.p.A. included a total amount of 14,000 thousand Euro with regard to the aforementioned loan, that has been fully reimbursed during the first quarter of this year.

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 March 31st, 2008 include:

- prepaid advertising costs of Euro 5,795 thousand;
- prepaid insurance premiums of Euro 717 thousand;
- prepaaid costs for royalties of Euro 2,174 thousand;
- prepaid rent and operating leases of Euro 1,359 thousand;
- prepaid costs incurred for the "Revolving Facility" loan of Euro 1,128 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 the account “other current receivables” as of March 31st, 2008 mainly derives from the offsetting of the advance payment made in the previous year on 2008 royalties with the trade payables for royalties matured during the first quarter of 2008. 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

| <i>(Euro/000)</i> | Balance at January 1, 2008 | Increase | Decrease | Reclass. | New acquisition | Transl. diff. | Balance at March 31, 2008 |
|---------------------------------|----------------------------------|---------------|--------------|----------------|--------------------|----------------|---------------------------------|
| Gross value | | | | | | | |
| Land and buildings | 116,050 | 1,589 | (111) | - | 1,039 | (353) | 118,214 |
| Plant and machinery | 165,889 | 1,119 | (8) | - | - | (262) | 166,738 |
| Equipment and other assets | 161,006 | 6,067 | (51) | - | 4,950 | (3,623) | 168,349 |
| Assets under constructions | 6,288 | 1,855 | - | (1,248) | - | (53) | 6,842 |
| Total | 449,233 | 10,630 | (170) | (1,248) | 5,989 | (4,291) | 460,143 |
| Accumulated depreciation | | | | | | | |
| Land and buildings | 30,558 | 892 | - | - | 259 | (107) | 31,602 |
| Plant and machinery | 107,009 | 2,897 | (8) | - | - | (122) | 109,776 |
| Equipment and other assets | 109,808 | 4,569 | (42) | - | 1,754 | (1,634) | 114,455 |
| Total | 247,375 | 8,358 | (50) | - | 2,013 | (1,863) | 255,833 |
| Net book value | 201,858 | 2,272 | (120) | (1,248) | 3,976 | (2,428) | 204,310 |

The investments in property, plant and equipment during the first three months of 2008 amount to Euro 9,382 thousand (in line with the first three months of the previous year) and relate:

- for Euro 4,139 thousand mainly to the substitution of obsolete machinery and the acquisition or internal production of machinery and equipment relating to new models in the production sites of the Group (Euro 1,476 thousand related to the new facility in China);
- for Euro 3,074 thousand to the new openings of the retail chain;
- for Euro 800 thousand to the headquarter in Padua;
- to capital expenditures in various Group subsidiaries for the difference.

2.7 Intangible assets

| <i>(Euro/000)</i> | Balance at January 1, 2008 | Increase | Decrease/write -down | New acquisitions | Transl. diff. | Balance at March 31, 2008 |
|---------------------------------|----------------------------------|--------------|-------------------------|---------------------|---------------|---------------------------------|
| Gross value | | | | | | |
| Software | 14,695 | 317 | - | 93 | (313) | 14,792 |
| Trademarks and licenses | 42,313 | 54 | - | 12 | (42) | 42,337 |
| Other intangible assets | 8,919 | 130 | - | - | (190) | 8,859 |
| Intangible assets in progress | 83 | 75 | - | - | - | 158 |
| Total | 66,010 | 576 | - | 105 | (545) | 66,146 |
| Accumulated depreciation | | | | | | |
| Software | 9,853 | 492 | - | 84 | (131) | 10,298 |
| Trademarks and licenses | 26,477 | 840 | - | - | (17) | 27,300 |
| Other intangible assets | 6,250 | 122 | - | - | (79) | 6,293 |
| Total | 42,580 | 1,454 | - | 84 | (227) | 43,891 |
| Net book value | 23,430 | (878) | - | 21 | (318) | 22,255 |

Amortization and depreciation expenses related to intangible assets and property, plant and equipment for the three months ended March 31st, 2008 and 2007 are divided into the following income statement as follows:

| <i>(Euro/000)</i> | <i>note</i> | Q1 2008 | Q1 2007 |
|----------------------------------|-------------|--------------|--------------|
| Cost of sales | 5.2 | 5,333 | 5,240 |
| Selling and marketing expenses | 5.3 | 1,059 | 1,026 |
| General and administrative costs | 5.4 | 3,420 | 3,366 |
| Total | | 9,812 | 9,632 |

2.8 Goodwill

| <i>(Euro/000)</i> | Balance at January 1, 2008 | Increase | Decrease | Transl. diff. | Balance at March 31, 2008 |
|-----------------------|----------------------------------|---------------|----------|-----------------|---------------------------------|
| Goodwill | 357,765 | 24,293 | - | (13,092) | 368,966 |
| Net book value | 357,765 | 24,293 | - | (13,092) | 368,966 |

The change compared to the end of 2007 relates to the translation differences occurred in the period and the acquisition of the retail chains Sunglass Island in Mexico and Just Spectacles in Australia.

