REPORT OF THE DIRECTORS

FOR THE SHAREHOLDERS' MEETING OF

SAFILO GROUP S.p.A.

CALLED ON July 10th, 2014, IN SINGLE CALL

Drafted pursuant to article 2441, paragraph 6, Italian Civil Code, article 125 *ter* of Legislative Decree No. 58 of February 24, 1998 and subsequent amendments, as well as article 72 of Regulation of the Italian Financial Conduct Authority (CONSOB) No. 11971 of May 14, 1999 and subsequent amendments and integrations, and pursuant to Schedule 3A - Scheme No. 2 of the same Regulation

EXTRAORDINARY SHAREHOLDERS' MEETING JULY 10th, 2014

AUTHORISATION OF THE CONVERTIBILITY OF THE *EQUITY LINKED BOND NAMED "SAFILO GROUP S.P.A. EURO 150 MILLION, 1.25 PER CENT GUARANTEED EQUITY-LINKED BONDS DUE 2019 AND CAPITAL INCREASE"*, PAYABLE AND IN A DIVISIBLE FORM, WITH THE EXCLUSION OF THE PRE-EMPTION RIGHT PURSUANT TO ARTICLE 2441, PARAGRAPH 5 OF THE ITALIAN CIVIL CODE, BY SERVING THE CONVERSION OF THE ABOVE-MENTIONED BOND UP TO A MAXIMUM OF EURO 150 MILLION, INCLUSIVE OF ANY POSSIBLE SHARE PREMIUM, BY ISSUING ORDINARY SAFILO GROUP S.P.A. SHARES WITH NOMINAL VALUE OF EURO 5,00 EACH; AMENDMENTS TO ARTICLE 5 OF THE ARTICLES OF ASSOCIATION; INHERENT AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

The Board of Directors of Safilo Group S.p.A. ("**Safilo Group**", the "**Company**", or the "**Issuer**") called you to attend this Extraordinary General Meeting to resolve the proposal to authorise the conversion into Safilo Group ordinary shares of the *equity-linked* bond of nominal amount of Euro 150,000,000, due to expire on May 22nd, 2019, named "*Safilo Group S.p.A. Euro 150 million 1.25 per cent Guaranteed Equity-Linked Bonds due 2019*", issued on May 22nd, 2014 (the "**Bond**") and, as a consequence, the proposal to increase the share capital of Safilo Group, by serving the Bond, payable and in a divisible form, with exclusion of the pre-emption right pursuant to article 2441, paragraph 5, of the Italian Civil Code, up to a maximum of Euro 150 million, inclusive of any possible share premium, to be issued at one or more times, by issuing Safilo Group ordinary shares, with nominal value of Euro 5.00 each, having the same characteristics of the outstanding ordinary shares (the "**Capital Increase**").

The proposed Capital Increase is therefore aimed at serving the conversion into Safilo Group ordinary shares granted to the bondholders (the "**Bonds**") as per the Bond.

This report is aimed at illustrating the reasons behind the proposal of the Capital Increase pursuant to article 2441, paragraph 6, of the Italian Civil Code, article 72 of the Consob Regulation No. 11971 of May 14th, 1999 and subsequent amendments and integrations (the "**Issuers' Regulation**"), as well as article 125 *ter* of Legislative Decree No. 58 of February 24th, 1998 and subsequent amendments (the "**TUF**").

1. **Description of the transaction and the reasons thereof and scope of the Capital Increase, also in relation to the performance of the Company.**

1.1. *Reasons thereof and scope of the Capital Increase*

The proposal of Capital Increase at issue is part of the refinancing transaction of Safilo Group and the issuing of the Bond as approved, *inter alia* and within its powers, by the Board of Directors on May 14th, 2014, as specified below.

1.2. *Characteristics and scope of the Bond*

The transaction was approved by the Board of Directors of Safilo Group on May 14th, 2014, which determined also the main terms and conditions of the Bond issue, pursuant to articles 2410 and following of the Italian Civil Code. The Bond and its final terms and conditions were resolved by the Chief Executive Officer on May 15, 2014, and minuted by the Notary Public Mr. Stefano Rampolla of Milan, rep. No. 50495, archive No.12432.

On the same date it was started and concluded, the placement of the Bond, by finalising the conditions of the same, with Italian and foreigners qualified investors, with the exclusion of any offer to the public or countries where this type of offer is not permitted.

The regulation of the transaction, by issuing of Bonds and the payment of the underwriting price by investors, occurred on May 22nd, 2014.

The total amount of the Bond is equal to Euro 150,000,000.

The placement of the Bond has been reserved only to qualified investors in order to promptly collect financial resources at favourable market conditions by an *equity-linked* financial instrument, which due to its complexity turns out to be not suitable to be placed with retail investors. The offer of the Bond to qualified investors has allowed collection, in a short time, of financial resources directly on the market and not through the banking system, exploiting the conditions offered by a favourable market context in terms of liquidity, interest rates and placing conditions deriving from the characteristics of the *equity-linked* Bond. The issue of the Bond allows the Company to obtain a greater diversification of the financing sources, extending the average maturity and optimizing the financial structure of the Company, also in terms of costs.

