



**DIRECTORS' EXPLANATORY REPORT FOR THE ORDINARY SHAREHOLDERS' MEETING
CALLED ON 24 APRIL 2007, FIRST CALL, AND 14 MAY 2007, SECOND CALL
(Report drawn up pursuant to article 3 of Italian Ministerial Decree no. 437/1998)**

Dear Shareholders,

Pursuant to article 3 of Ministerial Decree no. 437 of 5 November 1998, you have been called to an Ordinary Shareholders' Meeting at the secondary offices of the Company in the 'Industrial Area', Settima Strada 15, Padova, first call on 24 April 2007 at 11.00 am and, if required, second call on 14 May 2007, same place and time, in order to discuss and decide on the following items on the Agenda:

- 1. *Financial statements at 31 December 2006; Presentation of the consolidated financial statements at 31 December 2006; Reports of the Directors, the Board of Auditors and the Auditing company; Related and consequent matters***
- 2. *Confirmation of a Director; Related and consequent matters***
- 3. *Proposal to extend to nine years, pursuant to article 8 of Italian Legislative Decree 303/2006, the duration of the audit engagement conferred to PricewaterhouseCoopers S.p.A. - Related and consequent matters***

First item on the Agenda:

The documentation, specified in article 2429 of the Italian Civil Code and in Section IA.2.6 of the Stock Exchange Regulation Instructions, is now at your disposal in compliance with the legal deadlines, at the Company's offices in Padova and at the offices of Borsa Italiana S.p.A. It may also be consulted on the Internet website of the company at www.safilo.com (under the Investor Relations/'Financial Documents'/Safilo Group S.p.A. section).

We also inform you that all comments relating to this first item on the agenda are included in the Directors' Report at 31 December 2006, filed together with the financial statements and consolidated financial statements, as indicated above.



With regard to item 1 on the agenda, we invite you to resolve on the illustrated proposal, by adopting the following decision:

"The Ordinary Shareholders' Meeting of Safilo Group S.p.A., in consideration of the existence of an adequate amount of profits for the year, upon the proposal of the Board of Directors,

resolves

1. to approve the Directors' Report on operations of the company Safilo Group S.p.A. for the financial year ended on 31 December 2006 and the related draft financial statements at the same date;
2. to approve the use of the share premium reserve to absorb losses carried forward for Euro 9,543,673.23;
3. to approve the proposal to allocate the profits for the year, amounting to Euro 15,825,101.45, as follows:
 - to the legal reserve - Euro 791,255.07;
 - to the shareholders, by way of a dividend of Euro 0.020 for each of the 283,372,852 ordinary shares with a par value of Euro 0.25 each entitled to dividends, therefore for a total of - Euro 5,667,457.04;
 - to retained earnings - Euro 9,366,389.34;
4. to determine that the dividend will be distributed in the following way:
 - ex-dividend date: 21 May 2007;
 - dividend payment date: 24 May 2007.
5. to grant the Chairman, the Vice Chairman and the CEO Claudio Gottardi, also separately, all the powers required to enforce this resolution.

Second item on the Agenda:

Following the resignation of the Director and CEO Roberto Vedovotto presented on 7 July 2006, with effect from 31 July 2006, the Board of Directors' Meeting held on 3 August 2006, resolved to co-opt Ing. Claudio Gottardi to the Board in order to replace the outgoing Director, in compliance with the regulations in article 2386 of the Italian Civil Code and article 15 of the Company By-laws.

The Board of Directors asked the Shareholders' Meeting called to confirm the appointment of Claudio Gottardi as Director until the end of the current Board of Directors' mandate, that is, until the Shareholders' Meeting is called for the approval of the financial statements at 31 December 2007.

In view of the proposal for the confirmation of this appointment at the forthcoming Shareholders' Meeting, the Board of Directors resolved on 23 March 2007 to confirm Claudio Gottardi as CEO, and to confirm the functions and the powers granted to him in the Board resolution of 3 August 2006, after being co-opted to replace the outgoing Director.



