

Report of the Directors pursuant to Article 125-ter of the Legislative Decree no. 58 of February 24, 1998 ("T.U.F."), and Article 72 of Consob Regulation adopted by means of resolution no. 11971 of May 14, 1999 (as subsequently amended)

**REPORT OF THE DIRECTORS
FOR THE SHAREHOLDERS' MEETING OF
SAFILO GROUP S.p.A.
CALLED ON DECEMBER 21, 2011, ON SINGLE CALL**

**(Report drafted pursuant to Article 125-ter T.U.F. and Article 72 of the Consob
Regulation)**

**EXTRAORDINARY SHAREHOLDERS' MEETING
December 21, 2011**

SAFILO GROUP S.p.A.

Registered office: 32044 Pieve di Cadore (BL), Piazza Tiziano no. 8

Share capital equal to Euro 284,109,825.00 fully paid in

Fiscal code, VAT number and registration number with the Companies' Register of Belluno

03032950242 - R.E.A. of the Belluno CCIAA 90811

NOTICE OF CALL OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

The shareholders are hereby invited to attend the extraordinary shareholders' Meeting of Safilo Group S.p.A. (hereinafter, the "**Company**") at its secondary office, located in Padua, at Settima Strada no. 15, to be held on December 21, 2011, at 2:00 p.m., in single call, to discuss and resolve upon the following:

AGENDA

- 1. Proposal of a reserved capital increase, against payment, of a total amount of Euro 44,262,000.00 (inclusive of share premium), and therefore within the limit of 10% of the pre-existing share capital, to Multibrands Italy B.V., and therefore with exclusion of the option rights according to article 2441, paragraph 4, second part, Italian Civil Code and to article 158 T.U.F., through the issue of 4,918,000 ordinary shares, at a subscription price of Euro 9.00 per share, of which Euro 5.00 is the nominal value and Euro 4.00 is the share premium, whose characteristics and dividend rights are identical to those of the outstanding shares at the time of their issue, which reserved capital increase is open for subscription until June 10, 2012; Subsequent amendment of article 5 of Articles of Association; Related and consequent matters*

Share capital and voting rights

The share capital of the Company is divided into no. 56,821,965 ordinary shares having a nominal value of Euro 5.00 each; every share gives the right to express one vote in the ordinary and extraordinary shareholders' Meetings of the Company.

Attendance to the Meeting

Pursuant to the provisions of law and article 10 of the Articles of Association, the entitlement to attend the Meeting and to exercise the voting right is certified by an apposite notice to be delivered to the Company, in accordance with applicable law, by an authorized intermediary, on the basis of the evidence coming from its accounting books and records, in favour of the individual/entity who/which

results to be entitled to vote as at the end of the seventh trading day prior to the date of the convened Meeting, i.e. December 12, 2011.

The individuals/entities who/which result as the owners of the shares after the above mentioned deadline shall not be entitled to attend and vote at the Meeting. Therefore, all crediting and debiting entries made on the accounts after the aforesaid deadline shall have no relevance for the purpose of the entitlement to the voting right at the Meeting.

In order to facilitate the verification on the entitlement, the concerned individuals/entities who/which have a copy of the notice delivered to the Company by their authorized intermediaries are invited to show such copy before the starting of the Meeting.

The above mentioned notices shall be received by the Company from the authorized intermediary within the terms set forth by applicable law, i.e., by the end of the third trading day prior to the date of the convened Meeting. The entitlement to attend and vote at the Meeting is however not prejudiced if and to the extent that the notices are received by the Company after the above mentioned deadline, but still before the actual starting of the Meeting.

The attendance to the Meeting is governed by the provisions of law and applicable regulations, as well as by the provisions of the “Rules for the conduct of the shareholders’ Meetings” currently in force and available on the following website www.safilo.com/investors-eng.html.

The individuals/entities entitled to vote can be represented at the Meeting through a written proxy, in the cases and within the limits set forth by applicable law and regulations. A form for the proxy is also available on the Company’s website at the following address www.safilo.com/investors-eng.html as well as at the registered and secondary offices. The proxy can be delivered to the Company, at its registered office, by means of registered letter or by certified email (posta elettronica certificata - PEC) to be sent to the following email address: safilogroupspa@legalmail.it.