The collected sources shall be used, *inter alia*, for the refinancing of part of the Company indebtedness.

Due to the Group structure and scopes of the transaction, it has also been provided that the Bond shall be backed up with a personal guarantee, under English law, released by the subsidiary Safilo S.p.A., within the limits of what provided by the relevant agreements.

The issue is part of the refinancing of Safilo Group's indebtedness which arises *inter alia*, from the loan agreement signed by the subsidiaries Safilo S.p.A. and Safilo USA Inc. originally in 2006 and due to expire in June 2015. The Board of Directors, on May 14th, 2014, resolved to approve, within the powers of Safilo Group, the conditions of a *revolving credit facility* ("RCF") for a total amount up to a maximum of Euro 150 million, with a duration of 4 years, and shall be effective following the eventual approval of the Capital Increase by the Extraordinary General Meeting and the reimbursement and write-off of the *credit facility* currently existing, due to expire on June 30th, 2015.

Therefore, following the above-mentioned transactions, for a total amount equal to Euro 300 million, the Group will benefit from broad financial flexibility, postponing at the same time the due date of the debt to 2018-2019.

1.3. *Characteristics and scope of the Capital Increase*

The terms and conditions of the Bond (as defined in the so called *Terms & Conditions*, hereinafter also referred to as the "**Regulation of the Bond**") provide, *inter alia*, that:

(i) in the event in which the Capital Increase with exclusion of the pre-emption right pursuant to article 2441, paragraph 5, of the Italian Civil Code, to serve the conversion of the Bond shall not be approved by the shareholders' general meeting of the Company by September 30th, 2014 (the "**Long Stop Date**") and without prejudice to the event in which the Company shall exercise the so called *fair market call*, as described below, the Bondholders shall be entitled to ask for the early reimbursement in cash of their Bonds, to be exercised during a term starting from the Long Stop Date and by the 32° day on which the market is open prior to the deadline of the Bond, or by the 7° day on which the market is open prior to the deadline set by the Company for the early reimbursement of the Bond, for an amount determined, according to a mathematical formula, as defined by the Regulation of the Bond, which shall consider the market value of Safilo Group shares to which they would have been entitled in the event of conversion (so called ***Cash Alternative Amount***), being understood that if the Shareholders' General Meeting will not approve the Capital Increase and the Bond will not be reimbursed, the settlement right shall apply to all;

(ii) in the event in which the Capital Increase shall not be approved by the Shareholders' General Meeting of the Company by the Long Stop Date, the Company shall be entitled to the early reimbursement of the whole Bond by a set date , by cash, (the so called ***fair market call***), for an amount equal to the greater amount between 102% of the nominal amount of the Bond and 102% of the "market value" of the Bond, as determined by an independent financial advisor, in addition to accrued but not paid interests, as provided by the Regulation of the Bond;

(iii) if the Shareholders' General Meeting approves, by the Long Stop Date the Capital Increase, the Company shall send to the bondholders a specific notice (the "***Physical Settlement Notice***"), which entitles the bondholders to convert the Bonds, starting from the so called ***Physical Settlement Date,*** into newly issued ordinary shares of the Company, to be exercised within a certain period of time, as defined by the Regulation of the Bond and according to the conversion ratio as provided by the Regulation of the Bond and better specified below, without prejudice to the possibility for the Company, when converting, to deliver, if existing, also treasury shares.

Following the eventual resolution approving the Capital Increase, the bondholders shall be entitled to convert the Bonds into Safilo Group shares uninterruptedly, without prejudice to some periods provided by the Regulation of the Bond. However, the Company shall have in any event the right to pay by cash the conversion requests, paying to the bondholder an amount of cash equal to the so called *Cash Alternative Amount*, for whole or part – at the Company's discretion – of Safilo Group shares due to the bondholder as a consequence of having exercised the conversion right.

The eventual conversion of the Bonds into shares shall allow the Company to strengthen its capital structure and diversify its financial structure, by limiting the expected expenditure on the expiry date of the Bond.

1.4. *Characteristics of the Bond*

The Bond has the following main characteristics:

- <u>total nominal amount of issue</u>: Euro 150,000,000 (one hundred and fifty million);
- <u>minimum denomination of Bonds</u>: Euro 100,000.00 (one hundred point zero zero);
- <u>term</u>: 5 (five) years, due to expire on May 22nd, 2019;

