CONSOLIDATED FINANCIAL STATEMENTS OF SAFILO GROUP

AS OF 31st DECEMBER 2015

Contents

GROUP PROFILE

With over 80 years of experience in the eyewear industry, Safilo Group is the world's second largest manufacturer of sunglasses and prescription eyewear and is engaged in the design, production, wholesale and retail distribution of products for the eyewear market. The Group is a global leader in high-end eyewear and is one of the world's top three manufacturers and distributors of sports eyewear.

Safilo manages a portfolio of proprietary and licensed brands, which are selected based on their competitive positioning and international prestige by way of a consumer segmentation strategy.

Distribution takes place through sales to multiple channels, including opticians, retail chains and specialist shops.

The Group directly controls the entire production-distribution value chain, divided into the following phases: research and technological innovation, product design and development, planning, programming and purchasing, production, quality control, marketing and communications, sales, distribution and logistics.

Safilo has core strengths in product development and design, this activity is conducted by a significant organization of designers able to ensure the continual stylistic and technical innovation which has always been a distinguishing feature of the Company.

The key factors of success which provide Safilo Group with a distinctive identity in the world's eyewear industry are represented by its diverse brand portfolio with prestigious brands in the fashion luxury segment and strong brands in Lifestyle, Sport and the "Mass/Cool" segment, its excellence in design, innovation and quality of its products, its coverage of the marketplace by way of a worldwide sales, distribution and customer service network, and the diverse nature of its offer in terms of clientele and target markets.

HISTORY OF THE GROUP

Safilo was founded in 1934

Safilo was founded in 1934 when Guglielmo Tabacchi assumed control over the company "Società Azionaria Fabbrica Italiana Lavorazione Occhiali" which produced lenses and frames. This company had been founded in 1878 in northeast Italy with its production unit in Calalzo di Cadore (Belluno), the region that houses the eyewear district. In 1964 the second production unit in Santa Maria di Sala (Venice) was inaugurated and the production of acetate and cellulose frames was transferred there. In the Seventies the production unit in Calalzo di Cadore was extended and the offices in Padua were opened, the latter currently serve as the secondary office and main distribution centre for the Group.

The first commercial subsidiaries were opened in Europe and the USA in the 1980s

In the 1980s, the first commercial subsidiaries were opened in Belgium, Spain, Germany and France. From 1983 to 1986, a controlling interest was acquired in Starline Optical Corp. (now Safilo USA Inc.), a leading U.S. commercial firm active in the eyewear industry that had been a distributor of the Group's products in the United States since 1962.

The industrial development plan was implemented in 1989 when the production facility in Longarone (Belluno) was built, and is still the largest Italian unit in the Group. In 2001, the central, automated distribution centre was inaugurated in the Padua headquarters.

Over the last 20 years the Group has pursued a strategy to strengthen and expand the distribution network by opening subsidiaries in the most promising markets with the final aim of directly controlling distribution in the main geographic regions. In order to implement this strategy, relationships with the Group's clients have been constantly strengthened.

The first commercial subsidiary was opened in the Far East in the 1990s

In 1994, Safilo Far East, the distribution branch in Hong Kong was established, thereby opening the gateway to the Asian and Australian markets. At the end of the Nineties, the Group's presence in Europe was further strengthened by opening subsidiaries in the United Kingdom, Greece, Austria, Portugal and Switzerland, and in the rest of the world in Australia, South Africa, Japan, Brazil, India, Singapore, Hong Kong and Malaysia. In 2004, a branch was opened in Shenzhen - China, one of the markets with great growth potential.

In 1996 the acquisition of a business unit of Carrera GmbH, a specialised manufacturer of sports eyewear, led the Group to acquire the know-how of Optyl for the production of plastic frames as well as the two factories in Traun (Austria) and in Ormoz (Slovenia). The acquisition in the same year of the American company Smith Sport Optics Inc. added a range of sports goggles to the Group collections.

Delisting and leveraged buy-out (2001 -2002)

In July 2001, Vittorio Tabacchi, acquired a majority stake in the Company and launched a public takeover bid through a special-purpose vehicle. After the takeover bid was completed, Safilo S.p.A. was delisted in December 2001, almost 14 years after it was first listed in 1987 and then was object of a leveraged buy out.

On 14th September 2005, further to a resolution by an extraordinary shareholders' meeting, the parent company changed its name from Safilo Holding S.p.A. to Safilo Group S.p.A.

In 2005 Safilo Group was back on the Stock Exchange

On 9th December 2005, the shares of Safilo Group S.p.A. were listed on the Milan Stock Exchange.

In 2010 the entry of new reference shareholder, HAL Holding N.V.

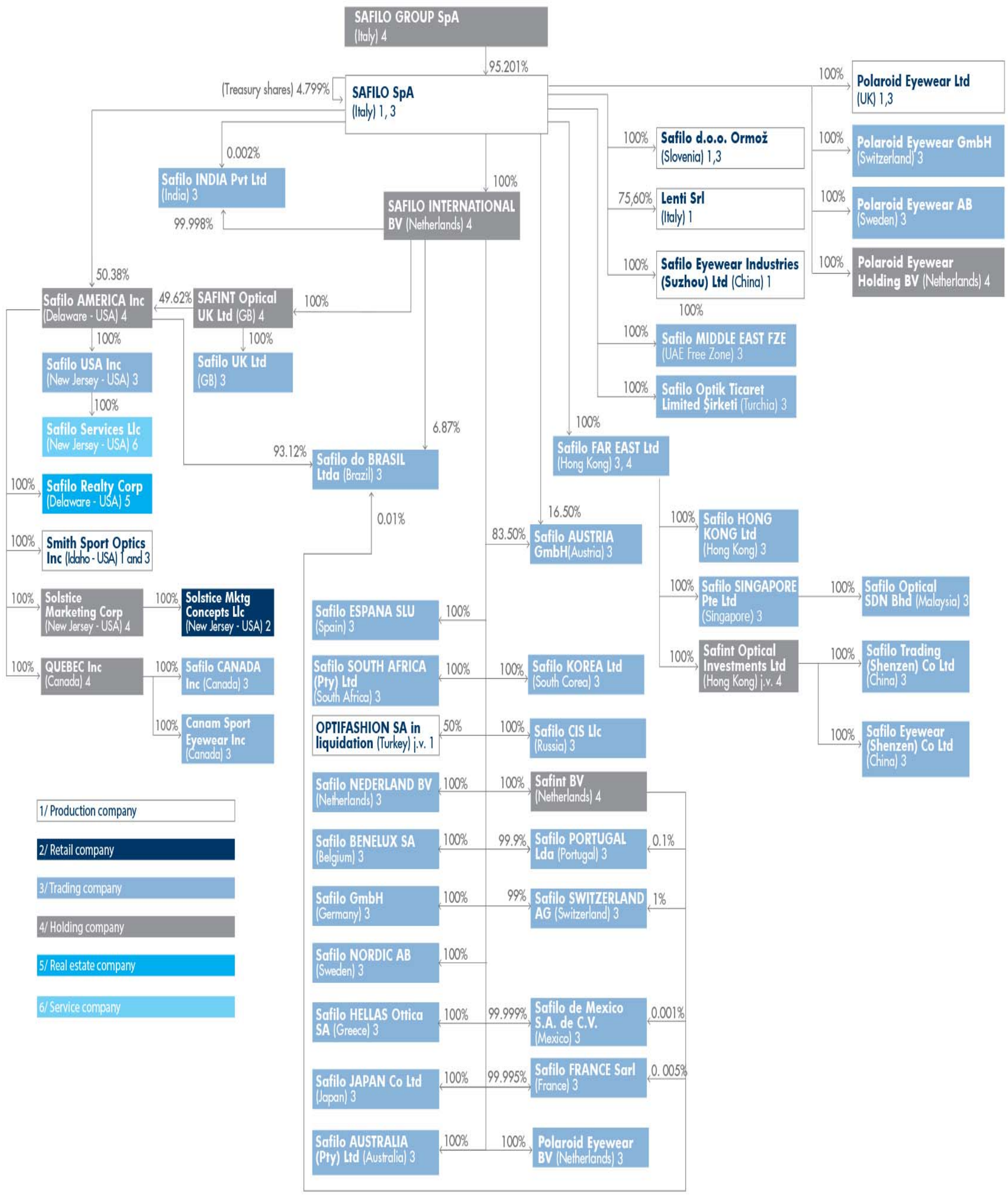
In March 2010, a capital increase of the parent company was concluded, and led to the entry of HAL Holding N.V., an international investment company, as the new reference shareholder.

HAL is both a financial and industrial partner for the Group, and has had a presence in the eyewear retail sales sector since 1996, through a vast retail network that includes chains such as Grand Optical, Solaris and Avanzi.

The acquisition of the Polaroid Eyewear business

On 3rd April 2012, the Group completed the acquisition of the Polaroid Eyewear business, a world leader in optics and polarized lens technology and a global eyewear manufacturer and distributor, with a strong and recognizable market positioning.

GROUP STRUCTURE



CRITICAL FACTORS FOR THE GROUP'S SUCCESS

Safilo Group's business model is based on product quality, a portfolio of prestigious brands, production flexibility, international distribution capabilities, and product diversity

The Group owes its success to a number of areas of strength, which, taken together, distinguish it within the worldwide eyewear industry:

- design excellence, innovation and product quality: the Group's products are highly appreciated by eyewear resellers and by the consumer due to their superior quality and their innovation in both materials and design. The Group sees quality to be key to success in the market and in effectively managing its brand portfolio;

- a highly prestigious brand portfolio and a high-profile presence in the luxury segment and in fashion: the Group manages a portfolio of brand names focusing on long-term brand partnerships as a licensee to leading fashion houses;

- production flexibility: for a number of years, the Group has been engaged in rationalising its organisation and production processes in order to increase efficiency and productivity and to reduce total production times. The use of outsourcing also provides the necessary flexibility in production in order to manage peaks and troughs in demand;

- global distribution platform and territorial coverage: the Group's logistics platform represents a key competitive advantage in supporting the business model thanks, above all, to the high level of coverage of all of the world's main markets. This plays a significant role both in supporting development strategies worldwide for fashion's leading labels and in enhancing the brand portfolio in local markets, and the distribution system is designed to reach more than 90,000 select points of sale in 130 nations. The Group ensures its market presence through a mixed distribution model comprising direct management and indirect management, through exclusive agreements with independent distributors;

- excellence in customer service: the Group is a recognised leader in providing excellent levels of customer service, which features: (i) a large, expert sales force able to cover the entire market; (ii) a team of key account managers dedicated to assisting the main distribution chains; and (iii) modern, multi-language call centres to manage orders and customer service, using specialised developed software, which enables monitoring the market, storing data and creating precise customer profiles to personalise the services even further;

- diversification in revenues: diversification in the portfolio of proprietary and licensed brands and in the target markets and consumer segments concerned enables the Group both to mitigate the risks related to potential slowdowns in the performance of specific markets and the general risk of changes in customer buying habits, as well as to take advantage of opportunities in emerging markets and customer segments.

PRIMARY GROUP PROCESSES AND ACTIVITIES

Manufacturing and distribution chain

On the basis of the success factors described above and in an attempt to effectively manage risk, Safilo Group directly controls the entire production-distribution chain; which is divided into the following phases and processes:

Research, development and design

R&D is based on product design and the development of new materials and production processes

Research and development mainly focuses on two types of activities:

- Product Creation and Design;
- research and development into new materials, technologies, production processes and tools/machinery.

A new Product Creation Department was created in late 2014 with the purpose of bridging the gap between Designers and Product Supply. Its mission is to drive the development of the most unique and desirable eyewear collections by combining product development, innovation and the coordination of the multifunctional process from design to manufacturing.

Research and development of materials, production processes, technologies and instruments/machinery

Research and development of materials, product and processes aims, on one hand, to improve the technical characteristics of the products and, on the other, to develop innovations of the production process which increase its effectiveness, efficiency, quality and speed to market.

Planning, programming and purchases

Manufacturing is planned on the basis of information that is gathered internally and externally

Internal production is carried out in seven factories divided between Italy and abroad

The Planning Office uses the information that has been collected internally and externally to define the production needs on a weekly basis.

Demand Planning aims at forecasting future turnover in units by product, leveraging historical sales information, brand inputs (e.g.collection strategy, in-store initiative plans) as well as commercial inputs (e.g. sales plans). In order to ensure all business plans are aligned to the same targets, Demand Planning also manages the Group's Sales & Operations Planning process, in which all key planning risks are proactively highlighted and addressed.

Based on analyses of the production needs a weekly production plan is created.

The Global Purchases Department is mainly responsible for buying raw materials (steel, acetates, metals, lenses, and customised products), components and equipment.

In order to ensure the quality of raw materials and semi-finished goods, the Group carefully selects suppliers and evaluates them on an ongoing basis based on their delivery times and their ability to ensure certain quality standards, as well as on their available production capacity.

The provisioning is done both in Europe and in other markets. Since the acquisition of a majority stake in Lenti S.r.l. in 1996, Safilo has the know-how to produce lenses for sunglasses in-house.

Manufacturing and quality control

Safilo products are produced both within the facilities of the Group and by third parties. Safilo directly produces sunglasses, prescription frames and ski goggles in its facilities in Italy, Slovenia, China and the U.S., and sources finished product from suppliers in Asia, Italy and the USA.

Quality

Quality in terms of product safety and compliance with the strictest international regulations and customer expectations: the necessary conditions to compete

Quality for Safilo Group has always taken a dimension which goes beyond the very "tangible" aspect and beyond the objective compliance of the Product, through the increasingly intensive interpretation of the "perceived" aspect as a key element for the customer's absolute, total and unconditional satisfaction.

Creating, designing, engineering, manufacturing and distributing products of high quality, both objective and perceived, complying with the most demanding international regulation and standards have always had a key position within the strategy and the objectives of the Group.

Quality management has evolved from a strong, practical and effective attention to the single product to an increasingly holistic philosophy of Total Quality Management, integrating the quality discipline into the culture and activities of the whole organization.

Safilo Group leverages quality as a competitive lever by constantly and carefully checking that its products always comply with ever more stringent national and international regulations. This is true both for products manufactured in-house and those created at suppliers, whether they supply components, semi-finished goods or finished products.

Safilo's Quality System is ISO 9001:2008 certified.

Marketing and communications

Marketing actions are defined at global level on the basis of medium-long term plans

The Marketing and communications campaigns to support Safilo's brand portfolio, are one of the key factors for the Group's success. The main aims of the Group marketing strategies include:

- ensuring the right positioning for all the brands in the portfolio by deeply understanding each brand's unique DNA and bringing that to life through a combination of unexpected creativity and high level of operational discipline;
- ensuring the development of Safilo's brands, through an effective marketing mix and adequate investments in communications and trade marketing;
- to communicate the desired brand equities as well as the distinctive features in terms of design and technology of products in the different categories (prescription, sunglasses, sports products).

Marketing actions are addressed to consumers on one hand and to sales points of customers and the Group on the other (trade marketing)

The Group develops a specific marketing plan for each brand in its portfolio, adopting different strategies and actions in order to ensure the best position for each one. For licensed brands, the Group develops the strategy in close partnership with its licensors.

In 2015, the Group's total investment in marketing and communication came to Euro 145.1 million (vs. Euro 129.7 million in 2014), equal to roughly 11.3% of consolidated revenues for the Group (vs. 11.0% in 2014).

Marketing and communications activities mainly consist of direct consumer campaigns and trade marketing activities focused on campaigns conducted in partnership with customers.

Consumer-oriented activities account for roughly 60% of the Group's marketing and advertising investment, and the main outlets used are print media, out of home and digital media, sponsorships, and public relations with journalists and opinion leaders in the fashion, entertainment and sports industries. Digital marketing has become an increasingly important communication vehicle and will continue to do so due to its efficient targeting capabilities and the changing media consumption habits of our consumers.

In 2015, the Group further developed the Global Trade Marketing division, which is responsible for supporting the brands' growth through the creation of successful trade marketing plans and excellence of execution, in coordination with the regional business units.

Trade marketing actions focus on the main customers' points of sale and account for about 40% of the Group's advertising and promotion costs; they are of fundamental importance to guide the end customer's choice and to build up customer loyalty.

Corporate communication

The main objective of Safilo's corporate communication is to further develop and protect the Group's goals, branding and reputation, raising the profile and shaping the perception of its identity among Safilo's multiple stakeholders, and supporting its commercial ability to operate successfully in the markets.

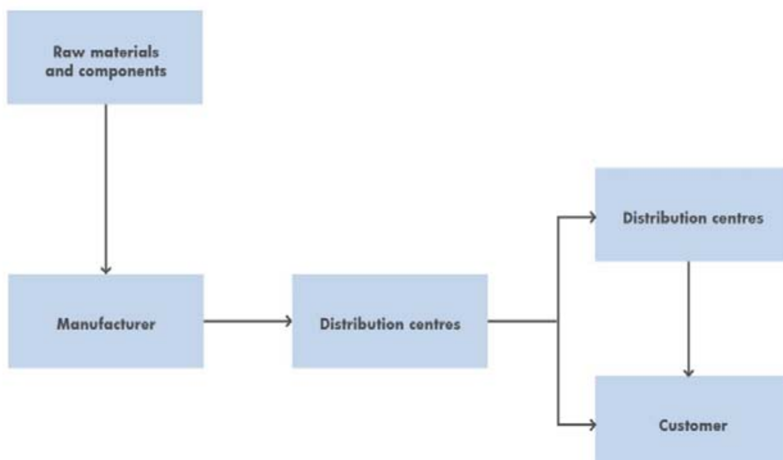
Safilo's corporate communication is rooted in the Group's values and is mainly executed through the Group's website safilogroup.com, social media platforms, as well as media relation plans for an effective press coverage both on-line and offline.

Sales and distribution

Distribution

The products are distributed through specialised distribution centres

Distribution processes aim at supplying finished products to the various distribution centres.



The Group has developed a common information platform for the main EMEA and Asian companies. From a logistical standpoint, this platform enables direct linking of the highly automated Padua distribution centre in Italy with individual opticians and third party distributors. This logistical organisation provides both excellent service to the customer and allows stocks of finished products to be constantly monitored.

Distribution through the wholesale channel

The Group operates in 130 countries through its own branches and independent distributors

Safilo Group sells its products in around 130 countries, through an extensive wholly owned globaly distribution network in 39 countries across the world and more than 170 independent distributors in the other countries. Each Group branch coordinates a solid field sales network, reaching more than 90,000 points of sale including opticians, optometrists, ophthalmologists, distribution chains, department stores, specialised retailers, licensors' own stores, duty free shops and sports shops.

Over recent years the Group has opened showrooms in highly prestigious locations in Milan, New York, London, Paris, Barcelona, Madrid, New Delhi, Miami, Sao Paolo, Dubai and Mexico City to present products to its retail partners.

The wholesale distribution network is structured in 5 regions and 3 global channels

Safilo's distribution network is geographically organised in 6 regions, which respectively cover North America, Latin America, Asia-Pacific, Europe and IMEA. In addition, three key global sales channels were introduced across all the Group's geographical divisions: Global Travel Retail, operating principally in Asia and Europe and rapidly evolving in the USA from its base in Miami; Global Accounts such as GrandVision; Global Sport & LifeStyle, resulting from the combination of Smith USA and the Sports channel in Europe under one commercial leadership.

Below is a brief description of the 6 regional divisions:

Europe

Europe. The main centre is in Padua in Italy. The Group's European clientele is very varied: in Italy, the majority of customers are independent opticians, in the UK they are mainly chain stores, while in Germany the main customers are buying groups and distribution chains. The Group directly distributes its products to 28 European countries. Most of the sales force is linked, by a specific iPad app for sales management and trade marketing, to the distribution system so as to reduce order processing time. Sales and other marketing data can therefore be obtained on a daily basis. In those countries where the Group has no sales branches, long-standing relationships have been established with the local distributors.

Thanks to the inauguration of local representation offices, the Group has been operating directly in the Baltic republics since the beginning of 2007. During 2008 Safilo S.p.A. set up stable organization units in the Czech Republic, Slovak Republic and Hungary for direct coverage of these markets, considered to offer high growth potential and where consumers pay great attention to high-end products and to "Made in Italy" design. In 2015 the Group opened its wholly owned subsidiary in Turkey, making it the hub of its new Central Eastern European Division.

ASIA - PACIFIC

Asia - Pacific. The APAC business region manages the wholesale distribution of sunglasses and prescription frames through a direct presence with sales branches in the main markets (China, Hong Kong, Japan, South Korea, Singapore, Malaysia, and Australia) and in partnership with local distributors in all the other markets (Thailandia, Indonesia, Philippines, Taiwan, Vietnman, Cambodia, New Zealand, Mongolia, Nepal and Myanmar).

IMEA (India, Greece, Middle East & Africa)

IMEA. In 2014 the Group opened an own affiliate to operate directly in Dubai and the countries of the Arabian Peninsula, and serving as a regional headquarter. Further affiliates are situated in Greece, India and South Africa, while the balance of the high potential Middle Eastern and African markets are served through distributors.

NORTH AMERICA

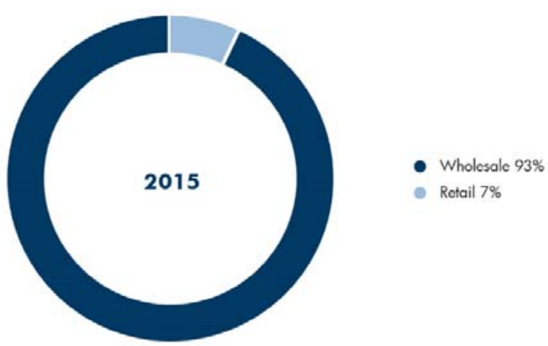
North America covering the USA and Canada, headquartered in New Jersey, USA.
Marketing and distribution in the USA is implemented through three distribution channels: *(i)* opticians, ophthalmologists and optometrists; *(ii)* department stores and chains; *(iii)* sports stores.

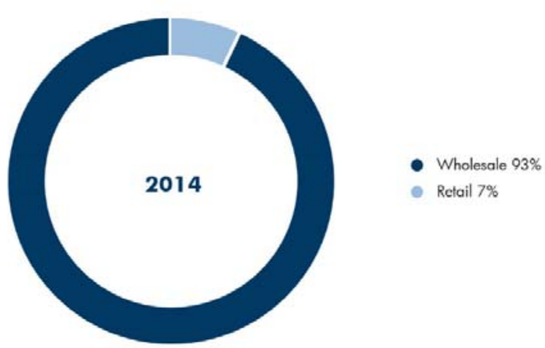
LATIN AMERICA

Latin America, heaquartered in Miami, USA.

The commercial structure comprises affiliates in Brazil and Mexico and a distributor presence in the remaining markets on the continent. Additionally, there are three showrooms in the region (Miami, Sao Paulo and Mexico City) where new collections are presented and buying days for customers in the area are organized.

Net sales by distribution channel





Distribution through the retail channel

Refocus of Group strategy and sale of non-strategic chains

The business model defined following the reorganisation completed during 2010 saw the Group refocus on the Wholesale segment, and it is consequently no longer pursuing the expansion plan for the Retail segment implemented over the last decade. This strategy had at the time led to the sale of the retail chains owned by the Group, with the sole exception of US chain Solstice.

US chain Solstice

While smaller than in the past, Safilo Group's presence in the Retail sector represents for the US market an important lever in terms of Safilo brand and product visibility in a very competitive environment, while maintaining profitability

Purchased from the LVMH group in 2002, Solstice is a retail store chain specialised in the sale of sunglasses positioned in the high-end and luxury segments of the market, operating a total of 125 stores at the end of 2015.

The Group's own and licensed brands

The Group's portfolio contains both Safilo and licensed brands

The Group's brand portfolio is composed of its own proprietary brands, used for prescription frames, sunglasses and sports goggles as well as licensed brands for collections of frames and sunglasses. The latter are mainly positioned at the high end of the market with a strong presence in the luxury segment and are managed with license agreements for an average of 5 to 8 years, the majority of which are regularly renewed. The Group generally concludes global licensing contracts, except when the brand in question has a strong resonance limited to a specific region.

2015 has been an year where the Group has announced three important license agreements with key partners Givenchy, havaianas and Elie Saab.

In March, Safilo and Givenchy, the prestigious worldwide luxury brand founded in 1952 and recognized across the world for its Haute Couture, Ready-to-wear and Accessories collections for women and men, announced a licensing agreement that will run from January 1, 2016 to December 31, 2021, renewable upon mutual agreement.

In 2015 three new licensing agreements for the Group

In agreement will run until 2025. The first collection will be available worldwide starting from September, Safilo and Elie Saab, the eponymous Lebanese designer whose elegant and romantic creations celebrate femininity and beauty, announced the launch of the very first Elie Saab eyewear collection. The licensing January 2017 in a selected network of exclusive eyewear specialists and in Elie Saab boutiques worldwide.

Also in September, Safilo and Alpargatas, the Brazilian footwear, clothing and accessories company, announced a new global havaianas eyewear license running up to 2021 and renewable upon mutual agreement. The new havaianas eyewear collection will be distributed by Safilo across the world through an extensive distribution network, starting from the second half of 2016.

Today, the Group's brand portfolio consisted of 36 main brands, 27 of which are licensed and 9 are own brands.

Proprietary brands

Proprietary brands are of high strategic importance for the Group's objectives.

Since having been founded by Wilhelm Anger in 1956, Carrera has stood for unique collections and introduced revolutionary innovations over time, such as interchangeable lenses, folding glasses and the patent for Optyl.

With its great heritage, Carrera continues to draw inspiration from its history and looks to the future reinterpreting vintage styles through a modern use of colours and original shapes. The brand is adept at expressing the *zeitgeist* whilst remaining authentic, original and innovative.

Two different collections: the sport collection, with ski goggles and helmets, a crucial and original part of Carrera's history and its link with the concepts of performance and technology; and the lifestyle collection, with models designed for an urban environment and with great attention to the iconic details of an original and authentic brand in both sun and optical styles for men, women and kids.

Oxydo is a brand with a strong personality, designed with a focus on distinctive design details. Oxydo used its contemporary character to its advantage, becoming a sought-after and high-quality product, targeting hip young adults aged 20 – 35, who are active, connected and moving with the times. Oxydo men and women are confident, independent and authentic, like the product they choose. Oxydo is available both in sun and prescription frames collections.

Polaroid Eyewear is the eponymous brand acquired by Safilo Group in April 2012. Polaroid pioneered polarized lens technology with Edwin Land, the visionary scientist who founded Polaroid Inc., inventing the first synthetic light-polarizing material in 1929.

After over 75 years dedicated to research, innovation and style, Polaroid is today a leading eyewear brand for people looking for quality of vision, timeless style and value for money.

All Polaroid sunglasses are fitted with Polaroid UltraSight™ polarized lenses, synonymous with perfect vision, high protection and comfort.

2013 saw the global re-launch of Polaroid as a brand within Safilo Group and the brand continues to develop with increasing success thanks to the introduction of new collections and the international expansion.

Safilo has been synonymous with quality eyewear since the 1930s. Today, Safilo brand benefits from the prestigious signature of Company's name and its ongoing technical research; it offers a high-quality product that represents an excellent alternative to well-reputed international brands.

Safilo offers a wide and complete collection of optical frames targeting those who are looking for a refined and distinctive product. Men and women who choose Safilo frames pay attention to design, stylistic details and the quality of manufacturing and materials.

Safilo continues to enhance its collection with a wider choice of new Made in Italy models with great attention to detail and exclusive hinges continuing the tradition of the brand's classic hinge, Elasta, famous for its quality and durability. Safilo has also continued its strategy of creating exciting collaboration with world-class designers such as Marc Newson.

The Seventh Street collection targets a younger age group (school kids and teens) with a range of colourful and fresh products.

Kids by Safilo is Safilo's line of prescription eyewear specifically designed with the needs of children in mind. We have developed a line of products in close partnership with the World Society of Paediatric Ophthalmology and Strabismus (WSPOS) to ensure we provide the highest quality of comfort and safety for children.

SMITH

Smith was born in 1965 when Dr. Bob Smith invented the first thermal sealed ski goggles with double lenses to eliminate fogging and allow skiers to have more fun outdoors. 50 years on, Smith Optics is one of the leading manufacturers of ski goggles, sunglasses and ski and bike helmets. Since the acquisition by Safilo in 1996, Smith continued to grow both in Europe and the rest of the world, especially in the sunglasses sector. Designed for active sports enthusiasts, such as snowboarding, freestyle or off-track skiing, surf and mountain / road biking, Smith products target consumers who seek products that blend refined style with performance tuned for thrilling experiences.

The own brand portfolio also includes other minor local brands, mainly for the North American market, such as Adensco, Chesterfield, Denim and SunCloud.

Licensed brands

A very prestigious brand portfolio

Each of our licensed brands is designed and positioned for a specific market sector and target consumer. Safilo Group's portfolio of licensed brands is one of the most important and diversified in the eyewear market. Numerous fashion houses rely on the Group, many of them world-famous brands such as Dior, and Gucci, and others which are solely associated with certain specific countries. The Group's licences with these brands are regulated by exclusive contracts that provide for royalties to the licensors, calculated as a percentage of net sales generated from the collections and with minimum annual guaranteed amounts. In many cases such guaranteed annual royalties are based on a percentage of the turnover achieved by the licensed brand in the previous year while, in a few cases, they consist of sums defined in advance.

Dior	JIMMY CHOO	swatch * the eyes	BANANA REPUBLIC
DIOR HOMME	MARC JACOBS	MARC BY MARC JACOBS	Juicy Couture los angeles, california
CÉLINE	ELIE SAAB *	havaianas *	LIZ claiborne
FENDI	GUCCI	BOBBI BROWN	
GIVENCHY * PARIS	kate spade NEW YORK	MAX&Co.	Saks Fifth Avenue
MaxMara	TOMMY HILFIGER	pierre cardin PARIS	JLO
BOSS HUGO BOSS	BOSS HUGO BOSS	ISSUE NO FOSSIL 1954	JACK SPADE

(*) From 2016 Givenchy, havaianas and Swatch the Eyes; from 2017 Elie Saab.

Below is a summary and a brief description of the licensed brands:

Banana Republic. Banana Republic is a global brand of accessible luxury offering the best of urban style. With high design content and luxury processing, Banana Republic lifestyle collections include clothing, shoes, bags, jewellery and perfume. Since its launch in 2008, the eyewear collection has enjoyed great success. This is also the merit of "Made in Italy" materials and items, sophisticated colours, and special treatments of temples and components that highlight the brand, to create a collection with timeless appeal.

Bobbi Brown. Bobbi Brown is the first make-up artist with a signature line of eyewear. Her goal in designing her eyewear collection is to help women select frames that enhance their natural beauty and complement their skin stones and style. Her eyewear collection is designed with elements from her cosmetic line. Bobbi Brown remains one of the world's most celebrated makeup artists.

BOSS – HUGO BOSS. This brand embodies class and elegance, attention to detail and to high-quality materials. The Boss Black collection offers contemporary styles with moderate fashion inspiration, clean and understated design that expresses the wearer's personality, a versatile collection that can be worn on almost every occasion.

BOSS Orange. A modern and casual brand for a young and up-to-date target, cool and contemporary design for individual style seekers. The collection was presented to the market in August 2010: easy-to-wear styles with a modern appeal and contemporary design that adapt to an inner-city metropolitan lifestyle.

Céline. Timeless and minimalist luxury with an unconventional twist. Each Céline collection embodies the spirit of Creative Director Phoebe Philo's vision: distinctiveness, modern elegance, femininity with a unisex feeling. The eyewear collection combines the highest quality and research standards with the notoriety of one of the most influential brands in the market. It is intended for sophisticated modern consumers, characterized by a strong personality and looking for both quality and distinctive style.

Dior. "Maison de Couture", a fabulous laboratory of ideas and a trend setter and leader in the luxury sector. Dior products have the right balance between creativity, aesthetics, comfort and quality. Dior is an aspirational brand thanks to its unique heritage from which it draws inspiration for inventing new and advanced concepts. Dior eyewear seduces thanks to the sophisticated shapes which are inspired by vintage concepts and the exceptional world of Haute Couture inherent to the brand's DNA. Dedicated and elegant colours, sophisticated materials and quality craftsmanship make Dior eyewear unique and distinctive. The collection is mainly aimed at a female consumer aged 25 years or above, a fashion trend setter, but always elegant and attentive to detail.

Dior Homme. Combines elegance with a natural look and reshuffles the masculine codes by mixing day and evening, smart and casual, tradition and avant-garde, masculinity and vulnerability. A new classicism for the Dior Homme eyewear collection, identified and diversified collections: tailoring, couture, comfort, savoir-faire, elegance, design, luxurious materials, rigorous cuts, graphic colours, avant-gardism. High attention to details, enduring quality and finishings. The target consumer is male, aged 20 years and above, trend setter and trendy but elegant and with high attention to details.

Elie Saab. Elie Saab stands for the utmost sophistication, lightness, intricate details, precious materials, sheer beauty and savoir-faire – the dream of true Parisian luxury evocative of unique Beirut roots. The designer experiments with the central themes of femininity and romanticism, creating clothing that is cut-to-the-curve, with soft edges and exquisite detail including hand embroidery, beading and the use of luxurious fabrics such as mousseline and silk. Positioned in the Atelier segment, the eyewear collection reflects this exquisite personality of the brand, being developed with the highest sophistication in terms of product design, materials and craftsmanship.

Fendi. The savoir faire, craftsmanship and innovation which have always distinguished Fendi are highlighted and fully transferred to the eyewear collection, created for a sophisticated, feminine and elegant woman, with a strong personality. Precious materials, refined details, daring color combinations for a distinctive look, feminine and versatile.

Fossil. Fossil is inspired by the typical designs of the mid 1920s mixed with the desires of modern consumers. This “modern vintage” philosophy alludes to both classical and contemporary aesthetics. The collection targets consumers looking for fashionable sunglasses with clean and coloured shapes.

Givenchy. Givenchy, founded in 1952 by Hubert de Givenchy, is an international luxury house known for its Haute Couture, ready-to-wear and accessories’ collections for men and women. Since 2005, Riccardo Tisci has been the creative director of women’s Haute Couture, ready-to-wear and accessories’ collections (extended to menswear in 2008). Twisting the codes of the House, which are cool chic, sobriety, femininity and aristocratic elegance, the designer adds dark romanticism and sensuality. He creates a silhouette combining pure lines with a graphic structure. True to the House’s creative heritage and spirit, Riccardo Tisci brings the name of Givenchy into today’s world while projecting it into the future. Givenchy’s distinct and modern creativity inspires unique eyewear creations of high quality and distinctiveness.

Gucci. Represents the excellence of the Italian tradition of craftsmanship worldwide by combining, in a unique duality, tradition and modernity, craftsmanship and technical innovation, past and future. Gucci's eyewear collection is modern and unconventional, while at the same time maintaining the brand's legendary elegance and luxury, as well as its iconic symbols, such as the horse-bit, the web, bamboo, the GG and the Flora which have all been re-interpreted in a modern key. There is a wide range of models which combine style and class with the typical Gucci elegance and unmistakeable iconic features of the brand. The products are sold worldwide and target male and female consumers in the luxury sector.

havaianas. Havaianas embodies the fun, vibrant and spontaneous way of Brazilian life. As the original flip-flops created in 1962, Havaianas have been bringing the Brazilian spirit all around the world with high quality rubber and bright, joyful designs. The unique vibrant Brazilian personality of havaianas with its iconic creative simplicity has inspired innovative and cool eyewear collection with broad appeal for the world.

Jack Spade. Jack Spade is inspired by the enduring appeal of products that were designed with a purpose in mind, where every detail is considered and nothing is superfluous. The eyewear collection is designed with inherent style and utilitarian simplicity without being too self-serious. Jack Spade celebrates the insights and design innovations of everyday objects by incorporating them into the details of its products. These elements are about style following functionality, and finding the extraordinary in everyday life.

Jennifer Lopez. The J.LO collection by Jennifer Lopez is unique and has a very audacious and reassuring appeal with an elegant style for top quality products at an accessible price for individual, self-assured, fashionable and practical women.

Jimmy Choo. An icon of luxury and quality accessories, positioned in the high-end sector with glamorous and sophisticated collections of sunglasses and ophthalmic frames. The innovative design emphasizes the fresh and distinctive Jimmy Choo style, with original colours and luxury trimmings, that recall the must-haves of the brand. An elegant and timeless brand, which represents a status symbol.

Juicy Couture. Juicy Couture is known throughout the world for the style of its tracksuits and soon became one of the fastest growing fashion brands in the world. The collections combine classical forms with the unmistakable details of the Juicy world and style, with logos and slogans recognisable to fans of the brand.

Kate Spade. Inspired by a timeless chic style, the Kate Spade collection recalls the 60s and their influence is seen in both the design and the colours. The ophthalmic sunglass lenses contain many of the fine and distinctive details of the bags and accessories from this brand, with audacious yet sophisticated collections as well as very attractive and easy to wear shapes and typically feminine colours.

Liz Claiborne. The Liz Claiborne collection of prescription frames and Rx-able sunglasses, like the women's clothing collections, target women who want a modern, top quality style where fit means design ranging from classic to modern.

Marc Jacobs. The brand is positioned at the high-end of the luxury market. The Marc Jacobs eyewear collection, featuring sophisticated and slightly retro shapes, stands out for its exclusive, sophisticated and glamorous style. A discreet collection with a very sophisticated image, heightened even further by the top quality materials and scrupulous attention paid to details. The collection targets women between 25 and 45 years of age who want to affirm their identity and personality.

Marc by Marc Jacobs. Young and irreverent, the chic design of Marc by Marc Jacobs combines practical urban style with irony and colourful details. The vintage-inspired collection combines the styles of the moment. Young and modern, this collection has been created for people who, aware and confident of their own style, seek quality products and the original Marc Jacobs details, but at an affordable price. Marc by Marc Jacobs targets young people aged 16 to 35 looking for the typical American cosmopolitan image.

Max Mara. Max Mara is an expression of femininity and truly timeless elegance. It is marked by the high quality of its materials, its modern design and its tailored style. Max Mara products combine modernity and tradition, elegance and simplicity. The Max Mara brand targets modern women, aged 30 to 50, financially independent, looking for elegant and sophisticated eyewear with classical and unostentatious details. The products are sold worldwide, particularly in Europe and the Far East.

Max & Co. The Max&Co. brand mainly targets young (18-35 years), fashion-conscious, female consumers. The first Max&Co. eyewear collection was presented to the market in 2007. Young and easy to wear shapes with a modern fresh and feminine taste, colours, personalized plastics and details inspired from fabrics and garments of the Max&Co. world.

Pierre Cardin. Pierre Cardin products are typically refined, confirming a style that characterises successful products. Classical yet always current, they are also adorned with precious and classy details. This is a very-well known brand, with a contemporary design; eyewear collections are sold at very affordable prices. The collection goes beyond tradition, exploring new routes in style: some models take inspiration from a futuristic design, made in keeping with the elegance of the brand.

Saks Fifth Avenue. The Saks Fifth Avenue collection is addressed to smart, stylish, practical women who love fashion. The collections of prescription frames and sunglasses are refined and classic with beautiful details that capture the attention of women between 25 and 55 years of age.

Swatch. The Swatch Group takes its name from the extraordinarily successful story of Swatch, one of the world's most widely recognized consumer brand names. Less than 30 years ago, when the Swiss watchmaking industry was battling a serious crisis, the first Swatch watches were released.

The years since then have seen the recovery of the Swiss watchmaking industry as a whole, and the establishment of The Swatch Group as a strong, diversified industrial holding. This solid foundation has allowed the Group to broaden its reach and extend its range of brands. Creative, playful and lifestyle-oriented, the eyewear collection *Swatch The Eyes* complements Safilo's portfolio in the vast and fast growing mass-cool consumer segment with a unique proposition that leverages the smart, playful, innovative DNA of Swatch.

Tommy Hilfiger is one of the most famous names in the fashion design sector. The Group creates and sells high-quality collections with men's, women's, children's and denim clothing lines. The eyewear collection epitomizes the brand's "preppy" image, the icon of the American cool spirit. The collections are characterized by a young style, combining coloured materials with unexpected details, creating a complete range of prescription frames and sunglasses, from the smart casual to the businessman. The collection embodies the Tommy Hilfiger brand essence, merging both vintage and modern styles.

REPORT ON OPERATIONS
AND
CONSOLIDATED FINANCIAL STATEMENTS

31st DECEMBER 2015

BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

Board of Directors (*)

Chairman	Robert Polet
Chief Executive Officer	Luisa Deplazes de Andrade Delgado
Independent Director	Jeffrey A. Cole
Director	Melchert Frans Groot
Independent Director	Guido Guzzetti
Independent Director	Marco Jesi
Independent Director	Ines Mazzilli
Independent Director	Eugenio Razelli

Board of Statutory Auditors

Chairman	Paolo Nicolai
Regular Auditor	Franco Corgnati
Regular Auditor	Bettina Solimando
Alternate Auditor	Marzia Reginato
Alternate Auditor	Gianfranco Gaudioso

Supervisory Committe (**)

Chairman (***)	Franco Corgnati
	Eugenio Razelli
	Massimiliano Pascale

Control and Risk Committee (**)

Chairman (***)	Eugenio Razelli
	Ines Mazzilli
	Melchert Frans Groot

Remuneration and Nomination Committe (**)

Chairman	Jeffrey A. Cole
	Robert Polet
	Marco Jesi

Related Parties Transactions Committee (**)

Chairman (***)	Eugenio Razelli
	Ines Mazzilli
	Guido Guzzetti

Independent Auditors

Deloitte & Touche S.p.A.

(*) Appointed by the Shareholders' Meeting held on April 27th, 2015
(**) Appointed by the Board of Directors' Meeting held on April 27th, 2015
(***) Appointed by the Committee' Meeting held on August 3rd, 2015

CHAIRMAN'S LETTER

Dear Shareholders,

2015 is the first year for Safilo Group of its 5-year turnaround journey, as laid out in the 2020 Strategic Plan presented to the financial community in March 2015.
Building on the foundations laid in 2014, around managerial modernization, simplification and global integration, Safilo in 2015 set out to execute its plan along the 4 key strategies defined and in pursuit of its 2020 Vision to develop into its full potential as a leading eyewear player, brand driven and design inspired.

Important initiatives were completed to establish the capabilities required, in particular for the Global Commercial and the Brand Building organization. The new global Product Design & Creation organization is focussed on what Safilo is industry-leading in, its eyewear product craftsmanship.

In 2015 our strong license brand portfolio, as well as the core markets in Europe and North America continued to perform well. Reorganization measures were needed to reset Asia onto a more sustainable footing for long-term growth. The fundamentals for our proprietary brands have been addressed and sales should accelerate after slower growth than planned in 2015. The attractiveness of the portfolio was further enhanced with new licenses in Mass/Cool with Havaianas and Swatch, and Atelier with Elie Saab, replacing the small Kering brands that have left.

On the operational side, a 2020 product supply strategy was developed and initiated. This will increase our in-house production, lead to modernization of the manufacturing capabilities and a simplification of the distribution network. The execution of this plan started on all three fronts with clear progress.

