ANNUAL REPORT 2014

Safilo GROUP

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Safilo GROUP

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ALEXANDER McQUEEN

McQ
ALEXANDER McQUEEN

BOSS
HUGO BOSS

BOSS ORANGE
HUGO BOSS

BOTTEGA VENETA

CÉLINE

Dior

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EST. USA

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Juicy Couture
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FOR THE AMERICAN MARKET

BANANA REPUBLIC

JACK SPADE

JLO
BY JENNIFER LOPEZ

kate spade
NEW YORK

liz claiborne

Saks Fifth Avenue

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 precise strategy of consumer segmentation.

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 team 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.

SAFILO BUSINESS MODEL

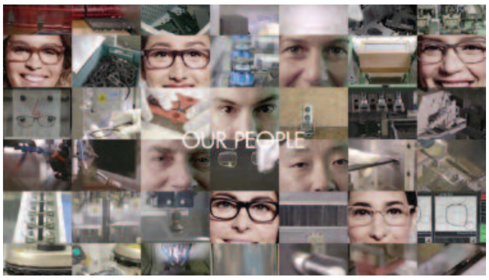
DESIGN, INNOVATION & PRODUCT CREATION

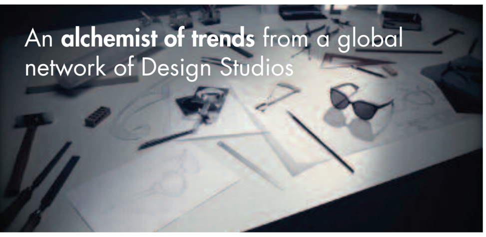
GLOBAL PRODUCT SUPPLY & DISTRIBUTION

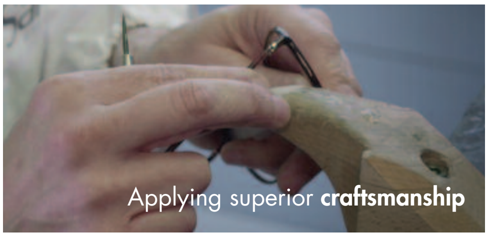
GLOBAL BRAND BUILDING & MARKETING

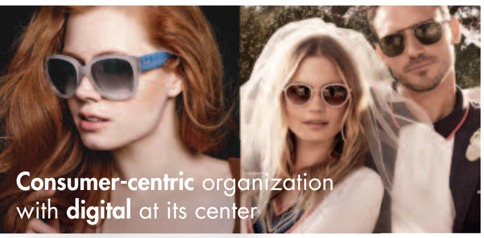
GO TO MARKET

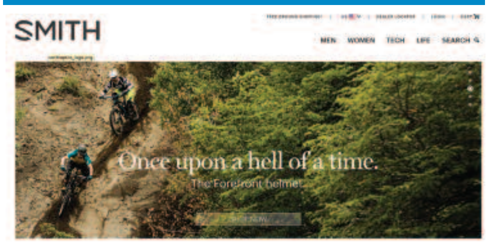
We will be a leading **Global Eyewear Creator** with a **balanced Portfolio of superior brands** that will delight the world's **consumers**, create mutual value with our **partners** and reward Safilo with leadership **shareholder** value creation.











SAFILO BRANDS

CARRERA
EYEWEAR SINCE 1956

Polaroid
THE POLARIZED SUNGLASSES

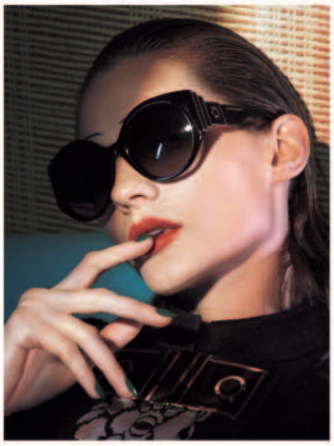
SAFILO
OCCHIALI DAL 1934

SMITH

YODO

LICENSED BRANDS

ALEXANDER MCQUEEN



BOBBI BROWN

BOSS
HUGO BOSS

BOSS
HUGO BOSS

BOTTEGA VENETA

CÉLINE

LICENSED BRANDS

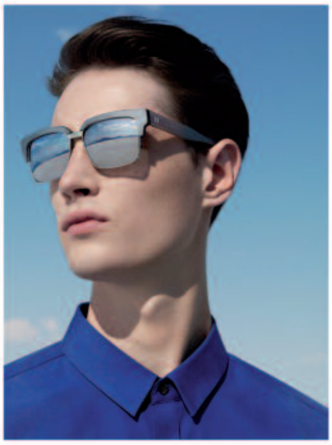
Dior

FENDI

FOSSIL
EST. USA

GUCCI

HUGO
HUGO BOSS



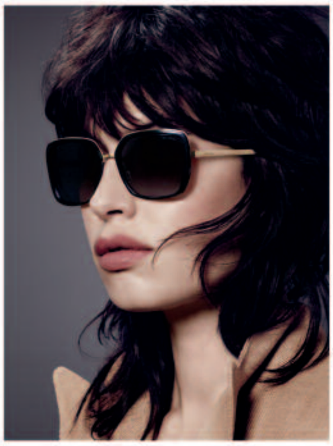
JIMMY CHOO

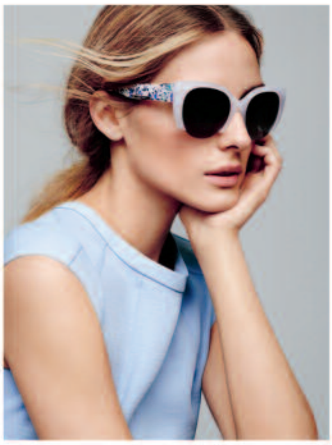
LICENSED BRANDS

Juicy Couture
los angeles, california

MARC JACOBS

MARC BY MARC JACOBS





LICENSED BRANDS

pierre cardin
PARIS

SAINT LAURENT
PARIS

TOMMY HILFIGER

BRANDS FOR THE AMERICAN MARKET

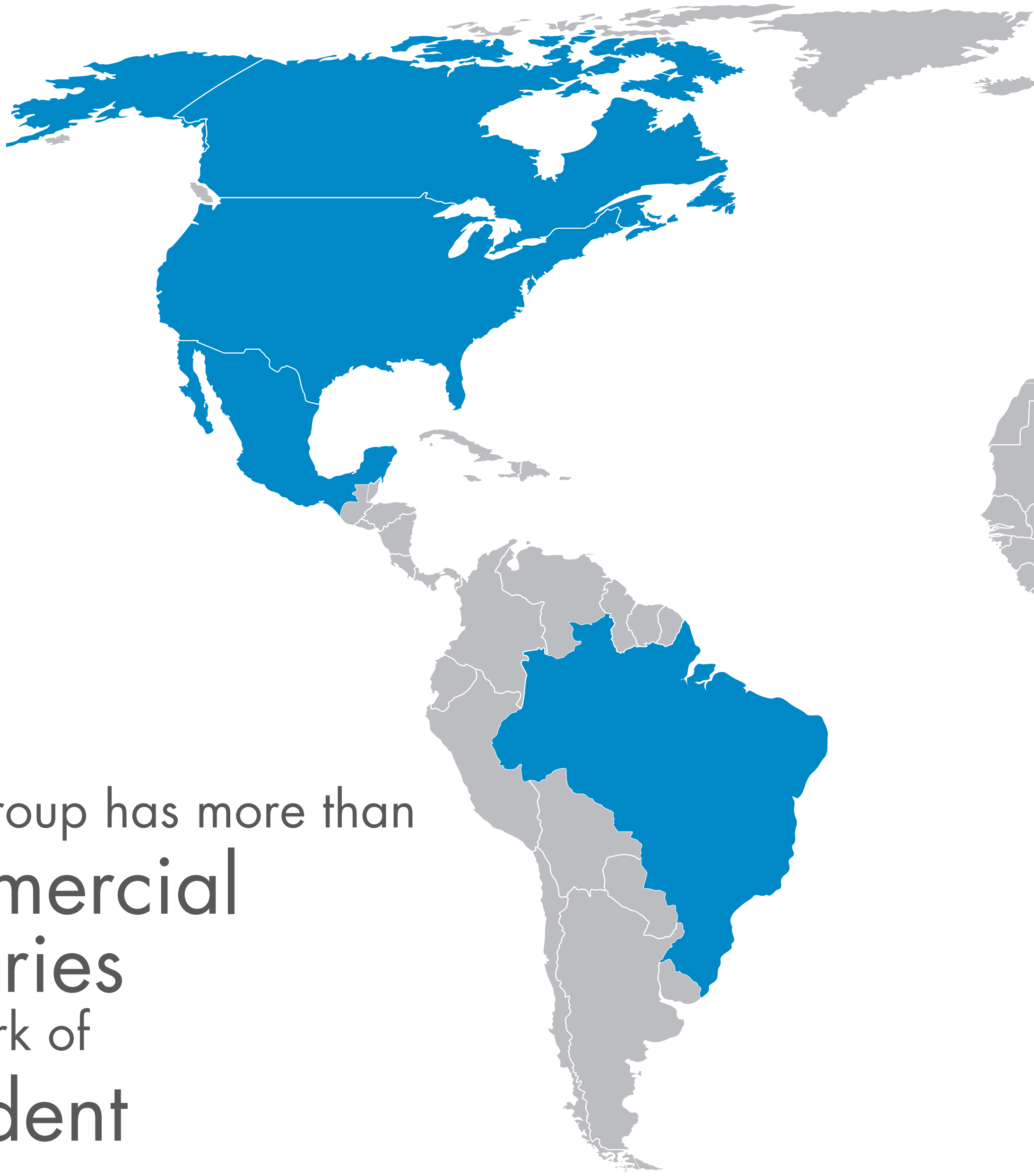
BANANA REPUBLIC

JACK SPADE

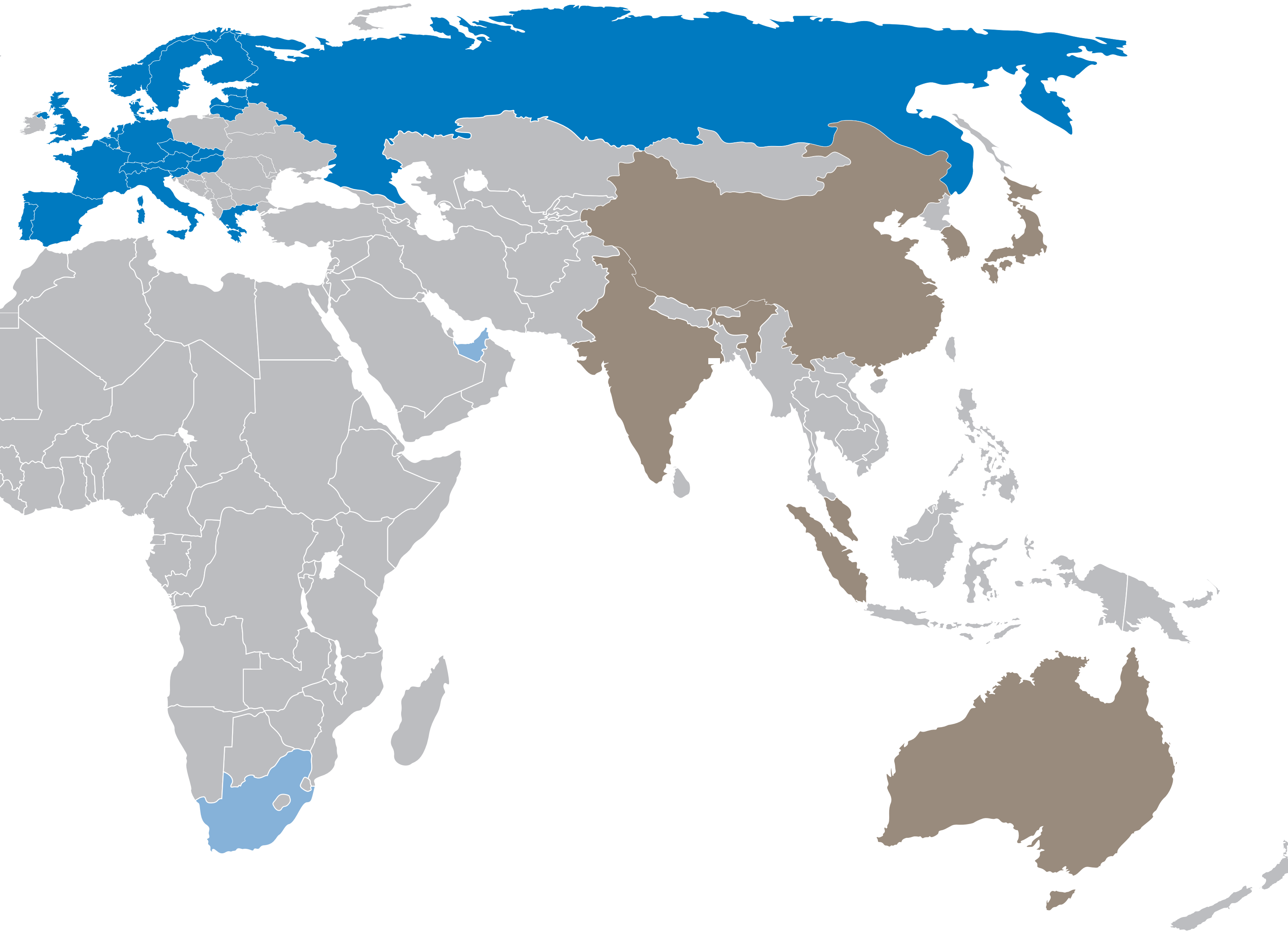
JLO BY JENNIFER LOPEZ

BRANDS FOR THE AMERICAN MARKET

SAFILO IN THE WORLD



The Safilo Group has more than
30 commercial subsidiaries
and a network of
indipendent distributors
able to reach more than
90,000 selected sales stores
all over the world



SUBSIDIARIES THE AMERICAS

Latin America
Brasil
Canada
Mexico
Usa

SUBSIDIARIES EUROPE

Austria
Belgium
Denmark
Estonia
Finland
France
Germany
Greece
UK
Italy
Latvia
Lithuania
Norway
Netherlands
Portugal
Czech Rep.
Slovenská Rep
Russia
Slovenija
Spain
Sweden
Switzerland
Hungary

SUBSIDIARIES ASIA PACIFIC

Australia
China
South Korea
Hong Kong
India
Japan
Malaysia
Singapore

SUBSIDIARIES REST OF THE WORLD

South Africa
United Arab Emirates

SAFILO SPORT

Italy
Usa

PRODUCTION FACILITIES

Longarone (Italy)
Martignacco (Italy)
S. Maria di Sala (Italy)
Ormoz (SLO)
Salt Lake City (USA)
Suzhou (RPC)
Vale (U.K.)

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 (1975 - 1977).

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 policy 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 potentials.

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). Due to these acquisitions, Safilo has become one of the leading manufacturers and distributors of sports eyewear and ski goggles in Europe.

The acquisition in the same year of the American company Smith Sport Optics Inc. added a range of sports goggles - specifically addressed to the American market - 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 leverage buy out.

In 2005 Safilo Group was back on the Stock Exchange

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.

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.

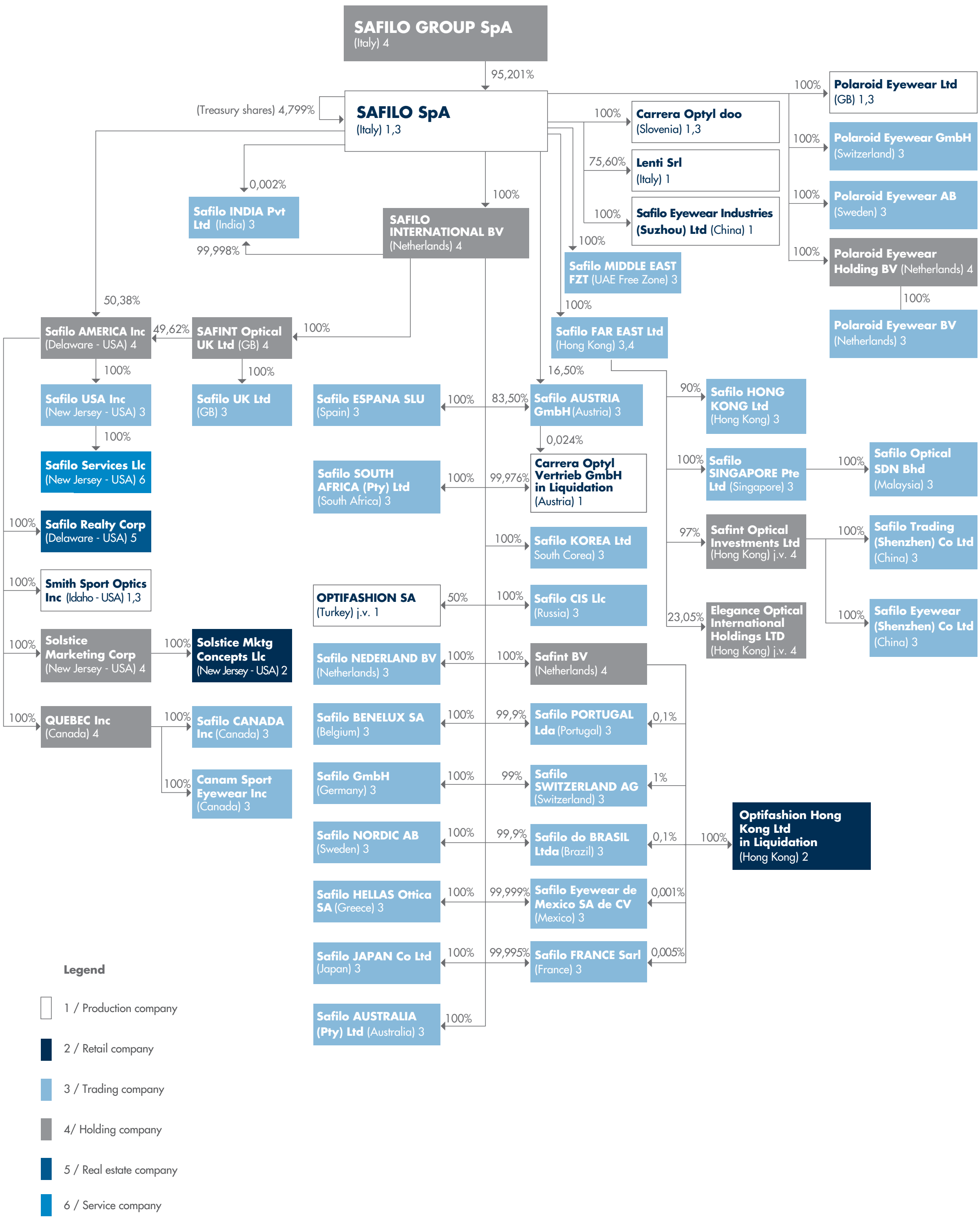
In March 2010, the capital increase of the parent company was concluded, and led to the entry of HAL Holding N.V., an international investment company, as the new reference shareholder.

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 very well received 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 selected according to criteria which take into consideration specific competitive positioning and international prestige, based on a precise strategy of consumer segmention and 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 emerging 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. Factors behind its success include the high level of training of the sales force, which focuses on certain product lines. Through its sales network, the Group maintains relations with and effective control over its customers, the high quality of which ensures a suitable position of house and licensed brands. In particular, the strategic selection of retailers and the positioning of Group's products in their points of sale is a key to success in relations with prestigious brand licensors and is a distinctive feature of the Group in comparison to its leading competitors;

- 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, such as CRM – customer relationship management – which enables monitoring the market, storing data and creating precise customer profiles so as to personalise the services even further;

- diversification in revenues: diversification in the portfolio of proprietary and licensed brands and in the target markets and customer 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

Production and distribution chain

On the basis of the success factors described above and in an attempt to reduce the risk factors as far as possible, Safilo Group directly controls the entire production-distribution chain; the latter 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 into materials, product and process innovation 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 efficacy, efficiency and quality.

Research and development activity into instruments/machinery is aimed at internally designing and developing precision instruments and moulds with the purpose of improving the quality, efficacy and efficiency of the production process. Management believes that the organisation of this activity within the Company allows the reduction of the products' time-to-market, thereby obtaining constant savings in production costs.

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 so as to define the production needs on a weekly basis.

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).

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 now means that 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 roughly 30% of the volume of prescription frames and sunglasses (50% of the value) in five of its seven facilities – in Italy, Slovenia, China and the U.S. – with the remainder being sourced from suppliers in Asia and Italy.

La produzione interna viene svolta presso sette stabilimenti produttivi localizzati in Italia ed all’estero

Internal production

Direct production by the Group is now conducted in three plants in Italy, by the plant in Ormoz (Slovenia), the plant in Vale (Scotland) and the one in Suzhou (*China), as* well as in the plant in Salt Lake City, Utah (USA) for ski goggles.

Outsourced production

Outsourced production aims at reducing costs and obtaining greater production flexibility

Outsourcing policies aim at optimising production capacity and reducing costs. The Group works with manufacturers in Italy, Asia and the USA. The decision to assign a product to an Italian or Asian contractor is based on specific product quality parameters, origins and special production needs.

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.

Imaging, 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 assumed a key position within the strategy and the objectives of the Group.

The context in which Safilo operates is increasingly global and sees in the integration of the various function and conditions, of both production and management, as an essential element to achieve new and challenging objectives in the mid and long-term, fundamental to maintain and enhance the competitive level in an increasingly complex and dynamic business environment.

During 2014 Quality has undergone a major process of evolution that saw not only the consolidation of a strong, practical and effective attention to the single product but also an increasingly marked propensity toward a Total Quality Management to integrate the quality discipline into the culture and activities of the organization.

Using quality as a competitive lever is one of the drivers that the Safilo Group increasingly sustains by constantly and carefully checking that its products comply with the ever more stringent national and international regulations, combined with rigorous processes to develop, industrialise and produce new products, aimed at ensuring the highest level of compliance in production launch and subsequent series. This is true for both products created through internal processes and those created at suppliers, whether they supply components, semi-finished goods or finished products.

Components or semi-finished goods coming from third parties or from Group facilities are checked and processed by highly-qualified Safilo staff through the adoption of the highest quality standards; once the production process has been launched, the WIP component undergoes a series of further controls in the different phases of the value chain; the finished product that results is in turn checked in a final phase before its final packaging and dispatch to the customer.

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

Marketing and communications

Marketing actions are defined at world 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 the Safilo 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).

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 market 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 the licensors.

In 2014, the Group's total investment in marketing and communication came to Euro 129.7 million (vs. Euro 120.5 million in 2013), equal to roughly 11.0% of consolidated revenues for the Group (vs. 10.7% in 2013).

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

Consumer-oriented activities account for roughly two thirds 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. Moving forward, digital marketing will become an increasingly important communication vehicles due to its efficient targeting capabilities and the changing media consumption habits of our consumers.

In 2014, the Group further developed the international Trade & Retail Marketing division, which is responsible for defining the guidelines for the development and implementation of activities relating to the various brands at global level, in coordination with the regional business units.

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

Corporate communication

The Group also attributes great importance to corporate communication, which it develops as a priority with its participation in the main international fairs in the sector and with internet communication through the sites www.safilo.com, www.carreraworld.com, www.smithoptics.com and www.oxydo.net.

The creative communications strategy is always in line with the Group's specific choices but is adapted to specific market needs to guarantee it will reach the set target groups.

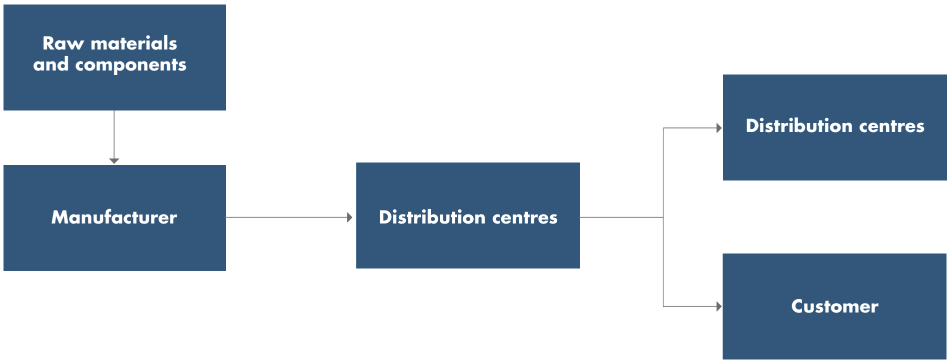
The media strategy is managed at Group level, but with specific optimisation campaigns in the single local markets.

Sales and distribution

Distribution

The products are distributed through specialised distribution centres in Italy and USA

Distribution process takes place through the supplying of finished products to the various distribution centres, either directly by production facilities (own or third-party) or by some of the same distribution centres, each one serving its own specific markets.



