

**AUDITORS' REPORT ON THE CORRESPONDENCE WITH MARKET VALUE OF THE ISSUE PRICE OF THE SHARES RELATING TO THE CAPITAL INCREASE WITHOUT PRE-EMPTION RIGHTS PURSUANT TO ARTICLE 2441, PARAGRAPH 4, PART 2 OF THE ITALIAN CIVIL CODE AND IN ACCORDANCE WITH ARTICLE 158, PARAGRAPH 1, OF LEGISLATIVE DECREE No. 58 OF 24 FEBRUARY 1998.**

To the Shareholders of  
Safilo Group S.p.A.

**1. PURPOSE AND OBJECT OF THE ENGAGEMENT**

Pursuant to article 158, paragraph 1, of Legislative Decree no. 58 of 24 February 1998 we received from Safilo Group S.p.A. (hereinafter "Safilo" or the "Company") the Board of Directors' report, dated and approved by the Board of Directors on 19 October 2009, for the extraordinary shareholders' meeting of the Company convened for 23 November 2009, (hereinafter the "Directors' Report"). In accordance with article 2441 of the Italian Civil Code, the Directors' Report sets forth:

- a. the reasons for inserting a clause into the articles of association to waive pre-emption rights within the limits and conditions of article 2441, paragraph 4, part 2 of the Italian Civil Code, with a consequential amendment to the wording of article 5 of the Company's articles of association.
- b. Two capital increases, in cash, the first of which up to 10% of the pre-existing share capital, without pre-emption rights.
- c. The criteria adopted for calculating the price of the new shares to be issued pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code.

In our capacity as auditors engaged for the audit of the statutory and consolidated financial statements of the Company, we set out below the activities we performed to issue the report required pursuant to article 158 of Legislative Decree 58/98 and article 2441, paragraph 4, part 2 of the Civil Code and the related conclusions in respect of the criteria adopted by the Company's Directors to calculate the price of the new shares to be issued pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code.

## 2. DESCRIPTION OF THE OPERATION

The Directors' Report states that the capital increase without pre-emption rights is part of a broader transaction with HAL Holding N.V. (hereinafter "HAL"). On 19 October 2009 HAL submitted a binding offer to the Company and its shareholder Only 3T S.p.A. ("O3T") which included, among others, the acquisition of a significant shareholding in the Company (hereinafter the "Operation").

In particular, the Operation proposed by HAL aims at comprehensively strengthening the Company's capital structure which will be performed as follows:

- a. a tender offer (the "Tender Offer") by HAL for the high yield notes denominated "€300,000,000 9 5/8 % Senior Notes Due 2013", for which the residual principal amount is Euro 195,000,000 (the "HY Notes"), issued by the Luxembourg company Safilo Capital International S.A. which is indirectly fully owned by the Company through its subsidiary Safilo SpA with the objective of gaining control of the Safilo Group debt related to the HY Notes.
- b. The recapitalisation of the Company through the following capital increases:
  - I. a first capital increase, in cash, reserved to HAL, of up to 10% of the outstanding share capital (more precisely, 10% less one share), pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code, for an amount of Euro 12,842,735.40 (the "Reserved Capital Increase"), subject to the amendment of article 5 of the Company's articles of association;
  - II. a second, divisible, capital increase, in cash, to be offered to all shareholders for a maximum amount of Euro 250 million. This capital increase will be underwritten by HAL, including for the shares relating to the shareholder O3T. The shares pertaining to other shareholders who do not intend to exercise their pre-emption rights will be subscribed for by HAL up to a maximum amount of Euro 162.0 million as well as by a guarantee consortium consisting of Intesa Sanpaolo and UniCredit Corporate Banking, the Safilo Group financing banks (hereinafter the "Financing Banks").
- c. Finalisation of an agreement between the Safilo Group and its Financing Banks to restructure the debt of the Safilo Group. In particular, on 16 September 2009 the Financing Banks prepared a Term Sheet which was followed by a letter of undertaking dated 19 October 2009 to which the text of the final contract entitled "Amendment Agreement" was attached. This contract sets out the restructuring agreement that the Financing

Banks undertake to sign, subject to the successful conclusion of the Operation.

