ANNUAL REPORT 2013

GROUP

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Safilo GROUP

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ALEXANDER McQUEEN

BOSS
HUGO BOSS

BOSS ORANGE
HUGO BOSS

BOTTEGA VENETA

CÉLINE

Dior

FENDI

FOSSIL

GUCCI

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JIMMY CHOO

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MAX&Co.

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PARIS

SAINT LAURENT
PARIS

TOMMY HILFIGER

FOR THE AMERICAN MARKET

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BOBBI BROWN

JACK SPADE

JLO
BY JENNIFER LOPEZ

kate spade
NEW YORK

LizClaiborne
new york

Saks Fifth Avenue

GROUP PROFILE

With 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 house and licensed brands, which are selected based on their competitive positioning and international prestige by way of a precise strategy of customer segmentation.

Distribution takes place through sales to specialist shops and retail distribution chains.

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 is strongly oriented towards 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.

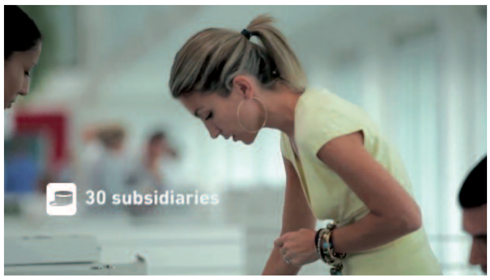
The key factors of success which provide Safilo Group with a distinctive identity in the world's eyewear industry are represented by its highly prestigious brand portfolio in the luxury and high-fashion segment, its excellence in design and innovation, the quality of its products, its coverage of the 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

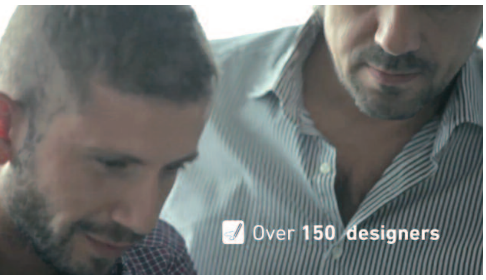
R&D AND DESIGN

OPERATIONS

SALES AND DISTRIBUTION



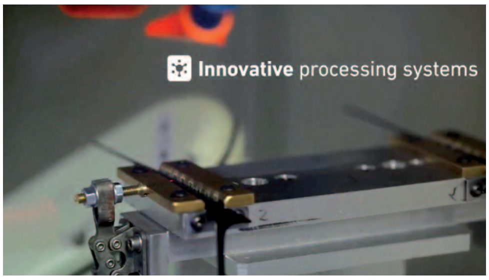

Reflection
A Dream


Over 150 designers


An alchemist of trends


for 36 of the world's leading labels


reshaping the
eyewear industry


Innovative processing systems


Superior
craftsmanship


L'UNIVERSO DI SAFILO
5 continents

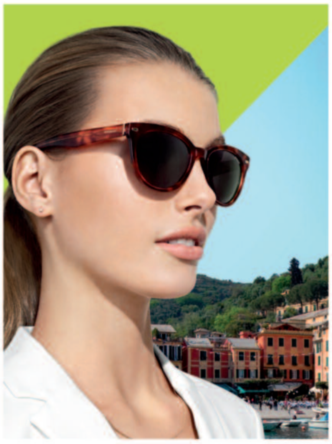

90.000 points of sales


BOSS
Dior
YvesSaintLaurent
CÉLINE
GUCCI
CARRERA
MARC JACOBS
A unique portfolio
of superior brands