Safilo is implementing its 4-year IT transformation plan bringing to the company a suite of best-of-breed systems across all areas. Thanks to dedicated and professional project management, the first wave of SAP golive in Jan '16 has been executed outstandingly well.

Safilo has a leading shareholder with proven strategic vision and discipline who is permanently committed to supporting the Company's long-term sustainable growth. Together with our experienced and valued board of Directors, in excellent collaboration with management, the Company has made important progress in 2015.

On behalf of the Board of Directors, I wish to take the opportunity to thank everyone working for Safilo for the dedication they show every day, and their commitment to building a strong Safilo for the future.

Robert Polet

Chairman

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

I would like to start by expressing my gratitude to you, as well as to our employees, customers and all partners across the world for having placed your trust in Safilo's long-term potential and in our roadmap to achieve it.

2015, the first year of our 2020 Strategic Plan which we laid out during our investor day in March, was an intense and diverse year, rich in both learnings and underlying executional progress.

Following the foundations we laid in 2014, when we declared our Product centric vision - Brand driven and Design inspired - and renewed the group's leadership across the globe, we set out in 2015 to build the blocks to bring our strategy to life. Rooted in deep insights on the historical strengths and challenges of Safilo and the key need to modernize it, we are pursuing 4 key strategies. On each of these I will provide my perspective as to where we are on their implementation and what we are focusing on for next year to accelerate and sustain progress. These are:

1. BALANCE to underpin Sustainable Growth
2. FOCUS to build breakthrough Capability
3. SIMPLIFY to save cost and enhance Control
4. DIFFERENTIATE to lead with relevant Impact

1. Balance to underpin Sustainable Growth

Safilo's great strength is its portfolio of world-class brands, both those we own and those entrusted to us by our licensors. Yet this strength is also unbalanced in a way that 75% of our turnover stems from licensed brands and only 25% from our own core brands. And within the 75% of licensed brands, we were historically dependent on Gucci, and in general on those relating to the big global Luxury conglomerates. This dependence represents an underlying risk but also a vast opportunity for us to develop a more balanced portfolio. As I laid out last year, we have closed the agreement with Kering to accelerate the Gucci license end date by 2 years from Dec 2018 to Dec 2016, in exchange receiving a compensation payment of 90 million EUR, the first 30 million EUR of which was received in January of 2015, and a 4 year supply & product partnership agreement with Gucci. At the same time we have focused on developing our core portfolio of licenses and on launching the growth strategies on our own core brands – namely Polaroid, Carrera and Smith.

2015 was a year of excellent organic growth of the core portfolio (i.e. excluding Gucci and the 3 small Kering brands that exited during 2015). Within that, we are pleased with the outstanding performance of our core license portfolio, with all strategic groupings posting strong growth and running ahead of our 2020 plan goals for 2015: Dior, our foundation of excellence; our Future Core brands BOSS, Tommy Hilfiger, Kate Spade, Max Mara and Marc Jacobs; and our Rockets Celine, Jimmy Choo, and Fendi.

For our own core brands, Polaroid, Carrera and Smith, we laid the strategic foundations required for sustained accelerated growth as per our 2020 plans, including consumer-qualified brand platforms, new collections designs, and marketing programs. For Smith, it also included the now completed integration of the Smith company into the Safilo organization, including the closure of the Sun Valley offices, 18 years after its acquisition by Safilo, and the establishment of the Sports and outdoor inspired Product Design Studio in Portland for all our related product. The three brands were not yet able to post growth in 2015, restrained primarily by the continuing decline of Carrera in change-over of design direction and cleaning of the channels of the old collection, while Smith and Polaroid were flat, with Polaroid impacted by our termination of unsustainable distributor agreements in China and Russia, excluding which the brand grew high single digits. Our single central priority for the years to come is to grow our own core brands to their full potential.

To further strengthen our portfolio for the future, we are proud to welcome Givenchy, Elie Saab, havaianas and Swatch to Safilo's brand portfolio. Each of these brands will play a decisive role in strengthening our footprint across our chosen 5 market segments and have the potential to add significant business size to our company: with the combination of Polaroid, havaianas and Swatch, we position ourselves as leader of the Mass Cool segment, Givenchy further enriches our Fashion Luxury leadership, and with Elie Saab we confirm our entry into the Atelier Segment where the own Brand Oxydo Lab will also be positioned.

In terms of markets, we saw excellent growth in the core strongholds of the Group, namely Europe and North America, where we posted strong net sales growth and market share gains throughout the year. We made deep reaching interventions in Asia, cleaning our distribution channels and re-setting our commercial practices with the appointment of new Teams at regional and key countries level, with leaders centered on our principles and values and discontinuing years of unsustainable business practices. This has led to a significant and painful decline of top- and bottom-line in the region, which was even sharper than anticipated, compounded by a more difficult macroeconomic environment in many parts of the region and by the depth of the interventions required to re-set our business.

As part of prioritizing growth in 'emerging rocket' regions we posted double-digit growth in the Middle East & African region, as well as in Mexico and most other Latin American markets served through distributors, while the performance of Brazil in a difficult macro environment was challenging. To further bolster our growth strategy in whitespace markets, we inaugurated our new subsidiary in Turkey and made it the hub of our new Central & Eastern European region. Finally, reflecting the re-focus of our go-to-market organization also on key channels, our business with Top 100 customers worldwide posted double-digit growth in 2015.

2. Focus to build breakthrough Capability

Safilo's modernization is about building the modern capabilities of a multinational, which operates with a global mindset and acts locally in an entrepreneurial and nimble manner, enabled by IT systems that simplify our work.

Having placed the growth of our own core brands at the center of our 2020 strategy, brand building capabilities have been key in beginning to build a brand driven culture and consumer understanding and measurements to guide the development of our own brands. Through corporate Marketing capabilities, we started to put in motion strategies and plans to double the business on Smith and Carrera and to triple it on Polaroid by 2020. Every 3 months we track quantitatively and qualitatively whether we are moving the needle on the brand health of each and with each reading we have continued to see good brand health progress.

Secondly, in relation to Safilo's Go-to-Market strategy we have reorganized ourselves around 6 Regions (vs. 3 largely independent "Companies" before), 5 Global Channels & Accounts and 4 big European focus markets, supported by a multi-functional organization design focused on stronger customer management skills, Trade marketing, Field sales management, and renewed standards of selling and compliance. We have started to put in place a first set of integrated trade terms globally, improved quality of distribution coverage and to professionalize our customer service. As a consequence, on a worldwide basis we have been able to increase distribution, expanded our coverage of Smile, our proprietary category management and automatic replenishment system from 2,500 to more than 3,400 doors worldwide, while at the same time delivered a strong improvement in days sales outstanding from 85 to 79 and a resulting 29 million Euro increase in Free Cash Flow behind receivables collection.

Thirdly, in order to build on our historic world-class product design strength we started in 2015 to globalize our organization with the establishment of global functions that enable expertise and coherent global standards, while demonstrating the agility to differentiate for local markets and segments to ensure relevance to the consumer. This local/global combination is new for Safilo, and so is the differentiation across segments, e.g. in bespoke quality standards, differing distribution strategies, or product design approaches.

3. Simplify to Save Cost and enhance Control

This strategy is at the heart of our modernization, and requires a fully comprehensive overview and understanding of our operations. Let me start with the state of our product supply operations, which has been one of the Group's challenges in the past decades, yet historical strenghts. During the first half of 2015 we completed the renewal of an experienced and diverse global product supply lead team under our new chief product supply officer. We set clear objectives and developed a 2020 product supply strategy to reduce complexity and cost while increasing speed, service and cash by strengthening in-house production and simplifying drastically manufacturing and distribution network flows. Specifically on the latter, our plan calls for the reduction of distribution centers worldwide from 20 to 6, and in 2015 we initiated the first significant step in distribution network consolidation, by combining our historic 2 distribution centers in the USA into 1 in Denver. The work on the logistics chain and in the manufacturing network led to continued strong product quality results and a delivery of cost savings in excess of 10 million Euro. On the flipside, inefficiencies in the plants along with insufficient fixed cost absorption behind not yet being able to internalize more volume and continuing high obsolescence costs, more than offset the savings. Our service levels, with a delivery performance averaging below 90%, were also not yet at the level we need to fill the level of orders we need. Also in 2015, we identified opportunities to reduce production lead times in the plants, including comprehensive reinventions like the Swatch's mass cool in-house European production, and Safilo will further develop these in 2016. All in all, we are satisfied with the learnings gained and early progress made in 2015 in the supply network giving us a good foundation to now step-change in 2016 and beyond.

The second deep transformation at Safilo is the IT systems infrastructure and resulting standardization of the way we operate globally. With a fragmented legacy IT landscape, we designed our best of breed

EYEWAY program, and took in 2015 the first major steps of the 3-year systemic roll-out plan by going live with SAP in human resource management, procurement, and finance & controlling in our operating company Safilo S.p.A.. The go-live in each area was absolutely flawless and the result of a large organizational effort across many functions, for which I would like to express my sincere gratitude to all of Safilo's employees involved and to our consulting partners supporting us. This gives us confidence to continue the roll-out in its subsidiaries with the next wave in 2016.

4. Differentiate to lead with relevant Impact

Recognizing our choice to play in 5 consumer segments, and different markets/channels/customers, we are adopting a deliberate differentiation strategy to be relevant with each, while leveraging underlying strategies. We also take a differentiated approach to performance and talent management, based on measurable merit.

2015 was in particular a year of important progress on the customer front where with the Top 100 we were able to generate strong top-line growth, powered by the conclusion of joint business plans with several of our biggest retailers and the roll-out of our category management system SMILE. A second important step forward on the consumer front was our Kids eyewear strategy to penetrate this attractive and fast-growing market segment. With the launch of Kids by Safilo, a childrens' optical eyewear collection developed in partnership with leading ophthalmologists, combining attractive shapes with innovative materials, we made a first important step forward. Finally, we implemented new modern HR policies and programs for merit based selection and hiring, performance assessment and remuneration, and internal career progression and assignment planning.

In summary, we are pleased with the strong performance in our strongholds and key emerging markets, and in particular with the excellent cash flow and strengthened financial position. We are not satisfied with our profitability, in particular the flat Net Sales at constant currencies and the decline in the EBITDA margin behind the erosion of our gross margin of 200 bps (of which 80 bps driven by foreign exchange) which we aim to significantly and urgently improve. With important investments in capability now made, we are ready to address our costs and inefficiencies through significant simplifications and have the leadership and project management skills to address these complexities with sustainable improvements.

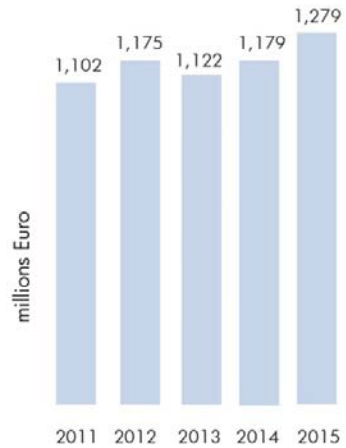
Our 2020 Vision is to become a leading Global Eyewear Creator with a balanced Portfolio of superior brands that will delight the world's consumers, create mutual value with our partners and reward Safilo with leadership shareholder value creation. Our commitment is to step by step execute our Strategy in a way that sets Safilo up to generate sustainable, profitable growth going forward.

Luisa Deplazes de Andrade Delgado

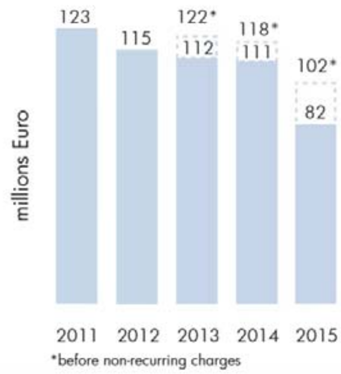
Chief Executive Officer

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

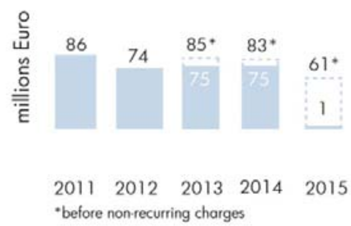
Net Sales



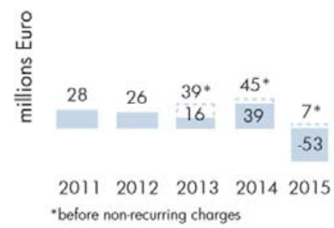
EBITDA



EBIT

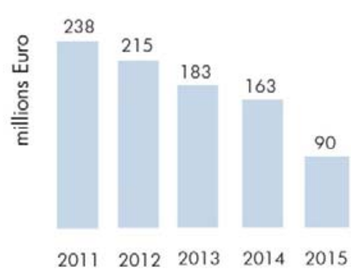


Net Result



Net working capital

Net Debt



Economic data (Euro in millions)	2015	%	2014	%
Net sales	1,279.0	100.0	1,178.7	100.0
Cost of sales	(522.0)	(40.8)	(460.1)	(39.0)
Gross profit	757.0	59.2	718.6	61.0
Ebitda	82.4	6.4	110.7	9.4
Ebitda pre non-recurring items	102.4	8.0	118.4	10.0
Operating profit/(loss)	0.8	0.1	75.3	6.4
Operating profit/(loss) pre non-recurring items	61.4	4.8	83.0	7.0
Group profit/(loss) before taxes	(25.6)	(2.0)	64.9	5.5
Profit/(Loss) attributable to the Group	(52.7)	(4.1)	39.1	3.3
Profit/(Loss) attributable to the Group pre non-recurring items	6.9	0.5	44.5	3.8

Balance sheet data (Euro in millions)	December 31, 2015	%	December 31, 2014	%
Total assets	1,590.8	100.0	1,597.9	100.0
Total non-current assets	940.5	59.1	944.2	59.1
Capital expenditure	47.9	3.0	39.0	2.4
Net invested capital	1,088.5	68.4	1,137.4	71.2
Net working capital	277.7	17.5	303.1	19.0
Net financial position	(89.9)	(5.7)	(163.3)	10.2
Group Shareholders' equity	997.5	62.7	971.5	60.8

Financial data (Euro in millions)	2015	2014
Cash flow operating activity	114.8	26.9
Cash flow investing activity	(40.0)	(39.3)
Cash flow financing activity	(70.6)	(22.7)
Closing net financial indebtedness (short-term)	47.6	39.5
Free cash flow	74.8	(12.4)

Financial and economic indicators	2015	2014
ROS	0.1%	6.4%
ROIC	0.0%	4.1%
ROE	(5.3)%	4.0%

Group personnel	2015	2014
Punctual as at December 31st	7,325	7,514
Average in the financial year	7,211	7,609

Earnings/(Losses) per share (in Euro)	2015	2014
Earnings/(Losses) per share - basic	(0.843)	0.625
Earnings/(Losses) per share - diluted	(0.840)	0.622
Group Shareholders' equity per share	15.93	15.54

Share and market data (in Euro)	2015	2014
Share price at the end of the financial year	10.82	10.71
Maximun share price of the financial year	15.09	19.07
Minimum share price of the financial year	9.92	9.22
No. shares in share capital at December 31st	62,629,965	62,534,965
Stock Market value at the end of the financial year	677,512,172	669,705,701

It should be noted that:

- *non-recurring items refer to charges not related to the ordinary operations. In 2015 the Group has incurred non-recurring items for a total of Euro 60.5 million due to commercial restructuring costs in the EMEA region for Euro 1.2 million, other non recurring costs for Euro 1.8 million mainly related to the consolidation of the Group's North American distribution network into its Denver facility, Euro 17.0 million for a provision for other risks and charges in relation to the litigation with the French Competition Authority and 40.5 million for an impairment charge on goodwill. In 2014 operating non-recurring items referred to both reorganization costs, in particular Executive Officers succession plans and Smith Sport Optics restructuring, and the voluntary exit agreements for some employees of the Italian plants for a total amount of 7.7 million Euro.*

  The table below summarizes the reconciliation between the economic indicators and their adjusted value pre non-recurring items:

	2015			2014		
(Euro in million)	**Ebitda**	**Operating profit / (loss)**	**Profit / (Loss) attributable to the Group**	**Ebitda**	**Operating profit / (loss)**	**Profit / (Loss) attributable to the Group**
Economic indicators	**82.4**	**0.8**	**(52.7)**	**110.7**	**75.3**	**39.1**
Commercial restructuring costs	1.2	1.2	1.2	-	-	-
Smith Sport Optics restructuring cost	-	-	-	2.5	2.5	2.5
Executive Officers succession plans	-	-	-	3.3	3.3	3.3
Other non recurring costs	1.8	1.8	1.8	1.9	1.9	1.9
Provision for litigation	17.0	17.0	17.0	-	-	-
Impairment loss on goodwill	-	40.5	40.5	-	-	-
Tax effect on non recurring items	-	-	(0.9)	-	-	(2.3)
Economic indicators pre non recurring items	**102.4**	**61.4**	**6.9**	**118.4**	**83.0**	**44.5**

	Fourth quarter 2015			Fourth quarter 2014		
(Euro in million)	**Ebitda**	**Operating profit / (loss)**	**Profit / (Loss) attributable to the Group**	**Ebitda**	**Operating profit / (loss)**	**Profit / (Loss) attributable to the Group**
Economic indicators	**7.3**	**(44.4)**	**(63.5)**	**27.4**	**18.1**	**7.4**
Commercial restructuring costs	-	-	-	-	-	-
Smith Sport Optics restructuring cost	-	-	-	2.5	2.5	2.5
Executive Officers succession plans	-	-	-	2.2	2.2	2.2
Other non recurring costs	0.7	0.7	0.7	-	-	-
Provision for litigation	17.0	17.0	17.0	-	-	-
Impairment loss on goodwill	-	40.5	40.5	-	-	-
Tax effect on non recurring items	-	-	(0.1)	-	-	(1.5)
Economic indicators pre non recurring items	**25.0**	**13.8**	**(5.4)**	**32.1**	**22.8**	**10.6**

It should be noted that:

- *certain figures in this report 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 algebraic sums of the figures which precede them;*
- *the percentage variations and incidences in the tables have been calculated on the basis of data expressed in thousands and not those which are shown, rounded to the nearest million.*

With reference to the disclosure by geographical area it should be noted that starting from this fiscal year, the Group has redefined the disclosure relative to sales by geographical area in line with the reporting used internally by the management, the comparative figures have been restated accordingly. This redefinition has not had a significant impact.

Certain "alternative performance indicators", which are not foreseen in the IFRS accounting principles and are applied to the financial statements being audited, have been used in this Report. Their meaning and content is given below:

- *EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;*
- *"Capital expenditure" refers to purchases of tangible and intangible fixed assets;*
- *"Net invested capital" refers to the algebraic sum of shareholders' equity of the Group and minority interests and the "Net financial position" (see below);*
- *"Free Cash Flow" means the algebraic sum of cash flow from/(for) operating activities and the cash flow from/(for) investing activities;*
- *"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. Such indicator does not include the valuation at the reporting date of derivative financial instruments.*
- *"ROS" is the ratio between operating profit and sales;*
- *"ROIC" is the ratio between operating profit net of adjusted taxes and net invested capital;*
- *"ROE" is the ratio between Group net profit (loss) and Group shareholders' equity.*

Disclaimer

This report and, in particular, the section entitled "Significant events after the year-end and outlook" contains forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.

REPORT ON OPERATIONS

INFORMATION ON THE OPERATIONS

Safilo total net sales for the year equaled Euro 1,279 million, recording an increase of 8.5% thanks to foreign exchange tailwind. At constant currencies, 2015 net sales were flat compared to 2014, reflecting differing business and market dynamics. The performance of the Group's going forward portfolio, i.e. excluding all brands that Safilo stopped and will stop servicing, showed growth of 13% at current exchange rates and 4.3% at constant exchange rates.

At the operating level, 2015 gross margin moved from 61.0% to 59.2% of sales while adjusted EBITDA margin stood at 8.0% of sales versus 10.0% in 2014.

Safilo closed 2015 with an adjusted Group net result of Euro 6.9 million compared to the adjusted net result of Euro 44.5 million recorded in 2014. 2015 adjusted economic results do not include non-recurring items for a total of Euro 60.5 million, mainly related to the impairment of the goodwill allocated to the Far East business and a provision related to an investigation of the French Competition Authority.

In 2015, the Group generated a Free Cash Flow of Euro 74.8 million, further reducing the Group Net Debt to Euro 89.9 million from Euro 163.3 million in 2014 and the adjusted financial leverage to 0.9x from 1.4x. This reflected the ongoing improvement in net working capital management, the proceeds from the sale of shares held in an associate company for Euro 8.6 million and the first of the three compensation payments of Euro 30 million from Kering received in January 2015.

GROUP ECONOMIC RESULTS

Consolidated statement of operations (Euro in millions)	**2015**	**%**	**2014**	**%**	**Change %**
Net sales (*)	1,279.0	100.0	1,178.7	100.0	8.5%
Cost of sales	(522.0)	(40.8)	(460.1)	(39.0)	13.4%
Gross profit	**757.0**	**59.2**	**718.6**	**61.0**	**5.3%**
Selling and marketing expenses	(526.5)	(41.2)	(479.4)	(40.7)	9.8%
General and administrative expenses	(171.5)	(13.4)	(157.5)	(13.4)	8.8%
Other operating income/(expenses) (**)	(17.7)	(1.4)	(6.4)	(0.5)	n.s.
Impairment loss on goodwill	(40.5)	(3.2)	0.0	0.0	n.s.
Operating profit/(loss)	**0.8**	**0.1**	**75.3**	**6.4**	**-98.9%**
Financial charges, net	(26.4)	(2.1)	(10.4)	(0.9)	n.s.
Profit/(Loss) before taxation	**(25.6)**	**(2.0)**	**64.9**	**5.5**	**n.s.**
Income taxes	(26.9)	(2.1)	(25.4)	(2.2)	5.7%
Net profit/(loss)	**(52.4)**	**(4.1)**	**39.5**	**3.3**	**n.s.**
Net profit/(loss) attributable to minority interests	0.3	0.0	0.4	0.0	-21.7%
Net profit/(loss) attributable to the Group	**(52.7)**	**(4.1)**	**39.1**	**3.3**	**n.s.**
EBITDA	**82.4**	**6.4**	**110.7**	**9.4**	**-25.6%**

Economic indicators pre non-recurring items	**2015**	**%**	**2014**	**%**	**Change %**
EBIT pre non-recurring items	**61.4**	**4.8**	**83.0**	**7.0**	**-26.1%**
EBITDA pre non-recurring items	**102.4**	**8.0**	**118.4**	**10.0**	**-13.5%**
Net profit/(loss) attributable to the Group pre non-recurring items	**6.9**	**0.5**	**44.5**	**3.8**	**-84.4%**

(*) At constant exchange rates, 2015 net sales were flat compare to 2014, amounted to Euro 1,178.8 million.

(**) The item includes operating non-recurring expenses for a total amount of Euro 20.0 million (Euro 7.7 million in 2014).

Percentage impacts and changes have been calculated on figures in thousands.

Consolidated statement of operations (Euro in millions)	**Fourth quarter 2015**	**%**	**Fourth quarter 2014**	**%**	**Change %**
Net sales (*)	319.2	100.0	311.2	100.0	2.6%
Cost of sales	(139.7)	(43.8)	(133.2)	(42.8)	4.9%
Gross profit	**179.5**	**56.2**	**178.0**	**57.2**	**0.9%**
Selling and marketing expenses	(124.0)	(38.8)	(116.8)	(37.5)	6.2%
General and administrative expenses	(43.2)	(13.5)	(40.1)	(12.9)	7.7%
Other operating income/(expenses) (**)	(16.3)	(5.1)	(3.0)	(1.0)	n.s.
Impairment loss on goodwill	(40.5)	(12.7)	0.0	0.0	n.s.
Operating profit/(loss)	**(44.4)**	**(13.9)**	**18.1**	**5.8**	**n.s.**
Financial charges, net	(2.5)	(0.8)	(3.2)	(1.0)	-22.0%
Profit/(Loss) before taxation	**(46.9)**	**(14.7)**	**14.9**	**4.8**	**n.s.**
Income taxes	(16.4)	(5.1)	(7.3)	(2.3)	n.s.
Net profit/(loss)	**(63.3)**	**(19.8)**	**7.6**	**2.4**	**n.s.**
Net profit/(loss) attributable to minority interests	0.2	0.1	0.2	0.1	-9.6%
Net profit/(loss) attributable to the Group	**(63.5)**	**(19.9)**	**7.4**	**2.4**	**n.s.**
EBITDA	**7.3**	**2.3**	**27.4**	**8.8**	**-73.3%**

Economic indicators pre non-recurring items	**Fourth quarter 2015**	**%**	**Fourth quarter 2014**	**%**	**Change %**
EBIT pre non-recurring items	**13.8**	**4.3**	**22.8**	**7.3**	**-39.7%**
EBITDA pre non-recurring items	**25.0**	**7.8**	**32.1**	**10.3**	**-22.3%**
Net profit/(loss) attributable to the Group pre non-recurring items	**(5.4)**	**(1.7)**	**10.6**	**3.4**	**n.s.**

(*) At constant exchange rates, 2015 fourth quarter net sales decreased by 2.7% compared to fourth quarter 2014, amounted to Euro 302.9 million.

(**) The item includes operating non-recurring expenses for a total amount of Euro 17.7 million (Euro 4.7 million in the fourth quarter 2014).

Percentage impacts and changes have been calculated on figures in thousands.

In 2015, the Group reported consolidated net sales of Euro 1,279.0 million, up 8.5% on the Euro 1,178.7 million of 2014 (flat at constant exchange rates).

In the fourth quarter, net sales reached Euro 319.2 million, up 2.6% at current exchange rates (-2.7% at constant exchange rates).

Net sales by geographical area	Full year					
(Euro in millions)	2015	%	2014	%	Change %	Change % (*)
Europe	508.6	39.8	478.5	40.6	6.3%	6.0%
North America	531.3	41.5	445.1	37.8	19.4%	0.8%
Latin America	51.3	4.0	54.9	4.7	-6.7%	-1.1%
Asia Pacific	154.8	12.1	170.8	14.5	-9.4%	-20.5%
Rest of the world	33.0	2.6	29.3	2.5	12.6%	11.6%
Total	**1,279.0**	**100**	**1,178.7**	**100**	**8.5%**	**0.0%**

Net sales by geographical area	Fourth quarter					
(Euro in millions)	2015	%	2014	%	Change %	Change % (*)
Europe	130.3	40.8	117.3	37.7	11.1%	10.8%
North America	127.7	40.0	117.3	37.7	8.9%	-3.8%
Latin America	14.8	4.7	17.5	5.6	-15.0%	-5.3%
Asia Pacific	36.6	11.5	47.6	15.3	-23.0%	-28.7%
Rest of the world	9.7	3.0	11.6	3.7	-16.1%	-17.1%
Total	**319.2**	**100**	**311.2**	**100**	**2.6%**	**-2.7%**

(*) At constant exchange rates

Throughout 2015, Europe was Safilo's main driver of growth. Net sales increased by 6.3% (+6.0% at constant exchange rates), reaching Euro 508.6 million compared to Euro 478.5 million in 2014. The Group gained market share in the key markets France, Italy, Spain and Germany driven by good performance of the license brand portfolio, Dior, Celine, Jimmy Choo, Max Mara and Hugo Boss in particular. On the Own core brands front, Polaroid sales increased by low single digits, influenced by the strong deceleration of Russia where we converted the previous distributor model into a directly managed business. Excluding this negative effect, Polaroid was up high-single digit in the year. Carrera's sales performance in Europe was soft in 2015, as the transition to the new brand platform did not yet broadly translate into effective product and in-store execution. Smith saw a satisfactory initiation of its expansion strategy in the sport channel in

Europe.

In North America, Safilo's sales performance was positive in 2015 in spite of the shortfall recorded by the Group in its 125 Solstice stores in the US. Net sales were up 19.4% at current exchange rates (+0.8% at constant exchange rates), totaling Euro 531.3 million compared to Euro 445.1 million in 2014.

The core wholesale business grew by 21.9% at current exchange rates to Euro 442.7 million (+3.2% at constant exchange rates compared to Euro 363.1 million in 2014). Dior, Celine, Max Mara and Jimmy Choo grew significantly while Kate Spade became Safilo's second largest brand in North America after Smith. The latter delivered low single digit sales growth in 2015 behind market share gains in its Snow portfolio but suffering from a soft winter sport season at the end of the year.

On the other Own core brands, Carrera's North America wholesale business was up almost double digit in 2015, driven by the strong performance on prescription frames and a stable trend in sunglasses, while Polaroid's sales were up mid-single digit reflecting the commencement of its door expansion strategy.

In 2015, sales at Solstice stores in the US equaled Euro 88.6 million, up 8.1% at current exchange rates, down 9.8% at constant exchange rates compared to Euro 82.0 million in 2014.

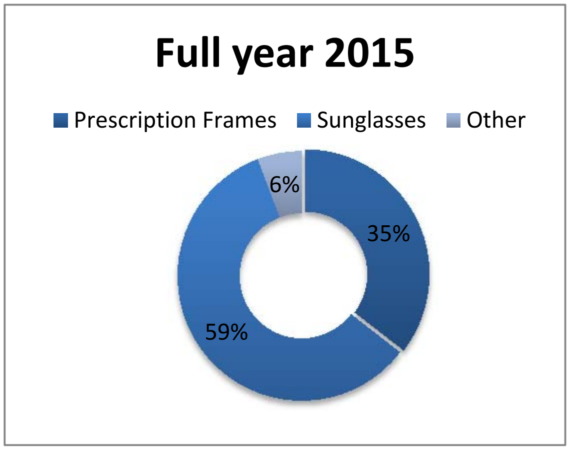
In 2015, Safilo's operations in Asia were affected by the re-setting of the Group's business fundamentals, putting in place a new leadership in the region and key markets, investing in the development of key capabilities and a reset of commercial policies to guarantee quality and sustainable corporate and business practices.

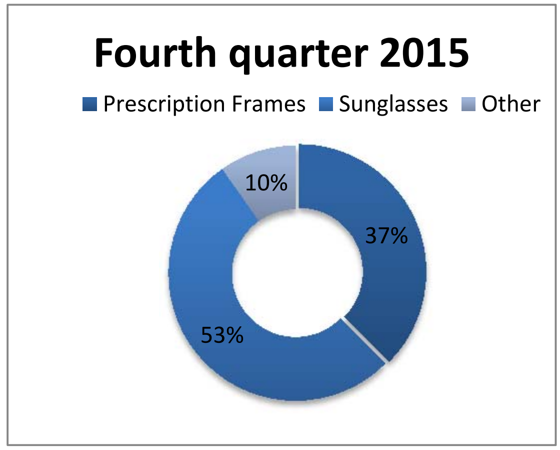
Sales in Asia equaled Euro 154.8 million for the year, down 9.4% at current exchange rates compared to Euro 170.8 million in 2014 (-20.5% at constant exchange rates), with China, Hong Kong and Korea particularly hit also by the challenging market environment. Australia remained the bright spot of the region.

2015 net sales in Latin America amounted to Euro 51.3 million, down 6.7% at current exchange rates compared to Euro 54.9 million in 2014 (-1.1% at constant exchange rates), reflecting two distinct trends. On one hand the very positive sales performance in Mexico and in the majority of the other Latin America countries, on the other the persisting weakness of the Brazilian market.

2015 net sales in the Rest of the World totaled Euro 33.0 million, up 12.6% at current exchange rates compared to Euro 29.3 million in 2014 (+11.6% at constant exchange rates), benefitting from Safilo's new direct presence in Middle East and the positive performance of the business in South Africa.

The charts below summarize the breakdown of net sales by product category for the full year and for the fourth quarter 2015:





In 2015, **gross profit** amounted to Euro 757.0 million, up from Euro 718.6 million in 2014, with gross margin moving to 59.2% on sales from 61.0% in the corresponding period of 2014. The contraction was mainly driven by foreign exchange and the performance of the non-organic brands in our portfolio. In the fourth quarter of 2015 gross profit increased from Euro 178.0 million in 2014 to Euro 179.5 million with a margin on sales of 56.2% (57.2% in the fourth quarter of 2014).

Selling and marketing expenses totalled Euro 526.5 million (Euro 479.4 million in 2014) with an incidence on sales slightly increased from 40.7% of 2014 to 41.2% in 2015, due to investment in growth initiatives and expansion of the brands in our portfolio. In the fourth quarter of 2015 selling and marketing expenses were equal to Euro 124.0 million (Euro 116.8 million in the same period of 2014) the incidence on sales was 38.8% compared to 37.5% of the corresponding period of the previous year.

In 2015, **general and administrative expenses** totalled Euro 171.5 million (Euro 157.5 million in 2014) as a consequence of the investment in human resources and information technology consistent with the strategic development plan. The incidence of such costs on sales was equal to 13.4% stable on 2014. In the fourth quarter of 2015 general and administrative expenses were equal to 43.2 million (40.1 million in the same period of 2014) with an incidence on sales equal to 13.5% compared to 12.9% in 2014.

Without considering non-recurring expenses, adjusted **EBITDA** amounted to Euro 102.4 million, down compared to the previous year when the figure was Euro 118.4 million. This represents an adjusted EBITDA margin of 8.0% compared with the 10.0% of the previous year. Including non-recurring expenses, EBITDA of 2015 is Euro 82.4 million, resulting in an EBITDA margin of 6.4%, compared with the figure of Euro 110.7 million and a margin of 9.4% of 2014.
In the fourth quarter of 2015 adjusted EBITDA amounted to Euro 25.0 million (32.1 million in the same period of the previous year). This represents an EBITDA margin of 7.8% (10.3% in the fourth quarter of 2014).

Net financial expenses of 2015 increased to Euro 27.4 million from Euro 8.6 million in 2014, the increase has been mainly due to the impact of the fair value measurement of the option component embedded in the "equity-linked" Bonds issued in May 2014, that in 2014 resulted in a gain of Euro 17.7 million compared to a gain of Euro 0.8 million in 2015.
In 2015, net of this impact, net financial expenses were affected by currency dynamics that have had a negative impact in term of exchange rate differences of Euro 12.7 million (a loss of Euro 8.3 million in the previous year) and on the other hand a benefit in term of net interest charges decreased to Euro 7.9 million from Euro 9.8 million of 2014, thanks to the lower average debt recorded over the period.

Income taxes and the related tax rate were influenced by the significant non-recurring items non tax deductible that have affected the profit before tax of the period and by the result of some legal entities for which increased future taxable profits were not deemed probable enough to support the recognition of the related deferred tax assets.

Group net result for the year 2015 is a loss of Euro 52.7 million for 2015 compared to a profit of 39.5 of 2014, affected by non-recurring expenses and an impairment loss on goodwill equal to Euro 59.6 million (net of tax impact). Without considering these non-recurring items, net result is a profit of Euro 6.9 million compared with Euro 44.5 million of the previous year. The Group's net profit for the fourth quarter of 2015 is a loss of Euro 63.5 million, compared with a profit of Euro 7.4 million of the same period of 2014. Without considering non-recurring expenses, the net result of the fourth quarter is a loss of Euro 5.4 million compared to Euro 10.6 million of same period of 2014.

ANALYSIS BY DISTRIBUTION CHANNEL – WHOLESALE / RETAIL

The table below shows key data by operating segment:

	WHOLESALE				RETAIL			
(Euro in millions)	2015	2014	Change	Change %	2015	2014	Change	Change %
Net sales to 3rd parties	1,190.4	1,096.7	93.7	8.5%	88.6	82.0	6.6	8.1%
EBITDA (*)	97.3	108.6	(11.3)	-10.4%	5.1	9.8	(4.7)	-48.0%
%	*8.2%*	*9.9%*			*5.7%*	*11.9%*		

	WHOLESALE				RETAIL			
(Euro in millions)	Fourth quarter 2015	Fourth quarter 2014	Change	Change %	Fourth quarter 2015	Fourth quarter 2014	Change	Change %
Net sales to 3rd parties	299.6	291.0	8.6	3.0%	19.6	20.2	(0.6)	-3.1%
EBITDA (*)	25.1	30.7	(5.6)	-18.1%	(0.1)	1.4	(1.5)	-109.7%
%	*8.4%*	*10.6%*			*-0.7%*	*7.1%*		

(*) Pre non-recurring items in 2015 referring to wholesale channel for 20 million Euro in the year and 17.7 million Euro in the fourth quarter. In 2014 pre non-recurring items referring to wholesale channel for 7.7 million Euro in the year and 4.7 million Euro in the fourth quarter.

Turnover for the Wholesale segment in 2015 amounts to Euro 1,190.4 million increasing from Euro 1,096.7 million of the previous year +8.5% at current exchange rate (+0.7% at constant exchange rates). The sales growth in the fourth quarter of 2015 compared to the same period of the previous year with sales rises from Euro 291.0 million to Euro 299.6 million, an increase of 3% at current exchange rates (down -1.8% at constant exchange rates).

The Solstice retail chain, which currently numbers 125 stores, recorded sales of Euro 88.6 million in 2015 an increase from Euro 82.0 million of the previous year, +8.1% at current exchange rates (-9.8% at constant exchange rates). Performance in the fourth quarter recorded sales of Euro 19.6 million compared to Euro 20.2 million in the same period of the previous year, a decrease of 3.1% at current exchange rates (-14.7% at constant exchange rates).

CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31st December 2015 compared with those of 31st December 2014:

Balance sheet (Euro in millions)	**December 31, 2015**	**December 31, 2014**	**Change**
Trade receivables	243.8	266.3	(22.5)
Inventory, net	254.1	247.6	6.5
Trade payables	(220.2)	(210.8)	(9.4)
Net working capital	**277.7**	**303.1**	**(25.4)**
Tangible assets	197.5	203.3	(5.8)
Intangible assets and goodwill	646.2	637.9	8.3
Financial assets	0.0	7.6	(7.6)
Non-current assets held for sale	9.9	0.0	9.9
Net fixed assets	**853.7**	**848.8**	**4.8**
Employee benefit liability	(31.2)	(32.7)	1.5
Other assets / (liabilities), net	(11.6)	18.3	(29.9)
NET INVESTED CAPITAL	**1,088.5**	**1,137.4**	**(48.9)**
Cash in hand and at bank	86.6	88.6	(1.9)
Short term borrowings	(44.0)	(75.3)	31.3
Long term borrowings	(132.5)	(176.5)	44.0
NET FINANCIAL POSITION	**(89.9)**	**(163.3)**	**73.4**
Group Shareholders' equity	(997.5)	(971.5)	(26.0)
Non-controlling interests	(1.1)	(2.7)	1.6
TOTAL SHAREHOLDERS' EQUITY	**(998.6)**	**(974.2)**	**(24.4)**

Net working capital

Net working capital at 31st December 2015 amount to Euro 277.7 million compared with Euro 303.1 million of the previous year, the reduction has benefitted in particular from the improvement in the collection of trade receivables and the positive results in the improvement of the inventory management.

Net working capital (Euro in millions)	**December 31, 2015**	**December 31, 2014**	**Change**
Trade receivables, net	243.8	266.3	(22.5)
Inventories	254.1	247.6	6.5
Trade payables	(220.2)	(210.8)	(9.4)
Net working capital	**277.7**	**303.1**	**(25.4)**
% on net sales	*21.7%*	*25.7%*	

Fixed assets and investments in tangible and intangible fixed assets

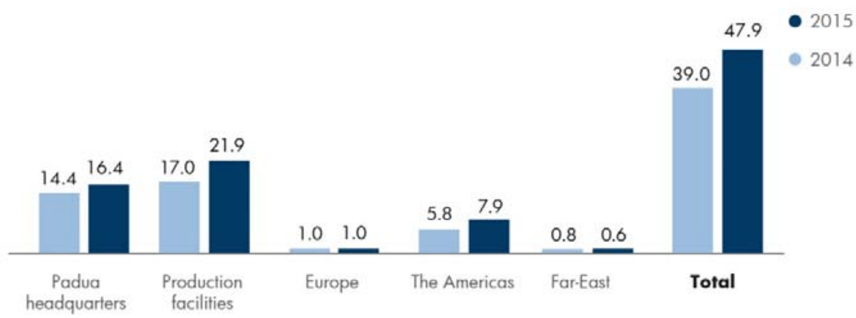
Non-current assets total Euro 853.7 million at the end of 2015 compared to Euro 848.8 million in 2014.

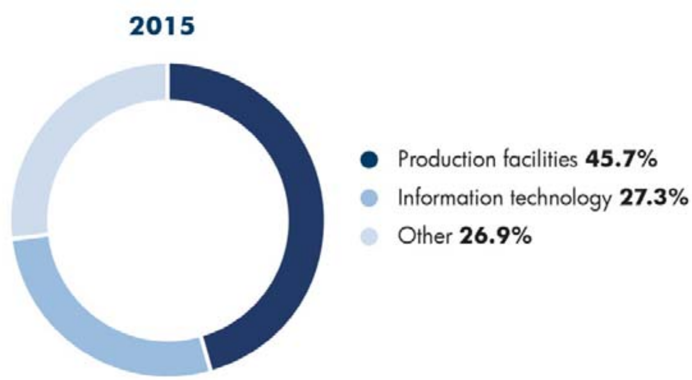
Non-current assets include goodwill of Euro 583.9 million. Impairment test of this asset has highlighted the need to impair the related carrying amount recording a charge of Euro 40.5 million.

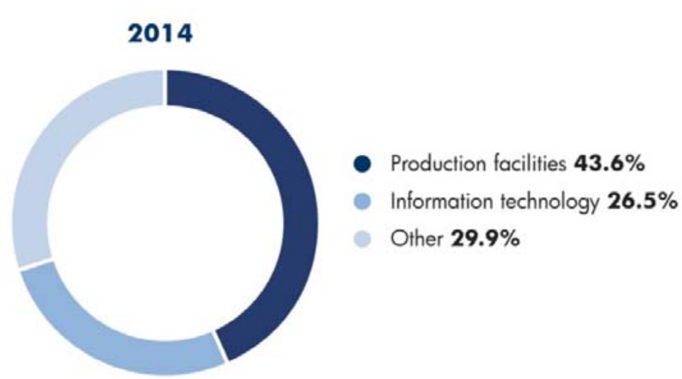
The Group operating investments of the year total Euro 47.9 million (Euro 39 million in 2014) and were focused on the continued modernization and improvement of production plants of Euro 21,9 million, on the implementation of the new integrated information system ERP (Eye-Way project) of the Group of Euro 13.1 million and on other investments of Euro 12.9 million.

The allocation of the Group operating investments by geographic region and by nature may be broken down as follows:

Investments in tangible and intangible fixed assets







FINANCIAL SITUATION

The main items of the net financial position at 31st December 2015 as well as free cash flow figures are reported below in comparison with the previous year.