The Group has developed a common information platform for the main European companies, for Safilo Far East Ltd. in Hong Kong and for Safilo South Africa Pty and Safilo de Mexico S.A.. This platform permits direct linking, from the logistics standpoint, of the highly automated Padua distribution centre in Italy with individual European opticians, Asian distributors, South African and Mexican customers. The platform enables the Group to offer customers direct shipment from the Padua distribution centre to the individual retailers without the need to ship the products to any intermediate warehouse. This logistical organisation provides both excellent service to the customer and allows stocks of finished products to be constantly monitored.

By means of its distribution footprint around the world, the Group can ensure an excellent level of customer service in all its current markets.

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, in the main countries through its own over 30 sales branches and through more than 170 independent distributors in the other countries. Each Group branch coordinates a solid network of local agents, reaching the clientele of 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.

The Group maintains efficient customer relations and controls and the high Group quality standards ensure the right positioning for both proprietary and licensed brands. In particular, the strategic choice of selecting retailers for the products and their position within the points of sale is one of the strengths in our relationships with the licensors of the top brands and marks us out with respect to our main competitors.

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 and in 2014 Dubai and Mexico City to present products to clientele.

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

Safilo's distribution network is geographically organised in 5 regions, which respectively cover North America, Latin America, Asia-Pacific, China and EMEA.

Three key global sales channels were introduced across all the Group's geographical divisions in 2014: Global Travel Retail, operating principally in Asia and Europe and rapidly evolving in the USA, from its base in Miami; GrandVision, operating principally in Europe and South America; Global Sport & LifeStyle, resulting from the combination of Smith USA and the Sports channel in Europe under one commercial leadership.

LATIN AMERICABelow is a brief description of the 5 divisions:

EMEA (Europe, Middle-East and South Africa)

EMEA. 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 26 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 2014 the Group also operated directly in Dubai, thanks to the opening of a branch office enabling us to locally manage Key Accounts in the countries of the Arabian Peninsula.

ASIA - PACIFIC

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

CHINA

China. The head of this region manages the wholesale distribution strategies for the Chinese market. The regional headquarter is in Shanghai and the main distribution channels are Chains, Key Accounts and independent opticians.

NORTH AMERICA

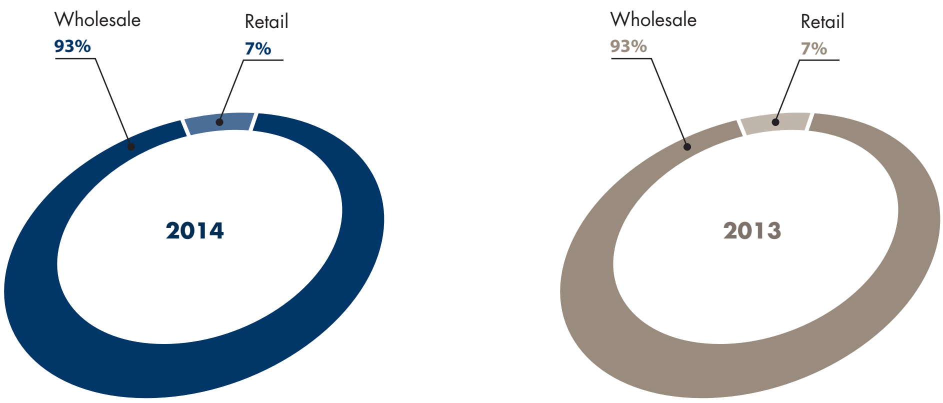
North America covering the USA and Canada, headquartered in New Jersey, USA. Marketing and distribution in the USA is implemented through three distribution channels: *(i)* opticians, ophthalmologists and optometrists; *(ii)* the retail market, comprising department stores and specialised shops; *(iii)* sports stores. The Group has two showrooms (New York and Miami) that presents all its product lines.

The major retail chains are handled by the key-account organisation.

LATIN AMERICA

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

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 launched at the end of 2009 and completed during 2010 has seen the Group refocus on the Wholesale segment, and it is consequently no longer pursuing an 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.

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.

US chain Solstice

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 132 stores at the end of 2014.

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. Safilo has gradually completed its portfolio of proprietary brands with others from the luxury and fashion world, setting up long-term agreements with the licensors for an average of 5 to 8 years, the majority of which are constantly renewed.

In order to minimise the risk associated with the volatility of consumer tastes, the Group pursues a policy aimed at constituting a brand portfolio that effectively plays across key consumer segments and complements its geographic expansion strategy.

As part of its diversification policy, the Group generally concludes global licensing contracts, except when the brand in question has a strong resonance limited to a specific region.

2014 has been an year where the Group has renewed important license agreements with key partners thanks to the achievement of excellent results.

Renewal of licensing agreements of strategic importance for the Group

License agreement with Tommy Hilfiger, one of the world's leading lifestyle brands which is wholly owned by PVH Corp., has been early renewed for other 5 years. The agreement will run until December 31, 2020, with an optional five-year extension thereafter.

Safilo and Jimmy Choo, the iconic and luxury fashion accessory brand, announced the automatic extension of the license agreement until December 31, 2018 for the design, production and distribution of the Jimmy Choo eyewear collections of sunglasses and optical frames. This reflects the outstanding growth of the brand's eyewear business across all major countries, especially in Europe and North America.

In September, Safilo, in coordination with Kering, announces their agreement to evolve their longstanding successful Eyewear partnership of 20 years, in the context of Kering's decision to internalize most of its Eyewear business, leveraging Safilo's unique craftsmanship capabilities in Eyewear product development, high quality Italian manufacturing and supply.

As a consequence, Safilo Group has decided with Kering to anticipate the conclusion of its current Gucci license agreement by two years to December 2016, to develop a strategic product partnership agreement for four years until December 2020, and award to Safilo a compensation of 90 million Euros, to be paid in three equal instalments over the next four years, the first tranche of which has been received in January 2015 at closing.

As at 2014 year-end, 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 to expand in the medium-high end of the market and for Lifestyle, Contemporary Fashion and Casual-Sport segments in all product categories.

CARRERA EYEWEAR SINCE 1956

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

With its great heritage, Carrera is nowadays present in the cult eyewear market. The brand continues to draw inspiration from its history and looks to the future reinterpreting vintage styles through a modern use of colours and original shapes updated for use at the current time. The brand knows how to express the *zeitgeist* whilst remaining authentic, original and innovative. Carrera customers are dynamic and active people who love real and authentic things with timeless style, just like Carrera quality and character.

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 that 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. Polaroid UltraSight™ lenses are manufactured at a fully owned factory located in Vale of Leven, Scotland, using Thermofusion™, the innovative proprietary production technology capable of making lenses with advanced optical properties and ensuring the utmost polarizing efficiency.

2013 saw the global re-launch of Polaroid as a Safilo Group' brand and in 2014, the brand continued to develop with increasing success thanks to the introduction of new collections and the opening of several new markets.

As of today, Polaroid is already in a leading position in key European markets and its market shares are growing steadily month by month.

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 a valid 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.

Throughout 2014, the year that marks the company's 80th anniversary, Safilo's collection has been enhanced with a wider choice of new made in Italy models with great attention to detail and new exclusive hinges continuing the tradition of the brand's classic hinge, Elasta, famous for its quality and durability.

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

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. Further to 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 important brand portfolio

A very important 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 the recognition of 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.

ALEXANDER MQUEEN	Dior	JLO	MAX&Co.
BANANA REPUBLIC	FENDI	Juicy Couture los angeles, california	MC
BOBBI BROWN	FOSSIL	kate spade NEW YORK	pierre cardin PARIS
BOSS HUGO BOSS	GUCCI	LIZ claiborne	SAINT LAURENT PARIS
BOSS HUGO BOSS	HUGO HUGO BOSS	MARC BY MARC JACOBS	Saks Fifth Avenue
BOTTEGA VENETA	JACK SPADE	MARC JACOBS	TOMMY HILFIGER
CÉLINE	JIMMY CHOO	MaxMara	

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

Alexander McQueen. Britain's top luxury brand, synonymous with modern haute couture, creativity and innovation, tradition and provocation. The eyewear collection leverages on the brand's alternative DNA, with distinct design point of view and directional styling, and incorporation of iconic details. It is addressed to sophisticated consumers, characterized by a trendsetter and very fashionable approach to the fashion world.

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 arms 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.

HUGO-HUGO BOSS. The HUGO collection, characterized by valuable and quality materials (titanium and beta-titanium), offers a wide range of non-conventional contrasts in line with post-modern tastes.

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.

Bottega Veneta. Bottega Veneta is synonymous with the highest craftsmanship, the choice of finest materials, and an innovative yet understated design. The eyewear collection focuses on traditional and well-known icons such as "intrecciato", and is consistent with the brand's excellent quality and "no logo" approach, according to the original tagline "when your initials are enough". The collection is addressed to women and men characterized by a sophisticated and understated aesthetic taste, and high expectations in terms of quality, details and design.

Céline. Timeless and minimalist luxury with an unconventional twist. Each Céline's 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.

Fendi. The savoir faire, craftsmanship and innovation skills which has 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.

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.

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 Rxable 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. The 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 and esteemed 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.

Saint Laurent Paris. Founded in 1961, Yves Saint Laurent was the first fashion house to introduce the concept of luxury prêt-à-porter. Under Hedi Slimane's creative direction, starting March 2012, Saint Laurent Paris is returning to the spirit and principles which prevailed at the creation of "Saint Laurent Rive Gauche" in 1966: youth, freedom, modernity. Saint Laurent eyewear collection has a strong personality and a distinctive and consistent identity: modern, minimal, sophisticated and rock, with an authentic flavor and handcrafted feeling. The collection is designed for sophisticated fashion consumers searching for unique and timeless icons as well as a strong attitude.

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.

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.



SAFILO GROUP S.P.A. CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2014

BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

BOARD OF DIRECTORS	*Chairman*	Robert Polet
	Chief Executive Officer	Luisa Deplazes de Andrade Delgado
	Independent Director	Giovanni Ciserani
	Independent Director	Jeffrey A. Cole
	Director	Melchert Frans Groot
	Independent Director	Marco Jesi
	Independent Director	Eugenio Razelli
	Director	Massimiliano Tabacchi
BOARD OF STATUTORY AUDITORS	*Chairman*	Paolo Nicolai
	Regular Auditor	Franco Corgnati
	Regular Auditor	Bettina Solimando
	Alternate Auditor	Marzia Reginato
	Alternate Auditor	Gianfranco Gaudioso
SUPERVISORY COMMITTEE		Franco Corgnati
		Eugenio Razelli
		Massimiliano Pascale (*)
CONTROL AND RISK COMMITTEE	*Chairman*	Eugenio Razelli
		Marco Jesi
		Melchert Frans Groot (**)
REMUNERATION AND NOMINATION COMMITTEE	*Chairman*	Jeffrey A. Cole
		Massimiliano Tabacchi (**)
		Marco Jesi
RELATED PARTIES TRANSACTIONS COMMITTEE		Eugenio Razelli
		Marco Jesi
		Giovanni Ciserani
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A. (***)	

(*) In charge from 1st September 2014.
(**) In charge from 29th April 2014.
(***) Appointed, as proposed by the Board of Statutory Auditors, by the Shareholders' Meeting of April 15th 2014, for the financial years from 2014 to 2022.

CHAIRMAN'S LETTER

Dear Shareholders,

2014 marks another important year for Safilo Group, during which we laid the foundation for a further phase of the Group's development - one of managerial modernisation, simplification and global integration, to make the Group capable to deliver sustainable profitable growth in the mid and long term.

Safilo was able to meet the growth commitments that it had set for the year.

Important initiatives that were started are the new Global Commercial Organisation and the new Brand Building organisation to further develop the Proprietary Brands, new global leadership and organisations for Product Design, Product Creation & Development, and Product Supply & Logistics.

Together with our new leadership structures staffed with international talent from diverse origins and experiences, and IT enabled global work re-design we are confident that Safilo has put into place the right building blocks for the future.

With the renewals of the fast growing licenses of Jimmy Choo and Tommy Hilfiger, the Group set the direction forward for brand portfolio management focused on strong growth brands with unique distinctiveness and consumer proposition.

The Group addressed changes in the relationship with Kering, with a forward looking agreement on the Gucci license and the three small Kering brands of Bottega Veneta, Saint Laurent and Alexander McQueen.

We agreed a new product partnership on Gucci made in Italy, while Safilo reconfirmed its intent to diversify its brand portfolio across well defined consumer segments, pursuing a strategy of clear differentiation and resulting execution - brand driven, design inspired.

The "Mass Cool" and the "Atelier & Specialist" consumer segments are a new focus in this.

We believe that Safilo specifically, and the eyewear sector overall, have significant development potential for the mid and long term in frames as well as the sun categories.

Safilo intends to grow to its fair share potential in most markets worldwide, both in terms of the breadth of our brands, and channel presence.

We also see new potential emerging in the outdoors inspired lifestyle segment, that is expanding the reach of the traditional sport segment.

Being historically strong in product craftsmanship and now focusing on operational excellence both as regards commercial and product supply networks, we believe that Safilo will be uniquely positioned to leverage these opportunities.

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 great strides forward in 2014.

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 thanking you, as well as all our employees, customers and all other partners across the world for placing your trust in Safilo's product and potential for growth and profitability acceleration. This trust enables us to lead with confidence a profound company transformation that aims at preserving our historical product craftsmanship & innovation and resilience, while modernizing ourselves operationally globally, with a long term view.

2014 has been a direction setting year, intense and multi-facetted. By initiating significant changes in the Company leadership and operational strategies, we laid the foundation for a further phase of the Group's development - one of managerial modernization and simplification, global business integration, and industrial re-invention, all indispensable to position our Company to deliver sustained growth and accelerated profitability in the mid and long term. We also addressed changes in the relationship with Kering, with an agreement to anticipate the Gucci license end date by 2 years from December 2018 to December 2016 and in exchange receiving a compensation payment of 90,000,000 EUR and a 4 year supply & product partnership agreement on Gucci made in Italy up until 2020. The thereby guaranteed very significant volumes in combination with the compensation payment offset the economic impact of the anticipated license termination, while smoothening the industrial impact of the termination over several years. With the immediate conclusion of the small licenses of Bottega Veneta, Saint Laurent and Alexander Mc Queen mid 2015, we optimized our going forward portfolio and profitability.

The year's interventions have set us firmly onto the path of change. Our Global Leadership Team renewal is now complete, and the Extended Global Leadership Team is two thirds complete, the blueprint for a new modern global Organization Design in place, Brand Building platforms and strategies for our three key Proprietary Brands of Polaroid, Carrera and Smith in place with Safilo to be completed by mid 2015, and the important Tommy Hilfiger and Jimmy Choo licenses renewed for multiple years. A new global commercial organization is now in place, equipped with internationally qualified leaders, new commercial strategies enabling Safilo to start steering business growth, invest in performance and differentiate Go-To-Market by customers whether independents, chains, channels worldwide in a brand driven way, and ensure that the right Safilo products are sold in the right channels and displayed in the right way in the right doors, as intended by every brand. Our Global supply & logistics network re-invention under the leadership of our newly appointed Global Product Supply Officer has started in mid 2014, and a new Product Creation organization took off to enable Design and Engineering, powered by Innovation, to start working seamlessly for breakthrough results. All these interventions come at the backdrop of Safilo's Purpose, Values, Principles and Competencies that we articulated together as an organization in early 2014 to commemorate the 80th birthday since our legal incorporation. They represent who Safilo is, and how we do business and hold ourselves accountable for doing so. They reconfirm historical product strength, and signal change - brand driven and design inspired, operational simplification, product and sales integrity, accountability of everyone, mid/long term results orientation, and win/win leadership, with systemic people development. Changes as to what represents sales quality, leadership behavior of transparency and collaboration across function, mutual agreements with customers beyond one off-deals, rewards systems including how results were achieved beyond what the results were, and the announcement of the new Safilo Product School offering the industry's first 3 year Eyewear Apprenticeship, are examples how we started to translate PVPC immediately during 2014 into business management.

I would like to now take this opportunity to share with you my views about the year just ended, and direction for the future.

2014 performance

The economic and financial performance obtained in 2014 was in line with expectations and confirms the progress of our product centered strategic and operational direction.

- The strong and progressive sales growth, resulting from both quality distribution and an acceleration through new business leadership in the second half, confirms the effectiveness of our commercial strategy re-set focused on quality distribution and sales, and step-change in commercial leadership & capability, and joint business planning with our customers. We discontinued the former set up of 3 independent regions operating as stand alone business units. Safilo's Go-To-Market is led by a set of interdependent geographies (North America, Latin America, 5 key EMEA markets (Italy, France, Iberia, UK, Russia), Central North Europe, Middle East Africa, China, and APAC), Global Channels (Travel Retail, Department Sports & Outdoor Lifestyle, Department Stores), and Global Accounts (GrandVision). These are enabled by Sales Operations owning planning and customer services, and Commercial Strategy & Planning owning the articulation of distribution, assortment, pricing and merchandising programs to win uniquely on each brand. A new global Commercial Strategy is being implemented outlining trade terms, joint business planning with retailers, and customer service, enabling in sum Safilo to operate commercially in modern ways bringing to life with discipline a brand driven, quality philosophy that we wish to adopt as quality operator of trust.

- Growth was broad-based across the majority of our geography and brand portfolio. We were particularly pleased about sales growth in Western Europe where our immediate focus on Germany – historically underdeveloped – started to pay off immediately. Iberia profiled itself as our leadmarket for accelerated proprietary brand growth, and the UK traditionally also under-developed started to lead with differentiated chain partnership. Our business in North America also recorded an excellent growth performance, coming out of the gates strongly following a soft first quarter heavily affected namely by severe weather conditions. Our key emerging markets Brazil, Mexico and China recorded double digit growth enabled by new focus of the new regions and corporate engagement, systemic capability building namely in Latin America, and significant opportunities enabled by our multi segment portfolio.

- From a brand point of view, our Mass/Cool brand Polaroid delivered outstanding sales growth as the brand expands rapidly across the world and is starting to be rewarded by consumers with leadership market volume shares in an increasing number of countries, EU5 and Russia namely, and is also growing fast in Latin America. Also our Sports/Lifestyle brand Smith posted a year of excellent growth, gearing up for its global expansion from 2015, while Carrera posted in its year before its re-launch excellent growth on frames with declining sun awaiting the re-launch. Our new strategy and plans were very well received by customers and at the end of the year, and we are now going live with focus on five markets worldwide as I write these lines.

- In our licensed brand portfolio, we introduced Fendi in 2014 in the key worldwide markets and launched the first Bobbi Brown eyewear collection in the USA and Canada. Furthermore, we recorded strong performance on BOSS, Celine, Jimmy Choo, Fossil, Kate Spade, Max Mara Group and Tommy Hilfiger. Our work and related results this year show that also several licensed brands are under developed, and that we have a handful of brands that can aspire to become megabrands based on their overall brand consumer target profiles, geographical potential, and collection expansion opportunities, both in terms of family width and price height. With Dior, our reference brand in terms of quality standards of product and execution, we have continued on a path of excellence and integrity - through product uniqueness in terms of design, materials and actual craftsmanship, and quality of distribution and selectivity, as well as holistic communication integrity.

- In terms of profitability, the 2014 EBITDA amounted to Euro 110.7 million equal to an EBITDA margin of 9.4%. Excluding the impact of one-time, non-recurring cost, EBITDA reached Euro 118.4 million at a margin of 10.0%.

- Net debt on December 31, 2014 stood at Euro 163.3 compared to Euro 182.5 million at the end of the previous financial year, with leverage standing now at 1.5x EBITDA. The reduction in net debt was due to the accounting for the option component of the "equity-linked" bonds the Group issued in May 2014. Financial charges reduced from Euro 24.7 million to Euro 10.4 million driven by the combined effect of the reduction of the average debt over the year and the replacement with a more favorable mix of funding sources. The net financial charges are positively influenced by the fair value measurement of the option component embedded in the "equity-linked" bonds issued in May 2014, resulting in a financial gain of Euro 17.7 million.

- From a point of view of free cash flow, results were impacted by an increase in working capital behind an increasing incidence of inventories during the middle of the year, that we were able to start stabilizing only in the fourth quarter. Efficient working capital management will be one of our key priorities in the years to come. Significant business process interventions are underway, as it is needed to address this systemically given todate's absence of processes covering and connecting sales planning, monthly Sales & Operation Planning including a rolling demand forecast and plan, and sourcing including production planning. Today therefore, the focus is on systemic end-to-end process design that will bring lasting results, but requires now this and next year for comprehensive transition.

- Finally, Group net profit increased from Euro 15.5 million of 2013 to Euro 39.1 million of 2014.

We are satisfied with these results achieved while we are re-investing significantly in the modernization of our organization, including as key ones our IT transformation project Eye-Way and step-changing brand building capabilities through the establishment of our new Corporate Marketing function set up in 2014, and the new commercial organization as mentioned, and product creation, while starting the re-invention of our global supply & logistics network.

Building leading edge capability to deliver sustainably

While the main objective through the first years since 2009 was to stabilize our financial situation, and define the scope of our business, the further step on our path to sustainable profitable growth is now to accelerate the construction of enduring capabilities in terms of global Brand Building, Commercial delivery and Operations. This is a mid-term undertaking, with a long-term view.

A series of instrumental interventions illustrate the 2014 key steps on this path of construction.

- Our new global Proprietary Brand organization re-applies the best of globally leading brand builders, while keeping it simple and entrepreneurial. Polaroid, with its clear brand positioning and because uniquely relevant in the current market conditions across the globe, will be our main immediate focus. Our plans for Polaroid call for fast expansion of doors, and a sequence of countries. On Carrera, we will pursue in the short term a targeted growth plan, while preparing a careful brand re-focus. This while we re-set the foundations of Smith Optics for global expansion.

- We are deliberately engaging on learning in order to lead from the front in innovation through consumer understanding, leveraging our proprietary retail network, Solstice. Our new partnership, with Bobbi Brown, is an example of our focus to innovate eyewear and expand the traditional view of sunglasses or frames into a new beauty space which has the potential to enlarge the market.

- We are identifying global channels that we plan to integrate worldwide across geographies, in order to leverage their concentrated customer and, importantly, global shopper segment. Global Travel Retail, and Global Sports and Department Stores, are three examples.

- Our new global account management, where we partner with the leading multinational retailers that are in the typical optical space, or others that are starting to include eyewear in their scope, signals our commercial stepchange to introduce systemic Joint Business Planning, Category management based, Shopper inspired approaches to commercial Demand and Supply terms.

- Our Talent Development now combines more internal progression of talent supplemented by targeted external appointments. We have started to design flatter, more multifunctional global teams. We are launching renewed performance management systems for rigorous leadership and accountability, and merit based differentiation. Employee engagement is becoming a measurable enabler for productivity enhancement as we have launched the first yearly employee survey. Our Extended Leadership team grouping the top 100 leaders worldwide is established, and will come together yearly to focus on business, organization, and personal leadership development, building a one Safilo direction and culture worldwide.

- All these interventions signal our intent to create a sustainable worldwide organization that is capable of delivering sustainable results, and will be enabled by IT systems. We call that "Eye-Way", the Safilo way of operating globally that we will build systemically over the coming years. We expect this global integration to produce, over time, a significant simplification and cost reduction in our ways of operating, which are currently largely manual, and, while internationally present, remain largely fragmented thereby barely leveraging our scale. We also expect that the quality of our operations will stepchange as a consequence, as we will be able to take better and more timely decisions because we will have visibility on all relevant data.

Net, we are constructing a Safilo that will be able to rise to its full potential, and stay there, leading from the front. This construction needs to be done brick-by-brick. It is clear that during the past 15 years, Safilo has not had the opportunity to focus on its multinational construction as many other leading companies have done, due to our internal other preoccupations. Time is now to do that, and do it in a way that does not simply replicate to catchup, but builds in learnings upfront and simplifies taking into account the newest developments going forward, at the same time.

We are determined to do so over the long haul as required. While we focus on delivering short-term results that fuel increasing confidence in the organization that quality, long term, and sustainable ways of doing business are the best way to operate to create sustainable shareholder value.

Design Inspired

What makes Safilo special is our superior Product Design and Innovation, as well as our proven ability to partner with the most prestigious Brands across the world. At Safilo, we share a genuine passion for eyewear Design, its traditional savoir-faire, and its opportunities for surprising creativity. We have chosen to position ourselves distinctively as "Brand Driven and Design Inspired". We nurture every brand in its uniqueness.