SAFILO BRANDS

CARRERA
RACING SINCE 1956

Polaroid
Polarized Sunglasses



SAFILO
OCCHIALI DAL 1934

LICENSED BRANDS

ALEXANDER McQUEEN

BOSS
HUGO BOSS

BOSS
HUGO BOSS

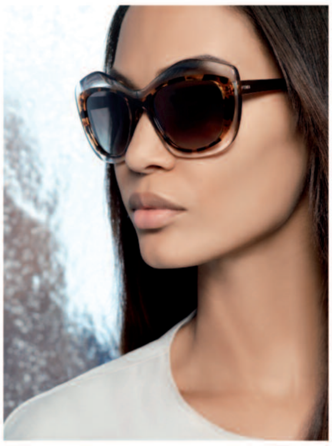
BOTTEGA VENETA

CÉLINE

Dior

LICENSED BRANDS

FENDI



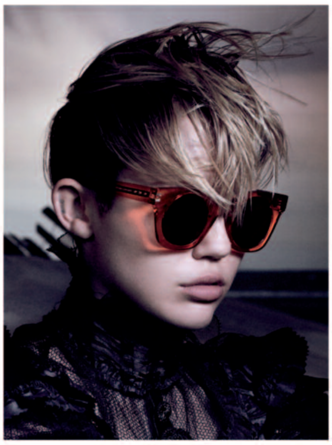
GUCCI

HUGO
HUGO BOSS

JIMMY CHOO

Juicy Couture®

MARC JACOBS



LICENSED BRANDS

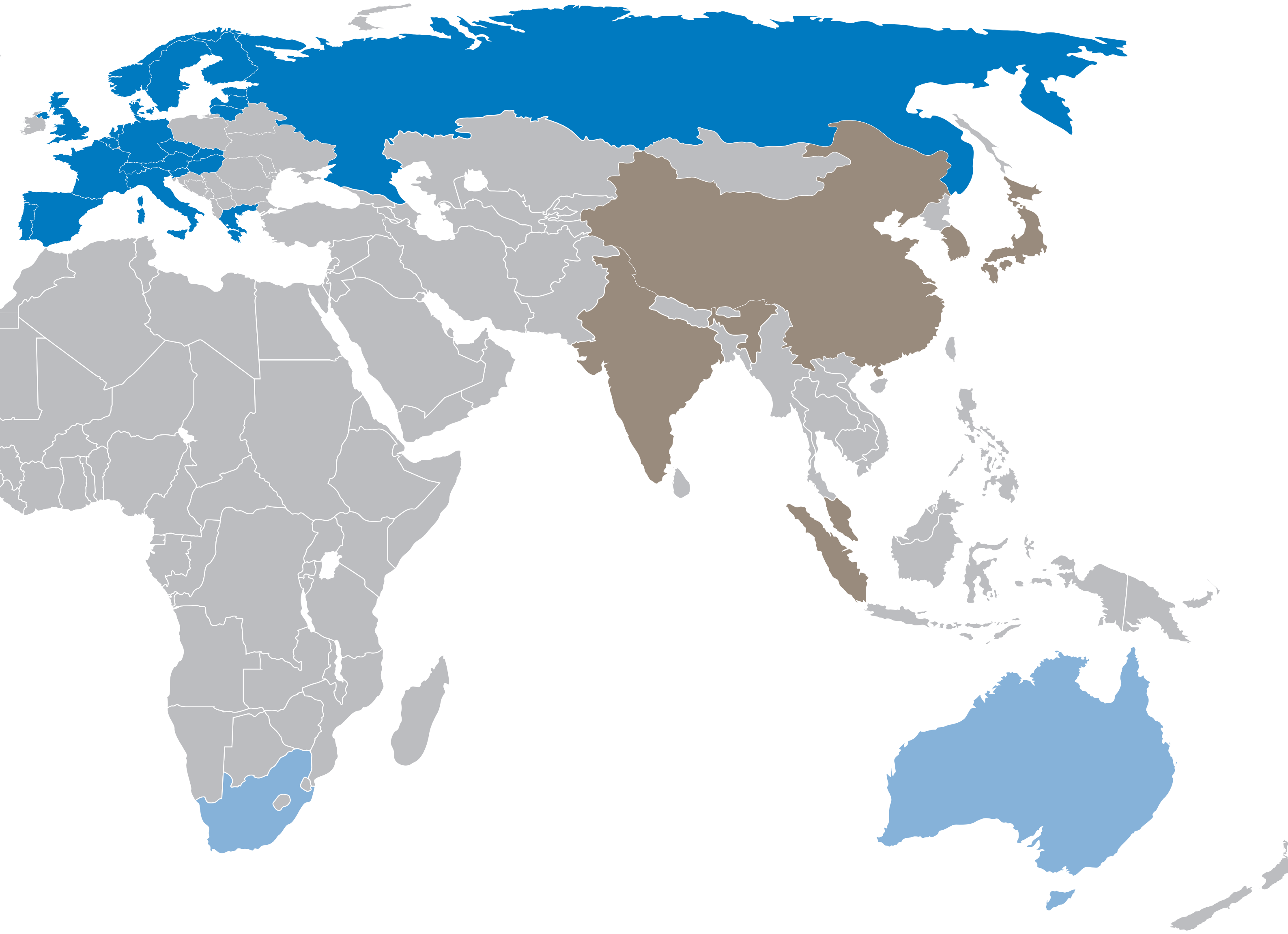
pierre cardin
PARIS

SAINT LAURENT
PARIS

TOMMY HILFIGER

SAFILO IN THE WORLD

The Safilo Group has
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

China
South Korea
Hong Kong
India
