NINE-MONTH FINANCIAL REPORT

as of September 30th, 2008

Date of issue: November 14th, 2008

This nine-month financial report is available on the website:

www.safilo.com

SAFILO GROUP S.P.A.

Settima Strada, 15

35129 Padua - Italy

This report has been translated into English from the original version in Italian. In case of doubt, the Italian version shall prevail.

Contents

CORPORATE OFFICERS AS OF SEPTEMBER 30th, 2008

Board of Directors

Chairman	Vittorio Tabacchi
Vice-Chairman and Chief Executive Officer	Massimiliano Tabacchi
Director	Claudio Gottardi
Director	Giannino Lorenzon
Director	Ennio Doris
Director	Antonio Favrin
Director	Carlo Gilardi

Board of Statutory Auditors

Chairman	Giampietro Sala
Regular Auditor	Franco Corgnati
Regular Auditor	Paolo Mazzi
Alternate member	Nicola Gianese

Internal Control Committee

Chairman	Carlo Gilardi
	Antonio Favrin
	Giannino Lorenzon

Remuneration Committee

Chairman	Antonio Favrin
	Giannino Lorenzon
	Carlo Gilardi

Independent Auditors

PricewaterhouseCoopers S.p.a.

DIRECTORS' REPORT ON OPERATIONS

General information and activities of the Group

Safilo Group S.p.A., the holding company, is a limited liability company registered in Italy. The registered office is located in Pieve di Cadore (BL) – Piazza Tiziano n. 8, whilst the administrative headquarters are located in Padua – Settima Strada n. 15, at the Safilo S.p.A. headquarters.

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

Safilo has been in the eyewear market for over 70 years and is one of the major operators, in terms of revenues, in the design, manufacture and distribution of glasses and other eyewear products. Safilo is the global leader in the high-end eyewear segment of the market and also one of the top three sports eyewear producers and distributors worldwide.

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

The Group 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*.

Disclaimer

This report, and in particular the section entitled "Significant events after September 30th, 2008 and outlook", contains forward-looking statements, based on Group's current expectations and projections about the future events. These statements, by their nature, are subject to inherent risks and uncertainties, as they depend on the occurrence of circumstances and factors, most of which are outside of Group's control. Actual results may differ, even materially, compared to those contained in there statements.

Key consolidated performance indicators

Economic data	Nine months ended September 30,			
(Euro in millions)	**2008**	%	**2007**	%
Net sales	865.7	100.0	903.9	100.0
Cost of sales	(362.6)	41.9	(371.8)	41.1
Gross profit	503.2	58.1	532.1	58.9
Ebitda	101.8	11.8	130.2	14.4
Operating profit	71.7	8.3	101.6	11.2
Profit before taxation	31.7	3.7	69.0	7.6
Group net profit	14.5	1.7	38.7	4.3

Economic data	Third quarter			
(Euro in millions)	**2008**	%	**2007**	%
Net sales	228.7	100.0	236.1	100.0
Cost of sales	(98.6)	43.1	(97.5)	41.3
Gross profit	130.1	56.9	138.6	58.7
Ebitda	16.7	7.3	29.7	12.5
Operating profit	6.5	2.9	20.4	8.7
Profit before taxation	(7.0)	3.0	10.2	4.3
Group net profit	(6.7)	2.9	5.4	2.3

Earnings per share	Nine months ended September 30,			
(in Euro)	**2008**	%	**2007**	%
EPS - Base	0.05		0.14	
EPS - Diluted	0.05		0.14	
No. of shares in share capital as of September 30th	285,394,128		285,394,128	

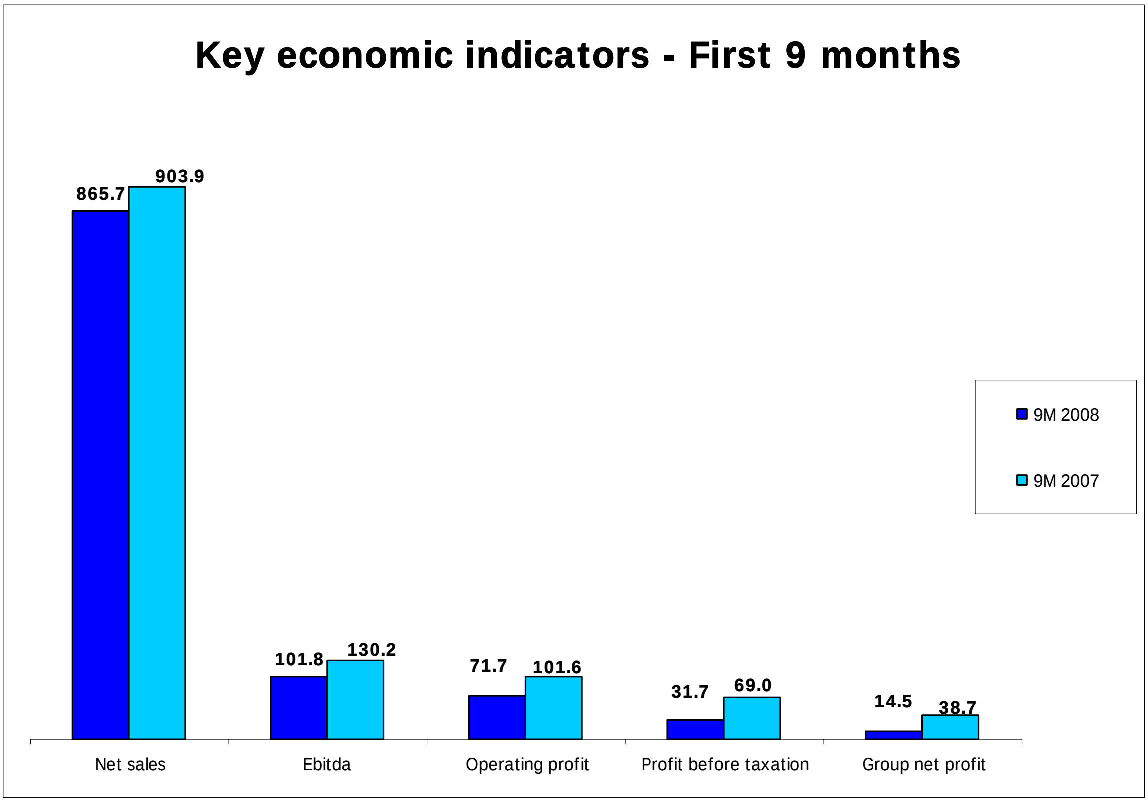
Earnings per share	Third quarter			
(in Euro)	**2008**	%	**2007**	%
EPS - Base	(0.02)		0.02	
EPS - Diluted	(0.02)		0.02	

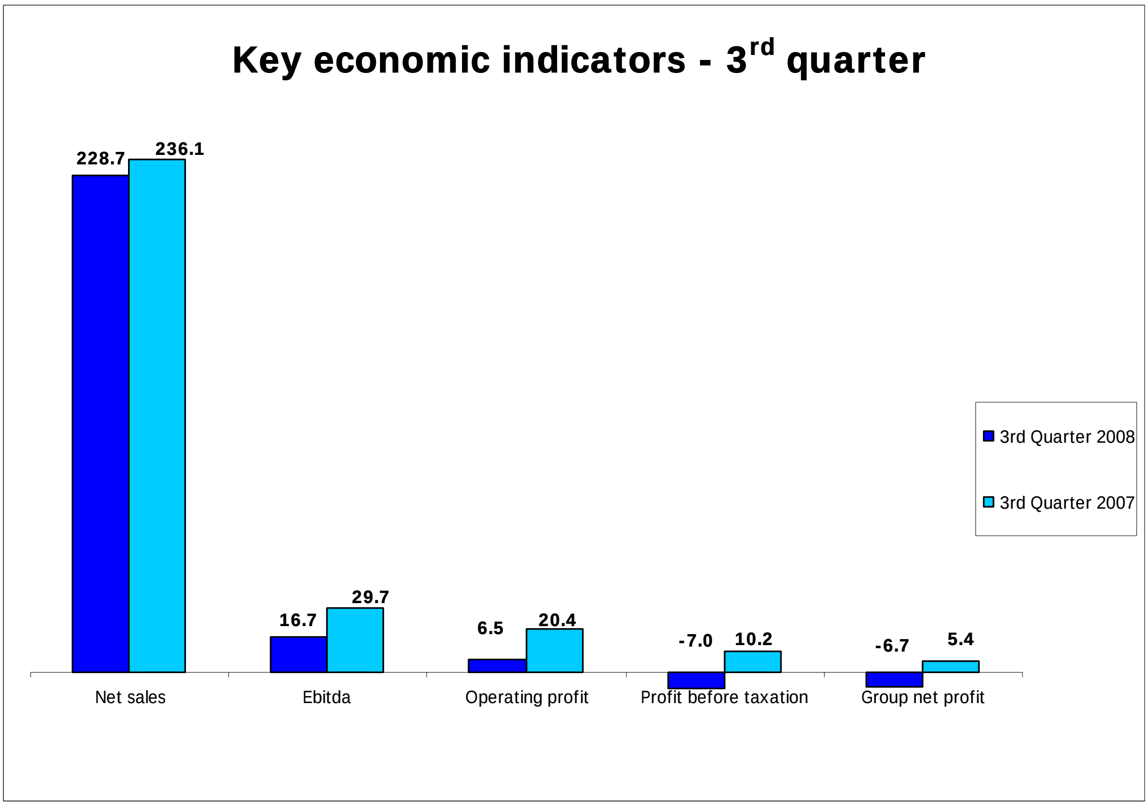
Balance sheet data	September 30,		December 31,	
(Euro in millions)	**2008**	%	**2007**	%
Total assets	1,816.6	100.0	1,772.0	100.0
Non-current assets	1,165.2	64.1	1,080.8	61.0
Net working capital	376.4	20.7	395.4	22.3
Net financial position	(566.8)	31.2	(514.6)	29.0
Group shareholders' equity	840.6	46.3	836.0	47.2