- issue price: equal to the nominal value of the Bond;
- interest rate: fixed interest rate, with deferred payment, each semester starting from November 22nd,2014 equal to annual 1.25% (one point twenty five per cent);
- initial conversion price: Euro 21.8623 (twenty one point eight thousand six hundred and twenty three) per share, subject to adjustments as per the Regulation of the Bond;
- date of availability: from the issue date;
- eventual conversion: starting from the *Physical Settlement Date* **and** for the entire duration set by the Regulation of the Bond, subject to the approval by the Shareholders' General meeting of the Capital Increase;
- reimbursement: upon expiry the capital shall be reimbursed in one instalment for an amount equal to 100% of the nominal value, without prejudice to early reimbursements;
- early reimbursement by the Company: the Company could exercise the right of early reimbursement in defined situations, according to the market practice, of *clean-up call*, *tax call* or *issuer's soft call*, possibly starting from a set date;
- early reimbursement by the bondholders: in addition to the above-mentioned fair market call described at the previous paragraph 1.3(ii) in the event the Capital Increase, by serving the Bond, shall not be approved by the general Shareholders' Meeting, the bondholders are entitled to ask the Company for the early reimbursement, at nominal value on top of accrued but not yet paid interests, in the event of: (a) a *change of control* of the Company, as defined by the Regulation of the Bond; or (b) the outstanding ordinary shares of the Company decreasing under 15% and remains under 15% for at least 5 days of open market for a term of 90 days of open market from the first day in which it decreased below the said threshold;
- cash alternative election: in addition to the above-mentioned fair market call described at the previous paragraph 1.3(i) in the event the Capital Increase, by serving the Bond, shall not be approved by the general Shareholders' Meeting, if a bondholder exercised the conversion right, the Company shall have in any event the right to pay by cash the conversion requests, paying to the bondholder an amount of cash equal to the so called *Cash Alternative Amount*, for whole or part – at the Company's discretion – of Safilo Group shares due to the bondholder as a consequence of having exercised the conversion right;

- governing law: English law, except for the issues which are mandatorily governed by Italian law.

1.5. *Reasons to exclude the pre-emption right*

The issue of the Bond, the Capital Increase and the approval of the convertibility of the Bonds into ordinary share are a sole transaction aimed at providing the Company with an instrument suitable to collect, in a short period and with significantly low expenses, resources from non-banking capital market. To this extent, to finalise the transaction, it is necessary to approve a capital increase to serve the Bond, with exclusion of the pre-emption right. The Board of Directors deems that the exclusion of the pre-emption right is required in the interest of the Company pursuant to article 2441 paragraphs 5 and 6 of the Italian Civil Code for the following reasons:

a) the decision to reserve the underwriting of the Bond only to institutional/qualified investors, excluding therefore, the pre-emption right of the shareholders on the following Capital Increase, lies in the high level of complexity and characteristics of the financial instruments so called *equity linked,* which make them completely inadequate for retail investors (and therefore for the same offer to all shareholders of the Company). On the contrary, the *equity linked* instrument (and the particular structure and characteristics of the bond, offered, moreover, in units of Euro 100,000.00), addressed exclusively to qualified investors, are an effective means to collect non-banking financial resources at particularly convenient conditions, which is suitable for the current needs of the Company and allows an improvement of the financial situation and relevant costs, otherwise impossible to be obtained and in particular it cannot be obtained by traditional convertible Bonds offered to the shareholders with the pre-emptive right;

b) the issue and placement of *equity linked* instrument presume an offer to the public in such a way and short time which are possible only in case of the exclusion of the pre-emption right and the consequently of the public offer procedure of the Bonds, which would require more onerous corporate fulfilments, longer time and, also, more expensive costs;

c) the opportunity to convert the Bond would imply that the provisions of payment in cash shall no longer be applied to the Bondholders (so called settlement right), potentially stabilising the acquisition of the resources collected through the Bond;

d) the eventual conversion of the Bonds into Safilo Group shares, would finally allow the Company (i) to strengthen its own capital structure and diversify its financial structure, by limiting, at the same time, the relevant cash expenditure relating to the financial charges and the possible reimbursement of the capital at the maturity date and (ii) to increase the number of its shareholders;

e) there is a strategic need of the Company and of the Group to refinance, in a very short time, an overall amount of Euro 300 million committed credit facilities expiring in June 2015. The Bond, together with the new Euro 150 million RCF, negotiated by the Company with the same banks, that were the joint bookrunners of the Bond, has been considered by the Board of Directors the best solution to fulfill the above mention need, quickly and taking advantage of a favorable market window, clearly uncertain with reference to its duration.

1.6. *Terms and ways of conversion of the Bond into capital*

The initial conversion price, which is equal to the issue price of the new shares for the Capital Increase, is equal to Euro 21.8623, without prejudice to eventual adjustments to the conversion price as described below.

The nominal value of the Safilo Group shares to be issued in the event of eventual conversion shall not exceed the credit which would be due to the bondholders as reimbursement of the Bonds themselves in the event of non-conversion. The conversion price shall be imputed to capital for the nominal value of the newly issued ordinary shares and for the remaining part to share premium.

The number of shares to be issued or transferred to serve the conversion shall be determined by dividing the nominal amount of the Bonds by the conversion price at the time of the relevant conversion date, rounded down to the closer whole number of the ordinary shares. Portions of shares shall not be issued nor delivered and no cash payment or adjustment shall be executed instead of said portions.

