

ENGLISH TRANSLATION FOR CONVENIENCE PURPOSES ONLY

Report of the Directors pursuant to article 125-ter of the T.U.F. and pursuant to article 72 of the Consob Regulation adopted by means of resolution no. 11971 of May 14, 1999 (as subsequently amended)



**REPORT OF THE DIRECTORS
FOR THE SHAREHOLDERS' MEETING OF
SAFILO GROUP S.P.A.
CALLED ON APRIL 15TH, 2014, IN SINGLE CALL**

(Report drafted pursuant to article 125-ter of the T.U.F. and pursuant to article 72 of the Consob Regulation – in compliance with Scheme no. 2 of the Annex 3A of the Consob Regulation)

SHAREHOLDERS' MEETING April 15th, 2014

Dear Shareholders,

Dear PricewaterhouseCoopers,

Dear Board of Statutory Auditors,

The Board of Directors of Safilo Group S.p.A. (the “**Company**”) held on March 5th, 2014, resolved to submit to the Ordinary and Extraordinary Shareholders’ Meeting of the Company, called –at the secondary office of the Company, in Padua, Settima Strada no. 15, on April 15th, 2014, at 10:00am, in single call, to discuss and resolve upon the following

AGENDA

ORDINARY SESSION

1. **Omissis** [Please refer to the separate report drafted by the Board of Directors pursuant to article 125-ter of the T.U.F. and article 84-ter of the Consob Regulation]
2. **Omissis** [Please refer to the separate report drafted by the Board of Directors pursuant to article 125-ter of the T.U.F. and article 84-ter of the Consob Regulation]
3. **Omissis** [Please refer to the separate report drafted pursuant to article 114-bis of T.U.F. - Attachment: Informative Document prepared according to 84-bis of the Consob Regulation as well as in compliance with Annex 3A, Scheme no. 7]
4. **Omissis** [Please refer to the separate report drafted by the Board of Directors pursuant to article 125-ter of the T.U.F. and article 84-ter of the Consob Regulation]
5. **Omissis** [Please refer to the separate report drafted by the Board of Directors pursuant to article 125-ter of the T.U.F. and article 84-ter of the Consob Regulation]
6. **Omissis** [Please refer to the separate report drafted by the Board of Directors pursuant to article 125-ter of the T.U.F. and article 84-ter of the Consob Regulation]

EXTRAORDINARY SESSION

1. **Proposal of paid and separable capital increase with exclusion of the option rights according to article 2441, paragraph 4 second part, of the Civil Code, for the purposes of the incentive plan (Stock Option Plan) in favor of a selected group of directors and/or employees of Safilo Group S.p.A., and/or other companies belonging to Safilo Group, up to maximum of no. 1,500,000 ordinary shares, par value of Euro 5.00 each, for a maximum nominal value of Euro 7,500,000.00; Related amendments to article 5 of the Company’s Articles of Association; Related resolutions;**

This Report shall be read together with the separate reports concerning the proposals relating to the items on the agenda of the Shareholders’ Meeting, drafted pursuant to the articles of the T.U.F. and of the Consob Regulation applicable from time to time.

* * *

Dear Shareholders,

the Board of Directors' meeting held on March 5th, 2014 decided to convene you to this Shareholders' Meeting in order to bring to your attention the proposed paid and separable capital increase, of the Company (hereinafter "**Capital Increase**"), up to a maximum nominal value of Euro 7,500,000.00, excluding shareholders' option rights, under article 2441, paragraph 4 second part, of the Italian Civil Code, 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 favor of directors and/or employees of the Company and/or its Subsidiaries, to be subscribed no later than May 31st, 2024.

1. Reasons and aim of capital increase

The Capital Increase, as stated above, is at the service of the share incentive plan called "Safilo Group S.p.A. Stock Option Plan 2014 - 2016" ("**Plan**"), whose guidelines have been submitted for approval to the ordinary Shareholders' Meeting by the Board of Directors; for this purpose reference shall be made to the separate and specific report which has been drafted.