- d. The Safilo Group will sell certain non-strategic foreign retail operations to HAL for a maximum total price of Euro 20 million.

On 19 October 2009 the Board of Directors approved the Operation in its entirety and accepted the binding offer submitted by HAL on 19 October 2009. The entire Operation is subject to certain conditions, among which, the following are noted:

- a. the successful conclusion of the Tender Offer;
- b. obtaining from Consob the exemption from a mandatory public offer;
- c. obtaining authorisation from the European Antitrust Authority.

### **3. SCOPE AND EXTENT OF THIS REPORT**

As noted above, the Operation envisages, among other things, a capital increase of the Company without pre-emption rights pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code. This article provides that the issue price of the share corresponds to the market value of the shares and that a special report of the auditors is required.

Considering the characteristics of the Operation, our opinion is expressed in order to provide appropriate information to the shareholders about the proposal for the capital increase in question, the adequacy, in the circumstances, of the criteria identified by the Directors to calculate the issue price of the shares in relation to the market value.

We underline that for the purposes of this report, the analysis was exclusively focused on the Reserved Capital Increase of HAL pursuant to article 2441, paragraph 4, part 2 of the Italian Civil Code. More specifically, our engagement does not include any consideration of the other phases of the Operation as described in the Directors' Report.

Accordingly, the present report shows the criteria set forth by the Directors to calculate the issue price of the new shares and the difficulties in calculating the price. It also includes our remarks on the adequacy of the criteria, in the circumstances, in relation to their fairness and non-arbitrariness.

It is noted that while performing our work we did not assess the Company's financial situation which goes beyond the purposes of the work required for this report.

The conclusions from our work reported herein are based on the overall indications and remarks contained herein; therefore, any section of the report may not be considered or used separately from the document in its entirety.

#### **4. DOCUMENTATION USED**

In performing our work, the Company provided us with the documents and information deemed useful for the circumstances. In particular:

- a. The Directors' Report of 19 October 2009 including the proposal to amend the articles of association to allow the possibility to increase the share capital as permitted by article 2441, paragraph 4, part 2 of the Italian Civil Code.
- b. "Notice for the Board of Directors of 19 October 2009" illustrated and submitted to the Board of Directors providing a description of the Operation.
- c. Performance of the market price of Safilo shares and the daily average volumes exchanged between 15 March 2009 and 15 September 2009, as well as the calculation of the average of the share prices prepared by the Company for the three and six month periods prior to 16 September 2009.
- d. Recent financial analyst brokers reports.
- e. Other internal and external documentation and information necessary to perform our engagement.

#### **5. CRITERIA PROPOSED BY THE BOARD OF DIRECTORS TO CALCULATE THE ISSUE PRICE OF THE SHARES**

As previously indicated and as reported in the Directors' Report, the Board of Directors ask the Shareholders to give their opinion on the reserved capital increase proposed by HAL for an estimated total of Euro 12,842,735.40 at a subscription price of Euro 0.45 per share.

The Board of Directors' Meeting held on 19 October 2009 approved the subscription price of Euro 0.45 per share, calculated on the basis of the simple and weighted average price of Safilo shares for the three and six month period prior to the finalisation of the Term Sheet with the Financing Banks on 16 September 2009, deemed in line with the market practice for this type of transaction. The Board of Directors also noted that share transactions after the above-mentioned date were not taken into consideration in the calculation of the subscription price as they are speculative and clearly influenced by the

publication in the press of news relating to a possible restructuring of the Group.