Japan
Malaysia
Singapore

SUBSIDIARIES REST OF THE WORLD

Australia
South Africa

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. It became operative in 1990; it was and continues to be one of the most technologically advanced factories in the eyewear industry in Europe. 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 greatest 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.

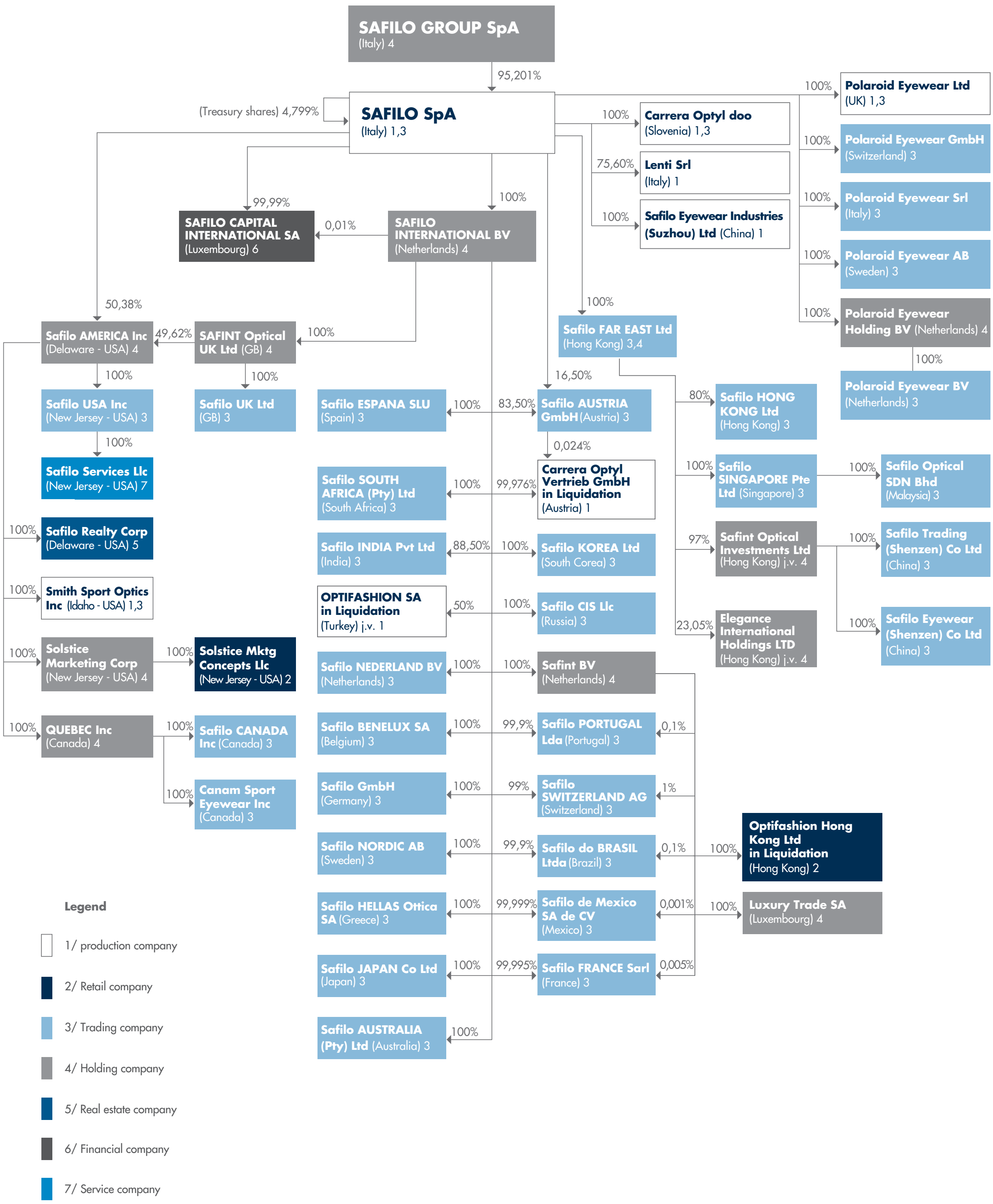
In March 2010, the capital increase of the parent company was concluded, and led to the entry of HAL Holding N.V., an international investment company, as the new reference shareholder.