On the basis of such parameters the conversion ratio of the Bond of Euro 150,000,000 shall be equal to the issue of a maximum No. of 6,861,126 ordinary shares.

The Regulation of the Bond provides that the conversion price as initially defined shall be subject to adjustments, in line with the market practice in force for that type of financial instruments, upon occurrence, among others, of the following events, including but not limited to: grouping or fractioning of outstanding ordinary shares; issue of ordinary shares free of charge; distribution of dividends in cash or in kind to the ordinary shares; attribution to ordinary shareholders of rights or options which entitle to the right to underwrite ordinary shares at a price lower than the market price when those rights are not offered to the bondholders; issue of ordinary shares for an amount lower than the market price in favour of ordinary shareholders when those shares are not offered to the bondholders; issue of financial instruments convertible into ordinary shares in favour of ordinary shareholders when those instruments are not offered to the bondholders; issue of financial instruments convertible into ordinary shares, with the exclusion of pre-emption right at a value lower than the market value; amendments to financial instruments already issued which entitle to the conversion into ordinary shares such to allow the acquisition of ordinary shares at a price lower than the market price.

The Bonds offer a safeguard to the investor for the future dividends paid by the Company. Indeed, if the Company resolves to distribute dividends, for whatever amounts, to ordinary shares during the term of the Bond, the conversion price of the Bonds shall be adjusted on the basis of the formula provided by the Regulation of the Bond, in order to compensate the bondholders of the amount of the distributed dividends.

2. Structure of the short and medium term financial debt

The financial resources collected by the issue of the Bond, as said, shall permit a greater diversification of the financing sources, extending the average maturity and optimising the financial structure of the Company and of the Group.

In particular, the Bond, together with the new Euro 150 million RCF, allows to completely refinancing the current credit facilities, equal to Euro 300 million, that will expire on June 30th, 2015 and that were utilized for about Euro 200 million as at March 31st, 2014.

The pro-forma data in chart below, were elaborated adding to the consolidated net financial position as at March 31st, 2014, only the notional amount of the Bond.

	SAFILO GROUP CONSOLIDATED *(Euro/000)*	**March 31 2014**	**March 31 2014 New Issue**
A	Cash and cash equivalents	79,833	229,833
B	Cash and cash equivalents included as Assets held for sale	-	-
C	Current securities (securities held for trading)	-	-
D	**Liquidity (A+B+C)**	**79,833**	**229,833**
E	**Receivables from financing activities**	**-**	**-**
F	Bank overdrafts and short-term bank borrowings	(27,154)	(27,154)
G	Current portion of long-term borrowings	(24,980)	(24,980)

	SAFILO GROUP CONSOLIDATED *(Euro/000)*	March 31 2014	March 31 2014 New Issue
H	Other short-term borrowings	(34,170)	(34,170)
I	**Debts and other current financial liabilities (F+G+H)**	**(86,304)**	**(86,304)**
J	**Current financial position, net (D)+(E)+(I)**	**(6,471)**	**143,529**
K	Long-term bank borrowings	(199,444)	(199,444)
L	"Equity linked" Bonds	-	(150,000)
M	Other long-term borrowings	(1,613)	(1,613)
N	**Debts and other non current financial liabilities (K+L+M)**	**(201,057)**	**(351,057)**
I	**Net financial position (J)+(N)**	**(207,528)**	**(207,528)**

	SAFILO GROUP S.p.A. *(Euro/000)*	March 31 2014	March 31 2014 New Issue
A	Cash and cash equivalents	279	150,279
B	Cash and cash equivalents included as Assets held for sale	-	-
C	Current securities (securities held for trading)	-	-
D	**Liquidity (A+B+C)**	**279**	**150,279**
E	**Receivables from financing activities**	**-**	**-**
F	Bank overdrafts and short-term bank borrowings	-	-
G	Current portion of long-term borrowings	-	-
H	Other short-term borrowings	-	-
I	**Debts and other current financial liabilities (F+G+H)**	**-**	**-**
J	**Current financial position, net (D)+(E)+(I)**	**279**	**150,279**
K	Long-term bank borrowings	-	-
L	"Equity linked" Bonds	-	(150,000)
M	Other long-term borrowings	-	-
N	**Debts and other non current financial liabilities (K+L+M)**	**-**	**(150,000)**
I	**Net financial position (J)+(N)**	**279**	**279**

The data shown above have a mere indicative value as they are based on values that, at the date of the reimbursement of the Bond, may be varied, also in a significant way. Please do not consider such pro-forma chart as representing what will be the real and effective impact of the transaction on the economic and capital condition of the Company and of the Group, been represented at the notional amount.

3. Eventual underwriting and/or placement syndicates, their formation, ways and terms of involvement

There is no underwriting and/or placement syndicate in relation to the Capital Increase, since this latter is aimed at exclusively serving the eventual conversion of the Bonds.