## **6. WORK PERFORMED**

In performing our work we carried out the following activities:

- a. We analysed the documentation referred to in point 4 above.
- b. We conducted an analytical examination of the criteria adopted by the Directors.
- c. We considered the elements necessary to ascertain that such criteria are technically suitable, in the circumstances, under the point of view of their fairness and non-arbitrariness for calculating a share issue price corresponding to the shares' market value.
- d. We verified the completeness and non-contradiction of the reasons indicated by the Board of Directors for choosing the aforementioned criteria.
- e. We checked the performance of the Company's share prices from 16 March 2009 to 15 September 2009 and other information such as the time frame, relevance of the share prices considered, type of average used, features of the freely-negotiable shares and of the average daily volumes.
- f. We obtained a representation letter from the Company's Management in which they informed us that no significant changes had been made to the data and information used for performing our analyses from the Board of Directors' meeting (19 October 2009) until today, and that no other events or circumstances occurred that might affect the market value of the Company's shares.

## **7. REMARKS ON THE CRITERIA ADOPTED BY THE DIRECTORS TO CALCULATE THE SHARE ISSUE PRICE**

With regard to the Reserved Capital Increase, the Directors' Report provides the reasons for choosing the methods adopted and the rationale behind the calculation of the share issue price to be offered for subscription to HAL.

In this respect, the following is noted:

- a. The wording of article 2441, paragraph 4, part 2 of the Italian Civil Code does not clearly indicate the criteria to adopt in order to meet the requirement that the issue price corresponds to the market value of the

shares. According to the doctrine and prevailing practice, the expression “market value” means a significant market price or an average of the market prices deemed fair in the circumstances, considering the characteristics of the issuer.

- b. According to the doctrine, to determine the market value, the reference time frame for analysing the share prices when considering issuers with extensive freely-negotiable shares and traded volumes, is certainly shorter than the six months mentioned in the case in question. The doctrine also argues that when there are few freely-negotiable shares and limited volumes, it would be advisable to consider a broader time frame. In Safilo’s situation, the Directors deemed it appropriate to analyse a period sufficiently long to “absorb” unjustified and significant changes of the share price and appropriate to express an issue price corresponding to the market value, considering the volumes traded.
- c. The choice of the Directors to analyse a weighted average of the official prices for the daily traded volumes, in addition to the simple arithmetic average, is in line with market practice. As a matter of fact, as clearly asserted by the doctrine, such calculation allows the determination of an average value which considers the “significance” of the prices in the various days, giving more relevance to the prices in presence of higher trading volumes.
- d. For the analysis of Safilo average official prices, recorded in the three and six months, the Directors deemed it appropriate not to consider the prices after 16 September 2009, which was the day that the Term Sheet with the Financing Banks was finalised. According to the Directors, this choice stems from the need to exclude from the calculation speculative prices clearly affected by the publication in the press of news about the possible restructuring of the Group. This approach, also supported by the doctrine and practice, is in line with the objective of mitigating the effects deriving from the announcement of the Operation on the Safilo share price and of excluding those days that might be influenced by speculative intentions.
- e. Consistent with the market practice, the Directors also analysed if, during the examination period, there were peak days in which the share prices topped or bottomed out.

## 8. INHERENT LIMITATIONS AND OTHER SIGNIFICANT ISSUES EMERGED DURING OUR WORK

As regards the main difficulties and the limitations encountered during our work, we draw your attention to the following:

- a. the rules under article 2441, paragraph 4, part 2 of the Italian Civil Code have been recently introduced in the Italian legal system. Therefore, the available doctrine on the matter is currently limited with consequent difficulties, among others, in the interpretation of concepts such as “market value” and “correspondence” of the share issue price to the market value. Despite this, we point out that according to the doctrine, this rule is to be interpreted as meaning that the issue price of the shares should not necessarily coincide with the exact price of the shares “at the date” of assignment. Referring to the market value of the shares, the rules leave some room for the identification of the share value to the discretion of the Directors, such value being the most representative of the market trend in the period under review.
- b. The Operation in its entirety is subject to certain conditions as previously indicated.

## 9. CONCLUSIONS

That having been said, on the basis of the documentation examined and of the above-described procedures, considering the scope and extent of our work as reported herein and considering paragraphs 7 and 8 above, we believe that the criteria identified by the Directors are adequate, in the circumstances, fair and non-arbitrary for calculating the issue price of the shares of Euro 0.45 corresponding to their market value.

Padova, 5 November 2009

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago  
(Partner)

*This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the Board of Directors' report referred to in this report.*