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 high end of 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 customer segmention and the desire to reduce exposure to the risk of relying upon any one brand in particular which is typical in the luxury segment. To this end, the Group has gradually and carefully integrated its own brands and various licensed brands, for which it has established long-term partnerships (on average 5-8 years) with the fashion houses through contracts that have been repeatedly renewed over the years;

- 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 (presence in 40 of the most important markets, with approximately 1,300 sales agents) and indirect management, through exclusive agreements with independent distributors (approximately 70 in the optical channel and more than 100 in the sports channel). 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 with agents 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 the so-called 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 house 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 activity:

- product design;
- research and development of new materials, technologies, production processes and instruments/machinery.

Product design is carried out by three internal styling departments, the Stylistic Department in Italy, and two local structures in the US and Hong Kong focused on the specific design requirements of the different markets they operate in, while the research and development on materials, production processes and machinery is performed by an internal department “The Research and Technological Innovation Division”.

Product design

Product design, and constant attention paid to the market and consumer tastes are fundamental

In relation to the development of products positioned at the high-end of the market, the Group has, for over a decade, identified the design of the product as a strategic feature.

The Group’s constant attention to consumer tastes, fashion trends and product and technological innovation all imply the constant introduction of new models and the updating of current ones.

Research and development of the design consists, amongst other activities, in the development of forms and combinations of colours/materials for the creation of new models. This task is carried out by three structures called Style Centres, comprising designers and staff responsible for producing prototypes. The main Style

Centre is in Italy, while the other two, situated in the United States and Hong Kong, perform specific stylistic activities for collections suited to their respective areas. In particular, the Group develops special *Asian fitting* frames for products marketed in Asia; these frames are specifically adapted to the features of the Asian population with specific focus on the Japanese market. Product design function, given its strategic nature, has been constantly strengthened over the years.

The Style Centres of the Group, on average, develop more than 2,400 new prototypes of prescription frames, sunglasses and sports products every year, from which about 1,200 new models derive providing the public with more than 5,000 models of eyewear. In parallel to the development of these models intended for the collections, the Design and Product Development department is responsible for the development of other 2.700 prototypes per annum, created for specific projects such as fashion show, capsule collections, PR needs and commercial events.
The Group's products stand out for their high complementary nature, as sunglasses are mainly linked to fashion trends while prescription frames are mainly linked to population dynamics. Furthermore, the different product lines are addressed to different consumer targets, with products positioned in the top end retail brackets.

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

Constant research is applied to new materials and more effective and efficient production processes

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.

Safilo has always believed in investing in research and development with its own R&D Centre, which was opened in the beginning of the Seventies and operates with a team of 25 expert engineers and researchers who are constantly employed in researching new cutting edge techniques.

In 2013, the Group continued to implement innovative methods to define and select new innovation projects, in line with the most up-to-date methods.

Due to the considerable efforts that go into research and development, the Group is able to constantly introduce new models and update the current ones, following consumer tastes, fashion trends and technological innovations.

Such activity, over recent years, has led to the registration of several patents, such as elastic frames, functional solutions for fixing the lens and patents on the production processes.

In 2013, the Research and Technological Innovation Division focused on:

- research into new materials in order to improve the characteristics of product resistance and duration;
- research into new technical and decorative materials along with innovative technologies in order to apply them to eyewear industry;
- product innovation;
- innovation in sunglass lenses, both as an aesthetic and a protective factor, implementing the use of polarizing sunglass lenses improved from a technical and qualitative point of view;
- study of new solutions aimed at achieving increasingly lightweight, comfortable to wear and variable-fit prescription and sun frames, emphasising ergonomics and functionality;
- study and design of new plant and machinery which could improve the efficiency and quality of the production process;
- research into new eco-sustainable materials with a low environmental impact to be used in our products.