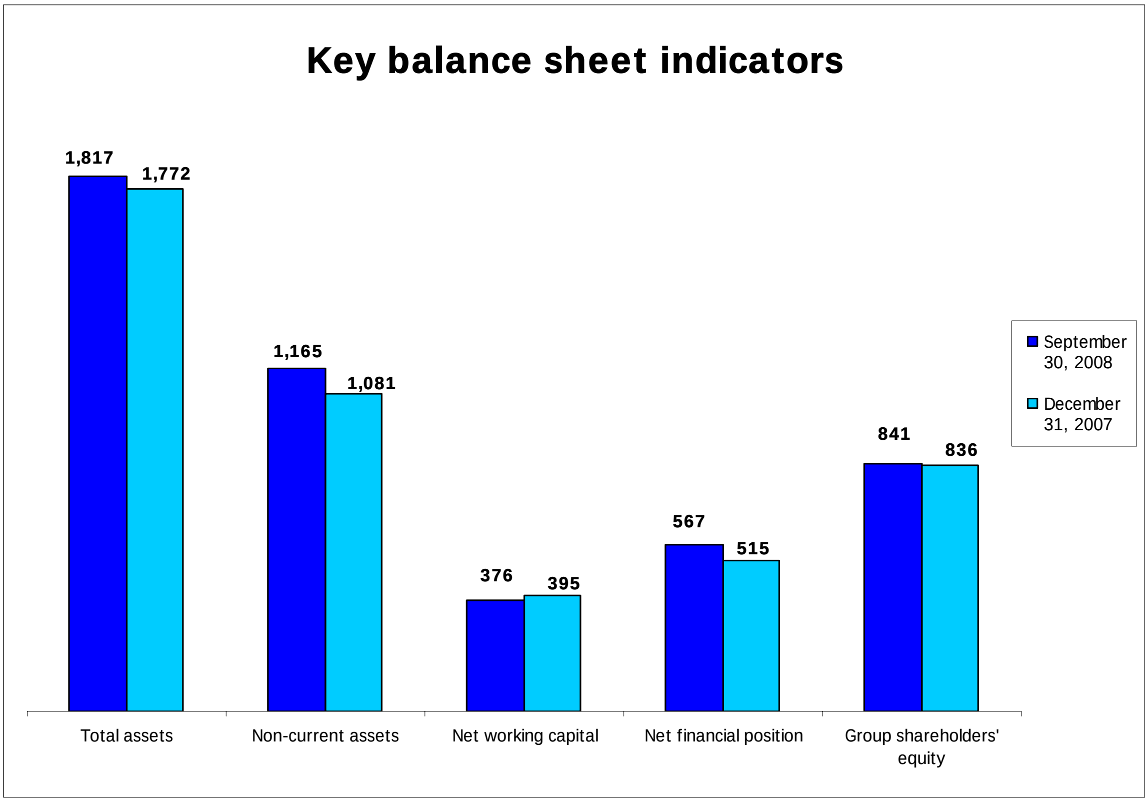
Financial data	Nine months ended September 30,			
(Euro in millions)	**2008**	%	**2007**	%
Cash flows operating activities	50.7		34.8	
Cash flows investing activities	(76.2)		(31.1)	
Cash flows financing activities	34.2		(30.4)	
Closing net cash and cash equivalents	(15.0)		(19.7)	

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.




Key economic indicators - 3rd quarter
228.7
236.1
16.7
29.7
6.5
20.4
-7.0
10.2
-6.7
5.4
Net sales
Ebitda
Operating profit
Profit before taxation
Group net profit
3rd Quarter 2008
3rd Quarter 2007


Key balance sheet indicators
1,817
1,772
1,165
1,081
376
395
567
515
841
836
Total assets
Non-current assets
Net working capital
Net financial position
Group shareholders' equity
September 30, 2008
December 31, 2007

Introduction

The results of the third quarter of 2008 confirm the particularly difficult overall situation in all main markets following the general concern regarding a slow down of the largest world economies.
This context has had multiple effects on the Group's sales. On one hand the end consumer, particularly with regards to sunglasses, had tended to approach new purchases with greater caution, both in terms of frequency and price, often looking for models with more accessible prices. On the other hand the Group's clients, i.e. the optician stores and department stores, have tended to reduce the unsold stock in their stores and limit the orders of new collections while waiting for greater visibility on the future.

The Group is responding to this atypical situation by focusing its activities on those brands and markets with greater potential, and by rapidly reorganising its production structure in order to adapt to the new market situation. Although in the short term these actions, which incidentally were implemented before the recent slow down in sales, have resulted in an extra burden on costs and have penalised profitability, their aim is to guarantee the solidity of future results.

Despite this situation the Group's sales, at constant exchange rates, have grown both in the quarter and progressively in the first nine months of the year. The consolidated turnover at September 30th 2008 reached 866 million Euro, an increase, at constant exchange rates of 1.4% compared to the first nine months of 2007 (at current exchange rates a fall of 4.2% was instead registered), and thanks to the significant development of the Group's retail presence which compensated a slight fall in sales in the wholesale channel.
In the analysis of sales per brand the good performance of prescription frames, considerably less exposed to the fluctuations of macroeconomic cycles, continued, while the reduction of average prices lead to a greater impact on the sale of sunglasses which, however, did register strong growth in house brand sales.

The operating margin fell considerably compared to the same period of 2007. The principal causes, which will be explained below in further detail, can be found in the exchange rate effect, in the lower absorption of fixed production costs following the inventory containment policy, and the negative impact of the operational leverage of the commercial area, where some costs are fixed and independent of turnover. The seasonal nature of sales, associated with the lower operating margin and the impact of the exchange rate differences, particularly significant following the strong fluctuations of currencies, have lead to a net profit which is considerably lower compared to the previous quarter and the first nine months of 2007.

The generation of operating cash flow in the first nine months of the year has on the whole improved compared to 2007 thanks to the activities aimed at the reduction of working capital. The greater financial cash flow was mainly used to carry out retail acquisitions in the first quarter of the year.

In anticipation of a possible breach, at December 31st 2008, of the covenants currently present in the contractual agreements relating to the Senior Loan, new covenant levels have been negotiated with the financing banks which are more in line with the end of year forecasts.

Finally, it is important to highlight the recent renewal of the license agreement with Gucci, one of the most important of the Group's licences brands, and which is now due to expire at the end of 2018.

Group economic results

Consolidated statement of operations *(Euro in millions)*	Nine months ended September 30, 2008	%	2007	%	Ch. %	Q3 2008	%	Q3 2007	%	Ch. %
Net sales	865.7	100.0	903.9	100.0	-4.2%	228.7	100.0	236.1	100.0	-3.1%
Cost of sales	(362.6)	(41.9)	(371.8)	(41.1)	-2.5%	(98.6)	(43.1)	(97.5)	(41.3)	1.2%
Gross profit	**503.2**	**58.1**	**532.1**	**58.9**	**-5.4%**	**130.1**	**56.9**	**138.6**	**58.7**	**-6.1%**
Selling and marketing expenses	(336.9)	(38.9)	(336.2)	(37.2)	0.2%	(94.0)	(41.1)	(90.253)	(38.2)	4.1%
General and administrative expenses	(95.0)	(11.0)	(94.1)	(10.4)	1.0%	(30.3)	(13.3)	(27.858)	(11.8)	8.9%
Other operating income/(expenses), net	0.4	0.1	(0.2)	(0.0)	n.s.	0.7	0.3	(0.0)	(0.0)	n.s.
Operating profit	**71.7**	**8.3**	**101.6**	**11.2**	**-29.5%**	**6.5**	**2.9**	**20.4**	**8.7**	**-67.9%**
Interest expense and other financial charges, net	(40.0)	(4.6)	(32.6)	(3.6)	22.7%	(13.5)	(5.9)	(10.2)	(4.3)	32.2%
Profit before taxation	**31.7**	**3.7**	**69.0**	**7.6**	**-54.1%**	**(7.0)**	**(3.0)**	**10.2**	**4.3**	**n.s.**
Income taxes	(14.9)	(1.7)	(27.0)	(3.0)	-44.7%	0.7	0.3	(4.1)	(1.7)	n.s.
Net profit	**16.8**	**1.9**	**42.0**	**4.7**	**-60.1%**	**(6.3)**	**(2.7)**	**6.2**	**2.6**	**n.s.**
Net profit attributable to minority interests	2.3	0.3	3.3	0.4	-30.9%	0.4	0.2	0.7	0.3	-47.5%
Net profit attributable to the Group	**14.5**	**1.7**	**38.7**	**4.3**	**-62.6%**	**(6.7)**	**(2.9)**	**5.4**	**2.3**	**n.s.**
EBITDA	**101.8**	**11.8**	**130.2**	**14.4**	**-21.8%**	**16.7**	**7.3**	**29.7**	**12.5**	**-43.7%**
Earnings per share - base (Euro)	0.05		0.14			(0.02)		0.02		
Earnings per share - diluted (Euro)	0.05		0.14			(0.02)		0.02		

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

Net sales in the first nine months of the year reached 865.7 million Euro, a reduction of 4.2% at current exchange rates but an increase of 1.4% at constant exchange rates, compared to the same period of 2007. In the last quarter, again at constant exchange rates, the growth in overall turnover was equal to 1.6% (compared to a fall, at current exchange rates, of 3.1%) and due to the greater contribution of the retail business which benefited from a significantly greater number of shops compared to 2007.

With regards to the single sales channels a slight contraction, at constant exchange rates, is evident for the wholesale channel which experienced a stable performance in the third quarter compared to the preceding ones: the cause of this trend essentially derives from the end consumer's tendency, as mentioned above, to favour products from a lower price range, while a growth in volumes, although slight, has been seen. This confirms the Group's maintenance, and possibly the increase, of its market shares.

In a difficult macroeconomic situation it is to be expected that the sale of sunglasses is penalised compared to the sale of eyesight products which remain a necessity for those who use them. Despite this, the fall in volumes of sunglasses has however been rather limited, while the shift in the customer's choice towards more simple models, house brands or products with lower prices has been more marked.

An analysis of wholesale turnover according to geographical area confirms, even in the third quarter, a European market in slight decline, good sales performance in America and a more marked slow-down in the Far East.

Beginning with Europe, the countries which have experienced the least exceptional sales continue to be Spain and the United Kingdom where the local economies and the particular nature of the markets have penalised sales in 2008. The sales performance in other European countries has remained mostly stable with some peaks in growth due, above all, to the success of single collections rather than to a structural increase in the single market.
Direct distribution was successfully started in Hungary, the Czech Republic and Slovakia in the third quarter.

America has experienced good growth even in the last quarter and is a result of the Group's ability to adapt its product offering and react quickly to the end consumer's new product preference in terms of type and price. The well documented economic difficulties and concerns about the future do not yet appear to have had any particular impact on the Group's sales in North America.
A change has instead been seen in the Far East. The downsizing of the Japanese market has continued and today the growth of other emerging countries is now no longer able to compensate for the reduction in the largest of the area's markets. The turnover of important countries such as China and South Korea continues to improve while in the markets where the Group does not operate through direct distribution the main clients of the area have begun to reorder new stock with greater caution than in the past.