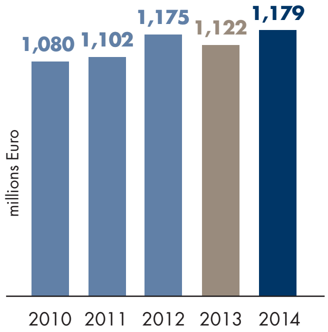
On March 17th, 2014, we completed our first 80 years since the incorporation of Safilo, that in turn built on the historical craftsmanship of the A. Frescura workshops founded in the Cadore Valley in 1878. We are proud of our unparalleled history, our roots in distinctive Eyewear Design - leading eyewear creation, savoir-faire and craftsmanship is what we are about. We have shown a long-standing ability to re-invent ourselves over times and challenges. We will continue to re-invent and build ourselves going forward, Inspired by Design.

Our commitment to generate sustainable profitable growth going forward is based on combining our historical strengths, and leveraging systematically our opportunities with a long-term view.

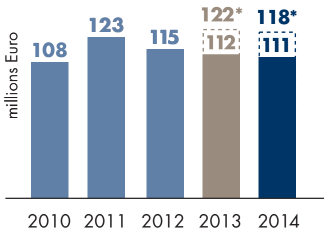
Luisa Deplazes de Andrade Delgado
Chief Executive Officer

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

NET SALES

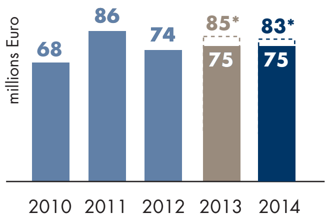


EBITDA



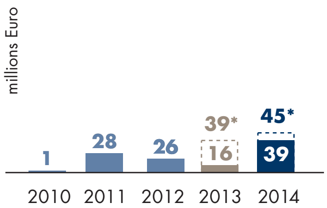
* before non-recurring charges

EBIT



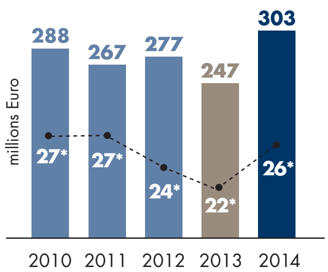
* before non-recurring charges

NET RESULT



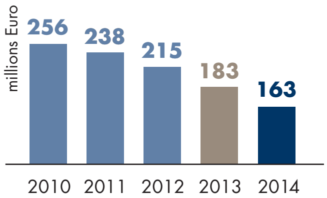
* before non-recurring charges

NET WORKING CAPITAL



* % incidence on net sales

NET DEBT



Economic data (Euro million)	2014	%	2013	%
Net sales	1,178.7	100.0	1,121.5	100.0
Cost of sales	(460.1)	(39.0)	(437.8)	(39.0)
Gross profit	718.6	61.0	683.7	61.0
Ebitda	110.7	9.4	111.7	10.0
Ebitda pre non-recurring items	118.4	10.0	121.8	10.9
Operating profit	75.3	6.4	74.7	6.7
Operating profit pre non-recurring items	83.0	7.0	84.8	7.6
Group profit before taxes	64.9	5.5	50.1	4.5
Profit attributable to the Group	39.1	3.3	15.5	1.4
Profit attributable to the Group pre non-recurring items	44.5	3.8	39.0	3.5

Balance sheet data (Euro million)	December 31, 2014	%	December 31, 2013	%
Total assets	1,597.9	100.0	1,465.6	100.0
Total non-current assets	944.2	59.1	871.5	59.5
Capital expenditure	39.0	2.4	36.7	2.5
Net invested capital	1,137.5	71.2	1,028.6	70.2
Net working capital	303.1	19.0	246.9	16.8
Net financial position	(163.3)	10.2	(182.5)	12.5
Group Shareholders' equity	971.5	60.8	843.1	57.5

Financial data (Euro million)	2014	2013
Cash flow operating activity	26.9	68.6
Cash flow investing activity	(39.3)	(40.2)
Cash flow financing activity	(22.7)	(5.5)
Closing net financial indebtedness (short-term)	39.5	69.7
Free cash flow	(12.4)	28.4

Financial and economic indicators	2014	2013
ROS	6.4%	6.7%
ROIC	4.1%	4.8%
ROE	4.0%	1.8%

Group personnel	2014	2013
Punctual as at December 31st	7,514	8,053
Average in the financial year	7,609	7,821

Earnings per share (in Euro)	2014	2013
Earnings per share - basic	0.625	0.251
Earnings per share - diluted	0.622	0.250
Group Shareholders' equity per share	15.54	13.55

Share and market data (in Euro)	2014	2013
Share price at the end of the financial year	10.71	17.02
Maximum share price of the financial year	19.07	18.12
Minimum share price of the financial year	9.22	6.77
No. shares in share capital at December 31st	62,534,965	62,199,965
Stock Market value at the end of the financial year	669,705,701	1,058,798,904

It should be noted that:

- *non-recurring items refer to charges not related to the ordinary operations. In 2014 the Group has incurred non-recurring items due 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. In 2013 operating non-recurring items referred to the CEO succession plan for 6.2 million Euro and to other restructuring costs for 3.9 million Euro, non-recurring items in the line taxes for 13.4 million Euro were mainly related to the Company's best estimate of tax assessment in Italy for years 2007 to 2011 defined on February 27, 2014 covering all years.*
  The table below summarizes the reconciliation between the economic indicators and their adjusted value pre non-recurring items:

	2014			2013		
(Euro million)	Ebitda	Operating profit	Profit attributable to the Group	Ebitda	Operating profit	Profit attributable to the Group
Economic indicators	**110.7**	**75.3**	**39.1**	**111.7**	**74.7**	**15.5**
CEO succession plan	-	-	-	6.2	6.2	6.2
Commercial restructuring costs EMEA region	-	-	-	2.9	2.9	2.9
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	1.9	1.9	1.9	1.0	1.0	1.0
Tax effect on non recurring items	-	-	(2.3)	-	-	(0.6)
Provision for tax litigation	-	-	-	-	-	14.0
Economic indicators pre non recurring items	**118.4**	**83.0**	**44.5**	**121.8**	**84.8**	**39.0**

(Euro million)	Fourth quarter 2014 Ebitda	Operating profit	Profit attributable to the Group	Fourth quarter 2013 Ebitda	Operating profit	Profit attributable to the Group
Economic indicators	**27.4**	**18.1**	**7.4**	**30.4**	**20.6**	**(6.3)**
CEO succession plan	-	-	-	0.2	0.2	0.2
Commercial restructuring costs EMEA region	-	-	-	1.8	1.8	1.8
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
Tax effect on non recurring items	-	-	(1.5)	-	-	1.2
Provision for tax litigation	-	-	-	-	-	14.0
Economic indicators pre non recurring items	**32.1**	**22.8**	**10.6**	**33.1**	**23.3**	**11.7**

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;*

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;*
- *"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.

1

DIRECTORS OPERATIONS REPORT

INFORMATION ON THE OPERATIONS

The economic performance achieved by the Safilo Group in 2014 shows solid and progressive growth realized in an uncertain economic environment, achieved through the implementation of a strategy focused on a sustainable development in the medium to long term.

In 2014, the Group's net sales total Euro 1,178.7 million, up 5.1% on the same period of the previous year (up 5.9% at constant exchange rates), when net sales amounted to Euro 1,121.5 million. EBITDA decreased from Euro 111.7 million in 2013 to Euro 110.7 million in 2014 resulting in an EBITDA margin of 9.4% (10.0% in 2013). Without considering non-recurring expenses EBITDA in 2014 amounts to Euro 118.4 million from Euro 121.8 million in 2013.

In 2014 the net result of the Group was equal to Euro 39.1 million compared to Euro 15.5 million of 2013. Without considering non-recurring expenses net result of the Group increased from Euro 39.0 million to Euro 44.5 million.

In terms of financial position, the Group has ended the year with net debt of Euro 163.3 million, a strong improvement compared with Euro 182.5 million at the end of the previous financial year.

With reference to the development strategies of the business, the Group continued the line of operational focus centred on the product. It also focused the commercial setup on distribution quality both as business and communication strategies and as functional skills. This has enabled a balance between markets, brand portfolio, proprietary brands and licensed brands. In the period it has invested significantly on the modernization of the organizational structures, trying to standardize and streamline the sales process and commercial and industrial planning.

GROUP ECONOMIC RESULTS

Consolidated statement of operations (Euro million)	**2014**	**%**	**2013**	**%**	**Change %**
Net sales [*]	1,178.7	100.0	1,121.5	100.0	5.1%
Cost of sales	(460.1)	(39.0)	(437.8)	(39.0)	5.1%
Gross profit	**718.6**	**61.0**	**683.7**	**61.0**	**5.1%**
Selling and marketing expenses	(479.4)	(40.7)	(451.8)	(40.3)	6.1%
General and administrative expenses	(157.5)	(13.4)	(149.0)	(13.3)	5.7%
Other operating income/(expenses)	(6.4)	(0.5)	(8.1)	(0.7)	-21.6%
Operating profit	**75.3**	**6.4**	**74.7**	**6.7**	**0.7%**
Financial charges, net	(10.4)	(0.9)	(24.7)	(2.2)	-57.8%
Profit before taxation	**64.9**	**5.5**	**50.1**	**4.5**	**29.6%**
Income taxes	(25.4)	(2.2)	(34.1)	(3.0)	-25.5%
Net profit	**39.5**	**3.3**	**16.0**	**1.4**	**n.s.**
Net profit attributable to minority interests	0.4	0.0	0.5	0.0	-6.2%
Net profit attributable to the Group	**39.1**	**3.3**	**15.5**	**1.4**	**n.s.**
EBITDA	**110.7**	**9.4**	**111.7**	**10.0**	**-0.9%**

Economic indicators pre non-recurring items	**2014**	**%**	**2013**	**%**	**Change %**
EBIT pre non-recurring items	**83.0**	**7.0**	**84.8**	**7.6**	**-2.1%**
EBITDA pre non-recurring items	**118.4**	**10.0**	**121.8**	**10.9**	**-2.8%**
Net profit attributable to the Group pre non-recurring items	**44.5**	**3.8**	**39.0**	**3.5**	**14.1%**

(*) 2014 net sales at constant exchange rates amount to Euro 1,187.7 million.
Percentage impacts and changes have been calculated on figures in thousands.

Consolidated statement of operations (Euro million)	**Fourth quarter 2014**	**%**	**Fourth quarter 2013**	**%**	**Change %**
Net sales (*)	311.2	100.0	279.7	100.0	11.2%
Cost of sales	(133.2)	(42.8)	(112.9)	(40.4)	18.0%
Gross profit	**178.0**	**57.2**	**166.8**	**59.6**	**6.7%**
Selling and marketing expenses	(116.8)	(37.5)	(107.7)	(38.5)	8.4%
General and administrative expenses	(40.1)	(12.9)	(38.0)	(13.6)	5.6%
Other operating income/(expenses)	(3.0)	(1.0)	(0.4)	(0.2)	n.s.
Operating profit	**18.1**	**5.8**	**20.6**	**7.4**	**-12.4%**
Financial charges, net	(3.2)	(1.0)	(6.6)	(2.3)	-51.0%
Profit before taxation	**14.9**	**4.8**	**14.1**	**5.0**	**5.7%**
Income taxes	(7.3)	(2.3)	(20.2)	(7.2)	-63.9%
Net profit	**7.6**	**2.4**	**(6.1)**	**(2.2)**	**n.s.**
Net profit attributable to minority interests	0.2	0.1	0.2	0.0	81.0%
Net profit attributable to the Group	**7.4**	**2.4**	**(6.3)**	**(2.3)**	**n.s.**
EBITDA	**27.4**	**8.8**	**30.4**	**10.9**	**-9.9%**

Economic indicators pre non-recurring items	**Fourth quarter 2014**	**%**	**Fourth quarter 2013**	**%**	**Change %**
EBIT pre non-recurring items	**22.8**	**7.3**	**23.3**	**8.3**	**-2.2%**
EBITDA pre non-recurring items	**32.1**	**10.3**	**33.1**	**11.9**	**-2.9%**
Net profit attributable to the Group pre non-recurring items	**10.6**	**3.4**	**11.7**	**4.2**	**-9.1%**

(*) 2014 fourth quarter net sales at constant exchange rates amount to Euro 300 million.
Percentage impacts and changes have been calculated on figures in thousands.

In 2014, the Group reported consolidated net sales of Euro 1,178.7 million, up 5.1% on the Euro 1,121.5 million of 2013 (+5.9% at constant exchange rates).

In the fourth quarter the growth has been even more significant, net sales reached Euro 311.2 million, up 11.2% at current exchange rates (+7.2% at constant exchange rates).

Net sales by geographical area
(Euro million)

	2014	%	2013	%	Change %	Change % (*)
Europe	486.8	41.3	470.8	42.0	+3.4	+3.7
Americas	494.7	42.0	457.9	40.8	+8.0	+9.2
Asia	177.1	15.0	177.5	15.8	-0.2	+0.2
Rest of the world	20.2	1.7	15.4	1.4	+31.0	+38.8
Total	**1,178.7**	**100.0**	**1,121.5**	**100.0**	**+5.1**	**+5.9**

Net sales by geographical area
(Euro million)

	Fourth quarter 2014	%	Fourth quarter 2013	%	Change %	Change % (*)
Europe	118.6	38.1	119.1	42.6	-0.4	-0.1
Americas	133.6	42.9	108.4	38.8	+23.2	+15.4
Asia	51.9	16.7	47.1	16.8	+10.0	+3.4
Rest of the world	7.1	2.3	5.1	1.8	+37.3	+39.9
Total	**311.2**	**100.0**	**279.7**	**100.0**	**+11.2**	**+7.2**

(*) At constant exchange rates.

In terms of geographical area, net sales in Europe totalled Euro 486.8 million increasing compared with Euro 470.8 million of the previous year. The improvement on the previous year can be seen above all in Germany and in the Iberian peninsula. In the fourth quarter of 2014 sales have been substantially in line with the previous year totalling Euro 118.6 million compared with Euro 119.1 million of the same period of 2013 with a general growth in Western Europe partially offset by the drop of sales caused by the economic crisis in Russia.

The American market saw strong growth in the 2014 with sales of Euro 494.7 million compared with Euro 457.9 million in 2013. This marks an increase of 8.0% (up 9.2% at constant exchange rates), especially in countries such as the U.S.A., Brazil and Mexico. Even more significant was the progress in the fourth quarter, during which sales increased from Euro 108.4 million to Euro 133.6 million, an increase of 23.2% at current exchange rates (up 15.4% at constant exchange rates).

Asian sales for 2014 have been substantially stable compared with the previous year, decreasing from Euro 177.5 million of 2013 to Euro 177.1 million, as Safilo has been focusing on capability interventions and leadership renewal in the region. Strong progression has been realized in the fourth quarter with sales increased from Euro 47.1 million to Euro 51.9 million, an increase of 10.0% (+3.4% at constant exchange rates).

Net sales by product
(Euro million)

	2014	%	2013	%	Change %	Change % (*)
Prescription frames	431.8	36.6	413.8	36.9	+4.4	+5.5
Sunglasses	653.3	55.4	623.7	55.6	+4.7	+5.4
Sport products	86.2	7.3	76.3	6.8	+13.0	+13.1
Other	7.4	0.6	7.8	0.7	-4.7	-4.5
Total	**1,178.7**	**100.0**	**1,121.5**	**100.0**	**+5.1**	**+5.9**

(*) At constant exchange rates.

Net sales by product
(Euro million)

	Fourth quarter 2014	%	Fourth quarter 2013	%	Change %	Change % (*)
Prescription frames	114.4	36.8	101.4	36.3	+12.8	+9.4
Sunglasses	163.3	52.5	149.4	53.4	+9.3	+5.0
Sport products	31.8	10.2	27.4	9.8	+15.8	+11.0
Other	1.7	0.5	1.4	0.5	+11.7	+11.3
Total	**311.2**	**100.0**	**279.7**	**100.0**	**+11.2**	**+7.2**

(*) At constant exchange rates.

In terms of product category, sales of prescription frames totalled Euro 431.8 million in 2014 compared with Euro 413.8 million in 2013, up 4.4% at current exchange rates and 5.5% at constant exchange rates. More significant the increase in the fourth quarter of 2014 compared with the same period of the previous year, an increase of 12.8% at current exchange rates (+9.4 at constant exchange rates) from Euro 101.4 million to Euro 114.4 million.

In 2014, the sunglasses segment sales totalled Euro 653.3 million, compared with Euro 623.7 million in the same period of the previous year, up 4.7% (+5.4% at constant exchange rates). Also in this segment, there has been a more accentuated growth in the last quarter of 2014 in which sales was Euro 163.3 million compared to Euro 149.4 million of the same period of the previous year.

Income statement for 2014 recorded a **gross profit** of Euro 718.6 million up on the Euro 683.7 million of 2013, with a stable gross profit margin of 61.0%. With reference to the last quarter of 2014 the gross profit was Euro 178.0 million compared with Euro 166.8 million, a decrease of the gross margin from 59.6% of the fourth quarter 2013 to 57.2% of the same period of 2014 mainly as a result of the lower, than average capacity, utilization of production plants coupled with a more prudent accrual for inventory obsolescence. Both topics closely relate to the priorities and interventions set forth by the Group in order to progressively control and reduce working capital absorption.

In 2014, selling and marketing expenses amount to Euro 479.4 million (Euro 451.8 million in 2013) with an incidence on sales from 40.3% in 2013 to 40.7% in 2014. In the fourth quarter 2014 this item amounted to Euro 116.8 million compared with Euro 107.7 million of the same period of 2013.

EBITDA for 2014 amounted to Euro 110.7 million compared with Euro 111.7 million of 2013. Without considering non-recurring expenses of Euro 7.7 million (Euro 10.1 million in 2013), EBITDA totaled Euro 118.4 million, representing an EBITDA margin of 10.0% compared with Euro 121.8 million of the previous year, equal to a margin of 10.9%.

Net financial expenses improved compared with the same period of the previous year, after benefitting from lower average debt over the period and the redemption, in May 2013, of High-Yield Bonds, replaced by lower cost sources of funding. The figure is positively influenced by the fair value measurement of the option component embedded in the "equity-linked" Bonds issued in May 2014, resulting in a gain of Euro 17.7 million.

The tax rate of 2014 is equal to 39.2% (68.1% in 2013) of profit before taxation. Without considering non-recurring expenses the tax rate is equal to 38.2% of profit before taxation compared to 34.5% of the previous year.

The Group thus reports net profit of Euro 39.1 million for 2014, marking a significant improvement on the Euro 15.5 million of the fiscal year 2013 and an increase in the net profit margin from 1.4% to 3.3%. Without considering non-recurring expenses, net profit for the year 2014 is Euro 44.5 million compared with Euro 39.0 million for the same period of the previous year. The Group's net profit for the fourth quarter of 2014 is Euro 7.4 million, compared with a loss of Euro 6.3 million of the same period of 2013. Without considering non-recurring expenses, net profit of the fourth quarter is Euro 10.6 million compared to Euro 11.7 million of same period of 2013.

ANALYSIS BY DISTRIBUTION CHANNEL - WHOLESALE/RETAIL

The table below shows key data by operating segment:

(Euro million)	WHOLESALE				RETAIL			
	2014	**2013**	**Change**	**Change %**	**2014**	**2013**	**Change**	**Change %**
Net sales to 3rd parties	1,096.7	1,041.5	55.2	5.3%	82.0	80.0	2.0	2.6%
EBITDA (*)	108.6	111.8	(3.2)	-2.9%	9.8	10.0	(0.2)	-1.7%
%	*9.9%*	*10.7%*			*11.9%*	*12.5%*		

(Euro million)	WHOLESALE				RETAIL			
	Fourth quarter 2014	**Fourth quarter 2013**	**Change**	**Change %**	**Fourth quarter 2014**	**Fourth quarter 2013**	**Change**	**Change %**
Net sales to 3rd parties	291.0	261.5	29.5	11.2%	20.2	18.2	2.0	11.2%
EBITDA (*)	30.7	32.0	(1.3)	-4.1%	1.4	1.1	0.3	29.6%
%	*10.6%*	*12.3%*			*7.1%*	*6.1%*		

(*) Pre non-recurring items in 2014 referring to wholesale channel for 7.7 million Euro in the year and 4.7 million Euro in the fourth quarter. In 2013 pre non-recurring items referring to wholesale channel for 10.1 million Euro in the year and 2.7 million Euro in the fourth quarter.

Turnover for the Wholesale segment in 2014 amounts to Euro 1,096.7 million increasing from Euro 1,041.5 million of the previous year +5.3% at current exchange rate (+6.2% at constant exchange rates). More significant the sales growth in the fourth quarter of 2014 compared to the same period of the previous year with sales rising from Euro 261.5 million to Euro 291.0 million, an increase of 11.2% at current exchange rates (+7.6% at constant exchange rates).

The Solstice retail chain, which currently numbers 132 stores, recorded sales of Euro 82.0 million in 2014 an increase from Euro 80.0 million of the previous year, +2.6% at current exchange rates (+2.6% at constant exchange rates). The fourth quarter recorded a more positive performance with sales of Euro 20.2 million compared to Euro 18.2 million in the same period of the previous year, an increase of 11.2% at current exchange rates (+1.6% at constant exchange rates).

CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31st December 2014 compared with those of 31st December 2013:

Balance sheet (Euro million)	**December 31, 2014**	**December 31, 2013**	**Change**
Trade receivables	266.3	239.0	27.3
Inventory, net	247.6	212.8	34.8
Trade payables	(210.8)	(204.9)	(5.9)
Net working capital	**303.1**	**246.9**	**56.2**
Tangible assets	203.3	198.2	5.1
Intangible assets and goodwill	637.9	584.8	53.1
Financial assets	7.6	8.4	(0.8)
Net fixed assets	**848.8**	**791.4**	**57.4**
Employee benefit liability	(32.7)	(34.9)	2.2
Other assets / (liabilities), net	18.3	25.2	(6.4)
NET INVESTED CAPITAL	**1,137.5**	**1,028.6**	**108.9**
Cash in hand and at bank	88.6	82.6	6.0
Short term borrowings	(75.3)	(73.9)	(1.4)
Long term borrowings	(176.5)	(191.2)	14.7
NET FINANCIAL POSITION	**(163.3)**	**(182.5)**	**19.2**
Group Shareholders' equity	(971.5)	(843.1)	(128.4)
Non-controlling interests	(2.7)	(3.0)	0.3
TOTAL SHAREHOLDERS' EQUITY	**(974.2)**	**(846.1)**	**(128.1)**

Net working capital

Net working capital at 31st December 2014 amount to Euro 303.1 million compared with Euro 246,9 million of the same period of 2013 and it is influenced by the increase of sales in particular in the last part of the year and by the movements in inventories.

Net working capital (Euro million)	**December 31, 2014**	**December 31, 2013**	**Change**
Trade receivables, net	266.3	239.0	27.3
Inventories	247.6	212.8	34.8
Trade payables	(210.8)	(204.9)	(5.9)
Net working capital	**303.1**	**246.9**	**56.2**
% on net sales	*25.7%*	*22.0%*	

Fixed assets and investments in tangible and intangible fixed assets

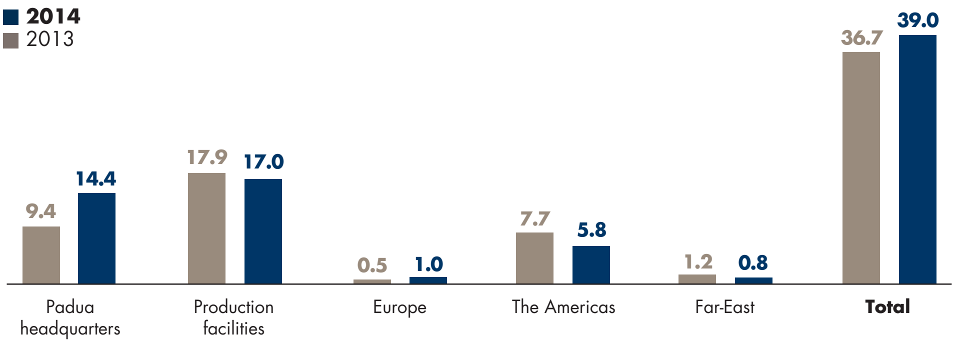
Non-current assets total Euro 848.8 million at the end of 2014 compared to Euro 791.4 million in 2013.