Again last year, these activities led to the registration of new patents, including: patents for eyewear made of metals, elastic hinges and process patents to improve eyewear quality, particularly light and thin, innovative process patents for the production of polarizing lenses, interactive eyewear displays which used RFID technologies to support the information flow business to business.

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.

Technical product development

Detailed Product Design and Engineering begins once the basic design has been completed and the prototypes approved from the point of view of style and feasibility. Each piece of eyewear produced in Safilo's factories is designed down to the smallest detail, using state-of-the-art three-dimensional CAD programmes. In this way, even before the physical prototypes have been produced, it is possible to build a virtual prototype that enables the designers to optimise form and functionality in accordance with the approved look. This detailed design is then also the basis for development of all the equipment needed to produce different eyewear series on a large scale.

The Technical Product Development unit is also responsible for the entire production process (from design through to manufacturing), thus reducing the time to market for the latest products.

Planning, programming and purchases

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

The Planning Office uses the information that has been collected internally (regarding sales activities, promotional campaigns, sales forecasts and historic data) and externally (such as customer orders, feedback from trend setter customers about market trends) so as to define the production needs on a weekly basis which are then submitted to the Programming Office.

The Programming Office analyses the production needs received from Planning in order to develop a weekly production plan and order the materials by taking into account the warehouse stocks, the models to be produced and the production capacity limitations. Programming uses an analysis system called the Global Planning System (GPS). GPS corrects the weekly production plan every day and breaks it down between internal production and external purchases.

The Purchases Department is mainly responsible for buying raw materials (steel, acetates, metals, lenses, and customised products). The department is coordinated centrally in Padua by the Worldwide Purchases Department, and has various branch offices in Europe and worldwide.

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. The takeover of Lenti S.r.l. in 1996 now means that Safilo has the know-how to produce lenses for sunglasses.

Production and quality control

Safilo products are produced both within the facilities of the Group and by third parties. Safilo directly produces roughly 40% of the prescription frames and sunglasses in five of its seven facilities – in Italy, Slovenia, China and the U.S. – with the remainder being produced by third parties in Asia and Italy.

Internal production

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

The processes have been simplified over recent years to improve production efficiency and flexibility. The rationalisation of production resulted in a specialisation of each plant based on the materials and production technologies applied.

In 2008, the Group launched production at its plant in Suzhou (China), dedicated to the manufacturing of unfinished components in metal and acetate.

As a result of the industrial reorganisation in 2009 and the acquisition of Polaroid, 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.

The following table illustrates the sites and area of specialisation of our production units on the date of the Financial Statements:

Production unit	**Country**	**Production specialisation**
Santa Maria di Sala (VE)	Italy	Plastic semi-finished and finished goods
Ormoz	Slovenia	Plastic semi-finished, finished goods and ski goggles
Suzhou	China	Acetate, plastic and metal semi-finished and finished goods
Longarone (BL)	Italy	Metal semi-finished goods and finished goods
Martignacco (UD)	Italy	Plastic and metal finished goods
Salt Lake City	U.S.A.	Ski goggles
Vale	U.K.	Polarized lenses

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.
This policy allows to manage both production peaks and drops in demand, and to concentrate the production on products for the luxury sector.

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.

Simplification, integration, standardization, prevention, efficiency, effectiveness, responsiveness, proactivity, management systems, development and control, partnership… these are and will increasingly be the strategic key elements which will foster the achievement of objectives in a solid and sustainable manner allowing for both consolidation and further improvements which are essential to ensure a product leadership and to attain the highest level of quality, service, innovation and design.

During 2013 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 the Safilo brands, the licensed brands and the products are one of the key factors for the Group's success and continuously growing profit.

The main aims of the Group marketing strategies include:

- guaranteeing the correct position for all the brands in the portfolio, with special focus on the high-end range and high fashion and luxury sectors;
- guaranteeing the development of the Safilo brands, through a correct marketing mix and adequate investments in product development, communications and trade marketing;
- to communicate 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 its global marketing and advertising strategy through the marketing plan. The plans consider market information, end consumer and customer needs and tastes as well as competitive factors such as price, product type and advertising and promotion investments.

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

In 2013, the Group's total investment in marketing and communication came to Euro 120.5 million (vs. Euro 113.4 million in 2012), equal to roughly 10.7% of consolidated revenues for the Group (vs. 9.6% in 2012).