Sales in the retail sector have experienced strong growth compared to 2007 due, above all, to the increase in the number of stores following the acquisitions at the beginning of the year. In general the last quarter has seen a good turnover in all the markets where the Group has a retail presence thanks to some specific activities aimed at encouraging consumer purchasing. The location, however, of the Group's stores in countries currently experiencing greater economic difficulty does lead to the expectation that the performance of comparable sales in 2008 will be in slight decline. At the end of the quarter the Group's retail organisation at a world wide level counted 307 directly managed stores.

Net sales by geographical region *(Euro in millions)*	**Nine months ended September 30,**					**Third quarter**				
	2008	**%**	**2007**	**%**	**Change %**	**2008**	**%**	**2007**	**%**	**Change %**
Europe	411.0	47.5	430.0	47.5	-4.4	91.7	40.1	94.0	39.8	-2.5
The Americas	323.9	37.4	323.3	35.8	+0.2	104.3	45.6	102.7	43.5	+1.6
Asia Pacific	111.7	12.9	111.3	12.3	+0.3	29.5	12.9	33.5	14.2	-12.1
Other	19.1	2.2	39.3	4.4	-51.5	3.2	1.4	5.9	2.5	-46.3
Total	**865.7**	**100.0**	**903.9**	**100.0**	**-4.2**	**228.7**	**100.0**	**236.1**	**100.0**	**-3.1**

Net sales by product *(Euro in millions)*	**Nine months ended September 30,**					**Third quarter**				
	2008	**%**	**2007**	**%**	**Variaz.%**	**2008**	**%**	**2007**	**%**	**Change %**
Prescription frames	343.3	39.6	350.6	38.8	-2.1	111.4	48.8	110.8	46.9	+0.6
Sunglasses	466.0	53.8	492.9	54.5	-5.5	95.7	41.8	98.9	41.9	-3.2
Sport products	38.6	4.5	43.6	4.8	-11.6	16.1	7.0	19.6	8.3	-18.1
Other	17.8	2.1	16.7	1.9	+6.7	5.5	2.4	6.8	2.9	-18.4
Total	**865.7**	**100.0**	**903.9**	**100.0**	**-4.2**	**228.7**	**100.0**	**236.1**	**100.0**	**-3.1**

The **gross profit** fell compared to 2007, both on a quarterly basis (-6.1%) and in the first nine months of the year (-5.4%) as a result of the fall in turnover and a lower marginality percentage.

This decline, which increased slightly in the third quarter, is mainly a result of the following factors:
- lower absorption of industrial costs resulting from the already limited production volumes;
- start-up costs of the new production plant in China;
- weakness of the American currency compared to 2007;
- sales mix which favours less profitable markets.

In order to counterbalance this situation, the Group has implemented a series of cost-containment activities, the first benefits of which will be seen with the collections presented to clients from the second half of 2008 onwards. The results of these projects are in line with expectations and will be increasingly evident with the progressive increased incidence of these new collections on the total sales.

The fall in margins at the **EBITDA** level is notably more evident. In the third quarter of the year certain factors which had already penalised profitability in the first half of 2008 continued and increased their percentage impact owing to the fact that they were compared with the seasonally weakest quarter of the year.

The costs of the wholesale structure in particular increased their percentage impact on turnover even if, in absolute value, the increase is not significant. The greater burden of sales costs is instead a result of the increased incidence of payroll costs related to the part of the sales force which is only partly remunerated on a commission basis. Added to this are some costs necessary for organising and stimulating house brands sales. The incidence of marketing costs has been higher for two reasons: firstly, and in accordance with the license agreements, the advertising investments for the current year are compared to the sales of the previous year; secondly, the cost of marketing activities which have lead to the impressive sales success of the Carrera brand.

This lower operating profitability obviously conditions also the **net profit** which in the third quarter has fallen as a result also of the greater impact of financial costs, penalised by the revaluation of the American currency in the last few weeks of September which has lead to an increase, in the quarter, of the debt positions in dollars.

Analysis by distribution channel – Wholesale / Retail

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

	WHOLESALE				RETAIL			
(Euro/000)	September 30, 2008	September 30, 2007	Ch.	Ch. %	September 30, 2008	September 30, 2007	Ch.	Ch. %
Net sales	787.7	850.3	-62.6	-7.4%	78.0	53.6	24.4	45.5%
Ebitda	99.9	128.3	-28.4	-22.2%	1.9	1.9	-	n.s.
%	*12.7%*	*15.1%*			*2.5%*	*3.5%*		

	WHOLESALE				RETAIL			
(Euro/000)	Q3, 2008	Q3, 2007	Ch.	Ch. %	Q3, 2008	Q3, 2007	Ch.	Ch. %
Net sales	203.7	218.4	-14.7	-6.7%	25.0	17.7	7.3	41.2%
Ebitda	16.5	29.7	-13.2	-44.4%	0.2	(0.0)	0.2	n.s.
%	*8.1%*	*13.6%*			*0.6%*	*-0.2%*		

As far as the wholesale channel is concerned, the Group's turnover has fallen compared to the first nine months of the year and is due mainly to the exchange rate effect (net of the devaluation of overseas currencies the fall would have been more contained at 2.2%).
This slow down in sales is the result of a fall in the average price for the following reasons:

- good performance by eyesight products, but with a lower average price compared to sunglasses;
- consumer tendency towards simpler products;
- sales mix which favours the house brands.

On the contrary, in terms of volumes and both in the first nine months of the year and in the quarter, an increase in sales has been registered, confirming the Group's unvaried commercial strength.
The profitability of the wholesale business has however witnessed a considerable slowdown in the last quarter, for the reasons previously explained.

The retail channel is experiencing a particularly difficult period in a market which has seen a strong fall in foot traffic in the stores. The Group has reacted strongly to the situation and has been able to minimise the negative effects in terms of comparable sales. In absolute value, the strong growth is instead the result of the consolidation of the Mexican and Australian chains acquired at the beginning of the year.
At the EBITDA level the break-even point has been reached thanks to these activities and in a quarter which is, given the seasonal nature of the products, the weakest of the year.
The retail sector continues to have, however, a dilutionary effect on the Group's results and a significant turnaround in the situation is not expected to occur in the immediate upcoming quarters given that the majority of the shops are located in the USA and Spain, both countries with economies in considerable difficulty.

Balance sheet and financial situation

Condensed balance sheet *(Euro in millions)*	**September 30, 2008**	**December 31, 2007**	**Change**
Cash in hand and at bank	52.3	56.9	(4.6)
Trade receivables, net	282.7	315.8	(33.1)
Inventories, net	259.4	274.3	(14.9)
Other current assets	57.0	44.3	12.7
Total current assets	**651.4**	**691.2**	**(39.8)**
Property, plant and equipment, net	224.2	201.9	22.3
Intangible assets	23.0	23.5	(0.5)
Goodwill	799.5	754.9	44.6
Other non-current assets	118.5	100.5	18.0
Total non current assets	**1,165.2**	**1,080.8**	**84.4**
Total assets	**1,816.6**	**1,772.0**	**44.6**
Short-term borrowings	150.9	161.7	(10.8)
Trade payables	165.7	194.7	(29.0)
Other current liabilities	100.4	95.1	5.3
Total current liabilities	**417.1**	**451.5**	**(34.5)**
Long-term borrowings	468.2	409.8	58.4
Employee benefit liability	41.5	37.8	3.7
Other non-current liabilities	44.1	31.9	12.2
Total non current liabilities	**553.8**	**479.5**	**74.3**
Group shareholders' equity	**840.6**	**836.0**	**4.6**
Minority interests	**5.1**	**4.9**	**0.2**
Total liabilities and shareholders' eq.	**1,816.6**	**1,772.0**	**44.6**

Financial situation

The following table reports the main items of the statement of cash flow as at September 30th, 2008 compared with the corresponding values of the same period of previous year.

Free cash flow *(Euro in millions)*	**Nine months ended September 30, 2008**	**2007**	**Change**
Cash flow operating activities	50.7	34.8	15.9
Cash flow investing activities	(76.2)	(31.1)	(45.1)
Free cash flow	**(25.5)**	**3.7**	**(29.2)**

The generation of cash flow at the end of the quarter was good, even if the seasonal nature of the business meant that more resources were absorbed during the central months of the year. The management of working capital has allowed the greater investments in 2008 for the development of the retail structure and the construction of the new production plant in China to be compensated for. The final absorption of around 25 million Euro is instead due exclusively to the retail acquisitions in Australia and Mexico.

Net working capital

The value of net working capital related to commercial activity has fallen by 10.9 million Euro compared to September 30th 2007, and its incidence on the turnover of the preceding 12 months has remained unvaried.

Net working capital *(Euro in millions)*	**Sep. 30, 2008**	**Sep. 30, 2007**	**Ch. Sep. 08 - Sep. 07**	**Dec. 31, 2007**
Trade receivables, net	282.7	290.0	(7.3)	315.8
Inventory, net	259.4	273.5	(14.1)	274.3
Trade payables	(165.7)	(176.2)	10.5	(194.7)
Net working capital	**376.4**	**387.3**	**(10.9)**	**395.4**
% on net sales	*32.7%*	*32.8%*		*33.2%*

The reduction in net working capital has been achieved thanks to the continual optimisation of the finished products inventory which has been, during the course of the year, the focus of a series of activities aimed at increasing inventory rotation in order to benefit future economic results and cash flow management. The variation of trade receivables and payables is instead directly related to the sales performance meaning that any such differences tend to balance each other out within the working capital total.

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 46.1 million Euro against 32.3 million for the same period of the previous year and are divided as follows:

Capital expenditure *(Euro in millions)*	**Nine months ended September 30, 2008**	**2007**	**Change**
Padua headquarters	3.9	4.2	(0.3)
Production facilities	21.7	14.5	7.2
Europe	1.9	1.6	0.3
The Americas	15.3	11.3	4.0
Asia Pacific	3.3	0.7	2.6
Total	**46.1**	**32.3**	**13.8**

The main difference in investments made in the first nine months of 2008 compared to the same period of 2007 took place in the production sector owing to the construction of the new Chinese factory in Suzhou which is fully under way. At the end of the third quarter around Euro 11 million were invested in preparation for the start of production, due to begin in February/March 2009. With regards to all other areas the higher increases in investment are linked to the retail sector where, as mentioned above, the number of stores has increased considerably compared to 2007 following the direct presence in Mexico and Australia.