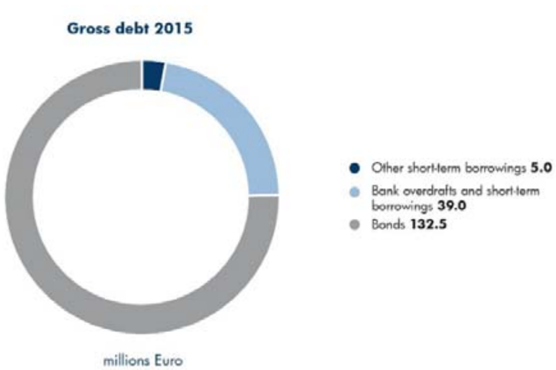
Net financial position

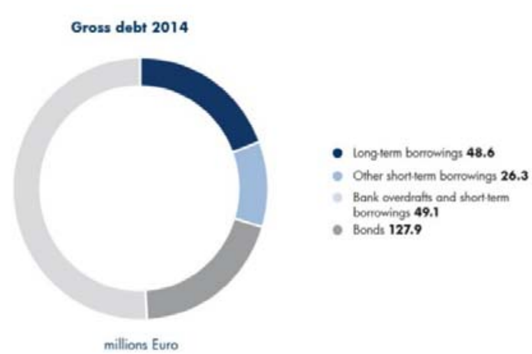
Net financial position (Euro in millions)	**December 31, 2015**	**December 31, 2014**	**Change**
Current portion of long-term borrowings	-	-	-
Bank overdrafts and short term bank borrowings	(39.0)	(49.1)	10.0
Other short-term borrowings	(5.0)	(26.3)	21.3
Cash and cash equivalent	86.6	88.6	(1.9)
Short-term net financial position	**42.6**	**13.2**	**29.4**
Bonds	(132.5)	(127.9)	(4.6)
Long-term borrowings	-	(48.6)	48.6
Long-term net financial position	**(132.5)**	**(176.5)**	**44.0**
NET FINANCIAL POSITION	**(89.9)**	**(163.3)**	**73.4**

Group net debt down further

Net financial position at 31st December 2015 is negative for Euro 89.9 million compared with a negative amount of Euro 163.3 million at 31st December 2014. This item, which is subject to ordinary operational dynamics, does not include the option component embedded in the "equity-linked" Bonds estimated to approximately Euro 3.6 million, recognized under the item "derivative financial instruments" and the fair value of the other derivatives financial instruments, equal to a net asset of approximately Euro 0.9 million.

The ratio of net debt to EBITDA adjusted is 0.9 times (1.4 times at 31st December 2014).





Free cash flow

Free cash flow (Euro in millions)	**2015**	**2014**	**Change**
Cash flow operating activities	114.8	26.9	87.9
Cash flow investing activities	(40.0)	(39.3)	(0.7)
Free cash flow	**74.8**	**(12.4)**	**87.2**

In 2015 Free Cash Flow was positive for Euro 74.8 million compared to a negative value of Euro 12.4 million of 2014.

The generation of free cash flow reflects the ongoing improvement in the net working capital management, the proceeds from the sale of an associate company and the first of the three compensation payments of Euro 30 million from Kering received in January 2015.

MAIN CRITICAL RISK FACTORS FOR THE GROUP

The Group implements the measures deemed to be appropriate to contrast any foreseen risks and uncertainties arising from its business. The risks are both internal and external and are explained below.

Internal risks

Strategic risks

The Group could be unable:

- to take advantage of business opportunities in the market segments and geographic areas in which it operates;
- to allocate the resources to the most profitable and potential markets, or to more economically beneficial initiatives;
- to build, develop and protect its brands and patents;
- to maintain the licence contracts required for its business and fulfil the relative obligations and commitments;
- to contrast the competition by not sufficiently maintaining and strengthening its own distribution and sales networks.

Operating risks

The Group business is subject to:

- the risk of being unable to organise and coordinate integrated supply/production/logistics and commercial processes in order to provide a rapid response to the needs of increasingly attentive and discerning customers;
- the risk of being unable to identify and purchase raw materials, semi-processed and finished products of a sufficient quality to support the Group's high quality standards;
- the operational risks of industrial facilities, distribution centres and supplier relationships;
- the risk of being unable to launch innovative products on the market that meet consumer tastes and are in tune with fashion trends;
- the risk of non-compliance with internal control procedures as well as the Italian and foreign legislation that are applicable to the Group (for example local tax laws).

External risks

Business risks

In terms of business risks, the Group is exposed to:

- actions implemented by competition and the possible entry of new market players;
- the loss of licenses;
- the effects of the macro-economic and political and social environment, in terms of changed consumer buying power and their level of loyalty and buying trends;
- changes in national and international regulations that could hamper the Group's competitive position;
- climatic conditions, such as very bad weather in the spring or summer which could drastically reduce sales of sunglasses or warm winter conditions with respect to the sale of snow products;
- the diffusion of alternative products and solutions to correct eyesight, other than glasses, for example, laser surgery.

Financial risks

The Group pays constant attention to financial risk management

The Group constantly monitors the financial risk it is exposed to in order to assess in advance any possible negative impact and to undertake any corrective measures aimed at mitigating or correcting the risks in question.

The Group is exposed to a variety of risks of a financial nature: credit risk, market risks and cash flow risks, which are centrally managed on the basis of hedging policies which also include the use of derivatives in order to minimise the effects deriving from fluctuations in exchange rates (especially of the American dollar) and interest rates.

Credit risks

The Group minimises risk through instruments to control customer insolvency

The Group strives to reduce risk deriving from the insolvency of its customers as much as possible, by adopting credit policies intended to focus sales on reliable and solvent customers. Specifically, credit management procedures, which include the evaluation of information available on customers' solvency and the analysis of series of historic data, combined with estimated exposure limits per customer and the strict control of compliance with payment terms, enable credit concentration and related risk to be reduced. Credit exposure is, moreover, divided among a large number of counterparties and clients.

Significant positions in terms of amounts for which the Group identifies situations of objective, total or partial, non-recoverability, taking into consideration any guarantees obtained and the costs and expenses of recovery, are written off individually.

It is deemed that the maximum theoretical exposure to credit risk is represented by the book value of the financial assets present in the financial statement.

Market risks

Market risks can be divided into the following categories:

Exchange rate risk

Exchange rate risk. The Group operates on an international level and is therefore exposed to exchange rate risk.

The Group holds shares in subsidiaries in countries not belonging to the Euro area; as a result, the variations of shareholders' equity deriving from fluctuations in exchange rates between the local currency and the Euro are booked within a reserve of the consolidated shareholders' equity denominated "translation difference reserve".

Some companies operate in currencies other than the local currency and these operations primarily involve the U.S. dollar given that a significant part of the transactions of these companies are conducted in U.S. dollars.

The Group constantly tries to reduce in particular the effects deriving from fluctuations in the American currency by getting its supplies from local suppliers in areas where purchases are made in American dollars and thus implementing a sort of "natural hedging".

Net currency exposures can be typically hedged using forward contracts ("plain vanilla") whose duration is generally less than twelve months. Information on the fair value and on the method of accounting of derivatives is given in the notes to the financial statements.

Changes in fair value risk

Changes in fair value risk. The Group holds some assets and liabilities subject to changes in value over time depending on the fluctuations of the market where they are traded.

With reference to the Equity-Linked Bond issued in 2014, given the presence of a "cash settlement option", the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are subject to the market performance of Safilo stock, and immediately charged to income statement in the financial income (expenses).

Interest rate risk

Interest rate risk. Borrowing from banks exposes the Group to the risk of variations in the interest rates. Specifically, loans at variable rates determine the risk of a change in cash flow.

The Group regularly assesses its overall exposure to the risk of interest rate fluctuations and can typically manage such risk through the use of derivatives, such as interest rate swaps (I.R.S.) concluded with primary financial institutions.

Liquidity risk

The Group constantly monitors its cash flows

This risk could generate the inability to find, at economic conditions, the financial resources needed to sustain operations in the necessary time. Cash flows, the need for borrowing and company liquidity are constantly monitored at a central level by the Group treasury in order to ensure effective and efficient management of the financial resources.

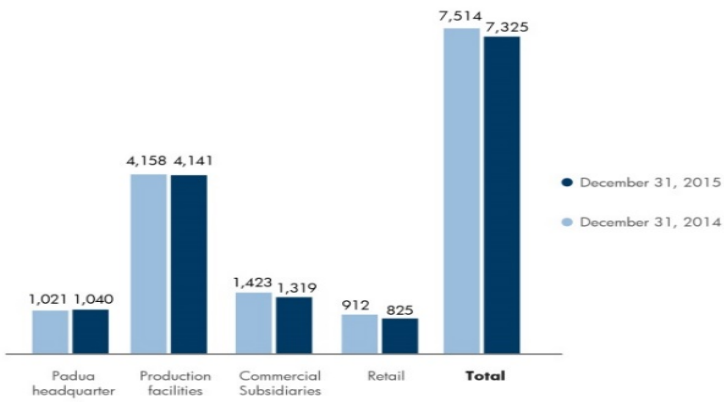
In addition to the existing liquidity and the internal capacity to generate cash, the main financial resource available to the Group is the committed, unsubordinated and unsecured Revolving Credit Facility of Euro 150 million granted in July 2014 to certain Group companies by a banking pool, expiring in July 2018.

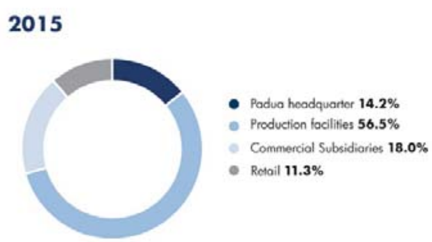
HUMAN RESOURCES AND THE ENVIRONMENT

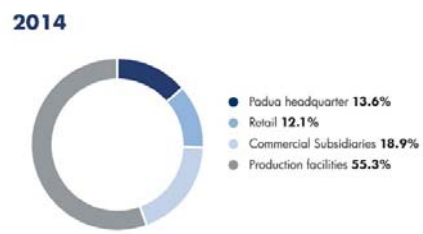
Human Resources

The Group's workforce

At the end of 2015, the Group had 7,325 employees compared with 7,514 at the end of 2014.







Learning & Development – a key focus area for Safilo

Safilo believes that people play a key role in long-term success. Learning & development initiatives designed to foster the personal and professional growth of individuals are important elements of Safilo's focus in this area, rooted in product and customer centricity, teamwork, entrepreneurialism and accountability for results. During 2015 Safilo continued to invest in training around Purpose, Values, Principles and Competencies to support key change management processes including importantly "Safilo EyeWay". In addition, thanks to the first-ever employee survey conducted early 2015, Safilo launched specific initiatives to improve in areas highlighted by our employees.

With regards to the annual performance evaluation system in order to facilitate improve two-way communication and enable more actionable career development, the Group extended its 360-feedback process to the entire workforce, and the evaluation process was integrated with a discussion on career interests.

Training continued to be provided under the annual plans covering Health and

Safety (in line with the Agreement between central government and regional authorities), the Administrative Liability of Companies pursuant to Legislative Decree 231/2001, and Corporate Social Responsibility – SA8000 (e-learning methodology), Antitrust Policy, Privacy Policy and the processing of personal data.

Talent Acquisition

To ensure the right capabilities are on board to deliver the 2020 strategic plan, Safilo's talent acquisition programs focus on attracting leaders and individuals with the right skills and values, in line with the Group's Purposes, Values, Principles and Competencies (PVPC). The activities reach across different geographies, markets and functional areas.

Safety at work

Safilo Group has an ongoing commitment to the achievement of occupational health and safety objectives

On January 19, 2012 Safilo obtained the certification of its occupational health and safety management system from the certification body DNV Business Assurance, in compliance with the international OHSAS 18001:2007 standard. In 2014 the company has taken and passed the certification renewal audit for the years 2015-2018.

Certification is a proof of the Company's commitment to correctly implement the provisions of the Organizational, Management and Control Model adopted in accordance with Legislative Decree 231/2001, with specific regard to the Special Part "C" – Occupational health and safety offences.

In line with the requirements of the international standard, Occupational Health and Safety Assessment Series 18001:2007, Safilo has an ongoing commitment to conducting initiatives aimed at safeguarding the health and safety of its employees, reducing workplace risks and ensuring a prompt and effective response in the event of an emergency.

In 2015 all the major accident indicators stood at the lowest levels ever achieved by the industry.

Social and environmental responsibility

Safilo Group is aware of its social and environmental responsibility

On January 17, 2012 Safilo obtained certification of its management system from the certification body DNV Business Assurance, in compliance with the international SA8000:2008 standard. In 2014 the company has taken and passed the certification renewal audit for the years 2015-2018.

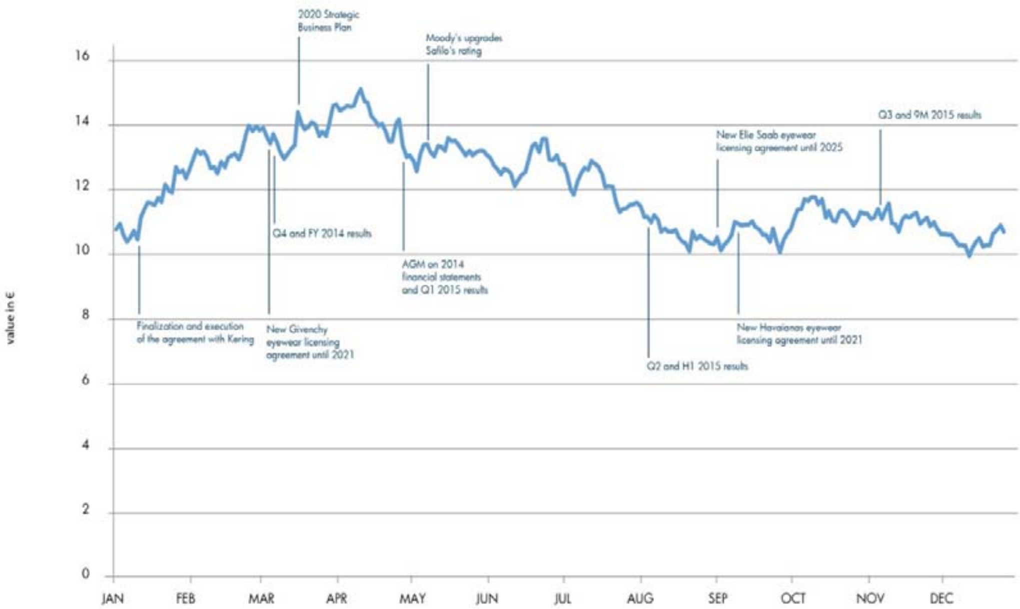
During the year Safilo continued to promote awareness of issues relating to social responsibility throughout its supply chain. To ensure adherence to the ethical principles of the supply chain, the company implemented an activity of on-site monitoring, and through direct audits of its suppliers conducted by third party certifying body in order to assess the compliance to SA8000: 2008 regulation.

ICT – Information Systems

During 2015 the Group information system transformation program, Eyeway, has entered the implementation phase with the activation of the first important modules: Distribution Requirement Planning in product supply, Sales Planning in commercial, Collaborative Engineering in product industrialization and Human Capital Management in HR.

To complete the system innovation strategy, two further project streams have been started for the implementation of a global Demand Planning and Product Lifecycle Management.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS



Safilo in the stock exchange

Safilo's shares recorded a two-speed performance also in 2015

Safilo's shares performance remained substantially stable on a full year basis, closing 2015 at Euro 10.7 compared to Euro 10.8 at the end of 2014, and market capitalization standing just over Euro 670 million. Average trading volumes were around 212 thousand shares in the year with the highest activity typically concentrated in the days following the release of the Group's results.

The first part of the year saw a positive trend for the stock also reflecting the newsflow of the first three months of the year, with the signing of the already announced strategic product partnership agreement with Kering, including the first compensation payment of Euro 30 million, and the new eyewear licensing agreement with Givenchy until 2021. The key event of the year was indeed the presentation of the 2020 Strategic Business plan, organized at the Group's Headquarters in Padua on March 16.

In the first half of 2015, the stock recorded an average price of Euro 13.1, touching the high of the year on April 13 at Euro 15.1.

For the second half of the year, the stock price averaged Euro 11.1, reflecting deterioration between July and August. After the release of Q2 and H1 2015 results on August 4, the summer month was dominated by the drastic fall in the Chinese stock market and more broadly speaking by fears of the luxury sector being affected by a slowdown in China and key emerging markets. At the beginning of September, Safilo shares regained some momentum also reflecting the announcement of two new partnerships, with Elie Saab and with Alpargatas for the havaianas brand.

December was again a very weak month, with equity markets declining on the back of many economic and geo-political uncertainties dominating the scene. Safilo shares dropped 2.6% in the last month of the year, touching its year low of Euro 9.96 on December 14, 2015. In the same period, the DB World Luxury Index lost around 4% (+2.8% the year performance).

In 2015, the Milan FTSE MIB index gained 12.7%, while the FTSE Italia Mid Cap index, which includes Safilo, strongly outperformed, ending the year up 38.2%.

In 2015, out of the twelve brokers covering Safilo, five had an Hold recommendation, three an Underperform rating and four had a Buy on the stock. At the end of the year, the median target price of the full coverage equaled Euro 12.2.

Investor relations

In 2015, Safilo Investor Relations activities increased compared to the previous year, also reflecting the presentation of the 2020 strategic plan in March.

In the year, the Group confirmed its participation in the HSBC Luxury Goods Conference in May and in the Deutsche bank Annual Global Consumer Conference in June, two of the most important conferences organized in Paris for top tier international accounts.

In the second half of the year, the Group took part in a field trip around the luxury goods sector organized by Mediobanca in Milan, while a series of ad-hoc roadshows were organized in London and in Switzerland. Safilo engaged with the financial community also during the “One Day in Venice” organized by Mediobanca.

Dialogue with investors and analysts was thus ongoing during the year, as an increasing number of conference calls, one-on-one and group meetings at the Group’s Headquarters were organized.

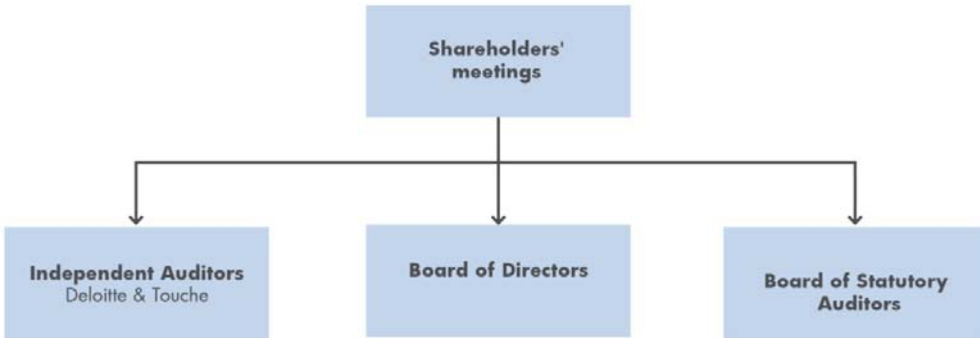
Financial calendar

Board of Directors' meetings planned for 2016:

14th March	Draft Financial Statements for 2015
27th April	Shareholders' Meeting for the approval of the Financial Statements 2015
10th May	Interim Report on Operations for the 1st quarter 2016
3rd August	Interim Report on Operations for the 2nd quarter and 1st half 2016
9th November	Interim Report on Operations for the 3rd quarter and first nine months 2016

CORPORATE GOVERNANCE

Corporate bodies and officers



Information on shareholders (pursuant to Article 123-bis, paragraph 1, of Italian Consolidated Finance Act)

Shareholding structure of Safilo Group S.p.A.

At 31st December 2015 the share capital of Safilo Group S.p.A. comprised 62,629,965 ordinary shares with a face value of Euro 5.00 each, of which 42.232% were held by the company Multibrands Italy BV, with registered office in the Netherlands, and 9.220% were held by Only 3T. S.r.l..

The following chart shows owners of Safilo Group S.p.A. ordinary shares as at 31st December 2015 with shareholdings exceeding 2% of share capital.

Management and coordination activities

In accordance with IFRS no. 10 HAL Holding N.V. is deemed to have control over Safilo Group S.p.A. and, accordingly is required to consolidate the Company in its consolidated financial statements as from January 1, 2014 (even though the ownership interest of HAL Holding N.V. in Safilo Group S.p.A. is below 50%). However, as at 31 December 2015, Safilo Group S.p.A. is still deemed not to be subject to the direction and coordination activity (as such activity is defined under Articles 2497 et seq. of the Civil Code) by other entities, including HAL Holding N.V., since there are not the presumptions that typically have been considered relevant by the doctrine and practice.

As a matter of fact, the presumption set forth by Article 2497-sexies of the Civil Code – unless it is proved otherwise, whereby a company is deemed to be under the direction and coordination of the entity which is bound to consolidate same company in its financial statements – can be rebutted in the case at issue for the following main reasons:

(i) Safilo Group S.p.A. keeps to autonomously define its general strategic and operative guidelines and to have independent authority to negotiate with customers and suppliers; its decision making process is therefore carried out independently from the decision making process of HAL Holding N.V.;

(ii) the Company is managed by a Board of Directors the majority of whose members are not members of corporate bodies of HAL Holding N.V. or its subsidiaries. Moreover, the Board of Directors also has a sufficient number of independent directors to ensure that their opinions have a significant impact on its own judgment and decisions;

(iii) the Company is not subject to any centralized management approach by HAL Holding N.V. which, indeed, according to the report of its Executive Board has not developed a central risk management system, thus allowing each investee company, including the Company, to have its own financial structure and be responsible for evaluating and managing its own risks. Moreover, since HAL Holding N.V. has not included the Company in its management reporting system which monitors the performance of the investee companies and, therefore, has no instruction rights with respect to the governance of the Company, HAL Holding N.V. will continue to include the financial results of the Group in the segment "quoted minority interests" of its accounts;

(iv) although a member of the Executive Board of HAL Holding N.V. is also a member of the Board of Directors of the Company, the information he periodically obtains in this capacity is not to be used for the preparation of the consolidated financial statements of HAL Holding N.V. so as to preserve confidentiality and to allow the Company to operate independently from any of its shareholders. Accordingly, the risk management and internal control systems of the Company with respect to financial reporting risks are neither monitored nor managed by HAL Holding N.V..

For the sake of completeness and in the interest of transparency, the consolidation of the Group in the consolidated financial statements of HAL

Holding N.V., as requested by the IFRS no. 10, may have a material impact on both companies in terms of accounting reconciliation and consolidation requirements. The Company has therefore agreed with HAL Holding N.V. on certain procedures for the exchange of information which allow the latter to comply with its (statutory) obligations in preparing its consolidated financial statements on a timely basis while avoiding any interference with the Company's accounting standards and relevant interpretations, its administrative and accounting system, as well as its internal control system.

In order to make the aforesaid exchange of information more efficient and expeditious, HAL Holding N.V. and the Company, among other things, have (a) set up a procedure aimed at ensuring, to the maximum possible extent permitted by accounting laws and regulations applicable to each of them, that their financial statements are based on materially the same accounting policies or, whenever it is not possible to fully converge the accounting principles of the Company and HAL Holding N.V., at making the necessary (accounting) adjustments to the consolidated financial statements of the Company to be reflected in the consolidated group reporting of HAL Holding N.V., (b) agreed to review the effect of any newly issued accounting standards (if any) with the objective to converge, where practically and legally possible, the implementation of these new standards in the financial statements of both the Company and HAL Holding N.V., and (c) jointly hired an independent financial expert who, through access to the appropriate management and control bodies of both concerned companies (including, as far as the Company is concerned, the Control and Risk Committee, the director in charge of the internal control and risk management system, the person in charge of the internal audit function, the Chief Financial Officer, the Statutory Auditors and the external auditing firm), is required to reach his own assessments and form an opinion on any accounting/financial matters relating to the Company which should be taken into account in the consolidation process. This activity of the financial expert (which is not to be deemed as an audit or review of the accounts of the Company) will allow HAL Holding N.V. to comply with IFRS in consolidating its ownership interest in the Company while preserving, at the same time, the current risk management and internal control systems of the Company from any external influence (thus rebutting also any presumption of direction and coordination of HAL Holding N.V. over the Company).

Transfer restrictions

As at 31st December 2015 there were no restrictions either of share transfer or of shareholders' voting rights.

Restrictions on the right to vote and special rights

Regarding the existence of shareholders' agreements relevant for the purposes of Article 122 of the CFA, it is pointed out that, as at 31st December 2015, exist a shareholder's agreement underwrote on September 15, 2013, between Multibrands Italy BV company incorporated under the laws of the Netherlands, with registered office in Rotterdam, the Netherlands, registered with the Companies' Register of Rotterdam under no. 24406290, holder of no. 26,073,783 ordinary shares and Mrs. Luisa Deplazes De Andrade Delgado, Swiss citizen, born in Sumvitg (Switzerland) on August 9, 1966, residing in

Padova, Italy, tax code no. DPLLSU66M49Z133M, current Chief Executive Officer of the Company, holder of no. 20,600 ordinary shares concerning, inter alia, the submission of a list for the appointment of the Board of Directors of the Company and the exercise of the voting rights relating to the ordinary Shareholders' Meeting of Safilo Group by Multibrands.

The Articles of Association do not provide restrictions to the right to vote and the Company has not issued shares with special controlling rights.

Own shares

During the year, Safilo Group S.p.A. did not buy or sell any of its own shares, nor shares in subsidiaries, directly or through subsidiaries, trust companies or third parties.

Capital increase

It should be noted that some beneficiaries of the Plan 2010-2013, which main characteristics are described in the related paragraph, have exercised some options related to:

- the Second Tranche amounting to 15,000 of exercised rights at an average exercising price of Euro 12.55 per share (notional and share premium) with an increase in the share capital equal to Euro 75,000 and an increase in the share premium reserve equal to Euro 113,250.
- the Third Tranche amounting to 80,000 of exercised rights at an average exercising price of Euro 5,54 per share (notional and share premium) with an increase in the share capital equal to Euro 400,000 and an increase in the share premium reserve equal to Euro 43,200.

The Board of Directors

The Board of Directors which currently holds office has been appointed by the Shareholders' Meeting held on April 27th 2015 and will remain in office until the date of the Shareholders' Meeting called for the approval of the financial statements at 31.12.2017.

Robert Polet

(Chairman)

Born in Kuala Lumpur, Malaysia, on July 25th, 1955 has been, from 2004 to 2011, Chairman and Chief Executive Officer of the Management Board of the Gucci Group contributing to the successful consolidation and growth of the Group and its brands. He previously spent 26 years in the Unilever Group where he was President of Unilever's Worldwide Ice Cream and Frozen Foods division. Prior to that position, Mr. Polet worked in a variety of executive roles within Unilever, including Chairman of Unilever Malaysia, Chairman of Van den Bergh's and Executive Vice President of Unilever's European Home and Personal Care division. Mr. Polet is also a non-executive Director of Reed Elsevier PLC/NV, Philip Morris International Inc., William Grant & Sons and a non-executive Chairman of Rituals B.V. and NSG Apparel B.V..

Luisa Deplazes de Andrade Delgado

(Chief Executive Officer)

Born in Rabius/Sumvitg, Canton Graubuenden – Switzerland on August 9th, 1966. She graduated in law from the University of Geneva and then gained her Master Degree of Laws at King's College (University of London). She joined Procter & Gamble in early 1991 where she held positions with increasing responsibility before assuming, between 1999 and 2007, responsibility for the Group's Human Resources Department for the Western Europe region. From mid-2007 to mid-2012, she was General Manager and Vice President for Procter & Gamble Nordic (Sweden, Denmark, Finland, Norway), based in Stockholm (Sweden). From September 2012 to July 2013 she worked for SAP A.G. as a Member of the Executive Board in charge of "global human resources" and "labor relations director" based in Germany. Since 2012, she has also been a member of the supervisory board of the INGKA Holding B.V. (also called the IKEA Group), Leiden, Netherlands.

Jeffrey A. Cole

(Director)

Born in Cleveland, Ohio - USA, on May 20th, 1941. He graduated from Harvard College and Harvard Business School. Member of the Supervisory Board of GrandVision B.V. since 1996. From 1983 to 2003, he was Chairman and CEO of Cole National Corporation, a leading optical retailer in the US. Since 2014 he has been a board member of Hilco, a US based manufacturer and distributor of eyewear accessories. He is a trustee of the Cole Eye Institute of the Cleveland Clinic one of the top ranked eye research and treatment centers in the USA. He has been the founder and principal shareholder of numerous companies in the USA and has served on the Board of Directors at various times of 10 publicly traded companies in the USA.

Melchert Frans Groot

(Director)

Born in The Hague, Netherlands, on October 22nd, 1959. In 1984 he graduated in Civil Engineering from the Technical University of Delft, and subsequently gained a Master's in Business Administration from Columbia University in New York. After his first work experience in Philips, in 1989 he joined HAL Holding N.V. where he has been the Chairman of the Executive Board since 2014. Presently he is also Vice-Chairman of the Supervisory Board of GrandVision N.V. (non-executive), Vice-Chairman of the Supervisory Board of Royal Vopak N.V. (non-executive), member of the Supervisory Board of Anthony Veder N.V. (non-executive). In the past, he held important roles in different companies of the HAL Group among these, he was CEO of Pearle Europe B.V. (2001-2003) and GrandVision S.A. (2005-2006), Supervisory Board member of Pearle Europe B.V. (1996 – 2010), Chairman of Supervisory Board of GrandVision S.A. (2004 – 2010) and Chairman of the Supervisory Board of Audionova B.V. (2011-2014).

Guido Guzzetti

(Director)

Born in Milano on September 21st, 1955, he gained fourteen years of experience as CEO of Italian Asset Management Companies and three years as CEO of an Italian Bank Insurance. Overall, he worked for twenty-four years for companies operating in the financial sector, gaining also experience on Risk Management issues related to the investment process, as well as, to other risk areas such as Investments, Admin and IT. Since 2014, Mr. Guzzetti has been serving as Independent Director on the Board of Saipem S.p.A. and he is a member of its Control and Risk Committee. He served as Independent Director on the Board of Astaldi S.p.A. and was a member of its Control and Risk Committee. Since 2010, he has been involved in research and consultancy activities related to the financial markets.

Marco Jesi

(Director)

Born in Milan, on October 12th, 1949. He graduated in Law from the Università Statale in Milan. He started his professional career at Unilever Group and in other large international Groups of the consumer goods industry such as Kraft and Johnson Wax, where he had managerial roles in Europe and in Italy. Subsequently he became Sales and Operations director at GS, a national chain of supermarkets. He has held European top management positions in Pepsi Cola, Seagram and Frito-Lay Western Europe. In 2002, he became President of PepsiCo Europe, managing all Pepsico Businesses, from Portugal to Russia. In 2006 he was appointed Chairman and Chief Executive Officer of Galbani S.p.A., until its sale to Lactalis Group. From 2011 to 2014 he was also an independent member of the Board of Directors of Autogrill S.p.A. and of Parmalat S.p.A.. He is currently Chairman of Board of Directors of Arcaplanet, the biggest retail chain of pet care and food products in Italy and also a member of the Advisory Board of Gallina Blanca Star.

Ines Mazzilli

(Director)

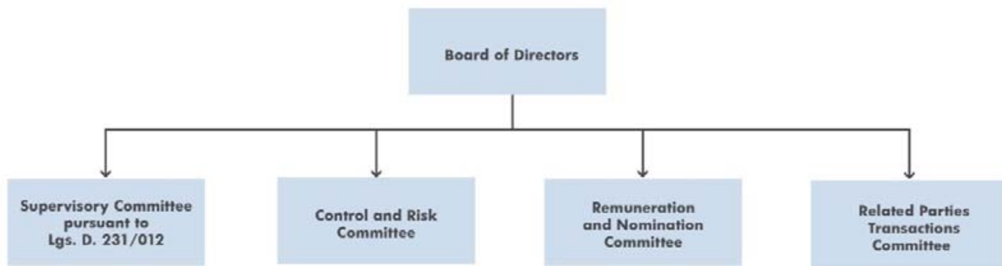
Born in Milan on May 5th, 1962, She has 29 years of experience in a variety of senior finance positions. In 1993 she joined Heineken as Planning & Control Manager of the Italian Operating Company and she was promoted to Finance Director in 2001. From 2006 to 2010, She was Senior Director of the Western Europe Region. From 2011 to 2015, she was Senior Finance Director of Global Business Services. In this position she was responsible for Business Partnering to Global Business Services and for leading Heineken Global Shared Services in Kraków, Finance Business Process Management and Global Process and Control Improvement. From 2015 to 2016 she was Senior Director Global Finance Processes & Internal Control, responsible for Heineken Global Shared Services, Global Finance Business Process Management and Global Process and Control Improvement. She started her career in banking, prior to joining Heineken, She spent the early part of her career in Elizabeth Arden. She is active in a variety of roundtables with multinationals and since June 2014, member of the Advisory Board of Corso di Laurea Magistrale in Economia e Legislazione d'Impresa University of Pavia (Italy).

Eugenio Razelli

(Director)

Born in Genova, on June 18th, 1950. He graduated in Electrical Engineering from Genova University. Up to June 2015 President and CEO of Magneti Marelli, today Industrial Advisor of Fondo Strategico Italiano and Capvis and Board member of OMR (Officine Meccaniche Rezzatesi). He began his career in Fiat Auto and Zanussi, and became CEO of Gilardini Industriale. In 1993 he moved to Pirelli Cavi, first serving as Senior Executive Vice-President of the Telecom Division and then of the Energy Division. He held the position of President and CEO of Fiamm and he was Senior Vice-President for Business Development of Fiat S.p.A. in charge of Mergers & Acquisition, Innovation and ICT strategies. Amongst his various Association positions, he was Chairman of ANFIA (from 2005 to 2011) and member of the Board of Confindustria (from 2006 to 2011).

Below is the structure of the Corporate Bodies and Committees of Safilo Group S.p.A.:



Supervisory Committee (*)

Chairman (**)	Franco Corgnati
	Eugenio Razelli
	Massimiliano Pascale

Control and Risk Committee (*)

Chairman (**)	Eugenio Razelli
	Ines Mazzilli
	Melchert Frans Groot

Remuneration and Nomination Committee (*)

Chairman (**)	Jeffrey A. Cole
	Robert Polet
	Marco Jesi

Related Parties Transactions Committee (*)

Chairman (**)	Eugenio Razelli
	Ines Mazzilli
	Guido Guzzetti

(*) Appointed by the Board of Directors' Meeting held on April 27th, 2015

(**) Appointed by the Committee' Meeting held on August 3rd, 2015

The Board of Statutory Auditors

The Board of Statutory Auditors currently in office has been appointed by the Shareholders' Meeting held on April 15th, 2014 and will remain in office for three years until the date of the Shareholders' Meeting called for the approval of the financial statements at 31.12.2016.

Paolo Nicolai

(Chairman)

Born in Legnago (VR) in 1955, he is a graduate in Economics & Commerce of Padua University. He was registered with the Padua Chartered Accountants' Register in 1981. He has been registered with the Legal Auditors Register since 1995. He is a statutory auditor for industrial, commercial and financial companies.

Franco Corgnati

(Standing Statutory Auditor)

Born in Milan in 1942, he is a graduate in Economics & Commerce of Padua University. He was registered with the Vicenza Chartered Accountants' Register in 1970 and since then has worked exclusively as a chartered accountant. He was officially appointed Statutory Auditor in 1976 and he has been registered with the Legal Auditors Register since 1995. He was and still is a statutory auditor for industrial, commercial, financial and para-banking companies in addition to collective trust companies and municipal companies.

Bettina Solimando

(Standing Statutory Auditor)

Born in San Severo (FG) in 1974, she is a graduate in Economics & Commerce of Verona University. She has been registered with the Verona Chartered Accountants' and Auditors' Register since 2002. She is a statutory auditor for industrial and commercial companies.

Corporate Governance Report

The complete version of the report on corporate governance can be found in the Investor Relations/Corporate Governance section of the site www.safilogroup.com

The complete version of the report on corporate governance, which is highlighted in just the main points below, is available in the Company website (www.safilogroup.com), in a printed version in the Company headquarters. The report for the year 2015 will be published on the website within April 6, 2016.

The Company adopts a traditional governance method in that:

- the Company's management body is the Board of Directors,
- the Corporate Governance Committee, which ensures compliance with the law, the Articles of Association and correct administration principles is the Board of Statutory Auditors;
- the independent audit company performs the legal auditing tasks.

Corporate governance, in accordance with the Articles of Association and in line with current legislation and regulations, and as provided by the Self-Governance code for listed companies published in March 2006 by Borsa Italiana S.p.A., and amended in March 2010 (with reference to article 7 regarding remuneration, now article 6) and then in December 2011, July 2014 and lastly July 2015 (hereinafter "the Code") is entrusted to the following bodies.

The Board of Directors

Governance is based on the criteria and principles of the Self-Governance Code for listed companies

The Board of Directors has aligned the Company's corporate governance system to the principles and application criteria introduced by the Code.

In compliance with regulatory obligations, in particular with the requirements of article 123 bis of the Italian Consolidated Finance Act, and following adherence to the Code, every year the Company publishes a report on adherence to codes of conduct, in the ways and terms established by article 89-bis of the Issuers' Regulation. The report can be consulted in the Group website in the section Investor Relations/Corporate Governance, and should be referred to for more detailed and precise information about the Company and Group corporate governance system, in compliance with article 123 bis of the Consolidated Financial Act.

The Board of Statutory Auditors

Appointing auditors

The Board of Statutory Auditors is appointed and replaced in compliance with article 27 of the Articles of Association, published in the website in the section Investor Relations/Corporate Governance, and should be referred to for details.

In particular, the auditors are appointed by the Shareholders' Assembly on the basis of lists presented by the shareholders, to allow minority shareholders to appoint a statutory auditor and a substitute auditor.

In compliance with the Italian Civil Code and Principle 8.P.1. of the Code, Auditors act autonomously and independently (also with respect to the shareholders who appointed them) and therefore are not representatives of the majority or minority that proposed or elected them.

The Board of Statutory Auditors ensures compliance with the law and the Articles of Association as well as with the principles of correct administration. It also monitors the adequacy of the Company's organisation structure, for those matters of its responsibility as well as the internal control system and risks management and the administration and accounts system in order to verify the reliability of the same to correctly represent company facts, on the effective implementation of the corporate governance rules contained in the Code and the adequacy of the dispositions given by the Company to its subsidiaries, in compliance with article 114, paragraph 2 of the Consolidated Financial Act.

In compliance with Application Criteria 8.C.4. of the Code, the Board of Auditors, and (ii) can ask the internal audit office to carry out controls on certain operations areas or on Company operations.

As established by the Consolidate Financial Act and Legislative Decree 39/2010, the Board of auditors is able to make a motivated proposal relative to granting the audit appointment by the Shareholders' Assembly.

The Board of Statutory Auditors, as part of its legal responsibilities, checks the correct application of the criteria and procedures to control independence that are adopted by the Board of directors to appraise the independence of its members; the outcome of the control is notified to the market every year, as part of the Company governance report or in the Auditors' report to the Shareholders' Assembly.

The Audit Company

Deloitte & Touche appointed until 2022

The Shareholders Assembly of 15th April 2014 entrusted Deloitte & Touche S.p.A. with the mandate of auditing the separate and consolidated financial statements from 2014 to 2022 as well as the half-year reports from 2014 to 2022.

Financial reporting manager

Appointment of the financial reporting manager

Further to L. 262/2005 the Financial Reporting Manager must prepare the adequate administration and accounts procedures for drafting the annual financial statements, the consolidated financial statements and any other financial communications and documents, and he must certify that the procedures:

- have been defined in line with the administration-accounts system and the structure of the Company;
- have been assessed for their adequacy;
- have been effectively applied during the period relative to the annual financial statement, the consolidated financial statement and any other

financial communication or document.

Given that article 154-bis of the Consolidated Financial Act does not recall a specific model for assessing the adequacy of the administration and accounts procedures, to satisfy the needs for applying the regulations, the Company has opted for applying a theoretic reference model that is universally recognised and is the most accredited: the CoSO Report – Internal Control Integrated Framework.

The activities required to assess the adequacy and effectiveness of the procedures and processes that generate financial statement are as follows:

- identifying the control systems necessary to reduce the identified risks;
- carrying out the control tests;
- implementing corrective actions that may be required to adapt the control system.

On 27th April 2015, the Board of Directors reappointed as the manager responsible for drawing up corporate financial reporting documents (hereinafter "Financial Reporting Manager"), the Chief Financial Officer Gerd Graehsler after receiving the favourable opinion of the Board of Auditors - who possesses the professional requisites, including specific skills as well as many years of experience in accounting and financial matters, required for the performance of the tasks assigned by the regulations in force to the Financial Reporting Manager. Moreover, it has been established that the manager thus appointed will hold office until his resignation or revocation by the Board of Directors.

Article 36 CONSOB Regulation 16191/2007

Article 36 CONSOB Regulations 16191/2007

In compliance with article 2.6.2. of the Regulations for markets organised and managed by Borsa Italiana S.p.A., Safilo Group S.p.A. declares the compliance with the article 36 of CONSOB Regulation 16191/2007, letters a), b) and c). Namely:

- the subsidiaries' financial statements are deposited at the registered office;
- the acquisition of the subsidiaries' statute with the composition and power of attorney of their committees;
- the monitoring activities carried out both in order to ensure the correct information flow with the audit company to conduct the audit on the annual accounts and interim reports of the parent company, both in order to verify the existence of an appropriate administrative and accounting system in each subsidiary.

Stock option plans

Resolution for the "2010-2013 Plan"

The Extraordinary Shareholders' meeting of 5th November 2010 voted to increase the share capital by a maximum par value of Euro 8,500,000.00 through the issue of a maximum number of new ordinary shares of 1,700,000 with a face value of Euro 5.00 each, to be offered to directors and/or employees of the Company and its subsidiaries ("Plan").

This Plan – intended to increase incentives for and the loyalty of directors or equivalents of the Company and/or other Company subsidiaries – is to be carried out through the free allocation, in several tranches, of a maximum number of 1,700,000 options, which will give each beneficiary the right to subscribe to newly-issued ordinary shares in the Company – with a face value of Euro 5.00 each, resulting from the aforementioned rights issue in tranches, with no subscription rights pursuant to article 2441, paragraph 4, sentence 2 of the Civil Code - in the ratio of one share for every option.

The Plan has a total duration of nine years (from 2010 to 2019). The options assigned to the beneficiaries may be exercised after three years from the allocation date (with the exception of the first tranche, which will benefit from a shorter vesting period).

Specifically, four different allocation dates have been assigned to the options.
The first tranche ("First Tranche"), was allocated at the Board of Directors' meeting held following the shareholders' meeting called to vote on the adoption of the Plan, the second tranche ("Second Tranche") has been assigned at the Board of Directors' meeting that has approved the Company results for the year ending 31st December 2010; the third tranche ("Third Tranche") was allocated at the Board of Directors' meeting that approved the Company results for the year ending 31st December 2011, and the final tranche ("Fourth Tranche") has been allocated at the Board of Directors' meeting that have approved the Company results for the year ending 31st December 2012.
It should be noted that on November 13, 2013 the Board of Directors amended the Plan in order to reallocate some options that shall be reassigned by the Company as a consequence of the resignations of some Beneficiaries. These re-assignable options shall be exercised subject to the same performance conditions and exercise period applicable to the fourth tranche options.