In January 2008 Safilo Group acquired 60% of the company Ti.De.Ti located in Cancun (Mexico) for a total amount of about 15 million Euro.

The following table reports the total fair value of assets and liabilities acquired by the Group and the portion of them used for the computation of the goodwill arising from the acquisition:

| Assets and liabilities acquired (Euro/000) | Total fair value of assets and liabilities acquired | 60% fair value of assets and liabilities acquired |
|---|---|---|
| Trade receivables, net | 336 | 202 |
| Inventories | 4,614 | 2,768 |
| Other current assets | 830 | 498 |
| Property, plant and equipment, net | 1,466 | 880 |
| Other non-current assets | 647 | 388 |
| Trade payables | (3,600) | (2,160) |
| Tax payables | (109) | (65) |
| Other current liabilities | (98) | (59) |
| Bank borrowings | (1,182) | (709) |
| Total net assets | 2,904 | 1,743 |
| Goodwill | | 13,242 |
| Price paid | | 14,985 |

On January 31st, 2008 Safilo Group acquired the full property of the Australian companies Just Spectacles PTY Ltd, Just Spectacles Franchisor PTY Ltd, Just Spectacles Direct PTY and Just Protection Eyewear PTY Ltd con sede a Perth (Australia) for a total amount of approximately 12 million Euro.

| Assets and liabilities acquired (Euro/000) | Totale fair value of assets and liabilities acquired |
|--|---|
| Cash in hand and at banks | 1,136 |
| Trade receivables, net | 524 |
| Inventories | 1,067 |
| Other current assets | 529 |
| Property, plant and equipment and intangible fixed assets, net | 2,531 |
| Trade payables | (2,747) |
| Other current liabilities | (538) |
| Bank borrowings | (1,457) |
| Total net assets | 1,046 |
| Goodwill | 11,051 |
| Price paid | 12,097 |

The above transactions were accounted for according to the "acquisition method" and the difference between the purchase price and the fair value of the purchased net assets was entirely allocated to goodwill. In accordance with

the provisions of IFRS n. 3, paragraph 62, the initial value for the acquired entities was determined temporarily, therefore determining the fair value to assign to the assets, liabilities and potential liabilities in the acquired companies only on temporary basis. Should any need of rectifying these values arise, in accordance with paragraph 62 above, adjustments will be determined within twelve months from the date of acquisition.

Goodwill recorded by Safilo Group is entirely attributable to the excess income that is expected from distributing Group products through the retail chains and from the synergies that will result from the grouping.

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 first three months of 2008 were as follows:

| (Euro/000) | 31.12.2007 | | | Movements for the period | | | Value at March 31, 2008 |
|----------------|--------------|--------------------------|----------------------------|---|---------------|---------------|-------------------------|
| | Gross value | Revaluation/(write-down) | Value at December 31, 2007 | Share of results and write-down of divid. of assoc. comp. | Transl. diff. | | |
| TBR Inc. | 452 | 527 | 979 | 38 | (70) | 947 | |
| Elegance Ltd | 5,589 | 5,470 | 11,059 | - | (740) | 10,319 | |
| Optifashion As | 353 | (112) | 241 | - | - | 241 | |
| Total | 6,394 | 5,885 | 12,279 | 38 | (810) | 11,507 | |

The changes compared to December 31st, 2007 are mainly due to the net profits realized in the period and to translation differences.

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 current value, calculated with reference to official listed market prices at the reporting date, with a corresponding entry in the fair value reserve.

| (Euro/000) | Relationship | Value at March 31, 2008 | Value at December 31, 2007 |
|-----------------------|-------------------------|----------------------------|-------------------------------|
| Gruppo Banco Popolare | Other equity investment | 1,352 | 1,954 |
| Unicredit S.p.A. | Other equity investment | 122 | 164 |
| Others | Other equity investment | 346 | 325 |
| Total | | 1,820 | 2,443 |

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

| (Euro/000) | 31.12.2007 | | | Movements for the year | | |
|-----------------------|---------------|------------------------------|--------------|-------------------------|------------------------------|----------------------------|
| | Gross value | Revaluation/(write- down) | Net value | Increase/ (Decrease) | Revaluation/(write- down) | Value at March 31, 2008 |
| Gruppo Banco Popolare | 10,198 | (8,244) | 1,954 | - | (602) | 1,352 |
| Unicredit S.p.A. | 48 | 116 | 164 | - | (42) | 122 |
| Others | 43 | 282.00 | 325 | 21 | - | 346 |
| Total | 10,289 | (7,846) | 2,443 | 21 | (644) | 1,820 |

2.11 Deferred tax assets and deferred tax liabilities

| (Euro/000) | March 31, 2008 | December 31, 2007 |
|--------------------------|----------------|-------------------|
| Deferred tax assets | 54,625 | 50,793 |
| Deferred tax liabilities | (14,226) | (11,080) |
| Total, net | 40,399 | 39,713 |

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 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.