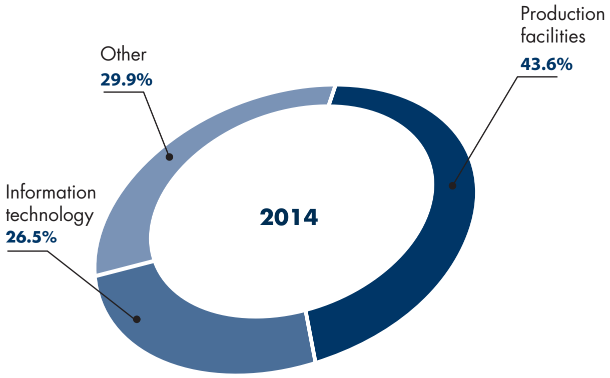
Non-current assets include goodwill of Euro 583.1 million. Impairment tests of these assets did not highlight the need to impair the related carrying amount. Difference on this asset compared to the balance of Euro 536.1 million of 2013 is related to the effects of exchange rates variation on the part expressed in currencies other than Euro.

The Group continued to monitor operating investments, totalling Euro 39.0 million, also in 2014 (Euro 36.7 million in 2013); it has to be noted that among construction in progress it is included part of the investment for the transformation of the Group information systems.

Most of the investments were focused on the normal renewal and improvement of production plants.

INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS





FINANCIAL SITUATION

The main items of the net financial position at 31st December 2014 as well as free cash flow figures are reported below in comparison with the previous year.

Net financial position

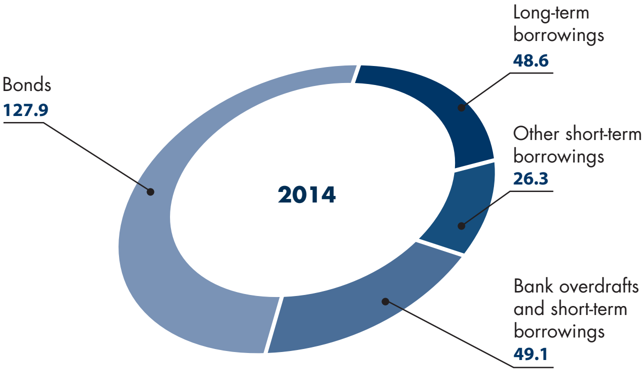
Net financial position (Euro million)	**December 31, 2014**	**December 31, 2013**	**Change**
Current portion of long-term borrowings	-	(25.0)	25.0
Bank overdrafts and short term bank borrowings	(49.1)	(12.9)	(36.2)
Other short-term borrowings	(26.3)	(36.0)	9.7
Cash and cash equivalent	88.6	82.6	6.0
Short-term net financial position	**13.2**	**8.7**	**4.5**
Convertible Bonds	(127.9)	-	(127.9)
Long-term borrowings	(48.6)	(191.2)	142.6
Long-term net financial position	**(176.5)**	**(191.2)**	**14.7**
NET FINANCIAL POSITION	**(163.3)**	**(182.5)**	**19.2**

Group net debt down further

Net financial position at 31st December 2014 is negative for Euro 163.3 million compared with a negative amount of Euro 182.5 million at 31st December 2013. Such item, which is subject to ordinary operational dynamics, does not include the option component embedded in the "equity-linked" Bonds estimated to approximately Euro 4.4 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 1.5 million.

The ratio of net debt to EBITDA adjusted is 1.4 times (1.5 times at 31st December 2013).

GROSS DEBT 2014
millions euro



Free cash flow

Free cash flow (Euro million)	**2014**	**2013**	**Change**
Cash flow operating activities	26.9	68.6	(41.7)
Cash flow investing activities	(39.3)	(40.2)	0.9
Free cash flow	**(12.4)**	**28.4**	**(40.8)**

In 2014 Free Cash Flow was negative for Euro 12.4 million compared to a positive value of Euro 28.4 million of 2013.

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 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 the 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 very high quality standards;
- the operational risks of industrial facilities, distribution centres and supplier relationships; for example: there could be the risk of the outsourcing relationships being broken off with Asian suppliers, or halts in work in the industrial units or distribution centres due to broken equipment, lack of labour, natural disasters and the like;
- the risk of being unable to launch innovative products on the market that meet consumer tastes and follow the 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:

- policies implemented by the competition and the possible entry of new market players;
- 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, also considering the instable political and social climates;
- changes in National and International regulations that could condition the competitive advantage that has been reached (for example, legislation changes that allow or eliminate the refund by social security institutes of the costs for buying prescription lenses or any possible customs restrictions);
- climatic conditions, such as very bad weather in the spring or summer which could drastically reduce sales of sunglasses;
- the diffusion of alternative products and techniques 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 strategies 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 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". For incomes in dollars not compensated by the expenditures for purchases, the Group policy is to use hedging instruments such as forward contracts in dollars. Exposure is thus covered by simple 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 manages such risk through the use of derivatives, denominated 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.

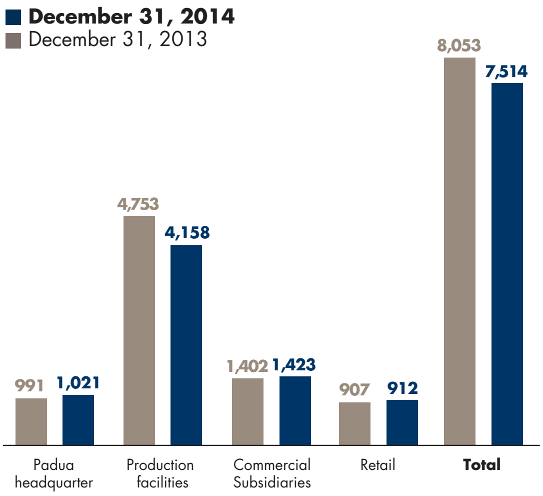
In addition to the existing liquidity and the internal capacity to generate cash, the main financial resource available to the Group is the committed, unsubordinated and unsecured Revolving Credit Facility of Euro 150 million granted in July 2014 to certain Group companies by a banking pool, expiring in July 2018. The signing of such financing agreement was made in the context of a comprehensive refinancing operation of Euro 300 million, which began with the issuance by Safilo Group S.p.A., in May 2014, of an equity-linked bond amounting to Euro 150 million, with fixed annual coupon of 1.25% and maturing in May 2019.

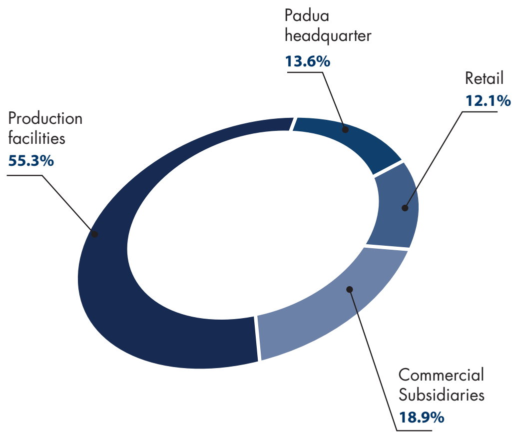
HUMAN RESOURCES AND THE ENVIRONMENT

Human Resources

The Group's workforce

At the end of 2014, the Group had 7,514 staff compared with 8,053 at the end of 2013.





The Group encourages staff to play their part

Safilo believes that people play a key role in boosting its competitiveness. Development and consolidation of its corporate culture, and of the related behaviours, is tied to improvement of the technical and managerial expertise of its workforce. This is achieved via development initiatives designed to foster the personal and professional growth of individuals. The guiding principles on which the Group bases its approach in this regard focus on customer centricity, teamwork, entrepreneurialism and the achievement of results.

Performance appraisal is backed by structured processes at international level, starting from recruitment, with people's contributions to the Group's results and their individual development monitored on an ongoing basis.

Talent Acquisition

The "Talent acquisition" initiative continued in 2014, with the aim of attracting and recruiting people from different backgrounds, capable of offering a high degree of expertise and international experience and who are highly motivated and leadership-oriented. The initiatives take in the different geographical areas of operation and markets, aiming to build the leadership skills and competencies that will ensure sustainable growth over the long term. Employer branding initiatives were further expanded, above all via the targeted use of social and professional networking platforms, generating an ongoing increase in interest in the Group on the part of the talent market.

Learning & Development

In 2014, the most important training initiative relating to change management was without doubt "Putting PVPC into action". This initiative, involving the Group's entire global workforce, is designed to spread awareness of Safilo's new system of Purpose, Values, Principles and Competencies and ensure that staff know about its potential to provide a competitive edge, perceptible by all Safilo's stakeholders, if translated into concrete daily working practices at all levels of the organisation. This is why the involvement and empowerment of individuals in order to spread awareness of the PVPC System and the process by which the PVPC becomes rooted throughout the organisation are so important.

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).

The development of language, technical and managerial skills continued with specific programmes run for different departments. The use of internal coaching and action learning methods has been intensified with the aim of more effectively applying what has been learned in day-to-day working practices and making the most of expertise within the Group.

Safety at work

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

On January 19, 2012 Safilo obtained 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 proof of the Company's commitment to correctly implementing 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 2014 all the major accident indicators stood at the lowest levels ever achieved by the Company.

Social and environmental responsibility

The 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.

In view of the Group's commitment to ensuring that it operates with a corporate conscience and with respect for the environment and existing regulations, Safilo designed and implemented an environmental management system, with the aim, on the one hand, of controlling the environmental impact of its operations and, on the other, of ensuring effective, prompt and systematic action in response to any critical issues.

Cooperation with Universities and Research Centres is fundamental

The Group places great emphasis on research and adoption of technologies compatible with respect for people and the environment, developing innovative approaches to improving sustainability. This has led it to enter into collaboration agreements and memorandums of understanding with leading public bodies and universities.

ICT – Information Systems

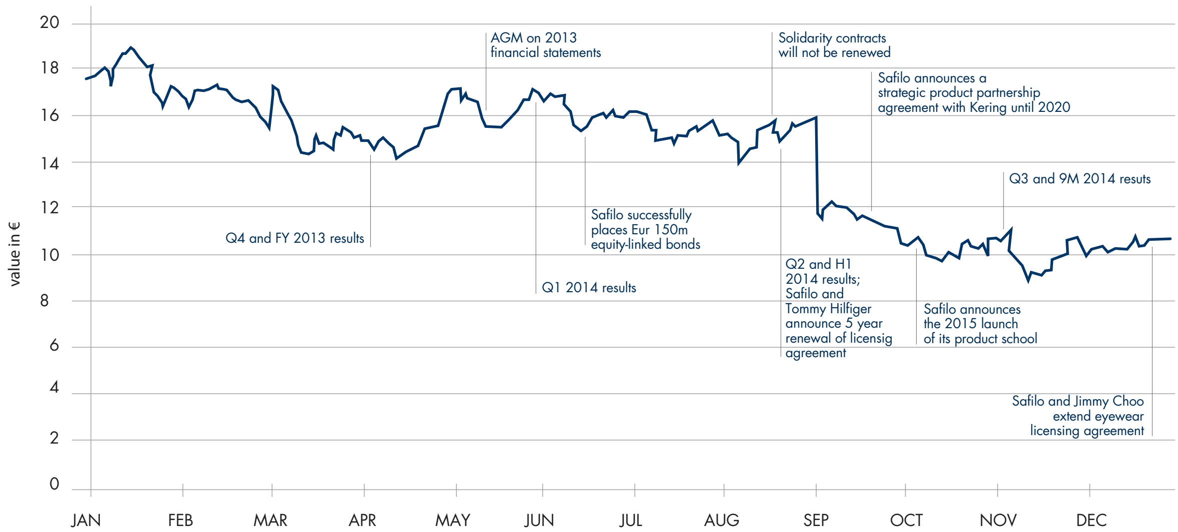
During 2014, investments in information systems have been addressed mainly to the renewal of the enterprise platforms and tools to support the implementation of new business processes with particular focus on the commercial area.

The operational phase of Eyeway has started, a multi-years program of modernization and transformation of management systems which aims to simplify and improve processes and tools to support the business, in line with the corporate objectives (Target and Choices).

An ambitious project that will lead to the migration of the existing systems into a single next-generation SAP platform, distributed throughout the group with global coverage and that will be gradually launched starting from mid 2015.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS

Safilo in the stock exchange



Safilo's shares recorded a two-speed performance in 2014

Safilo's shares recorded a two-speed performance in 2014. After the highs seen at the beginning of the year, rising to just above Euro 19, the first six months saw the shares trade substantially sideways, with an average price of Euro 16.34 and an average daily trading volume of 184 thousand. In addition to the usual annual results announcement at the beginning of March and publication of the results for the first quarter of 2014 at the end of April, on 15 May Safilo announced the successful placement of equity-linked bonds worth Euro 150 million.

Key events during the second half of 2014 include the decision not to renew solidarity contracts expiring at the end of August, and the renewal for a further five years, through to 31 December 2020, of the global licensing agreement for the design, development, production and distribution of Tommy Hilfiger branded prescription frame and sunglass collections. Safilo announced its second-quarter and first-half results on 31 July.

The performance of Safilo's share price in the second half of 2014 was heavily influenced by the announcement, on 2 September, of a new agreement with the Kering group. This regards a strategic product partnership through to 2020, resulting from the latter group's decision to bring most of its eyewear operations in-house. The announcement also reported the decision, taken by the two groups, to bring forward termination of the existing Gucci licensing agreement by two years to the end of December 2016, in return for payment to the Safilo Group of compensation of Euro 90 million.

Safilo's shares recorded an average price of Euro 10.60 during the last four months of the year, with an average daily trading volume of 381 thousand. A particularly large number of shares was traded in the days immediately following the above announcement.

Safilo announced its results for the third quarter and first nine months of the year at the beginning of November, together with the appointment of a new CFO. Extension of the licensing agreement for Jimmy Choo eyewear was announced at the end of the month.

On 30 December 2014, Safilo's share price stood at Euro 10.78, down 36.6% on the end of the previous year and registering a market capitalisation of just over Euro 674 million.

During the same period, Milan's FTSE MIB index was substantially stable, whilst the FTSE Italia Mid Cap index, which includes Safilo, fell 3.9%.

Investor relations

Investor Relations activities in 2014 focused on events scheduled to coincide with results announcements. These took the form of the usual conference calls and webcasts.

Dialogue with investors and analysts was ongoing during the year, consisting primarily of one-on-one and group meetings at the Group's headquarters or at our representative offices in Milan and London. In 2014, Safilo also took part in a number of the main conferences for institutional investors, including the HSBC Luxury Goods Conference, the Annual Global Consumer Conference organised by Deutsche Bank and the Italian Investment Conference, organised in Milan by Unicredit and Kepler Cheuvreux.

Financial communication focused on existing shareholders, primarily consisting of European investors.

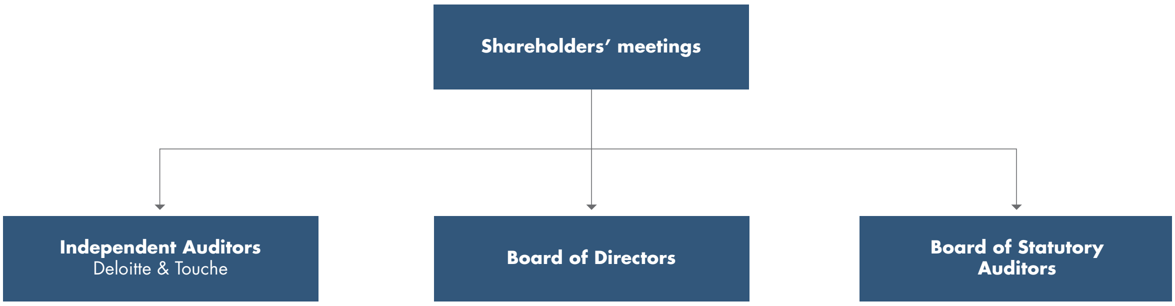
Financial calendar

Board of Directors' meetings planned for 2015:

5th March	Draft Financial Statements for 2014
27th April	Shareholders' Meeting for the approval of the Financial Statements 2014
27th April	Interim Report on Operations for the 1st quarter 2015
4th August	Interim Report on Operations for the 2nd quarter and 1st half 2015
5th November	Interim Report on Operations for the 3rd quarter and first nine months 2015

CORPORATE GOVERNANCE

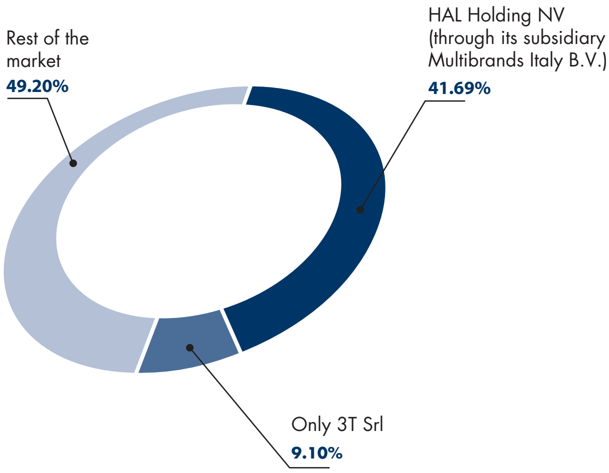
Corporate bodies and officers



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 2014 the share capital of Safilo Group S.p.A. comprised 62,534,965 ordinary shares with a face value of Euro 5.00 each, of which 41.6947% were held by the company Multibrands Italy BV, with registered office in the Netherlands, and 9.1032% were held by Only 3T. S.r.l..
The following chart shows owners of Safilo Group ordinary shares as at 31st December 2014 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 Group 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 2014, 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..

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 affiliated with HAL Holding N.V.. 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 2014 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 2014, 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 First Tranche amounting to 90,000 of exercised rights at an average exercising price of Euro 8.047 per share (notional and share premium) with an increase in the share capital equal to Euro 450,000 and an increase in the share premium reserve equal to Euro 274,230;
- the Second Tranche amounting to 245,000 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 1,225,000 and an increase in the share premium reserve equal to Euro 1,849,750.

The Board of Directors

The Board of Directors which currently holds office has been appointed by the Shareholders' Meeting held on August 7th 2012 and will remain in office until the date of the Shareholders' Meeting called for the approval of the financial statements at 31.12.2014.

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, Rituals B.V. and Scotch & Soda. He is also a member of the board of directors of Crown Topco, the holding company of Vertu.

Luisa Deplazes de Andrade Delgado
(Chief Executive Officer)

Born in Rabius, 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 IKEA group.

Giovanni Ciserani
(Director)

Born in Verona, on July 8th, 1962. He graduated in Business Administration from Bocconi University in Milan. In 1987 he joined Procter&Gamble Group, where he today holds the role of Group President of Global Fabric and Home Care Sector, P&G Geneve. Previously he gained various important management positions in the companies of P&G Group. Amongst his various Association positions, he was Vice-President of the Board of the Swiss - American Chamber of Commerce, Zurich and Member of the Committee of the Club Diplomatique de Genève (Diplomatic Club of Geneva).

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 Vender N.V. and Chairman of Stichting HAL Pensionfund (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..

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 the 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 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 board of directors of Safilo Group and of the Advisory Board of Gallina Blanca Star.

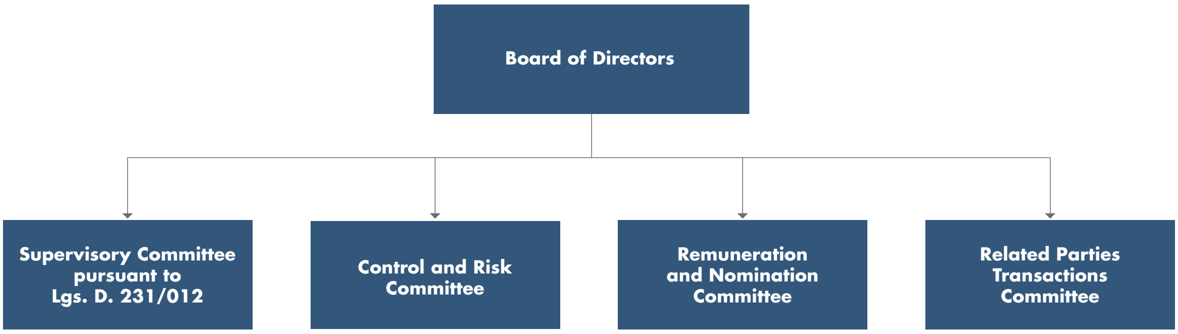
Eugenio Razelli
(Director)

Born in Genova, on June 18th, 1950. He graduated in Electrical Engineering from Genova University. Today President and CEO of Magneti Marelli, 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 & CEO of Fiamm and he was Senior Vice-President for Business Development of Fiat S.p.A. in charge of Mergers and 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).

Massimiliano Tabacchi
(Director)

Born in Padova, on October 10th, 1970. He graduated in Mechanical Engineering from the University of Padova. He began his career in Safilo USA and at Safilo's production site in Santa Maria di Sala (Venice). He then continued his professional training with Otis, a leading company in the sector of elevators and lifts, first as Contract Project Manager and then in the Special Projects section. He was Co-Chief Executive Officer and subsequently Executive Vice-Chairman of Safilo Group.

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



Supervisory Committee

	Franco Corgnati
	Eugenio Razelli
	Massimiliano Pascale (*)

Control and Risk Committee

Chairman	Eugenio Razelli
	Marco Jesi
	Melchert Frans Groot (**)

Remuneration and Nomination Committee

Chairman	Jeffrey A. Cole
	Massimiliano Tabacchi (**)
	Marco Jesi

Related Parties Transactions Committee

	Eugenio Razelli
	Marco Jesi
	Giovanni Ciserani

(*) In charge from 1st September 2014.
(**) In charge from 29th April 2014.

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, 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 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 section of the site www.safilo.com

The complete version of the report on corporate governance, which is highlighted in just the main points below, is available in the Group website (www.safilo.com), in a printed version in the Company headquarters.

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 and July 2014 (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 IR/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 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 14th November 2014, the Board of Directors appointed 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. The role was previously held by Vincenzo Giannelli.

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 existence of conditions pursuant to article 36 of CONSOB Regulation 16191/2007, letters a), b) and c).

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.

This Plan – intended to increase incentives for and the loyalty of directors and/or employees/managers of the Company and/or its 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 31.12.2013, 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 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.

This Plan – intended to increase incentives for and the loyalty of directors and/or employees/managers of the Company and/or its 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 until 31st December 2014; the second tranche ("Second Tranche") will be granted by the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2014 until 31st December 2015; 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 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 2014.

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, 2014.

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 million)	Equity as of December 31, 2014	Net profit/ (loss) of the year 2014	Equity as of December 31, 2013	Net profit/ (loss) of the year 2013
Balances as per Safilo Group S.p.A.'s statutory financial statements	793.9	10.6	779.0	(7.5)
Contribution of consolidated companies	1,417.8	32.8	1,185.0	(25.3)
Write-off of the book value of consolidated subsidiaries	(1,731.3)	24.0	(1,578.8)	52.7
Goodwill	540.3	-	487.8	(0.1)
Elimination of dividends paid within the Group	-	(20.0)	-	(3.9)
Elimination of intercompany gains within the Group	(2.4)	1.8	3.2	1.8
Elimination of intercompany profits included in inventory	(45.2)	(8.1)	(32.9)	(0.5)
Investments in associates - equity method	1.5	(1.8)	3.1	(1.9)
Other consolidated entries	(0.4)	(0.1)	(0.4)	0.7
Total	**974.2**	**39.4**	**846.0**	**16.0**
Equity attributable to minority interests	2.7	0.4	2.9	0.5
Total attributable to the Group	**971.5**	**39.0**	**843.1**	**15.5**

SIGNIFICANT EVENTS AFTER THE YEAR-END AND OUTLOOK

On January 12, 2015 Safilo Group communicates that the agreement with Kering, announced on September 2, 2014, has been executed, and the first of three compensation payments of Euro 30 million has been received on the same day.

In order to optimize the profitability and the strategic relevance of its brand portfolio going forward, Safilo has also agreed with Kering that the Alexander McQueen, Bottega Veneta and Saint Laurent licenses will terminate on June 30, 2015.

The contract executed on January 12, 2015 confirms the three elements announced in September:

- the conclusion of the current Gucci license agreement at the end of December 2016;
- a Strategic Product Partnership Agreement for the development and manufacture of Gucci's "Made in Italy" eyewear products, of the duration of four years, from January 2017 until December 2020, renewable upon mutual agreement. Product development, industrialization and prototyping of the 2017 collections will start in the fourth quarter of 2015;
- a compensation to be received by Safilo of Euro 90 million, and to be paid in three equal installments. The First payment was received on January 12, 2015, the second will be paid in December 2016, the third in September 2018. Such compensation will not have an accounting impact on the profit and loss of the Group in 2015 and 2016, until the second instalment will be collected and the license agreement will be concluded. The respective impact to the income statement will then only affect the years beyond 2017.

On March 5, 2015 Safilo Group announces the licensing agreement for the Givenchy eyewear collections of sunglasses and optical frames. The licensing contract will run from January 1, 2016 to December 31, 2021, renewable upon mutual agreement.