Please be informed that the Company, availing itself of the faculty granted by law and in accordance with article 10 of the Articles of Association, does not appoint a representative for the purposes of section 135-*undecies* of Italian Financial Act (“**T.U.F.**”).

Pursuant to article 127-*ter* of T.U.F., the shareholders can submit questions on the items of the agenda, also before the day of the Meeting, by serving such questions through registered letter to the registered office of the Company or by email at the following email address safilogroupspa@legalmail.it; the questions submitted before the Meeting will be answered during the Meeting at latest. The Company can give a sole answer to questions having the same content.

Integration of the agenda

Pursuant to section 126-bis of T.U.F., shareholders which, also jointly among them, represent at least 2.5% of the share capital may request in writing, within 10 days from the publication of this notice of call, an integration of the items to be discussed at the Meeting, specifying in the request the additional proposed topics for discussion. Within the deadline for the presentation of their request to integrate the items of the agenda, the requesting shareholders shall submit to the Board of Directors a report on such additional items. No integrations to the agenda are permitted with respect to those items on which, by operation of law, same Meeting is called to resolve by the Board of Directors or on the basis of a plan or report prepared by same Board of Directors, other than the reports which are ordinarily prepared by the Board on the items on the agenda.

With reference to the right of the shareholders to integrate the items of the agenda, reference is made, in any case, to the provisions of article 9 of the Articles of Association, available on the Company's website www.safilo.com/investors-en.html, and of applicable laws and regulations.

Documentation

The Articles of Association of the Company and the "Rules for the conduct of the shareholders' Meetings", the texts of which are available for the shareholders at the registered office of the Company, are also published on the following website www.safilo.com/investors-en.html. On the same website the documents and information referred to under section 125-*quarter* of T.U.F. are also published.

The documentation relating to the convened Meeting, including the documentation referred to under Article 125-*ter* of T.U.F. and Article 72 of consob Regulation, will be made available to the public, within the deadlines set forth by applicable law, at the registered and secondary offices of the Company and at Borsa Italiana S.p.A., as well as on the Company's website at the following web address www.safilo.com/investors-en.html. The shareholders are entitled to obtain a copy thereof.

Padua, November 18, 2011

For the Board of Directors

Robert Polet
Chairman

This notice of call is also published by the Company, on the daily newspaper "La Repubblica" of November 19, 2011.

Board of Directors' Report

Dear Shareholders,

we make available for you, at the registered offices and at the secondary offices of the Company, as well as at Borsa Italiana S.p.A., pursuant to article 125-ter T.U.F. and article 72 of the Consob Regulation, and in compliance with Annex 3A of the abovementioned Consob Regulation, a report relating to the proposals concerning the following item on the agenda of the Extraordinary Shareholders' Meeting, which you are called to take part in, at the secondary offices of the Company, in Padua, Zona Industriale, Settima Strada no. 15, on December, 21, at 2.00pm, on single call.

First and only item on the agenda

Proposal of a reserved capital increase, against payment, of a total amount of Euro 44,262,000.00 (inclusive of share premium), and therefore within the limit of 10% of the pre-existing share capital, to Multibrands Italy B.V., and therefore with exclusion of the option rights according to article 2441, paragraph 4, second part, Italian Civil Code and to article 158 T.U.F., through the issue of 4,918,000 ordinary shares, at a subscription price of Euro 9.00 per share, of which Euro 5.00 is the nominal value and Euro 4.00 is the share premium, whose characteristics and dividend rights are identical to those of the outstanding shares at the time of their issue, which reserved capital increase is open for subscription until June 10, 2012; Subsequent amendment of article 5 of Articles of Association; Related and consequent matters

1. Reasons for and purpose of the reserved capital increase

The abovementioned capital increase proposal is linked to the completion of an investment transaction (hereinafter, the “**Transaction**”) consisting in the acquisition, by the Company, or another company belonging to the Safilo Group, of the so-called *Eyewear Business* of Polaroid.

Such Transaction is consistent with the strategy of strengthening the portfolio of owned brands already presented to the market during the road show held in Paris on September 29, 2011 (“**Investor Day**”). Indeed, such strengthening and the subsequent balance of the structure of profits and margins can be realized more swiftly through an external growth and, therefore, through the realization of investments.