2.12 Other non-current assets

The account is comprised as follows:

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Receivables from the holding company Safilo Group S.p.A. | 16,959 | 16,759 |
| Other non-current assets | 10,507 | 8,629 |
| Total | 27,466 | 25,388 |

Receivables from the parent company Safilo Group S.p.A. refer primarily to the fiscal losses realized by Safilo S.p.A. during the financial years 2005 and 2006 and transferred to Safilo Group S.p.A. in accordance with the mechanism of the so-called "national tax consolidation".

At March 31st, 2008 the account balance "other non-current assets" amount to Euro 10,507 thousand and mainly refer:

- for Euro 3,592 thousand to the receivable relating to the quotas of employment benefit liability that the holding company Safilo S.p.A. has transferred to the Treasury Fund founded by the Italian Social Security Institution (INPS) further to the modifications introduced by the Finance Bill no. 296 of 2006;
- for Euro 3,090 thousand to receivables for guarantee deposits;
- for the remaining part to 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, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Short-term borrowings | | |
| Bank overdrafts | 5,302 | 2,395 |
| Short-term bank loans | 95,264 | 82,956 |
| Short-term portion of long-term bank loans | 30,125 | 34,516 |
| Short-term portion of financial leasing | 1,211 | 1,197 |
| Debt to the factoring company | 36,389 | 39,300 |
| Other short-term loans | 1,261 | 1,345 |
| Total | 169,552 | 161,709 |
| Long-term borrowings | | |
| Medium long-term loans | 423,704 | 400,567 |
| Payables for financial leasing | 9,368 | 8,595 |
| Other medium long-term loans | 665 | 665 |
| Total | 433,737 | 409,827 |
| Total borrowings | 603,289 | 571,536 |

The short-term portion of long-term bank loans includes for Euro 29,859 thousand the portion of the senior loan, stipulated at the end of June 2006, which is expiring by the end of this year, while the remaining part, for a total amount of Euro 266 thousand, refers to the short-term portion of other bank loans granted to some companies of the Group.

The long-term portion of the senior loan, equal to Euro 230,016 thousand, is included in the "Medium long-term loans". The loan above is structured as follows:

- 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%, expiring on December 31st, 2011. The margin currently applied equals 0,55%.

- 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 31st, 2008 for Euro 100 million and USD 20 million. Effective from July 1st 2007, the lenders have conceded a one-year extension of the Revolving Facility, the expiry date of which was originally dated December 31st, 2011.

The account "Medium long-term loans" also include the High Yield bond, equal to a nominal value of Euro 195 million.

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.

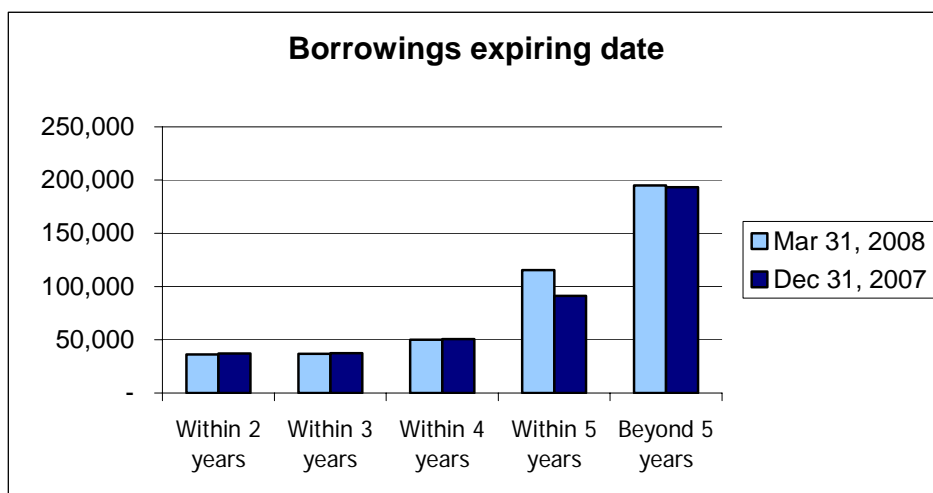
The payables for financial leases refer to property, plant and equipment acquired under leasing contracts by companies belonging to the Group. The average residual life of leasing contracts is 7 years. All leasing contracts at the interim balance sheet date are repayable through equal instalments and the contracts do not include any option for reviewing the original contract.