The options thus assigned will mature when both of the following conditions are met:

(a) except for specific exceptions provided for in the event that the employment and/or director relationship is terminated, for all options allocated, the relationship between the Company and the beneficiary must still be in place at the maturity date for the options, and furthermore

(b) with reference to the options allocated within the First Tranche, under the circumstances that the EBIT contained in the Company's consolidated financial statements for any one of the financial years ending 31.12.2010, 31.12.2011 or 31.12.2012 is at least Euro 60,000,000 ("First Target"); with reference to the options allocated within the Second Tranche, under the circumstances that the EBIT contained in the Company's consolidated financial statements for any one of the financial years ending 31.12.2011, 31.12.2012 or 31.12.2013 is at least Euro 66,000,000 ("Second Target"); with reference to the options allocated within the Third Tranche, under the circumstances that the EBIT contained in the Company's consolidated financial statements for any one of the financial years ending 31.12.2012, 31.12.2013 or 31.12.2014 is at least Euro 72,500,000 ("Third Target"); with reference to the options allocated within the Fourth Tranche and to those assigned within 31.12.2014, under the circumstances that the EBIT contained in the Company's consolidated financial statements for any one of the financial years ending 31.12.2013, 31.12.2014 or 31.12.2015 is at least Euro 80,000,000 ("Fourth Target").

For the purposes of determining that these targets have been achieved, EBIT means net operating profit of a particular year, adjusted to take into account any investments or divestments made, emerging from the certified financial statements that will be approved by the Company's Shareholders' meeting or as determined by the Company's Board of Directors.

The subscription price has been determined as the weighted average of the prices registered by Safilo Group S.p.A. ordinary shares on Italy's electronic stock market (MTA) organised and managed by Borsa Italiana S.p.A. in the month preceding the Board of Directors' meeting that has allocated the option rights issued within the Plan ("preceding month" shall mean the period ending the day before the Board of Directors' meeting that will allocate the options and beginning with the same day of the previous calendar month, it being understood that in this period, for the purpose of calculating the weighted average, only stock market trading days have been considered), with the exception of the First Tranche, for which the price has been set at EUR 8.0470, determined on the basis of the weighted average of process registered by Safilo Group S.p.A. ordinary shares on the stock market organised and managed by Borsa Italiana S.p.A. in July 2010, which corresponds to the date on which the Remuneration Committee (now Remuneration and Nomination Committee) first submitted for approval to the Board of Directors the guidelines for the share-based incentive plan to be adopted.

Resolution for the "2014-2016 Plan"

The Extraordinary Shareholders' Meeting held on April 15th, 2014 resolved to increase the share capital by a maximum nominal amount of EUR 7,500,000.00 through the issue of a maximum of no. 1,500,000 new ordinary shares of the nominal value of EUR 5.00 each, to be offered for subscription to directors and/or employees of the Company and its subsidiaries ("Plan").

This Plan – intended to increase incentives for and the loyalty of directors or equivalents of the Company and/or other Company subsidiaries – is to be carried out through the free allocation, in several tranches, of a maximum number of 1,500,000 options, which will give each beneficiary the right to subscribe to newly-issued ordinary shares in the Company – with a face value of Euro 5.00 each, arising from the paid and separable capital increase, with exclusion of the option rights according to article 2441, paragraph 4, sentence 2 of the Civil Code - in the ratio of one share for every option.

The Plan has a total duration of ten years (from 2014 to 2024). The options assigned to the beneficiaries may be exercised after two years from the allocation date.

Specifically, three different allocation dates have been assigned to the options. The first tranche ("First Tranche"), was allocated at the Board of Directors' meeting held following the shareholders' meeting called to vote on the adoption of the Plan on 29th April 2014; the second tranche ("Second Tranche") was granted by the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2014; the third tranche ("Third Tranche") will be granted by the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2015 until 31st December 2016.

The options granted shall vest upon the occurrence of the following performance conditions:

(a) with reference to the Options granted under the First Tranche, the EBIT resulting from the approved consolidated financial statements of the Company related to one of the years ending on 31.12.2014, 31.12.2015 or 31.12.2016 has been at least equal to Euro 80,000,000; with reference to the Options granted under the Second Tranche, the EBIT resulting from the approved consolidated financial statements of the Company related to one of the years ending on 31.12.2015, 31.12.2016 or 31.12.2017 has been at least equal to Euro 85,000,000; with reference to the Options granted under the Third Tranche, the EBIT resulting from the approved consolidated financial statements of the Company related to one of the years ending on 31.12.2016, 31.12.2017 or 31.12.2018 has been at least equal to Euro 90,000,000; and

(b) save as otherwise expressly provided by the regulations of the Plan 2014-2016, the employment/directorship of the relevant Beneficiary shall be in force on the vesting date of the relevant Options.

For the purposes hereof, EBIT means the net operating income of a certain financial year, adjusted to take account of any investment and divestment, emerging from the audited financial statements, which will be approved by the Company's Shareholders Meeting and as determined by the same Company's Board of Directors.

The subscription price will correspond to the weighted average of the official prices of Safilo Group S.p.A. ordinary shares registered on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. in the month preceding the meeting of the Board of Directors which allocated the rights of option issued within the Plan 2014-2016.

For more detailed information about the Plans, reference should be made to the disclosure prepared pursuant to article 84-bis of the Regulation of the Issuers, as subsequently supplemented, as well as to all the documents related to the above Plans, prepared in accordance with the applicable laws, which are available on the Company's web site (www.safilogroup.com) in Investor Relations – Corporate Governance section.

OTHER INFORMATION

Atypical and/or unusual transactions

No atypical and/or unusual transactions, as defined by Consob Communication 6064293 dated July 28th, 2006, were undertaken during 2015.

Related party transactions

In compliance with applicable legislative and regulatory requirements, the Board of Directors of November 5th, 2010 approved the "Regulations for the transactions with related parties", to govern transactions of major strategic, economic, capital or financial significance for the Company, including those undertaken with related parties, to assure their transparency and material and procedural correctness.

Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Group. Transactions with related parties, are on an arm's length basis, according to the nature of the transaction, sale of products or provision of services.

For further details regarding the related party transactions, please refer to note 6 to the Consolidated Financial Statements as of December 31st, 2015.

Research and development activity

The Group's research and development focuses on production processes and the development of new innovative products in terms of both style and technology and materials. Expenditure on research is expensed as incurred.

RECONCILIATION OF THE PARENT COMPANY'S NET PROFIT AND SHAREHOLDERS' EQUITY WITH THE CONSOLIDATED BALANCES

(Euro in millions)	Equity as of December 31, 2015	Net profit/(loss) of the year 2015	Equity as of December 31, 2014	Net profit/(loss) of the year 2014
Balances as per Safilo Group S.p.A.'s statutory financial statements	788.9	(6.3)	793.9	10.6
Contribution of consolidated companies	1,484.6	(10.4)	1,417.8	32.8
Write-off of the book value of consolidated subsidiaries	(1,769.7)	5.8	(1,731.3)	24.0
Goodwill	538.8	(40.5)	540.3	-
Elimination of dividends paid within the Group	-	(8.6)	-	(20.0)
Elimination of intercompany gains within the Group	(2.3)	0.3	(2.4)	1.8
Elimination of intercompany profits included in inventory	(41.4)	8.5	(45.2)	(8.1)
Investments in associates - equity method	-	(1.0)	1.5	(1.8)
Other consolidated entries	(0.3)	(0.3)	(0.4)	0.1
Total	**998.6**	**(52.4)**	**974.2**	**39.4**
Equity attributable to minority interests	1.1	0.3	2.7	0.4
Total attributable to the Group	**997.5**	**(52.7)**	**971.5**	**39.0**

SIGNIFICANT EVENTS AFTER THE YEAR-END AND OUTLOOK

Events after the year end

On February 9th 2016 Safilo and Swatch Ltd signed a five year collaboration agreement for Swatch branded Eyewear. Creative, playful and lifestyle oriented, "Swatch The Eyes" will be launched in spring 2016. Safilo and Swatch are to co-design eyewear collections and Safilo is to develop and manufacture the eyewear in its European production network.

In line with the global brand commitment to high quality service to customers, "Swatch The Eyes" will be distributed through Swatch's global retail network and initially in Safilo's US retail chain, Solstice, followed by rigorously selected North American eyewear retailers. Swatch and Safilo intend to successively expand Safilo's distribution to further regions across the world via an eyewear network of the highest standards, in addition to the Swatch Group's own distribution network.

Outlook

Safilo expects 2016 to be characterized by two main distinct business dynamics - the final year of Gucci as a license in the Safilo portfolio and positive organic sales performance by the going forward brands portfolio. From a brand standpoint, licensed brands and own core brands are both expected to contribute to growth, bolstered by the 2016 launch of the new partnerships with Givenchy and Swatch.

On the cost structure, Safilo will focus on two main initiatives forward, the addressing on the one hand costs of sales and thus primarily gross profit, and on the other hand the Group's operating expenses.

Firstly, Safilo aims at continuing the cost saving initiatives in the supply & logistics network, focusing on production and sourcing optimization actions and distribution center streamlining.

Secondly, and as anticipated in the Simplification strategy of the Company's 2020 plan, the Group is now ready to accelerate the execution of its overhead cost savings initiative. We target Euro 25-30 million cumulative overhead cost savings by December 2019, behind expected one-off restructuring charges of Euro 20 million.

For the Board of Directors
Chief Executive Officer
Luisa Deplazes de Andrade Delgado

FINANCIAL STATEMENTS AND NOTES TO
THE CONSOLIDATED FINANCIAL STATEMENTS
as of 31st December 2015

Consolidated financial statements

Consolidated balance sheet

(Euro/000)	***Notes***	**December 31, 2015**	**of which related parties**	**December 31, 2014**	**of which related parties**
ASSETS					
Current assets					
Cash and cash equivalents	*4.1*	86,640		88,552	
Trade receivables	*4.2*	243,759	15,342	266,308	15,096
Inventory	*4.3*	254,079		247,617	
Derivative financial instruments	*4.4*	1,727		1,594	
Other current assets	*4.5*	54,183		49,619	
Total current assets		**640,388**		**653,690**	
Non-current assets					
Tangible assets	*4.6*	197,498		203,279	
Intangible assets	*4.7*	62,333		54,806	
Goodwill	*4.8*	583,908		583,130	
Investments in associates	*4.9*	-		7,605	
Available-for-sale financial assets	*4.10*	-		-	
Deferred tax assets	*4.11*	93,597		92,498	
Derivative financial instruments	*4.4*	-		-	
Other non-current assets	*4.12*	3,167		2,897	
Total non-current assets		**940,503**		**944,215**	
Non-current assets held for sale	*4.6*	**9,914**		**-**	
TOTAL ASSETS		**1,590,805**		**1,597,905**	

(Euro/000)	***Notes***	**December 31, 2015**	**of which related parties**	**December 31, 2014**	**of which related parties**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	*4.13*	44,022		75,319	
Trade payables	*4.14*	220,170	9,027	210,775	3,457
Tax payables	*4.15*	25,266		33,041	
Derivative financial instruments	*4.4*	877		68	
Other current liabilities	*4.16*	47,484		52,149	
Provisions for risks and charges	*4.17*	24,124		5,658	
Total current liabilities		**361,943**		**377,010**	
Non-current liabilities					
Long-term borrowings	*4.13*	132,526		176,493	
Employees benefits liability	*4.18*	31,175		32,724	
Provisions for risks and charges	*4.17*	16,213		13,707	
Deferred tax liabilities	*4.11*	11,146		8,772	
Derivative financial instruments	*4.4*	3,614		4,426	
Other non-current liabilities	*4.19*	35,584		10,517	
Total non-current liabilities		**230,258**		**246,639**	
TOTAL LIABILITIES		**592,201**		**623,649**	
Shareholders' equity					
Share capital	*4.20*	313,150		312,675	
Share premium reserve	*4.21*	484,845		484,689	
Retained earnings and other reserves	*4.22*	251,683		135,142	
Cash flow hedge reserve	*4.23*	572		-	
Income/(Loss) attributable to the Group		(52,745)		39,030	
Total shareholders' equity attributable to the Group		**997,505**		**971,536**	
Non-controlling interests		**1,099**		**2,720**	
TOTAL SHAREHOLDERS' EQUITY		**998,604**		**974,256**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,590,805**		**1,597,905**	

Consolidated Income statement

(Euro/000)	*Notes*	2015	of which related parties	2014	of which related parties
Net sales	*5.1*	1,278,960	77,192	1,178,683	67,494
Cost of sales	*5.2*	(522,004)	(3,016)	(460,129)	(8,880)
Gross profit		**756,956**		**718,554**	
Selling and marketing expenses	*5.3*	(526,524)	(7,684)	(479,367)	(3,971)
General and administrative expenses	*5.4*	(171,468)		(157,539)	
Other operating income/(expenses)	*5.5*	(17,657)		(6,382)	
Impairment loss on goodwill	*4.8 - 5.6*	(40,475)		-	
Operating profit		**832**		**75,266**	
Share of income/(loss) of associates	*5.7*	1,010		(1,800)	
Financial charges, net	*5.8*	(27,401)	-	(8,603)	-
Profit / (Loss) before taxation		**(25,559)**		**64,863**	
Income taxes	*5.9*	(26,854)		(25,409)	
Profit / (Loss) of the period		**(52,413)**		**39,454**	
Profit / (Loss) attributable to:					
Owners of the parent		(52,745)		39,030	
Non-controlling interests		332		424	
Earnings/(Losses) per share - basic (Euro)	*5.10*	(0.843)		0.625	
Earnings/(Losses) per share - diluted (Euro)	*5.10*	(0.840)		0.622	

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	2015	2014
Net profit (loss) for the period (A)		**(52,413)**	**39,454**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		1,687	(3,016)
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**1,687**	**(3,016)**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	*4.23*	572	490
- Gains/(Losses) on exchange differences on translating foreign operations	*4.22*	76,191	88,541
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**76,763**	**89,031**
Other comprehensive income / (loss), net of tax (B)		**78,450**	**86,015**
TOTAL COMPREHENSIVE INCOME / (LOSS) (A)+(B)		**26,037**	**125,469**
Attributable to:			
Owners of the parent		25,705	124,842
Non-controlling interests		332	627
TOTAL COMPREHENSIVE INCOME / (LOSS)		**26,037**	**125,469**

Consolidated statement of cash flows

(Euro/000)	*Notes*	2015	2014
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*4.1*	**39,494**	**69,669**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(52,413)	39,454
Depreciation and amortization	*4.6-4.7*	41,065	35,399
Impairment loss on goodwill	*4.8-5.6*	40,475	-
Other non-monetary P&L items		35,275	(7,552)
Interest expenses, net	*5.8*	7,873	9,809
Income tax expenses	*5.9*	26,853	25,410
Flow from operating activities prior to movements in working capital		**99,128**	**102,519**
(Increase) Decrease in trade receivables		29,006	(15,812)
(Increase) Decrease in inventory, net		1,990	(25,030)
Increase (Decrease) in trade payables		1,710	(1,812)
(Increase) Decrease in other receivables		(2,881)	(172)
Increase (Decrease) in other payables		23,877	1,560
Interest expenses paid		(3,342)	(5,882)
Income taxes paid		(34,690)	(28,457)
Total (B)		**114,799**	**26,915**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(34,148)	(28,294)
Net disposals of property, plant and equipment		2,059	1,011
Acquisition of minorities (in subsidiaries)		(2,912)	(1,555)
(Acquisition) Disposal of investments and bonds		8,592	237
Purchase of intangible assets, net of disposals		(13,629)	(10,650)
Total (C)		**(40,038)**	**(39,251)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		-	200,000
Repayment of borrowings		(71,264)	(226,529)
Share capital increase		631	3,799
Dividends paid		-	-
Total (D)		**(70,632)**	**(22,731)**
E - Cash flow for the period (B+C+D)		**4,129**	**(35,066)**
Translation exchange differences		3,995	4,891
Total (F)		**3,995**	**4,891**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*4.1*	**47,618**	**39,494**

Consolidated statement of changes in equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2015	**312,675**	**484,689**	**53,166**	**-**	**121,006**	**971,536**	**2,720**	**974,256**
Profit/(Loss) for the period	-	-	-	-	(52,745)	(52,745)	332	**(52,413)**
Other comprehensive income (loss) for the period	-	-	76,191	572	1,687	78,450	-	**78,450**
Total comprehensive income (loss) for the period	**-**	**-**	**76,191**	**572**	**(51,058)**	**25,705**	**332**	**26,037**
Increase in share capital due to the exercising of stock option	475	156	-	-	-	631	-	**631**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	(1,013)	(1,013)	(1,899)	**(2,912)**
Net increase in the Reserve for share-based payments	-	-	-	-	638	638	-	**638**
Changes in other reserves	-	-	-	-	8	8	(54)	**(46)**
Consolidated net equity at December 31, 2015	**313,150**	**484,845**	**129,357**	**572**	**69,581**	**997,505**	**1,099**	**998,604**

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2014	**311,000**	**482,565**	**(35,172)**	**(490)**	**85,219**	**843,122**	**2,940**	**846,062**
Profit/(Loss) for the period	-	-	-	-	39,030	39,030	424	**39,454**
Other comprehensive income (loss) for the period	-	-	88,338	490	(3,016)	85,812	203	**86,015**
Total comprehensive income (loss) for the period	**-**	**-**	**88,338**	**490**	**36,014**	**124,842**	**627**	**125,469**
Increase in share capital due to the exercising of stock option	1,675	2,124	-	-	-	3,799	-	**3,799**
Dividends distribution	-	-	-	-	-	-	-	**-**
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	(708)	(708)	(847)	**(1,555)**
Net increase in the Reserve for share-based payments	-	-	-	-	481	481	-	**481**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at December 31, 2014	**312,675**	**484,689**	**53,166**	**-**	**121,006**	**971,536**	**2,720**	**974,256**

1. General information

1.1 General information

The holding company, Safilo Group S.p.A., is a joint stock company established in Italy on 14th October 2002 registered with the Business and Trade registry of Vicenza. On 27th April 2006 the company moved its head office from Vicenza to Pieve di Cadore (Belluno) and on the same date it opened a secondary office at the headquarters of the subsidiary Safilo S.p.A. in Padua.

The parent company is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange.

Following the Group's financial restructuring, which was completed in the first quarter of 2010 with the share-capital increase, Multibrands Italy B.V. (a subsidiary of HAL Holding N.V.) became the parent company's leading shareholder with a 37.232% equity interest. On 4th April 2012, in order to provide the Group with the financial resources needed to complete the acquisition of Polaroid Eyewear, Multibrands Italy BV subscribed and fully paid a capital increase bringing its stake in the parent company to 42.232%.

According to IFRS 10 HAL Holding N.V., is deemed to have control over Safilo Group S.p.A. and accordingly is required to consolidate safilo Group S.p.A. in its financial statements as from 1st January 2014 (even though its ownership interest of HAL Holding N.V. in the company Safilo Group S.p.A. is below 50%). HAL Holding is fully owned by HAL Trust, listed on NYSE Euronext of Amsterdam Stock Exchange.

These consolidated financial statements are reported in thousands of Euro, the official currency in the countries where the Group does most of its business. The consolidated financial information relates to the period from 1st January 2015 to 31st December 2015 and also presents comparative data related to the financial period from 1st January 2014 to 31st December 2014.

These financial statements were approved by the Board of Directors on 14th March 2016.

The companies included in the consolidation area are listed in paragraph 2.3 "Scope of consolidation and methodology".

2. Summary of accounting principles adopted

2.1 Accounting policies

The accounting policies described here below have been applied during the preparation of these consolidated financial statements in a consistent manner for both financial years presented and on the going concern assumption.

The consolidated financial statements for the year ended 31st December 2015 and 31st December 2014 were prepared in accordance with IFRSs issued by the International Accounting Standard Board ("IASB") and endorsed by the European Commission, as well as with the measures enacted to implement article 9 of Legislative Decree no. 38/2005. IFRSs include also all the interpretations of the International Financial Reporting Interpretations Commitee ("IFRIC"), previously called Standing Interpretations Commitee ("SIC").

The consolidated financial statements were prepared in accordance with "cost" criteria with the exception of financial assets available-for-sale and some financial assets and liabilities, including derivative instruments, for which the "fair value" criterion was adopted.

Preparation of the annual report in accordance with IFRSs requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and explanatory notes. Actual results may differ from these estimates. The areas of the financial statements that are most affected by such estimates and assumptions are listed in section 2.21 "Use of estimates".

Accounting standards, amendments and interpretations effective as of 1st January 2015

The following new standards and amendments, effective from 1 January 2015, are applicable to the Group.

On 20 May 2013, the IASB issued the IFRIC Interpretation 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The amendments are effective, retrospectively, for annual periods beginning on or after 17 July 2014 with earlier application permitted. The adoption of this standard did not have any effect on the Group.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2011–2013 Cycle. The most important topics addressed in these amendments are, among others, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements (as defined in IFRS 11 – Joint arrangements) and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement, and IAS 40 relating to the acquisition of real estate investment. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2015 or after. The adoption of this standard did not have any effect on the Group.

The Group applied these improvements retrospectively since 1 January 2015 and no significant effects arose in this report.

Accounting standards, amendments and interpretations not yet applicable and not adopted early by the Group

On 21 November 2013, the IASB published narrow scope amendments to IAS 19—Defined Benefit Plans: Employee Contributions. The amendment reduces current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered. The amendments are effective, retrospectively, for annual periods beginning on or after 1 February 2015 or after. The amendments are not expected to have a significant impact on the consolidated financial statements of the Group.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – Share based payment, the aggregation of operating segments in IFRS 8 – Operating Segments, the definition of key management personnel in IAS 24 – Related Party disclosures, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements (as defined in IFRS 11 – Joint arrangements), to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement, and IAS 16, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model. The amendments are effective, retrospectively, for annual periods beginning on or after 1 February 2015 or after. The amendments are not expected to have a significant impact on the consolidated financial statements of the Group.

In addition, the European Union had not yet completed its endorsement process for the following standards and amendments at the date of this annual report.

On 12 May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - "Clarification of acceptable methods of depreciation and amortization". The amendments to IAS 16 require that the criteria of depreciation determined on the basis of revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the use of amortized assets generally reflect different factors and not only the consumption of the economic benefits of the asset. The amendments to IAS 38 introduce a presumption, that a depreciation method based on revenues is considered generally inappropriate for the same reasons set out by the amendments made to IAS 16. In the case of intangible assets, however, this presumption may be overcome, but only in limited and specific circumstances. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 but early adoption is allowed.

On 28 May 2014, the IASB issued the new standard IFRS 15 "Revenue from contracts with customers". This standard replaces IAS 18 Revenues, IAS 11 Construction Contracts, IFRIC 13 Customers Loyalty Programs, IFRIC 15 Agreements for Constructions of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition, which will apply to all contracts with customers except those that fall within the scope of other IAS / IFRS as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenue under the new model are:

- Identify the contracts with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when the entity satisfies a performance obligation.

The new standard is applicable to periods beginning on or after January 1, 2018, subject to any subsequent deferrals established during its approval by the European Union.

On 24 July 2014 the IASB issued the final version of IFRS 9 "Financial Instruments". The standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on management of financial instruments and the contractual cash flow characteristics of the financial assets in order to determine the method of valuation, replacing the many different rules in IAS 39. For financial liabilities, instead, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as financial liability at fair value through profit or loss, if these variations are due to changes in the creditworthiness of the issuer of the liability. Under the new standard, these changes must be recognized in "Other comprehensive income" and not in the income statement.

With reference to the impairment model, the new standard requires that the estimate of loan losses is made based on the model of expected losses (and not on the model of incurred losses) using information supportable, available at no cost or unreasonable efforts that include historical, current and future data. The standard requires that the impairment model applies to all financial instruments, namely financial assets carried at amortized cost, to those measured at fair value through other comprehensive income, receivables arising from leases and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements of the current IAS 39 that were sometimes considered too stringent and unsuitable to reflect the risk management policies of the company. The main news of the document are:

- increase the types of transactions eligible for hedge accounting, including the risks of non-financial assets and liabilities to be eligible to hedge accounting;
- change in method of accounting for forward contracts and options when eligible to hedge accounting in order to reduce the volatility in the income statement;
- changes to effectiveness tests by replacing the current mode based on the parameter of 80-125% with the principle of "economic relationship" between the hedged item and the hedging instrument; furthermore, it will no longer request a retrospective evaluation of the effectiveness of the hedging relationship.

The new standard is applicable to periods beginning on or after January 1, 2018 or after.

On 25 September 2014, the IASB issued a set of amendments to IFRSs (Annual Improvements to IFRSs - Cycle 2012-2014). They cover the following principles: the criteria for classification and evaluation of assets classified as "held for sale" or "held for distribution" in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, further guidance relating to the disclosures required by IFRS 7 for interim financial statements, certain clarifications to the determination of the discount rate in accordance with IAS 19 and the new requirements for disclosure under IAS 34 "Interim financial reporting". The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 or after.

On 18 December 2014, the IASB issued amendments to IAS 1 Disclosure Initiative. The amendments concern materiality, the aggregation of items, structure of the notes, information about accounting policies and the presentation of other comprehensive income arising from the measurement of equity method investments. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 or after.

On 13 January 2016, the IASB issued the new standard IFRS 16 “Leases” to replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives, SIC 27 Evaluating the substance of transactions involving the legal form of a lease. The new standard provides a new definition of lease and introduces a criteria based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification and of the asset, right to replace it, right to obtain all economic benefits and the right to manage the use of the asset. The standard establishes just a model to recognize and measure lease contracts for the lessee through the posting of the asset (also in operating leases) offset by a financial debt, providing also the opportunity to not recognize as lease contracts related to "low-value assets" and lease with expiring date equal to or less than 12 months. The standard does not include significant changes to the lessors. The new standard is applicable to periods beginning on or after January 1, 2019; the early adoption is allowed only for companies that apply the early adoption also for IFRS 15 Revenue from contracts with customers.

The Group will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the consolidated financial statements.

2.2 Format of financial statements

Safilo Group presents the income statement by function (so-called "cost of sales"). This is considered to be more representative with respect to presentation by type of expenses, as it conforms more closely to the internal reporting and business management methods and is in line with international practice in the eyewear sector.

For the balance sheet, a distinction is made in the assets and liabilities between current and non-current as described in paragraphs 51 and following of IAS 1. The indirect method for the cash flow statement was used. Therefore the net profit of the period is adjusted by the effects of non-monetary transactions, changes in working capital and cash flows from investing and financing activities.

2.3 Scope of consolidation and methodology

The Group's consolidated financial statements as of 31st December 2015 include the parent company, Safilo Group S.p.A, and 50 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights.

In 2015, the Group's consolidation area changed as follows:

- On 26th May and on 16th October 2015 the subsidiary, Safilo Far East Ltd., acquired a further 10% interest in the company Safilo Hong Kong Ltd., a trading company registered in Hong Kong, and already 90% owned. As a result of the acquisition, the Group has increased its interest to 100%;
- On 8th October 2015 the trading company Safilo Optik Ticaret Limited Sirketi in Turkey was incorporated;
- On 16th October 2015 the subsidiary, Safilo Far East Ltd., acquired a further 3% interest in the company Safint Optical Investments Ltd., a holding company registered in Hong Kong already 97% owned, which in turn owns at 100% the trading companies Safilo Trading Shenzen Co Ltd and Safilo Eyewear Shenzen Co Ltd. As a result of the acquisition, the Group has increased its interest to 100%.

At 31st December 2015 the direct and indirect holdings included in the scope of consolidation under the line-by-line method, in addition to the parent company Safilo Group S.p.A., were the following (see next page):

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Pieve di Cadore (BL)	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	75.6
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 Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,896,370	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 CIS - LLC - Moscow (Russia)	RUB	10,000,000	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	100.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	100.0
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	100.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	CNY	46,546,505	100.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129,704,740	100.0
Safilo Korea Ltd – Seoul (K)	KRW	300,000,000	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	100.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Safilo d.o.o. Ormož - Ormož (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	117,435,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safint Optical UK Ltd. - London (GB)	GBP	21,139,001	100.0
Safilo UK Ltd. - London (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	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Solstice Marketing Concepts LLC – Delaware (USA)	USD	-	100.0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
2844-2580 Quebec Inc. – Montreal (CAN)	CAD	100,000	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	2,470,425	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	300,011	100.0
Polaroid Eyewear Holding BV - Amsterdam (NL)	EUR	18,000	100.0
Polaroid Eyewear BV - Amsterdam (NL)	EUR	45,378	100.0
Polaroid Eyewear Ltd - Dumbarton (UK)	GBP	2	100.0
Polaroid Eyewear AB - Stockholm-Globen (S)	SEK	100,000	100.0
Polaroid Eyewear GMBH - Zurig (CH)	CHF	20,000	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000.0	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	100.0

Investments in subsidiaries

The companies in which the Group exercises control ("subsidiary companies"), as defined in IFRS 10, either due to direct shareholdings or by indirectly holding the majority of the voting rights, having the power to determine even indirectly the financial and managerial choices of the companies and thus obtaining the relative benefits regardless of the relationships deriving from the share ownership, are consolidated using the line-by-line method. Potential exercisable voting rights existing at the balance sheet date are considered in order to determine control. The subsidiary companies are consolidated from the date on which control is assumed and are deconsolidated from the date when control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

With regards to the accounting for transactions and events that result in a change in the Group's interest in its subsidiaries and the attribution of a subsidiary's losses to non-controlling interests, IAS 27 (revised 2008) specifies that once control has been obtained, further transactions whereby the parent entity acquires additional equity interests from non-controlling interests, or disposes of equity interests without losing control are transactions with owners and therefore shall be accounted for as equity transactions. It follows that the carrying amounts of the controlling and non-controlling interests must be adjusted to reflect the changes in their relative interests in the subsidiary and any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent. There is no consequential adjustment to the carrying amount of goodwill and no gain or loss is recognized in profit or loss.

Upon consolidation, the amounts resulting from intra-group operations between consolidated companies are eliminated, in particular in relation to receivables and payables at the balance sheet date, costs and revenues as well as financial income and charges. In addition, gains and losses between the subsidiary companies that are fully consolidated are also eliminated.

The accounting principles adopted by the subsidiary companies have been modified where necessary, to comply with those adopted by the parent company.

Non-controlling interests and the amount of net profit attributable to them are shown separately under "Non-controlling interests" and "Profit for the period attributale to non-controlling interests" in the consolidated balance sheet and income statement, respectively.

All consolidated subsidiaries close their fiscal year on December 31, with the exception of Safilo India Pvt Ltd. which closes its financial year on 31 March, and economic and financial statements are then prepared by the subsidiary in order to allow the Parent Company to prepare the consolidated financial statements as of December 31.

Investments in associated companies

The holdings in companies/entities in which a significant influence is exercised ("associated companies"), that is presumed to exist when the percentage held is between 20% and 50%, are valued under the "equity" method. Due to the application of the equity method, the value of the investment is aligned to the shareholders' equity that is adjusted, where necessary, to reflect the application of the IFRS approved by the European Commission, and includes the recording of any goodwill identified at the moment of acquisition. The share of gains/losses realized by the associated companies after the acquisition is recorded on the income statement, while the share of movements of reserves after the acquisition is recorded in the equity reserves. When the share of losses of the Group in an associated company is equal to or exceeds its holding in the associated company, taking into account all receivables not guaranteed, the value of the investment is fully written down and the Group does not record further losses above its share, except where the Group has the obligation to cover these losses. Gains and losses not realized that are generated on operations with associated companies are eliminated for the part pertaining to the Group.

Investments in other companies

Investments in other companies representing "available-for-sale financial assets" are valued at their fair value and gains and losses arising from changes in the fair value are assigned directly to shareholders' equity until sale. Total gains and losses are charged to the statement of operations of the year in which the sale took place, unless an AFS financial asset has accumulated a significant or prolonged decrease of its *fair value.* In this case, the accumulated losses in the fair value reserve of shareholders' equity is recognized in the statement of operations.

2.4 Segment information

Information according to business sector (retail/wholesale) and geographic area is given, pursuant to IFRS 8 – Operating Segments.

Management prepares information according to the Group's operating segments, i.e. *"wholesale and retail".* The criteria applied for the identification of the segments depend on the modalities by which the management organizes the Group and attributes managerial responsibilities.

It must be noted that grouping by geographic area depends on the location of the registered head office of each Group company; therefore the sales identified in accordance with this segmentation are determined by origin of invoicing and not by target market.

2.5 Conversion of financial statements and transactions into currencies other than Euro

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing on the date of the transaction. Exchange rate gains and losses resulting from such transactions and from the translation of assets and liabilities in foreign currencies at the exchange rates at end of the year are accounted for in the income statement.

The rules for the conversion of financial statements of companies expressed in currencies different from the Euro are the following:

- assets and liabilities are converted using the exchange rates prevailing on the balance sheet date;
- costs, revenues, income and charges are converted at the average exchange rate of the period;
- the "conversion reserve" includes foreign exchange differences generated from the conversion of the opening shareholders' equity and the movements during the year at a rate different from that at the end of the year;
- the goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the end of the period.

The exchange rates applied in the conversion of financial statements prepared in currencies other than Euro at 31st December 2015 and 31st December 2014 are given in the following table; appreciation (figures with a minus sign in the table below) indicates an increase in the value of the currency against the Euro.

		As of		(Appreciation) / Depreciation	Average for		(Appreciation) / Depreciation
Currency	**Code**	**December 31, 2015**	**December 31, 2014**	**%**	**2015**	**2014**	**%**
US Dollar	USD	1.0887	1.2141	-10.3%	1.1095	1.3285	-16.5%
Hong-Kong Dollar	HKD	8.4376	9.4170	-10.4%	8.6014	10.3025	-16.5%
Swiss Franc	CHF	1.0835	1.2024	-9.9%	1.0679	1.2146	-12.1%
Canadian Dollar	CAD	1.5116	1.4063	7.5%	1.4186	1.4661	-3.2%
Japanese Yen	YEN	131.0700	145.2300	-9.8%	134.3140	140.3061	-4.3%
British Pound	GBP	0.7340	0.7789	-5.8%	0.7259	0.8061	-10.0%
Swedish Krown	SEK	9.1895	9.3930	-2.2%	9.3535	9.0985	2.8%
Australian Dollar	AUD	1.4897	1.4829	0.5%	1.4777	1.4719	0.4%
South-African Rand	ZAR	16.9530	14.0353	20.8%	14.1723	14.4037	-1.6%
Russian Ruble	RUB	80.6736	72.3370	11.5%	68.0720	50.9518	33.6%
Brasilian Real	BRL	4.3117	3.2207	33.9%	3.7004	3.1211	18.6%
Indian Rupee	INR	72.0215	76.7190	-6.1%	71.1956	81.0406	-12.1%
Singapore Dollar	SGD	1.5417	1.6058	-4.0%	1.5255	1.6823	-9.3%
Malaysian Ringgit	MYR	4.6959	4.2473	10.6%	4.3373	4.3446	-0.2%
Chinese Renminbi	CNY	7.0608	7.5358	-6.3%	6.9733	8.1857	-14.8%
Korean Won	KRW	1,280.7800	1,324.8000	-3.3%	1,256.5444	1,398.1424	-10.1%
Mexican Peso	MXN	18.9145	17.8679	5.9%	17.6157	17.6550	-0.2%
Turkish Lira	TRY	3.1765	n.a.	n.a.	3.0255	n.a.	n.a.
Dirham United Emirates	AED	3.9966	4.4594	-10.4%	4.0733	4.7600	-14.4%

2.6 Tangible assets

Tangible fixed assets are assessed at purchase or production cost, net of accumulated depreciation and of any possible loss in value. The cost includes all charges directly incurred in bringing assets to their current location and condition. Costs incurred after purchase of assets are recorded only if they increase the future economic benefits of the asset they refer to.

Charges incurred for the maintenance and repairs of ordinary and/or cyclical nature are directly charged to the income statement of the period in which the costs are incurred. The capitalization of costs relating to the expansion, modernization or improvement of proprietary structural assets or of those used by third parties, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset. The book value is adjusted for depreciation on a systematic basis, over the useful life.

Capitalized costs for leasehold improvements are attributed to the category of the assets they refer to and are depreciated over the shorter of either the remaining duration of the rental contract or the remaining useful lifetime of the assets improved.

When circumstances indicate that there may be a permanent impairment in value, an estimate is made of the recoverable amount of the asset, and any loss is recorded in the income statement. When the reasons for the previously recognized impairment no longer exist, the book value of the asset is restated through profit or loss, up to the value at which the asset would have been recognized in the absence of impairment and net of amortization.

Assets held through finance lease contracts, where the majority of the risks and benefits related to the ownership of an asset have been transferred to the Group, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability due to the lessor is recorded on the financial statements under financial debts. The assets are depreciated by applying the criteria and rates indicated below.

The leased assets where the lessor bears the majority of the risks and benefits related to an asset are recorded as operating leases. The costs relating to operating leases are recorded on a straight-line basis in the income statement over the duration of the lease contract.

Depreciation is calculated on a straight-line basis over the estimated useful lifetime of the asset, in accordance with the following depreciation rates:

Category	**Useful lifetime in years**
Buildings	15-40
Plant, machinery and equipment	3-15
Furniture, office equipment and vehicles	3-8

Land is not depreciated.

When the asset to be depreciated is composed of separately identifiable elements whose useful lifetime differs significantly from that of the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the “component approach” principle.

The remaining value of the assets and their useful lifetime are reviewed at the end of each financial year. The capital gains or losses from the sale of the fixed assets are posted to the income statement and valued as the difference between the sale proceeds and the net book value.

2.7 Intangible assets

Intangible assets consist of clearly identifiable non-monetary assets, without any physical substance and capable of generating future economic benefits. These assets are recognized at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortization and any impairment. Amortization begins when the asset is available for use and is allocated in equal instalments over the course of its useful life.

When circumstances indicate that there may be an impairment loss, an estimate is made of the recoverable amount of the asset, and any impairment is recognized through the income statement. When the reasons for the previously recognized impairment no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would have been recognized in the absence of impairment and net of amortization.

Goodwill

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain. Non-controlling interest is initially measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by transaction basis. Goodwill is not amortised but is tested for impairment at least once a year or whenever there are any impairment signs. After initial recognition, goodwill is valued at cost, net of any accumulated impairment.

When a company or a business unit previously purchased is sold and that acquisition led to goodwill, in measuring the gain or loss on the sale, consideration is given to the corresponding residual value of goodwill.

Goodwill and fair value adjustments generated from the acquisition of a foreign company are recorded in the relative foreign currencies and are converted at the exchange rate at the end of the period.

Brands

Trademarks are recorded at cost. They have a definite useful lifetime and are recorded at cost net of any accumulated amortization. Amortization is calculated on a straight-line basis allocating the cost of trademarks over the relative useful lifetime.

Software

All software licenses purchased are capitalized on the basis of the costs incurred for their acquisition and in bringing them to their current condition. Amortization is calculated on a straight-line basis over their estimated useful lifetime (from 3 to 5 years).

The costs associated with the development and maintenance of software programs are posted to the income statement of the period in which they were incurred. The costs directly associated with the production of unique and identifiable software products controlled by the Group are recorded as intangible fixed assets on the balance sheet only if the following conditions are respected: the costs can be reliably calculated, the Group has the technical and financial resources to complete the products and intends to conclude such activities, the technical feasibility of the products is guaranteed and the use of the products will generate probable future economic benefits for more than one year. Direct costs include costs relating to employees developing the software as well as any appropriate share of general costs.

2.8 Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization but undergo an impairment test at least on an annual basis to control whether their book value has been reduced.

Assets subject to amortization undergo impairment tests when events or circumstances arise that indicate that the book value cannot be recovered. In both cases any loss in value is posted for the share of book value exceeding the recoverable value. This value is the higher of either the fair value of the asset net of the costs for sale or its value for use. If the value for use of an asset cannot be established individually, the recoverable value of the unit that generates cash flows (so-called "cash generating units" or CGU) to which the asset belongs must be established. Assets are grouped at the level of the cash generating units (CGU) making them coincide with the Business Units, on the basis of geographical aggregations that are the base for interpreting the Group performance. The Group then discounts to present value the future estimated cash flows generated by these CGUs by applying a discount rate that reflects the current time value of money and the specific risks associated with the business.

When a loss on an asset, other than goodwill, no longer exists or is reduced, the book value of the asset or cash-generating unit is increased to the new estimated recoverable value, which cannot exceed the value that would have been established if there had been no loss due to reduction in value.

A reversal of loss in value is calculated according to the revaluation model and recorded in the income statement in accordance with the provisions of IAS 16.

2.9 Financial instruments

The classification of financial instruments depends on the purpose for which the financial instrument was acquired. The management determines the classification of its financial instruments on the initial recognition in the financial statements. The purchase and sale of financial instruments are recognized at the transaction date or at the date when the Group undertakes the commitment to purchase or sell the asset. All financial instruments are initially recognized at fair value.

<u>Financial assets</u>

Financial assets are classified according to the following categories:

- <u>Financial assets at fair value through profit or loss</u>: this category includes financial assets acquired primarily for sale in the short-term or those designated as such by the management, in addition to derivative instruments that are not designated as hedges (in relation to the treatment of derivatives, reference should be made to the following paragraph). Fair value variations of the instruments belonging to this category are recognized in the income statement. Financial instruments of this category are classified in the short-term if they are "held for trading" or if it is expected that they will be sold within twelve months from the balance sheet date. The only financial assets of this category held by the Group and recorded on the financial statements are derivative financial instruments.

- Loans and receivables: these are non-derivative financial instruments, with fixed or determinable payments, not quoted on an active market. They are recorded as current assets with the exception of those amounts due beyond twelve months from the balance sheet date. The latter are classified as non-current assets. These assets are measured at amortized cost on the basis of the "effective interest rate" method. Any loss in value determined through an impairment test is recognized in the income statement. In particular, trade receivables are initially recognized in the financial statements at their current value and subsequently recorded under the amortized cost method less any write-downs for loss in value. An allowance for doubtful accounts is set-up when there is evidence that the Group will not be capable of receiving the original amount due. The provisions allocated for doubtful accounts are recorded in the income statement.

- Investments held to maturity: these are non-derivative financial instruments with fixed or determinable payments, with a fixed maturity date, that the Group has the intention and the means to maintain until maturity. Receivables and investments held until maturity are assessed according to the "amortized cost" method using the effective interest rate, net of any write-downs for loss in value. The Group did not hold any investments of this kind during the financial period covered by these financial statements.

- Available-for-sale financial assets: these are non-derivative financial instruments that are expressly designated to this category or are not classified in any of the previous categories. They are measured at fair value, determined with reference to market prices at the balance sheet date or through financial measurement techniques or models, recording changes in value in an equity reserve. This reserve is recognized in the income statement only when the financial asset is sold, or in the case of negative cumulative variations, when it is considered that the reduction in value already recorded under equity cannot be recovered. Classification as a current or non-current asset depends on the intentions of the management and on the real liquidity of the security; they are recorded under current assets when they are expected to be realized within twelve months.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument ceases and the Group has transferred all risks and benefits relating to the instrument.

Borrowings

Borrowings are initially recognized at fair value less any transaction costs. After initial recognition, they are recognized at amortized cost; all differences between the amount financed (net of initial transaction costs) and the face value are recognized in profit or loss over the duration of the loan using the effective interest method. If there is a significant variation in the expected cash flow that can be reliably estimated by management, the value of the loans is recalculated to reflect the expected change in the cash flow. The value of the loans is recalculated on the basis of the discounted value of the new expected cash flow and the internal rate of return.