The reasons for the implementation of a share incentive plan, which the Capital Increase is aimed at, can be found in the opportunity to provide the Company with an efficient instrument for retention of employees who are a key driver of growth for both the Company and its subsidiaries ("**Management**" or "**Beneficiaries**").

In addition to employee retention objectives, the Plan is also implemented to offer management incentives through the use of an instrument aimed at assuring and aligning management and shareholders' economic interest in a further share price increase.

As a consequence the performance of the stock incentive plan Beneficiaries will be further boosted and directed to converge toward those goals, determined in order to assure the further economic, financial and net worth development of both the Company and its subsidiaries.

2. Board of Directors' notes about the connection between the stock issue price and their market value

Considering that, according to the Plan guidelines submitted to the Shareholders' General Meeting for approval by the Board of Directors, options under the plan can be granted in three tranches, whose amount will be determined by the Board of Directors, also taking into account the performance and the professional

skills of the Beneficiaries, the Board of Directors decided to illustrate here below the determination criteria of the shares issue price to the Shareholders' Meeting.

The issue price of the new shares shall correspond to the volume weighted average of the official price of the Company ordinary shares registered on the Italian stock exchange (Mercato Telematico Azionario) for the preceding month leading up to the day on which the Board of Directors resolves the granting of options under the Plan (i.e. the period starting from the day preceding the Board of Directors' meeting which resolves the granting of Options under the Plan and ending on the same day of the previous calendar month, it being understood that, during the aforesaid period, only trading days will be taken into account to determine the weighted average).

The criteria proposed by the Board of Directors, as stated above, permits to consider a time period long enough to remove financial market volatility from the result, indicating the Company market price, and corresponds to the best practices of financial markets used to determine the subscription price of newly issued shares under stock option plans in favor of employees and directors.

In this regard, the Board of Directors has asked PricewaterhouseCoopers S.p.A., which is the company in charge of Safilo Group S.p.A.'s auditing, for the release of the report required to be made available to the public under Italian law.

3 Amendments made to Company's Articles of Association

Because of the Capital Increase pursuant to the implementation of the Plan, article 5 of the Company's Articles of Association shall be amended accordingly. The proposed wording to be inserted into the article 5 is hereinafter attached.

<i>Current Text</i>	<i>Amended Text</i>
<p><i>Share capital amounts to Euro 311,449,825.00 (three hundred eleven million four hundred forty-nine thousand eight hundred twenty five/00) divided into no. 62,289,965 (sixty-two million two hundred eighty-nine thousand nine hundred sixty-five) ordinary shares of a par value of Euro 5.00 (five/00) each.</i></p> <p><i>Option rights may be excluded in respect of the capital increase, up to the limit of ten percent of existing capital, on the condition that the issue</i></p>	<p><i>Share capital amounts to Euro 311,449,825.00 (three hundred eleven million four hundred forty-nine thousand eight hundred twenty five/00) divided into no. 62,289,965 (sixty-two million two hundred eighty-nine thousand nine hundred sixty-five) ordinary shares of a par value of Euro 5.00 (five/00) each.</i></p> <p><i>Option rights may be excluded in respect of the capital increase, up to the limit of ten percent of existing capital, on the condition that the issue</i></p>

price corresponds to the market value and that it is confirmed in a report by the company's auditors, pursuant to article 2441, paragraph 4, point two, of the Italian Civil Code, by means of a special report.

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

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By virtue of what has been specified above, the extraordinary meeting of [April 15th, 2014] resolved to increase the share capital by a maximum nominal value of Euro 7,500,000.00 (seven million five hundred thousand/00) by issuing new ordinary shares for an amount up to a maximum of no. 1,500,000 (one million five hundred thousand/00) of a par value Euro 5,00 (five/00) each, to be offered for subscription to directors and/or employees of the Company and its subsidiaries.