Net financial position

Net financial position *(Euro in millions)*	**September 30, 2008**	**June 30, 2008**	**Change Sep - Jun**	**December 31, 2007**	**Change Sep - Dec**
Current portion of long-term borrowings	(36.7)	(34.8)	(1.9)	(34.5)	(2.2)
Bank overdrafts and short-term bank borrowings	(67.3)	(72.7)	5.4	(85.4)	18.1
Other short-term borrowings	(46.9)	(50.1)	3.2	(41.8)	(5.1)
Cash and cash equivalents	52.3	58.0	(5.7)	56.9	(4.6)
Short-term net financial position	**(98.6)**	**(99.6)**	**1.0**	**(104.8)**	**6.2**
Long-term borrowings	(468.2)	(441.7)	(26.5)	(409.8)	(58.4)
Long-term net financial position	**(468.2)**	**(441.7)**	**(26.5)**	**(409.8)**	**(58.4)**
Net financial position	**(566.8)**	**(541.2)**	**(25.5)**	**(514.6)**	**(52.2)**

The Group's net financial position has increased compared to the end of 2007 and is a result of the acquisitions concluded at the beginning of the year and the normal seasonality of the working capital, passing from Euro 514.6 million at December 2007 to the current Euro 566.8 million. The increase compared to June is a result also of the value of the exchange rates at the end of the quarter with regards to the part of the company's loan in currencies other than the Euro. There are no substantial changes to the timeframe of the total debt.

Personnel

Group personnel as at September 30th, 2008, December 31st, 2007 and September 30th, 2007 is shown in the following table:

	September 30, 2008	December 31, 2007	September 30, 2007
Padua headquarters	890	852	859
Production facilities	4,814	4,722	4,825
Commercial companies	1,242	1,170	1,155
Retail	1,804	1,258	1,226
Total	**8,750**	**8,002**	**8,065**

Compared with December 31st, 2007 the workforce has increased by 748 units, mostly due to the new acquisitions in the retail sector. Within the industrial structure the increase is related exclusively to the workforce which is currently being created in China in preparation for the start-up of the new production site.

Compliance with the conditions set forth in Article 36 of the Market Regulations

With regards to the recent amendment to the Consob Regulations regarding the markets, adopted with resolution n. 16191 of October 29th 2007 and its successive amendments, and specifically concerning listed companies which control entities outside Europe, SAFILO GROUP S.p.A. declares that, following the analysis and evaluation of the exchange of accounting and corporate information by both its European and extra-European subsidiaries, the procedures which have been followed to date ensure that the company can be considered to be in compliance with the regulatory directives. The following observations in particular are made:

- All subsidiaries already draw up an accounting report in order to aid the preparation of the consolidated financial statements; the balance sheet and the income statement of the significant companies outside the EU are made available to shareholders in accordance with the current regulations;
- SAFILO GROUP S.p.A. is continually updated about the status, the composition, and the powers of the corporate bodies of the Company's subsidiaries;

The Group's administrative-accounting system, the procedures followed to date and the current communication process, implemented at various levels within the Group's control structure, ensure that a) the economic, accounting and financial data required for the preparation of the consolidated financial statements are received by the Administration and Control Department of the Group and by SAFILO GROUP'S auditing firm and b) the information required in order to carry out the auditing activities of the annual and mid year reports are provided to SAFILO GROUP'S auditing firm.

Transactions with related parties

Information on transactions with related parties is provided in the "Related parties transactions" paragraph of the "Nine-month consolidated financial statements as of September 30th 2008", to which reference should be made for any details.

Significant events after September 30th, 2008 and outlook

In the period subsequent to September 30th 2008 no events have taken place which can be considered to have considerably affected the data contained in this report.

In November, in anticipation of a possible breach, at December 31st 2008, of the covenants currently present in the contractual agreements relating to the Senior Loan, new levels of the above parameters have been negotiated, which are now more in line with the end of year forecasts.

As previously mentioned in the introduction, the renewal of the license agreement with Gucci, one of the most important of the Group's brands, was announced on November 10th. The license agreement will expire on December 31st 2018. The solid relationship with the Gucci Group has also lead to the extension of the license contracts with Bottega Veneta and Alexander McQueen to 2010 and 2013 respectively.

On the basis of the results registered in the first nine months of the year and the recent slowdown, the Group estimates that revenues for 2008, at constant exchange rates, will experience a slight reduction of around 2% compared to 2007 (the previous forecast estimated a growth of around 4%).
In consideration of the current market situation, the EBITDA for the full year is today expected to reach 11%–11.5% of sales (compared to the previous estimate of around 13.5%-14%) while the net profit should reach around 1% of sales (the previous estimate was around 3%-3.5%).

The Group is continuing with its planned projects, regarding both the location of its production and its product development processes which aim at improving future profitability.

Nine-month consolidated financial statements

as of September 30th, 2008

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(Euro/000)	*Note*	30/09/2008	of which, related parties	31/12/2007	of which, related parties
ASSETS					
Current assets					
Cash in hand and at bank	*2.1*	52,318		56,882	
Trade receivables, net	*2.2*	282,724	27	315,792	
Inventory, net	*2.3*	259,355		274,283	
Derivative financial instruments	*2.4*	194		271	
Other current assets	*2.5*	56,798	421	44,009	603
Total current assets		**651,389**		**691,237**	
Non-current assets					
Tangible assets	*2.6*	224,165		201,858	
Intangible assets	*2.7*	23,035		23,526	
Goodwill	*2.8*	799,547		754,920	
Investments in associates	*2.9*	12,989		12,279	
Financial assets available-for-sale	*2.10*	1,739		2,443	
Deferred tax assets	*2.11*	89,908		75,495	
Derivative financial instruments	*2.4*	1,628		1,608	
Other non-current assets	*2.12*	12,228		8,628	
Total non-current assets		**1,165,239**		**1,080,757**	
Total assets		**1,816,628**		**1,771,994**	

(Euro/000)	*Note*	30/09/2008	of which, related parties	31/12/2007	of which, related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*2.13*	150,893		161,709	
Trade payables	*2.14*	165,749	5,455	194,714	8,259
Tax payables	*2.15*	21,671		20,568	
Derivative financial instruments	*2.4*	58		-	
Other current liabilities	*2.16*	77,874	643	73,725	622
Provisions for risks and charges	*2.17*	814		803	
Total current liabilities		**417,059**		**451,519**	
Non-current liabilities					
Long-term borrowings	*2.13*	468,241		409,827	
Employee benefit liability	*2.18*	41,490		37,840	
Provisions for risks and charges	*2.17*	13,077		12,789	
Deferred tax liabilities	*2.11*	14,996		11,080	
Derivative financial instruments	*2.4*	313		359	
Other non-current liabilities	*2.19*	15,764		7,642	
Total non-current liabilities		**553,881**		**479,537**	
Total liabilities		**970,940**		**931,056**	
Shareholders' equity					
Share capital	*2.20*	71,349		71,349	
Share premium reserve	*2.21*	747,471		747,471	
Retained earnings/(losses) and other reserves	*2.22*	7,969		(33,540)	
Fair value and cash flow reserves	*2.23*	(664)		(280)	
Income attributable to the Group		14,486		51,018	
Total shareholders' equity attributable to the Group		**840,611**		**836,018**	
Minority interests		**5,077**		**4,920**	
Total shareholders' equity		**845,688**		**840,938**	
Total liabilities and shareholders' equity		**1,816,628**		**1,771,994**	

Consolidated statement of operations

(Euro/000)	*Note*	First nine months 2008	of which related parties	First nine months 2007	of which related parties	Q3 2008	of which related parties	Q3 2007	of which related parties
Net sales	*3.1*	865,726	98	903,886	89	228,766	39	236,074	34
Cost of sales	*3.2*	(362,570)	(13,437)	(371,804)	(19,587)	(98,608)	(4,555)	(97,482)	(5,320)
Gross profit		**503,156**		**532,082**		**130,158**		**138,592**	
Selling & marketing expenses	*3.3*	(336,910)		(336,201)		(93,958)		(90,253)	
General & administrative expenses	*3.4*	(95,037)	(786)	(94,114)	(847)	(30,345)	(265)	(27,858)	(276)
Other op. income/(expenses), net	*3.5*	446		(167)		708		(46)	
Operating profit		**71,655**		**101,600**		**6,563**		**20,435**	
Share of income/(loss) of associates	*3.6*	732		250		657		26	
Interest expenses and other financial charg	*3.7*	(40,700)		(32,834)		(14,153)		(10,232)	
Profit before taxation		**31,687**		**69,016**		**(6,933)**		**10,229**	
Income taxes	*3.8*	(14,912)		(26,976)		738		(4,070)	
Net profit		**16,775**		**42,040**		**(6,195)**		**6,159**	
Net profit attributable to minority interests		2,289		3,314		385		733	
Net profit attributable to the Group		**14,486**		**38,726**		**(6,580)**		**5,426**	
Earnings per share - *base (Euro)*	*3.9*	0.05		0.14		(0.02)		0.02	
Earnings - *diluted (Euro)*	*3.9*	0.05		0.14		(0.02)		0.02	

Consolidated statement of cash flow

(Euro/000)	First 9 months 2008	First 9 months 2007
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**(28,469)**	**6,989**
B - Cash flow from (for) operating activities		
Net profit for the period (including minority interests)	16,775	42,040
Depreciation and amortization	30,163	28,558
Stock option	418	418
Share income/(loss) on equity investments	(298)	(151)
Net movements in the employee benefit liability	3,585	(2,069)
Net movements in other provisions	308	1,096
Interest expenses, net	30,597	28,764
Income tax expenses	14,912	26,976
Income from operating activities prior to movements in working capital	**96,460**	**125,632**
(Increase) Decrease in trade receivables and other current receivables	6,459	5,442
(Increase) Decrease in inventory, net	22,329	(7,992)
Increase (Decrease) in trade payables and other current payables	(28,506)	(44,155)
Interest expenses paid	(22,585)	(23,575)
Income tax paid	(23,435)	(20,523)
Total (B)	**50,722**	**34,829**
C - Cash flow from (for) investing activities		
Purchase of tangible fixed assets (net of disposals)	(42,159)	(26,556)
Acquisition of subsidiaries (net of cash acquired)	(30,159)	-
Disposal of investments and bonds	64	-
Purchase of intangible assets	(3,901)	(4,549)
Total (C)	**(76,155)**	**(31,105)**
D - Cash flow from (for) financing activities		
Proceeds from borrowings	78,952	17,736
Repayment of borrowings	(18,120)	(47,164)
Share capital increase	-	6,245
Dividends paid	(26,589)	(7,204)
Total (D)	**34,243**	**(30,387)**
E - Cash flow for the period (B+C+D)	**8,810**	**(26,663)**
Translation exchange difference	4,685	(3)
Total (F)	**4,685**	**(3)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	**(14,974)**	**(19,677)**