In 2015 the Group's strategic actions will continue in terms of business development, improvement of company processes and information systems so as to ensure the Group sustainable profitable growth, in particular of our proprietary brands, the main emerging markets and the distribution channels with the greatest growth potential.

On March 16, 2015 the Company will present the *Safilo 2020 Strategic Plan*.

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

CONSOLIDATED BALANCE SHEET

(thousands of Euro)	Notes	December 31, 2014	of which related parties	December 31, 2013	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	4.1	88,552		82,608	
Trade receivables	4.2	266,308	15,096	238,979	8,367
Inventory	4.3	247,617		212,780	
Derivative financial instruments	4.4	1,594		54	
Other current assets	4.5	49,619		59,760	
Total current assets		**653,690**		**594,181**	
Non-current assets					
Tangible assets	4.6	203,279		198,176	
Intangible assets	4.7	54,806		48,703	
Goodwill	4.8	583,130		536,075	
Investments in associates	4.9	7,605		8,432	
Available-for-sale financial assets	4.10	-		237	
Deferred tax assets	4.11	92,498		77,168	
Derivative financial instruments	4.4	-		34	
Other non-current assets	4.12	2,897		2,631	
Total non-current assets		**944,215**		**871,456**	
TOTAL ASSETS		**1,597,905**		**1,465,637**	

(thousands of Euro)	Notes	December 31, 2014	of which related parties	December 31, 2013	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	4.13	75,319		73,874	
Trade payables	4.14	210,775	3,457	204,934	6,733
Tax payables	4.15	33,041		18,210	
Derivative financial instruments	4.4	68		1,673	
Other current liabilities	4.16	52,149		43,518	
Provisions for risks and charges	4.17	5,658		3,325	
Total current liabilities		**377,010**		**345,534**	
Non-current liabilities					
Long-term borrowings	4.13	176,493		191,230	
Employees benefits liability	4.18	32,724		34,879	
Provisions for risks and charges	4.17	13,707		34,593	
Deferred tax liabilities	4.11	8,772		8,061	
Derivative financial instruments	4.4	4,426		24	
Other non-current liabilities	4.19	10,517		5,254	
Total non-current liabilities		**246,639**		**274,041**	
TOTAL LIABILITIES		**623,649**		**619,575**	
SHAREHOLDERS' EQUITY					
Share capital	4.20	312,675		311,000	
Share premium reserve	4.21	484,689		482,565	
Retained earnings and other reserves	4.22	135,142		34,526	
Cash flow reserve	4.23	-		(490)	
Income attributable to the Group		39,030		15,521	
Total shareholders' equity attributable to the Group		**971,536**		**843,122**	
Non-controlling interests		**2,720**		**2,940**	
TOTAL SHAREHOLDERS' EQUITY		**974,256**		**846,062**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,597,905**		**1,465,637**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euro)	Notes	2014	of which related parties	2013	of which related parties
Net sales	5.1	1,178,683	67,494	1,121,531	56,787
Cost of sales	5.2	(460,129)	(8,880)	(437,841)	(9,575)
Gross profit		**718,554**		**683,690**	
Selling and marketing expenses	5.3	(479,367)	(3,971)	(451,828)	(4,628)
General and administrative expenses	5.4	(157,539)		(148,997)	
Other operating income/(expenses)	5.5	(6,382)		(8,141)	
Operating profit		**75,266**		**74,724**	
Share of income/(loss) of associates	5.6	(1,800)		(2,093)	
Financial charges, net	5.7	(8,603)	-	(22,569)	(2,447)
Profit before taxation		**64,863**		**50,062**	
Income taxes	5.8	(25,409)		(34,089)	
Profit of the period		**39,454**		**15,973**	
Profit attributable to:					
Owners of the parent		39,030		15,521	
Non-controlling interests		424		452	
Earnings per share - basic (Euro)	5.9	**0.625**		**0.251**	
Earnings per share - diluted (Euro)	5.9	**0.622**		**0.250**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	2014	2013
Net profit for the period (A)		**39,454**	**15,973**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		(3,016)	1,926
- Other gains/(losses)		-	(275)
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**(3,016)**	**1,651**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	4.23	490	1,064
- Gains/(Losses) on exchange differences on translating foreign operations	4.22	88,541	(35,750)
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**89,031**	**(34,686)**
Other comprehensive income/(loss), net of tax (B)		**86,015**	**(33,035)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**125,469**	**(17,062)**
Attributable to:			
Owners of the parent		124,842	(17,429)
Non-controlling interests		627	367
TOTAL COMPREHENSIVE INCOME/(LOSS)		**125,469**	**(17,062)**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Euro)	Notes	2014	2013
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	4.1	**69,669**	**45,623**
B - Cash flow from (for) operating activities			
Net profit for the period (including minority interests)		39,454	15,973
Depreciation and amortization	4.6-4.7	35,399	36,963
Other non-monetary P&L items		(7,552)	(36)
Interest expenses, net	5.7	9,809	11,263
Income tax expenses	5.8	25,410	34,089
Income from operating activities prior to movements in working capital		**102,519**	**98,252**
(Increase) Decrease in trade receivables		(15,812)	30,828
(Increase) Decrease in inventory, net		(25,030)	(8,017)
Increase (Decrease) in trade payables		(1,812)	(2,207)
(Increase) Decrease in other current receivables		(172)	(20,090)
Increase (Decrease) in other current payables		1,560	16,967
Interest expenses paid		(5,882)	(11,944)
Income taxes paid		(28,457)	(35,181)
Total (B)		**26,915**	**68,608**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(28,294)	(28,198)
Net disposals of property, plant and equipment		1,011	634
Acquisition of minorities (in subsidiaries)		(1,555)	(4,107)
(Acquisition) Disposal of investments and securities		237	-
Purchase of intangible assets		(10,650)	(8,508)
Total (C)		**(39,251)**	**(40,179)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		200,000	125,360
Repayment of borrowings		(226,529)	(134,541)
Share capital increase		3,799	3,702
Dividends paid		-	-
Total (D)		**(22,731)**	**(5,480)**
E - Cash flow for the period (B+C+D)		**(35,066)**	**22,949**
Translation exchange differences		4,891	1,097
Total (F)		**4,891**	**1,097**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	4.1	**39,494**	**69,669**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Share capital	Share premium reserve	Transl. diff. reserve	Cash flow reserves	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 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**

(thousands of Euro)	Share capital	Share premium reserve	Transl. diff. reserve	Cash flow reserves	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2013	**308,700**	**481,163**	**494**	**(1,555)**	**68,934**	**857,736**	**5,110**	**862,846**
Profit for the period	-	-	-	-	15,521	15,521	452	15,973
Other comprehensive income (loss) for the period	-	-	(35,666)	1,065	1,651	(32,950)	(85)	(33,035)
Total comprehensive income (loss) for the period	**-**	**-**	**(35,666)**	**1,065**	**17,172**	**(17,429)**	**367**	**(17,062)**
Increase in share capital due to the exercising of stock option	2,300	1,402	-	-	-	3,702	-	3,702
Dividends distribution	-	-	-	-	-	-	-	-
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	(1,570)	(1,570)	(2,537)	(4,107)
Net increase in the Reserve for share-based payments	-	-	-	-	683	683	-	683
Changes in other reserves	-	-	-	-	-	-	-	-
Consolidated net equity at December 31, 2013	**311,000**	**482,565**	**(35,172)**	**(490)**	**85,219**	**843,122**	**2,940**	**846,062**


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3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 42.23%, decreased to 41,6947% due to the dilutive effect coming from the excercise of the Stock options Plan.

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 economies where the Group does most of its business. The consolidated financial information relates to the period from 1st January 2014 to 31st December 2014 and also presents comparative data related to the financial period from 1st January 2013 to 31st December 2013.

These financial statements were approved by the Board of Directors on 5th March 2015.

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 2014 and 31st December 2013 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").

These 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 the 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 2014

The following new standards and amendments, effective from 1 January 2014, are applicable to the Group.

On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements replacing SIC-12 – Consolidation - Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements (subsequently reissued as IAS 27 - Separate Financial Statements which addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. On 28 June 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 Consolidated Financial

Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The standard is applicable retrospectively from 1 January 2014. The adoption of this new standard had no impact on the group consolidation area.

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%). 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 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.

On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements superseding IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly-controlled Entities - Non-Monetary Contributions by Venturers. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form and requires a single method to account for interests in jointly controlled entities, the equity method. Following the issue of the new standard, IAS 28 – Investments in Associates has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard). The application of this standard had no effect on the disclosures presented in this report.

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles.

On 16 December 2011, the IASB issued certain amendments to IAS 32 – Financial Instruments: Presentation to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. No significant effect has occurred from the first time adoption of the standard.

On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. No significant effect has occurred from the first time adoption of this amendment.

On 27 June 2013, the IASB issued narrow scope amendments to IAS 39 – Financial Instruments: Recognition and Measurement entitled "Novation of Derivatives and Continuation of Hedge Accounting". The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 - Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. No significant effect has occurred from the first time adoption of these amendments.

The Group applied these improvements retrospectively since 1 January 2014 and no significant effects arose in this report.

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

On 21 November 2013, the IASB published narrow scope amendments to IAS 19 – Employee benefits entitled "Defined Benefit Plans: Employee Contributions". These amendments apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases. The amendments are effective, retrospectively, for annual periods beginning on or after 1 July 2014 with earlier application permitted.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 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) and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement.

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 November 2009, the IASB issued IFRS 9 – Financial Instruments. The new standard was reissued in October 2010 and subsequently amended in November 2013. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. It replaces the relevant parts of IAS 39 – Financial Instruments: recognition and measurement. As part of the November 2013 amendments, among other, the IASB removed the standard's mandatory effective date, previously set on 1 January 2015. This date will be added to the standard when all phases of the IFRS 9 project are completed and a final complete version of the standard is issued.

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 the 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 2014 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 2014, the Group's consolidation area changed as follows:

- on 8th June 2014 has been incorporated the trading company Safilo Middle East FZE in Dubai;

- on 16th June 2014 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 80% owned. As a result of the acquisition, the Group has increased its interest to 90%.

Starting from 1st April 2014 the Italian trading company Polaroid Eyewear S.r.l. has been merged into Safilo S.p.A..

During the year has been finalized the process of liquidation of the company Safilo Capital International S.A. and of the company Luxury Trade S.A..

At 31st December 2014 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	97.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	90.0
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 Shenzhen Limited- Shenzhen (RC)	CNY	2,481,000	97.0
Safilo Eyewear (Shenzhen) Company Limited - (RC)	CNY	46,546,505	97.0
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
Carrera Optyl D.o.o. - Ormoz (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	8,077,500	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
Optifashion Hong Kong Ltd (in liquidation) - Hong Kong (RC)	HKD	300,000	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	1	100.0
Polaroid Eyewear AB - Stockholm-Globen (S)	SEK	100,000	100.0
Polaroid Eyewear GMBH - Zurig (CH)	CHF	20,000	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.

As far as concern 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 recognised 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 recognised 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 to December 31, with the exception of Safilo India Pvt Ltd. which closes its financial year to 31 March, an economic and financial statements is then prepared by the subsidiary in order to allow to the Parent Company the preparation of 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 realised 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 realised 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 recognised 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 organises 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 2014 and 31st December 2013 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.

Currency	Code	As of December 31, 2014	As of December 31, 2013	(Appreciation)/ Depreciation %	Average for 2014	Average for 2013	(Appreciation)/ Depreciation %
US Dollar	USD	1.2141	1.3791	-12.0%	1.3285	1.3281	0.0%
Hong-Kong Dollar	HKD	9.4170	10.6933	-11.9%	10.3025	10.3016	0.0%
Swiss Franc	CHF	1.2024	1.2276	-2.1%	1.2146	1.2311	-1.3%
Canadian Dollar	CAD	1.4063	1.4671	-4.1%	1.4661	1.3684	7.1%
Japanese Yen	YEN	145.2300	144.7200	0.4%	140.3061	129.6627	8.2%
British Pound	GBP	0.7789	0.8337	-6.6%	0.8061	0.8493	-5.1%
Swedish Krown	SEK	9.3930	8.8591	6.0%	9.0985	8.6515	5.2%
Australian Dollar	AUD	1.4829	1.5423	-3.9%	1.4719	1.3777	6.8%
South-African Rand	ZAR	14.0353	14.5660	-3.6%	14.4037	12.8330	12.2%
Russian Ruble	RUB	72.3370	45.3246	59.6%	50.9518	42.3370	20.3%
Brasilian Real	BRL	3.2207	3.2576	-1.1%	3.1211	2.8687	8.8%
Indian Rupee	INR	76.7190	85.3660	-10.1%	81.0406	77.9300	4.0%
Singapore Dollar	SGD	1.6058	1.7414	-7.8%	1.6823	1.6619	1.2%
Malaysian Ringgit	MYR	4.2473	4.5221	-6.1%	4.3446	4.1855	3.8%
Chinese Renminbi	CNY	7.5358	8.3491	-9.7%	8.1857	8.1646	0.3%
Korean Won	KRW	1,324.8000	1,450.9300	-8.7%	1,398.1424	1,453.9121	-3.8%
Mexican Peso	MXN	17.8679	18.0731	-1.1%	17.6550	16.9641	4.1%
Dirham United Emirates	AED	4.4594	n.a.	n.a.	4.7600	n.a.	n.a.

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 an ordinary and/or cyclical nature are directly charged to the statement of operations of the period in which the costs are incurred. The capitalisation of costs relating to the expansion, modernisation 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 its useful life.

Capitalised 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 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.

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 recognised as assets of the Group at their fair value or, if lower, at the current 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 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 through 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.

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 recognised 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 amortisation. Amortisation is calculated on a straight-line basis allocating the cost of trademarks over the relative useful lifetime.

Software

All software licenses purchased are capitalised on the basis of the costs incurred for their acquisition and in bringing them to their current condition. Amortisation 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 amortisation but undergo an impairment test at least on an annual basis to control whether their book value has been reduced.

Assets subject to amortisation 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 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.

2.10 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 recognised in income. 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 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 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 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 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 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.

2.14 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 recognised 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 accruals 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 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. 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 timing differences between the assessable income of an asset or liability and the relative 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. 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 realised 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 in respect of the dilutive potential ordinary share (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, the 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 soluble 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 recognises 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 2014 and 31st December 2013:

(thousands of Euro)	December 31, 2014		December 31, 2013	
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	1,595	(997)	626	(438)
3 to 6 months	1,390	(953)	3,040	(2,153)
6 to 9 months	1,614	(1,357)	2,987	(2,518)
from 9 to 12 months	1,699	(1,578)	5,024	(4,903)
from 12 to 24 months	5,732	(5,692)	3,888	(3,696)
over 24 months	13,745	(13,595)	14,831	(12,592)
Total	**25,775**	**(24,172)**	**30,396**	**(26,300)**
Overdue and not impaired				
up to 3 months	33,561		29,651	
3 to 6 months	5,658		11,565	
6 to 9 months	1,725		2,861	
from 9 to 12 months	1,236		2,863	
from 12 to 24 months	1,378		1,907	
over 24 months	1,085		479	
Total	**44,643**		**49,327**	
Neither overdue nor impaired	228,414		191,614	
Grand total	**298,832**	**(24,172)**	**271,336**	**(26,300)**

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 2014 past due receivables for which no allowance for bad debts was made, as the Group considered them fully collectible, amounted to 44,643 thousand Euro (compared to 49,327 thousand Euro at 31st December 2013). Of these, receivables that were more than 12 months past due amounted to 2,463 thousand Euro (compared to 2,386 thousand at 31st December 2013) but accounted for 0.8% of the Group's total trade receivable compared to 0.9% 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 2014 net sales of around 45.6 million Euro (around 43.3 million Euro in 2013) and in a decrease or an increase of the net profit of the Group of around 3 million Euro (around 2.9 million Euro in 2013).

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 2014 and 31st December 2013:

(thousands of Euro)	December 31, 2014	December 31, 2013
USD	411,131	341,505
HKD	263,068	225,055
CNY	79,740	67,775
GBP	22,919	12,356
CAD	30,636	28,681
CHF	23,497	21,646
SEK	16,542	16,646
Other currencies	21,132	26,910
Total	**868,667**	**740,574**

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 79 million (about Euro 67.3 million in 2013).

The table below summarize the financial assets and liabilities of the Group per currency at 31st December 2014 and 31st December 2013:

(thousands of Euro)	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**

(thousands of Euro)	December 31, 2013			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	20,504	31,469	30,635	82,608
Trade receivables, net	101,019	74,068	63,892	238,979
Derivative financial instruments	-	-	54	54
Other current assets	42,135	7,647	9,978	59,760
Total current financial assets	**163,658**	**113,184**	**104,559**	**381,401**
Derivative financial instruments	34	-	-	34
Other non-current assets and available for sale fin. assets	868	790	1,210	2,868
Total non-current financial assets	**902**	**790**	**1,210**	**2,902**
Trade payables	119,146	62,556	23,232	204,934
Short-term borrowings	62,242	-	11,632	73,874
Derivative financial instruments	510	997	166	1,673
Tax payables and other current liabilities	36,543	10,050	15,135	61,728
Total current financial liabilities	**218,441**	**73,603**	**50,165**	**342,209**
Long-term borrowings	191,204	-	26	191,230
Derivative financial instruments	24	-	-	24
Other non-current liabilities	34	4,841	379	5,254
Total non-current financial liabilities	**191,262**	**4,841**	**405**	**196,508**

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 2014 the floating-rate portion of the Group's total borrowings not subject to hedging amounted to 55,322 thousand Euro (accounting for 21.97% of total debt) compared to 140,020 thousand Euro in the previous year (accounting for 52.82% 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 2014 and 31st December 2013:

December 31, 2014 (thousands of Euro)	**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**

December 31, 2013 (thousands of Euro)	**Floating**	**Fixed**	**Total**
within 1 year	48,439	25,434	73,874
between 1 and 2 years	91,581	99,649	191,230
Total	**140,020**	**125,084**	**265,104**

The following table summarises the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31st December 2014 and 31st December 2013:

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

December 31, 2013 (thousands of Euro)	**Currency**	**Nominal interest rate**	**Internal interest rate**	**Book value**	**Expiry**
Facility A1 - T2	EURO	Euribor	2,254%	24.959	30/06/2014
Revolving facility	EURO	Euribor	1,8621%	189.333	30/06/2015

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 519 thousand Euro (672 thousand Euro at 31st December 2013).

Still in terms of sensitivity analysys, a reduction of 50 bps applied to the yield curve would have entailed a negative change in the fair value of the IRSs, on a pre-tax basis, of 178 thousand Euro (654 thousand Euro at 31st December 2013). On the other hand, an increase of 50 bps would have entailed a positive variation in the fair value of the IRSs, on a pre-tax basis, of 177 thousand Euro (647 thousand Euro at 31st December 2013).

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, 2014 (thousands of Euro)	**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**

December 31, 2013 (thousands of Euro)	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	71,974	12,937	59,037
Credit lines on long-term loans	325,119	215,119	110,000
Total	**397,093**	**228,056**	**169,037**

During 2014 the Group has cancelled the revolving credit facility amounting to Euro 40 million issued in 2013 by the main shareholder Multibrands Italy BV, with final maturity in June 2015, not yet used by the Group, and has renegotiated the existing revolving credit lines, parts of the senior loan of a total amount of Euro 260 million, and expires June 30, 2015.

As a consequence of the above mentioned modification 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, at 31st December 2014 used for Euro 50 million.

The table below summarises the financial assets and liabilities of the Group by maturity, undiscounted and inclusive of the interest payments, at 31st December 2014 and 31st December 2013:

	December 31, 2014				
(thousands of Euro)	**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**

(thousands of Euro)	December 31, 2013 within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	82,608	-	-	-	82,608
Trade receivables, net	238,979	-	-	-	238,979
Derivative financial instruments	54	34	-	-	88
of which Interest Rate Swaps	-	-	-	-	-
Other current assets	59,760	-	-	-	59,760
Other non-current assets and available for sale fin. assets	-	1,645	390	833	2,868
Total financial assets	**381,401**	**1,679**	**390**	**833**	**384,303**
Trade payables	204,934	-	-	-	204,934
Tax payables	18,210	-	-	-	18,210
Borrowings	73,873	191,230	-	-	265,104
Interest payments	3,989	1,876	-	-	5,866
Derivative financial instruments	1,673	24	-	-	1,697
of which Interest Rate Swaps	*514*	*(4)*	-	-	*510*
Other current liabilities	43,518	-	-	-	43,518
Other non-current liabilities	-	677	1,968	2,609	5,254
Total financial liabilities	**346,198**	**193,807**	**1,968**	**2,609**	**544,583**

The table below summarizes the gross derivative financial instruments outflow and inflow by maturity, relating forward agreement to purchase foreign currencies at 31st December 2014 and 31st December 2013:

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

December 31, 2013 (thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 5 years**
Gross derivative financial instruments outflow	(53,700)	-	-	-
Gross derivative financial instruments inflow	52,583	-	-	-
Total undiscounted gross settled derivatives	**(1,117)**	**-**	**-**	**-**

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 (thousands of Euro)	Financial instruments at fair value through Income Statement	Financial instruments at fair value through 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**

Tipologia di strumenti finanziari (thousands of Euro)	Financial instruments at fair value through Income Statement	Financial instruments at fair value through Equity	Financial instruments at amortised cost	Investments and non-listed financial assets at cost	Current value at Dec. 31, 2013	Fair value at Dec. 31, 2013
ASSETS						
Cash in hand and at bank	-	-	82,608	-	82,608	82,608
Trade receivables, net	-	-	238,979	-	238,979	238,979
Derivative financial instruments	43	45	-	-	88	88
Financial assets available for sale	234	-	-	3	237	237
Other current assets	-	-	59,760	-	59,760	59,760
Other non-current assets	-	-	2,631	-	2,631	2,631
Total assets	**277**	**45**	**383,978**	**3**	**384,303**	**384,303**
LIABILITIES						
Short-term and long-term borrowings	-	-	265,104	-	265,104	267,752
Derivative financial instruments	1,163	534	-	-	1,697	1,697
Other current liabilities	-	-	43,518	-	43,518	43,518
Other non-current liabilities	-	-	5,254	-	5,254	5,254
Total liabilities	**1,163**	**534**	**313,876**	**-**	**315,573**	**318,221**

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 2014, split by hierarchical level of the fair value.

(thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	1,594	-	1,594
Total assets	**-**	**1,594**	**-**	**1,594**
Derivative financial instruments	-	(4,494)	-	(4,494)
Total liabilities	**-**	**(4,494)**	**-**	**(4,494)**

In 2014 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 88,552 thousand, compared to Euro 82,608 thousand at 31st December 2013 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:

(thousands of Euro)	December 31, 2014	December 31, 2013
Cash and cash equivalents	88,552	82,608
Bank overdrafts	(7,510)	(1,380)
Current bank borrowings	(41,548)	(11,559)
Net cash and cash equivalents	**39,494**	**69,669**

4.2 Trade receivables, net

This item breaks down as follows:

(thousands of Euro)	December 31, 2014	December 31, 2013
Gross value receivables	298,832	271,336
Allowance for doubtful accounts and sales returns	(32,524)	(32,357)
Net value	**266,308**	**238,979**

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 27,454 thousand Euro (31,293 thousand Euro at 31st December 2013).

The allowance for doubtful accounts and returns includes:

- lprovisions for doubtful accounts charged to the income statement under "General and administrative expenses" (note 5.4);

- lprovisions 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:

(thousands of Euro)	Balance at January 1, 2014	Posted to income tatement	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**

(thousands of Euro)	Balance at January 1, 2013	Posted to income tatement	Use (-)	Transl. Diff.	Balance at December 31, 2013
Allowance for bad debts	23,899	5,206	(2,388)	(417)	26,300
Allowance for sales returns	8,655	2,247	(4,589)	(256)	6,057
Total	**32,554**	**7,453**	**(6,977)**	**(673)**	**32,357**

4.3 Inventories

This item breaks down as follows:

(thousands of Euro)	December 31, 2014	December 31, 2013
Raw materials	104,203	91,701
Work in progress	8,584	8,492
Finished products	244,476	200,354
Gross	357,263	300,547
Obsolescence provision (-)	(109,646)	(87,767)
Total	**247,617**	**212,780**

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:

(thousands of Euro)	Balance at January 1, 2014	Posted to income statement	Reclass	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**

(thousands of Euro)	Balance at January 1, 2013	Posted to income statement	Reclass	Transl. Diff.	Balance at December 31, 2013
Inventory gross value	279,545	2,403	23,598	(4,999)	300,547
Obsolescence provision	(71,906)	5,614	(23,598)	2,123	(87,767)
Total net	**207,639**	**8,017**	**-**	**(2,876)**	**212,780**

4.4 Derivative financial instruments

The following table summarises the amount of financial instruments:

(thousands of Euro)	December 31, 2014	December 31, 2013
Current assets:		
Foreign currency contracts - Fair value through P&L	1,594	43
Foreign currency contracts - cash flow hedge	-	11
Total	**1,594**	**54**
Non-current assets:		
Interest rate swaps - cash flow hedge	-	34
Total	**-**	**34**

(thousands of Euro)	December 31, 2014	December 31, 2013
Current liabilities:		
Foreign currency contracts - Fair value through P&L	-	1,163
Interest rate swaps - Fair value through P&L	68	-
Interest rate swaps - cash flow hedge	-	510
Total	**68**	**1,673**
Non-current liabilities:		
Fair value cash settlement option convertible Bond	4,426	-
Interest rate swaps - cash flow hedge	-	24
Total	**4,426**	**24**

The increase 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 17,744 thousand, as indicated in Note 5.7. At the balance sheet date, the fair value of the option amounts to Euro 4,426 thousand.