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 Euro 36,389 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, 2008 | December 31, 2007 |
|-------------------|----------------|-------------------|
| Within 2 years | 36,151 | 37,265 |
| Within 3 years | 36,807 | 37,423 |
| Within 4 years | 50,125 | 50,728 |
| Within 5 years | 115,555 | 91,237 |
| Beyond 5 years | 195,099 | 193,175 |
| Total | 433,737 | 409,827 |



Borrowings by currency are as follows:

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|-------------------------|----------------|-------------------|
| Short-term | | |
| Euro | 150,034 | 141,380 |
| US Dollars | 14,725 | 15,129 |
| Brasilian Real | 2,043 | 2,744 |
| Yen | 1,589 | 1,213 |
| Hong Kong Dollars | 1,161 | 1,245 |
| Total | 169,552 | 161,709 |
| Medium long-term | | |
| Euro | 359,369 | 343,588 |
| US Dollars | 74,368 | 66,239 |
| Total | 433,737 | 409,827 |
| Total borrowings | 603,289 | 571,536 |

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

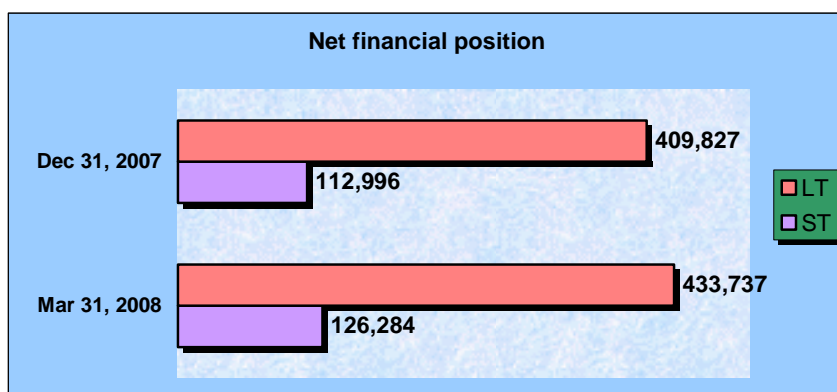
| <i>(Euro/000)</i> | Credit lines granted | Uses | Credit lines available |
|---|----------------------|----------------|------------------------|
| Credit lines on bank accounts and short-term bank loans | 234,911 | 98,374 | 136,537 |
| Credit lines on long-term bank loans | 353,359 | 266,008 | 87,351 |
| Total | 588,270 | 364,382 | 223,888 |

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. At this moment, all parameters have been met; 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 financiers, 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 net financial position as of March 31st, 2008 compared with the same as of December 31st, 2007 is the following:

| Net financial position <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 | Change |
|--|---------------------------|------------------------------|-----------------|
| Current portion of long-term borrowings | (30,125) | (34,516) | 4,391 |
| Bank overdrafts and short-t. bank borrowings | (100,566) | (85,351) | (15,215) |
| Other short-term borrowings | (38,861) | (41,842) | 2,981 |
| Cash and cash equivalents | 43,268 | 48,713 | (5,445) |
| Short-term net financial position | (126,284) | (112,996) | (13,288) |
| Long-term borrowings | (433,737) | (409,827) | (23,910) |
| Long-term net financial position | (433,737) | (409,827) | (23,910) |
| Net financial position | (560,021) | (522,823) | (37,198) |



Legend:

- LT= long-term.
- ST= short-term.

2.14 Trade payables

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|---|-----------------------|--------------------------|
| Payables to the holding company Safilo Group S.p.A. | 73 | 60 |
| Trade payables for: | | |
| Purchase of raw materials | 40,195 | 43,242 |
| Purchase of finished goods | 51,931 | 60,525 |
| Suppliers from subcontractors | 7,139 | 8,280 |
| Purchase of property, plant and equipment and intangible assets | 2,832 | 3,683 |
| Commissions | 7,241 | 5,933 |
| Royalties | 10,119 | 20,318 |
| Advertising and marketing costs | 22,774 | 24,346 |
| Services | 25,435 | 27,949 |
| Total | 167,739 | 194,336 |

2.15 Tax payables

Tax payables as of March 31st, 2008 amount to Euro 26,110 thousand compared to Euro 20,535 thousand as at December 31st, 2007 and relate for Euro 13,990 thousand to income taxes, for Euro 9,233 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

| <i>(Euro/000)</i> | March 31, 2008 | December 31, 2007 |
|--|----------------|-------------------|
| Payables to the holding company Safilo Group S.p.A. | 3,558 | 2,793 |
| Payables to personnel and social security institutions | 35,451 | 30,088 |
| Premiums to clients | 25,219 | 27,231 |
| Agent fee payables | 1,724 | 1,792 |
| Payables to pension funds | 278 | 880 |
| Accrued advertising and sponsorship costs | 633 | 484 |
| Accrued interests on long-term loans | 8,318 | 3,283 |
| Other accruals and deferred income | 2,131 | 3,519 |
| Payables for dividends | 21,915 | 36,726 |
| Other current liabilities | 4,778 | 2,651 |
| Total | 104,005 | 109,447 |