It is noted, moreover, that the placement of the Bond has been administered by Banca IMI S.p.A., BNP Paribas and UniCredit Bank AG, Milan Branch as *Joint Bookrunner*.

4. Other provided forms of placement

Other forms of placement are not provided.

5. Criteria according to which the issue price of the new ordinary shares has been determined

The Board of Directors of the Company, considering the characteristics of the Bonds as well as the Capital Increase to serve the conversion of the Bond, has resolved to suggest to the General Meeting that the issue price of the conversion of shares deriving from the Capital Increase to be equal to the conversion price of the Bonds, without prejudice to the criteria provided by article 2441, paragraph 6, of the Italian Civil Code and therefore the issue price shall not be lower than the one determined on the basis of the value of the net assets of the company, considering also the stock prices on the Electronic Stock Market (*Mercato Telematico Azionario*) of the ordinary shares of the Company in the last six months.

The initial price of conversion of the Bonds – given the nature of the Bond, aimed at becoming convertible into ordinary shares subject to the approval of the extraordinary general meeting – has been determined, in compliance with the market practice for these financial instruments, the outcome of the placement of the Bond, on the basis of the market value of the ordinary shares of the Company, in addition to the quantity and quality of the express demand within the placement of the Bond. In particular, to the extent of determining the market value of the ordinary shares, the volume weighted average price of the ordinary share as registered on the Electronic Stock Market (*Mercato Telematico Azionario*) between the start of the placement and the end of the *bookbuilding*, equal to Euro 15.6159, has been used as benchmark. There has been applied to this market value a conversion premium of 40%, equal to the maximum of the interval between 32.5% (minimum premium set by the Board of Directors held on May 14th, 2014) and 40%, determined on the basis of the indications as provided by the selected banks for the performance of the role of *joint bookrunners*, of market conditions and practices in similar transactions performed also in the Italian market.

As pointed out in the chart below, this conversion price is much higher than any other conversion price that has usually been obtained with similar transactions in European market, from 2013 and, overall, the highest in 2014, until the date of the placement of the Bond.

Conversion price for convertible bonds issue on the European market during 2013-2014 (%)

	Tot.	**2014**	**2013**	**Maturity < 4 years**	**Maturity 4 - 6 years**	**Maturity > 6 years**
Average	**31,2**	**30,7**	**31,4**	**30,0**	**31,3**	**32,0**
=Euro 150 mln	26,8	27,5	26,0			
<Euro 150 mln	30,3	31,5	29,8			
>Euro 150 mln	32,0	30,5	32,4			
Median	**32,0**	**30,0**	**32,5**	**31,0**	**32,5**	**31,0**
Min	**15,0**	**25,0**	**15,0**	**25,0**	**15,0**	**30,0**
Max	**42,5**	**35,0**	**42,5**	**33,8**	**42,5**	**35,0**

This data were obtained by external providers (Bloomberg) based on a wide range (49 issues) of recent transaction with similar conditions.

On the basis of the above criteria, the initial conversation price of the Bonds into ordinary shares of the Company already issued and/or newly issued has been determined at Euro 21.8623.

Pursuant to article 2441, paragraph 6, of the Italian Civil code, with regard to the fixing of the issue price of new ordinary shares to serve the eventual Bonds conversion, the Board of Directors has considered, also, the value of the net equity of the Company on March 31st, 2014, equal to Euro 12.51 per share (on December 31st, 2013 that value was equal to Euro 12.52), as well as the arithmetic average of the market price of the ordinary shares in the month, in the quarter and in the six months prior to the approval of the Bond issue, equal to, respectively, Euro 15.87, 15.78 and 16.58. Therefore the issue price of the new shares, determined as described above, is higher than the market value of the Safilo Group stock, in all the above-mentioned periods, as well as higher of the value determined on the basis of the net capital of the Company.

It should be noted that, pursuant to the Regulation of the Bond, the initial conversion price can be subject to adjustments at the conversion date in compliance with the market practice for this kind of instruments, upon occurrence of such events, including but not limited to, in the above paragraph 1.6, to which please make reference.

An analysis on the fair value of the shares of the Company was carried out based on the target price evaluated by the major market analysts that publish research on the Company (so called *consensus*).

In particular, the research available before the issue of the Bond was analyzed, extracting recommendations and target prices.

In the chart below the results of this analysis are reported

Broker	**Recommendation**	**Target Price**
BANCA AKROS	Hold	18
BANCA ALETTI	In line	17
BANCA IMI	Hold	18,05
BANK OF AMERICA - MERRILL LYNCH	Underperform	16,5
BERENBERG	Buy	18,5
BRYAN GARNIER	Buy	19
CITI	Hold	16
DEUTSCHE BANK	Buy	20
EQUITA SIM SPA	Hold	18
FIDENTIIS	Buy	22,5
INTERMONTE	Neutral	17
KEPLER CHEUVREUX	Hold	16
MAIN FIRST	Outperform	22
MEDIOBANCA	Outperform	19,5
	average	**18,43**
	median	**18,03**

The value, identified on the basis of the target prices on the date of the approval of the Bond, is placed in a range equal to Euro 18-18.5.