The net market value of IRSs used as hedge reported in the balance sheet at 31st December 2014 was negative for 68 thousand Euro, according to estimates by specialised financial institutions on the basis of regular market conditions. The Group's policies for managing interest rate risk normally envisage hedging of future cash flows that will be reported in subsequent years. Given this, the related hedging effect must be suspended in the cash flow reserve and recognised in profit or loss in subsequent years when the expected flows actually emerge. During the year, following the restructuring of the hedged floating rate debt it was considered lacking the hedging correlation therefore we proceeded to expensing in the income statement the fair value of interest rate swaps at 31st December 2013 included in the related reserve for an amount of Euro 490 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 1.594 thousand.

The following table summaries the characteristics and fair value of IRS contracts in place:

December 31, 2014			**Fair value**	
(thousands of Euro)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
IRS contracts	within 1 year	70,000	-	68
Total IRS contracts		**70,000**	**-**	**68**

December 31, 2013			**Fair value**	
(thousands of Euro)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
IRS contracts	within 1 year	55,000	-	510
IRS contracts	within 2 year	70,000	10	-
Total IRS contracts		**125,000**	**10**	**510**

The following table summaries the characteristics and fair value of forward contracts in place on Canadian Dollar and US Dollar:

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

December 31, 2013			**Fair value**	
(thousands of Euro)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	45,332	43	1,074
Cash flow hedge	within 1 year	9,206	11	89
Total forward contracts		**54,538**	**54**	**1,163**

4.5 Other current assets

This item breaks down as follows:

(thousands of Euro)	**December 31, 2014**	**December 31, 2013**
VAT receivable	13,129	16,898
Tax credits and payments on account	7,753	11,696
Prepayments and accrued income	20,842	21,611
Receivables from agents	307	381
Other current receivables	7,588	9,174
Total	**49,619**	**59,760**

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 20,842 thousand Euro (21,611 thousand Euro at December 31st, 2013) and mainly consisted of:

- prepaid royalty costs of 12,755 thousand Euro;
- prepaid advertising costs of 1,359 thousand Euro;
- prepaid rent and operating lease costs of 2,947 thousand Euro;
- prepaid insurance for 991 thousand Euro.

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

Other current receivables amounted to 7,588 thousand Euro, compared to 9,174 thousand Euro in 2013, and related mainly:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 1,901 thousand, 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 777 thousand Euro;
- amounts receivable for insurance refunds totalling 670 thousand Euro;
- receivables from social security institutions for Euro 813 thousand for benefits resulting from the application of social welfare measures in the subsidiary Safilo S.p.A.;
- other receivables for Euro 3,428 thousand.

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:

(thousands of Euro)	Balance at January 1, 2014	Increase	Decrease	Reclass.	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**

(thousands of Euro)	Balance at January 1, 2013	Increase	Decrease	Reclass.	Transl. diff.	Balance at December 31, 2013
Gross value						
Land and buildings	144,581	992	(2,793)	587	(1,147)	142,220
Plant and machinery	197,064	2,673	(10,042)	1,713	(484)	190,925
Equipment and other assets	223,785	12,983	(10,685)	2,967	(4,706)	224,344
Assets under constructions	42	11,550	(46)	(5,288)	(73)	6,185
Total	**565,472**	**28,198**	**(23,566)**	**(21)**	**(6,409)**	**563,674**
Accumulated depreciation						
Land and buildings	42,031	5,260	(2,428)	-	(328)	44,534
Plant and machinery	139,058	8,728	(9,771)	-	(179)	137,836
Equipment and other assets	179,671	17,713	(10,713)	(42)	(3,500)	183,128
Total	**360,759**	**31,701**	**(22,912)**	**(42)**	**(4,008)**	**365,498**
NET VALUE	**204,713**	**(3,502)**	**(654)**	**20**	**(2,401)**	**198,176**

A total of 28,294 thousand Euro was invested in tangible fixed assets in the financial period (28,198 thousand Euro at 31st December 2013), mainly as follows:

- 16,911 thousand Euro for the factories, mainly for the upgrading of plants and for the purchase and production of equipment for new models;
- 4,915 thousand Euro for the U.S. companies;
- the remaining part in other companies of the Group.

Several companies of the Group have purchased tangible fixed assets under finance lease contracts. The following table shows the gross value and the related accumulated depreciation, while the relating debt to the lessor is reported in paragraph 4.13 "Borrowings".

(thousands of Euro)	December 31, 2014	December 31, 2013
Land and buildings	12,970	12,970
Accumulated depreciation (-)	(2,811)	(2,507)
Net book value	**10,159**	**10,463**
Equipment and other assets	489	500
Accumulated depreciation (-)	(429)	(409)
Net book value	**60**	**91**
Total	**10,219**	**10,554**

4.7 Intangible assets

The following table shows changes in intangible fixed assets:

(thousands of Euro)	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	14,184
Total	**97,136**	**10,688**	**(319)**	**-**	**1,986**	**109,491**
Accumulated depreciation						
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**

(thousands of Euro)	Balance at January 1, 2013	Increase	Decrease	Reclass.	Transl. diff.	Balance at December 31, 2013
Gross value						
Software	27,718	1,937	(321)	800	(682)	29,453
Trademarks and licenses	82,594	287	(28,803)	-	(49)	54,030
Other intangible assets	8,382	14	(47)	(39)	(142)	8,168
Intangible assets in progress	-	6,289	-	(800)	(5)	5,484
Total	**118,694**	**8,528**	**(29,170)**	**(39)**	**(877)**	**97,136**
Accumulated depreciation						
Software	21,139	2,982	(321)	-	(528)	23,272
Trademarks and licenses	44,754	2,175	(28,803)	-	(44)	18,083
Other intangible assets	7,155	104	(47)	(19)	(117)	7,077
Total	**73,048**	**5,262**	**(29,170)**	**(19)**	**(689)**	**48,432**
NET VALUE	**45,646**	**3,266**	**-**	**(20)**	**(189)**	**48,703**

Investments in intangible fixed assets made during the year amount to Euro 10,688 thousand (Euro 8,528 thousand 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.

Amortisation and depreciation are allocated over the following income statement items:

(thousands of Euro)	Notes	2014	2013
Cost of sales	5.2	19,284	17,863
Selling and marketing expenses	5.3	4,803	5,342
General and administrative expenses	5.4	11,312	13,312
Other operating income/(expenses)	5.5	-	446
Total		**35,399**	**36,963**

The Group does not recognized 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 Euro 13,641 thousand (13,682 thousand in the previous year).

4.8 Goodwill

The item amounted to Euro 583,130 thousand mainly refers to goodwill 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 on which it was allocated.

The following table shows changes in goodwill:

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

(thousands of Euro)	Balance at January 1, 2013	Increase	Decrease	Transl. diff.	Balance at December 31, 2013
Goodwill	558,046	-	-	(21,971)	536,075

During the period, the item did not record any movement except for the 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 over the CGUs, by geographical area.

(thousands of Euro)	Italy and Europe	Americas	Asia	Total
December 31, 2014	159,856	214,423	208,850	583,130
December 31, 2013	159,816	191,440	184,819	536,075

Impairment test

Below it is described the approach followed and the assumptions made to perform the impairment test.

For impairment test purposes, the Group has identified its cash-generating units (CGUs) as the Business Units, which represent geographical aggregation of the Group companies and are the key reporting units used by the Group management for assessing the performance.

The recoverable amount of the CGUs is based on their value in use determined on estimated future cash flow projections. This calculation is based on six-year projections for the period 2015-2020 determined by initial reference to the 2015 Budget approved by the Board of Directors on December 10th 2014 and consistent with the guidelines defined by the Safilo 2020 Strategic Plan approved by the same Board. The adoption of a six years 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 guidelines contained in the Strategic Plan of the Group.

Overall, the impairment test methodology used for the 2014 financial statements is consistent with criteria used for 2013 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 5.75% (5% in 2013);
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single countries where the Group operates, 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 present value at a discount rate (WACC) as at the test's date of reference that took into account the peculiarities and risks typical 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 summaries the WACC (after tax) and "g" rates used by the Group for the analyses performed when preparing financial statements:

Key assumptions Business units	"WACC" discount rate 2014	 2013	Growth rate "g" 2014	 2013
EMEA	5.68%	5.90%	1.5%	1.7%
Asia	7.09%	6.40%	2.9%	2.9%
America	6.47%	5.90%	2.3%	2.5%

The impairment test performed by the Group did not show the need to reduce the value of goodwill.

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

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, yielded the following results:

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

On all these scenarios each single CGUs would no be affected by any goodwill impairment.

4.9 Investments in associates

The item is detailed here follow:

Company	Registered office or headquarters	% of share capital	Type of investment	Main activity
Elegance Optical Int. Holdings Ltd	Hong Kong	23.05%	Associated company	Commercial
Optifashion As (in liquidation)	Turkey	50.0%	Non-consolidated subsidiary	Commercial

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

(thousands of Euro)	Gross value	Revaluation / (write-down)	Value at January 1, 2014	Share of period results and write-down of dividends	Impairment	Transl. diff.	Value at December 31, 2014
			Movements for the year				
Elegance Optical Int. Holdings Ltd	5,298	3,134	8,432	(1,800)	-	972	7,605
Optifashion As (in liquidation)	353	(353)	-	-	-	-	-
Total	**5,651**	**2,781**	**8,432**	**(1,800)**	**-**	**972**	**7,605**

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 in 2013, we proceeded to complete devaluate its carrying value as deemed no longer recoverable.

The associated company Elegance Optical International Holdings Ltd closes its financial period on 31st March every year. For the purposes of valuation of the investment using the equity method, the last available set of approved accounts was used, i.e. the half year interim report as at 30th September 2014 prepared for disclosure to the Hong Kong Stock Exchange. The fair value of this investment, which reflects the closing market price at 31st December 2014, amounted to approximately 6.7 million Euro, compared to 3.2 million Euro at 31st December 2013. Such amount is deemed to be lower than the recoverable value of the investment and that the realisable value is higher than the carrying amount.

The table below shows the principal data relating to the last approved financial statements of the above-mentioned company at September 30, 2014:

(thousands of Euro)	Assets	Liabilities	Equity (net of minority)	Revenues	Net profit (loss)	% Group	Equity Group at December 31, 2014
Elegance Optical Int. Holdings Ltd	41,687	6,809	32,995	13,565	(4,155)	23.05%	7,605

4.10 Available-for-sale financial assets

This item includes financial assets represented by minor investments in other companies designated in this category at the date of their first registration, the item is detailed here follow:

(thousands of Euro)	Relationship	December 31, 2014	December 31, 2013
Gruppo Banco Popolare	Other equity investment	-	179
Unicredit S.p.A.	Other equity investment	-	55
Other	Other equity investment	-	3
Total		**-**	**237**

The table below shows the changes occurred during the year:

			Movements for the year			
(thousands of Euro)	Gross value	Revaluation/ (write-down)	Value at January 1, 2014	Increase/ (Decrease)	Revaluation/ (write-down)	Value at December 31, 2014
Gruppo Banco Popolare	228	(49)	179	(179)	-	-
Unicredit S.p.A.	61	(6)	55	(55)	-	-
Other	46	(43)	3	-	(3)	-
Total	**335**	**(98)**	**237**	**(234)**	**(3)**	**-**

Movements during the period relates to the realization of investments held in Gruppo Banco Popolare and Unicredit S.p.A. and the devaluation of the residual value of minor investments in other companies.

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:

(thousands of Euro)	December 31, 2014	December 31, 2013
Deferred tax assets	140,205	135,975
Depreciation Fund (-)	(47,707)	(58,807)
Total net deferred tax assets	**92,498**	**77,168**
Deferred tax liabilities	(8,772)	(8,061)
Total net	**83,726**	**69,107**

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 Euro 47,707 thousand. 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

(thousands of Euro)	Balance at January 1, 2014	Posted to: Income statement	Posted to: Equity	Reclass./ Other changes	Transl. diff.	Balance at December 31, 2014
- Tax losses carried forward	49,836	(5,610)	-	421	184	44,831
- Inventories	35,588	7,673	-	-	3,227	46,488
- Taxed allowances for doubtful accounts	8,263	(219)	-	-	467	8,511
- Taxed provisions	4,212	226	-	-	11	4,449
- Employees benefit liabilities	693	(84)	586	-	4	1,199
- Intangible assets	3,453	(754)	-	-	204	2,903
- Tangible assets	13,718	116	-	-	682	14,516
- Other payables	391	166	-	-	(51)	506
- Taxed financial interests	18,624	(6,285)	-	-	-	12,339
- Other temporary differences	1,197	2,753	-	-	513	4,463
- Total deferred tax assets	**135,975**	**(2,018)**	**586**	**421**	**5,241**	**140,205**
- Devaluation of deferred tax assets on tax losses	(45,696)	4,537	-	(452)	(93)	(41,704)
- Devaluation of deferred tax assets on other temporary differences	(13,111)	7,116	-	-	(8)	(6,003)
- Total allowance on deferred tax assets	**(58,807)**	**11,653**	**-**	**(452)**	**(101)**	**(47,707)**
TOTAL NET	**77,168**	**9,635**	**586**	**(31)**	**5,140**	**92,498**

Deferred tax liabilities

(thousands of Euro)	Balance at January 1, 2014	Posted to: Income statement	Posted to: Equity	Reclass./ Other changes	Transl. diff.	Balance at December 31, 2014
- Depreciation differences	5,065	(511)	-	-	718	5,272
- Goodwill	1,694	212	-	-	190	2,096
- Inventories	197	(80)	-	-	(7)	110
- Receivables and payables	52	(27)	-	-	(1)	24
- Other temporary differences	1,054	130	-	-	86	1,270
Total	**8,061**	**(276)**	**-**	**-**	**986**	**8,772**

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 41,704 Euro thousand because, at present, recovery via future taxable income is not considered likely. This valuation is based on six year projections for the period 2016-2020 determined by initial reference to the 2015 Budget approved by the Board of Directors on December 10th 2014 and consistent with the guidelines defined by the Safilo 2020 Strategic Plan approved by the same Board.

Expiration date (thousands of Euro)	Tax losses	Tax benefit
2020	1,376	491
2021	4,310	1,140
2022	277	78
2023	1,105	306
2024	2,640	660
2027	24,310	7,238
2028	4,535	881
2029	1,149	345
Unlimited	124,764	33,137
Various	9,403	555
Total	**173,870**	**44,831**
Provision		(41,704)
TOTAL DEFERRED TAX ASSETS ON LOSSES CARRIED FORWARD		**3,127**

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

Expiration date (thousands of Euro)	**Tax losses**	**Impairment of tax losses**	**Net Tax losses**
2020	1,376	-	1,376
2021	4,310	(3,754)	557
2022	277	(277)	-
2023	1,105	(997)	108
2024	2,640	(2,640)	-
2027	24,310	(19,934)	4,376
2028	4,535	(4,535)	-
2029	1,149	(1,149)	-
Unlimited	124,764	(117,226)	7,538
Various	9,403	-	9,403
Total	**173,870**	**(150,511)**	**23,359**

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.

(thousands of Euro)	**December 31, 2014**	**December 31, 2013**
Deferred tax assets		
- recoverable within one year	57,465	46,415
- recoverable beyond one year	35,033	30,753
Total	**92,498**	**77,168**
Deferred tax liabilities		
- recoverable within one year	77	61
- recoverable beyond one year	8,696	8,000
Total	**8,772**	**8,061**
TOTAL NET	**83,726**	**69,107**

4.12 Other non-current assets

The table below shows details of non-current assets:

(thousands of Euro)	December 31, 2014	December 31, 2013
Long-term guarantee deposit	2,729	2,465
Other long-term receivables	167	166
Total	**2,897**	**2,631**

"Long-term guarantee deposit" refer to security deposit 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:

(thousands of Euro)	December 31, 2014	December 31, 2013
Bank overdrafts	7,510	1,380
Short-term bank loans	41,548	11,559
Short-term portion of long-term bank loans	-	24,959
Short-term portion of financial leasing	1,919	1,181
Debt to the factoring company	24,342	34,320
Other short-term loans	-	118
Other debts for purchase of minority interests	-	357
Short-term borrowings	**75,319**	**73,874**
Medium long-term loans	48,585	189,333
Convertible Bonds	127,905	-
Medium long-term portion of financial leasing	3	1,897
Long-term borrowings	**176,493**	**191,230**
TOTAL	**251,812**	**265,104**

In the context of the refinancing of the Group's outstanding financial liabilities, for a total amount of Euro 300 million, which took place in the second and third quarter, the item "Bank loans and borrowings" recorded the following main changes:

- 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 full redemption of the Facility A1–Tranche 2, amounting to Euro 25 million and the reimbursement with the anticipated cancellation of the two revolving lines, for a total amount of Euro 260 million, expiring on 30 June 2015, following the underwriting in July 2014 of a new committed, unsubordinated and unsecured "Revolving Credit Facility" amounting to Euro 150 million expiring in July 2018, used for Euro 50 million at December 31, 2014.

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 4,426 thousand (see note 4.4).

The Senior Loan contract, subscribed in 2006, has seen the full redemption of the Facility A1 – Tranche 2, amounting to Euro 25 million and the reimbursement with the anticipated cancellation of the two revolving lines, for a total amount of Euro 260 million, expiring on 30 June 2015. At the same time, it was also cancelled the revolving credit facility amounting to Euro 40 million issued in 2013 by the main shareholder Multibrands Italy BV, with final maturity in June 2015, not yet used by the Group.

Such cancellations followed the underwriting by Safilo S.p.A. and Safilo U.S.A. Inc. in July 2014 of a new committed, unsubordinated and unsecured "Revolving Credit Facility" amounting to Euro 150 million expiring in July 2018, used for Euro 50 million at December 31, 2014.

Such loan is subject to the respect of operating and financial commitments, standard for similar transactions. At 31st December 2014 the Group complies with all the outstanding covenants.

The payables for financial leasing refer mainly to tangible assets owned under lease contracts by some Group's companies. The lease contracts will expire in less than 1 years. All the lease contracts in force involve repayments at constant instalments and no restructuring of the original plans is envisaged.

The following table illustrates the short term and medium/long term portions relating to lease contracts:

(thousands of Euro)	December 31, 2014	December 31, 2013
Short-term portion of financial leasing	1,919	1,181
Long-term portion of financial leasing	3	1,897
Total debt	**1,922**	**3,078**

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for 24,342 thousand Euro.

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

(thousands of Euro)	December 31, 2014	December 31, 2013
From 1 to 2 years	3	191,230
From 2 to 3 years	-	-
From 3 to 4 years	48,585	-
From 4 to 5 years	127,905	-
Beyond 5 years	-	-
Total	**176,493**	**191,230**

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

(thousands of Euro)		December 31, 2014	December 31, 2013	Change
A	Cash and cash equivalents	88,552	82,608	5,944
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**88,552**	**82,608**	**5,944**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-term bank borrowings	(49,058)	(12,939)	(36,119)
G	Current portion of long-term borrowings	-	(24,959)	24,959
H	Other short-term borrowings	(26,261)	(35,976)	9,715
I	**Debts and other current financial liabilities (F+G+H)**	**(75,319)**	**(73,874)**	**(1,445)**
J	**Current financial position, net (D)+(E)+(I)**	**13,233**	**8,734**	**4,499**
K	Long-term bank borrowings	(48,585)	(189,333)	140,748
L	Bonds	(127,905)	-	(127,905)
M	Other long-term borrowings	(3)	(1,897)	1,894
N	**Debts and other non current financial liabilities (K+L+M)**	**(176,493)**	**(191,230)**	**14,737**
O	**Net financial position (J)+(N)**	**(163,260)**	**(182,496)**	**19,236**

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:

(thousands of Euro)	December 31, 2014	December 31, 2013
Short-term		
Euro	62,722	62,242
Chinese Renminbi	10,482	9,462
Brasilian Real	-	2,097
Japanese Yen	2,066	-
Swedish Kronor	49	73
Total	**75,319**	**73,874**
Medium long-term		
Euro	176,490	191,204
Swedish Kronor	3	26
Total	**176,493**	**191,230**
TOTAL	**251,812**	**265,104**

4.14 Trade payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2014	December 31, 2013
Trade payables for:		
Purchase of raw materials	42,729	43,544
Purchase of finished goods	58,564	59,033
Suppliers from subcontractors	5,360	5,058
Tangible and intangible assets	3,191	10,786
Commissions	2,685	2,708
Royalties	27,885	24,711
Advertising and marketing costs	35,973	28,739
Services	34,388	30,355
Total	**210,775**	**204,934**

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 2014 tax payables amounted to 33,041 thousand Euro (compared to 18,210 thousand in 2013). Of this sum 21,604 thousand Euro referred to income tax for the period, Euro 3,315 thousand 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.

The increase in the income tax payables is related, besides current taxes, to the reclassification of the current portion of the provision related to the tax disputes accrued at 31st December 2013 under "Other provisions for risk and charges" defined on February 27, 2014. The definition has determined the settlement of the liability for a total of Euro 21 million to be paid in 12 quarterly instalments starting in February 2014.

4.16 Other current liabilities

This item breaks down as follows:

(thousands of Euro)	December 31, 2014	December 31, 2013
Payables to personnel and social security institutions	41,629	33,567
Agent fee payables	1,590	1,523
Payables to pension funds	1,087	1,131
Accrued advertising and sponsorship costs	1,096	497
Accrued interests on long-term loans	363	411
Other accruals and deferred income	3,755	3,815
Other current liabilities	2,629	2,574
Total	**52,149**	**43,518**

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:

(thousands of Euro)	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**

(thousands of Euro)	Balance at January 1, 2013	Increase	Decrease	Transl. diff.	Balance at December 31, 2013
Product warranty provision	5,734	449	(800)	(8)	5,375
Agents' severance indemnity	5,352	512	(2,303)	(4)	3,557
Provision for corporate restructuring	2,548	-	(1,530)	-	1,018
Other provisions for risks and charges	10,370	15,643	(1,370)	-	24,643
Provisions for risks - long term	**24,004**	**16,604**	**(6,003)**	**(12)**	**34,593**
Product warranty provision	439	1,163	(192)	(53)	1,357
Other provisions for risks and charges	2,412	1,069	(1,466)	(47)	1,968
Provisions for risks - short term	**2,851**	**2,232**	**(1,658)**	**(100)**	**3,325**
TOTAL	**26,855**	**18,836**	**(7,661)**	**(112)**	**37,918**

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, 2014 includes the estimated liability arising from the reorganization and relocation of the Smith business, as part of its integration into Safilo and planned transformation into a global eyewear brand.

During the year, the fund has seen the full use of the portion relating to the costs resulting from the finalization of the reorganization of the Italian factories of the Group.

The decrease in item "Other provisions for risks and charges" is related to the reclassification under "tax payables" of the provision accrued at 31st December 2013 to cover tax disputes defined on February 27, 2014.

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.

Their estimate 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.

4.18 Employees benefits

This item breaks down as follows:

(thousands of Euro)	December 31, 2014	December 31, 2013
Defined contribution plan	374	373
Defined benefit plan	32,350	34,506
Total	**32,724**	**34,879**

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

(thousands of Euro)	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

(thousands of Euro)	Balance at January 1, 2013	Posted to income statement	Actuarial gains/ (losses)	Uses	Transl. diff.	Balance at December 31, 2013
Defined benefit plan	36,196	1,416	(2,017)	(797)	(292)	34,506

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, 2014 and December 31, 2013 are summarized here follow:

	2014	2013
Discount rate	1.49%	3.17%
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 2019 onwards.