Polaroid today represents one of the main international players on the optical market, with a strong and recognizable positioning on the promising market segment called *Specialist & Value for Money*. The inclusion of such brand in the portfolio owned by Safilo Group would complete the offering on a

market segment with a high growth potential, especially on extra-European markets, which are not currently served by Polaroid and where the distribution structure of Safilo Group would allow a swift and profitable expansion. As a consequence of the above the acquisition of the so-called “*Eyewear Business*” of Polaroid is considered by the Board of Directors to be in the best interest of the Company.

In order to pay the purchase price, amounting to USD 87.5 million, which, on the basis of some contractually predetermined currency conversion mechanisms, may entail a maximum disbursement of Euro 65 million, the Company itself may rely on the support of the shareholder of relative majority, Multibrands Italy B.V., a company controlled by HAL Holding N.V., with which the Company, on November 18, 2011 has entered into an investment and underwriting agreement (the “**Investment Agreement**”) and a loan agreement (the “**Loan Agreement**”), such agreements being inextricably linked. Under the Loan Agreement and the Investment Agreement, respectively, Multibrands Italy B.V. made itself available to the Company to:

- provide a loan to the Company (hereinafter, the “**Loan**”) approximately equal to Euro 44 million, aimed at the payment of part of the purchase price on the date of completion of the Transaction.
- underwrite and pay-in a reserved capital increase (hereinafter, the “**Reserved Capital Increase**”) approximately equal to Euro 44 million, through the set-off of the credit deriving from the Loan with the debt deriving from the subscription of the Reserved Capital Increase, to be effected (i) conditional on the Transaction having been completed; and (ii) in the days immediately following such completion. In case the Reserved Capital Increase is not approved in the shareholders’ meeting on December 21, 2011 and the Transaction has been completed, the Loan will carry interest at a rate equal to 9.625% and the Board of Directors of the Company, in order not to substantially increase the net consolidated indebtedness of Safilo Group, shall submit to the Shareholders’ meeting the proposal of a further capital increase of the Company, to be offered for subscription to all shareholders of the Company, the proceeds deriving from which would be used to prepay all or part of the Loan;

(the Loan and the Reserved Capital Increase hereinafter, collectively, the “**Financial Support**”).

The residual portion of the purchase price, approximately equal to a maximum of approximately Euro 21 million, shall be financed by the Company, or other companies belonging to Safilo Group, through already available cash or bank facilities upon completion of the Transaction.

In connection therewith, the Board of Directors points out that the financial structure of Safilo Group has significantly improved following the former optioned capital increase transaction carried out

during the first quarter of 2010 and also following the positive cash generation during the April 2010 – September 2011 period. In particular, at the end of September 2011 the net consolidated indebtedness of Safilo Group was equal to Euro 239 million and with an EBITDA during the last 12 months approximately equal to Euro 123 million the net indebtedness/EBITDA ratio is slightly lower than 2.00.

The intention of keeping substantially unaltered the condition of financial balance reached during the last two years, also considering the current challenging conditions of the international credit market, makes therefore advisable, in the opinion of the Board of Directors, to obtain the primary financial source for the realization of the Transaction through an increase of its own corporate capital.

In the current difficult context relating to the economy in general and the European capital markets in particular, it becomes, therefore, important and essential to have the strategic support of the shareholder of relative majority, Multibrands Italy B.V., which, by providing through the Loan directly more than two thirds of the financial means needed to complete the Transaction, undertook to underwrite the Reserved Capital Increase – conditional upon completion of the Transaction – upon a share issue price incorporating a premium higher than ~~90~~90% with respect to the trading prices in the days preceding this directors' report. The Reserved Capital Increase would allow the Company to avoid the carrying out of uncertain transactions in the capital markets, the bearing of high costs related to the raising of funds on the current volatile lending market or incurring a significant increase in indebtedness.

Given the current relatively conservative level of indebtedness, which the Board of Directors would envisage to retain, the Board of Directors itself is of the opinion that financing the Transaction partly through a Reserved Capital Increase is a sound decision.

The request of a premium on the current trading price is justified by a prospective evaluation of the intrinsic value of the Transaction by itself and of the strategic and operative benefits that same Transaction would entail for the Company and its subsidiaries.