The debt towards the holding company Safilo Group S.p.A. refers for 2,288 thousand Euro for the account balance of the V.A.T. debt transferred to Safilo Group S.p.A. by virtue of the Group V.A.T. which Safilo Group S.p.A., Safilo S.p.A. and Smith Sport Optics S.r.l. in liquidation adhere to from January 1st, 2007.

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 "payables for dividends" relates to the dividends approved at the shareholders' Meetings and not yet paid at the interim balance sheet date.

2.17 Provisions for risks and charges

This account is comprised as follows:

| (Euro/000) | Balance at January 1, 2008 | Increase | Decrease | Transl. diff. | Balance at March 31, 2008 |
|--|----------------------------------|------------|--------------|---------------|---------------------------------|
| Product warranty provision | 4,463 | 315 | (263) | - | 4,515 |
| Agents' severance indemnity | 3,799 | 162 | - | - | 3,961 |
| Other provisions for risks and charges | 4,527 | 45 | - | (32) | 4,540 |
| Provisions for risks - long term | 12,789 | 522 | (263) | (32) | 13,016 |
| Provisions for risks - short term | 803 | 30 | (45) | - | 788 |
| Total | 13,592 | 552 | (308) | (32) | 13,804 |

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 agents' 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, 2008 | Posted to income statement | Actuarial differences | Use/ Payments | Transl. diff. | Balance at March 31, 2008 |
|---------------------------|----------------------------------|----------------------------------|--------------------------|------------------|---------------|---------------------------------|
| Defined contribution plan | 3,097 | 1,686 | - | (143) | - | 4,640 |
| Defined benefit plan | 34,671 | 147 | - | (124) | 16 | 34,710 |
| Total | 37,768 | 1,833 | - | (267) | 16 | 39,350 |

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 31st, 2008 amount to Euro 8,416 thousand and include liabilities deriving from existing contracts with licensors for the production and distribution of licensed products and the liability deriving

from the settlement agreement reached by an American subsidiary in relation to an action pending for the use of a patent.

2.20 Share capital

Safilo's capital stock as of March 31st, 2008 amounted to Euro 35,000 thousand and consisted of 35,000,000 ordinary shares having a nominal value of Euro 1 per share.

2.21 Share premium reserve

The share premium reserve amounts to Euro 2,305 thousand and refers to:

- the higher price paid by the parent company's shareholders above the nominal price, in relation to the decision to underwrite the share capital increase, approved in the Extraordinary shareholders' Meeting on April 30th, 2003;
- the higher price paid by the parent company's shareholders above the nominal value, in relation to underwriting the share capital increase, decided with the Extraordinary shareholders' Meeting on May 19th, 2004.

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, 2008 | Impact on equity | Impact on income statement | Balance at March 31, 2008 |
|--------------------|-------------------------------|---------------------|----------------------------------|------------------------------|
| Cash flow reserve | 393 | (691) | - | (298) |
| Fair value reserve | (673) | (644) | - | (1,317) |
| Total | (280) | (1,335) | - | (1,615) |

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 25th, 2003, the Extraordinary shareholders' Meeting 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 24th, 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 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 (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 Safilo Group and provides accruing option rights equal to $\frac{1}{4}$ 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.

It should be noted that the options relating to the Stock Option Plan 2003-2007 and 2004-2008 give the beneficiary the right to subscribe 4 shares at the average price of the financial period.

While, the Stock Option Plan 2006-2010 states that 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.

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 1st, 2004 for all the options issued after November 7th,

2002 but not matured ("vested") before January 1st, 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 listing of Safilo Group S.p.A. on the Italian Stock Market, exercised 50% of the rights in their possession.

In June 2007 the beneficiaries of the "2003 Plan" and several beneficiaries of the "2004 Plan" exercised 227,350 and 277,969 rights in their possession respectively. This led to the issue of 909,400 and 1,111,876 shares respectively on June 26th, 2007 for a total income for the holding company Safilo Group S.p.A. of a nominal value of 505,319 Euro and a share premium of 5,738,003 Euro.

As a result of the above exercise, the "2003 Plan" reached full completion and extinction whilst beneficiaries of the "2004 Plan" may exercise the remaining rights in their possession until September 20th, 2008.