As far as concern the sensitivity of the Group defined benefit obligations the impact of the principal assumptions changes on the obligation as at December 31, 2014 are detailed as follow:

Assumption (thousands of Euro)	**Change**	**Increase**	**Decrease**
Inflation	1.00%	2,080	(1,757)
Salary increase	0.25%	386	(338)
Discount rate	1.00%	(2,317)	3,531
Life expectancy	1 year	86	(92)

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

(thousands of Euro)	2014	2013
Service cost	820	506
Interest cost	953	910
Actuarial gain/(loss)	3,602	(2,017)
Total	**5,375**	**(601)**

4.19 Other non-current liabilities

Movements in other non-current liabilities were as follows:

(thousands of Euro)	Balance at January 1, 2014	Increase	Decrease	Trasl. Diff.	Balance at December 31, 2014
Other non current liabilities	5,254	5,363	(741)	641	10,517

At 31st December 2014 other non-current liabilities totalled Euro 10,517 thousand, compared to Euro 5,254 thousand at 31st December 2013, and comprised Euro 5,335 thousand mainly related to the reclassification of the non-current portion of the provision for the tax disputes accrued at 31st December 2013 under "Other provisions for risk and charges" defined on February 27, 2014, Euro 5,181 thousand for 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 2014, shareholders’ equity amounts totaled 974,256 thousand Euro (of which 2,720 thousand Euro belonging to non-controlling interests) versus Euro 846,062 thousand Euro as at 31st December 2013 (of which Euro 2,940 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 guaranteeing 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 2014, the ratio stood at 14% (18% at 31st December 2013).

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 first and second tranche for a total amount of 335,000 options exercised at an average exercise price equal to Euro 11.34 per share. This exercise resulted in the issuance of 335,000 shares with a nominal value of 5.00 euros, an increase of the share capital amounted of Euro 1,675,000 and an increase in the share premium reserve of Euro 2,123,980.

Following the above-mentioned capital increase, at 31st December 2014 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 312,674,825, consisting of no. 62,534,965 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 2014 the share premium reserve of the Parent Company, Safilo Group S.p.A., has recorded an increase of 2,123,980 Euro and amounts to Euro 484,688,914.

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 Euro 15,973 thousand (of which 452 thousand Euro belonging to non-controlling interests) to the allocation of the previous year's result;
- for Euro 88,541 thousand (of which 203 thousand Euro belonging to non-controlling interests) to the positive translation differences coming from the translation into Euro of the subsidiaries' financial statements;
- for Euro 481 thousand to the cost for the period of the outstanding *stock option* plan;
- for Euro 3,016 thousand to the decrease coming from the actuarial valuation, net of tax effect, of the employee termination indemnities of defined contribution plans;
- for Euro 1,555 thousand to the decrease related to the price paid for the purchase of minority interests in some companies, of which 708 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 reserve

This item breaks down as follows:

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

(thousands of Euro)	Balance at January 1, 2013	Consolidated statement of comprehensive income: Profit (loss) of the period	Consolidated statement of comprehensive income: Gain (loss) reclass to profit and loss	Consolidated statement of comprehensive income: Total Profit (loss) of the period	Balance at December 31, 2013
Cash flow reserve	(1,555)	1,065	-	1,065	(490)

The cash flow reserve refers to the current value of interest rate swaps.

During the year, following the restructuring of the hedged floating rate debt it was considered lacking the hedging correlation therefore we proceeded to expensing in the income statement the fair value of interest rate swaps at 31st December 2013 included in the related reserve for an amount of Euro 490 thousand.

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, have 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, 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 until 31 December 2014;
- the second tranche will be granted starting from the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2014 until 31 December 2015;
- 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 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 in the availability of the Company as a result of resignations by some beneficiaries. In application of the amendment on that date was then 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 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 2014 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	50,000	1.48	31/05/17
Third tranche	08/03/12	280,000	1.06	31/05/18
Fourth tranche	06/03/13	215,000	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	295,000	2.67	31/05/22

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	Free risk 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%

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	**1,105,000**	**8.884**
Granted	-	-
Forfeited	(40,000)	7.005
Excercised	(335,000)	11.340
Expired	(20,000)	12.550
Outstanding at period-end	**710,000**	**8.098**
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**-**	**-**
Granted	305,000	15.050
Forfeited	-	-
Excercised	-	-
Expired	(10,000)	15.050
Outstanding at period-end	**295,000**	**15.050**

During the year, 335,000 options, of the Plan 2010-2013, have been exercised of which 90.000 options belonging to the first tranche o and 245.000 options to the second tranche at an average exercise price of 11.34 Euro equal to a total value of 3,798,980 Euro.

In the same period 305,000 options have been granted related to the first tranche of the new Plan 2014-2016.

Among the options outstanding at the end of the period, the first and the second tranche of the Plan 2010-2013 have become exercisable starting respectively from the approval of the 2012 and 2013 financial statements until the end of the exercise period set for 31st May 2016 and 31st May 2017. The option exercisable still outstanding as at December 31, 2014 are equal to 150,000.

The third tranche of the Plan 2010-2013, equal to a total of 280,000 options will be exercisable from the date of approval of these financial statements until the expiry of the exercise period set for May 31, 2018.

The adoption of these plans has affected the income statement for the period for Euro 481 thousand (Euro 683 thousand at 31st December 2013).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 Net sales

Group sales in 2014 amounted to 1,178,683 thousand Euro, showing a 5.1% increase on the previous year (1,121,531 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:

(thousands of Euro)	2014	2013
Purchase of raw materials and finished goods	340,817	323,880
Capitalisation of costs for increase in tangible assets (-)	(8,662)	(7,809)
Change in inventories	(25,030)	(8,021)
Wages and social security contributions	97,600	83,667
Subcontracting costs	20,907	12,981
Depreciation	19,284	17,863
Rental and operating leases	826	845
Other industrial costs	14,387	14,435
Total	**460,129**	**437,841**

Changes in inventories can be broken down as follows:

(thousands of Euro)	2014	2013
Finished products	(23,508)	(2,006)
Work-in-progress	276	(2,755)
Raw materials	(1,798)	(3,260)
Total	**(25,030)**	**(8,021)**

The average number of employees by rank is shown below:

(thousands of Euro)	2014	2013
Executives	136	129
Clerks and middle management	3,264	3,264
Factory workers	4,209	4,428
Total	**7,609**	**7,821**

5.3 Selling and marketing expenses

This item breaks down as follows:

(thousands of Euro)	2014	2013
Payroll and social security contributions	118,821	115,586
Sales commissions	66,182	62,134
Royalty expenses	99,050	92,133
Advertising and promotional costs	129,722	120,499
Amortization and depreciation	4,803	5,342
Logistic costs	19,158	17,580
Consultants fees	1,447	1,161
Rental and operating leases	15,308	14,795
Utilities	786	783
Provision for risks	702	(943)
Other sales and marketing expenses	23,388	22,758
Total	**479,367**	**451,828**

5.4 General and administrative expenses

This item breaks down as follows:

(thousands of Euro)	2014	2013
Payroll and social security contributions	80,664	73,331
Allowance and write off of doubtful accounts	3,102	5,548
Amortization and depreciation	11,312	13,312
Consultants fees	15,574	14,744
Rental and operating leases	8,662	8,525
EDP costs	8,193	6,360
Insurance costs	2,289	2,177
Utilities, security and cleaning	7,012	6,515
Taxes (other than on income)	4,866	4,693
Other general and administrative expenses	15,865	13,792
Total	**157,539**	**148,997**

5.5 Other operating income (expenses)

This item breaks down as follows:

(thousands of Euro)	2014	2013
Losses on disposal of assets	(128)	(267)
Other operating expenses	(9,331)	(11,254)
Write downs of tangible assets	-	(446)
Gains on disposal of assets	106	92
Other operating incomes	2,971	3,734
Total	**(6,382)**	**(8,141)**

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 amounting to Euro 7,781 thousand relating to reorganization costs. In 2013, were recorded non-recurring costs amounting to Euro 10,122 thousand relating mainly to the costs of the succession plan for the Chief Executive Officer of Euro 6,195 thousand and other restructuring costs of approximately Euro 3,927 thousand.

5.6 Share of income/(loss) of associated companies

This item totaled a loss of 1,800 thousand Euro (versus a loss of 2,093 thousand Euro in 2013) and consists of the profits and losses stemming from valuation using the equity method of investments in associate companies (note 4.9).

5.7 Financial charges, net

This item breaks down as follows:

(thousands of Euro)	2014	2013
Interest expenses on loans	6,380	6,926
Interest expenses and charges on Bond	3,848	4,902
Bank commissions	6,193	5,349
Negative exchange rate differences	22,791	15,032
Financial discounts	1,235	908
Other financial charges	1,006	981
Total financial charges	**41,453**	**34,098**
Interest income	419	565
Positive exchange rate differences	14,526	10,924
Fair value gains on the Equity-linked Bond incorporated derivative	17,744	-
Other financial income	161	40
Total financial income	**32,850**	**11,529**
TOTAL FINANCIAL CHARGES, NET	**8,603**	**22,569**

Fair value gains and charges are 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 gain of Euro 2,714 thousand (a loss of Euro 246 thousand in 2013).

5.8 Income taxes

This item breaks down as follows:

(thousands of Euro)	2014	2013
Current taxes	(35,320)	(37,473)
Deferred taxes	9,911	3,384
Total	**(25,409)**	**(34,089)**

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

(thousands of Euro)	%	2014	%	2013
Profit before taxation	**100%**	**64,863**	**100%**	**50,062**
Theoretical taxes	-27.5%	(17,837)	-27.5%	(13,767)
IRAP (current and deferred) and other taxes	-8.6%	(5,609)	-12.8%	(6,393)
Provision for tax litigation	-	-	-28.0%	(14,031)
Taxes relating to prior years	-0.4%	(281)	-1.1%	(530)
Effect of diff. between foreign tax rates and the theoretical Italian one	-6.0%	(3,861)	-4.7%	(2,355)
Non taxable incomes	0.3%	170	4.9%	2,439
Non deductible costs	-1.4%	(882)	-4.7%	(2,352)
Effect of deferred tax assets not recognised	-6.3%	(4,115)	-19.5%	(9,781)
Recognition of deferred tax assets not recognised in the prior years	11.0%	7,145	25.1%	12,560
Other differences	-0.2%	(139)	0.2%	121
Total	**-39.2%**	**(25,409)**	**-68.1%**	**(34,089)**

Theoretical income taxes are calculated at 27.5% on the estimated taxable income. This percentage represents the tax rate (IRES) to which the income of the Italian holding company is subject.

5.9 Earnings per share

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

Basic	2014	2013
Profit for ordinary shares (in Euro/000)	39,030	15,521
Average number of ordinary shares (in thousands)	62,426	61,796
Earnings per share - basic (in Euro)	**0.625**	**0.251**

Diluted	2014	2013
Profit for ordinary shares (in Euro/000)	39,030	15,521
Profit for preferred shares	-	-
Profit in income statement	**39,030**	**15,521**
Average number of ordinary shares (in thousands)	62,426	61,796
Dilution effects: - stock option (in thousands)	309	363
Total	**62,736**	**62,159**
Earnings per share - diluted (in Euro)	**0.622**	**0.250**

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.

5.10 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2014.

5.11 Segment information

Management has identified the "Wholesale" and "Retail" operating segments consistently with the operating and control model applied by the Group. More specifically, the criteria used to identify these segments were based on the approaches via which management manages the Group and attributes operating responsibility. In particular, the disclosures are consistent with the information periodically analyzed by the Group's CEO, in his role as Chief Operating Decision Maker, to make decision about resources to be allocated to the segments and assess their performance.

Below we provide disclosure by segment for the financial years ended on 31st December 2014 and 2013.

	December 31, 2014			
(thousands of Euro)	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 assets				**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)

(thousands of Euro)	December 31, 2013			
	WHOLESALE	**RETAIL**	**Eliminat.**	**Total**
Net sales				
- to other segment	13,318	-	(13,318)	-
- to third parties	1,041,549	79,982	-	1,121,531
Total net sales	**1,054,867**	**79,982**	**(13,318)**	**1,121,531**
Gross profit	**632,074**	**51,616**	**-**	**683,690**
Operating profit	**69,373**	**5,351**	**-**	**74,724**
Share of income of associates	(2,093)	-		(2,093)
Financial charges, net				(22,569)
Income taxes				(34,089)
Net profit				**15,973**
Segment assets	1,073,668	39,800		1,113,468
Investment in associates	8,432	-		8,432
Unallocated corporate assets	-	-		343,736
Consolidated total assets				**1,465,637**
Segment liabilities	558,857	5,431		564,287
Unallocated corporate liabilities	-	-		55,288
Consolidated total assets				**619,575**
Other information				
Capital expenditure	33,851	2,875		36,726
Depreciation & amortization	32,354	4,609		36,963
Non cash items other than depreciation and amortization	(12,310)	(24)		(12,334)

Breakdown of revenues and non-current assets by geographic area

(thousands of Euro)	Revenue from external customers		Non-current assets	
	2014	2013	December 31, 2014	December 31, 2013
Italy [1]	237,572	225,044	157,549	151,197
Europe [2]	280,019	274,729	181,872	182,514
America [3]	497,109	457,052	251,375	226,222
Asia [4]	163,984	164,705	260,919	234,320
Total	**1,178,683**	**1,121,531**	**851,715**	**794,253**

(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 2014 and 31st December 2013.

Related parties transactions (thousands of Euro)	Relationship	December 31, 2014	December 31, 2013
Receivables			
Companies controlled by HAL Holding N.V.	(b)	15,096	8,367
Total		**15,096**	**8,367**
Payables			
Elegance Optical International Holdings Ltd	(a)	1,351	2,726
Companies controlled by HAL Holding N.V.	(b)	2,106	4,007
Total		**3,457**	**6,733**

Related parties transactions (thousands of Euro)	Relationship	2014	2013
Revenues			
Elegance Optical International Holdings Ltd	(a)	24	-
Companies controlled by HAL Holding N.V.	(b)	67,470	56,787
Total		**67,494**	**56,787**
Operating expenses			
Elegance Optical International Holdings Ltd	(a)	8,880	9,575
Companies controlled by HAL Holding N.V.	(b)	3,971	4,628
Financial expenses			
HAL International Investments N.V.	(b)	-	2,447
Total		**12,851**	**16,650**

(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, is 23.05% owned by Safilo Far East Limited 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 are in line with those applied by Elegance to its other customers;
- The companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to GrandVision Group, with which Safilo carries out commercial transactions in line with market conditions;
- HAL International Investments N.V., during the restructuring process of the Group, acquired from third parties 50,99% of Safilo Capital International Senior Notes (High Yield). The Notes reached its maturity and was fully reimbursed on 15th May 2013.

The remuneration of the Group's Directors, Statutory Auditors and Strategic Management is reported below:

(thousands of Euro)	**2014**
Directors	
Salaries ad short term compensations	1,875
Non monetary benefits	79
Other compensations	196
Fair value of equity compensations	51
Statutory auditors	
Fixed compensations and compensations for participation in committees	286
Managers with strategic responsabilities	
Salaries ad short term compensations	1,419
Non monetary benefits	31
Other compensations	7
Fair value of equity compensations	189
Indemnity for end of position or cessation of employment relationship	2,260
Total	**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.

We also report that, in June 2009, the French antitrust authority launched an extensive inquiry – involving the main players in the sunglass and prescription eyewear industry – to ascertain the existence of anti-competition price-fixing practices. As part of this inquiry, the Group's French branch, Safilo France S.a.r.l. underwent inspection. If responsibility is definitively ascertained, this could cause adverse effects on the Group's economic results. As at balance sheet date no accusation had been notified by the French antitrust authority nor had any information been received concerning future assessments. It is therefore impossible to estimate whether the antitrust authority has found any irregularities in the French subsidiary's conduct and what sanctions, if any, it might apply.

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 (thousands of Euro)	**December 31, 2014**	**December 31, 2013**
within 1 year	160,549	154,422
between 1 and 2 years	293,546	279,619
between 3 and 5 years	243,072	302,170
beyond 5 years	85,752	137,039
Total	**782,919**	**873,250**

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 (thousands of Euro)	**December 31, 2014**	**December 31, 2013**
within 1 year	17,817	17,348
between 1 and 2 years	25,262	28,403
between 3 and 5 years	19,428	23,424
beyond 5 years	12,474	14.495
Rent due	**74,980**	**83,671**
within 1 year	4,163	5,482
between 1 and 2 years	3,439	3,986
between 3 and 5 years	174	354
beyond 5 years	-	-
Operating lease	**7,776**	**9,822**
Total	**82,756**	**93,493**

9. SUBSEQUENT EVENTS

In the period following 31st December 2014, 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 2014 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 2014 relating to the audit and other audit related services rendered by the same Audit company.

(thousands of Euro)	Audit Company	Safilo Group's company which received services	Fees 2014
Audit (*)	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	54
	Deloitte & Touche S.p.A.	Subsidaries	116
	Network Deloitte & Touche S.p.A.	Subsidaries	929
Attestation	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	79
	Deloitte & Touche S.p.A.	Subsidaries	-
	Network Deloitte & Touche S.p.A.	Subsidaries	28
Other services	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	5
	Deloitte & Touche S.p.A.	Subsidaries	-
	Network Deloitte & Touche S.p.A.	Subsidaries	11
Total			**1,221**

(*) 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 2014 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 2014 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 2014:

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 Counsel, 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.

5th March 2015

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

Deloitte.

Deloitte & Touche S.p.A.
Via Fratelli Bandiera, 3
31100 Treviso
Italia

Tel: +39 0422 587.5
Fax: +39 0422 587812
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INDEPENDENT AUDITORS' REPORT
Pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
SAFILO GROUP S.p.A.

1. We have audited the consolidated financial statements of Safilo Group S.p.A. and its subsidiaries ("the Safilo Group"), as of and for the year ended December 31, 2014, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. Directors of Safilo Group S.p.A. are responsible for the preparation of these consolidated financial statements in conformity with the International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report of other auditor issued on March 19, 2014.

3. In our opinion, the consolidated financial statements of the Safilo Group as of December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of the operations and the cash flows of the Safilo Group for the year then ended.

4. The Directors of Safilo Group S.p.A. are responsible for the preparation of the Reporting on Operations and the Report on Corporate Governance and Ownership Structure published in section "Investor Relations/Corporate Governance/Governance documents" of the website (www.safilo.com) of Safilo Group SpA, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Safilo Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Treviso, Italy
March 20, 2015

This report has been translated into the English language solely for the convenience of the international readers.



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SAFILO GROUP S.p.A. STATUTORY FINANCIAL STATEMENTS AT 31ST DECEMBER 2014

CONTENTS

SAFILO GROUP S.P.A. - STATUTORY FINANCIAL STATEMENTS AT 31st DECEMBER 2014

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 2014

(thousands of Euro)	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 thousand.

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.

Here follow the recap of the economic relationship with controlled companies during prior financial year:

Financial year 2013

(thousands of Euro)	**Receivables**	**Payables**	**Income**	**Financial Income**	**Costs**
Safilo S.p.A.	26,135	(8,443)	980	-	(25)
Lenti S.r.l. (held by Safilo S.p.A.)	224	-	-	-	-

The receivables from subsidiary Safilo S.p.A. were as follows:

- Euro 24,940 thousand for dividends resolved on by Safilo S.p.A. but not yet collected at the prior year Financial Statements date. Over 2013 fiscal year a total of Euro 3,800 thousand were received in dividends;
- Euro 1,195 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 436 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 91 thousand for the debt payable to the subsidiary for services rendered;
- Euro 860 thousand payable to Safilo S.p.A. for advances received;
- Euro 5,177 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.

Data protection obligations

During 2014 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 2015, 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 January 12, 2015 Safilo Group communicates that the agreement with Kering, announced on September 2, 2014, has been executed, and the first of three compensation payments of Euro 30 million has been received on the same day.

In order to optimize the profitability and the strategic relevance of its brand portfolio going forward, Safilo has also agreed with Kering that the Alexander McQueen, Bottega Veneta and Saint Laurent licenses will terminate on June 30, 2015.

The contract executed on jenuary 12, 2015 confirms the three elements announced in September:

- the conclusion of the current Gucci license agreement at the end of December 2016;
- a Strategic Product Partnership Agreement for the development and manufacture of Gucci's Made in Italy eyewear products, of the duration of four years, from January 2017 until December 2020, renewable upon mutual agreement. Product development, industrialization and prototyping of the 2017 collections will start in Q4 2015;
- a compensation to be received by Safilo of Euro 90 million, and to be paid in three equal installments. The First payment was received on January 12, 2015, the second will be paid in December 2016, the third in September 2018. Such compensation will not have an accounting impact on the profit and loss of the Group in 2015 and 2016, until the second instalment will be collected and the license agreement will be concluded. The respective impact to the income statement will then only affect the years beyond 2017.

In 2015 the Group's strategic actions will continue in terms of business development, improvement of company processes and information systems so as to ensure the Group sustainable profitable growth, in particular of our proprietary brands, the main emerging markets and the distribution channels with the greatest growth potential.

On March 16, 2015 the Company will present the *Safilo 2020 Strategic Plan.*

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 2014, drafted according to the IFRS International Accounting Standards, and recommend that the profit for the year, amounting to Euro 10,580,351 be carried forward.

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

STATUTORY FINANCIAL STATEMENTS

Balance Sheet

(Euro)	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash in hand and at bank	4.1	175,824	3,221,399
Trade receivables, net	4.2	591,751	1,195,600
Other current assets	4.3	28,124,035	35,558,441
Total current assets		**28,891,610**	**39,975,440**
Non-current assets			
Investments in subsidiaries	4.4	902,745,443	749,313,759
Deferred tax assets	4.5	-	-
Other non-current assets	4.6	676,527	224,199
Total non-current assets		**903,421,970**	**749,537,958**
Total assets		**932,313,580**	**789,513,398**

(Euro)	Note	December 31, 2014	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables and payables to subsidiary	4.7	3,095,446	8,391,729
Tax payables	4.8	165,040	730,368
Other current liabilities	4.9	1,248,066	628,244
Total current liabilities		**4,508,552**	**9,750,341**
Non-current liabilities			
Long-term borrowings	4.10	127,904,930	-
Employee benefit liability	4.11	76,407	121,829
Provision for risks and charges	4.12	996,297	173,563
Derivative financial instruments	4.13	4,425,927	-
Other non-current liabilities	4.14	487,244	436,503
Total non-current liabilities		**133,890,805**	**731,895**
TOTAL LIABILITIES		**138,399,357**	**10,482,236**
Shareholders' equity			
Share capital	4.15	312,674,825	310,999,825
Share premium reserve	4.16	484,688,914	482,564,934
Retained earnings (losses) and other reserves	4.17	(14,029,867)	(7,050,138)
Net profit (loss) of the year		10,580,351	(7,483,459)
Total shareholders' equity		**793,914,223**	**779,031,162**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**932,313,580**	**789,513,398**

Income Statement

(Euro)	Note	2014	2013
Net sales	5.1	412,000	980,000
General and administrative expenses	5.2	(4,486,083)	(3,962,671)
Other income/(expenses)		(4,015)	(2,156,227)
Operating profit/(loss)		**(4,078,098)**	**(5,138,898)**
Financial charges, net	5.3	14,206,121	(1,566)
Profit/(loss) before taxation		**10,128,023**	**(5,140,464)**
Income taxes	5.4	452,328	(2,342,995)
Net profit/(loss) for the year		**10,580,351**	**(7,483,459)**

Statement of comprehensive Income

(Euro)	2014	2013
Net profit (loss) for the period	**10,580,351**	**(7,483,459)**
Actuarial gain/(loss)	22,697	2,870
Total comprehensive income	**10,603,048**	**(7,480,589)**

Statement of Cash Flows

(Euro)	2014	2013
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**3,221,399**	**195,443**
B - Cash flow from (for) operating activities		
Net profit (loss) for the period	10,580,351	(7,483,459)
Amortization	-	-
Net changes in employees benefits liability	49,348	317,435
Net changes in provision for risks	(22,724)	(21,883)
Stock Options figurative cost	822,734	173,563
Other non monetary P&L items	(20,377,274)	-
Interest expenses (income)	3,532,180	(806)
Income tax expenses	(452,328)	2,342,995
Income (loss) from (for) operating activities prior to movements in working capital	**(5,867,713)**	**(4,672,155)**
(Increase) Decrease in trade receivables	603,849	(9.800)
(Increase) Decrease in other receivables	5.034,406	(3,726,593)
Increase (Decrease) in trade payables	(5,296,283)	7,949,918
Increase (Decrease) in other payables	218,686	(4,017,839)
Interests received	(937,500)	805
Income taxes paid	-	-
Total (B)	**(6,244,555)**	**(4,475,664)**
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	3,798,980	3,701,620
Dividends received	2,400,000	3,800,000
Total (D)	**156,198,980**	**7,501,620**
E - Cash flow for the period (B+C+D)	**(3,045,575)**	**3,025,956**
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	**175,824**	**3,221,399**

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, 2013	**308,699,825**	**481,163,314**	**3,007,774**	**(5,028,341)**	**(5,715,107)**	**782,127,465**
Previous year's profit allocation	-	-	-	(5,715,107)	5,715,107	-
Increase in share capital due to the exercising of Stock Option	2,300,000	1,401,620	-	-	-	3,701,620
Other changes	-	-	-	682,666	-	682,666
Total comprehensive income (loss) for the period	-	-	-	2,870	(7,483,459)	(7,480,589)
Equity at December 31, 2013	**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	-
Increase in share capital due to the exercising of Stock Option	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**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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..