The completion of the Transaction is, amongst others, subject to the occurrence of certain conditions that are under the responsibility of the seller, conditions which, if not satisfied (nor waived by the parties entitled to do so), would result in: (i) the automatic termination of the agreement that governs the same Transaction and, consequently, (ii) Multibrands Italy B.V. not being (a) under the obligation to make available the Loan (it remaining understood that, if in the meantime the Loan has already been made available, it shall be immediately prepaid) and/or (b) allowed to subscribe the Reserved Capital Increase.

Concluding, the Board of Directors of the Company deems the Financial Support the best method available to finance in part the purchase price for the Transaction for the following reasons:

- the Board of Directors does not deem a significant increase of the current level of indebtedness being in the best interest of the Company. Hence an increase in the share capital of the Company seems to be the most viable solution to fund, in part, the purchase price of the Transaction;
- the Financial Support, in particular the granting of the Loan, offers absolute certainty that funding is available at completion of the Transaction. As a consequence, the Reserved Capital Increase seems to be the speediest and most straightforward instrument to allow the conversion of the debt of the Company (arising from the Loan) into equity, while at the same time such Reserved Capital Increase gives sufficient comfort to Multibrands Italy B.V. that the Loan will be repayable in a short timeframe after completion of the Transaction;
- the Financial Support offers the certainty that the share capital in the Company shall only be increased once the Transaction has been completed.

In light of the above, and in accordance with the provisions of article 5 of the Articles of Association, it was decided to carry out a reserved capital increase of the total amount of Euro 44,262,000.00 (inclusive of share premium), therefore within the limit of the 10% of the pre-existing corporate capital, to be executed within and no later than June 10, 2012, which shall be carried out with the exclusion of the option rights and shall be reserved to the shareholder of relative majority, Multibrands Italy B.V., which has already expressed its availability, subject to the aforementioned conditions, to finance in part the Transaction.

2. Guarantee and/or placement consortia

As this is a reserved capital increase for Multibrands Italy B.V., guarantee and/or placement consortia are not required.

3. Other forms of placement

No other forms of placement are envisaged.

4. Criteria for the determination of the issue price of the new shares and the allocation ratio

The Board of Directors, held on November 16, 2011, determined a subscription price for the shares issued in connection with the Reserved Capital Increase of Euro 9,00, consistent with the market value of the currently outstanding shares, as determined on the basis of the weighted average of the trading prices during the 6-month period preceding November 11, 2011, including such date.

It is pointed out that during the last month the average trading price has been significantly negatively affected by the uncertainties related to the Armani licenses, on the renewal of which the Company could not give definitive answers during the Investor Day and on which it has been subsequently communicated by the Company – and already disclosed to the market – that an agreement for their renewal has not been reached with Armani. However, in light of the continuing fluctuations of the trading values around the lows reached in late September, it was deemed appropriate not to neutralize such a period but to extend the analysis horizon to 3 and 6 months preceding November 11, 2011, including such date.

The attached table summarizes the volume weighted average prices for traded volumes.

Average price per Safilo share as of November 11, 2011	
€	Volume-weighted average price
Last 1 month	5.64
Last 3 months	6.75
Last 6 months	8.18

The subscription price has been confirmed in an *ad hoc* report by the Company's external auditors.

5. Availability of shareholders to subscribe to the capital increase

As this is a Reserved Capital Increase reserved to Multibrands Italy B.V., to be carried out, therefore, with exclusion of the option rights, pursuant to article 2441, paragraph 4, of the Italian Civil Code, the other shareholders are not entitled to exercise an option right on the new issue of ordinary shares.

6. Period during which the transaction may be carried out

In view of the fact that the extraordinary shareholders' meeting to approve the transaction has been convened for December 21, 2011, on a single call, and of the timing of the Transaction – which completion is expected to occur during the first quarter of 2012, and in any case no later than May 31, 2012 –, it is expected that the subscription of the Reserved Capital Increase could occur in the week following the positive completion of the Transaction, it remaining understood that the latest term for the subscription has been set on June 10, 2012.

7. Date of the dividend rights of the newly issued shares

The new shares issued in connection with the Reserved Capital Increase shall have standard dividend rights and, therefore, shall confer on the holders of such shares equal rights to those pertaining to the outstanding shares of the Company at the time of issue of the new ones.