The total of the costs allocated to the income statement in the first three months of 2008 and 2007 can be summarised as follows:

| <i>(Euro/000)</i> | Q1 2008 | Q1 2007 |
|-------------------|----------------|----------------|
| 2006 Plan | 139 | 139 |
| Total | 139 | 139 |

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 three months of 2008 compared to the same period of the previous year.

3.2 Cost of sales

This account is comprised as follows:

| <i>(Euro/000)</i> | Q1 | |
|---|----------------|----------------|
| | 2008 | 2007 |
| Purchase of raw materials and finished goods | 80,703 | 97,862 |
| Capitalisation of costs for increase in property, plant and equipment (-) | (2,301) | (2,510) |
| Change in inventories | 13,376 | (3,007) |
| Payroll and social security contributions | 28,033 | 27,962 |
| Subcontracting costs | 5,297 | 8,583 |
| Depreciation | 5,334 | 5,240 |
| Rental and operating leases | 248 | 201 |
| Other industrial costs | 2,390 | 2,502 |
| Total | 133,080 | 136,833 |

The decrease in the cost of materials and finished goods is partly due to the effect of the exchange rate, as most of finished products are bought in US dollars, and partly due to the Group strategy aimed at reducing the levels of inventory.

The change in inventories is broken down as follows:

| <i>(Euro/000)</i> | Q1 | |
|-------------------|---------------|----------------|
| | 2008 | 2007 |
| Finished products | 3,389 | (8,806) |
| Work-in-progress | 357 | (226) |
| Raw materials | 9,630 | 6,025 |
| Total | 13,376 | (3,007) |

The total average workforce of the Group for the first three months of 2008 and 2007 is broken down as follows:

| | Q1 2008 | 2007 |
|-----------------------|--------------|--------------|
| Padua headquarters | 856 | 856 |
| Production facilities | 4,659 | 4,662 |
| Commercial companies | 1,318 | 1,368 |
| Retail | 1,627 | 846 |
| Total | 8,460 | 7,732 |

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 2008 | 2007 |
|---|----------------|----------------|
| Payroll and social security contributions | 27,240 | 25,910 |
| Commissions to sales agents | 19,821 | 22,496 |
| Royalty expenses | 26,863 | 28,629 |
| Advertising and promotional costs | 29,881 | 29,633 |
| Amortization and depreciation | 1,059 | 1,026 |
| Logistic costs | 4,979 | 4,943 |
| Consultants fees | 1,262 | 1,433 |
| Rental and operating leases | 3,969 | 2,857 |
| Utilities | 449 | 379 |
| Provision for risks | 214 | 316 |
| Other sales and marketing expenses | 6,284 | 6,008 |
| Total | 122,021 | 123,630 |

The increase in payroll costs mainly derives from the development of the retail channel.

3.4 General and administrative expenses

This account is comprised as follows:

| <i>(Euro/000)</i> | Q1 2008 | 2007 |
|---|---------------|---------------|
| Payroll and social security contributions | 16,412 | 15,506 |
| Allowance for doubtful accounts | 598 | 597 |
| Amortization and depreciation | 3,420 | 3,366 |
| Consultants fees | 3,119 | 3,193 |
| Rental and operating leases | 2,200 | 1,719 |
| EDP costs | 934 | 981 |
| Insurance costs | 812 | 657 |
| Utilities, security and cleaning | 1,861 | 1,624 |
| Taxes (other than on income) | 736 | 625 |
| Other general and administrative expenses | 3,831 | 3,907 |
| Total | 33,923 | 32,175 |

3.5 Other income/(expenses), net

This account is comprised as follows:

| <i>(Euro/000)</i> | Q1 2008 | 2007 |
|------------------------------|-------------|------------|
| Losses on disposal of assets | (3) | (9) |
| Other operating expenses | (287) | (129) |
| Gains on disposal of assets | 5 | 7 |
| Other operating incomes | 250 | 409 |
| Total | (35) | 278 |

3.6 Share of income/(loss) of associates

This account amounts to Euro 38 thousand (Euro 39 thousand for the same period of previous year) and consists of the income deriving from the equity valuation of the holdings in associated companies.

3.7 Interest expense and other financial charges, net

This account is comprised as follows:

| (Euro/000) | Q1 2008 | 2007 |
|--|---------------|---------------|
| Interest expense on loans | 5,474 | 4,939 |
| Interest expense and charges on High Yield | 4,899 | 4,850 |
| Bank commissions | 1,056 | 843 |
| Negative exchange rate differences | 9,350 | 1,783 |
| Financial discounts | 784 | 1,105 |
| Other financial charges | 18 | 1,012 |
| Total financial charges | 21,581 | 14,532 |
| Interest income | 340 | 280 |
| Positive exchange rate differences | 7,559 | 1,980 |
| Gains on financial assets disposal | - | 3 |
| Other financial income | 46 | 24 |
| Total financial income | 7,945 | 2,287 |
| Total financial charges, net | 13,636 | 12,245 |

Financial charges slightly increased when compared to the first three months of 2007 mainly as a consequence of the increased interest rates on the market and of the strong fluctuations in the foreign currencies, which led to a higher impact of the negative exchange differences.