Statement of changes in shareholders' equity

First nine months 2007

(Euro/000)	Share capital	Share premium reserve	Translation diff.	Fair value and cash flow reserves	Retained earnings	Net profit	Total equity
Group shareholders' equity at January 1, 2007	**70,843**	**751,276**	**(22,726)**	**1,859**	**42**	**37,467**	**838,761**
Previous year's profit allocation	-	-	-	-	37,467	(37,467)	-
Losses carried forward covering	-	(9,544)	-	-	9,544	-	-
Share capital increase	506	5,739	-	-	-	-	6,245
Dividends distribution	-	-	-	-	(5,667)	-	(5,667)
Changes in other reserves	-	-	(33,083)	(2,058)	453	-	(34,688)
Net profit for the period	-	-	-	-	-	38,726	38,726
Group shareholders' equity at September 30, 2007	**71,349**	**747,471**	**(55,809)**	**(199)**	**41,839**	**38,726**	**843,377**
Minority interests at January 1, 2007	**-**	**-**	**(2)**	**-**	**2,045**	**3,346**	**5,389**
Previous year's profit allocation	-	-	-	-	3,346	(3,346)	-
Retained earnings	-	-	(28)	-	(15)	-	(43)
Dividends distribution	-	-	-	-	(1,537)	-	(1,537)
Net profit for the period	-	-	-	-	-	3,314	3,314
Minority interests at September 30, 2007	**-**	**-**	**(30)**	**-**	**3,839**	**3,314**	**7,123**
Consolidated net equity at September 30, 2007	**71,349**	**747,471**	**(55,839)**	**(199)**	**45,678**	**42,040**	**850,500**

First nine months 2008

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

Consolidated statement of recognised profit and loss

(Euro/000)	***Note***	**First 9 months 2008**	**First 9 months 2007**	**Q3 2008**	**Q3 2007**
Profit (loss) attributable to the cash flow reserve	*2.23*	255	1,068	(1,517)	47
Profit (loss) attributable to the fair value reserve	*2.23*	(639)	(1,235)	(87)	(1,420)
Profit (loss) attributable to the conversion fund	*2.22*	15,943	(33,111)	50,219	(21,733)
Profit (loss) attributable to shareholders' equity	*2.22*	(60)	23	29	(298)
Total profit / (loss) attributable to shareholders' equity		**15,499**	**(33,255)**	**48,644**	**(23,404)**
Net profit for the period		16,775	42,040	(6,195)	6,159
Total recognized profit for the period		**32,274**	**8,785**	**42,449**	**(17,245)**
Attributable to:					
Group		29,565	5,514	41,563	(17,897)
Minority interests		2,709	3,271	886	652
Total recognized profit for the period		**32,274**	**8,785**	**42,449**	**(17,245)**

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 September 30th, 2008. Economic and financial information is provided with reference to the first nine months of 2008 and 2007, whilst balance sheet information is provided with reference to September 30th, 2008 and December 31st, 2007.

The consolidated financial information reported for the period ended September 30th, 2008 has been prepared in accordance with the IFRS issued by the *International Accounting Standards Board* and approved by the European Commission as of September 30th, 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.

On October 13th 2008, the IASB issued an amendment to *IAS 39 – Financial instruments: recognition and measurement*, applicable from July 1st, 2008. This amendment, in particular circumstances, would permit:

- the reclassification of some non-derivative financial assets which are classified under the "fair value through profit and loss" category;
- the transfer of a financial asset from the "available-for-sale" category to the "loans and receivables" category where the entity has the intention and ability to hold such asset for the foreseeable future.

None of the reclassifications permitted by the amendment were carried out by the Group, hence it has had no effect on the quarterly financial statements presented herein.

The date of approval of these consolidated financial statements by the Board of Directors is November 14th, 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			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	35,000,000	100.0
Oxsol S.p.A. - Pieve di Cadore (BL)	EUR	121,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
Smith Sport Optics S.r.l. (in liquidation) – 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 - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	51.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	51.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzen Limited- Shenzen (RC)	CNY	2,481,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	700,000	51.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	3,000,000	100.0
Safilo Retail Shangai Co. Ltd - (RC)	USD	2,100,000	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	70.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,383	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Carrera Optyl D.o.o. - Ormoz (SLO)	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 – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Liestal (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Mumbay (IND)	INR	42,000,000	88.5
Safint Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo Australia Partnership – Sydney (AUS)	AUD	204,081	61.0
Optifashion Australia Pty Ltd. - Sydney (AUS)	AUD	23,000,000	100.0
Just Spectacles Pty Ltd - Perth (AUS)	AUD	2,000	100.0
Just Spectacles (Franchisor) Pty Ltd - Perth - (AUS)	AUD	200	100.0
Just 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
Safint Eyewear de Mexico - Cancun (MEX)	MXP	100,000	60.0
Tide Ti S.A. de C.V. - Cancun (MEX)	MXP	52,010,000	60.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0

1.3 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	As of	Avg. for the 9 months ended	
	September 30, 2008	December 31, 2007	September 30, 2007	September 30, 2008	September 30, 2007
US Dollar	1.4303	1.4721	1.4179	1.5217	1.3443
Hong-Kong Dollar	11.1124	11.4800	11.0055	11.8658	10.4993
Swiss Franc	1.5774	1.6547	1.6601	1.6082	1.6371
Canadian Dollar	1.4961	1.4449	1.4122	1.5487	1.4839
Japanese Yen	150.4700	164.9300	163.5500	161.0364	160.3901
British Pound	0.7903	0.7334	0.6968	0.7820	0.6765
Swedish Krown	9.7943	9.4415	9.2147	9.4091	9.2368
Australian Dollar	1.7739	1.6757	1.6073	1.6664	1.6372
South-African Rand	11.8270	10.0298	9.7562	11.7191	9.6096
Brasilian Real	2.7525	2.6178	2.6148	2.5564	2.6898
Indian Rupee	66.3763	58.0210	56.4064	63.5742	56.3682
Singapore Dollar	2.0439	2.1163	2.1066	2.1153	2.0493
Malaysian Ringgit	4.9238	4.8682	4.8315	4.9592	4.6425
Chinese Reminbi	9.7954	10.7524	10.6429	10.6263	10.2997
Korean Won	1,726.3000	1,377.9600	1,297.5900	1,542.6356	1,252.5463
Mexican Peso	15.7126	n/a	n/a	15.9928	n/a

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 above amounts to Euro 52,318 thousand, compared to Euro 56,882 thousand as of December 31st, 2007 and represents the temporary liquidity held, invested at market rates. The book value of cash in hand and at bank is in line with its fair value at the balance sheet date and the credit risk is very limited, being the counterparts primary financial institutions.

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

(Euro/000)	**September 30, 2008**	**September 30, 2007**
Cash in hand and at bank	52,318	50,220
Bank overdrafts	(67,292)	(69,897)
Total	**(14,974)**	**(19,677)**

2.2 Trade receivables, net

This account is comprised as follows:

(Euro/000)	**September 30, 2008**	**December 31, 2007**
Gross value	305,906	335,329
Allowance for doubtful accounts	(23,182)	(19,537)
Net value	**282,724**	**315,792**

Net trade receivables decreased mainly as a result of the lower sales trend in the third quarter of 2008 compared to the fourth quarter of last year; 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:

(Euro/000)	September 30, 2008	December 31, 2007
Raw materials	41,175	49,176
Work-in-progress	6,170	7,313
Finished products	237,335	243,737
Gross	**284,680**	**300,226**
Obsolescence provision (-)	(25,325)	(25,943)
Total	**259,355**	**274,283**

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

The following table shows the movements in the obsolescence provision:

(Euro/000)	Balance at January 1, 2008	Posted to income statement	Transl. diff.	Balance at September 30, 2008
Obsolescence provision	25,943	(1,054)	436	25,325
Total	**25,943**	**(1,054)**	**436**	**25,325**

2.4 Derivative financial instruments

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

(Euro/000)	September 30, 2008	December 31, 2007
Current assets:		
- Foreign currency contracts - at fair value through P&L	51	271
- Foreign currency contracts - at fair value through shareholders' equity	124	-
- Interest rate swaps - at fair value through P&L	19	-
Total	**194**	**271**
Non-current assets:		
- Interest rate swaps - cash flow hedge	1,116	926
- Options	512	682
Total	**1,628**	**1,608**
Current liabilities:		
- Foreign currency contracts - at fair value through P&L	20	-
- Interest rate swaps - at fair value through P&L	38	-
Total	**58**	**-**
Non-current liabilities:		
- Interest rate swaps - cash flow hedge	313	359
Total	**313**	**359**

A summary of the characteristics and the fair value of the derivative contracts in force at September 30th, 2008 and December 31st, 2007 is shown below:

	September 30, 2008				December 31, 2007		
Foreign currency contracts	**Contractual value**			***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	*(AUD/000)*	*(Euro/000)*	*(Euro/000)*	*(USD/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2008	-	-	7,503	8	-	1,150	49
Expiry year 2009	14,000	3,000	801	147	18,000	-	222
Total	**14,000**	**3,000**	**8,304**	**155**	**18,000**	**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 September 30th, 2008 and December 31st, 2007 are summarized in the following table:

	September 30, 2008			December 31, 2007	
Interest rate swaps *(Euro/000)*	**Contractual value**		***Fair value***	**Contractual value**	***Fair value***
	(USD/000)	*(Euro/000)*	*(Euro/000)*	*(Euro/000)*	*(Euro/000)*
Expiry year 2008	-	40,000	(19)	-	-
Expiry year 2010	-	25,000	(44)	25,000	(96)
Expiry year 2011	80,813	89,000	847	100,000	663
Total	**80,813**	**154,000**	**784**	**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., equal to Euro 512 thousand, is reported among non-current assets.