As a confirmation of the adequacy of the conversion price of the Bonds, the Company carried out additional analysis, based on mathematical-financial models.

By means of these models the Company appraised the current value of the two implicit components in which a convertible bond is articulable: the debt and the option right to purchase the share.

The parameters used to estimate the current value of the debt and of the option right to purchase the share, even if based on subjective valuations, are justified by the Board of Directors in line with the general conditions imposed by the markets.

In particular, the following parameters are assumed:

These models confirm that the issued price of the Bond is in a balance on the basis of the following market inputs

- Credit spread: 325 - 375 bps;
- Volatility: 28% - 33%
- Reference swap 5 years rate: 0,75%
- Coupon: 1,25% - 1.75%
- Conversion price: 32.5% -40%

The proposed conditions for the issue of the Bond, on the basis of the mathematics-financial models, grant an estimate of the value of the two implicit components in which the instrument is articulated.

In consideration of the conducted analysis, the Board of Directors is of the opinion that the adopted criteria for the determination of the initial conversion price of the Bonds and therefore the issue price of the conversion shares (and of the related conversation ratio) are coherent with the criteria as per article 2441, paragraph 6, of the Italian Civil code and, hence, suitable to establish a price that preserves the capital interests of the Company's shareholders, in the case of the exclusion of the pre-emption right.

6. Shareholders who have expressed the willingness to underwrite, in proportion to the owned shares, the newly issued shares as well as the eventual not exercised pre-emption rights

As mentioned above, the Capital Increase is reserved exclusively to the eventual Bonds conversion into newly issued ordinary shares of Safilo Group.

Therefore, due to the above stated reasons, it has excluded the right of the shareholders to exercise their pre-emption rights pursuant to article 2441, paragraph 5, of the Italian Civil code.

7. Expected term for the implementation of the transaction

The implementation of the Capital Increase shall take place as a result of the eventual requests of Bonds conversion during the term of the Bond. It should be noted that, in the event that a bondholder has exercised the conversion right, the Company shall still have the right to replace the delivery of the shares with cash, paying to him the same amount equal to the so-called *Cash Alternative Amount* (that is the amount equivalent to the shares market value that he would have had right to in the event of conversion pursuant to the Regulation of the Plan) and this is with regard to all or part – at the Company's discretion – of the shares entitled to the bondholder due to the exercise of the conversion right.

In the event that in the last possible date of conversion, the Capital Increase is not completely underwritten, the share capital of the Company shall be increased by the amount resulting from the underwritings executed by that due date and since the underwritings.

8. Date of availability of the newly issued ordinary shares

The ordinary shares to be offered in conversion of the Bonds shall be regularly available and therefore they shall grant to their owners the same rights of the ordinary shares already outstanding at the time of the issue.

9. The pro-forma effects on the financial statements and financial effects suitable to represent the consequences of the transaction over the economic trend and balance sheet– Effects on the unitary value of the shares

Being this a capital increase transaction of a potentially significant amount (in terms of impact of the transaction amount on the net capital of the Company), below please find some information related to the proposed Capital Increase effects on the Company and Group's economic-capital conditions as well as on the share value.

Considering the fact that, to the date of this report, neither the number of Bonds that will be object of a request for conversion, nor the moment in time nor the modalities with which the eventual conversion will take place are known, it is necessary, to the extent of representing the impact of the transaction of the economic performance and capital situation of the Company, to formulate the following hypothesis and assumptions, to be understood as non exhaustive of the possible scenarios:

- Number of Bonds converted: three different simulation scenarios; no conversions, 50% conversion; fully converted;
- Timetable of the conversion: at the maturity date of the Bond for the full amount;
- Pro-forma data used: net capital referred to is the Safilo Group consolidated net capital on the 31 March 2014.

Currency: Euro	Safilo Group Consolidated 31.03.2014	Safilo Group S.p.A. 31.03.2014
Group Shareholders' equity	857,883,963	779,057,730
Current number of shares	62,289,965	62,289,965
Current shareholders' equity per share	13.77	12.51
Subscription price per share	21.8623	21.8623
Amount subscribed	150,000,000	150,000,000
Current share capital	311,449,825	311,449,825

a) no conversion

Number of shares issued	-	-
Number of shares after the increase	62,289,965	62,289,965
Pro-forma projected shareholders' equity	857,883,963	779,057,730
Book value of the shareholders' equity increase	-	-
Pro-forma projected shareholders' equity per share	13.77	12.51
Projected share capital	311,449,825	311,449,825

b) 50% converted

Number of shares issued	3,430,563	3,430,563
Number of shares after the increase	65,720,528	65,720,528
Pro-forma projected shareholders' equity	932,883,963	854,057,730
Book value of the shareholders' equity increase	75,000,000	75,000,000
Pro-forma projected shareholders' equity per share	14.19	13.00
Projected share capital	328,602,640	328,602,640

c) fully converted

Number of shares issued	6,861,126	6,861,126
Number of shares after the increase	69,151,091	69,151,091
Pro-forma projected shareholders' equity	1,007,883,963	929,057,730
Book value of the shareholders' equity increase	150,000,000	150,000,000
Pro-forma projected shareholders' equity per share	14.58	13.44
Projected share capital	345,755,455	345,755,455