[3.8 Income tax expenses](#)

| (Euro/000) | Q1 2008 | 2007 |
|----------------|----------------|-----------------|
| Current taxes | (11,644) | (12,113) |
| Deferred taxes | 3,059 | (1,994) |
| Total | (8,585) | (14,107) |

Group tax rate for the first three months of 2008 equals 36.7% as a percentage on the income before taxation, in slight reduction when compared to the same period of the previous year (38.3% for the first three months of 2007). This is mainly due to a lower incidence of the Italian regional tax ("IRAP") as a result of the changes made by the Italian government.

[3.9 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.

During the first three months of 2008, there were no unusual or extraordinary items affecting assets, liabilities, equity, net income or cash flows.

3.10 Dividends

During the first three months of 2008 the holding company Safilo S.p.A. has paid dividends for a total amount of Euro 14.6 million to its shareholders.

3.11 Segment information

Information by business (retail/wholesale) and geographical area is disclosed according to *IAS 14 – Segment information* and is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

Starting from financial year 2008, the primary reporting format is by business segment while geographical segments represent the secondary reporting format. This decision is based on the way in which management runs the Group and the manner in which it attributes managerial responsibilities.

It should be noted that the grouping of geographical areas is based on 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.

Presented below are information according to the distribution channel:

| March 31, 2008 (Euro/000) | WHOLESALE | RETAIL | Elimin. | Total |
|---|----------------|----------------|----------------|----------------|
| Net sales | | | | |
| -to other segments | 4,163 | - | (4,163) | - |
| -to third parties | 301,400 | 24,620 | - | 326,020 |
| Total net sales | 305,563 | 24,620 | (4,163) | 326,020 |
| Operating profit | 38,097 | (1,136) | - | 36,961 |
| Share of income of associates | 38 | - | | 38 |
| Financial expenses and other charges, net | | | | (13,636) |
| Income taxes | | | | (8,585) |
| Net profit | | | | 14,778 |
| <i>Operating profit margin</i> | 12% | -5% | | 11% |
| Other information | | | | |
| Depreciation & amortization | 8,619 | 1,193 | | 9,812 |

| March 31, 2007 (Euro/000) | WHOLESALE | RETAIL | Elimin. | Total |
|---|----------------|---------------|----------------|----------------|
| Net sales | | | | |
| -to other segments | 2,830 | 13 | (2,843) | - |
| -to third parties | 325,702 | 15,693 | - | 341,395 |
| Total net sales | 328,532 | 15,706 | (2,843) | 341,395 |
| Operating profit | | | | |
| | 49,378 | (343) | - | 49,035 |
| Share of income of associates | 39 | - | | 39 |
| Financial expenses and other charges, net | | | | (12,245) |
| Income taxes | | | | (14,107) |
| Net profit | | | | 22,722 |
| <i>Operating profit margin</i> | 15% | -2% | | 14% |
| Other information | | | | |
| Depreciation & amortization | 8,705 | 927 | | 9,632 |

Below, information according to the geographical area:

| March 31, 2008 (Euro/000) | Italy (1) | Europe (2) | America (3) | Asia (4) | Corporate (5) | Eliminat. | Total |
|--------------------------------|----------------|----------------|----------------|---------------|------------------|------------------|----------------|
| Net sales | | | | | | | |
| -to other segments | 88,432 | 16,601 | 323 | 335 | - | (105,691) | - |
| -to third parties | 75,570 | 107,062 | 105,606 | 37,782 | - | | 326,020 |
| Total net sales | 164,002 | 123,663 | 105,929 | 38,117 | - | (105,691) | 326,020 |
| Gross profit | | | | | | | |
| | 57,785 | 54,047 | 57,713 | 22,038 | - | 1,359 | 192,940 |
| Operating profit | | | | | | | |
| | 6,454 | 13,004 | 10,434 | 6,985 | 58 | 27 | 36,961 |
| Interest expense | | | | | | | (21,581) |
| Interest income | | | | | | | 7,945 |
| Share of income of associates | - | - | 38 | - | - | | 38 |
| Income taxes | | | | | | | (8,585) |
| Net profit | | | | | | | 14,778 |
| <i>Gross profit margin</i> | 35% | 44% | 54% | 58% | | | 59% |
| <i>Operating profit margin</i> | 4% | 11% | 10% | 18% | | | 11% |
| Other information | | | | | | | |
| Depreciation & amortization | 6,242 | 1,617 | 1,643 | 308 | - | | 9,812 |