2.5 Other current assets

This account is comprised as follows:

(Euro/000)	September 30, 2008	December 31, 2007
VAT receivable	10,817	4,980
Tax credits and payments on account	10,739	10,175
Prepayments and accrued income	13,988	6,658
Receivables from agents	440	1,018
Other current receivables	20,814	21,178
Total	**56,798**	**44,009**

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

Pre-payments and accrued income at September 30th, 2008 include:

- prepaid advertising costs of Euro 7,894 thousand;
- preapaid costs for royalties of Euro 307 thousand;
- prepaid insurance premiums of Euro 348 thousand;
- prepaid rent and operating leases of Euro 1,710 thousand;
- prepaid costs incurred for the "Revolving Facility" loan of Euro 1,010 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.

2.6 Property, plant and equipment, net

(Euro/000)	Balance at January 1, 2008	Increase	Decrease	Reclass.	New acquisition	Transl. diff.	Balance at September 30, 2008
Gross value							
Land and buildings	116,050	10,261	(758)	-	1,043	744	127,340
Plant and machinery	165,889	7,409	(1,098)	-	-	432	172,632
Equipment and other assets	161,006	23,013	(4,620)	445	4,988	1,756	186,588
Assets under constructions	6,288	3,700	-	(1,914)	-	40	8,114
Total	**449,233**	**44,383**	**(6,476)**	**(1,469)**	**6,031**	**2,972**	**494,674**
Accumulated depreciation							
Land and buildings	30,558	3,031	(597)	-	261	40	33,293
Plant and machinery	107,009	8,602	(951)	-	-	95	114,755
Equipment and other assets	109,808	14,170	(4,285)	261	1,746	761	122,461
Total	**247,375**	**25,803**	**(5,833)**	**261**	**2,007**	**896**	**270,509**
Net book value	**201,858**	**18,580**	**(643)**	**(1,730)**	**4,024**	**2,076**	**224,165**

The investments in property, plant and equipment during the first nine months of 2008 amount to Euro 42,469 thousand (compared to Euro 28,486 of the same period of last year) and relate:

- for Euro 10,706 thousand to the new production facility in China;
- for Euro 10,765 thousand to the other production plants of the Group, for the acquisition or internal production of machinery and equipment relating to new models and the substitution of obsolete machinery;
- for Euro 14,735 thousand to the new openings in the retail business, in particular to the Solstice chain which has increased the number of stores by 34 units during the first nine months of 2008;
- for Euro 2,546 thousand to the headquarter in Padua;

- to capital expenditures in various Group subsidiaries for the difference.

2.7 Intangible assets

(Euro/000)	Balance at January 1, 2008	Increase	Decrease /write-down	New acquisitions	Transl. diff.	Balance at September 30, 2008
Gross value						
Software	14,695	1,578	(333)	93	245	16,278
Trademarks and licenses	42,313	314	-	51	7	42,685
Other intangible assets	9,039	1,310	(1,039)	34	116	9,460
Intangible assets in progress	83	432	-	-	-	515
Total	**66,130**	**3,634**	**(1,372)**	**178**	**368**	**68,938**
Accumulated depreciation						
Software	9,853	1,413	(314)	84	77	11,113
Trademarks and licenses	26,477	2,523	-	-	5	29,005
Other intangible assets	6,274	424	(937)	-	24	5,785
Total	**42,604**	**4,360**	**(1,251)**	**84**	**106**	**45,903**
Net book value	**23,526**	**(726)**	**(121)**	**94**	**262**	**23,035**

Amortization and depreciation expenses related to intangible assets and property, plant and equipment for the nine months ended September 30th, 2008 and 2007 are divided into the following income statement as follows:

(Euro/000)	*note*	First nine months 2008	First nine months 2007
Cost of sales	*3.2*	15,920	15,616
Selling and marketing expenses	*3.3*	4,296	3,300
General and administrative costs	*3.4*	9,947	9,642
Total		**30,163**	**28,558**

2.8 Goodwill

(Euro/000)	Balance at January 1, 2008	Increase	Decrease	Transl. diff.	Balance at September 30, 2008
Goodwill	754,920	34,454	-	10,173	799,547
Net book value	**754,920**	**34,454**	**-**	**10,173**	**799,547**

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 Tide 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	339	203
Inventories	4,652	2,791
Other current assets	951	571
Property, plant and equipment, net	1,364	818
Other non-current assets	651	390
Trade payables	(3,629)	(2,177)
Tax payables	(109)	(65)
Other current liabilities	(99)	(59)
Bank borrowings	(1,192)	(715)
Total net assets	**2,928**	**1,757**
Goodwill		13,236
Price paid		**14,993**

Value given to the put option held by minorities on the remaining 40% of the common stock of the Mexican company, together with a slight adjustment of the original contractual price, has determined an increase in goodwill for Euro 6,090 thousand. The total goodwill deriving from the transaction equals to Euro 19,327 thousand.

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 12.6 million Euro. The following table reports the total fair value of assets and liabilities acquired by the Group and the goodwill arising from the business combination:

Assets and liabilities acquired (Euro/000)	**Totale fair value of assets and liabilities acquired**
Cash in hand and at banks	1,126
Trade receivables, net	520
Inventories	1,058
Other current assets	524
Property, plant and equipment and intangible fixed assets, net	2,509
Trade payables	(2,722)
Other current liabilities	(533)
Payables for financial leasing	(1,444)
Total net assets	**1,037**
Goodwill	11,551
Price paid	**12,588**

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 a 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.

Since the acquisition date, the new Group subsidiaries reported a net turnover of Euro 22,864 thousand and a net aggregate profit of Euro 1,093 thousand.

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

The movements in investments in associates during the first nine months of 2008 were as follows:

	31.12.2007			Movements for the period		
(Euro/000)	Gross value	Revaluation / (write-down)	Value at December 31, 2007	Share of results and write-down of divid. of assoc. comp.	Transl. diff.	Value at September 30, 2008
TBR Inc.	404	576	980	114	35	1,129
Elegance Ltd	4,986	6,072	11,058	184	377	11,619
Optifashion As	353	(112)	241	-	-	241
Total	**5,743**	**6,536**	**12,279**	**298**	**412**	**12,989**

The changes compared to December 31st, 2007 are mainly due to the net profits realized in the period, net of the dividends received, 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 September 30, 2008	Value at December 31, 2007
Gruppo Banco Popolare	Other equity investment	1,404	1,954
Unicredit S.p.A.	Other equity investment	75	164
Others	Other equity investment	260	325
Total		**1,739**	**2,443**

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

	31.12.2007			Movements for the year		
(Euro/000)	Gross value	Revaluation/ (write-down)	Net value	Increase/ (Decrease)	Revaluation/ (write-down)	Value at September 30, 2008
Gruppo Banco Popolare	4,096	(2,142)	1,954	-	(550)	1,404
Unicredit S.p.A.	48	116	164	-	(89)	75
Others	325	-	325	(65)	-	260
Total	**4,469**	**(2,026)**	**2,443**	**(65)**	**(639)**	**1,739**

2.11 Deferred tax assets and deferred tax liabilities

(Euro/000)	September 30, 2008	December 31, 2007
Deferred tax assets	89,908	75,495
Deferred tax liabilities	(14,996)	(11,080)
Total net	**74,912**	**64,415**

Deferred tax assets

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

Deferred tax liabilities

Deferred tax liabilities refer to taxes calculated on the temporary differences between the book value of the assets and liabilities and the related tax value.

The most important account included in deferred tax liabilities mainly relates the property, plant and equipment and the goodwill amortization, calculated only for fiscal purposes.

2.12 Other non-current assets

At September 30th, 2008 the account balance "other non-current assets" amount to Euro 12,228 thousand compared to Euro 8,628 thousand at December 31st, 2007 and mainly refer:
- for Euro 4,993 thousand to the receivable relating to the quotas of employment benefit liability that the subsidiary 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 3,450 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)	**September 30, 2008**	**December 31, 2007**
Short-term borrowings		
Bank overdrafts	9,740	2,395
Short-term bank loans	57,552	82,956
Short-term portion of long-term bank loans	36,676	34,516
Short-term portion of financial leasing	1,616	1,197
Debt to the factoring company	43,919	39,300
Other short-term loans	1,390	1,345
Total	**150,893**	**161,709**
Long-term borrowings		
Medium long-term loans	456,970	400,567
Payables for financial leasing	10,709	8,595
Other medium long-term loans	562	665
Total	**468,241**	**409,827**
Total borrowings	**619,134**	**571,536**

The short-term portion of long-term bank loans, equal to Euro 36,676 thousand, represents the portion of the senior loan, stipulated at the end of June 2006, which is expiring by the end of this year.

The long-term portion of the above loan, denominated "senior", equal to Euro 260,526 thousand, is included in the

“Medium long-term loans”. The loan above is structured as follows:

- “Facility A”, with half yearly repayments starting from December 2006 until December 2011, which is in turn subdivided into three tranches, of which one in Euro (Tranche A1, for an original notional equal to Euro 80 million) at an interest rate of Euribor plus an initial margin of 0.60%, and two in US Dollars (Tranche A2 and Tranche A3, for an original notional of USD 70.4 million and USD 80.5 million respectively) at an interest rate of Libor plus an initial margin of 0.60%. The margin currently applied equals 0.55%.

- “Revolving Facility”, expiring on December 31st, 2012, composed of two tranches also provided in US Dollars (Tranche B1: Euro 170 million, Tranche B2: Euro 30 million) utilised at September 30th, 2008 for Euro 155 million.

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 personal guarantees provided by the directly financed companies.

The payables for financial leases refer to property, plant and equipment acquired under leasing contracts by companies belonging to the Group. The average residual life of leasing contracts is 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).