8. Issues forming the basis on which the Board of Directors consider that the issue price for the new shares corresponds to the market value

The Board of Directors, during the meeting held on November 16, 2011, deemed that the subscription price of the shares issued in connection with the Reserved Capital Increase, equal to Euro 9,00 per share, is consistent with the market value of the currently outstanding shares determined on the basis of the average trading prices during the 6-month period preceding November 11, 2011, including such date.

In particular, the Board of Directors has pointed out that the proposed subscription price, being consistent with the trading trend of the last 6 months, also actually incorporates a significant premium compared to the current and last month trading prices, allowing the Company to obtain greater financial resources with respect to those that it would be able to obtain, for example, from an optioned capital increase offered for subscription to all the shareholders and that would be based on the current data relating to the market value of the shares.

It is pointed out that the Reserved Capital Increase, included in the Financial Support transaction described in paragraph 1 above, exceeds the significance indexes provided by the Regulation approved with CONSOB resolution no. 17221 of March 12, 2010, concerning transactions with related parties (hereinafter, the “**Regulation**”) and by the procedure concerning transactions with related parties approved by the Board of Directors of the Company on November 5, 2010 (hereinafter, the “**Procedure**”); in particular, the significance index concerning the consideration – that is the ratio of the reserved capital increase on the net worth – exceeds 2.5%.

As a consequence of the above, the abovementioned Reserved Capital Increase represents a “transaction with related parties of greater importance” pursuant to the Regulation and, therefore, all the requirements provided by the Regulation itself and the Procedure have been complied with; in particular, the Financial Support transaction, in its entirety, has been submitted to the prior evaluation of the Internal Control Committee that, on November 14, 2011, expressed its favorable opinion on the proposed Reserved Capital Increase and the Loan Agreement and the Investment Agreement. The

relevant information document, drafted in accordance with the provisions of article 5 of the Regulation, shall be published as provided by law.

9. Amendments to the Articles of Association

The approval of the proposed Reserved Capital Increase described herein shall require an amendment to article 5 of the Articles of Association, which sets out the amount and composition of the company’s share capital.

We set out below a comparison of the current text and proposed new text of article 5 of the Articles of Association.

Current text	Proposed text
<p style="text-align: center;">Article 5)</p> <p>Share capital amounts to Euro 284,109,825.00 (two hundred eighty-four million one hundred nine thousand eight hundred twenty-five) divided into no. 56,821,965 (fifty-six million eight hundred twenty-one thousand nine hundred sixty-five) ordinary shares of a par value of Euro 5.00 (five/00) each.</p> <p>Option rights may be excluded, in respect of the capital increase, up to the limit of ten per cent of existing capital, on the condition that the issue price corresponds to the market value and this is confirmed in a report by the Company’s auditors, pursuant to article 2441, paragraph 4, point 2, of the Italian Civil Code.</p> <p>By virtue of what has been specified, the extraordinary meeting of November 5, 2010 resolved to increase the share capital by a maximum nominal value of Euro 8,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no n. 1,700,000, par value Euro</p>	<p style="text-align: center;">Article 5)</p> <p>Share capital amounts to Euro 284,109,825.00 (two hundred eighty-four million one hundred nine thousand eight hundred twenty-five) divided into no. 56,821,965 (fifty-six million eight hundred twenty-one thousand nine hundred sixty-five) ordinary shares of a par value of Euro 5.00 (five/00) each.</p> <p>Option rights may be excluded, in respect of the capital increase, up to the limit of ten per cent of existing capital, on the condition that the issue price corresponds to the market value and this is confirmed in a report by the Company’s auditors, pursuant to article 2441, paragraph 4, point 2, of the Italian Civil Code.</p> <p>By virtue of what has been specified, the extraordinary meeting of November 5, 2010 resolved to increase the share capital by a maximum nominal value of Euro 8,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no n. 1,700,000, par value Euro</p>