Convertible bonds are accounted for as a compound financial instrument made of two components, which are treated separately only if relevant: a liability and a conversion option. The liability is the present value of the future cash flows, based on the market interest rate at the time of issue for an equivalent non-convertible bond. The amount of the option is defined as the difference between the net proceeds and the amount of the liability component and included in equity. The value of the conversion option is not changed in subsequent periods. The conversion features of the equity-linked bond issued during 2014 fail equity classification. Upon exercise of a conversion right the company is entitled to deliver shares, or pay an amount of money or deliver a combination of shares and cash. Therefore, the option is accounted for as an embedded derivative liability, measured at fair value through profit or loss, while the debt host loan is carried at amortized cost as stated above.

Borrowings are classified under current liabilities unless the company has an unconditional right to defer the payment for at least twelve months after the balance sheet date, and are removed from the balance sheet when they expire and the Group has transferred all risks and obligations relating to the instrument.

Derivative instruments

In accordance with the provisions of IAS 39 as approved by the European Commission, the derivative financial instruments used by the Group with the intention of hedging in order to reduce the foreign currency and interest rate risks, can be recorded according to the "hedge accounting" methodology only when:

- a formal designation and documentation relating to the hedge exists at the beginning of the hedge;
- it is presumed that the hedge is highly effective;
- the effectiveness can be reliably measured and the hedge is highly effective over the different financial periods for which it was designated.

All derivative financial instruments are measured at fair value, in accordance with IAS 39. When the financial instruments possess the characteristics required to be recorded according to the hedge accounting, the following accounting procedures are applied:

- *Fair value hedge* – if a derivative financial instrument is designated as a hedge for the exposure of changes in the current value of an asset or liability on the financial statements attributable to a specific risk that can determine effects on the income statement, the profit or loss after the initial valuation of the fair value of the hedge instruments is recognized in the income statement. The profit or loss on the hedged item, related to the hedged risk, changes the book value of that item and is recognized on the income statement.
- *Cash flow hedge* – if a derivative financial instrument is designated as a hedge for the exposure of changes in the cash flows of an asset or liability recorded on the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or losses of the financial instrument is recognized in an equity reserve. The cumulative profits or losses are reversed from equity and recorded in the income statement in the same period as the operation that is hedged. The profits or losses associated with a hedge or with that part of the hedge that has become ineffective, are immediately recorded in the income statement. If a hedge instrument or a relation of a hedge is closed, but the hedged operation has not yet been realized, the cumulative profits and losses, up to that moment recorded in equity, are recognized in the income statement when the relative operation is

realized. If the operation hedged is no longer considered probable, the profits or losses not yet realized in equity are recognized immediately in the income statement.

If hedge accounting cannot be applied, the profits or losses deriving from the fair value of the derivative financial instruments are immediately recognized in the income statement.

2.10 Inventory

Inventories are measured at the lower of either the purchase or production cost or the net realisable value. The cost of raw materials and purchased finished products is calculated using the "weighted average cost" method or the standard cost where it approximates actual cost. The cost of semi-finished products and internally produced finished products includes raw material, direct labour costs and the indirect costs allocated based on normal production capacity.

The net realizable value is determined on the basis of the estimated selling price under normal market conditions, net of direct sales costs.

Against the value of stock as determined above, provisions are made in order to take account of obsolete or slow moving stock.

2.11 Trade receivables

Trade receivables are initially classified on the financial statements at their current value and subsequently recalculated with the "amortised cost" method, net of any write-downs for loss in value. A provision for doubtful accounts is allocated when there is evidence that the Group will not succeed in collecting the original amount due. The provisions allocated for doubtful accounts are recorded in the income statement.

The Group also transfers trade receivables to factoring companies. Since such receivables represent legally sold credit, they do not comply with all the conditions of paragraphs 17 and following of IAS 39. They are not removed from the balance sheet, but are maintained on the financial statement with a contra entry as a financial debt towards the factoring company.

2.12 Cash in hand and at bank

Cash and cash equivalents include cash, bank deposits on demand and other highly liquid short-term investments available within three months from purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognized in the income statement. Bank overdrafts are posted under current liabilities.

2.13 Employee benefits

Pension plans

The Group recognises different forms of defined benefit plans and defined contribution plans, in line with the local conditions and practices in the countries in which it carries out its activities. The premiums paid for defined contribution plans are recorded in the income statement for the part matured in the year. The defined benefit plans are based on the working life of the employees and on the remuneration received by the employee during a predetermined period of employment.

The obligation of the company to finance the defined benefit plans and the annual cost recognized in the income statement are determined by independent consultants using the "projected unit credit" method. The related costs are recorded in the income statement on the basis of the estimated employment period of employees. The Group recognises all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise.

The employee severance fund of Italian companies ("TFR") has always been considered to be a defined benefit plan however, following the changes to the discipline that governs the employment severance fund introduced by Italian law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accruing from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";

- the portion of the employee benefit liability accruing as of 31st December 2006, must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

For an analysis of the accounting effects deriving from this decision, see paragraph 4.18 "Employees benefits".

Remuneration plans under the form of share capital participation

The Group recognises additional benefits to some employees and consultants through "equity settled" type stock options. In accordance with IFRS 2 - Share-based payments, the current value of the stock options determined at the vesting date through the application of the "Black & Scholes" method is recognized in the income statement under personnel costs in constant quotas over the period between the vesting date of the stock options and the maturity date, counterbalanced by an equity reserve.

The effects of the vesting conditions not related to the market are not taken into consideration in the fair value of the vested options, but are material to measurement of the number of options which are expected to be exercised.

At the balance sheet date the Group revises its estimates on the number of options which are expected to be exercised. The impact of the revision of the original estimates is recognized in profit or loss over the maturity period, with a balance entry in equity reserves.

When the stock option is exercised, the amounts received by the employee, net of the costs directly attributable to the transaction, are credited to share capital for an amount equal to the par value of the issued shares and to the share premium reserve for the remaining part.

2.14 Provisions for risks and charges

The Group records provisions for risks and charges when:

- has a legal or constructive obligation to third parties;

- it is probable that it will be necessary to use resources of the Group to settle the obligation;

- a reliable estimate of the amount can be made;

- changes in estimates are recorded in the income statement of the period in which the changes occur.

2.15 Revenue recognition

Revenues include the fair value of the sale of goods and services, less VAT, returns and discounts. In particular, the Group recognises the revenues from the sale of goods sold at the shipment date, when all the risks and rewards relating to the ownership of the goods have been transferred to the client, or on delivery to the client, in accordance with the sales terms agreed. If the sale includes the right for the client to return unsold goods, the revenue is recognized on the date of shipment to the client, net of a provision which represents the best estimate of the products to be returned by the client and which the Group will no longer be able to place on the market. This provision is based on specific historical data and on the specific knowledge of the clients; historically there have not been significant differences between the estimates made and the products actually returned.

This item does not include transportation costs charged to customers who have been classified as a reduction of the respective cost item.

2.16 Public contributions

The Group recognises public contributions when there is reasonable certainty that they will be received and that the conditions required for the contribution have been or will be respected.

The contributions received are recorded in the income statement for the time required to relate them to the relative costs and they are considered as deferred income.

2.17 Royalties

The Group recognises royalty income and expenses in accordance with the accrual principle and in compliance with the substance of the contracts agreed.

2.18 Dividends

Dividends are recorded when the right of the Shareholders to receive the payment arises, which normally occurs when the Shareholders' meeting resolves the distribution of dividends. The distribution of dividends is therefore recorded as a liability on the financial statements in the period in which the distribution is approved by the Shareholders' meeting.

2.19 Income taxes

Income taxes include all taxes calculated on the taxable profits of the companies of the Group. Income taxes are recognized on the income statement, with the exception of those relating to accounts that are directly credited or debited to equity, in which case the tax effect is recognized directly in equity. Taxes not related to income (e.g. property taxes) are stated with operating costs.

Income tax expense also includes any provisions to cover risks arising from disputes over taxes inclusive of amounts related to taxes due and any penalties and interest.

Deferred taxes are calculated on fiscal losses that can be carried forward and all the temporary differences between the assessable income of an asset or liability and the relative book value. Deferred tax assets are recognized only for those amounts where it is probable there will be future taxable income allowing for recovery of the amounts.

Current and deferred tax assets and liabilities are offset when the income tax is applied by the same tax authority and when there is a legal right to offsetting. The deferred tax assets and liabilities are determined with the fiscal rates that are expected to be applied, in accordance with the regulations of the countries in which the Group operates, in the years in which the temporary differences will be realized or extinguished.

2.20 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit or loss of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted

Diluted earnings per share are calculated by dividing the profit or loss of the Group by the weighted average number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the weighted average number of shares outstanding is adjusted for the dilution potential on ordinary shares (e.g. for stock options and convertible bonds), while the profit or loss of the Group is adjusted to take into account the effects, net of income taxes, of the conversion.

2.21 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts posted in the financial statements, such as the balance sheet, the income statement, the cash flow statement and the notes thereto. Actual results of the balances on the financial statements, resulting from the above-mentioned estimates and assumptions, may differ from those reported on the financial statements due to the uncertainty which characterizes the assumptions and the conditions on which the estimates are based. The accounting standards that are more subject to the directors' estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements of the Group are described briefly below.

- *Goodwill*: in accordance with the accounting standards adopted for the preparation of the financial statements, the company tests goodwill at least once a year in order to ascertain the existence of any loss in value to be recorded in the income statement. In particular, the test results in the determination of the fair value allocated to the cash-generating units. This value is determined according to their current value in use. The allocation of the goodwill to the cash-generating units and the determination of their value require estimates which depend on factors that may change over time with consequent effects, which may be significant, compared to the Directors' assessments.

- *Write-down of* fixed *assets*: in accordance with the accounting standards applied by the Group, the fixed assets are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulty in recovering the relative net book value through use. The verification of the existence of such difficulty requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is deemed that there may be a potential loss in value, the Group determines this using the most appropriate technical valuation methods available. Proper identification of the indicators of contingent impairment as well as the estimates used to determine them depend on factors which may vary over time, influencing the Directors' measurements and estimates.

- *Allowance for bad or doubtful debts*: the allowance for bad or doubtful debts reflects the management's best estimate regarding losses concerning the credit portfolio towards the final client. This estimate is based on the losses expected by the Group, determined on the basis of past experience for similar credits, current and historic overdue, careful monitoring of credit quality and projections regarding the economic and market conditions.

- *Allowance for* inventory *obsolescence*: the inventory of finished products which are obsolescent or slow moving are regularly subjected to specific assessment tests, which take into consideration past experience, historic results and the probability of sale under normal market conditions. If the need to reduce the value of the stock should arise following these analyses, management proceeds with the appropriate write-downs.

- *Product warranty* provision: when a product is sold, the Group estimates the relative costs of performing work under guarantee and allocates a provision on the basis of historic information and a series of statistical data regarding the nature, frequency and the average cost of such work. The Group operates constantly to minimize the costs of work performed under guarantee and to improve the quality of its products.

- *(Contingent) liabilities*: the Group is subject to legal and tax actions regarding different types of problems; due to uncertainties relating to proceedings and the complexity of such proceedings, the management consults its lawyers, and other legal and fiscal experts, and when expenditure is considered probable and the amount can be reasonably estimated, adequate funds are allocated.

- *Pension plans*: the companies of the Group participate in pension plans, the costs of which are calculated by the management, with the assistance of the Group's actuarial consultants, on the basis of statistical assumptions and assessment factors regarding in particular the discount rate to be used, relative mortality and resignation rates.

- *Deferred taxes*: deferred tax assets are accounted for on the basis of the expectations of future taxable income. The measurement of expected income for recognition of deferred taxes depends on factors that may change over time and may have a material impact influence on the estimate of the deferred tax assets.

2.22 Fair value estimates

The fair value of the financial instruments traded on an active market is based on the listed price at the balance sheet date.

The fair value of the financial instruments not traded on an active market is calculated in accordance with valuation techniques, by applying models and techniques that are widely used in financial sectors and in particular:

- the fair value of the interest rate swaps is calculated on the basis of the current value of future cash flows;

- the fair value of the forward currency hedging contracts is determined on the basis of the current value of the differences between the contracted forward exchange rate and the spot market rate at the balance sheet date;

- the fair value of stock options is calculated using the Black & Scholes model.

3. Risk management

The operations of the Safilo Group are subject to various financial risks, in particular:

- credit risks, relative to normal business relations with clients and to financial assets in the financial statements;

- market risks (mainly interest and exchange rate risks), since the Group operates internationally and uses financial instruments that generate interests;

- cash flow risks, with particular regard to the ability to promptly find resources on financial markets under normal market conditions when needed.

The Group constantly monitors the financial risks to which it is exposed, in order to assess potentially negative effects in advance and to take appropriate corrective measures with the aim of eliminating or, at the least, limiting the negative effects deriving from the risks in question.

The risks to which the Group is exposed are managed centrally on the basis of hedging policies that may also include the use of derivative instruments with the aim of minimizing the effects deriving from exchange rate (especially in relation to the US dollar) and interest rate fluctuations.

Credit risks

The Group strives to reduce risk deriving from the insolvency of its customers through rules ensuring that sales are made to reliable and solvent customers. The relative assessment is based on information regarding the solvency of customers and statistical historical data. However, the credit risk is mitigated by the fact that credit exposure is spread over a very large number of clients.

Positions of a significant amount for which the Group recognizes that total or partial recovery will be effectively impossible, also taking into account any guarantees obtained, as well as the charges and expenses that will have to be sustained for the attempted credit recovery, are subject to individual write-down.

The Group’s theoretical maximum exposure to the credit risk at the date of the balance sheet is represented by the book value of the financial assets.

As required by IFRS 7, paragraph 36, the table below analyses the age of receivables as of 31st December 2015 and 31st December 2014:

(Euro/000)	December 31, 2015		December 31, 2014	
Ageing of trade receivables	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**
Overdue and impaired				
up to 3 months	2,857	(1,385)	1,595	(997)
3 to 6 months	2,114	(1,245)	1,390	(953)
6 to 9 months	1,294	(1,065)	1,614	(1,357)
from 9 to 12 months	3,300	(2,902)	1,699	(1,578)
from 12 to 24 months	4,136	(4,112)	5,732	(5,692)
over 24 months	12,985	(12,985)	13,745	(13,595)
Grand total	**26,685**	**(23,695)**	**25,775**	**(24,172)**
Overdue and not impaired				
up to 3 months	32,487		33,561	
3 to 6 months	6,970		5,658	
6 to 9 months	1,256		1,725	
from 9 to 12 months	1,082		1,236	
from 12 to 24 months	1,061		1,378	
over 24 months	396		1,085	
Grand total	**43,251**		**44,643**	
Neither overdue nor impaired	209,787		228,414	
Grand total	**279,724**	**(23,695)**	**298,832**	**(24,172)**

The above table is based on the ageing and refers to trade receivables gross of any credit notes and documents still not issued to customers as they have not been yet specifically allocated to the ageing. These amounts substantially reduce the credit risk not covered by the allowance for bad and doubtful debts.

At 31st December 2015 past due receivables for which no allowance for bad debts was made, as the Group considered them fully collectible, amounted to 43,251 thousand Euro (compared to 44,643 thousand Euro at 31st December 2014). Of these, receivables that were more than 12 months past due amounted to 1,457 thousand Euro (compared to 2,463 thousand at 31st December 2014) but accounted for 0.5% of the Group's total trade receivable compared to 0.8% in the previous year.

Market risks

Market risks can be divided into the following categories:

Exchange rate risk

The Group operates internationally and is therefore exposed to risks deriving from variations in exchange rates that may influence the value of its shareholders' equity and financial results.

In particular, the Group is exposed to risks regarding the exchange rate between the Euro and the US Dollar, since some of the companies of the Group usually sell goods on the North American market and on other markets where the US dollar is the main currency used for business (Far-East).

The Group constantly tries to reduce the effects deriving from fluctuations in the US currency by getting its supplies from local suppliers in areas where purchases are made in American dollars and thus implementing a sort of "natural hedging". The remaining exposure can be hedged with currency forward contracts ("plain vanilla") always expiring in less than 12 months.

As far as concern the sensitivity analysis, note that an increase or decrease of 10% of Euro against the US Dollar and the Hong Kong Dollar would result respectively in a decrease or an increase of the 2015 net sales of around 53 million Euro (around 45.6 million Euro in 2014) and in a decrease or an increase of the net profit of the Group of around 3,3 million Euro (around 3 million Euro in 2014).

Furthermore, the Group owns shareholdings in subsidiaries located in areas outside the European Monetary Union, the variations in the net assets, deriving from fluctuations in the exchange rates of the local currency against the Euro, are recorded in a reserve of the consolidated shareholders' equity named "translation reserve".

The tables below summarize the net financial assets of the Group per foreign currency at 31st December 2015 and 31st December 2014:

(Euro/000)	**December 31, 2015**	**December 31, 2014**
USD	453,537	411,131
HKD	254,073	263,068
CNY	80,591	79,740
GBP	25,120	22,919
CAD	29,818	30,636
CHF	25,172	23,497
SEK	17,389	16,542
BRL	20,687	5,561
Other currencies	16,877	15,571
Total	**923,263**	**868,667**

In terms of translation risk related to the conversion of the equity of the companies in foreign currencies other than the Euro, the sensitivity analysis shows that a possible revaluation or devaluation of 10% of Euro against those currencies, would respectively cause a decrease or increase in Group net equity of about Euro 81 million (about Euro 79 million in 2014).

The table below summarize the financial assets and liabilities of the Group per currency at 31st December 2015 and 31st December 2014:

(Euro/000)	December 31, 2015			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	16,611	37,323	32,706	86,640
Trade receivables, net	102,590	85,562	55,607	243,759
Derivative financial instruments	-	-	1,727	1,727
Other current assets	28,143	13,548	12,492	54,183
Total current financial assets	**147,344**	**136,433**	**102,532**	**386,309**
Derivative financial instruments	-	-	-	-
Other non-current assets and available for sale fin. assets	472	937	1,758	3,167
Total non-current financial assets	**472**	**937**	**1,758**	**3,167**
Trade payables	120,174	77,646	22,350	220,170
Short-term borrowings	44,022	-	-	44,022
Derivative financial instruments	760	117	-	877
Tax payables and other current liabilities	42,235	11,369	19,146	72,750
Total current financial liabilities	**207,191**	**89,132**	**41,496**	**337,818**
Long-term borrowings	132,526	-	-	132,526
Derivative financial instruments	3,614	-	-	3,614
Other non-current liabilities	30,017	5,154	413	35,584
Total non-current financial liabilities	**166,157**	**5,154**	**413**	**171,724**

(Euro/000)	December 31, 2014			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	6,593	51,058	30,901	88,552
Trade receivables, net	95,831	89,334	81,143	266,308
Derivative financial instruments	-	-	1,594	1,594
Other current assets	27,094	9,237	13,288	49,619
Total current financial assets	**129,517**	**149,629**	**126,926**	**406,073**
Derivative financial instruments	-	-	-	-
Other non-current assets and available for sale fin. assets	534	857	1,506	2,897
Total non-current financial assets	**534**	**857**	**1,506**	**2,897**
Trade payables	133,686	55,625	21,464	210,775
Short-term borrowings	62,722	-	12,597	75,319
Derivative financial instruments	68	-	-	68
Tax payables and other current liabilities	47,533	17,334	20,323	85,190
Total current financial liabilities	**244,009**	**72,959**	**54,384**	**371,352**
Long-term borrowings	176,490	-	3	176,493
Derivative financial instruments	4,426	-	-	4,426
Other non-current liabilities	5,355	4,792	370	10,517
Total non-current financial liabilities	**186,271**	**4,792**	**373**	**191,436**

Changes in fair value risk

The Group holds some assets that are subject to variations in value over time according to the variations of the market on which they are traded.

With regard to trade payables and receivables and other current and non-current assets, it is assumed that their book value is approximately equal to their fair value.

With reference to the Equity-Linked Bond issued in 2014, given the presence of a "cash settlement option", the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are subject to the market performance of Safilo stock, and immediately charged to income statement in the financial income (expenses).

Interest rate risk

Borrowing from banks exposes the Group to the risk of variations in the interest rates. In particular, floating-rate borrowings are subject to a cash flow risk.

At 31st December 2015 the floating-rate portion of the Group's total borrowings not subject to hedging amounted to 44,022 thousand Euro (accounting for 24.94% of total debt) compared to 55,322 thousand Euro in the previous year (accounting for 21.97% of total debt).

The Group monitors constantly its exposure to changes in interest rates, managing this risk through interest rate swaps (IRSs). The interest rate swap contracts are stipulated with primary financial institutions and, at the beginning of the hedge, the formal designation is made and the documentation relating to the hedge is prepared.

The table below summarizes the interest repricing calendar for the interest-bearing loans, floating and fixed loans, at 31st December 2015 and 31st December 2014:

December 31, 2015			
(Euro/000)	**Floating**	**Fixed**	**Total**
within 1 year	44,022	-	44,022
between 1 and 2 years	-	-	-
between 3 and 5 years	-	132,526	132,526
Total	**44,022**	**132,526**	**176,548**

December 31, 2014			
(Euro/000)	**Floating**	**Fixed**	**Total**
within 1 year	55,319	20,000	75,319
between 1 and 2 years	3	-	3
between 3 and 5 years	-	176,490	176,490
Total	**55,322**	**196,490**	**251,812**

The floating interest-bearing loans on December 31, 2015 are not covered by interest rate swap contracts.

The following table summarizes the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31st December 2015 and 31st December 2014:

December 31, 2015 *(Euro/000)*	Currency	Nominal interest rate	Internal interest rate	Book value	Expiry
Convertible Bonds Equity Linked	*EURO*	1,25%	5.102%	132,526	05/22/2019
Revolving facility	*EURO*	Euribor	3.298%	-	July 2018

December 31, 2014 *(Euro/000)*	Currency	Nominal interest rate	Internal interest rate	Book value	Expiry
Convertible Bonds Equity Linked	*EURO*	1,25%	5.102%	127,905	05/22/2019
Revolving facility	*EURO*	Euribor	3.398%	48,585	July 2018

As far as concern the sensitivity analysis, a positive (negative) variation of 50 bps in the level of the short-term interest rates applied to the variable rate financial liabilities not subject to hedging would have represented a greater (lower) annual financial charge, on a pre-tax basis, of around 371 thousand Euro (519 thousand Euro at 31st December 2014).

Liquidity risk

This risk could generate the inability to find the necessary financial resources to back up the operating activities at good market terms within the timeframe available. The Group companies' cash flows, borrowing requirements and liquidity are monitored constantly at central level by the Group's treasury to ensure an effective and efficient use of the cash available.

The following table details the lines of credits granted to the Group, the uses and the lines of credit available, net of factoring and leasing transactions:

December 31, 2015 *(Euro/000)*	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	131,753	39,013	92,740
Credit lines on long-term loans	150,000	-	150,000
Total	**281,753**	**39,013**	**242,740**

December 31, 2014 *(Euro/000)*	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	105,008	49,053	55,955
Credit lines on long-term loans	150,000	50,000	100,000
Total	**255,008**	**99,053**	**155,955**

The credit lines available on long-term loans are related to a committed revolving financing called "Revolving Credit Facility", underwritten by Intesa San Paolo, Unicredit and BNP Paribas, totalling a maximum of Euro 150 million, expiring on July 2018, not used at December 31, 2015.

The table below summarizes the financial assets and liabilities of the Group by maturity, undiscounted and inclusive of the interest payments, at 31st December 2015 and 31st December 2014:

(Euro/000)	**December 31, 2015**				
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Total**
Cash in hand and at bank	86,640	-	-	-	86,640
Trade receivables, net	243,759	-	-	-	243,759
Derivative financial instruments	1,727	-	-	-	1,727
of which Interest Rate Swaps	-	-	-	-	-
Other current assets	54,183	-	-	-	54,183
Other non-current assets and available for sale fin. assets	-	2,097	155	915	3,167
Total financial assets	**386,309**	**2,097**	**155**	**915**	**389,476**
Trade payables	220,170	-	-	-	220,170
Tax payables	25,266	-	-	-	25,266
Borrowings	44,022	-	132,526	-	176,548
Interest payments	1,875	1,875	2,813	-	6,563
Derivative financial instruments	877	-	3,614	-	4,491
of which Interest Rate Swaps	-	-	-	-	-
Other current liabilities	47,484	-	-	-	47,484
Other non-current liabilities	-	30,912	1,384	3,288	35,584
Total financial liabilities	**339,694**	**32,787**	**140,337**	**3,288**	**516,105**

(Euro/000)	December 31, 2014				
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	88,552	-	-	-	88,552
Trade receivables, net	266,308	-	-	-	266,308
Derivative financial instruments	1,594	-	-	-	1,594
of which Interest Rate Swaps	-	-	-	-	-
Other current assets	49,619	-	-	-	49,619
Other non-current assets and available for sale fin. assets	-	1,949	283	665	2,897
Total financial assets	**406,073**	**1,949**	**283**	**665**	**408,970**
Trade payables	210,775	-	-	-	210,775
Tax payables	33,041	-	-	-	33,041
Borrowings	75,319	3	176,490	-	251,812
Interest payments	6,507	6,487	11,945	-	24,939
Derivative financial instruments	68	-	4,426	-	4,494
of which Interest Rate Swaps	*68*	-	-	-	*68*
Other current liabilities	52,149	-	-	-	52,149
Other non-current liabilities	-	5,946	2,045	2,526	10,517
Total financial liabilities	**377,859**	**12,436**	**194,906**	**2,526**	**587,727**

The table below summarizes the gross derivative financial instruments outflow and inflow by maturity, relating forward agreement to purchase foreign currencies at 31st December 2015 and 31st December 2014:

December 31, 2015 *(Euro/000)*	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years
Gross derivative financial instruments outflow	(142,213)	-	-	-
Gross derivative financial instruments inflow	142,579	-	-	-
Total undiscounted gross settled derivatives	**365**	**-**	**-**	**-**

December 31, 2014 *(Euro/000)*	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years
Gross derivative financial instruments outflow	(54,695)	-	-	-
Gross derivative financial instruments inflow	56,305	-	-	-
Total undiscounted gross settled derivatives	**1,610**	**-**	**-**	**-**

Classification of financial instruments

The table below shows the financial instruments reported on the balance sheet, according to the analyses requested by IFRS 7, with indication of the valuation criteria applied and, in the case of "financial instruments measured at fair value", the impact on the income statement or the shareholders' equity. If applicable, the last column of the table shows the fair value of the financial instrument.

Financial instruments	**Financial instruments at fair value through**					
(Euro/000)	**Income Statement**	**Equity**	**Financial instruments at amortised cost**	**Investments and non-listed financial assets at cost**	**Current value at Dec. 31, 2015**	***Fair value at Dec. 31, 2015***
ASSETS						
Cash in hand and at bank	-	-	86,640	-	86,640	86,640
Trade receivables, net	-	-	243,759	-	243,759	243,759
Derivative financial instruments	1,155	572	-	-	1,727	1,727
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	54,183	-	54,183	54,183
Other non-current assets	-	-	3,167	-	3,167	3,167
Total assets	**1,155**	**572**	**387,749**	**-**	**389,476**	**389,476**
LIABILITIES						
Short-term and long-term borrowings	-	-	176,548	-	176,548	163,351
Derivative financial instruments	4,491	-		-	4,491	4,491
Other current liabilities	-	-	47,484	-	47,484	47,484
Other non-current liabilities	-	-	35,584	-	35,584	35,584
Total liabilities	**4,491**	**-**	**259,616**	**-**	**264,107**	**250,910**

Financial instruments	**Financial instruments at fair value through**					
(Euro/000)	**Income Statement**	**Equity**	**Financial instruments at amortised cost**	**Investments and non-listed financial assets at cost**	**Current value at Dec. 31, 2014**	***Fair value at Dec. 31, 2014***
ASSETS						
Cash in hand and at bank	-	-	88,552	-	88,552	88,552
Trade receivables, net	-	-	266,308	-	266,308	266,308
Derivative financial instruments	1,594	-	-	-	1,594	1,594
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	49,619	-	49,619	49,619
Other non-current assets	-	-	2,897	-	2,897	2,897
Total assets	**1,594**	**-**	**407,376**	**-**	**408,970**	**408,970**
LIABILITIES						
Short-term and long-term borrowings	-	-	251,812	-	251,812	256,645
Derivative financial instruments	4,494	-	-	-	4,494	4,494
Other current liabilities	-	-	52,149	-	52,149	52,149
Other non-current liabilities	-	-	10,517	-	10,517	10,517
Total liabilities	**4,494**	**-**	**314,478**	**-**	**318,972**	**323,805**

The technique used to measure the fair value of the "short term and long term borrowings" provides that the contractual cash flows are discounted at a risk-adjusted discount rate that takes into account the market conditions observed at the measurement date. This technique is within level 2 of the fair value hierarchy.

Hierarchical levels of the fair value measurement

Financial instruments reported in the balance sheet valued at the fair value, according to IFRS 13, are classified in the three-level hierarchy that reflects the significance of the input used in determining the fair value. The three levels of fair value of the hierarchy are:

- Level 1 – if the instrument is quoted in an active market;
- Level 2 - if the fair value is measured based on valuation techniques for which all significant inputs are based on observable market data, other than quotations of the financial instrument;
- Level 3 – if the fair value is calculated based on valuation techniques for which any significant input is not based on observable market data.

The following table shows the liabilities and assets valued at their fair value at 31st December 2015, split by hierarchical level of the fair value.

(Euro/000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	1,727	-	1,727
Total assets	**-**	**1,727**	**-**	**1,727**
Derivative financial instruments	-	(4,491)	-	(4,491)
Total liabilities	**-**	**(4,491)**	**-**	**(4,491)**

In 2015 there have been no transfers from level 1 to level 2 and from level 2 to level 3 and vice versa.

4. Notes to the consolidated balance sheet

4.1 Cash in hand and at bank

This account totals Euro 86,640 thousand, compared to Euro 88,552 thousand at 31st December 2014 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date and the related credit risk is very limited as the counterparts are primary banks.

The following table shows the reconciliation of the entry "Cash in hand and at bank" with the cash balance presented on the cash flow statement:

(Euro/000)	**December 31, 2015**	**December 31, 2014**
Cash and cash equivalents	86,640	88,552
Bank overdrafts	(3,022)	(7,510)
Current bank borrowings	(36,000)	(41,548)
Net cash and cash equivalents	**47,618**	**39,494**

4.2 Trade receivables, net

This item breaks down as follows:

(Euro/000)	**December 31, 2015**	**December 31, 2014**
Gross value receivables	279,724	298,832
Allowance for doubtful accounts and sales returns	(35,965)	(32,524)
Net value	**243,759**	**266,308**

It should be highlighted that the Group has no particular concentration of credit risk, as its credit exposure is spread over a large number of clients. Furthermore the book value of trade receivables is considered to be approximately equal to their *fair value*.

Trade receivables included receivables sold to prime factoring companies that do not qualify for derecognition under IAS 39 for a total of 27,307 thousand Euro (27,454 thousand Euro at 31st December 2014).

The allowance for doubtful accounts and returns includes:

- provisions for doubtful accounts charged to the income statement under "General and administrative expenses" (note 5.4);
- provisions against the risk of returns of products sold and delivered to customers that, based on the relevant sales contracts, might be returned. This sum is charged to the income statement and is deducted directly from revenues.

The following table shows changes in the above mentioned allowance:

(Euro/000)	Balance at January 1, 2015	Posted to income statement	Use (-)	Transl. Diff.	Balance at December 31, 2015
Allowance for bad debts	24,172	4,843	(5,333)	13	23,695
Allowance for sales returns	8,352	3,604	(322)	637	12,270
Total	**32,524**	**8,446**	**(5,656)**	**650**	**35,965**

(Euro/000)	Balance at January 1, 2014	Posted to income statement	Use (-)	Transl. Diff.	Balance at December 31, 2014
Allowance for bad debts	26,300	3,175	(5,615)	313	24,172
Allowance for sales returns	6,057	3,493	(1,787)	588	8,352
Total	**32,357**	**6,668**	**(7,402)**	**901**	**32,524**

4.3 Inventories

This item breaks down as follows:

(Euro/000)	December 31, 2015	December 31, 2014
Raw materials	109,621	104,203
Work in progress	8,996	8,584
Finished products	252,326	244,476
Gross	**370,943**	**357,263**
Obsolescence provision (-)	(116,864)	(109,646)
Total	**254,079**	**247,617**

Given obsolete and slow-moving items, provisions are made on the basis of factors that reflect the possibility that finished products are sold and that raw materials and semi-finished products are used in production in future. This item is charged to income under "cost of sales".

The movements in the aforementioned provision are shown below:

(Euro/000)	Balance at January 1, 2015	Posted to income statement	Transl. Diff.	Balance at December 31, 2015
Inventory gross value	357,263	2,855	10,825	370,943
Obsolescence provision	(109,646)	(4,845)	(2,373)	(116,864)
Total net	**247,617**	**(1,990)**	**8,452**	**254,079**

(Euro/000)	Balance at January 1, 2014	Posted to income statement	Transl. Diff.	Balance at December 31, 2014
Inventory gross value	300,547	43,246	13,470	357,263
Obsolescence provision	(87,767)	(18,216)	(3,663)	(109,646)
Total net	**212,780**	**25,030**	**9,807**	**247,617**

4.4 Derivative financial instruments

The following table summarizes the amount of financial instruments:

(Euro/000)	December 31, 2015	December 31, 2014
Current assets:		
- Foreign currency contracts - Fair value through P&L	1,155	1,594
- Foreign currency contracts - cash flow hedge	572	-
Total	**1,727**	**1,594**
Non-current assets:		
- Interest rate swaps - cash flow hedge	-	-
Total	**-**	**-**

(Euro/000)	December 31, 2015	December 31, 2014
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	877	-
- Foreign currency contracts - cash flow hedge	-	-
- Interest rate swaps - Fair value through P&L	-	68
Total	**877**	**68**
Non-current liabilities:		
- Fair value cash settlement option convertible Bond	3,614	4,426
Total	**3,614**	**4,426**

The decrease for the portion relating to non-current liabilities is mainly due to the recognition of the component relating to the conversion option embedded in the "equity-linked" Bond issued on 22nd May 2014 which, given the presence of a "cash settlement option", represents a derivative financial instrument booked at fair value under non-current liabilities. The fair value changes of this instrument are immediately charged to income statement, and have contributed positively to the result of the period for Euro 812 thousand, as indicated in Note 5.7. At the balance sheet date, the fair value of the option amounts to Euro 3,614 thousand.

The market value of the forward contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had contracts for the hedging against exchange rate fluctuations for a positive net market value of Euro 850 thousand.

The following table summaries the characteristics and fair value of forward contracts (in place on Canadian Dollar, US Dollar, Japanese Yen, Swiss Franc, Mexican Peso, and South Korean Won):

December 31, 2015			**Fair value**	
(Euro/000)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	175,155	1,155	877
Cash flow hedge	within 1 year	6,820	572	-
Total forward contracts		**181,975**	**1,727**	**877**

December 31, 2014			**Fair value**	
(Euro/000)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	56,305	1,594	-
Total forward contracts		**56,305**	**1,594**	**-**

4.5 Other current assets

This item breaks down as follows:

(Euro/000)	December 31, 2015	December 31, 2014
VAT receivable	13,592	13,129
Tax credits and payments on account	13,099	7,753
Prepayments and accrued income	20,849	20,842
Receivables from agents	372	307
Other current receivables	6,271	7,588
Total	**54,183**	**49,619**

The tax credits and payments on account principally relate to tax credits and prepayments made during the financial year which will be offset against the relative tax payable.

Prepayments and accrued income amounted to 20,849 thousand Euro (20,842 thousand Euro at December 31st, 2014) and mainly consisted of:

- prepaid royalty costs of 12,030 thousand Euro;
- prepaid advertising costs of 1,601 thousand Euro;
- prepaid rent and operating lease costs of 2,756 thousand Euro;
- prepaid insurance for 436 thousand Euro.

The receivables from agents mainly refer to receivables deriving from the sale of samples.

Other current receivables amounted to 6,271 thousand Euro, compared to 7,588 thousand Euro in 2014, and related mainly:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for 2,041 thousand Euro, referring to receivables due from bankrupt customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the distribution plan of the bankruptcy procedure is executed;
- deposit payments due within 12 months for 626 thousand Euro;
- other receivables for 3,604 thousand Euro.

It is considered that the book value of the other current assets is approximately equal to their fair value.

4.6 Tangible assets

The table below summarises the changes occurred in the tangible assets:

(Euro/000)	Balance at January 1, 2015	Increase	Decrease	Reclass.	Reclass. non-current assets held for sale	Transl. diff.	Balance at December 31, 2015
Gross value							
Land and buildings	147,969	548	(3,612)	4,158	(13,035)	3,274	139,301
Plant and machinery	197,414	3,285	(4,708)	6,529	-	2,116	204,636
Equipment and other assets	242,799	13,230	(13,891)	8,213	-	10,910	261,260
Assets under constructions	8,407	17,086	(422)	(18,899)	-	108	6,279
Total	**596,589**	**34,148**	**(22,634)**	**-**	**(13,035)**	**16,408**	**611,476**
Accumulated depreciation							
Land and buildings	49,348	4,180	(1,977)	(3)	(3,121)	698	49,125
Plant and machinery	144,837	9,872	(4,855)	476	-	844	151,174
Equipment and other assets	199,126	20,470	(13,743)	(473)	-	8,299	213,679
Total	**393,311**	**34,521**	**(20,575)**	**-**	**(3,121)**	**9,841**	**413,978**
Net value	**203,279**	**(373)**	**(2,059)**	**-**	**(9,914)**	**6,567**	**197,498**

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2014
Gross value							
Land and buildings	142,220	730	(9)	696	-	4,333	147,969
Plant and machinery	190,925	1,995	(3,109)	4,922	-	2,681	197,414
Equipment and other assets	224,344	10,550	(10,786)	6,929	-	11,762	242,799
Assets under constructions	6,185	15,019	(404)	(12,547)	-	154	8,407
Total	**563,674**	**28,294**	**(14,308)**	**-**	**-**	**18,930**	**596,589**
Accumulated depreciation							
Land and buildings	44,534	3,830	(7)	-	-	990	49,348
Plant and machinery	137,836	8,657	(2,693)	-	-	1,037	144,837
Equipment and other assets	183,128	17,831	(10,598)	-	-	8,765	199,126
Total	**365,498**	**30,318**	**(13,298)**	**-**	**-**	**10,792**	**393,311**
Net value	**198,176**	**(2,024)**	**(1,011)**	**-**	**-**	**8,138**	**203,279**

A total of 34,148 thousand Euro was invested in tangible fixed assets in the financial period (28,294 thousand Euro at 31st December 2014), mainly as follows:

- 21,836 thousand Euro for the factories, mainly for the upgrading of plants and for the purchase and production of equipment for new models;

- 6,994 thousand Euro for the U.S. companies;
- the remaining part in other companies of the Group.

The decrease in land and buildings for a net value of 1,636 thousand Euro mainly refers to the disposal of the headquarters of the American company Smith Sport Optics Inc. according to the restructuring process started in late 2014. The other decreases for a net value of 423 thousand Euro mainly refers to the ordinary plants and equipment technological renewal.

The reclassification to "Non-current assets held for sale" mainly refers to the headquarters and distribution centre of the American company Safilo USA Inc. that is subject to a plan of disposal in course of negotiation. According to the plan the Distribution Centre will be consolidated into our Denver facility, the headquarters will be relocated in a site closer to New York city.

On December 31, 2015 the Group does not have any tangible fixed assets under finance lease contracts; during the year the Group has redeemed the building related to the logistic center of Padua which on December 31, 2014 had a net value of 10,159 thousand Euro, as shown in the following table.

(Euro/000)	**December 31, 2015**	**December 31, 2014**
Land and buildings	-	12,970
Accumulated depreciation (-)	-	(2,811)
Net book value	**-**	**10,159**
Equipment and other assets	332	489
Accumulated depreciation (-)	(332)	(429)
Net book value	**-**	**60**
Total	**-**	**10,219**

4.7 Intangible assets

The following table shows changes in intangible fixed assets:

(Euro/000)	Balance at January 1, 2015	Increase	Decrease	Reclass.	Transl. diff.	Balance at December 31, 2015
Gross value						
Software	32,596	2,489	(227)	19,478	1,381	55,716
Trademarks and licenses	54,447	592	(4)	-	30	55,065
Other intangible assets	8,264	14	(1)	-	302	8,580
Intangible assets in progress	14,184	10,654	(114)	(19,478)	13	5,259
Total	**109,491**	**13,749**	**(346)**	**-**	**1,726**	**124,620**
Accumulated amortization						
Software	27,204	4,240	(226)	-	1,033	32,251
Trademarks and licenses	20,328	2,263	(0)	-	25	22,616
Other intangible assets	7,153	41	(1)	-	227	7,420
Total	**54,685**	**6,544**	**(227)**	**-**	**1,285**	**62,287**
Net value	**54,806**	**7,205**	**(119)**	**-**	**441**	**62,333**

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Reclass.	Transl. diff.	Balance at December 31, 2014
Gross value						
Software	29,453	1,287	(8)	322	1,542	32,596
Trademarks and licenses	54,030	352	-	-	65	54,447
Other intangible assets	8,168	2	(273)	-	367	8,264
Intangible assets in progress	5,484	9,048	(38)	(322)	12.2	14,184
Total	**97,136**	**10,688**	**(319)**	**-**	**1,986**	**109,491**
Accumulated amortization						
Software	23,272	2,832	(33)	-	1,133	27,204
Trademarks and licenses	18,083	2,189	-	-	57	20,328
Other intangible assets	7,077	61	(247)	-	263	7,153
Total	**48,432**	**5,081**	**(280)**	**-**	**1,452**	**54,685**
Net value	**48,703**	**5,607**	**(39)**	**-**	**534**	**54,806**

Investments in intangible fixed assets made during the year amount to 13,749 thousand Euro (10,688 thousand Euro in the previous year). The increase in investments reported under the construction in progress is mainly due to the project to implement the new integrated information system (ERP) of the Group.

The reclassification from intangible assets in progress to software is referred to the portion of investments related to the modules of the new integrated information system (ERP) that have been completed and used during the year.

Depreciation & Amortization

Amortization and depreciation for tangible and intangible assets are allocated over the following income statement items:

(Euro/000)	*Notes*	2015	2014
Cost of sales	*5.2*	22,432	19,284
Selling and marketing expenses	*5.3*	5,339	4,803
General and administrative expenses	*5.4*	13,294	11,312
Total		**41,065**	**35,399**

The Group does not recognize as intangible assets the research and development costs related to both technological and production processes developments and product development in terms of design.

During the year the Group incurred and charged to income, costs for research and development amounting to 11,434 thousand Euro (13,641 thousand Euro in the previous year).