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

(Euro/000)	**September 30, 2008**	**December 31, 2007**
Within 2 years	40,643	37,265
Within 3 years	46,224	37,423
Within 4 years	27,943	50,728
Within 5 years	347,793	91,237
Beyond 5 years	5,638	193,174
Total	**468,241**	**409,827**

Borrowings by currency are as follows:

(Euro/000)	September 30, 2008	December 31, 2007
Short-term		
Euro	124,407	141,380
US Dollars	20,883	15,129
Brasilian Real	1,765	2,744
Yen	-	1,213
Chinese Reminbi	2,552	-
Hong Kong Dollars	1,286	1,245
Total	**150,893**	**161,709**
Medium long-term		
Euro	408,466	343,588
US Dollars	57,781	66,239
Yen	1,994	-
Total	**468,241**	**409,827**
Total borrowings	**619,134**	**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:

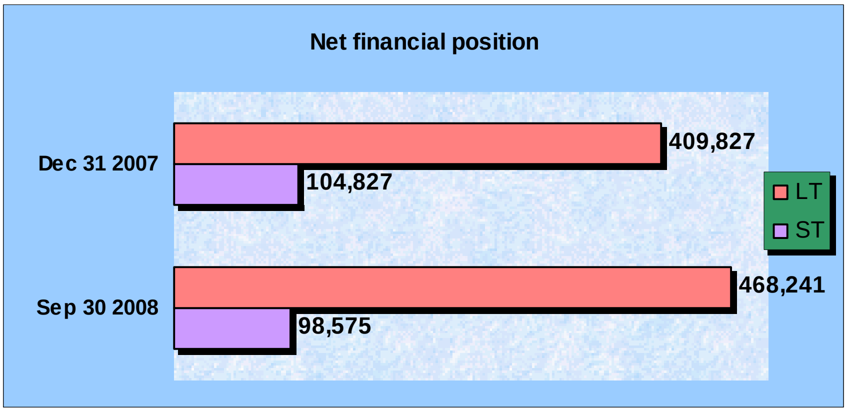
(Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	238,868	64,739	174,129
Credit lines on long-term bank loans	350,133	305,133	45,000
Total	**589,001**	**369,872**	**219,129**

The contractual agreements relating to the Senior Loan granted to some Group companies include a series of obligations which concern the operating and financial aspects. 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. Should they not be complied with in the future, the conditions with which the loan relationship is to be continued must be negotiated with the financers, that is appropriate waivers or modifications to adapt the above-mentioned parameters. If this does not happen, an "Event of Default", that may involve obligatory early repayment of the loans granted, could take place.

Covenants in the current contractual agreement are calculated as a ratio between net financial position and EBITDA and EBITDA and financial income and expenses.

The Group net financial position as of September 30th, 2008 compared with the same as of June 30th, 2008 and December 31st, 2007 is the following:

Net financial position *(Euro/000)*	**September 30, 2008**	**June 30 2008**	**Change Sep - Jun**	**December 31, 2007**	**Change Sep - Dec**
Current portion of long-term borrowings	(36,676)	(34,752)	(1,924)	(34,516)	(2,160)
Bank overdrafts and short-t. bank borrowings	(67,292)	(72,708)	5,416	(85,351)	18,059
Other short-term borrowings	(46,925)	(50,070)	3,145	(41,842)	(5,083)
Cash and cash equivalents	52,318	57,950	(5,632)	56,882	(4,564)
Short-term net financial position	**(98,575)**	**(99,580)**	**1,005**	**(104,827)**	**6,252**
Long-term borrowings	(468,241)	(441,659)	(26,582)	(409,827)	(58,414)
Long-term net financial position	**(468,241)**	**(441,659)**	**(26,582)**	**(409,827)**	**(58,414)**
Net financial position	**(566,816)**	**(541,239)**	**(25,577)**	**(514,654)**	**(52,162)**



Legend:

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

2.14 Trade payables

(Euro/000)	**September 30, 2008**	**December 31, 2007**
Trade payables for:		
purchase of raw materials	34,619	43,242
purchase of finished goods	56,540	60,525
suppliers from subcontractors	3,087	8,280
purchase of tangible and intangible fixed assets	3,666	3,683
commissions	4,452	5,933
royalties	7,561	20,318
advertising and marketing costs	27,401	24,349
services	28,423	28,384
Total	**165,749**	**194,714**

2.15 Tax payables

Tax payables as of September 30th, 2008 amount to Euro 21,671 thousand compared to Euro 20,568 thousand as at December 31st, 2007 and relate for Euro 12,700 thousand to income taxes, for Euro 7,467 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

(Euro/000)	September 30, 2008	December 31, 2007
Payables to personnel and social security institutions	34,527	30,158
Premiums to clients	22,985	27,231
Agent fee payables	2,296	1,792
Payables to pension funds	405	881
Accrued advertising and sponsorship costs	983	484
Accrued interests on long-term loans	8,488	3,283
Other accruals and deferred income	2,624	3,519
Payables to minority shareholders for dividends	2,928	3,726
Other current liabilities	2,638	2,651
Total	**77,874**	**73,725**

The account "payables to personnel and social security institutions" mainly refers to wages and salaries for September, 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 September 30, 2008
Product warranty provision	4,463	910	(849)	6	4,530
Agents' severance indemnity	3,799	485	(3)	-	4,281
Other provisions for risks and charges	4,527	87	(333)	(15)	4,266
Provisions for risks - long term	**12,789**	**1,482**	**(1,185)**	**(9)**	**13,077**
Provisions for risks - short term	**803**	**162**	**(151)**	**-**	**814**
Total	**13,592**	**1,644**	**(1,336)**	**(9)**	**13,891**

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 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. 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 September 30, 2008
Defined contribution plan	3,097	5,899	-	(1,479)	-	7,517
Defined benefit plan	34,743	432	-	(1,267)	65	33,973
Total	**37,840**	**6,331**	**-**	**(2,746)**	**65**	**41,490**

2.19 Other non-current liabilities

The other non-current liabilities as of September 30th, 2008 amount to Euro 15,764 thousand and mainly include:
- the value of the put options held by minority shareholders in some Group companies;
- 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 September 30th, 2008 amounted to Euro 71,348,532 and consisted of 285,394,128 ordinary shares having a nominal value of Euro 0.25 per share.

2.21 Share premium reserve

The share premium reserve amounts to Euro 747,471 thousand and refers to:
- the higher value attributed on the conferment of shares by the subsidiary Safilo S.p.A. compared to the nominal value of the corresponding increase in share capital:
- the higher price paid compared to the nominal value of the shares, at the moment of placing the shares on the

Italian Stock Market, less the quotation charges incurred;
- the higher amount deriving from the conversion of the convertible bond;
- the higher value coming from stock options exercised.

2.22 Retained earnings and other reserves

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

2.23 Fair value and cash flow reserves

This account is comprised as follows:

(Euro/000)	**Balance at January 1, 2008**	**Impact on equity**	**Impact on income statement**	**Balance at September 30, 2008**
Cash flow reserve	393	255	-	648
Fair value reserve	(673)	(639)	-	(1,312)
Total	**(280)**	**(384)**	**-**	**(664)**

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 ¼ for each financial period in the Plan. The accrual criteria for the options is based on reaching certain conventional EBITDA consolidated levels in the balance sheet of Safilo Group S.p.A., that have been fixed by the Board of Directors.

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; as far as the “2004 Plan” is concerned, none of the beneficiaries had exercised the outstanding rights within the due date September 20th 2008, hence it can be considered extincted, too.

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

(Euro/000)	Nine months ended September 30, 2008	2007
2006 Plan	418	418
Total	**418**	**418**

3. Notes on the consolidated statement of operations

3.1 Net sales

Reference should be made to the "Directors' report on operations" for further details regarding the sales trend of the first nine months of 2008 compared to the same period of the previous year.

3.2 Cost of sales

This account is comprised as follows:

(Euro/000)	First nine months 2008	First nine months 2007	Q3 2008	Q3 2007
Purchase of raw materials and finished goods	235,963	268,266	75,771	77,563
Capitalisation of costs for increase in property, plant and equipment (-)	(8,011)	(8,658)	(2,249)	(3,188)
Change in inventories	20,716	(7,990)	(9,127)	(14,265)
Payroll and social security contributions	79,524	73,292	24,011	20,271
Subcontracting costs	10,653	23,643	2,154	9,433
Depreciation	15,920	15,616	5,291	5,178
Rental and operating leases	935	710	244	244
Other industrial costs	6,870	6,925	2,513	2,246
Total	**362,570**	**371,804**	**98,608**	**97,482**

The decrease in the cost of materials and finished goods is mainly due to the Group strategy aimed at reducing the levels of inventory.
The change in inventories is broken down as follows:

(Euro/000)	First nine months 2008	First nine months 2007	Q3 2008	Q3 2007
Finished products	11,349	(14,345)	(5,521)	(12,752)
Work-in-progress	1,132	(300)	(524)	(624)
Raw materials	8,235	6,655	(3,082)	(889)
Total	**20,716**	**(7,990)**	**(9,127)**	**(14,265)**

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

	First nine months 2008	First nine months 2007
Padua headquarters	879	870
Production facilities	4,694	4,883
Commercial companies	1,354	1,184
Retail	1,758	996
Total	**8,685**	**7,933**

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:

	First 9 months 2008	First 9 months 2007	Q3 2008	Q3 2007
Payroll and social security contributions	78,681	74,971	23,271	22,684
Commissions to sales agents	55,482	58,226	15,694	14,754
Royalty expenses	68,118	75,106	16,430	18,700
Advertising and promotional costs	80,059	79,045	21,215	19,161
Amortization and depreciation	4,296	3,300	1,451	1,206
Logistic costs	14,480	13,969	4,397	4,908
Consultants fees	3,509	3,397	1,151	753
Rental and operating leases	13,176	8,843	4,330	3,054
Utilities	1,239	910	491	253
Provision for risks	441	1,228	62	26
Other sales and marketing expenses	17,429	17,206	5,466	4,754
Total	**336,910**	**336,201**	**93,958**	**90,253**

The increase in payroll costs mainly derives from the development of the retail channel, while the decrease in cost for commissions to agents and for royalties is strictly connected with the decrease in turnover for the first nine months 2008 compared to the same period of the previous year.