10. Amendments to the Company's Articles of Association

As a consequence of the Capital Increase purpose of this report, we propose, moreover, to modify article 5 of the Company's Articles of Association as follows (version in force and opposite version with integrations in **bold**):

The capital is of Euro 311,974,825.00 (three hundred and eleven million, nine hundred and seventy four thousand eight hundred and twenty five/00) and it is divided in No. 62,394,965 (sixty two million three hundred and ninty four thousand nine hundred and sixty five) ordinary shares with nominal value of Euro 5,00 (five/00) each.	

The pre-emption right could be excluded in relation to the capital increase, within the limit of the ten per cent of the pre-existing capital, upon condition that the issue price equals the market value and this shall be confirmed in a specific report of the audit firm, pursuant to article 2441, fourth paragraph, second sub-paragraph, of the Italian Civil Code. In light of the above, the extraordinary general meeting of November 5, 2010 has approved the capital increase by maximum nominal Euro 8,500,000.00 (eight million five hundred thousand/00) by means of issue of new ordinary shares equal to a maximum of No. 1,700,000 (one million seven hundred thousand) at nominal value of Euro 5,00 (five/00) each, each one to be offered to be underwritten to directors and/or employees of the Company and the subsidiaries of the Company. In light of the above, the extraordinary general meeting of April 15, 2014 has approved to increase the share capital by maximum nominal Euro 7,500,000.00 (seven million five hundred thousand/00) by means of the issue of new ordinary shares equal to a maximum of No. 1,500,000 (one million five hundred thousand) at nominal value of Euro 5,00 (five/00) each, each one to be offered to be underwritten to directors and/or employees of the Company and subsidiaries of the Company.	
	The extraordinary general meeting of July [10th], 2014 has resolved to increase the capital in cash, payable and in divisible form, with the exclusion of the pre-emption right pursuant to article 2441,

	paragraph 5, of the Italian Civil Code, for a maximum amount of Euro 150,000,000 (one hundred and fifty million), inclusive of any possible share premium, to be issued in one or more times by means of issue of ordinary shares of the Company with a nominal value of Euro 5,00 (five/00) each, having the same characteristics of the outstanding ordinary shares, exclusively and irrevocably reserved to the conversion of the equity linked bond, of an amount equal to Euro 150,000,000 (one hundred and fifty million), with due date May 22nd, 2019, reserved to qualified investors, named "*Safilo Group Euro 150 million, 1.25 per cent Guaranteed Equity-Linked bonds due 2019*", it being understood that the last possible due date for the underwriting of the newly issued ordinary shares is on June 30th, 2019, and that, in the event that on that date the capital increase is not completely underwritten, the capital in any case shall be considered increased by an amount equal to the collected underwritings and since the underwritings, expressly authorising the directors to issue new shares every time the shares are underwritten.

It should be specified that the proposals of amendment of the Company's Articles of Association indicated in this report do not imply the right of withdrawal pursuant the applicable law.

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A copy of this report shall be delivered to the audit firm Deloitte & Touche S.p.A., pursuant to article 158 TUF.

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If you agree with what has been proposed, you are invited to resolve as follows: "The Shareholders' general meeting of Safilo Group S.p.A., convened as an extraordinary meeting:

- considered the Report of the Board of Directors;
- acknowledged the main terms and conditions of the Bond, as reported in the Report of the Board of Directors;
- acknowledged the opinion on the adequacy of the issue price released by the audit firm Deloitte & Touche S.p.A.;
- acknowledged the opportunity to proceed to the extents and in the ways mentioned above;

resolves

1) to provide and authorise, pursuant to the provisions of the regulation, the convertibility of the *equity*-linked Bond of a nominal amount of Euro 150,000,000, with due date May 22nd, 2019, named "*Safilo Group Euro 150 million, 1.25 per cent Guaranteed Equity-Linked Bonds due 2019*", and therefore to approve the proposal of the capital increase in cash, payable and in divisible form, with the exclusion of the pre-emption right pursuant to article 2441, paragraph 5, of the Italian Civil Code, by a maximum amount of Euro 150,000,000.00, inclusive of any possible share premium, to be issued in one or more times, by means of the issue of ordinary shares of the Company with a nominal value of Euro 5.00 each, having the same characteristics of the outstanding ordinary shares, exclusively and irrevocably reserved to the conversion of the above-mentioned *equity-linked* Bond, pursuant to the terms of the related Regulation of the Bond, at a price per share (including the nominal value and the share premium) equal to Euro 21.8623, without prejudice to eventual adjustments to the conversion price as provided by the Regulation of the Bond. The number of shares available for the eventual conversion shall be determined by dividing the nominal value of the Bonds, in relation to which the conversion right shall be exercised, by the above-mentioned conversion price (or the one which, if the case, is in force on the relevant date of conversion), rounded down to the nearest whole number of ordinary shares and being understood the limit of the nominal value of the share. They shall not issue or deliver portions of shares and no payment in cash or adjustment shall be executed instead of such portions;