In compliance with the recommendations given in Principle 6.P.1 of the new Corporate Governance Code, published by Borsa Italiana S.p.A. on 14 March 2006, which advocates that Directors should be appointed in a transparent manner, ensuring that prompt and adequate information is provided on the personal and professional characteristics of the candidates for the office, we invite you to examine the curriculum vitae of Ing. Claudio Gottardi that has been published on the Company's website at www.safilo.com, and printed here:

Claudio Gottardi, born in Bolzano on 24 June, 1956. Having obtained his high school diploma in general sciences, he graduated in Electro-technical Engineering, specialising in economics, at the University of Padova. From 1982 to 1984, he was Marketing Manager of the Italian branch of W.L. Gore, based in Munich (Germany). In 1985, he started his career at Safilo S.p.A. as Area Manager for Central Europe. In 1989, he moved to the USA as vice president of new business development, involved in M&A activity for various American companies. In 1993, he returned to Italy as Group Marketing Director. In 1996, he became managing director for Safilo USA. Since 1996, he was appointed as CEO of the following Group companies: Safilo USA, Inc., Smith Sport Optics, Inc, Solstice Marketing Corp. (USA), as well as Safilo Canada, Inc. and Canam Sport Optics, Inc. (Canada). Since August 2006, he has also been CEO of the Safilo S.p.A. Group. He speaks 4 languages fluently.

The Director whose confirmation is proposed will receive an annual fee of Euro 10,000.00 for each financial year, as determined by the Ordinary Shareholders' Meeting held on 24 October 2005, as well as reimbursement of the expenses incurred in the performance of his duties.

With regard to item 2 on the agenda, we invite you, therefore, to resolve on the outlined proposal, by adopting the following decision:

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

resolved

- to confirm the appointment as Company Board Director, Claudio Gottardi, born in Bolzano on 24 June 1956, resident in 10 Pellington Court Pine Brook, NJ 07058, USA, Tax Code GTTCLD56H24A952F, an Italian and US citizen, a senior manager by profession, and, therefore, to confirm the Board of Directors in its current composition;
- to establish that the Director, whose appointment was hereby confirmed, will remain in office for the same term as the other Directors currently in office, whose mandate expires at the time of the approval of the financial statements for the year ended 31 December, 2007;
- to confirm for the Director Claudio Gottardi the annual fee of Euro 10,000.00 established by the Shareholders' Meeting on 24 October 2005, as well as reimbursement of the expenses incurred in the performance of his duties;
- to acknowledge the decisions taken by the Board of Directors in the Meetings held on 3 August 2006 and 23 March 2007 in relation to the appointment of Ing. Claudio Gottardi as CEO and the assigning of the functions and powers specified in the Minutes of the Board Meeting held on 3 August, 2006.



Third item on the Agenda:

Following the listing of the Company's ordinary shares on the Stock Exchange, the provisions of articles 159 *et seq* of Italian Legislative Decree no. 58 of 24 February 1998 (the Consolidated Financial Law) are now applied in respect of the audit of companies with listed shares and related groups. These Consolidated Financial Law provisions were modified by Law no. 262 of 28 December 2005 and by Legislative Decree no. 303 of 29 December 2006. More specifically, the new text of art. 159 of the Consolidated Financial Law states that (i) the granting of the engagement to audit the financial statements and the consolidated financial statements is approved by the Shareholders' Meeting on the basis of a justified proposal by the Board of Auditors and that (ii) the overall duration of the audit engagement is nine financial years.

The transitional provision contained in art. 8, clause 7 of Legislative Decree no. 303/2006 makes it possible to extend, by the date of the first Shareholders' Meeting called to approve the financial statements, the engagements in course at the time this Decree came into force, provided their overall duration, taking into account any renewals or extensions, has not exceeded nine financial years, in order to bring the duration in line with the limit specified in the new version of art. 159, clause 4, of the Consolidated Financial Law.

In view of the fact that the company PricewaterhouseCoopers S.p.A. has been granted the following engagements:

- (i) the engagement to audit the financial statements of the Company and the consolidated financial statements of the Safilo Group for the years ending 31 December 2005, 2006 and 2007;
- (ii) the engagement to perform a limited accounting review of the six month interim Report at 30 June 2005, 2006 and 2007, as recommended by the Consob Authority in communication no. 97001574 of 20 February 1997; and
- (iii) the quarterly review to ensure that the accounting records are regularly kept and that the results of operations are properly recorded therein in compliance with article 155 of the Consolidated Financial Law;

and that the conditions required by art. 8, clause 7, of Italian Legislative Decree no. 303/2006 are satisfied, in a letter dated 15 March 2007 the aforementioned Auditing Company has proposed to extend the duration of its audit engagement, initially granted for the period 2005 – 2007 under a decision of the Shareholders' Meeting on 14 September 2005, to nine years by extending it to the financial years 2008 to 2013; all the other terms and conditions of the proposal formulated on 12 September 2005 remaining unchanged, including the agreed annual fee of Euro 40,000.00 (forty thousand Euro /00).