The Board therefore submits the following resolution for your approval:

"The Extraordinary Shareholders' Meeting of Safilo Group S.p.A.,

- Taken note of the report of the Board of Directors concerning the capital increase proposal with exclusion of the option right, drawn-up according to law provisions;*
- Taken note of the report of the Audit Company and the favorable opinion of the Board of Statutory Auditors;*

resolves

- a) *to increase the capital of the Company, payable and separable, of a nominal value up to Euro 7,500,000.00 (seven million five hundred thousand/00), according to article 2441, paragraph 4*

second part of the Civil Code and to article 5 of the articles of association, by means of the issuance of a maximum of 1.500.000 ordinary shares, par value 5 each, with the same characteristics and the same rights as the outstanding share capital. The shares are offered for subscription to the directors and/or employees of the Company and/or its subsidiaries, at the price and at the terms and conditions decided by the Board of Directors for the implementation of the Plan as illustrated by the Chairman, stating that according to article 2439, paragraph 2, of the Civil Code, the deadline for the subscription is May 31st, 2024, and providing that should the capital increase not be fully subscribed according to the terms and conditions herein and by the set deadline, the share capital will be increased by an amount equal to the subscriptions received;

- b) to confer to the Board of Directors the right to set the issue price of the shares that will be equal to the volume weighted average of the official price of the shares of the Company registered on the Italian Stock Exchange (Mercato Telematico Azionario) organized and managed by Borsa Italiana S.p.A. for the preceding month leading up to the day on which the Board of Directors resolves the granting of the subscription rights (the preceding month is the period from the day preceding the Board of Directors' meeting which resolves the granting of the rights to the same day of the previous calendar month. For the purposes of calculating the volume weighted average, only the trading days will be taken into account);*
- c) to confer to the Board of Directors any power in order to implement this resolution, including without limitation, the right to determine the time of the granting of the subscription rights, to identify the beneficiaries as proposed by the Remuneration and Nomination Committee and determine the quantity of subscription rights to be granted to each of them (also in more tranches), the potential period from the grant over which the options become exercisable, the future of the subscription rights not yet exercised or not yet exercisable at the time of extinction of the relationship - for whatever reason - between the beneficiaries and the Company and/or its subsidiaries, the amendments in case of a change in the social security legislation or taxation or otherwise relevant for the implementation of stock option plans, already approved or future and potential;*
- d) to amend accordingly the text of article 5 of the Company's Articles of Association and replace it with the following text: "Share capital amounts to Euro 311,449,825.00 (threehundredelevenmillionfourhundredforty-ninethousandeighthundredtwentyfive/00) divided into no. 62,289,965 (sixty-two million two hundred eighty-nine thousand nine hundred sixty-five) ordinary shares of a par value of Euro 5.00 (five/00) each.*

Option rights may be excluded in respect of the capital increase, up to the limit of ten percent of existing capital, on the condition that the issue price corresponds to the market value and that it is

confirmed in a report by the company's auditors, pursuant to article 2441, paragraph 4, point two, of the Italian Civil Code, by means of a special report.

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

By virtue of what has been specified, the extraordinary meeting of [April 15th, 2014] resolved to increase the share capital by a maximum nominal value of Euro 7,500,00,00 by issuing new ordinary shares for an amount up to a maximum of no 1.500.000, par value Euro 5,00 (five/00) each, to be offered for subscription to directors and/or employees of the Company and its subsidiaries.”;

- e) *to grant the Chief Executive Officer ,who can sub-delegate someone else, with the any power necessary to take care of the required formalities needed for the precise execution of the present resolutions, with the right to amend, following the full and/or partial exercise of the options and related full and/or partial execution of the capital increase in favor of the Plan, article 5 of the Company's Articles of Association, every time this is required, and provide for the related official registration, pursuant to article 2436, paragraph 2, of the Civil Code.*