4.8 Goodwill

The item amounted to 583,908 thousand Euro and mainly refers to goodwill which arose in July 2001 following the public takeover bid (OPA) through a special purpose vehicle subsequently merged into the parent company. This goodwill upon the listing of 2005 and the transition to International Accounting Standards was then allocated to the various Group companies identified as Cash Generating Units and then aggregated at the level of the Business Units of the Group. This asset is therefore expressed in the functional currency of each individual company to which it was allocated.

The following table shows changes in goodwill:

(Euro/000)	Balance at January 1, 2015	Increase	Decrease	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2015
Goodwill	583,130	-	(40,475)	-	41,253	583,908

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Transl. diff.	Balance at December 31, 2014
Goodwill	536,075	-	-	47,055	583,130

During the period, the item recorded a decrease for an impairment loss equal to 40,475 thousand Euro and a change associated with the translation difference for the goodwill denominated in currencies other than the Euro.

The table below provides a breakdown of goodwill, allocated to the CGUs, by geographical area.

(Euro/000)	**Italy and Europe**	**Americas**	**Asia**	**Total**
December 31, 2015	161,743	231,328	190,837	583,908
December 31, 2014	159,856	214,423	208,850	583,130

Impairment test

Below describes the approach followed and the assumptions made to perform the impairment test.

For each identified cash-generating unit (CGU) of the Group, the recoverable amount is based on its value in use determined based on estimated future cash flow projections. This calculation is based on five-year projections for the period 2016-2020 determined by initial reference to the 2016 Budget approved by the Board of Directors on December 11th 2015 and consistent with the strategies defined by the Safilo 2020 Strategic Plan. The adoption of a five year projection was considered to be the most appropriate in order to illustrate the effects in terms of expected cash flows arising from the implementation of the strategies contained in the Strategic Plan of the Group.

Overall, the impairment test methodology used for the 2015 financial statements is consistent with criteria used for 2014 financial statements and is in line with the following factors:

- the management used the most recent information on future projections;
- the market risk premium used to calculate the weighted average cost of capital (WACC) was equal to 6% (5.75% in 2014);
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country where the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2020.

To calculate the present value, the future cash flows thus obtained were discounted to their present value at a discount rate (WACC) as at the test's date of reference that took into account the specificities of each area where the Group operates.

The cash flows generated after the horizon considered were determined on the basis of perpetual growth rates considered prudential with reference to the economic conditions of the country of reference.

The following table summarizes the WACC (after tax) and "g" rates used by the Group for the analyses performed when preparing financial statements:

Key assumptions	**"WACC" discount rate**		**Growth rate "g"**	
Business units	**2015**	**2014**	**2015**	**2014**
EMEA	5.96%	5.68%	1.6%	1.5%
Far East	7.60%	7.09%	2.8%	2.9%
America	6.85%	6.47%	2.5%	2.3%

The impairment test performed by the Group has shown a cover for the goodwill allocated on each of the three cash generating units but with different level of coverage.

Both the EMEA and Americas cash generating units have passed the test with sufficient cover to provide assurance that they should be able to pass also more challenging scenarios as calculated according to the sensitivity analysis.

The Far East cash generating unit has highlighted an higher risk due to the limited cover provided by the test. Considering risks behind a more uncertain economic outlook in the region going forward, according to the results of the sensitivity analysis, management has considered it appropriate to book an impairment loss of Euro 40,475 thousand on the goodwill allocated to the Far East cash generating unit.

In monitoring the goodwill value, the management developed sensitivities on the basis of various hypothetical future scenarios. The impairment test was performed in accordance with projections developed within the most conservative of the various sensitivities. The sensitivity analysis performed on the outcome of the test, in terms of changes in the basic assumptions that determine the extent of the impairment, has been based on the following scenarios:

- WACC increase by one percentage point;
- growth "g" rate reduction by one percentage point;
- a combination of increase of WACC and decrease of "g" rate of one percentage point.

The Group's management will continue to focus on circumstances and events that may cause any goodwill impairment in the future.

4.9 Investments in associates

Movements in investments in associates during financial year were as follows:

			Movements of the period				
(Euro/000)	Gross value	Revaluation / (write-down)	Value at January 1, 2015	Share of period results and write-down of dividends	Impairment / Disposal	Transl. diff.	Value at December 31, 2015
Elegance Optical Int. Holdings Ltd	6,599	1,006	7,605	-	(8,152)	547	-
Optifashion A.s. (in liquidation)	353	(353)	-	-	-	-	-
Total	**6,952**	**653**	**7,605**	**-**	**(8,152)**	**547**	**-**

On September 18th, the Group through its subsidiary Safilo Far East Ltd. has finalized the divestiture contract for the sale of the shares held in the associate Elegance Optical International Holding Ltd.. This divestiture resulted in the realization of a gain of 1,010 thousand Euro.

The company Optifashion A.s. with registered office in Istanbul (Turkey), a 50% held subsidiary of the Group, is not included in the consolidation perimeter, since the amounts are considered insignificant for the purpose of representing a true and fair view of the Group's financial position and result. As a result of its liquidation, we proceeded to complete devaluate its carrying value as it was no longer deemed recoverable.

4.11 Deferred tax assets and deferred tax liabilities

The following table shows the amounts of deferred tax assets and liabilities, net of the write-down applied:

(Euro/000)	December 31, 2015	December 31, 2014
Deferred tax assets	138,041	140,205
Valuation allowance (-)	(44,444)	(47,707)
Net deferred tax assets	93,597	92,498
Deferred tax liabilities	(11,146)	(8,772)
Total	**82,451**	**83,726**

Deferred tax assets, net of deferred tax liabilities, relating to some Group companies have been written down via provisioning of an allowance for tax credit impairment. This provisioning, considered prudential, amounts to 44,444 thousand Euro. This write-down can be reversed in future years, as prescribed by the International Accounting principle no. 12, in the presence of taxable income able to absorb tax losses and temporary differences between the carrying value of assets and liabilities and their tax base.

The table below provides details of the items affected by temporary differences on which deferred tax assets and liabilities were calculated.

Deferred tax assets

		Posted to				
(Euro/000)	Balance at January 1, 2015	Income statement	Equity	Reclass./Other changes	Transl. diff.	Balance at December 31, 2015
- Tax losses carried forward	44,831	3,946	-	(16)	(1,213)	47,548
- Inventories	46,488	(4,211)	-	-	3,068	45,345
- Taxed allowances for doubtful accounts	8,511	646	-	-	389	9,546
- Taxed provisions	4,449	(563)	-	-	(32)	3,854
- Employees benefit liabilities	1,199	759	(114)	-	14	1,858
- Intangible assets	2,903	(346)	-	-	15	2,572
- Tangible assets	14,516	(655)	-	-	687	14,548
- Other payables	506	66	-	-	(11)	561
- Taxed financial interests	12,339	(3,706)	-	-	-	8,633
- Other temporary differences	4,463	(1,244)	-	-	357	3,576
- Total deferred tax assets	**140,205**	**(5,308)**	**(114)**	**(16)**	**3,274**	**138,041**
- Devaluation of deferred tax assets on tax losses	(41,704)	387	-	-	1,328	(39,989)
- Devaluation of deferred tax assets on other temporary differences	(6,003)	1,512	-	-	36	(4,455)
- Total allowance on deferred tax assets	**(47,707)**	**1,899**	**-**	**-**	**1,364**	**(44,444)**
Total net	**92,498**	**(3,410)**	**(114)**	**(16)**	**4,638**	**93,597**

Deferred tax liabilities

(Euro/000)	Balance at January 1, 2015	Posted to: Income statement	Posted to: Equity	Reclass./Other changes	Transl. diff.	Balance at December 31, 2015
- Depreciation differences	5,272	1,793	-	-	702	7,767
- Goodwill	2,096	245	-	-	195	2,536
- Inventories	110	71	-	-	(13)	168
- Receivables and payables	24	30	-	-	(6)	48
- Other temporary differences	1,270	(715)	-	-	72	627
Total	**8,772**	**1,425**	**-**	**-**	**950**	**11,146**

The table below shows the Group's tax losses carryforwards for which deferred tax assets were recognised. It must be highlighted that, as stated in the previous paragraph, deferred tax assets calculated on the losses of some Group companies have been written down by a total of 39,989 thousand Euro because, at present, recovery via future taxable income is not considered likely. This valuation is based on six year projections for the period 2016-2021 determined by initial reference to the 2016 Budget approved by the Board of Directors on December 11th 2015 and consistent with the guidelines defined by the Safilo 2020 Strategic Plan.

Maturity *(Euro/000)*	**Tax losses**	**Tax benefit**
2020	1,551	388
2021	3,198	922
2024	4,923	242
2025	6,726	1,026
2026	2,684	132
2027	22,344	6,468
2028	7,471	370
2029	1,305	1
2030	10,622	314
Unlimited	152,010	37,685
Total	**212,834**	**47,548**
Provision		(39,989)
Total deferred tax assets on losses carried forward		**7,559**

Unused tax losses carry forward, detail by expiration date, for which deferred tax assets have not fully been recognised are as follow:

Expiration date *(Euro/000)*	**Tax losses**	**Impairment of tax losses**	**Net tax losses**
2020	1,551	(1,551)	-
2021	3,198	(2,350)	848
2024	4,923	-	4,923
2025	6,726	(4,073)	2,653
2026	2,684	-	2,684
2027	22,344	(8,177)	14,167
2028	7,471	(2,727)	4,744
2029	1,305	-	1,305
2030	10,622	-	10,622
Unlimited	152,010	(141,372)	10,639
Total	**212,834**	**(160,250)**	**52,584**

The following table instead shows deferred tax assets and liabilities split between the portion recoverable within one year and the portion recoverable after more than one year.

(Euro/000)	**December 31, 2015**	**December 31, 2014**
Deferred tax assets		
- recoverable within one year	58,524	57,465
- recoverable beyond one year	35,073	35,033
Total	93,597	92,498
Deferred tax liabilities		
- recoverable within one year	96	77
- recoverable beyond one year	11,050	8,696
Total	11,146	8,772
Total net	**82,451**	**83,726**

4.12 Other non-current assets

The table below shows details of non-current assets

(Euro/000)	**December 31, 2015**	**December 31, 2014**
Long-term guarantee deposit	2,987	2,729
Other long-term receivables	180	167
Total	**3,167**	**2,897**

"Long-term guarantee deposit" refer to security deposits for leasing contracts related to buildings used by some of the Group's companies. It is considered that the book value of the other non-current assets is approximately equal to their fair value.

4.13 Borrowings

This item breaks down as follows:

(Euro/000)	December 31, 2015	December 31, 2014
Bank overdrafts	3,022	7,510
Short-term bank loans	36,000	41,548
Short-term portion of financial leasing	-	1,919
Debt to the factoring company	5,000	24,342
Short-term borrowings	**44,022**	**75,319**
Medium long-term loans	-	48,585
Convertible Bonds	132,526	127,905
Medium long-term portion of financial leasing	-	3
Long-term borrowings	**132,526**	**176,493**
Total	**176,548**	**251,812**

The item "Bank loans and borrowings" include as the long-term borrowings :

- an unsecured and unsubordinated equity-linked Bond issued on 22 May 2014, from Safilo Group S.p.A., guaranteed by Safilo S.p.A., maturing on 22 May 2019 with an aggregate principal amount of Euro 150 million;
- a new committed, unsubordinated and unsecured "Revolving Credit Facility" amounting to Euro 150 million expiring in July 2018, unused at December 31, 2015.

The Bonds have been issued at par in the nominal amount of EUR 100,000 per Bond and will pay a coupon of 1.25% per annum, payable semi-annually in arrears on 22 November and 22 May of each year.

The Bonds became convertible into ordinary shares of Safilo Group S.p.A. following the approval on 10 July 2014 of the extraordinary general meeting of the Company of a capital increase to be solely reserved for the purposes of the conversion of such Bonds. The initial conversion price has been set at EUR 21.8623, representing a premium of 40.0% above the volume weighted average price of the ordinary shares of the Company on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange between launch and pricing. The Company will have the right to elect to settle any exercise of conversion rights in shares, cash or combinations of shares and cash.

The Issuer will have the option to redeem any outstanding Bonds at their principal amount (plus accrued but unpaid interest to, but excluding, the redemption date) on or after 6 June 2017 if the volume weighted average price of a share for a specified period is at least 130% of the conversion price in effect on each relevant dealing day. The Issuer may also redeem the Bonds at any time at their principal amount (plus accrued but unpaid interest to, but excluding, the redemption date) if less than 15% of the Bonds originally issued remain outstanding.

At final maturity, on 22 May 2019, the Bonds will be redeemed at their principal amount unless previously redeemed, converted, or purchased and cancelled.

The offer is made solely to qualified investors, the Bonds, starting from July 23, 2014, has been admitted to be traded on the "Third Market" (MTF), non-regulated market of Vienna Stock Exchange.

Such bond is carried at amortised cost, at an effective interest rate equal to 5.102%. Given the presence of a "cash settlement option", the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are immediately charged to income statement. At the balance sheet date, the fair value of the option amounts to Euro 3,614 thousand (see note 4.4).

The new committed, unsubordinated and unsecured "Revolving Credit Facility" amounting to Euro 150 million expiring in July 2018, has been underwritten by Safilo S.p.A. and Safilo U.S.A. Inc. in July 2014. On December 31, 2015 this facility was not drawn by the Group.

Such loan is subject to the respect of operating and financial commitments, standard for similar transactions. At 31st December 2015 the Group complies with all the outstanding covenants.

During the year the payables for financial leasing which on December 31, 2014 amounted to 1,922 thousand Euro and referred mainly to tangible assets owned under lease contracts by some Group's companies have been fully reimbursed.

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for 5,000 thousand Euro.

The expiry dates of medium and long-term loans are the following:

(Euro/000)	**December 31, 2015**	**December 31, 2014**
From 1 to 2 years	-	3
From 2 to 3 years	-	-
From 3 to 4 years	132,526	48,585
From 4 to 5 years	-	127,905
Beyond 5 years	-	-
Total	**132,526**	**176,493**

The following table shows the breakdown of net financial debt. This has been calculated consistently with Paragraph 127 of the CESR/05-054b recommendation implementing the European regulation CE 809/2004 and in line with the CONSOB (Italian securities & exchange commission) requirements of 26th July 2007.

	Net financial position *(Euro/000)*	**December 31, 2015**	**December 31, 2014**	**Change**
A	Cash and cash equivalents	86,640	88,552	(1,912)
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**86,640**	**88,552**	**(1,912)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(39,022)	(49,058)	10,036
G	Current portion of long-term borrowings	-	-	-
H	Other short-term borrowings	(5,000)	(26,261)	21,261
I	**Debts and other current financial liabilities (F+G+H)**	**(44,022)**	**(75,319)**	**31,297**
J	**Current financial position, net (D)+(E)+(I)**	**42,618**	**13,233**	**29,385**
K	Long-term bank borrowings	-	(48,585)	48,585
L	Bonds	(132,526)	(127,905)	(4,621)
M	Other long-term borrowings	-	(3)	3
N	**Debts and other non current financial liabilities (K+L+M)**	**(132,526)**	**(176,493)**	**43,967**
I	**Net financial position (J)+(N)**	**(89,908)**	**(163,260)**	**73,352**

The above table does not include the valuation of derivative financial instruments described in note 4.4 of this report.

The following shows the breakdown of bank and other borrowings by currency:

(Euro/000)	**December 31, 2015**	**December 31, 2014**
Short-term		
Euro	44,022	62,722
Chinese Renminbi	-	10,482
Japanese Yen	-	2,066
Swedish Kronor	-	49
Total	**44,022**	**75,319**
Medium long-term		
Euro	132,526	176,490
Swedish Kronor	-	3
Total	**132,526**	**176,493**
Total	**176,548**	**251,812**

4.14 Trade payables

This item breaks down as follows:

(Euro/000)	December 31, 2015	December 31, 2014
Trade payables for:		
Purchase of raw materials	47,469	42,729
Purchase of finished goods	60,031	58,564
Suppliers from subcontractors	7,503	5,360
Tangible and intangible assets	6,053	3,191
Commissions	2,812	2,685
Royalties	24,606	27,885
Advertising and marketing costs	35,625	35,973
Services	36,071	34,388
Total	**220,170**	**210,775**

The book value of the trade payables is maintained as being approximately the same as their fair value.

4.15 Tax payables

At 31st December 2015 tax payables amounted to 25,266 thousand Euro (compared to 33,041 thousand Euro in 2014). Of this sum 15,090 thousand Euro referred to income tax for the period, 2,844 thousand Euro to VAT payable and the balance related to taxes withheld, current and local taxes. Provision for the year's current income tax is shown in note 5.8 concerning income tax.

4.16 Other current liabilities

This item breaks down as follows:

(Euro/000)	December 31, 2015	December 31, 2014
Payables to personnel and social security institutions	37,596	41,629
Agent fee payables	1,510	1,590
Payables to pension funds	1,160	1,087
Accrued advertising and sponsorship costs	952	1,096
Accrued interests on long-term loans	203	363
Other accruals and deferred income	4,308	3,755
Other current liabilities	1,755	2,629
Total	**47,484**	**52,149**

Payables to personnel and social security institutions principally refer to salaries and wages for December and for unused holidays.

It is considered that the book value of the "other current liabilities" approximates their fair value.

4.17 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	Balance at January 1, 2015	Increase	Decrease	Transl. diff.	Balance at December 31, 2015
Product warranty provision	4,988	465	(145)	-	5,308
Agents' severance indemnity	3,776	334	(882)	2	3,230
Provision for corporate restructuring	426	-	(110)	47	363
Other provisions for risks and charges	4,517	3,873	(1,078)	-	7,312
Provisions for risks - long term	**13,707**	**4,672**	**(2,215)**	**49**	**16,213**
Product warranty provision	2,013	801	(518)	7	2,303
Provision for corporate restructuring	1,838	427	(1,317)	195	1,143
Other provisions for risks and charges	1,807	19,228	(379)	22	20,678
Provisions for risks - short term	**5,658**	**20,456**	**(2,214)**	**224**	**24,124**
Total	**19,365**	**25,128**	**(4,429)**	**273**	**40,337**

(Euro/000)	Balance at January 1, 2014	Increase	Decrease	Transl. diff.	Balance at December 31, 2014
Product warranty provision	5,375	56	(449)	6	4,988
Agents' severance indemnity	3,557	757	(543)	5	3,776
Provision for corporate restructuring	1,018	1,783	(2,412)	37	426
Other provisions for risks and charges	24,643	1,561	(21,687)	-	4,517
Provisions for risks - long term	**34,593**	**4,157**	**(25,091)**	**48**	**13,707**
Product warranty provision	1,357	879	(283)	60	2,013
Provision for corporate restructuring	-	1,680	-	158	1,838
Other provisions for risks and charges	1,968	285	(489)	43	1,807
Provisions for risks - short term	**3,325**	**2,844**	**(772)**	**261**	**5,658**
Total	**37,918**	**7,001**	**(25,863)**	**309**	**19,365**

The product warranty provision was recorded against the costs to be incurred for the replacement of products sold before the balance sheet date.

The agents’ severance indemnity was created against the risk deriving from the payment of indemnities in the case of termination of the agency agreement. This provision has been calculated based on existing laws at the balance sheet date considering all the future expected financial cash outflows.

The restructuring provision at December 31, 2015 includes the estimated liability accrued in 2014 regarding the reorganization and relocation of the Smith business, as part of its integration into Safilo and planned transformation into a global eyewear brand. The increase of the provision in 2015 for 427 thousand Euro is related to costs associated with the consolidation of the Group's North American distribution network into its Denver facility.

Provisions for other risks and charges refer to the best estimate made by the management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts. The increase in 2015 is mainly due to 1,175 thousand Euro related to a commercial restructuring in the EMEA Region and to 17,000 thousand Euro related to the litigation with the French Competition Authority.

Safilo's French subsidiary (Safilo France S.A.R.L.) together with other major competitors and a number of leading retailers in the French eyewear industry, has starting from 2009 been the subject of an investigation conducted by the French Competition Authority ("FCA") relating to pricing and sales practices in the industry.

In May 2015, Safilo France S.A.R.L. and Safilo S.p.A. in its capacity of parent-company received a Statement of Objections from the FCA. Safilo has examined the FCA's preliminary findings reported in the Statement of Objections and has recently reached an agreement with the FCA limiting the Group's liability at Euro 17 million. Consequently, a provision of Euro 17 million has been booked by the Group as the best estimate for the expected liability. The Group currently expects to receive the final investigation report and the fine, from the FCA by the end of 2016.

The estimate of the above mentioned allowances takes into account, where applicable, the opinion of legal consultants and other experts, past company's experience and others' in similar situations, as well as the intention of the company to take further actions in each case. The provision in the consolidated financial statements is the sum of the individual accruals made by each company of the Group.

The above mentioned allowances are considered sufficient to cover the existing risks.

4.18 Employees benefits

This item breaks down as follows:

(Euro/000)	December 31, 2015	December 31, 2014
Defined contribution plan	454	374
Defined benefit plan	30,721	32,350
Total	**31,175**	**32,724**

During the financial years under analysis, the item related to defined benefit plans showed the following movements:

(Euro/000)	Balance at January 1, 2015	Posted to income statement	Actuarial (gains) / losses	Uses	Transl. diff.	Balance at December 31, 2015
Defined benefit plan	32,350	1,504	(1,819)	(1,502)	188	30,721

(Euro/000)	Balance at January 1, 2014	Posted to income statement	Actuarial (gains) / losses	Uses	Transl. diff.	Balance at December 31, 2014
Defined benefit plan	34,506	1,773	3,602	(7,555)	24	32,350

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

The employee severance fund of Italian companies ("TFR"), which constitutes the main part of such benefits, has always been considered to be a defined benefit plan. However, following the changes in legislation governing the employment severance fund introduced by Italian law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accrued from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";
- the portion of the employee benefit liability accrued as of 31st December 2006 must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

The employee severance fund of Italian companies ("TFR") has no plan assets at its service.

Actuarial estimates used for calculating the employee severance liability accrued up to 31st December 2006 are based on a system of assumptions based on demographic parameters, economic parameters and financial parameters.

The demographic parameters are normally summarised in tables based on samples deriving from different institutes (ISTAT, INAIL, INPS, Italian General Accounts Office, etc.).

The economic parameters principally refer to long-term inflation rates and the financial yield rate, crucial for the revaluation of amounts accrued in the reserve for termination benefits.

The main financial parameter is given by the discount rate. The annual discount rate used to calculate the present value of the obligation was derived by the Iboxx Corporate AA index with a duration comparable to the duration of the collective of workers covered by the assessment.

The principal assumptions used for the purpose of the actuarial valuations as at December 31, 2015 and December 31, 2014 are summarized here follow:

	2015	2014
Discount rate	2.03%	1.49%
Inflation rate	2.00%	2.00%
Rate of benefit increase	3.00%	3.00%

(*) the rates considering the volatility are differentiated by reference year, the data presented in the table refers to the rate applied from 2020 onwards.

Below depicts the sensitivity of the Group's defined benefit obligations to changes in the principal assumptions.

(Eur/000) Assumption	Change	Increase	Decrease
Inflation	1.00%	1,578	(1,464)
Salary increase	0.25%	426	(408)
Discount rate	1.00%	(2,764)	3,281
Life expectancy	1 year	46	(46)

The amounts related to defined benefit plans recorded in the statement of comprehensive income can be divided as follows:

(Euro/000)	**2015**	**2014**
Service cost	(1,053)	(820)
Interest cost	(451)	(953)
Actuarial gain/(loss)	1,819	(3,602)
Total	**315**	**(5,375)**

4.19 Other non-current liabilities

Movements in other non-current liabilities were as follows:

(Euro/000)	**Balance at January 1, 2015**	**Increase**	**Decrease**	**Transl. diff.**	**Balance at December 31, 2015**
Other non current liabilities	10,517	30,418	(5,940)	589	35,584

At 31st December 2015 other non-current liabilities totalled 35,584 thousand Euro, compared to 10,517 thousand Euro at 31st December 2014. The increase is mainly related to the accounting of the first tranche equal to 30 million Euro, received on 12 January 2015, of the compensation amounting to Euro 90 million, agreed with the contract executed on January 12, 2015 with Kering Group that confirms the conclusion of the Gucci license agreement at the end of December 2016. After this first payment, the second will be paid in December 2016, the third in September 2018. Since the effectiveness of the early termination of the licence agreement is linked to the collection of the second instalment within the deadline specified above, the first tranche of the compensation has been considered as a deposit and it is therefore not recognized in the profit and loss of the Group in 2015.

The other non-current liabilities comprised also 5,584 thousand Euro mainly related to long-term debt under leases of stores of the U.S. subsidiary Solstice and the remaining portion for non-current liabilities recorded by some Group's companies.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). As at 31st December 2015, shareholders' equity amounts totaled 998,604 thousand Euro (of which 1,099 thousand Euro belonging to non-controlling interests) versus Euro 974,256 thousand Euro as at 31st December 2014 (of which Euro 2,720 thousand belonging to non-controlling interests).

In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus securing the company's continuity.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. As at 31st December 2015, the ratio stood at 8% (14% at 31st December 2014).

4.20 Share capital

During the year, it should be noted that some of the beneficiaries of the Stock Option Plan 2010-2013, exercised options for the second and third tranche for a total amount of 95,000 options exercised at an average exercise price equal to Euro 6.647 per share. This exercise resulted in the issuance of 95,000 shares with a nominal value of 5.00 euros, an increase of the share capital amounted of Euro 475,000 and an increase in the share premium reserve of Euro 156,450.

Following the above-mentioned capital increase, at 31st December 2015 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 313,149,825, consisting of no. 62,629,965 ordinary shares with a par value of Euro 5.00 each.

4.21 Share premium reserve

The share premium reserve represents:

- the higher value attributed on the transfer of shares of the subsidiary Safilo S.p.A. compared to the par value of the corresponding increase in share capital;
- the higher price paid compared to the par value of the shares, at the time the shares were placed on the Electronic Stock Market (MTA), net of listing costs;
- the premium resulting from conversion of convertible bonds;
- the premium received from the exercise of stock options by their holders and following the capital increase.

Following the above-mentioned capital increase, at 31st December 2015 the share premium reserve of the Parent Company, Safilo Group S.p.A., has recorded an increase of 156,450 Euro and amounts to Euro 484,845,364.

4.22 Retained earnings and other reserves

Retained earnings and other reserves include both the reserves of the subsidiaries generated after their inclusion in the scope of consolidation and the translation differences deriving from the translation into Euro of the financial statements of consolidated companies denominated in other currencies.
During the year, the movements of the item "retained earnings and other reserve" mainly refer to:

- for 76,191 thousand Euro to the positive translation differences coming from the translation into Euro of the subsidiaries' financial statements;
- for 638 thousand Euro to the cost for the period of the outstanding *stock option* plan;
- for 1,687 thousand Euro to the increase coming from the actuarial valuation, net of tax effect, of the employee termination indemnities of defined contribution plans;
- for 2,912 thousand Euro to the decrease related to the price paid for the purchase of minority interests in some companies, of which 1,013 thousand Euro belonging to the Group equal to the difference between the price paid and the book value of the minority interests acquired.

4.23 Cash flow hedge reserve

This item breaks down as follows:

		Consolidated statement of comprehensive income			
(Euro/000)	Balance at January 1, 2015	Profit (loss) of the period	Gain (loss) reclass to profit and loss	Total Profit (loss) of the period	Balance at December 31, 2015
Cash flow hedge reserve	-	572	-	572	572

		Consolidated statement of comprehensive income			
(Euro/000)	Balance at January 1, 2014	Profit (loss) of the period	Gain (loss) reclass to profit and loss	Total Profit (loss) of the period	Balance at December 31, 2014
Cash flow hedge reserve	(490)	490	-	490	-

The cash flow hedge reserve mainly refers to the current value of derivative instruments *currency forward contracts* that cover the currency exchange rate risk on future highly probable transactions.

4.24 Stock option plans

The extraordinary general meeting held on 15 April 2014, as proposed by the Board of Directors held on 5 March 2014, approved the capital increase up to a nominal value of Euro 7,500,000.00 by means of the issuance of up to a maximum of 1,500,000 ordinary shares, with the par value equal to 5.00 Euro, for the purpose of the 2014-2016 Stock Option Plan in favour of directors and/or employees of Safilo Group S.p.A. and of its subsidiaries.

Such Plan, aimed at the retention and motivation of directors and/or employees, by means of granting in tranches and free of charge a maximum of 1,500,000 options which give the beneficiaries the right to subscribe newly issued ordinary shares of the Company, at a par value of Euro 5.00 each, arising from the paid and separable capital increase, with exclusion of the option rights according to article 2441, paragraph 4 second part of the Civil Code, at the rate of no. 1 share for each Option.

The Plan has a total duration of approximately 10 years (from 2014 to 2024). The options granted to beneficiaries are exercisable after a minimum of two years from the last possible granting date of each tranche.

In particular, there are three different granting dates:

- the first tranche was granted by the Board of Directors held on 29 April 2014;
- the second tranche was granted by the Board of Directors which has approved the financial statements of the Company for the year ended 31.12.2014;
- the third tranche will be granted starting from the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2015 until 31 December 2016.

This Plan is in addition to the one already in place deliberated by the Extraordinary Meeting held on 5th November 2010, in which the Shareholders approved the issue of up to 1,700,000 new ordinary shares with a nominal value of 5.00 Euro each, for a total of Euro 8,500,000.00, to be offered to directors and/or employees of the Company and its subsidiaries in connection with the "2010-2013 Stock Option Plan".

This Plan, designed to incentivise and retain directors and/or employees/managers, is carried out through the grant, in different tranches, of up to 1,700,000 options, each such option entitling the beneficiary to subscribe to 1 of the foregoing ordinary Company share with a nominal value of 5.00 Euro each, issued for cash and without any all-or-none clause, excluding all pre-emptive rights pursuant to article 2441, paragraph four, second sentence of the Italian Civil Code.

The Plan will last for 9 years (from 2010 to 2019). The options granted to the beneficiaries may be exercised after three years from the grant date (except the first tranche, which will benefit from a shorter vesting period).

On 13 November 2013, the Board of Directors has amended the rules of the "Stock Options Plan 2010-2013" in order to reassign certain options returned to the availability of the Company as a result of resignations by some beneficiaries. In execution of the amendment on that date the Company proceeded to reassign a tranche of 65,000 options ("Fourth Tranche - bis") that may be exercised under the same operating conditions and in the same exercise period for the options set out in the fourth tranche.

The options attributed by both plans will mature when both the following vesting conditions are met: the continuation of the individual's employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT.

Information relating to the tranches of the Stock Options Plan 2010-2013 and of the Stock Options Plan 2014-2016 granted on 31st December 2015 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2010-2013				
First tranche	05/11/10	100,000	4.08	31/05/16
Second tranche	16/03/11	35,000	1.48	31/05/17
Third tranche	08/03/12	200,000	1.06	31/05/18
Fourth tranche	06/03/13	200,000	1.12	31/05/19
Fourth tranche-bis	13/11/13	65,000	1.76	31/05/19
Stock Option Plan 2014-2016				
First tranche	29/04/14	285,000	2.67	31/05/22
Second tranche	05/03/15	560,000	2.20	31/05/23

The fair value of the stock options was estimated on the vesting date based on the Black-Scholes model.

The main market inputs of the model used are shown below:

	Share price at grant date	Exercise price in Euro	Expected volatility	Risk free rate
Stock Option Plan 2010-2013				
First tranche	12.00	8.047	29.61%	1.476%
Second tranche	11.70	12.550	32.08%	1.871%
Third tranche	5.33	5.540	46.45%	1.067%
Fourth tranche	8.70	8.470	26.16%	0.382%
Fourth tranche-bis	14.04	14.540	30.62%	0.373%
Stock Option Plan 2014-2016				
First tranche	15.67	15.050	30.00%	1.044%
Second tranche	13.71	13.290	30.00%	0.352%

The table below shows the changes in the stock option plans occurred during the year:

	No. of options	Average exercise price in Euro
Stock Option Plan 2010-2013		
Outstanding at the beginning of the period	**710,000**	**8.098**
Granted	-	-
Forfeited	(15,000)	8.470
Exercised	(95,000)	6.647
Expired	-	-
Outstanding at period-end	**600,000**	**8.319**
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**295,000**	**15.050**
Granted	575,000	13.290
Forfeited	(25,000)	13.994
Exercised	-	-
Expired	-	-
Outstanding at period-end	**845,000**	**13.884**

During the year, 95,000 options, of the Plan 2010-2013, have been exercised of which 15.000 options belonging to the second tranche and 80.000 options to the third tranche at an average exercise price of 6.647 Euro equal to a total value of 631,450 Euro.

In the same period 575,000 options have been granted related to the second tranche of the new Plan 2014-2016.

Among the options outstanding at the end of the period, the first, the second and the third tranche of the Plan 2010-2013 have become exercisable starting respectively from the approval of the 2012, 2013 and 2014 financial statements until the end of the exercise period set for 31st May 2016, 31st May 2017 and 31st May 2018. The option exercisable still outstanding as at December 31, 2015 are equal to 335,000.

The fourth tranche of the Plan 2010-2013, equal to a total of 265,000 options will be exercisable from the date of approval of these financial statements until the expiry of the exercise period set for May 31, 2019.

The average exercise price for options of the Plan 2010-2013 outstanding at the year-end is equal to 8.319 Euro with an average remaining contract life of 2.5 years, while for the Plan 2014-2016 is equal to 13.884 Euro with an average remaining contract life of 7.1 years.

The adoption of these plans has affected the income statement for the period for 638 thousand Euro (481 thousand Euro at 31st December 2014).

5. Notes to the consolidated income statement

5.1 Net sales

Group sales in 2015 amounted to 1,278,960 thousand Euro, showing a 8.5% increase on the previous year (1,178,683 thousand Euro). For a discussion on sales trends, reference should be made to the report on operations, section on the Group's economic results.

5.2 Cost of sales

This item breaks down as follows:

(Euro/000)	2015	2014
Purchase of raw materials and finished goods	370,947	340,817
Capitalisation of costs for increase in tangible assets (-)	(10,269)	(8,662)
Change in inventories	1,990	(25,030)
Wages and social security contributions	100,526	97,600
Subcontracting costs	20,024	20,907
Depreciation	22,432	19,284
Rental and operating leases	849	826
Other industrial costs	15,505	14,387
Total	**522,004**	**460,129**

Changes in inventories can be broken down as follows:

(Euro/000)	2015	2014
Finished products	1,736	(23,508)
Work-in-progress	(129)	276
Raw materials	383	(1,798)
Total	**1,990**	**(25,030)**

The average number of employees by rank is shown below:

	2015	2014
Executives	135	136
Clerks and middle management	3,206	3,264
Factory workers	3,870	4,209
Total	**7,211**	**7,609**

5.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	2015	2014
Payroll and social security contributions	127,196	118,821
Sales commissions	72,414	66,182
Royalty expenses	110,649	99,050
Advertising and promotional costs	145,141	129,722
Amortization and depreciation	5,339	4,803
Logistic costs	19,292	19,158
Consultants fees	1,078	1,447
Rental and operating leases	17,931	15,308
Utilities	1,007	786
Provision for risks	2,492	702
Other sales and marketing expenses	23,985	23,388
Total	**526,524**	**479,367**

5.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	2015	2014
Payroll and social security contributions	85,591	80,664
Allowance and write off of doubtful accounts	4,858	3,102
Amortization and depreciation	13,293	11,312
Consultants fees	15,157	15,574
Rental and operating leases	10,491	8,662
EDP costs	9,420	8,193
Insurance costs	2,551	2,289
Utilities, security and cleaning	7,202	7,012
Taxes (other than on income)	5,912	4,866
Other general and administrative expenses	16,993	15,865
Total	**171,468**	**157,539**

5.5 Other operating income (expenses)

This item breaks down as follows:

(Euro/000)	**2015**	**2014**
Losses on disposal of assets	(136)	(128)
Other operating expenses	(21,927)	(9,331)
Gains on disposal of assets	616	106
Other operating incomes	3,790	2,971
Total	**(17,657)**	**(6,382)**

Other operating income and expenses include cost and revenue components either not related to the Group's ordinary operations or that are of a non-recurring nature. This item does not include transportation costs charged to customers who have been classified as a reduction of the respective cost item.

During the year under "other operating expenses" were recorded non-recurring costs for 20,052 thousand Euro mainly relating to 1,175 thousand Euro for the commercial restructuring costs in the EMEA Region, Euro 1,049 thousand for the consolidation of the Group's North American distribution network into its Denver facility and 17,000 thousand Euro for the provision regarding the litigation with the French Competition Authority.

In 2014, were recorded non-recurring costs amounting to 7,781 thousand Euro relating to reorganization costs.

5.6 Impairment loss on goodwill

As reported in note 4.8 "Goodwill", the Group has performed the impairment test of goodwill. The impairment test showed a loss of Euro 40,475 thousand on the goodwill allocated to Far East cash generating unit.

5.7 Share of income / (loss) of associated companies

This item totaled an income of 1,010 thousand Euro (versus a loss of 1,800 thousand Euro in 2014) and consists of the profits deriving from the disposal of the investments in the associate companies Elegance Optical International Holding Ltd. finalized on September 18th 2015, as detailed in the note 4.9.

5.8 Financial charges, net

This item breaks down as follows:

(Euro/000)	2015	2014
Interest expenses on loans	1,602	6,380
Interest expenses and charges on Bond	6,495	3,848
Bank commissions	7,356	6,193
Negative exchange rate differences	39,929	22,791
Other financial charges	318	2,241
Total financial charges	**55,700**	**41,453**
Interest income	223	419
Positive exchange rate differences	27,208	14,526
Fair value gains on the Equity-linked Bond incorporated derivative	812	17,744
Other financial income	56	161
Total financial income	**28,299**	**32,850**
Total financial charges, net	**27,401**	**8,603**

The item "Fair value gains" is related to the valuation at mark-to-market of the derivative embedded in the "equity-linked" Bonds.

The item exchange rate differences includes gains and losses on valuation of financial instruments related to forward contracts at fair value through profit or loss amounted to a charge of 1,316 thousand Euro (a gain of 2,714 thousand Euro in 2014).

5.9 Income taxes

This item breaks down as follows:

(Euro/000)	2015	2014
Current taxes	(22,019)	(35,320)
Deferred taxes	(4,835)	9,911
Total	**(26,854)**	**(25,409)**

The taxes for the year can be reconciled with the theoretical tax burden as follows:

(Euro/000)	%	2015	%	2014
Profit / (Loss) before taxation	**100%**	**(25,559)**	**100%**	**64,863**
Income tax benefit (expense) at statutory rate	-27.5%	7,029	-27.5%	(17,837)
IRAP and other local taxes	4.7%	(1,193)	-8.6%	(5,609)
Taxes relating to prior years	-2.5%	638	-0.4%	(281)
Foreign tax rate differential	13.1%	(3,359)	-6.0%	(3,861)
Non taxable income	-5.2%	1,339	0.3%	170
Non deductible costs	33.5%	(8,573)	-1.4%	(882)
Impairment loss on goodwill not deductible	43.6%	(11,131)	-	-
Non-recognition of new DTAs and write-off of existing DTAs	65.0%	(16,626)	-6.3%	(4,115)
Benefit arising from unrecognized deferred tax assets of prior years	-36.2%	9,248	11.0%	7,145
Deferred tax expense for changes in tax rate	15.7%	(4,007)	-	-
Other differences	0.9%	(219)	-0.2%	(139)
Total	**105.1%**	**(26,854)**	**-39.2%**	**(25,409)**

Theoretical income taxes are calculated at 27.5% on the consolidated loss before tax, this percentage represents the statutory corporate income tax rate (IRES) applicable at the Italian holding company's level. The Group effective tax rate is primarily affected by non deductible non-recurring costs, by the impact on deferred taxes of the reduction in Italian corporate income tax rate (IRES), and by write-down of not recoverable deferred tax assets.

5.10 Earnings per share

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

	2015	2014
Profit/(Loss) for ordinary shares (in Euro/000)	(52,745)	39,030
Average number of ordinary shares (in thousands)	62,586	62,426
Earnings/(Losses) per share - basic (in Euro)	**(0.843)**	**0.625**

Diluted

	2015	2014
Profit/(Loss) for ordinary shares (in Euro/000)	(52,745)	39,030
Profit for preferred shares	-	-
Profit in income statement	**(52,745)**	**39,030**
Average number of ordinary shares (in thousands)	62,586	62,426
Dilution effects:		
- stock option (in thousands)	202	309
Total	**62,788**	**62,736**
Earnings/(Losses) per share - diluted (in Euro)	**(0.840)**	**0.622**

As for the bond "Safilo Group S.p.A. Euro 150 million, 1.25 per cent Guaranteed Equity-Linked Bond due 2019", based on current market and conversion conditions, it was not considered any dilutive effect.

5.11 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2015.

5.12 Segment information

The operating segments (Wholesale and Retail) were identified by management in line with the management and control model used for the Group. In particular, the criteria applied for the identification of these segments was based on the ways in which management leads the Group and attributes operational responsibilities.

Below we provide disclosure by segment for the financial years ended on 31st December 2015 and 2014.

December 31, 2015 *(Euro/000)*	WHOLESALE	RETAIL	Eliminat.	Total
Net sales				
- to other segment	12,755	-	(12,755)	-
- to third parties	1,190,323	88,637	-	1,278,960
Total net sales	**1,203,078**	**88,637**	**(12,755)**	**1,278,960**
Gross profit	**702,122**	**54,834**	**-**	**756,956**
Operating profit	**(264)**	**1,096**	**-**	**832**
Share of income of associates	1,010	-		1,010
Financial charges, net				(27,401)
Income taxes				(26,854)
Net profit				**(52,413)**
Segment assets	1,131,212	39,526		1,170,738
Investment in associates	-	-		-
Unallocated corporate assets				420,067
Consolidated total assets				**1,590,805**
Segment liabilities	541,301	4,936		546,237
Unallocated corporate liabilities				45,964
Consolidated total liabilities				**592,201**
Other information				
Capital expenditure	46,000	1,898		47,897
Depreciation & amortization	37,072	3,993		41,065
Goodwill impairment	40,475	-		40,475
Non cash items other than depreciation and amortization	(15,286)	(57)		(15,343)

December 31, 2014 *(Euro/000)*	**WHOLESALE**	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	12,675	-	(12,675)	-
- to third parties	1,096,653	82,030	-	1,178,683
Total net sales	**1,109,328**	**82,030**	**(12,675)**	**1,178,683**
Gross profit	**667,014**	**51,540**	**-**	**718,554**
Operating profit	**69,250**	**6,016**	**-**	**75,266**
Share of income of associates	(1,800)	-		(1,800)
Financial charges, net				(8,603)
Income taxes				(25,409)
Net profit				**39,454**
Segment assets	1,188,282	41,585		1,229,867
Investment in associates	7,605	-		7,605
Unallocated corporate assets				360,433
Consolidated total assets				**1,597,905**
Segment liabilities	563,534	3,733		567,266
Unallocated corporate liabilities				56,383
Consolidated total liabilities				**623,649**
Other information				
Capital expenditure	37,261	1,721		38,982
Depreciation & amortization	31,628	3,771		35,399
Non cash items other than depreciation and amortization	(23,901)	67		(23,834)

Breakdown of revenues and non-current assets by geographic area

	Revenue from external customers		Non-current assets	
(Euro/000)	2015	2014	December 31, 2015	December 31, 2014
Italy (1)	263,868	237,572	167,393	157,549
Europe (2)	290,249	280,019	184,664	181,872
America (3)	581,615	497,109	259,846	251,375
Asia (4)	143,229	163,984	235,003	260,919
Total	**1,278,960**	**1,178,683**	**846,906**	**851,715**

(1) Operating companies with registered head office in Italy.
(2) Operating companies with registered head office in European countries (other than Italy), United Arab Emirates and in South Africa.
(3) Operating companies with registered head office in USA, Canada, Mexico and Brazil.
(4) Operating companies with registered head office in the Far East, Australia and India.