A copy of the proposal presented by PricewaterhouseCoopers S.p.A. has been sent for assessment to the Board of Auditors so that it can submit the justified proposal in conformity with art. 159, first clause, of the Consolidated Financial Law.

The Board of Auditors has examined the proposal of the Auditing Company and has approved its content, as per the report attached here as Appendix A) and, therefore, intends to ask the Shareholders' Meeting to approve extension of the audit engagement for PricewaterhouseCoopers S.p.A. to the years 2008 to 2013, in compliance with the new text of article 159, clause 4, of the Consolidated Financial Law.



In relation to item 3 on the Agenda, having acknowledged the legislation on the length and the conferral of financial statement audit engagements, we hereby invite you to approve the proposal submitted by the Board of Auditors.

For the Board of Directors
Vittorio Tabacchi
Chairman

APPENDIX A

SAFILO GROUP SPA

Registered Office in Piazza Tiziano 8, Pieve di Cadore (Belluno, Italy)
Share Capital €70,843,213.00, fully paid up
Registered in the Business Register of the Province of Belluno
Registration number and Tax Code 03032950242
Province of Belluno R.E.A. (Economic and Administrative Register) no. 90811

THE BOARD OF AUDITORS' REPORT

Pursuant to art. 159 of Italian Legislative Decree no. 58 of 24 February 1998

Dear Shareholders,

In a letter dated 15 March, 2007, the company Pricewaterhouse Coopers S.p.A., currently entrusted with the engagement to audit the Company's financial statements as well as the limited review of the six month interim report, has asked to prolong the duration of the engagement to nine financial years, in compliance with the combined provisions of art. 159 of Legislative Decree no. 58 of 24 February 1998 and art. 8, clause 7 of Legislative Decree no. 303 of 29 December 2006.

We have examined the proposal, which entails the following:

- extending the duration of the current accounts audit engagement, granted by resolution of the Ordinary Shareholders' Meeting held on 14 September 2005, to nine years and namely to the financial years 2008 to 2013 inclusive;
- confirming, for the entire new duration of the engagement, all the terms and conditions contained in the initial proposal submitted by Pricewaterhouse Coopers S.p.A. on 12 September 2005 and accepted by this Shareholders' Meeting on 14 September, 2005;
- confirming, for all the financial years of the proposed engagement extension, of the current fee of €40,000.00 (forty thousand /00) for each financial year.

The Board of Auditors, having examined the request, and acknowledging that:

- Pricewaterhouse Coopers S.p.A. has so far carried out the audit of accounts in a commendable manner, as well as audit of the financial statements and the consolidated financial statements and the limited review of the six month interim reports, with the due

professional skill and in observance of the appropriate laws and regulations on these matters;

- Pricewaterhouse Coopers S.p.A. offers to maintain the agreed terms, conditions and fee unchanged for the entire proposed extension of the engagement;
- at the time of approving the initial engagement this Board had expressed its approval of said conditions and fee, and confirms this approval in view of the fact that the fee is still in line with current market prices for similar services;
- the conditions exist to presume that Pricewaterhouse Coopers S.p.A. has, and will have, in the future, the technical means, structures and resources required to continue to perform the engagement in a satisfactory manner, should their proposal be accepted;

hereby approves and, pursuant to art. 159 of Legislative Decree no. 58 of 24 February 1998

proposes

to submit to the Ordinary Shareholders' Meeting, which will be called to approve the financial statements, the resolution on extending the engagement of the company Pricewaterhouse Coopers S.p.A to audit the Company's financial statements, consolidated financial statements as well as the limited review of the six month interim reports for the years 2008 to 2013 inclusive, confirming the current terms, conditions and annual fee of €40,000.00 for the entire duration of the engagement in compliance with the combined provisions of art. 159 of Legislative Decree no. 58 of 24 February 1998, and art. 8, clause 7, of Legislative Decree no. 303 of 29 December 2006.

Padova, 23 March 2007

The Board of Auditors

Dr Franco Corgnati

Dr Paolo Mazzi

Dr Nicola Gianese