| March 31, 2007 (Euro/000) | Italy | Europe | America | Asia | Corporate | Eliminat. | Total |
|--------------------------------|----------------|----------------|----------------|---------------|-----------|------------------|----------------|
| | (1) | (2) | (3) | (4) | (5) | | |
| Net sales | | | | | | | |
| -to other segments | 100,155 | 13,645 | 317 | 8 | - | (114,125) | - |
| -to third parties | 83,650 | 109,414 | 108,901 | 39,430 | - | - | 341,395 |
| Total net sales | 183,805 | 123,059 | 109,218 | 39,438 | - | (114,125) | 341,395 |
| Gross profit | 73,045 | 56,651 | 54,731 | 20,629 | - | (493) | 204,562 |
| Operating profit | 17,600 | 17,168 | 7,280 | 7,360 | 58 | (431) | 49,035 |
| Interest expense | | | | | | | (14,532) |
| Interest income | | | | | | | 2,287 |
| Share of income of associates | - | - | 39 | - | - | - | 39 |
| Income taxes | | | | | | | (14,107) |
| Net profit | | | | | | | 22,722 |
| <i>Gross profit margin</i> | <i>40%</i> | <i>46%</i> | <i>50%</i> | <i>52%</i> | | | <i>60%</i> |
| <i>Operating profit 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 |

- (1) Includes operating companies with registered office in Italy.
(2) Includes operating companies based in European countries other than Italy, in India and South Africa.
(3) Includes operating companies based in USA, Canada and Brazil.
(4) Includes operating companies based in Asia, including subsidiaries located in Australia.
(5) Holding 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, 2008 | December 31, 2007 |
|--|--------------|-------------------|----------------------|
| <i>Receivables</i> | | | |
| Optifashion As | (a) | 28 | - |
| Elegance International Holdings Ltd | (b) | 598 | 603 |
| Total | | 626 | 603 |

| | | | |
|-------------------------------------|-----|--------------|--------------|
| <i>Payables</i> | | | |
| Elegance International Holdings Ltd | (b) | 6,339 | 8,881 |
| Total | | 6,339 | 8,881 |

| Related parties transactions (Euro/000) | Relationship | 2008 | 2007 |
|--|--------------|--------------|--------------|
| <i>Revenues</i> | | | |
| Elegance International Holdings Ltd | (b) | 9 | - |
| Optifashion As | (a) | 37 | 38 |
| Total | | 46 | 38 |
| <i>Costs</i> | | | |
| Elegance International Holdings Ltd | (b) | 4,137 | 7,489 |
| TBR Inc. | (b) | 291 | 290 |
| Total | | 4,428 | 7,779 |

(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 2008, the Group paid rent of Euro 291 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 31st, 2008, 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 and both subsequently filed bankruptcy), 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.

FORWARD-LOOKING STATEMENTS

This Nine-month Report includes forward-looking statements. All statements other than statements of historical fact included in this Nine-month Report regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs with respect to these items and statements regarding other future events or prospects, are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; expectations regarding sales, profitability and growth; plans for the launch of new products; our possible or assumed future results of operations; research and development, capital expenditure and investment plans; adequacy of capital; and financing plans. The words “aim”, “may”, “will”, “expect”, “anticipate”, “believe”, “future”, “continue”, “help”, “estimate”, “plan”, “intend”, “should”, “shall” or the negative or other variations thereof as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements. In addition, this Quarterly Report includes forward-looking statements relating to our potential exposure to various types of market risks, such as foreign exchange rate risk, interest rate risks and other risks related to financial assets and liabilities. We have based these forward-looking statements on our management’s current view with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from these expressed or implied by these forward-looking statements.

These factors include, among other things:

- factors affecting our ability to negotiate, maintain and renew license arrangements on satisfactory terms with leading designers;
- uncertainties associated with changing consumer preferences;
- the impact of currency exchange rate and interest rate fluctuations;
- risks relating to our manufacturing and distribution operations and our arrangements with third party manufacturers;
- risks relating to international sales and exposure to changing local conditions;
- factors affecting our ability to compete effectively in the eyewear market, including new products and distribution strategies of our competitors;
- risks associated with our significant debt and our ability to meet our financial obligations;
- human resource factors, including our ability to retain our senior management and other key personnel and employee costs;
- factors affecting our ability to design, develop and introduce successful new products;

- factors affecting our ability to obtain or maintain intellectual property protection for our products;
- uncertainties associated with general economic conditions;
- governmental factors, including the costs of compliance with regulations and the impact of regulatory changes; and
- other risks, uncertainties and factors inherent in our business.

We do not intend to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this Nine-month Report. As a result of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

FURTHER INFORMATION

For further information:

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