It must be noted that grouping by geographic area depends on the location of the registered head office of each Group company; therefore the sales identified in accordance with this segmentation are determined by origin of invoicing and not by target market. Non-current assets include derivative financial instruments and deferred tax assets.

6. Transactions with related parties

In compliance with applicable legislative and regulatory requirements, on 23rd March 2007 the parent company's Board of Directors passed a resolution indicating and adopting a number of guidelines to govern transactions of major strategic, economic, capital or financial significance for the Company – including those undertaken with related parties. The aim of the guidelines is to establish competences and responsibilities concerning significant transactions and to assure their transparency and material and procedural correctness. Our notion of related party is based on the definition given in IAS 24.

Following the resolution CONSOB 17721 of March 12th 2010, as amended by Resolution No. 17389 of 23rd June 2010, the Board of Directors of November 5th, 2010 approved the "Regulations for the transactions with related parties", which replaces those guidelines, by adopting procedures that ensure transparency and fairness and procedural related party transactions.

The table below shows the operating and financial figures determined by related party transactions as of 31st December 2015 and 31st December 2014.

Related parties transactions *(Euro/000)*	**Relationship**	**December 31 2015**	**December 31 2014**
Receivables			
Companies controlled by HAL Holding N.V.	(b)	15,342	15,096
Total		**15,342**	**15,096**
Payables			
Elegance Optical International Holdings Ltd	(a)	-	1,351
Companies controlled by HAL Holding N.V.	(b)	9,027	2,106
Total		**9,027**	**3,457**

Related parties transactions *(Euro/000)*	**Relationship**	**2015**	**2014**
Revenues			
Elegance International Holdings Ltd	(b)	-	24
Companies controlled by HAL Holding N.V.	(b)	77,192	67,470
Total		**77,192**	**67,494**
Operating expenses			
Elegance Optical International Holdings Ltd	(a)	3,016	8,880
Companies controlled by HAL Holding N.V.	(b)	7,684	3,971
Total		**10,700**	**12,851**

(a) Associated company

(b) Companies controlled by Group's reference Shareholder

Transactions with related parties, including intercompany transactions, involve the purchase and sale of products and provision of services on an arm's length basis, similarly to what is done in transactions with third parties.

In regard to the table illustrated above, note that:

- Elegance Optical International Holdings Limited ("Elegance"), a company listed on the Hong Kong stock exchange, was 23.05% owned by Safilo Far East Limited (an indirect subsidiary) until the third quarter of 2015, and produces optical products for the Group in Asia. The price and other conditions of the production agreement between Safilo Far East Limited and Elegance were in line with those applied by Elegance to its other customers. In the third quarter 2015 the Group has disposed its investment in the Company;

- The companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the GrandVision Group, with which Safilo carries out commercial transactions in line with market conditions.

The remuneration of the Group's Directors, Statutory Auditors and Strategic Management is reported below:

(Euro/000)	**2015**	**2014**
Directors		
- Salaries ad short term compensations	1,613	1,875
- Non monetary benefits	43	79
- Other compensations	38	196
- Fair value of equity compensations	114	51
Statutory auditors		
- Fixed compensations and compensations for participation in committees	286	286
Managers with strategic responsabilities		
- Salaries ad short term compensations	1,023	1,419
- Non monetary benefits	19	31
- Other compensations	7	7
- Fair value of equity compensations	125	189
- Indemnity for end of position or cessation of employment relationship	-	2,260
Total	**3,268**	**6,394**

7. Contingent liabilities

The Group does not have any significant contingent liabilities not covered by adequate provisions. Nevertheless, as of the balance sheet date, various legal actions involving the parent company and certain Group companies were pending and mainly against sales representatives. These actions are considered to be groundless and/or their eventual negative outcome cannot be determined at this stage.

8. Commitments

Licensing agreements

At the balance sheet date, the Group had contracts in force with licensors for the production and sale of sunglasses and frames bearing their signatures. The contracts not only establish minimum guarantees, but also a commitment for advertising investments.

Commitments related to these minimum guarantees, estimated on the basis of information available at the reporting date, are summarized detailed by maturity as follow:

Licensing commitments *(Euro/000)*	**December 31, 2015**	**December 31, 2014**
within 1 year	164,798	160,549
between 1 and 3 years	175,765	293,546
between 3 and 5 years	123,049	243,072
beyond 5 years	80,035	85,752
Total	**543,646**	**782,919**

Rent and operating lease:

The Group, at the balance sheet date, had various contracts for the rent or operating lease, mainly related to offices and showrooms of its trading subsidiaries and to the stores of the American retail chain, as well as the lease of the data processing and automotive equipment.

Commitments related to these contracts, estimated on the basis of information available at the reporting date are summarized detailed by maturity as follow:

Rent and operating lease commitments *(Euro/000)*	**December 31, 2015**	**December 31, 2014**
within 1 year	21,141	17,817
between 1 and 3 years	32,611	25,262
between 3 and 5 years	18,665	19,428
beyond 5 years	21,354	12,474
Rent due	**93,772**	**74,980**
within 1 year	8,308	4,163
between 1 and 3 years	5,967	3,439
between 3 and 5 years	574	174
beyond 5 years	3	-
Operating lease	**14,852**	**7,776**
Total	**108,623**	**82,756**

9. Subsequent events

In the period following 31st December 2015, there were no events that might affect to a significant extent the data contained in this document, in addition to those reported in the paragraph "Significant events after the year-end and outlook" included in the Report on operations.

10. Significant non-recurring events and transactions

At the balance sheet date the Group did not undertake any significant non-recurring transactions pursuant to the Consob Communication dated 28th July 2006.

11. Transactions resulting from unusual and/or abnormal operations

Pursuant to Consob Communication of 28th July 2006, in 2015 the Group did not put in place any unusual and/or atypical operations, as defined in the said Communication.

APPENDIX

Information requested by art. 149-duodecies of the Regulation on Issuers issued by Consob.

The following table, prepared in accordance with Art. 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2015 relating to the audit and other audit related services rendered by the same Audit company.

(Eur/000)	Audit Company	Safilo Group's company which received services	Fees 2015
Audit	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	55
	Deloitte & Touche S.p.A.	Subsidaries	117
	Network Deloitte & Touche S.p.A.	Subsidaries	1,015
Attestation	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	2
	Deloitte & Touche S.p.A.	Subsidaries	35
	Network Deloitte & Touche S.p.A.	Subsidaries	39
Other services	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	-
	Deloitte & Touche S.p.A.	Subsidaries	-
	Network Deloitte & Touche S.p.A.	Subsidaries	15
Total			**1,278**

(*) This item includes fees for the audit of the consolidated financial statements of the Group amounted to Euro 29.8 thousand.

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Luisa Deplazes de Andrade Delgado, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing SAFILO GROUP S.p.A.'s financial statements, hereby attest, having also taken into consideration the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24th February 1998:

- the adequacy with respect to the company structure and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2015 fiscal year.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the statutory financial statements at 31st December 2015 was based on a process defined in accordance with the theorical reference model CoSO Report – Internal Control Integrated Framework, an internationally generally accepted reference framework.

3. The undersigned also attest that:

3.1 the consolidated financial statements for the year ended on 31st December 2015:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19th July 2002;

b) correspond to the amounts shown in the Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

14th March 2016

The Chief Executive Officer	The manager responsible for preparing the company's financial statements
Luisa Deplazes de Andrade Delgado	*Gerd Graehsler*

REPORT OF INDEPENDENT AUDITORS

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SAFILO GROUP S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Safilo Group S.p.A. and its subsidiaries (the "Safilo Group"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated income statement and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Safilo Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Safilo Group S.p.A., with the consolidated financial statements of the Safilo Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Safilo Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padova, Italy
March 21, 2016

This report has been translated into the English language solely for the convenience of international readers.

DRAFT OF SEPARATE FINANCIAL STATEMENTS

Safilo Group S.p.A.
at 31st DECEMBER 2015

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SAFILO GROUP S.P.A. - STATUTORY FINANCIAL STATEMENTS AT DECEMBER 31st 2015

DIRECTORS OPERATIONS REPORT

Introduction

Safilo Group S.p.A. was incorporated on 14th October 2002. It is the holding company of the Safilo Group and performs planning and coordination activities, as defined in article 2497 et seq. of the Italian Civil Code, for the following member companies:

- Safilo S.p.A., directly controlled;
- Lenti S.r.l., 75.6% of the share capital indirectly controlled through Safilo S.p.A;

As required by article 40.2/bis of Legislative Decree 127 of 9th April 1991, the annual Financial Statements and Directors' Report are submitted together with the consolidated Financial Statements and the Directors' Report on the consolidated Financial Statements; the information required by article 2428 of the Civil Code is therefore contained in the Directors' Report on the consolidated Financial Statements.

Subsidiaries

Safilo Group S.p.A. owns 95.201% of the share capital of subsidiary Safilo S.p.A.. The remainder is owned by Safilo S.p.A. in own shares.

Subsidiary Safilo S.p.A. is a manufacturer and wholesaler of prescription frames, sunglasses and sports articles sold under its own brands and licensed brands of international prestige. Production is carried on in three factories, all in Italy, while distribution takes place through agents, distributors or subsidiaries located in Europe, America, Asia, Australia and Africa.

Dealings with subsidiaries

Starting from 1st January 2006 the Company joined the tax consolidation programme in the capacity of parent company, while Safilo S.p.A., Lenti S.r.l. and Smith Sport Optics in liquidation joined in the capacity of subsidiaries. In 2013 Polaroid S.r.l. was included as a subsidiary company, than in 2014 merged in Safilo S.p.A.. Moreover, from the 2007 financial year Safilo Group S.p.A., acting in the capacity of parent company, Safilo S.p.A. and Smith Sport Optics S.r.l. in liquidation, acting in the capacity of subsidiaries, subscribed to the VAT offsetting procedure laid down by the Ministerial Decree of 13th December 1979 (known as "Group VAT"). As from the 2008 financial year Smith Sport Optics S.r.l. in liquidation withdrew from the VAT offsetting procedure and from the 2012 financial year the company withdrew from the tax consolidation programme as well and the liquidation process was completed in 2013.

Dealings with the other companies in the Group are carried on at arm's length principle, and no atypical and/or unusual operations with them took place during the year.

Financial year 2015

Financial year 2015 *(€/000)*	**Receivables**	**Payables**	**Income**	**Financial Income**	**Costs**
Safilo S.p.A.	19,992	(4,765)	412	-	(25)
Lenti S.r.l. (held by Safilo S.p.A.)	1,214	-	-	-	-
Safilo Far East Ltd. (held by Safilo S.p.A.)	258	-	258	-	-

The receivables from subsidiary Safilo S.p.A. were as follows:

- Euro 19,490 thousand for dividends resolved on by Safilo S.p.A. but not yet collected at the prior year Financial Statements date. Over 2015 fiscal year a total of Euro 3,050 thousand were received in dividends;
- Euro 502 thousand for sums charged to the subsidiary for administrative, accounting, legal and tax services performed on its behalf;

The payables to subsidiary Safilo S.p.A. were as follows:

- Euro 525 thousand relating to the transfer from Safilo S.p.A. of benefits deriving from the assignment of tax losses and withholding tax resulting from its income tax return after joining the national tax consolidation scheme;
- Euro 1,879 thousand for a corporation tax (IRES) credit assigned by Safilo S.p.A. to the parent company when submitting the income tax return;
- Euro 346 thousand payable to Safilo S.p.A. for advances received;
- Euro 485 thousand for the debt payable to the subsidiary for services rendered;
- Euro 1.530 thousand for the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism;

The income from Safilo S.p.A. related to charges made for administrative, legal, accounting and tax services performed on its behalf.

The costs payable to subsidiary Safilo S.p.A. related to the charge made by Safilo S.p.A. for services performed on behalf of the parent company.

The receivables from subsidiary Lenti S.r.l. relate to the transfer of tax and to the receivables for withholding tax assigned to the consolidation programme.

The receivables, and the related income, from subsidiary Safilo Far East Ltd. relate to the recharge of the costs for the seconded staff.

Here follow the recap of the economic relationship with controlled companies during prior financial year:

Financial year 2014

Financial year 2014 *(€/000)*	**Receivables**	**Payables**	**Income**	**Financial Income**	**Costs**
Safilo S.p.A.	23,042	(3,221)	412	312	(25)
Lenti S.r.l. (held by Safilo S.p.A.)	677	-	-	-	-
Safilo Far East Ltd. (held by Safilo S.p.A.)	89	-	89	-	-

The receivables from subsidiary Safilo S.p.A. are as follows:

- Euro 22,540 thousand for dividends resolved on by Safilo S.p.A. but not yet collected at the Financial Statements date. Over the year a total of Euro 2,400 thousand were collected in dividends;
- Euro 502 thousand for sums charged to the subsidiary for administrative, accounting, legal and tax services performed on its behalf;

The payables to subsidiary Safilo S.p.A. are as follows:

- Euro 487 thousand relating to the transfer from Safilo S.p.A. of benefits deriving from the assignment of tax losses and withholding tax resulting from its income tax return after joining the national tax consolidation scheme;
- Euro 156 thousand for the debt payable to the subsidiary for services rendered;
- Euro 2,578 thousand for the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism and for advances received

The income obtained with Safilo S.p.A. relates to charges made for administrative, legal, accounting and tax services performed on its behalf and interest income for credit facility and then converted into capital contribution in the amount of Euro 148,000.

The costs charged by the subsidiary Safilo S.p.A. relate to services performed on behalf of the parent company for the availabilities of offices and equipment to perform legal and administrative activities.

The receivables from subsidiary Lenti S.r.l. relate to the transfer of tax debit and to the receivables for withholding tax assigned to the consolidation programme.

The receivables, and the related income, from subsidiary Safilo Far East Ltd. relate to the recharge of the costs for the seconded staff.

Data protection obligations

During 2015 the Corporate Regulations regarding Privacy and the Use of Personal Data, which concern the internal corporate procedures regarding this matter, underwent a verification procedure, in collaboration with specialized external consultants, in order to confirm their conformity with the current legislation (Legislative Decree of June 30th 2003 n. 196 and successive amendments and integrations) and to introduce further integrations.

The verification procedure will again take place during the course of 2016, in light also of the legislative and legal revisions regarding privacy.

The Legislative Decree n.1/2012, known in Italy as “Decreto semplificazioni” (“Simplification Decree”) cancelled the obligation to draw up the “Documento programmatico sulla sicurezza” (Safety Policy Document), which, in compliance with the former regime in force, had to be drawn up on an annual basis by March, 31 of each year.

However, in accordance with the related legal obligations and with the extension of Legislative Decree 231/2001 to computer crimes, the responsible Departments will, during the year, draw up the appropriate documentation attesting the compliance with the security obligations set forth by the current law on personal data protection.

Significant events after year-end

On February 9th 2016 Safilo and Swatch Ltd signed a five year collaboration agreement for Swatch branded Eyewear. Creative, playful and lifestyle oriented, “Swatch The Eyes” will be launched in spring 2016. Safilo and Swatch are to co-design eyewear collections and Safilo is to develop and manufacture the eyewear in its European production network.

In line with the global brand commitment to high quality service to customers, “Swatch The Eyes” will be distributed through Swatch's global retail network and initially in Safilo's US retail chain, Solstice, followed by rigorously selected North American eyewear retailers. Swatch and Safilo intend to successively expand Safilo's distribution to further regions across the world via an eyewear network of the highest standards, in addition to the Swatch Group's own distribution network.

for the Board of Directors
Chief Executive Officer
Luisa Deplazes de Andrade Delgado

Resolutions regarding the result for the year

We submit for your approval the financial statements for the financial year ending on 31st December 2015, drafted according to the IFRS International Accounting Standards, and recommend that the loss for the year, amounting to Euro 6,296,790 be carried forward.

for the Board of Directors
Chief Executive Officer
Luisa Deplazes de Andrade Delgado

DRAFT OF STATUTORY FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

at 31st DECEMBER 2015

Statutory Financial Statements

Balance Sheet

(Euro)	*Note*	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash in hand and at bank	*4.1*	113,499	175,824
Trade receivables, net	*4.2*	760,788	591,751
Other current assets	*4.3*	25,892,231	28,124,035
Total current assets		**26,766,518**	**28,891,610**
Non-current assets			
Investments in subsidiaries	*4.4*	903,267,936	902,745,443
Deferred tax assets	*4.5*	1,792,596	-
Other non-current assets	*4.6*	1,213,910	676,527
Total non-current assets		**906,274,442**	**903,421,970**
Total assets		**933,040,960**	**932,313,580**

(Euro)	*Note*	December 31, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings		-	-
Trade payables and payables to subsidiary	*4.7*	4,680,856	3,095,446
Tax payables	*4.8*	196,327	165,040
Other current liabilities	*4.9*	703,023	1,248,066
Total current liabilities		**5,580,206**	**4,508,552**
Non-current liabilities			
Long-term borrowings	*4.10*	132,525,703	127,904,930
Employee benefit liability	*4.11*	62,558	76,407
Provision for risk	*4.12*	1,819,031	996,297
Derivative financial instruments	*4.13*	3,613,643	4,425,927
Other non-current liabilities	*4.14*	524,497	487,244
Total non-current liabilities		**138,545,432**	**133,890,805**
Total liabilities		**144,125,638**	**138,399,357**
Shareholders' equity			
Share capital	*4.15*	313,149,825	312,674,825
Share premium reserve	*4.16*	484,845,364	484,688,914
Retained earnings (losses) and other reserves	*4.17*	(2,783,077)	(14,029,867)
Net profit (loss) of the year		(6,296,790)	10,580,351
Total shareholders' equity		**788,915,322**	**793,914,223**
Total liabilities and shareholders' equity		**933,040,960**	**932,313,580**

Income Statement

(Euro)	*Note*	December 31, 2015	December 31, 2014
Net sales	*5.1*	412,000	412,000
Gross profit		**412,000**	**412,000**
General and administrative expenses	*5.2*	(3,463,823)	(4,486,083)
Other income/(expenses)		118,712	(4,015)
Operating profit / (loss)		**(2,933,111)**	**(4,078,098)**
Financial charges, net	*5.3*	(5,693,659)	14,206,121
Profit / (loss) before taxation		**(8,626,770)**	**10,128,023**
Income taxes	*5.4*	2,329,980	452,328
Net profit / (loss) for the year		**(6,296,790)**	**10,580,351**

Statement of comprehensive Income

(Euro)	Year 2015	Year 2014
Net profit (loss) for the period	(6,296,790)	10,580,351
Actuarial gain/(loss)	28,187	22,697
Total comprehensive income (loss)	**(6,268,603)**	**10,603,048**

Statement of Cash Flows

(Euro)	Year 2015	Year 2014
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**175,824**	**3,221,399**
B - Cash flow from (for) operating activities		
Net profit (loss) for the period	(6,296,793)	10,580,351
Stock Options figurative cost	115,759	49,348
Net change in employees benefits liability	14,341	(22,724)
Net changes in provision for risks	822,734	822,734
Other non monetary P&L items	(810,909)	(20,377,274)
Interest expenses (income)	6,494,398	3,532,180
Income tax expenses	(2,329,980)	(452,328)
Flow from (for) operating activities prior to movements in working capital	**(1,990,450)**	**(5,867,713)**
(Increase) Decrease in trade receivables	(169,037)	603,849
(Increase) Decrease in other receivables	(818,196)	5,034,406
Increase (Decrease) in trade payables	1,585,410	(5,296,283)
Increase (Decrease) in other payables	(476,502)	218,686
Interests received	(1,875,000)	(937,500)
Income taxes paid		
Total (B)	**(3,743,775)**	**(6,244,555)**
C - Cash flow from (for) investing activities		
(Investments) disinvestments in subsidiaries	-	(153,000,000)
Total (C)	**-**	**(153,000,000)**
D - Cash flow from (for) financing activities		
Proceed from borrowings	-	150,000,000
Share capital increase	631,450	3,798,980
Dividends received	3,050,000	2,400,000
Total (D)	**3,681,450**	**156,198,980**
E - Cash flow for the period (B+C+D)	**(62,325)**	**(3,045,575)**
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	**113,499**	**175,824**

Statement of Changes in Equity

(Euro)	Share capital	Share premium reserve	Legal reserve	Other reserves and retained earnings	Net profit (loss)	Total equity
Equity at January 1, 2014	**310,999,825**	**482,564,934**	**3,007,774**	**(10,057,912)**	**(7,483,459)**	**779,031,162**
Previous year's profit allocation	-	-	-	(7,483,459)	7,483,459	-
Capital increase	1,675,000	2,123,980	-	-	-	3,798,980
Other changes	-	-	-	481,033	-	481,033
Total comprehensive income (loss) for the period	-	-	-	22,697	10,580,351	10,603,048
Equity at December 31, 2014	**312,674,825**	**484,688,914**	**3,007,774**	**(17,037,641)**	**10,580,351**	**793,914,223**
Previous year's profit allocation	-	-	-	10,580,351	(10,580,351)	-
Capital increase	475,000	156,450	-	-	-	631,450
Other changes	-	-	-	638,252	-	638,252
Total comprehensive income (loss) for the period	-	-	-	28,187	(6,296,790)	(6,268,603)
Equity at December 31, 2015	**313,149,825**	**484,845,364**	**3,007,774**	**(5,790,851)**	**(6,296,790)**	**788,915,322**

1. General information

1.1 General information

Safilo Group S.p.A. is a joint-stock company ("società per azioni") incorporated in Italy on 14th October 2002 and registered at the Chamber of Commerce and in the Administrative Business Register (REA) of Belluno. The company has its registered office at Pieve di Cadore (Belluno) and a branch in Padua, at the offices of its subsidiary Safilo S.p.A.

Safilo Group S.p.A. is an Italian company that operates pursuant to Italian law. Its corporate purpose is the manufacture and sale of spectacle frames, and the acquisition, trade and management of equity investments in public companies operating in the eyewear business.

Safilo Group S.p.A. has been listed on the electronic stock market (MTA) of Milan since 9th December 2005. It manages and co-ordinates Safilo S.p.A., in which has a 95.201% equity interest (the remaining share is owned by Safilo S.p.A. in the form of treasury stock).

The company also manages and co-ordinates, pursuant to articles 2497 et seq. Italian Civil Code, Lenti S.r.l., a subsidiary of Safilo S.p.A.;

According to IFRS 10 HAL Holding N.V., is deemed to have control over Safilo Group S.p.A. and accordingly is required to consolidate safilo Group S.p.A. in its financial statements as from 1st January 2014 (even though its ownership interest of HAL Holding N.V. in the company Safilo Group S.p.A. is below 50%). HAL Holding is fully owned by HAL Trust, listed on NYSE Euronext of Amsterdam Stock Exchange.

This annual report is presented in Euro and covers the financial period from 1st January 2015 to 31st December 2015. It also includes information relating to the financial period from 1st January 2014 to 31st December 2014 for comparison purposes.

This annual report was approved by the Board of Directors on 14th March 2016.

1.2 Activity of Safilo Group

Safilo Group S.p.A. is the holding company of the Safilo Group. Over the course of the year, it continued to manage its equity holdings and co-ordinate its subsidiaries.

2. Summary of accounting principles adopted

2.1 General information

The financial statements for the year ended 31st December 2015 and 31st December 2014 were prepared in accordance with IFRSs issued by the International Accounting Standard Board ("IASB") and endorsed by the European Commission, as well as with the measures enacted to implement article 9 of Legislative Decree no. 38/2005. IFRSs include also all the interpretations of the International Financial Reporting Interpretations Commitee ("IFRIC"), previously called Standing Interpretations Commitee ("SIC").

The financial statements were prepared in accordance with "cost" criteria with the exception of financial assets available-for-sale and some financial assets and liabilities, including derivative instruments, for which the "fair value" criterion was adopted.

Preparation of the annual report in accordance with IFRSs requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and explanatory notes. Actual results may differ from these estimates. The areas of the financial statements that are most affected by such estimates and assumptions are listed in section 2.3 "Use of estimates".

Accounting standards, amendments and interpretations effective as of 1st January 2015

The following new standards and amendments, effective from 1 January 2015, are applicable to the Company.

On 20 May 2013, the IASB issued the IFRIC Interpretation 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The amendments are effective, retrospectively, for annual periods beginning on or after 17 July 2014 with earlier application permitted. The adoption of this standard did not have any effect on the Company.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2011–2013 Cycle. The most important topics addressed in these amendments are, among others, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements (as defined in IFRS 11 – Joint arrangements) and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement, and IAS 40 relating to the acquisition of real estate investment. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2015 or after. The adoption of this standard did not have any effect on the Company.

The Company applied these improvements retrospectively since 1 January 2015 and no significant effects arose in this report.

Accounting standards, amendments and interpretations not yet applicable and not adopted early by the Company

On 21 November 2013, the IASB published narrow scope amendments to IAS 19—Defined Benefit Plans: Employee Contributions. The amendment reduces current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered. The amendments are effective, retrospectively, for annual periods beginning on or after 1 February 2015 or after. The amendments are not expected to have a significant impact on the consolidated financial statements of the company.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – Share based payment, the aggregation of operating segments in IFRS 8 – Operating Segments, the definition of key management personnel in IAS 24 – Related Party disclosures, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements (as defined in IFRS 11 – Joint arrangements), to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement, and IAS 16, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model. The amendments are effective, retrospectively, for annual periods beginning on or after 1 February 2015 or after. The amendments are not expected to have a significant impact on the financial statements of the Company.

In addition, the European Union had not yet completed its endorsement process for these standards and amendments at the date of this interim report.

On 12 May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - "Clarification of acceptable methods of depreciation and amortization". The amendments to IAS 16 require that the criteria of depreciation determined on the basis of revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the use of amortized assets generally reflect different factors and not only the consumption of the economic benefits of the asset. The amendments to IAS 38 introduce a presumption, that a depreciation method based on revenues is considered generally inappropriate for the same reasons set out by the amendments made to IAS 16. In the case of intangible assets, however, this presumption may be overcome, but only in limited and specific circumstances. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 but early adoption is allowed.

On 28 May 2014, the IASB issued the new standard IFRS 15 “Revenue from contracts with customers”. This standard replaces IAS 18 Revenues, IAS 11 Construction Contracts, IFRIC 13 Customers Loyalty Programs, IFRIC 15 Agreements for Constructions of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition, which will apply to all contracts with customers except those that fall within the scope of other IAS / IFRS as leases, insurance contracts and financial instruments. The basic steps for the recognition of revenue under the new model are:

- Identify the contracts with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when the entity satisfies a performance obligation.

The new standard is applicable to periods beginning on or after January 1, 2018, subject to any subsequent deferrals established during its approval by the European Union.

On 24 July 2014 the IASB issued the final version of IFRS 9 “Financial Instruments”. The standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39. The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, for financial assets the new standard uses a single approach based on management of financial instruments and the contractual cash flow characteristics of the financial assets in order to determine the method of valuation, replacing the many different rules in IAS 39. For financial liabilities, instead, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as financial liability at fair value through profit or loss, if these variations are due to changes in the creditworthiness of the issuer of the liability. Under the new standard, these changes must be recognized in "Other comprehensive income" and not in the income statement.

With reference to the impairment model, the new standard requires that the estimate of loan losses is made based on the model of expected losses (and not on the model of incurred losses) using information supportable, available at no cost or unreasonable efforts that include historical, current and future data. The standard requires that the impairment model applies to all financial instruments, namely financial assets carried at amortized cost, to those measured at fair value through other comprehensive income, receivables arising from leases and trade receivables.

Finally, the standard introduces a new model of hedge accounting in order to adjust the requirements of the current IAS 39 that were sometimes considered too stringent and unsuitable to reflect the risk management policies of the company. The main news of the document are:

- increase the types of transactions eligible for hedge accounting, including the risks of non-financial assets and liabilities to be eligible to hedge accounting;
- change in method of accounting for forward contracts and options when eligible to hedge accounting in order to reduce the volatility in the income statement;
- changes to effectiveness tests by replacing the current mode based on the parameter of 80-125% with the principle of "economic relationship" between the hedged item and the hedging instrument; Furthermore, it will no longer request a retrospective evaluation of the effectiveness of the hedging relationship.

The new standard is applicable to periods beginning on or after January 1, 2018 or after.

On 25 September 2014, the IASB issued a set of amendments to IFRSs (Annual Improvements to IFRSs - Cycle 2012-2014). They cover the following principles: the criteria for classification and evaluation of assets classified as "held for sale" or "held for distribution" in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, further guidance relating to the disclosures required by IFRS 7 for interim financial statements, certain clarifications to the determination of the discount rate in accordance with IAS 19 and the new requirements for disclosure under IAS 34 "Interim financial reporting". The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 or after.

On 18 December 2014, the IASB issued amendments to IAS 1 Disclosure Initiative. The amendments concern materiality, the aggregation of items, structure of the notes, information about accounting policies and the presentation of other comprehensive income arising from the measurement of equity method investments. The amendments are effective, retrospectively, for annual periods beginning on or after 1 January 2016 or after.

On 13 January 2016, the IASB issued the new standard IFRS 16 “Leases” to replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives, SIC 27 Evaluating the substance of transactions involving the legal form of a lease. The new standard provides a new definition of lease and introduces a criteria based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification and of the asset, right to replace it, right to obtain all economic benefits and the right to manage the use of the asset. The standard establishes just a model to recognize and measure lease contracts for the lessee through the posting of the asset (also in operating leases) offset by a financial debt, providing also the opportunity to not recognize as lease contracts related to "low-value assets" and lease with expiring date equal to or less than 12 months. The standard does not include significant changes to the lessors. The new standard is applicable to periods beginning on or after January 1, 2019; the early adoption is allowed only for companies that apply the early adoption also for the IFRS 15 Revenue from contracts with customers.

The Company will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the financial statements.

2.2 Format of financial statements

Safilo Group S.p.A. presents the income statement by function (so-called "cost of sales"). This is considered to be more representative with respect to presentation by type of expenses, as it conforms more closely to the internal reporting and business management methods and is in line with international practice in the eyewear sector.

In regard to the statement of financial position, the distinction of assets and liabilities as current and non-current has been adopted in accordance with paragraphs 51 ff. of IAS 1. The indirect method has been used for the statement of cash flow and the presentation of cash flows.

2.3 Cash in hand and at bank

Cash and cash equivalents include cash, bank demand deposits and other highly liquid short-term investments that can be unwound within three months after purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognised in income. Bank overdrafts are posted under current liabilities.

2.4 Trade receivables and other receivables

Trade receivables are initially recognised on the statement of financial position at their current value and subsequently recalculated according to the amortised cost method, net of any impairments.

A provision for doubtful accounts is accrued when there is evidence that the Company will not succeed in collecting the original amount due. The provisions accrued for doubtful accounts are recognised in profit or loss.

2.5 Intangible assets

Intangible assets consist of clearly identifiable non-monetary assets, without any physical substance and capable of generating future economic benefits. These assets are recognised at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortisation and any impairment. Amortisation begins when the asset is available for use and is allocated in equal instalments over the course of its useful life.

When circumstances indicate that there may be an impairment loss, an estimate is made of the recoverable amount of the asset, and any impairment is recognised in profit or loss. When the reasons for the previously recognised impairment no longer exist, the book value of the asset is restated through profit or loss, up to the value at which the asset would have been recognised in the absence of impairment and net of amortisation.

2.6 Investments in associates (financial assets)

The equity investment in the subsidiary Safilo S.p.A. has been recognised at the grant value resulting from the specific appraisal prepared by an external consultant. The positive difference resulting from the grant value and the portion of shareholders' equity at current values of the subsidiary is included in the carrying value of the equity investment. The equity investment in the subsidiary Safilo S.p.A. tested for impairment every year.

2.7 Financial instruments

The classification of financial instruments depends on the purpose for which the financial instrument was acquired. The management determines the classification of its financial instruments on the initial recognition in the financial statements. The purchase and sale of financial instruments are recognised at the transaction date or at the date when the Group undertakes the commitment to purchase or sell the asset. All financial instruments are initially recognised at fair value.

Financial assets

Financial assets are classified according to the following categories:

- Financial assets at fair value through profit or loss: this category includes financial assets acquired primarily for sale in the short-term or those designated as such by the management, in addition to derivative instruments that are not designated as hedges (in relation to the treatment of derivatives, reference should be made to the following paragraph). Fair value variations of the instruments belonging to this category are recognised in the income statement. Financial instruments of this category are classified in the short-term if they are "held for trading" or if it is expected that they will be sold within twelve months from the balance sheet date. The only financial assets of this category held by the Group and recorded on the financial statements are derivative financial instruments.

- Loans and receivables: these are non-derivative financial instruments, with fixed or determinable payments, not quoted on an active market. They are recorded as current assets with the exception of those amounts due beyond twelve months from the balance sheet date. The latter are classified as non-current assets. These assets are measured at amortised cost on the basis of the "effective interest rate" method. Any loss in value determined through an impairment test is recognised in the income statement. In particular, trade receivables are initially recognised in the financial statements at their current value and subsequently recorded under the amortised cost method less any write-downs for loss in value. An allowance for doubtful accounts is set-up when there is evidence that the Group will not be capable of receiving the original amount due. The provisions allocated for doubtful accounts are recorded in the income statement.

- Investments held to maturity: these are non-derivative financial instruments with fixed or determinable payments, with a fixed maturity date, that the Group has the intention and the means to maintain until maturity. Receivables and investments held until maturity are assessed according to the "amortised cost" method using the effective interest rate, net of any write-downs for loss in value. The Group did not hold any investments of this kind during the financial period covered by these financial statements.

- Available-for-sale financial assets: these are non-derivative financial instruments that are expressly designated to this category or are not classified in any of the previous categories. They are measured at fair value, determined with reference to market prices at the balance sheet date or through financial measurement techniques or models, recording changes in value in an equity reserve. This reserve is recognised in the income statement only when the financial asset is sold, or in the case of negative cumulative variations, when it is considered that the reduction in value already recorded under equity cannot be recovered. Classification as a current or non-current asset depends on the intentions of the management and on the real liquidity of the security; they are recorded under current assets when they are expected to be realized within twelve months.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument ceases and the Group has transferred all risks and benefits relating to the instrument.

Borrowings

Borrowings are initially recognised at fair value less any transaction costs. After initial recognition, they are recognised at amortised cost; all differences between the amount financed (net of initial transaction costs) and the face value are recognised in profit or loss over the duration of the loan using the effective interest method. If there is a significant variation in the expected cash flow that can be reliably estimated by management, the value of the loans is recalculated to reflect the expected change in the cash flow. The value of the loans is recalculated on the basis of the discounted value of the new expected cash flow and the internal rate of return.

Convertible bonds are accounted for as a compound financial instrument made of two components, which are treated separately only if relevant: a liability and a conversion option. The liability is the present value of the future cash flows, based on the market interest rate at the time of issue for an equivalent non-convertible bond. The amount of the option is defined as the difference between the net proceeds and the amount of the liability component and included in equity. The value of the conversion option is not changed in subsequent periods. The conversion features of the equity-linked bond issued during 2014 fail equity classification. Upon exercise of a conversion right the company is entitled to deliver shares, or pay an amount of money or deliver a combination of shares and cash. Therefore, the option is accounted for as an embedded derivative liability, measured at fair value through profit or loss, while the debt host loan is carried at amortized cost as above stated

Borrowings are classified under current liabilities unless the company has an unconditional right to defer the payment for at least twelve months after the balance sheet date, and are removed from the balance sheet when they expire and the Group has transferred all risks and obligations relating to the instrument.

Derivative instruments

In accordance with the provisions of IAS 39 as approved by the European Commission, the derivative financial instruments used by the Group with the intention of hedging in order to reduce the foreign currency and interest rate risks, can be recorded according to the "hedge accounting" methodology only when:

- a formal designation and documentation relating to the hedge exists at the beginning of the hedge;
- it is presumed that the hedge is highly effective;
- the effectiveness can be reliably measured and the hedge is highly effective over the different financial periods for which it was designated.

All derivative financial instruments are measured at fair value, in accordance with IAS 39. When the financial instruments possess the characteristics required to be recorded according to the hedge accounting, the following accounting procedures are applied:

- *Fair value hedge* – if a derivative financial instrument is designated as a hedge for the exposure of changes in the current value of an asset or liability on the financial statements attributable to a specific risk that can determine effects on the income statement, the profit or loss after the initial valuation of the fair value of the hedge instruments is recognised in the income statement. The profit or loss on the hedged item, related to the hedged risk, changes the book value of that item and is recognised on the income statement.
- *Cash flow hedge* – if a derivative financial instrument is designated as a hedge for the exposure of changes in the cash flows of an asset or liability recorded on the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or losses of the financial instrument is recognised in an equity reserve. The cumulative profits or losses are reversed from equity and recorded in the income statement in the same period as the operation that is hedged. The profits or losses associated with a hedge or with that part of the hedge that has become ineffective, are immediately recorded in the income statement. If a hedge instrument or a relation of a hedge is closed, but the hedged operation has not yet been realized, the cumulative profits and losses, up to that moment recorded in equity, are recognised in the income statement when the relative operation is realized. If the operation hedged is no longer considered probable, the profits or losses not yet realised in equity are recognised immediately in the income statement.

If hedge accounting cannot be applied, the profits or losses deriving from the fair value of the derivative financial instruments are immediately recognised in the income statement.

2.8 Employees benefits

Pension plans

The company recognises different forms of defined benefit plans and defined contribution plans, in line with the local conditions and practices in the countries in which it carries out its activities. The premiums paid for defined contribution plans are recorded in the income statement for the part matured in the year. The defined benefit plans are based on the working life of the employees and on the remuneration received by the employee during a predetermined period of employment.

The obligation of the company to finance the defined benefit plans and the annual cost recognised in the income statement are determined by independent consultants using the “projected unit credit” method. The related costs are recorded in the income statement on the basis of the estimated employment period of employees. The company recognises all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise.

The employee severance fund of Italian companies (“TFR”) has always been considered to be a defined benefit plan however, following the changes to the discipline that governs the employment severance fund introduced by Italian law no. 296 of 27th December 2006 (“Financial Law 2007”) and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accruing from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a “defined contribution plan”;
- the portion of the employee benefit liability accruing as of 31st December 2006, must be classified as a “defined benefit plan” requiring actuarial valuations that exclude future increases in salaries.

For an analysis of the accounting effects deriving from this decision, see paragraph 4.11 “Employees benefits”.

Remuneration plans under the form of share capital participation

The company recognises additional benefits to some employees and consultants through "equity settled" type stock options. In accordance with IFRS 2 - Share-based payments, the current value of the stock options determined at the vesting date through the application of the "Black & Scholes" method is recognised in the income statement under personnel costs in constant quotas over the period between the vesting date of the stock options and the maturity date, counterbalanced by an equity reserve.

The effects of the vesting conditions not related to the market are not taken into consideration in the fair value of the vested options, but are material to measurement of the number of options which are expected to be exercised.

At the balance sheet date the company revises its estimates on the number of options which are expected to be exercised. The impact of the revision of the original estimates is recognised in profit or loss over the maturity period, with a balance entry in equity reserves.

When the stock option is exercised, the amounts received by the employee, net of the costs directly attributable to the transaction, are credited to share capital for an amount equal to the par value of the issued shares and to the share premium reserve for the remaining part.

2.9 Revenue recognition

Revenues include the fair value of the sale of services, net of VAT and any discounts. The company recognises revenues for billed services in the financial year in which the service is provided.

2.10 Dividends

Dividends are recognised when the right of the Shareholders to receive the payment arises, which normally occurs when the Shareholders' Meeting resolves to distribute dividends. The distribution of dividends is therefore recorded as a liability on the financial statements in the period in which the distribution is approved by the Shareholders' Meeting.

2.11 Income taxes

Income taxes are recognised on the income statement, with the exception of those relating to accounts that are directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

Deferred taxes are calculated on tax losses and all the temporary differences between the tax basis of an asset or liability and their book value. Deferred tax assets are recognised only for those amounts where it is likely there will be future taxable income allowing for recovery of the amounts.

Current and deferred tax assets and liabilities are offset when the income tax is applied by the same tax authority and when there is a legal right to offsetting.

2.12 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit or loss of the company by the weighted average number of ordinary shares outstanding during the financial year, excluding any treasury shares.

Diluted

Diluted earnings per share are calculated by dividing the profit or loss of the Company by the weighted average number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the weighted average number of shares outstanding is adjusted in respect of the dilutive potential ordinary share (stock options and convertible bonds), while the profit or loss of the Company is adjusted to take into account the effects, net of income taxes, of the conversion.

2.13 Translation of balances in foreign currency

Foreign currency transactions are translated into Euro using the exchange rates in effect at the date of the transaction. Foreign exchange gains and losses resulting from the close of such transactions and from translation of the monetary assets and liabilities in foreign currencies at the exchange rates at end of the year are recognised in profit or loss.

3. Use of estimates

Preparation of the annual report requires that the Directors apply accounting standards and methods that, in some circumstances, are based on difficult and subjective measurements and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic according to the circumstances. The application of these estimates and assumptions affects the amounts posted in the financial statements, such as the statement of financial position, the income statement, the cash flow statement and the notes thereto. Actual results of the balances on the financial statements, resulting from the above-mentioned estimates and assumptions, may differ from those reported on the financial statements due to the uncertainty which characterises the assumptions and the conditions on which the estimates are based. The financial statement items that are more exposed to subjective estimates and measurements by the directors and for which a change in the underlying conditions or the assumptions may have a material impact on the company's annual accounts are described briefly below.

Deferred taxes: deferred tax assets are accounted for on the basis of the expectations of future taxable income. The measurement of expected income for recognition of deferred taxes depends on factors that may change over time and may have a material impact influence on the estimate of the deferred tax assets.

Impairment of non-current assets: in accordance with the accounting standards applied by the company, non-current assets are tested to determine whether they are impaired. Their impairment is recognised when there are indications that there will be difficulty in recovering their net book value through use. Verification of these indicators requires that the Directors make subjective judgements based on information available within the company and the market, as well as historical experience. In addition, when it is deemed that there may be contingent impairment, the company determines this using the most appropriate technical measurement methods available. Proper identification of the indicators of contingent impairment as well as the estimates used to determine them depend on factors which may vary over time, influencing the Directors' measurements and estimates.

Fair value: the fair value of financial instruments that are not traded on an active market is determined by means of valuation methods. Various valuation methods are used, and the associated assumptions are based on market conditions at the reporting date. In particular:

- the fair value of trade receivables and payables and for other current assets and other current liabilities is deemed to coincide with their par value minus any impairment in receivables;
- the fair value of floating rate loans not listed on an active market is deemed to approximate their face value.