Safilo GROUP

2) to approve to send by the Chairman and the Chief Executive Officer, also individually and with power of sub-delegation, a communication to the bondholders, as a consequence of which the right of conversion into ordinary shares of the Company which already exist and/or newly issued shall be granted to the bondholders;
3) to decide that the due date for the underwriting of the new ordinary shares is on June 30th, 2019, due date of the bond, "*Safilo Group Euro 150 million, 1.25 per cent Guaranteed Equity-Linked Bonds due 2019*" being understood that the capital increase is irrevocable until the deadline of the last due date for the Bonds conversion and that in the event that, on that date, the Capital Increase is not completely underwritten, the capital increase shall be, in any case, considered increased by an amount equal to the collected underwritings, and since the underwritings, provided that the following such underwritings are after the registration of this resolution at the Registry of Companies with express authorisation to the directors to issue new shares every time they are underwritten;
4) to modify consequently article 5 of the Company's Articles of Association adding the following: "*The capital is of Euro 311,974,825.00 (three hundred and eleven million, nine hundred and seventy four thousand eight hundred and twenty five/00)] and it is divided in No. 62,394,965 (sixty two million three hundred and ninety four thousand nine hundred and sixty five) ordinary shares with nominal value of Euro 5,00 (five/00) each.*

   The pre-emption right could be excluded in relation to the capital increase, within the limit of the ten per cent of the pre-existing capital, upon condition that the issue price equals the market value and this shall be confirmed in a specific report of the audit firm, pursuant to article 2441, fourth paragraph, second sub-paragraph, of the Italian Civil Code.

   In light of the above, the extraordinary general meeting of November 5, 2010 has approved the capital increase by maximum nominal Euro 8,500,000.00 (eight million five hundred thousand/00) by means of issue of new ordinary shares equal to a maximum of No. 1,700,000 (one million seven hundred thousand) at nominal value of Euro 5,00 (five/00) each, each one to be offered to be underwritten to directors and/or employees of the Company and the subsidiaries of the Company.

   In light of the above, the extraordinary general meeting of April 15, 2014 has approved to increase the share capital by maximum nominal Euro 7,500,000.00 (seven million five hundred thousand/00) by means of the issue of new ordinary shares equal to a maximum of No. 1,500,000 (one million five hundred thousand) at nominal value of Euro 5,00 (five/00) each, each one to be offered to be *underwritten to directors and/or employees of the Company and subsidiaries of the Company.*

The extraordinary general meeting of July [10th], 2014 has resolved to increase the capital in cash, payable and in divisible form, with the exclusion of the pre-emption right pursuant to article 2441, paragraph 5, of the Italian Civil Code, for a maximum amount of Euro 150,000,000 (one hundred and fifty million), inclusive of any possible share premium, to be issued in one or more times by means of issue of ordinary shares of the Company with a nominal value of Euro 5,00 (five/00) each, having the same characteristics of the outstanding ordinary shares, exclusively and irrevocably reserved to the conversion of the equity linked bond, of an amount equal to Euro 150,000,000 (one hundred and fifty million), with due date May 22nd, 2019, reserved to qualified investors, named "Safilo Group Euro 150 million, 1.25 per cent Guaranteed Equity-Linked bonds due 2019", it being understood that the last possible due date for the underwriting of the newly issued ordinary shares is on June 30th, 2019, and that, in the event that on that date the capital increase is not completely underwritten, the capital in any case shall be considered increased by an amount equal to the collected underwritings and since the underwritings, expressly authorising the directors to issue new shares every time the shares are underwritten.";

5) to authorise the Chairman of the Board of Directors and Chief Executive Officer, individually and with power of sub-delegation, to update the figures provided by article 5 of the Articles of Association, as amended, following the partial and/or total exercise of the conversion rights by the bondholders and the following partial and/or total capital increase to serve the Bond, providing also the relevant filings with the Registry of Companies;
6) to authorise the Board of Directors and, through it, the Chairman and the Chief Executive Officer, so that they individually and with power of sub-delegation, with all the powers, provide also by means of special attorneys, (i) to execute the resolutions, being also authorised to make amendments requested by the competent Authorities, as well as the eventual abolitions, extensions, amendments and integrations which may be requested to register with the Registry of Companies, providing also for the filing of the updated Company's Articles of Associations following the approval of the transaction, and also (ii) to implement everything requested, necessary and useful for the total fulfilment of what has been resolved".

Padua, June 6th, 2014

p. the Board of Directors
Robert Polet
The Chairman