3.4 General and administrative expenses

This account is comprised as follows:

(Euro/000)	First 9 months 2008	First 9 months 2007	Q3 2008	Q3 2007
Payroll and social security contributions	44,539	42,211	14,330	13,289
Allowance for doubtful accounts	2,151	2,653	749	875
Amortization and depreciation	9,947	9,642	3,360	2,807
Consultants fees	8,477	9,009	2,335	2,225
Rental and operating leases	5,814	5,397	1,904	1,860
EDP costs	2,818	2,925	893	1,017
Insurance costs	2,281	1,888	806	598
Utilities, security and cleaning	5,587	5,117	1,973	1,815
Taxes (other than on income)	2,151	1,944	757	718
Other general and administrative expenses	11,272	13,328	3,238	2,654
Total	**95,037**	**94,114**	**30,345**	**27,858**

3.5 Other income/(expenses), net

This account is comprised as follows:

(Euro/000)	First 9 months 2008	First 9 months 2007	Q3 2008	Q3 2007
Losses on disposal of assets	(147)	(452)	(73)	(87)
Other operating expenses	(831)	(650)	50	(302)
Gains on disposal of assets	16	201	11	181
Other operating incomes	1,408	734	720	162
Total	**446**	**(167)**	**708**	**(46)**

3.6 Share of income/(loss) of associates

This account amounts to Euro 732 thousand (Euro 250 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)	First 9 months 2008	First 9 months 2007	Q3 2008	Q3 2007
Interest expense on loans	16,662	14,922	4,976	5,446
Interest expense and charges on High Yield	14,795	14,693	4,964	4,941
Bank commissions	3,632	2,905	1,229	1,044
Negative exchange rate differences	13,627	8,023	3,859	4,350
Financial discounts	2,696	2,888	1,057	264
Other financial charges	622	1,297	186	129
Total financial charges	**52,034**	**44,728**	**16,271**	**16,174**
Interest income	860	851	232	317
Positive exchange rate differences	10,078	9,801	1,666	4,619
Dividends	85	985	-	978
Other financial income	311	257	220	28
Total financial income	**11,334**	**11,894**	**2,118**	**5,942**
Total financial charges, net	**40,700**	**32,834**	**14,153**	**10,232**

Financial charges slightly increased when compared to the first nine 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 rate differences.

3.8 Income tax expenses

(Euro/000)	First 9 months 2008	First 9 months 2007	Q3 2008	Q3 2007
Current taxes	(24,659)	(23,719)	(4,559)	(3,673)
Deferred taxes	9,747	(3,257)	5,297	(397)
Total	**(14,912)**	**(26,976)**	**738**	**(4,070)**

3.8 Earnings per share

(Euro)	First 9 months 2008	First 9 months 2007	Q3 2008	Q3 2007
Basic EPS	0.05	0.14	(0.02)	0.02
Diluted EPS	0.05	0.14	(0.02)	0.02

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

(Euro)	First 9 months 2008	First 9 months 2007
Profit for ordinary shares (in Euro/000)	14,486	38,726
Average number of ordinary shares (in thousand)	285,394	284,086
Basic EPS	**0.05**	**0.14**

(Euro)	First 9 months 2008	First 9 months 2007
Profit for ordinary shares (in Euro/000)	14,486	38,726
Profit for preferred shares (in Euro/000)	-	-
Profit at income statement	**14,486**	**38,726**
Average number of ordinary shares (in thousand)	285,394	284,086
Dilutive effects:		
- stock option (in thousand)	-	220
Total	**285,394**	**284,306**
Diluted EPS	**0.05**	**0.14**

3.10 Seasonality

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

3.11 Significant non-recurring operations and unusual items

During the first nine months of 2008, the Group did not perform any significant non-recurring operations and/or no unusual items, as defined in Consob Communication dated July 28th, 2006, occurred.

3.12 Dividends

During the first nine months of 2008 the holding company Safilo Group S.p.A. has paid to its shareholders the dividends deliberated in the occasion of the approval of the financial statements as of December 31st, 2007 for a total amount of Euro 24,258 thousand.

3.13 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:

9M, 2008 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Elimin.**	**Total**
Net sales				
-to other segments	7,910	-	(7,910)	-
-to third parties	787,757	77,969	-	865,726
Total net sales	**795,667**	**77,969**	**(7,910)**	**865,726**
Operating profit	**73,868**	**(2,213)**	**-**	**71,655**
Share of income of associates	732	-		732
Financial charges, net				(40,700)
Income taxes				(14,912)
Net profit				**16,775**
Operating profit margin	9%	-3%		8%
Other information				
Depreciation & amortization	26,009	4,155		30,163

9M, 2007 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Elimin.**	**Total**
Net sales				
-to other segments	5,195	-	(5,195)	-
-to third parties	850,285	53,601	-	903,886
Total net sales	**855,480**	**53,601**	**(5,195)**	**903,886**
Operating profit	**102,502**	**(902)**	**-**	**101,600**
Share of income of associates	250	-		250
Financial charges, net				(32,834)
Income taxes				(26,976)
Net profit				**42,040**
Operating profit margin	12%	-2%		11%
Other information				
Depreciation & amortization	25,796	2,762		28,558

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

Q3 2007 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Elimin.**	**Total**
Net sales				
-to other segments	31	-	(31)	-
-to third parties	218,373	17,701	-	236,074
Total net sales	**218,404**	**17,701**	**(31)**	**236,074**
Operating profit	**21,247**	**(812)**	**-**	**20,435**
Share of income of associates	26	-		26
Financial charges, net				(10,232)
Income taxes				(4,070)
Net profit				**6,159**
Operating profit margin	*10%*	*-5%*		*9%*
Other information				
Depreciation & amortization	8,422	769		9,191

Below, information according to the geographical area:

9M, 2008 *(Euro/000)*	**Italy (1)**	**Europe (2)**	**America (3)**	**Asia (4)**	***Corporate* (5)**	**Eliminat.**	**Total**
Net sales							
-to other segments	210,341	48,143	2,640	2,881	-	(264,005)	-
-to third parties	193,763	261,615	304,181	106,167	-	-	865,726
Total net sales	**404,104**	**309,758**	**306,821**	**109,048**	**-**	**(264,005)**	**865,726**
Gross profit	**137,433**	**135,240**	**169,171**	**57,281**	**-**	**4,031**	**503,156**
Operating profit	**1,852**	**23,215**	**34,182**	**13,771**	**(81)**	**(1,284)**	**71,655**
Interest expense							(52,034)
Interest income							11,334
Share of income of associates	-	-	122	610	-		732
Income taxes							(14,912)
Net profit							**16,775**
Gross profit margin	*34%*	*44%*	*55%*	*53%*			*58%*
Operating profit margin	*0%*	*7%*	*11%*	*13%*			*8%*
Other information							
Depreciation & Amortization	18,710	4,949	5,318	1,159	27		30,163

(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.

9M, 2007 *(Euro/000)*	**Italy (1)**	**Europe (2)**	**America (3)**	**Asia (4)**	***Corporate* (5)**	**Eliminat.**	**Total**
Net sales							
-to other segments	257,060	38,299	2,014	281	-	(297,653)	-
-to third parties	205,978	271,043	317,891	108,974	-	-	903,886
Total net sales	**463,038**	**309,342**	**319,905**	**109,255**	**-**	**(297,653)**	**903,886**
Gross profit	**181,810**	**133,883**	**161,675**	**56,868**	**-**	**(2,153)**	**532,082**
Operating profit	**38,090**	**27,045**	**20,912**	**18,074**	**(520)**	**(2,001)**	**101,600**
Interest expense							(44,728)
Interest income							11,894
Share of income of associates	-	-	114	104	32		250
Income taxes							(26,976)
Net profit							**42,040**
Gross profit margin	*39%*	*43%*	*51%*	*52%*			*59%*
Operating profit margin	*8%*	*9%*	*7%*	*17%*			*11%*
Other information							
Depreciation & Amortization	19,007	4,431	4,275	836	9		28,558

Q3, 2008 *(Euro/000)*	Italy (1)	Europe (2)	America (3)	Asia (4)	*Corporate* (5)	Eliminat.	Total
Net sales							
-to other segments	52,827	13,961	1,422	1,765	-	(69,975)	-
-to third parties	43,141	62,455	97,435	25,735	-	-	228,766
Total Net Sales	**95,968**	**76,416**	**98,857**	**27,500**	**-**	**(69,975)**	**228,766**
Gross profit	**27,430**	**33,169**	**53,989**	**13,827**	**-**	**1,743**	**130,158**
Operating profit	**(8,049)**	**2,035**	**10,194**	**2,279**	**129**	**(24)**	**6,563**
Interest expense							(16,271)
Interest income							2,118
Share of income of associates	-	-	47	610	-		657
Income taxes							738
Net profit							**(6,195)**
Gross profit margin	*29%*	*43%*	*55%*	*50%*			*57%*
Operating profit margin	*-8%*	*3%*	*10%*	*8%*			*3%*
Other information							
Depreciation & Amortization	6,323	1,433	1,910	422	14		10,102

Q3, 2007 *(Euro/000)*	Italy (1)	Europe (2)	America (3)	Asia (4)	*Corporate* (5)	Eliminat.	Total
Net sales							
-to other segments	66,317	11,544	1,020	101	-	(78,982)	-
-to third parties	44,845	58,266	101,775	31,188	-	-	236,074
Total Net Sales	**111,163**	**69,810**	**102,795**	**31,288**	**-**	**(78,982)**	**236,074**
Gross profit	**40,730**	**26,478**	**54,734**	**17,898**	**-**	**(1,249)**	**138,592**
Operating profit	**5,710**	**(1,611)**	**11,290**	**6,202**	**(165)**	**(992)**	**20,435**
Interest expense							(16,174)
Interest income							5,942
Share of income of associates	-	-	38	(1)	(10)		26
Income taxes							(4,070)
Net profit							**6,159**
Gross profit margin	*37%*	*38%*	*53%*	*57%*			*59%*
Operating profit margin	*5%*	*-2%*	*11%*	*20%*			*9%*
Other information							
Depreciation & Amortization	6,278	1,125	1,530	254	4		9,191

RELATED PARTY TRANSACTIONS

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

Related parties transactions *(Euro/000)*	**Relationship**	**September 30, 2008**	**December 31, 2007**
Receivables			
Optifashion As	(a)	14	-
Elegance International Holdings Ltd	(b)	434	603
Total		**448**	**603**
Payables			
Elegance International Holdings Ltd	(b)	6,098	8,881
Total		**6,098**	**8,881**

Related parties transactions	**Relationship**	**Nine months ended Sept. 30,**	
(Euro/000)		**2008**	**2007**
Revenues			
Elegance International Holdings Ltd	(b)	8	-
Optifashion As	(a)	90	89
Total		**98**	**89**
Costs			
Elegance International Holdings Ltd	(b)	13,437	19,587
TBR Inc.	(b)	786	847
Total		**14,223**	**20,434**

(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 nine months of 2008, the Group paid rent of Euro 786 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 September 30th, 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.; these claims are now over and no further actions against Safilo are expected.

COMMITMENTS

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

For the Board of Directors

The Chairman

Vittorio Tabacchi

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

The officer responsible for the preparation of the Company's financial statements, Mr. Francesco Tagliapietra, hereby declares, in accordance with paragraph 2 article 154 bis of the Testo Unico della Finanza, that the accounting information contained in the consolidated nine-month report at September 30th, 2008 corresponds to the results documented in the books, accounting and other records of the company.

Padua, November 14th, 2008

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