<p>5.00 (five/00) each, to be offered for subscription to directors and/or employees of the Company and its subsidiaries.</p>	<p>5.00 (five/00) each, to be offered for subscription to directors and/or employees of the Company and its subsidiaries.</p> <p><u>In view of the foregoing, the Extraordinary Shareholders' Meeting on [December 21, 2011] approved a reserved capital increase, against payment, of a total amount of Euro 44,262,000.00 (inclusive of share premium), and therefore within the limit of 10% of the pre-existing share capital, to Multibrands Italy B.V., and therefore with exclusion of the option rights according to article 2441, paragraph 4, second part, Italian Civil Code and to article 158 T.U.F., through the issue of 4,918,000 ordinary shares, at a subscription price of Euro 9.00 per share, of which Euro 5.00 is the nominal value and Euro 4.00 as share premium, whose dividend rights and characteristics are identical to those of the shares outstanding at the time of their issue, which reserved capital increase is open for subscription until June 10, 2012.</u></p>
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The relevant information document, drafted in accordance with the provisions of article 5 of the Regulation, shall be published as provided by law.

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Proposed resolution

Dear Shareholders,

If you are in agreement with the foregoing, we propose to approve the following resolution.

“The Extraordinary Shareholders’ meeting of the SAFILO GROUP S.p.A.,

- having examined the report of the Board of Directors and the proposals contained herein;
- being in agreement with the rationale and characteristics of the reserved capital increase and the criteria for calculating subscription price of the newly issued shares, also having taken note of the opinion on the fairness of the share issue price issued by the external auditor

PriceWaterhouseCoopers S.p.A. in compliance with article 158 of Legislative Decree 158/1998;

approves:

a) a reserved capital increase, against payment, of a total amount of Euro 44.262.000.00 (inclusive of share premium), and therefore within the limit of 10% of the pre-existing share capital, to Multibrands Italy B.V., and therefore with exclusion of the option rights according to article 2441, paragraph 4, second part, Italian Civil Code and to article 158 T.U.F., through the issue of 4,918,000 ordinary shares, at a subscription price of Euro 9.00 per share, of which Euro 5.00 is the nominal value and Euro 4.00 is the share premium, whose characteristics and dividend rights are identical to those of the outstanding shares at the time of their issue, which reserved capital increase is open for subscription until June 10, 2012;

b) to amend article 5 of the Company's Articles of Association as follows:

“Share capital amounts to Euro 284,109,825.00 (two hundred eighty-four million one hundred nine thousand eight hundred twenty-five) divided into no. 56,821,965 (fifty-six million eight hundred twenty-one thousand nine hundred sixty-five) ordinary shares of a par value of Euro 5.00 (five/00) each.

Option rights may be excluded, in respect of the capital increase, up to the limit of ten per cent of existing capital, on the condition that the issue price corresponds to the market value and this is confirmed in a report by the Company's auditors, pursuant to article 2441, paragraph 4, point 2, of the Italian Civil Code.

By virtue of what has been specified, the extraordinary meeting of November 5, 2010 resolved to increase the share capital by a maximum nominal value of Euro 8,500,000.00 by issuing new ordinary shares for an amount up to a maximum of no n. 1,700,000, par value Euro 5.00 (five/00) each, to be offered for subscription to directors and/or employees of the Company and its subsidiaries.

In view of the foregoing, the Extraordinary Shareholders' Meeting on [December 21, 2011] approved a reserved capital increase, against payment, of a total amount of Euro 44,262,000.00 (inclusive of share premium), and therefore within the limit of 10% of the pre-existing share capital, to Multibrands Italy B.V., and therefore with exclusion of the option rights according to article 2441, paragraph 4, second part, Italian Civil Code and to article 158 T.U.F., through the issue of 4,918,000 ordinary shares, at a subscription price of Euro 9.00 per share, of which Euro 5.00 is the nominal value and Euro 4.00 as share premium, whose dividend rights and characteristics are identical to those of the shares outstanding at the time of their issue, which reserved capital increase is open for subscription until June 10, 2012;”

- c) to confer on the Board of Directors and, for it, to the Chief Executive Officer Roberto Vedovotto, with the right to sub-delegate, all the broadest powers necessary to carry out the acts and formalities required for the exact implementation of these resolutions, with the option to lodge the updated Articles of Association, with the new text of article 5, pursuant to article 2436, paragraph 2 of the Italian Civil Code, after filing the declaration relating to the subscription for the capital increase, pursuant to article 2444 of the Italian Civil Code.”

Padua, November 18, 2011

The Chairman of the Board of Directors
Robert Polet