With reference to the Equity-Linked Bond issued in 2014, given the presence of a "cash settlement option", the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are subject to the market performance of Safilo stock, and immediately charged to income statement in the financial income (expenses).

Hierarchical levels of the fair value measurement

Financial instruments reported in the balance sheet valued at the fair value, according to IFRS 13, are classified in the three-level hierarchy that reflects the significance of the input used in determining the fair value. The three levels of fair value of the hierarchy are:

- Level 1 – if the instrument is quoted in an active market;
- Level 2 - if the fair value is measured based on valuation techniques for which all significant inputs are based on observable market data, other than quotations of the financial instrument;
- Level 3 – if the fair value is calculated based on valuation techniques for which any significant input is not based on observable market data.

The following table shows the liabilities and assets valued at their fair value at 31st December 2015, split by hierarchical level of the fair value.

(Euro/000)	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	(3,613,463)	-	(3,613,463)
Total liabilities	**-**	**(3,613,463)**	**-**	**(3,613,463)**

In 2015 there have been no transfers from level 1 to level 2 and from level 2 to level 3.

4. Notes to the balance sheet

4.1 Cash in hand and at bank

This account totals Euro 113,499 (compared with Euro 175,824 in the previous year) and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date and the related credit risk is very limited as the counterparts are primary banks.

(Euro)	December 31, 2015	December 31, 2014
Cash in hand and at bank	113,499	175,824
Total	**113,499**	**175,824**

4.2 Trade receivables, net

The trade receivables total Euro 760,788 against Euro 591,751 in 2014 and they come from the amounts charged by the Company to its subsidiary Safilo S.p.A. for administrative, accounting, legal and tax services.

The book value of the trade receivables is maintained as being approximately the same as the fair value. There were no transactions executed in currencies other than Euro. In 2015 the company also charged to the subsidiary Far East cost of seconded staff.

(Euro)	December 31, 2015	December 31, 2014
Trade receivables from Safilo S.p.A.	502,640	502,640
Trade receivables from Safilo Far East Ltd	258,148	89,111
Total	**760,788**	**591,751**

4.3 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2015	December 31, 2014
VAT receivables	5,637,319	4,856,481
IRES tax receivables	765,147	727,126
Withholding taxes	68	731
Other receivables from Safilo S.p.A.	19,489,697	22,539,697
Other receivables	-	-
Total	**25,892,231**	**28,124,035**

The receivables from the subsidiary Safilo S.p.A. equal to Euro 19,489,697 refers to dividends resolved by the shareholders' meeting of the subsidiary and not yet collected at the reporting date. During the financial year 2015 were dividends for Euro 3,050,000 collected;

It is considered that the book value of the item "Other current assets" is approximately equal to their fair value. There were no transactions executed in currencies other than Euro.

4.4 Investments in subsidiaries

This item totalled Euro 903,267,936 versus Euro 902,745,443 in the previous year. In accordance with IFRIC 11, the value of the investments in subsidiaries was increased with a corresponding increase in the "other reserves" under shareholders' equity for a total amount of Euro 522,493.

The following tables illustrate the changes that took place during the financial year 2015 and the previous one:

(Euro)	% of share capital	Value at January 1, 2015	Increase / (Decrease)	Value at December 31, 2015
Safilo S.p.A.	95.201	899,922,209		899,922,209
Contribution for Stock Options to subsidiaries		2,823,234	522,493	3,345,727
Total		**902,745,443**	**522,493**	**903,267,936**

(Euro)	% of share capital	Value at January 1, 2014	Increase / (Decrease)	Value at December 31, 2014
Safilo S.p.A.	95.201	746,922,209	153.000,000	899,922,209
Contribution for Stock Options to subsidiaries		2,391,550	431,684	2,823,234
		749,313,759	**153,431,684**	**902,745,443**

The key information for the subsidiary Safilo S.p.A. is summarised as follows:

Name	Safilo S.p.A. – Società Azionaria Fabbrica Italiana Lavorazione Occhiali
Registered office	Piazza Tiziano 8, Pieve di Cadore (BL)
Share capital at 31st December 2015	Euro 66,176,000 fully paid-in
Shareholders' equity at 31st December 2015	Euro 718,040,814
Net loss for the financial year 2015	Euro (19,241,350)

4.5 Deferred tax assets

Deferred tax assets refer to the taxes calculated on tax losses that may be recovered in future financial years and temporary differences between the carrying value of assets and liabilities and their tax value. Deferred tax assets on tax losses are booked only if there is a reasonable likelihood that they may be recovered through future taxable income.

Starting from 1st January 2006 the Company joined the tax consolidation programme in the capacity of parent company. The subsidiaries participating in the programme are Safilo S.p.A., Lenti S.r.l. (75.6% owned by Safilo S.p.A) and from in 2013, the subsidiary Polaroid S.r.l (100% owned by Safilo S.p.A), merged in the year 2014. The effect of this option allows calculation of a single Group taxable income, corresponding to the algebraic sum of the taxable income of the participating entities.

Deferred tax assets have been written down via provisioning of an allowance for tax credit impairment in order to take into account market trends and the changed prospects for future profitability. The prudential provision totals Euro 28,243,543.

Pursuant to IAS 12, the adjustment reserve mentioned hereinabove might be recovered in future financial years if there is taxable income that can absorb the losses and temporary difference on which the deferred tax assets and liabilities were calculated.

The following table illustrates the breakdown of accounts on which the tax prepayments and adjustment reserve with reversal of the associated deferred tax assets at 31st December 2015

(Euro)	Balance at January 1, 2015	Income statement	Receivables/ Payables due to tax consolidation	Balance at December 31, 2015
Tax losses Safilo Group S.p.A.	4,866,698	-	1,716,873	6,583,571
Tax losses from Safilo S.p.A.	19,956,166	-	3,187,745	23,143,911
Tax profit from Lenti S.r.l.	27,489	-	(3,499)	23,990
Tax losses before fiscal consolidation	220,722	(28,093)	-	192,629
Directors fees	276,377	(191,647)	-	84,730
Expensive Interest	971,350	(971,350)	-	-
Other temporary differences	(304,434)	311,742	-	7,308
Total deferred tax assets	**26,014,368**	**(879,348)**	**4,901,119**	**30,036,139**
Write downs of deferred tax assets, net	(26,014,368)	2,671,944	(4,901,119)	(28,243,543)
Total deferred tax assets, net	**-**	**1,792,596**	**-**	**1,792,596**

The release of the valuation allowance amounting to 1,792,596 Euro has been done based on the future recoverability of the related fiscal losses in accordance with the strategic plan of the Company.

The following table shows the tax losses carried forward deriving from the Group national tax consolidation:

Financial year *(Euro)*	**Tax losses**	**Deferred tax assets**
2006	4,009,969	962,393
2010	30,511,329	7,322,719
2011	9,874,484	2,369,876
2012	35,477,267	8,514,544
2013	6,224,412	1,493,859
2014	9,100,361	2,184,087
2015	28,766,646	6,903,995
Total	**123,964,468**	**29,751,472**

Following the changes introduced in 2011 to the art. 84 of TUIR regarding the recoverability of tax losses, it will be possible to carry them indefinitely forward starting from 2012, to an extent not greater than 80% of taxable income for each single year.

4.6 Other non-current assets

The item totals Euro 1,213,911 (compared to Euro 676,527 in the previous year) and refers to withholding from Lenti S.r.l. tax transferred to the national tax consolidation.

4.7 Trade payables and payables to subsidiaries

The following table shows a breakdown of trade payables and payables to subsidiaries:

(Euro)	**December 31, 2015**	**December 31, 2014**
Trade payables for services	442,164	361,776
Payables vs Safilo S.p.A	4,238,692	2,733,670
Total	**4,680,856**	**3,095,446**

The debt from the subsidiary Safilo S.p.A refers mainly at the VAT credit transferred for the Group VAT mechanism.

4.8 Tax payables

This account totalled Euro 196,327 at 31st December 2015, compared to Euro 165,040 in the previous year, and refers to the IRPEF (personal income tax) on wages, salaries and independent contractor compensation in the month of December that was paid in January 2016.

4.9 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2015	December 31, 2014
Payables to personnel and Board compensation	496,986	1,041,985
Payables to pension funds	1,764	1,735
Other current liabilities	3,368	2,337
Accrued expenses	200,905	202,009
Total	**703,023**	**1,248.066**

Payables to personnel and social security institutions principally refer to salaries and wages for December and for accrued but unused holiday leave.

4.10 Long Term borrowings

(Euro)	December 31, 2015	December 31, 2014
Convertible Bonds	132,525,703	127,904,930
Total	**132,525,703**	**127,904,930**

On 22 May 2014, Safilo Group S.p.A. has issued an unsecured and unsubordinated equity-linked Bond, guaranteed by Safilo S.p.A., maturing on 22 may 2019 with an aggregate principal amount of Euro 150 million.

The Bonds have been issued at par in the nominal amount of EUR 100,000 per Bond and will pay a coupon of 1.25% per annum, payable semi-annually in arrears on 22 November and 22 May of each year.

The Bonds became convertible into ordinary shares of Safilo Group S.p.A. following the approval on 10 July 2014 of the extraordinary general meeting of the Company of a capital increase to be solely reserved for the purposes of the conversion of such Bonds. The initial conversion price has been set at EUR 21.8623, representing a premium of 40.0% above the volume weighted average price of the ordinary shares of the Company on Borsa Italiana between launch and pricing. The Company will have the right to elect to settle any exercise of conversion rights in shares, cash or combinations of shares and cash.

The Issuer will have the option to redeem any outstanding Bonds at their principal amount (plus accrued but unpaid interest to (but excluding) the redemption date) on or after 6 June 2017 if the volume weighted average price of a share for a specified period is at least 130% of the conversion price in effect on each relevant dealing day. The Issuer may also redeem the Bonds at any time at their principal amount (plus accrued but unpaid interest to (but excluding) the redemption date) if less than 15% of the Bonds originally issued remain outstanding.

At final maturity, on 22 May 2019, the Bonds will be redeemed at their principal amount unless previously redeemed, converted, or purchased and cancelled.

The offer is made solely to qualified investors, the Bonds, starting from July 23, 2014, has been admitted to be traded on the "Third Market" (MTF), non-regulated market of Vienna Stock Exchange.

Such bond is carried at amortised cost, at an effective interest rate equal to 5.102%. Given the presence of a "cash settlement option", the conversion option component represents an embedded derivative financial instrument booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are immediately charged to income statement. At the balance sheet date, the fair value of the option amounts to Euro 3,613 thousand (see note 4.13).

4.11 Employees benefits liability

During the financial year under review, the item showed the following movements:

		Changes during the year			
(Euro)	Balance at January 1, 2015	Posted to income statement	Actuarial gains/(losses)	Uses/Payments	Balance at December 31, 2015
Defined benefit plan	76,407	14,339	(28,188)	-	62,558
Total	**76,407**	**14,339**	**(28,188)**	**-**	**62,558**

		Changes during the year			
(Euro)	Balance at January 1, 2014	Posted to income statement	Actuarial gains/(losses)	Uses/Payments	Balance at December 31, 2014
Defined benefit plan	121,829	25,825	(22,697)	(48,550)	76,407
	121,829	**25,825**	**(22,697)**	**(48,550)**	**76,407**

The changes made to termination benefit (TFR) rules by Law 296 of 27th December 2006 ("2007 Italian Budget") and subsequent decrees and regulations issued over the first several months of 2007 did not impact the accounting classification of TFR for Safilo Group S.p.A., insofar as it is a legal entity with less than 50 employees. Consequently, on the basis of a generally accepted interpretation, the reserve for termination benefits of Safilo Group S.p.A. continues to be considered a defined benefits pension plan, which must thus be discounted.

The actuarial estimates used to measure the TFR reserve are based on a system of plausible hypotheses based on:

- a) demographic parameters;
- b) economic parameters;
- c) financial parameters.

The demographic parameters are normally summarised in tables based on samples deriving from different institutes (ISTAT, INAIL, INPS, Italian General Accounts Office, etc.).

The economic parameters principally refer to long-term inflation rates and the financial yield rate, crucial for the revaluation of amounts accrued in the reserve for termination benefits. They also include the dynamics in collective compensation under examination. The average increases in compensation were considered, both according to accumulated seniority in service and for macro-categories of contractual classification (white-collar employees, middle-level managers and executives). The principal financial parameter is given by the discount rate.

The amounts booked to the income statement (operating and financial component) and to shareholders' equity (actuarial differences) break down as follows:

(Euro)	December 31, 2015	December 31, 2014
Service cost	(13,201)	(22,732)
Interest cost	(1,138)	(3,092)
Actuarial gain	28,188	22,697
Total	**13.849**	**(3,127)**

4.12 Provision for risks and charges

(Euro)	December 31, 2015	December 31, 2014
Provision for risks and charges.	1,819,031	996,297
	1,819,031	**996,297**

The provision for risks amounted to Euro 1,819,031 refers to the part of the Long Term Bonus to for key manager.

4.13 Derivative financial instruments

(Euro)	December 31, 2015	December 31, 2014
Derivative financial instruments	3,613,643	4,425,926
Total	**3,613,643**	**4,425,926**

This amounts, for the portion relating to non-current liabilities is mainly due to the recognition of the component relating to the conversion option embedded in the "equity-linked" Bond issued on 22nd May 2014 which, given the presence of a "cash settlement option", represents a derivative financial instrument booked at fair value under non-current liabilities. The fair value changes of this instrument are immediately charged to income statement. At the balance sheet date, the fair value of the option amounts to Euro 3,613 thousand.

4.14 Other non-current liabilities

(Euro)	December 31, 2015	December 31, 2014
Intercompany payables to Safilo S.p.A.	524,497	487,244
Total	**524,497**	**487,244**

The long-term payable to subsidiary Safilo S.p.A. of Euro 524,497 relates to the transfer by Safilo S.p.A. of benefits deriving from the assignment of withholding tax resulting from its income tax return after joining the national tax consolidation scheme.

SHAREHOLDERS' EQUITY

The shareholders' equity is both the value contributed by the shareholders of Safilo Group SpA (share capital and share premium reserve) and the value generated by the subsidiaries in terms of results achieved from the operations (retained earnings and other reserves).

As at 31st December 2015, shareholders' equity amounts to Euro 788,915,322 compared to Euro 793,914,223 at 31st December 2014.

4.15 Share capital

During the year, the share capital increased by Euro 475,000 on the exercise of the option by the beneficiaries of the 2010-2013 Stock Option Plan.

4.16 Share premium reserve

The share premium reserve represents:

- the higher value attributed on the transfer of shares of the subsidiary Safilo S.p.A. compared to the par value of the corresponding increase in share capital;
- the higher price paid compared to the par value of the shares, at the time the shares were placed on the Electronic Stock Market (MTA), net of listing costs;
- the premium resulting from conversion of convertible bonds;
- the premium received from the exercise of stock options by their holders;
- the premium received following the capital increase, which took place during the year 2010;
- the share premium collected following the capital increase of 4th April 2012,.

4.17 Retained earnings and other reserves

This account breaks down as follows:

(Euro)	December 31, 2015	December 31, 2014
Legal reserve	3,007,774	3,007,774
Stock option reserve	1,822,810	1,273,478
Reserve for actuarial gain (losses) of defined benefit plan	28,468	281
Retained losses	(7,642,129)	(18,311,400)
Total	**(2,783,077)**	**(14,029,867)**

Equity accounts at 31st December 2015 - possible use and distribution

The table below shows the possible use and distribution of equity accounts:

				Pevious years' use	
(Euro)	Amount	Possible use	Available amount	Losses coverage	Distribution of reserves
Share capital	313,149,825				
Paid in capital	484,845,364	A - B - C (*)	48,.845,364	340,972,002	
Legal reserve	3,007,774	B			
Stock option reserve	1,822,810				
Reserve for actuarial gain (losses) of defined benefit plan	28,468				
Retained (losses)	(7,642,129)				
(Loss) for the period	(6,296,790)				
Total	**788,915,322**				

A = for capital increase

B = to hedge against losses

C = for distribution to shareholders

(*) Fully available for capital increases and to hedge against losses. For other uses, it is necessary to adjust (also through transfer from the share premium reserve) the legal reserve to 20% of the share capital

Stock option plans

The extraordinary general meeting held on 15 April 2014, as proposed by the Board of Directors held on 5 March 2014, approved the capital increase up to a nominal value of Euro 7,500,000.00 by means of the issuance of up to a maximum of 1,500,000 ordinary shares, with the par value equal to 5.00 Euro, for the purpose of the 2014-2016 Stock Option Plan in favour of directors and/or employees of Safilo Group S.p.A. and of its subsidiaries.

Such Plan, aimed at the retention and motivation of directors and/or employees, by means of granting in tranches and free of charge a maximum of 1,500,000 options which give the beneficiaries the right to subscribe newly issued ordinary shares of the Company, at a par value of Euro 5.00 each, arising from the paid and separable capital increase, with exclusion of the option rights according to article 2441, paragraph 4 second part of the Civil Code, at the rate of no. 1 share for each Option.

The Plan has a total duration of approximately 10 years (from 2014 to 2024). The options granted to beneficiaries are exercisable after a minimum of two years from the last possible granting date of each tranche.

In particular, there are three different granting dates:

- the first tranche was granted starting from the Board of Directors held on 29 April 2014;
- the second tranche has been granted starting from the Board of Directors which has approved the financial statements of the Company for the year ended 31.12.2014;
- the third tranche will be granted starting from the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2015 until 31 December 2016.

This Plan is in addition to the one already in place deliberated by the Extraordinary Meeting held on 5th November 2010, in which the Shareholders approved the issue of up to 1,700,000 new ordinary shares with a nominal value of 5.00 Euro each, for a total of Euro 8,500,000.00, to be offered to directors and/or employees of the Company and its subsidiaries in connection with the “2010-2013 Stock Option Plan”.

This Plan, designed to incentivise and retain directors and/or employees/managers, is carried out through the grant, in different tranches, of up to 1,700,000 options, each such option entitling the beneficiary to subscribe to 1 of the foregoing ordinary Company share with a nominal value of 5.00 Euro each, issued for cash and without any all-or-none clause, excluding all pre-emptive rights pursuant to article 2441, paragraph four, second sentence of the Italian Civil Code.

The Plan will last for 9 years (from 2010 to 2019). The options granted to the beneficiaries may be exercised after three years from the grant date (except the first tranche, which will benefit from a shorter vesting period).

On 13 November 2013, the Board of Directors has amended the rules of the “Stock Options Plan 2010-2013” in order to reassign certain options returned to the availability of the Company as a result of resignations by some beneficiaries. In execution of the amendment on that date the Company proceeded to reassign a tranche of 65,000 options ("Fourth Tranche - bis") that may be exercised under the same operating conditions and in the same exercise period for the options set out in the fourth tranche.

The options attributed by both plans will mature when both the following vesting conditions are met: the continuation of the individual's employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT.

Information relating to the tranches of the Stock Options Plan 2010-2013 and of the Stock Options Plan 2014-2016 granted on 31st December 2015 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2010-2013				
First tranche	05/11/10	100,000	4.08	31/05/16
Second tranche	16/03/11	35,000	1.48	31/05/17
Third tranche	08/03/12	200,000	1.06	31/05/18
Fourth tranche	06/03/13	200,000	1.12	31/05/19
Fourth tranche-bis	13/11/13	65,000	1.76	31/05/19
Stock Option Plan 2014-2016				
First tranche	29/04/14	285,000	2.67	31/05/22
Second tranche	05/03/15	560,000	2.20	31/05/23

The fair value of the stock options was estimated on the vesting date based on the Black-Scholes model.

The main market inputs of the model used are shown below:

	Share price at grant date	Exercise price in Euro	Expected volatility	Risk free rate
Stock Option Plan 2010-2013				
First tranche	12.00	8.047	29.61%	1.476%
Second tranche	11.70	12.550	32.08%	1.871%
Third tranche	5.33	5.540	46.45%	1.067%
Fourth tranche	8.70	8.470	26.16%	0.382%
Fourth tranche-bis	14.04	14.540	30.62%	0.373%
Stock Option Plan 2014-2016				
First tranche	15.67	15.050	30.00%	1.044%
Second tranche	13.71	13.290	30.00%	0.352%

The table below shows the changes in the stock option plans occurred during the year:

	No. of options	Average exercise price in Euro
Stock Option Plan 2010-2013		
Outstanding at the beginning of the period	**710,000**	**8.098**
Granted	-	-
Forfeited	(15,000)	8.470
Exercised	(95,000)	6.647
Expired	-	-
Outstanding at period-end	**600,000**	**8.319**
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**295,000**	**15.050**
Granted	575,000	13.290
Forfeited	(25,000)	13.994
Exercised	-	-
Expired	-	-
Outstanding at period-end	**845,000**	**13.884**

During the year, 95,000 options, of the Plan 2010-2013, have been exercised of which 15,000 options belonging to the second tranche and 80,000 options to the third tranche at an average exercise price of 6,647 Euro equal to a total value of 631,450 Euro.

In the same period 575,000 options have been granted related to the second tranche of the new Plan 2014-2016.

Among the options outstanding at the end of the period, the first, the second and the third tranche of the Plan 2010-2013 have become exercisable starting respectively from the approval of the 2012, 2013 and 2014 financial statements until the end of the exercise period set for 31st May 2016, 31st May 2017 and 31st May 2018. The option exercisable still outstanding as at December 31, 2015 are equal to 335,000.

The fourth tranche and fourth tranche bis of the Plan 2010-2013, equal to a total of 265,000 options will be exercisable from the date of approval of these financial statements until the expiry of the exercise period set for May 31, 2019.

The adoption of these plans has affected the income statement for the period for Euro 116 thousand (Euro 49 thousand at 31st December 2014).

5. Notes to the income statement

5.1 Service revenues

In its capacity as holding company of the Group, the Company does not have revenues from the sale of merchandise, but only revenues of Euro 412,000 for the provision of services billed to its subsidiary Safilo S.p.A. for administrative, legal, accounting and tax services performed on its behalf during the year.

5.2 General and administrative expenses

(Euro)	Year 2015	Year 2014
Payroll and social security contributions	389,417	574,892
Corporate fulfilments costs	278,577	337,432
Fees to directors and statutory auditors	1,601,023	2,140,894
Consultancies	288,218	507,926
Cost of services rendered by Safilo S.p.A.	25,000	25,000
Other general and administrative expenses	58,854	77,205
Provision for risks	822,734	822,734
Total	**3,463,823**	**4,486,083**

The following table illustrates the number of employees broken down by category:

	2015	2014
Executives	3	2
Clerks and middle management	1	2
Total	**4**	**4**

5.3 Financial charges, net

This item breaks down as follows:

(Euro)	Year 2015	Year 2014
Interest expenses	6,494,662	3,847,634
Bank commissions	2,131	2,306
Negative exchange differences	8,367	465
Other financial charges	1,138	3,093
Total financial charges	**6,506,298**	**3,853,498**
Interests income	264	315,454
Positive exchange differences	90	92
Other financial income	812,285	17,744,073
Total financial income	**812,639**	**18,059,619**
Total financial (charges) income, net	**(5,693,659)**	**14,206,121**

Interest expense amounted to Euro 6,494,662 of which Euro 1,873,890 relate to interest expense accrued on the bond "Equity Linked" and Euro 4,620,772 to the impact related to its amortized cost.

Other financial income refers to the gain on the fair value of the derivative option component embedded in the bond "equity-linked".

5.4 Income taxes

This item breaks down as follows:

(Euro)	Year 2015	Year 2014
Current taxes	537,384	452,328
Deferred tax assets	1,792,596	
Total	**2,329,980**	**452,328**

Current and deferred taxes, which are positive for 2,329,980 Euros, refer to the fiscal consolidation profit retrieved from Lenti srl taxable income fully offset with consolidated fiscal losses for 537,384 Euros. In addition, the positive accrual amounting to 1,792,596 Euros has been done based on the future recoverability of the related fiscal losses in accordance with the strategic plan of the Company.

The table below shows the reconciliation between theoretical taxes and the actual tax burden recognised on the income statement:

	2015		2014	
(Euro)	Amount	%	Amount	%
Profit (loss) before taxation	(8,626,770)		10,128,023	
Theoretical taxes income/(cost)	2,372,362	27,5%	(2,785,206)	27,5%
Effective taxes income/(cost)	2,329,980	27,0%	452,328	-4,5%
Lower (higher) tax burden related to:	**(42,382)**	**-0,5%**	**3,237,534**	**-32,0%**
Permanent differences	(28,530)	0,3%	(29,678)	-0,3%
Income from tax consolidation	537,384	-6,2%	452,328	4,5%
Write-downs of deferred tax assets	(551,236)	6,4%	2,298,534	22,7%
Deductable expenses through equity	-	0,0%	516,350	5,1%
Difference on previous years' taxes	-	0,0%	-	0,0%
Total	**(42,382)**	**0,5%**	**3,237,534**	**32,0%**

5.5 Earnings (losses) per share

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

Basic

	Year 2015	Year 2014
Profit/(loss) for ordinary shares	(6,296,790)	10,580,351
Average number of ordinary shares	62,585,828	62,426,462
Earnings (loss) per share - basic (in Euro)	**(0,10061)**	**0,16949**

Diluted

	Year 2015	Year 2014
Profit/(loss) for ordinary shares	(6,296,790)	10,580,351
Profit for preferred shares	-	-
Profit / (loss) in income statement	**(6,296,790)**	**10,580,351**
Average number of ordinary shares	62,585,828	62,426,462
Dilution effects:		
- stock option	201,869	309,264
Total	**62,787,697**	**62,735,726**
Earnings (loss) per share - diluted (in Euro)	**(0,10029)**	**0,16865**

5.6 Dividends

The Company did not distribute dividends to shareholders neither in financial year 2015.

5.7 Segment information

The Company operates exclusively in Italy and its only activity is the management of its shareholdings.

6. Commitments

The Company had no purchase commitments at the reporting date.

7. Subsequent events

No events occurred during the period after the reporting date that might have a material impact on the data set out in this report other than those illustrated in the section "Significant events after year-end" of the Report on operations.

8. Significant non-recurring events and transactions

During 2015 the company did not engage in significant non-recurring transactions pursuant to the CONSOB Communication of 28th July 2006.

9. Transactions resulting from unusual and/or abnormal operations

Pursuant to CONSOB Communication of 28th July 2006, in 2015 the Company did not put in place any unusual and/or atypical operations, as defined in this Communication.

10. Transactions with related parties

The remuneration of the Company's Directors, Statutory Auditors and Strategic Management is reported below:

(Euro)	2015	2014
Directors		
- Salaries ad short term compensations	1,252,833	1,515,333
- Non monetary benefits	-	39,548
- Other compensations	9,050	150,957
- Fair value of equity compensations	114,097	49,348
Statutory auditors		
- Fixed compensations and compensations for participation in committees	143,000	143,000
Managers with strategic responsabilities		
- Salaries ad short term compensations	30,000	30,000
Total	**1,548,980**	**1,928,186**

APPENDIX

Information pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation

The following table, prepared in accordance with article 149-duodecies of the Issuers' Regulation (*Regolamento Emittenti*) issued by CONSOB, reports the amount of fees charged in the financial year 2015 for audit and non-audit services provided by the independent auditors.

(Euro)	2015 fees
Audit	55,050
Attestation	2,000
Total	**57,050**

Certification of the Annual Report pursuant to article 81-ter of CONSOB Regulation 11971 of 14th May 1999 as amended

The undersigned Luisa Deplazes De Andrade Delgado, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing SAFILO GROUP S.p.A.'s financial statements, hereby certify, having also taken into consideration the provisions of article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24th February 1998:

- the adequacy with respect to the company structure and
- the effective application

of the administrative and accounting procedures for preparation of the annual report during the 2015 financial year.

It is also certified that the annual report at 31st December 2015:

a) corresponds to the results documented in the books, accounting and other records;

b) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of article 9 of Legislative Decree 38/2005 and, based on their knowledge, fairly and correctly present the financial position, results of operations and cash flows of the issuer.

14st March 2016

The Chief Executive Officer

The manager responsible for preparing the company's financial statements

Luisa Deplazes De Andrade Delgado

Gerd Graehsler

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS

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

on the financial year 2015

Dear Shareholders,

during the financial year ended 31 December 2015, the Board of Statutory Auditors of Safilo Group S.p.A. carried out the supervision activity required by law, in accordance with the principles of conduct of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Italian national council of graduate accountants and accounting experts), considering the recommendations made by Consob in Communication no. 1025564 dated 6 April 2001, as subsequently amended, on company controls and the activities of the Board of Statutory Auditors.

As regards the methods employed by the Board of Statutory Auditors to carry out its institutional activities, we confirm the following:

- we monitored compliance with the law and bylaws;
- we attended the Shareholders' Meeting and all the meetings of the Board of Directors held during this year, and obtained from the Directors quarterly reports on activities carried out and significant operations executed by the company or its subsidiaries and verified that the aforesaid operations were coherent with the assumed deliberations and in respect for the principles of correct management;
- we monitored, within our area of responsibility, the organisational adequacy of the company, its respect for the principles of correct management and the organisational evolution of the Group;
- we monitored the operation of the administrative and accounting system, in order to assess its adequacy for management requirements and its reliability for the reporting of business operations. During this activity, we relied on the information supplied by the executive Director in charge of the internal control system and the Internal Audit Manager, together with the information obtained during periodic meetings with the auditing firm Deloitte & Touche S.p.A. which reported on the

outcome of systematic checks and on the proper keeping of accounting records. We have no particular comments to make in this respect;

- not having been appointed to perform an analytical inspection of the content of the financial statements, we verified the general structure of the financial statements and consolidated financial statements, drawn up in compliance with IAS/IFRS international accounting principles, and of the respective management reports through direct checks and using specific information supplied by the auditing company;
- we verified that the impairment test had been carried out for the intangible asset entries made in the consolidated financial statements.

We report that:

- to the best of our knowledge, the Directors did not infringe the provisions of article 2423 paragraph 4 of the Civil Code in the Notes to the Financial Statements;
- we verified that, following adoption of its own "Internal Dealing Code", the Company has set up specific operational and management procedures for any communications from "relevant" parties;
- we verified that, pursuant to the provisions of Legislative Decree No. 231 of 8/6/2001, your company has equipped itself with an Organisation, Management and Control Model that complies with the *Confindustria* Guidelines and fulfils the requirements of the aforementioned legislative decree, disseminated the Code of Ethics and established a Supervisory Committee that reported to the Control and Risk Committee and the Board of Directors on its activities. The necessary actions and measures have been taken to ensure that the organisational model remains appropriate and up-to-date for the purpose of fulfilling its functions and complying with new regulatory requirements.

In accordance with the aforementioned Consob communications, we hereby provide the following information:

1. The significant economic, financial and capital operations carried out by the company and its subsidiaries were executed in accordance with the law and company bylaws. Based on the information acquired, we were able to ascertain that they were not manifestly imprudent or risky, that they did not result in a conflict of interest and did not compromise the integrity of the company's assets.
2. We ascertained that no atypical and/or unusual operations, as defined by Consob communication DEM/6064293 of 28 July 2006, were carried out within the group or with related or third parties, having found confirmation of this in the information supplied by the Board of Directors and the Auditing Firm.

Furthermore, we ascertained that the standard operating procedures in force within the Group guarantee that all commercial operations with related parties take place according to market conditions.

3. We believe that the information presented by the Directors in their report on operations and explanatory notes in respect of the operations mentioned in paragraph 2 is adequate.

4. The reports prepared by the audit firm Deloitte & Touche S.p.A., issued on March 21st 2016, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31.12.2015 do not contain significant findings and/or disclosure requests. The auditing firm issued its assessment of the consistency of the Management Report with the relevant financial statements without any observations and/or objections.

5. During 2015, no reports were made to the Board of Statutory Auditors under article 2408 of the Civil Code, and no complaints were submitted by shareholders.

6. During 2015, Safilo Group S.p.A. has no appointed to Deloitte & Touche S.p.A. engagement other than to perform the legal audit of the statutory and consolidated financial statements, the limited audit of the half-yearly report, the procedures for the verification of the regular bookkeeping and the correct presentation of the administrative facts in the bookkeeping writings and the signature of the fiscal declarations.

7. In the appendix to the consolidated financial statement is reported, in accordance with the principle 149-Duodecies of the Issuers' Regulations, the statement of the fees recognized for the year to Deloitte & Touche S.p.A. and its network for statutory audit and other services provided by the same Independent Auditor.

8. During the 2015 financial year, the Board of Statutory Auditors expressed its opinion when required by current laws and verified that its members fulfilled the integrity and independence requirements.

9. The Board of Statutory Auditors verified the accuracy of the criteria and assessment procedures employed by the Board of Directors to assert the independence of its members.

10. A list is attached to this Report on supervision activities that outlines the tasks performed, as of the date of issue of the Report, by the members of the Board of Statutory Auditors, drawn up according to sample 4, appendix 5-bis of the Issuers' Regulations.

11. During 2015, both the Board of Directors held seven meetings and the Board of Statutory Auditors held seven meetings. Additionally, the “Control and Risk Committee” met four times as well as the “Remuneration and Nomination Committee”, while the “Related Parties Transactions Committee” met one time. These meetings were attended by at least one member of the Board of Statutory Auditors.

12. On the basis of the information gathered from the company's departmental managers and during periodic meetings with the Auditing Firm, we believe that the principles of correct management were constantly observed.

13. We gathered information about and monitored the company's organisational structure to the extent of our responsibilities.

14. Based on the analyses performed and the information obtained during meetings with the Director in charge of the internal control system, with the Internal Control Manager, with the Manager in charge of preparing the accounting documentation and during meetings of the Control and Risk Committee and the Supervisory Board, we verified the adequacy and reliability of the internal control system and risks management.

15. We verified the adequacy of the administrative and accounting system and the reliability of the same in correctly representing business operations.

16. We verified the adequacy of the manner in which the parent company hands down instructions to its main subsidiaries.

17. During systematic meetings between the Board of Statutory Auditors and the Auditing Firm under art. 150, paragraph 2, Legislative Decree 58/1998, no significant findings emerged.

18. The Remuneration Report is prepared pursuant to art. 84 quarter of the Issuers' Regulations and to Consob resolution No. 11971/1999 and subsequent amendments.

19. The "2015 Report on corporate governance and ownership structure" prepared by the Board of Directors contains a description of the governance of the Company and the Group that appears to be in line with the principles of the Self-Regulation Code and the Issuers' Regulations. This Report also presents information on the ownership structure pursuant to art. 123 bis of the TUF (consolidated finance act). The Board of Statutory Auditors monitored implementation of the corporate governance rules, which appear to be in line with the model adopted by the company.

20. The Managing Director and the Manager in charge of preparing the company's accounting documents provided the statements required by article 154-bis, paragraph 5, regarding the financial statements and consolidated financial statements in accordance with the model provided in appendix 3c-ter of the Issuers' Regulations.

21. The net result of the year has been affected by non-recurring charges for total Euro 60.5 million. As described in the "Report on operation" it is due to charges regarding the commercial restructuring costs in the EMEA region for Euro 1.2 million, other non-recurring charges related to the consolidation of the Group's North American distribution network into its Denver facility for Euro 1.8 million, a provision for other risks and charges in relation to the litigation with the French

Competition Authority for Euro 17.0 million, and an impairment charge on goodwill for Euro 40.5 million, as a result of the impairment test.

22. We confirm that no omissions, irregularities or wrongful actions emerged from our supervisory activities that would need to be reported to the Supervisory Bodies or Shareholders.

To conclude, we express our approval, to the extent of our responsibilities, of the 2015 financial statements as presented by the Board of Directors in the Management Report, and the proposal for allocation of the results made by the Directors.

Padua, 21 March 2016

THE BOARD OF STATUTORY AUDITORS

Paolo Nicolai	President
Franco Corgnati	Regular auditor
Bettina Solimando	Regular auditor

Following a list of positions as director or statutory auditor held by the Board of Statutory Auditors at other companies (pursuant to Article-quinquiesdecies of the Issuer Regulations):

PAOLO NICOLAI – LIST OF POSITIONS HELD AT MARCH 21st, 2016:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
MULTITECNO S.R.L.	00975890286	Fossalta di Portogruaro	VE	Chairman of the Board of Statutory auditors	31/12/2017
CA' DEL BOSCO S.R.L. - SOCIETA' AGRICOLA	01749900989	Erbusco	BS	Chairman of the Board of Statutory auditors	31/12/2017
AQUAFIN HOLDING S.P.A.	01286160062	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2017
MONEYNET S.R.L.	05221390825	Palermo	PA	Chairman of the Board of Statutory auditors	31/12/2015
SAFILO GROUP S.P.A.	03032950242	Pieve di Cadore	BL	Chairman of the Board of Statutory auditors	31/12/2016
SAFILO S.P.A.	03625410281	Pieve di Cadore	BL	Chairman of the Board of Statutory auditors	31/12/2016
HOLDING F.I.S. SPA	01348120930	Pordenone	PN	Chairman of the Board of Statutory auditors	31/12/2015
SANTA MARGHERITA S.P.A.	00717760243	Fossalta di Portogruaro	VE	Chairman of the Board of Statutory auditors	31/12/2017

RPM S.P.A.	00226730299	Badia Polesine	RO	Regular auditor	31/12/2016
ELETTROTEST S.P.A.	00356140293	Badia Polesine	RO	Regular auditor	31/12/2016
CEMENTIZILLO S.P.A.	00203550280	Padova	PD	Regular auditor	31/12/2017
CALCESTRUZZI ZILLO S.P.A.	00867100281	Padova	PD	Regular auditor	31/12/2017
ZIGNAGO HOLDING S.P.A.	03781170281	Fossalta di Portogruaro	VE	Regular auditor	31/12/2017
S.M. TENIMENTI LAMOLE E VISTARENNI E SAN DISDAGIO S.R.L.	00308350529	Greve in Chianti (FI)	SI	Regular auditor	31/12/2017
ACCIAIERIE VENETE S.P.A.	00224180281	Padova	PD	Regular auditor	31/12/2015
CEMENTERIA DI MONSELICE S.P.A.	01575210164	Padova	PD	Regular auditor	31/12/2017
AQUAFIL S.P.A.	00123150229	Arco	TN	Regular auditor	31/12/2016
AQUAFIN CAPITAL S.P.A.	04197570239	Verona	VR	Regular auditor	31/12/2016
VILLANOVA ENERGIA S.R.L.	04247980271	Fossalta di Portogruaro	VE	Sole auditor	31/12/2016
42337133 S.R.L.	04840930285	Padova	PD	Sole Director	Until revocation
RIELLO S.P.A.	02641790239	Legnago	VR	Director	31/12/2015
ANTONIO CARRARO S.P.A.	00186830287	Campodarsego	PD	Director	31/12/2017
OFFICINA S.R.L.	04920430289	Padova	PD	Director	Until revocation

FRANCO CORGNATI - LIST OF POSITIONS HELD AT MARCH 21st, 2016:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
ABC Assicura SpA	00647820232	Verona	VR	Regular auditor	31/12/2015

Az.Agricole L.Bennati S.p.A.	00647670272	Roma	RM	Regular auditor	31/12/2016
B. & T. S.r.l. in liquidazione	09863770013	S. Mauro Torinese	TO	Regular auditor	31/12/2016
Baglio di Pianetto S.r.l.	02940950245	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2016
Burgo Energia S.r.l.	08737780018	S. Mauro Torinese	TO	Regular auditor	31/12/2017
Burgo Group S.p.A.	13051890153	Altavilla Vicentina	VI	Regular auditor	31/12/2015
Burgo Distribuzione Srl	00623020377	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2017
Burgo Factor SpA	10209320158	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2017
Centro Servizi Metalli S.p.A.	01323290351	Reggio Emilia	RE	Regular auditor	31/12/2017
Consorzio Automazione Tessile in liquidaz.	02481270243	Valdagno	VI	Liquidator	Until revocation
Ferriera di Cittadella S.p.A.	00800140246	Vicenza	VI	Regular auditor	31/12/2015
Filivivi S.r.l.	04816000964	Quaregna	BI	Chairman of the Board of Statutory auditors	31/12/2016
Finintes S.p.A.	01469900128	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2016
Forint S.p.A.	00167200245	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2017
Holding Gruppo Marchi S.p.A.	01791370024	Altavilla Vicentina	VI	Chairman of the Board of	31/12/2015

				Statutory auditors	
Licana S.p.A. in liquidazione	03038590240	Villa d'Almè	BG	Regular auditor	31/12/2017
Manifattura Lane G. Marzotto & Figli S.p.A.	00166580241	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2017
Mosaico S.r.l.	03506890247	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2016
Palladio Group S.p.A.	03079210245	Dueville	VI	Chairman of the Board of Statutory auditors	31/12/2017
PFC S.r.l.	03247130242	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2016
Prodotti Stella S.p.A.	01419130685	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2016
Safilo Group S.p.A.	03032950242	Pieve di Cadore	BL	Regular auditor	31/12/2016
Safilo S.p.A.	03625410281	Pieve di Cadore	BL	Regular auditor	31/12/2016
Veninvest S.p.A.	01619690249	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2017
Vigel S.p.A.	01587520246	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2015

BETTINA SOLIMANDO – LIST OF POSITIONS HELD AT MARCH 21st, 2016:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
Safilo Group S.p.A.	03032950242	Pieve di Cadore	BL	Regular auditor	31/12/2016
Safilo S.p.A.	03625410281	Pieve di Cadore	BL	Regular auditor	31/12/2016
Esprinet S.P.A.	05091320159	Vimercate	MB	Regular auditor	31/12/2017
Centroelettrica S.p.A.	03019100985	Salò	BS	Alternate auditor	31/12/2016
Distributori Articoli Sanitari S.r.l.	02656040017	Torino	TO	Regular auditor	31/12/2017
Equibox Holding S.p.A.	04339950265	Asolo	TV	Regular auditor	31/12/2015
GCE Mujelli S.p.A.	02101430961	S. Martino B.A.	VR	Regular auditor	31/12/2015
Hoerbiger Italiana S.p.A.	00884990151	Verona	VR	Regular auditor	31/12/2017
A.S.D.EA. S.A.P.A. di Giuliano Ambrosini e Figli	03606550238	Verona	VR	Alternate auditor	27/05/2016
Specchiasol S.r.l.	01365850237	Bussolengo	VR	Alternate auditor	31/12/2017
Volkswagen Group Firenze S.p.A.	05671860483	Firenze	FI	Regular auditor	31/12/2017
Paul Hartmann S.p.A.	07179150151	Verona	VR	Regular auditor	31/12/2016
Global Power S.p.A.	03443420231	Verona	VR	Alternate auditor	31/12/2015

REPORT OF INDEPENDENT AUDITORS

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Shareholders of
SAFILO GROUP S.p.A.**

Report on the Financial Statements

We have audited the accompanying financial statements of Safilo Group S.p.A., which comprise the statement of financial position as at December 31, 2015, the income statement, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Safilo Group S.p.A. as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Safilo Group S.p.A., with the financial statements of Safilo Group S.p.A. as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Safilo Group S.p.A. as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padova, Italy
March 21, 2016

This report has been translated into the English language solely for the convenience of international readers.