This annual report is presented in Euro and covers the financial period from 1st January 2014 to 31st December 2014. It also includes information relating to the financial period from 1st January 2013 to 31st December 2013 for comparison purposes.

This annual report was approved by the Board of Directors on 5th March 2015.

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

This annual report on the financial years ended 31st December 2014 and 31st December 2013 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.

Preparation of the annual report in accordance with IFRSs requires the 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 3. "Use of estimates".

The accounting standards used to prepare this annual report are summarised hereunder, and have been applied consistently with those used for the previous financial year.

Accounting standards, amendments and interpretations effective as of 1st January 2014

The following new standards and amendments, effective from 1 January 2014, are applicable to the Company.

On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements replacing SIC-12 – Consolidation - Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements (subsequently reissued as IAS 27 - Separate Financial Statements which addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. On 28 June 2012, the IASB published the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The standard is applicable retrospectively from 1 January 2014. The adoption of this new standard had no impact on the group consolidation area. The standard is not applicable at the separate financial statements of the company.

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%). 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 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.

On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements superseding IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly-controlled Entities - Non-Monetary Contributions by Venturers. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form and requires a single method to account for interests in jointly controlled entities, the equity method. Following the issue of the new standard, IAS 28 – Investments in Associates has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard). The application of this standard had no effect on the disclosures presented in this report.

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles.

On 16 December 2011, the IASB issued certain amendments to IAS 32 – Financial Instruments: Presentation to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. No significant effect has occurred from the first time adoption of the standard.

On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. No significant effect has occurred from the first time adoption of this amendment.

On 27 June 2013, the IASB issued narrow scope amendments to IAS 39 – Financial Instruments: Recognition and Measurement entitled "Novation of Derivatives and Continuation of Hedge Accounting". The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 - Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. No significant effect has occurred from the first time adoption of these amendments.

The Company applied these improvements retrospectively since 1 January 2014 and no significant effects arose in this report.

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

On 21 November 2013, the IASB published narrow scope amendments to IAS 19 – Employee benefits entitled "Defined Benefit Plans: Employee Contributions". These amendments apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases. The amendments are effective, retrospectively, for annual periods beginning on or after 1 July 2014 with earlier application permitted.

On 12 December 2013 the IASB issued the Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 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) and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement.

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 November 2009, the IASB issued IFRS 9 – Financial Instruments. The new standard was reissued in October 2010 and subsequently amended in November 2013. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. It replaces the relevant parts of IAS 39 – Financial Instruments: recognition and measurement. As part of the November 2013 amendments, among other, the IASB removed the standard's mandatory effective date, previously set on 1 January 2015. This date will be added to the standard when all phases of the IFRS 9 project are completed and a final complete version of the standard is issued.

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 Company 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 2014, split by hierarchical level of the fair value.

(Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	(4,425,927)	-	(4,425,927)
Total liabilities	**-**	**(4,425,927)**	**-**	**(4,425,927)**

In 2014 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 175,824 (compared with Euro 3,221,399 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, 2014	December 31, 2013
Cash in hand and at bank	175,824	3,221,399

4.2 Trade receivables, net

The trade receivables total Euro 591,751 against Euro 1,195,600 in 2013 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 2014 the company also charged to the subsidiary Far East cost of seconded staff.

(Euro)	December 31, 2014	December 31, 2013
Trade receivables from Safilo S.p.A.	502,640	1,195,600
Trade receivables from Safilo Far East	89,111	-
Total	**591,751**	**1,195,600**

4.3 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2014	December 31, 2013
VAT receivables	4,856,481	9,806,470
IRES tax receivables	727,126	676,217
Withholding taxes	731	168
Other receivables from Safilo S.p.A.	22,539,697	24,939,697
Other receivables	-	135,889
Total	**28,124,035**	**35,558,441**

The receivables from the subsidiary Safilo S.p.A. equal to Euro 22,539,697 refers to dividends resolved by the shareholders' meeting of the subsidiary and not yet collected at the reporting date. During the financial year 2014 dividends for Euro 2,400,000 were 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 902,745.443 versus Euro 749,313,759 the previous year. The increase is due to the capital contribution made by the Company to the subsidiary Safilo S.p.A. for the amount of euro 153,000,000 million as a result of the refinancing as best described in paragraph 4.10 and also to the cost relating to the value of stock options assigned to employees of some Safilo Group companies. 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 431,684.

The following tables illustrate the changes that took place during the financial year 2014 and the previous one:

(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
Total		**749,313,759**	**153,431,684**	**902,745,443**

(Euro)	% of share capital	Value at January 1, 2013	Increase/ (Decrease)	Value at December 31, 2013
Safilo S.p.A.	95,201	746,922,209	-	746,922,209
Contribution for Stock Options to subsidiaries		2,026,319	365,231	2,391,550
Total		**748,948,528**	**365,231**	**749,313,759**

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 2014	Euro 66,176,000 fully paid-in
Shareholders' equity at 31st December 2014	Euro 735,528,918
Net loss for the financial year 2014	Euro (8,514,967)

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 26,014,368.

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 2014:

(Euro)	Balance at January 1, 2014	Impact on Income statement	Impact on Equity	Reclass.	Receivables/ Payables due to tax consol.	Balance at December 31, 2014
Tax losses Safilo Group S.p.A.	10,117,019	-	-	-	(5,250,321)	4,866,698
Tax losses from Safilo S.p.A.	22,665,627	-	-	144,833	(2,854,294)	19,956,166
Tax losses from Polaroid S.r.l.	144,833	-	-	(144,833)	-	-
Tax losses from Lenti S.r.l.	27,489	-	-	-	-	27,489
Tax losses before fiscal consolidation	-	220,722	-	-	-	220,722
Directors fees	151,304	125,073	-	-	-	276,377
Temporary differences for IPO costs	516,350	-	(516,350)	-	-	-
Interest expenses	-	971,350	-	-	-	971,350
Other temporary differences	(388,220)	83,786	-	-	-	(304,434)
Total deferred tax assets	**33,234,402**	**1,400,931**	**(516,350)**	**-**	**(8,104,615)**	**26,014,368**
Write downs of deferred tax assets	(33,234,402)	(1,400,931)	516,350	-	8,104,615	(26,014,368)
Total deferred tax assets, net	**-**	**-**	**-**	**-**	**-**	**-**

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	1,102,742
2010	31,722,234	8,723,614
2011	9,874,484	2,715,483
2012	35,477,267	9,756,248
2013	6,224,412	1,711,713
2014	3,056,551	840,552
Total	**90,364,917**	**24,850,353**

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.

It notes that the Company has losses carried forward indefinitely, matured before tax consolidation, for a tax losses of 802,624 Euro (deferred tax assets amounting to 220,722 Euro) and usable in full measure.

4.6 Other non-current assets

The item totals Euro 676,527 compared to Euro 224,199 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, 2014	December 31, 2013
Trade payables for services	361,776	384,763
Trade payables Safilo S.p.A	2,733,670	8,006,966
Total	**3,095,446**	**8,391,729**

The debt to 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 165,040 at 31st December 2014, compared to Euro 730,368 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 2015.

4.9 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2014	December 31, 2013
Payables to personnel and social security institutions	1,041,985	626,497
Payables to pension funds	1,735	1,701
Other current liabilities	2,337	46
Accrued payable	202,009	-
Total	**1,248,066**	**628,244**

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, 2014	December 31, 2013
Convertible Bonds	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 4,426 thousand (see note 4.13).

4.11 Employees benefits liability

During the financial year under review, the item showed the following movements:

(Euro)	Balance at January 1, 2014	Changes during the year 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

(Euro)	Balance at January 1, 2013	Changes during the year Posted to income statement	Actuarial gains/ (losses)	Uses/ Payments	Balance at December 31, 2013
Defined benefit plan	146,583	24,216	(2,870)	(46,100)	121,829

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:

- demographic parameters;
- economic parameters;
- 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, 2014	December 31, 2013
Service cost	22,732	21,684
Interest cost	3,092	2,532
Actuarial gain	(22,697)	(2,870)
Total	**3,127**	**21,346**

4.12 Provision for risks and charges

(Euro)	December 31, 2014	December 31, 2013
Provision for risks and charges.	996,297	173,563

The provision for risks amounted to Euro 996,297 refers to the part of the Long Term Bonus to key managers.

4.13 Derivative financial instruments

(Euro)	December 31, 2014	December 31, 2013
Derivative financial instruments	4,425,927	-

The increase 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 17,744 thousand, as indicated in Note 5.3. At the balance sheet date, the fair value of the option amounts to Euro 4,426 thousand.

4.14 Other non-current liabilities

(Euro)	December 31, 2014	December 31, 2013
Intercompany payables to Safilo S.p.A.	487,244	436,503

The long-term payable to subsidiary Safilo S.p.A. of Euro 487,244 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 2014, shareholders' equity amounts to Euro 793,914,223 compared to Euro 779,031,162 at 31st December 2013.

4.15 Share capital

During the year, the share capital increased by Euro 1,675,000 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, 2014	December 31, 2013
Legal reserve	3,007,774	3,007,774
Stock option reserve	1,273,478	1,627,527
Reserve for actuarial gain (losses) of defined benefit plan	281	(22.417)
Retained losses	(18,311,400)	(11,663,022)
Total	**(14,029,867)**	**(7,050,138)**

Equity accounts at 31st December 2014 - possible use and distribution

The table below shows the possible use and distribution of equity accounts:

(Euro)	Amount	Possible use	Available amount	Pevious years' use Losses coverage	 Distribution of reserves
Share capital	312,674,825				
Paid in capital	484,688,914	A - B - C (*)	484,688,914	340,972,002	
Legal reserve	3,007,774	B			
Stock option reserve	1,273,478				
Reserve for actuarial gain (losses) of defined benefit plan	281				
Retained (losses)	(18,311,400)				
Profit for the period	10,580,351				
Total	**793,914,223**				

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.

4.18 Stock option plans

The extraordinary general meeting held on 15 April 2014, as proposed by the Board of Directors held on 5 March 2014, have 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, 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 until 31 December 2014;
- the second tranche will be granted starting from the Board of Directors which approves the financial statements of the Company for the year ended 31.12.2014 until 31 December 2015;
- 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 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 in the availability of the Company as a result of resignations by some beneficiaries. In application of the amendment on that date was then 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 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 2014 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2010-2013				
First tranche	05/11/2010	100,00	4.08	31/05/2016
Second tranche	16/03/2011	50,000	1.48	31/05/2017
Third tranche	08/03/2012	280,000	1.06	31/05/2018
Fourth tranche	06/03/2013	215,000	1.12	31/05/2019
Fourth tranche-bis	13/11/2013	65,000	1.76	31/05/2019
Stock Option Plan 2014-2016				
First tranche	29/04/2014	295,000	2.67	31/05/2022

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	Free risk 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%

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	**1,105,000**	**8.884**
Granted	-	-
Forfeited	(40,000)	7.005
Excercised	(335,000)	11.340
Expired	(20,000)	12.550
Outstanding at period-end	**710,000**	**8.098**
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**-**	**-**
Granted	305,000	15.050
Forfeited	-	-
Excercised	-	-
Expired	(10,000)	15.050
Outstanding at period-end	**295,000**	**15.050**

During the year, 335,000 options, of the Plan 2010-2013, have been exercised of which 90.000 options belonging to the first tranche o and 245.000 options to the second tranche at an average exercise price of 11.34 Euro equal to a total value of 3,798,980 Euro.

In the same period 305,000 options have been granted related to the first tranche of the new Plan 2014-2016.

Among the options outstanding at the end of the period, the first and the second tranche of the Plan 2010-2013 have become exercisable starting respectively from the approval of the 2012 and 2013 financial statements until the end of the exercise period set for 31st May 2016 and 31st May 2017. The option exercisable still outstanding as at December 31, 2014 are equal to 150,000.

The third tranche of the Plan 2010-2013, equal to a total of 280,000 options will be exercisable from the date of approval of these financial statements until the expiry of the exercise period set for May 31, 2018.

The adoption of these plans has affected the income statement for the period for Euro 49 thousand (Euro 317 thousand at 31st December 2013).

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)	2014	2013
Payroll and social security contributions	574,892	735,147
Corporate fulfilments costs	337,432	217,664
Fees to directors and statutory auditors	2,140,894	1,949,619
Consultancies	507,926	757,069
Cost of services rendered by Safilo S.p.A.	25,000	25,000
Other general and administrative expenses	77,205	104,602
Provision for risks	822,734	173,570
Total	**4,486,083**	**3,962,671**

The following table illustrates the number of employees broken down by category:

	2014	2013
Executives	2	1
Clerks and middle management	2	4
Total	**4**	**5**

5.3 Financial charges, net

This item breaks down as follows:

(Euro)	2014	2013
Interest expenses	3,847,634	44
Bank commissions	2,306	3,025
Negative exchange differences	465	28
Other financial charges	3,093	2,532
Total financial charges	**3,853,498**	**5,629**
Interests income	315,454	850
Positive exchange differences	92	3,213
Fair value gains on the Equity-linked Bond incorporated derivative	17,744,073	-
Total financial income	**18,059,619**	**4,063**
Total financial (charges) income, net	**14,206,121**	**(1,566)**

Interest expense amounted to Euro 3,847,634 of which Euro 1,139,503 relate to interest expense accrued on the bond "Equity Linked" and Euro 2,708,731 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)	2014	2013
Current taxes	452,328	223,094
Deferred tax assets	-	(2.566,089)
Total	**452,328**	**(2,342,995)**

Current taxes have a positive effect due to the gain from tax consolidation of the subsidiary Lenti S.r.l..

The table below shows the reconciliation between theoretical taxes and the actual tax burden recognised on the income statement:

	2014		2013	
(Euro)	Amount	%	Amount	%
Profit (loss) before taxation	10,128,023	-	(5,140,464)	-
Theoretical taxes income/(cost)	(2,785,206)	-27.5%	1,413,628	27.5%
Effective taxes income/(cost)	452,328	4.5%	(2,342,995)	-45.6%
Lower (higher) tax burden related to:	**3,237,534**	**32.0%**	**(3,756,623)**	**-73.1%**
Permanent differences	(29,678)	-0.3%	(3,000)	-0.1%
Income from tax consolidation	452,328	4.5%	223,094	4.3%
Reversal/(Write-downs) of deferred tax assets	2,298,534	22.7%	(4,623,196)	-89.9%
Deductable expenses through equity	516,350	5.1%	646,479	12.6%
Total	**3,237,534**	**32.0%**	**(3,756,623)**	**-73.1%**

5.5 Earnings (losses) per share

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

Basic	**2014**	**2013**
Profit/(loss) for ordinary shares	10,580,351	(7,483,459)
Average number of ordinary shares	62,426,462	61,796,091
Earnings (loss) per share - basic (in Euro)	**0,16949**	**(0,12110)**

Diluted	**2014**	**2013**
Profit/(loss) for ordinary shares	10,580,351	(7,483,459)
Profit for preferred shares	-	-
Profit/(loss) in income statement	**10,580,351**	**(7,483,459)**
Average number of ordinary shares	62,426,462	61,796,091
Dilution effects: - stock option	309,264	362,525
Total	**62,735,726**	**62,158,616**
Earnings (loss) per share - diluted (in Euro)	**0,16865**	**(0,12039)**

5.6 Dividends

The Company did not distribute dividends to shareholders neither in financial year 2014.

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 2014 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 2013 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)	2014
Directors	
Salaries ad short term compensations	1,515,333
Non monetary benefits	39,548
Other compensations	150,957
Fair value of equity compensations	49,348
Statutory auditors	
Fixed compensations and compensations for participation in committees	143,000
Managers with strategic responsabilities	
Salaries ad short term compensations	30,000
Total	**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 2014 for audit and non-audit services provided by the independent auditors.

(Euro)	**2014 fees**
Audit	54,175
Attestation	78,750
Other services	4,500
Total	**137,425**

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 2014 financial year.

It is also certified that the annual report at 31st December 2014:

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;

5th March 2015

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

To the Shareholders' Meeting of Safilo Group S.p.A. on the financial year 2014

Dear Shareholders,

during the financial year ended 31 December 2014, 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. (appointed, as proposed by the Board of Statutory Auditors, by the Shareholders' Meeting of April 15th 2014, for the financial years from 2014 to 2022), 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 20th 2015, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31.12.2014 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 2014, 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 2014, 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 the signature of the fiscal declarations.

7. At Group level, the following fees were paid for auditing and other services provided by the same Auditing Firm and by its network:

• for auditing		
of Safilo Group S.p.A.	to D&T S.p.A.	€ 54,000
of the subsidiaries	to D&T S.p.A.	€ 116,000
of the subsidiaries	to D&T network	€ 929,000
• for certification services		
of Safilo Group S.p.A.	to D&T S.p.A.	€ 79,000
of the subsidiaries	to D&T S.p.A.	€ 0
of the subsidiaries	to D&T network	€ 28,000
• for other services		
for Safilo Group S.p.A.	to D&T S.p.A.	€ 5,000
for the subsidiaries	to D&T S.p.A.	€ 0
for the subsidiaries	to D&T network	€ 11,000

8. During the 2014 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 by signing appropriate statements.
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 2014, both the Board of Directors held seven meetings and the Board of Statutory Auditors held eight meetings. Additionally, the "Control and Risk Committee" met three times, while the "Remuneration Committee" met five times. 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 of Safilo Group S.p.A, 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 quater of the Issuers' Regulations and to Consob resolution No. 11971/1999 and subsequent amendments.
19. The "2014 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. On April 15, 2014 the Extraordinary Shareholders' Meeting resolved to increase the share capital by a maximum nominal amount of EUR 7.5 million to service the stock option plan 2014-2016 reserved for directors and / or employees of the Group companies.
22. The Ordinary Shareholders' Meeting of April 15, 2014 resolved to reduce the number of directors, following the resignation of Dr. Roberto Vedovotto, from 9 previously set, the current 8, that number is considered sufficient for the proper functioning of governing body;
23. 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 2014 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, 20 March 2015

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 144-quinquiesdecies of the Issuer Regulations):

PAOLO NICOLAI – LIST OF POSITIONS HELD AT MARCH 20th, 2015:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
S.I.T. S.R.L. IN LIQUIDATION	01430440063	San Martino B.A.	VR	Chairman of the Board of Statutory auditors	31/12/2014
CONSORZIO TRIVENETO S.P.A.	02408060289	Padova	PD	Chairman of the Board of Statutory auditors	31/12/2014
MULTITECNO S.R.L.	00975890286	Fossalta di Portogruaro	VE	Chairman of the Board of Statutory auditors	31/12/2014
CA' DEL BOSCO S.R.L. - SOCIETÀ AGRICOLA	01749900989	Erbusco	BS	Chairman of the Board of Statutory auditors	31/12/2014
AQUAFIN HOLDING S.P.A.	01286160062	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2014
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
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	31/12/2014
CALCESTRUZZI ZILLO S.P.A.	00867100281	Padova	PD	Regular auditor	31/12/2014
ZIGNAGO HOLDING S.P.A.	03781170281	Fossalta di Portogruaro	VE	Regular auditor	31/12/2014
S.M. TENIMENTI LAMOLE E VISTARENNI E SAN DISDAGIO S.R.L.	00308350529	Greve in Chianti (FI)	SI	Regular auditor	31/12/2014
ACCIAIERIE VENITE S.P.A.	00224180281	Padova	PD	Regular auditor	31/12/2015
CEMENTERIA DI MONSELICE S.P.A.	01575210164	Padova	PD	Regular auditor	31/12/2014
AQUAFIL S.P.A.	00123150229	Arco	TN	Regular auditor	31/12/2015
AQUAFIN CAPITAL S.P.A.	04197570239	Verona	VR	Regular auditor	31/12/2015
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

FRANCO CORGNATI - LIST OF POSITIONS HELD AT MARCH 20TH, 2015:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
ABC Assicura S.p.A.	00647820232	Verona	VR	Regular auditor	until next Shareholders' meeting
Az.Agricole L.Bennati S.p.A.	00647670272	Roma	RM	Regular auditor	31/12/2016
B. & T. S.r.l. in liquidation	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
Bauer S.p.A.	00443820311	Roma	RM	Chairman of the Board of Statutory auditors	31/12/2014
Burga Energia S.r.l.	08737780018	S. Mauro Torinese	TO	Regular auditor	31/12/2014
Burga Grou p S.p.A.	13051890153	Altavilla Vicentina	VI	Regular auditor	31/12/2015
Burga Distribuzione S.r.l.	00623020377	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2014
Burga Factor S.p.A.	10209320158	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2014
Centro Servizi Metalli S.p.A.	01323290351	Reggio Emilia	RE	Chairman of the Board of Statutory auditors	31/12/2014
Consorzio Automazione Tessile in liquidation	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	31/12/2014
Holding Gruppo Marchi S.p.A.	01791370024	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2015
Imprenditori Riuniti S.p.A.	04209170283	Schio	VI	Chairman of the Board of Directors	31/12/2014
Manifattura Lane G.Marzotto & Figli S.p.A.	00166580241	Milano	MI	Regular auditor	31/12/2014
Mosaico S.r.l.	03506890247	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2016
Palladio Zannini Industrie Grafiche Cartotecniche S.p.A.	03079210245	Dueville	VI	Chairman of the Board of Statutory auditors	31/12/2014
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
San Giorgio S.r.l.	03418240242	Schio	VI	Chairman of the Board of Directors	until revocation
Veninvest S.p.A.	01619690249	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2014
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 20TH, 2015:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
Centroelettrica S.p.A.	03019100985	Salò	BS	Alternate auditor	31/12/2016
Bottega Veneta S.r.l.	07078730152	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2015
B.V. Italia S.r.l.	12647870158	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2015
Distributori Articoli Sanitari S.r.l.	02656040017	Torino	TO	Regular auditor	31/12/2014
Equibox Holding S.p.A.	04339950265	Asolo	TV	Regular auditor	31/12/2015
B.V. Serivizi S.r.l.	0282610242	Montebello Vicentino	VI	Sole auditor	31/12/2016
GCE Mujelli S.p.A.	0210!430961	S. Martino B.A.	VR	Regular auditor	31/12/2015
B.V. Outlet S.r.l.	95100500248	Montebello Vic.	VI	Sole auditor	31/12/2016
Hoerbiger Italiana S.p.A.	00884990151	Verona	VR	Regular auditor	31/12/2014
A.S.D.A. S.A.P.A. di Giuliano Ambrosini e Figli	03606550238	Verona	VR	Alternate auditor	27/05/2016
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
Bauli S.p.A.	01233790235	Castel D'Azzano	VR	Alternate auditor	30/06/2015
Specchiasol S.r.l.	01365850237	Bussolengo	VR	Alternate auditor	31/12/2014
Volkswagen Group Firenze S.p.A.	05671860483	Firenze	FI	Regular auditor	31/12/2014
Pau! 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
Officine Tosoni Lino S.p.A.	04123430235	Villafranca di Verona	VR	Alternate auditor	31/12/2014

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INDEPENDENT AUDITORS' REPORT
Pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
SAFILO GROUP S.p.A.

1. We have audited the separate financial statements of Safilo Group S.p.A. as of and for the year ended December 31, 2014, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. Directors of Safilo Group S.p.A. are responsible for the preparation of these financial statements in conformity with the International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the separate financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report of other auditor issued on March 19, 2014.

3. In our opinion, the separate financial statements of the Safilo Group S.p.A. as of December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of the operations and the cash flows of the Safilo Group S.p.A. for the year then ended.

4. The Directors of Safilo Group S.p.A. are responsible for the preparation of the Reporting on Operations and the Report on Corporate Governance and Ownership Structure published in section "Investor Relations/Corporate Governance/Governance documents" of the website (www.safilo.com) of Safilo Group SpA, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure are consistent with the separate financial statements of the Safilo Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Treviso, Italy
March 20, 2015

This report has been translated into the English language solely for the convenience of the international readers.

Safilo
GROUP
www.safilo.com