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

Consumer-oriented activities account for roughly two thirds of the Group's marketing and advertising investment, and the main outlets used are the press (both weekly and monthly publications), billboards, the internet (through banner campaigns and social media), sponsorships (mainly in sports for the brands Carrera and Smith), and public relations with journalists and opinion leaders in the fashion, entertainment and sports industries.

In 2013, the Group further developed and completed 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. The main instruments for this purpose include in-store display materials (posters, banners, displays, duratrans), special window displays, combined consumer promotion campaigns addressed to both consumers and the leading optician customers, training courses and training materials, and updating into the features of the Group's brands and products for the sales assistants in the opticians.

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.

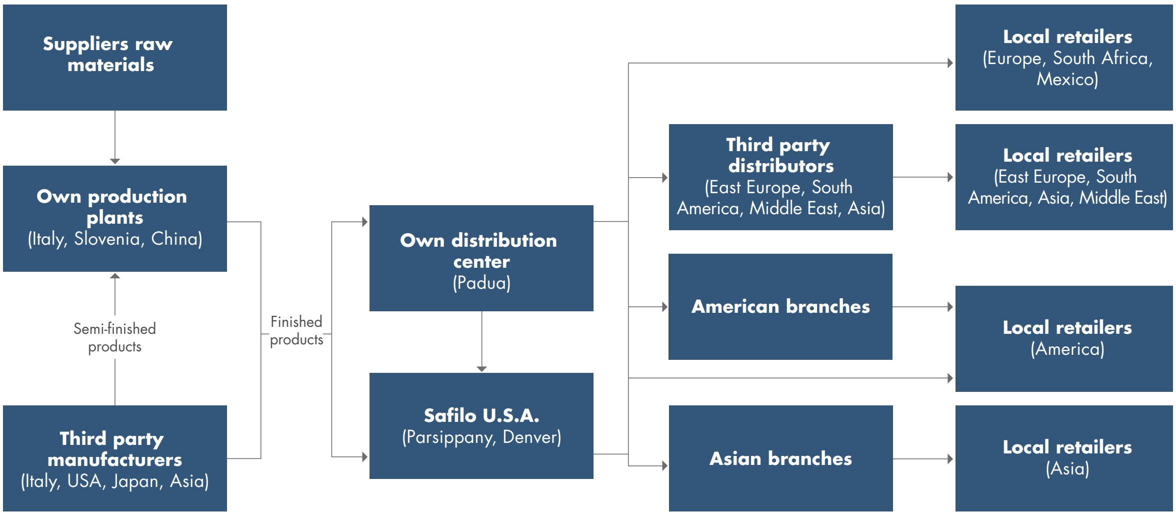
The media strategy is managed at Group level, but with specific optimisation campaigns in the single local markets.

Sales and distribution

Distribution

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

Distribution takes place through three first-level distribution centres, supplied by production facilities (own or third-party), located in Padua, Parsippany (New Jersey, USA) and Denver (Colorado, USA), which serve their own geographical regions, or supply other local distribution centres in Japan, Singapore, Hong Kong, Australia, India, South Korea, China, Canada, Brazil, each one serving its own specific geographic region.



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 centres around the world, the Group can ensure an excellent level of customer service in all its current markets.

In order to guarantee minimum shipment times and reduced costs, shipping agents and couriers are selected on the basis of their efficiency and reliability. European suppliers mainly ship by road while Asian and American suppliers ship by air. Finished products are sent from Asia both by sea and air.

Once the production process is complete the finished products are sent to the Padua distribution center. Shipment orders, related costs and courier orders are processed overnight. The system processing all this data takes into account the destination to which products have to be shipped so as to minimise freight costs and the number of trips needed to supply each individual customer. Once the orders and transport plans have been prepared, the products are collected and prepared for distribution in the morning. On average, telephone orders can guarantee delivery to Italian customers within 24-48 hours and to European customers within 48-72 hours.

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 30 sales branches and through more than 170 independent distributors in the other countries. Each Group branch coordinates a solid network of local agents with exclusive contracts, 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.

In the leading markets like Europe and the USA, have been created sales teams managed by Key Account Managers; the latter directly manage the main chains of eyewear in the reference regions.

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. Distribution agreements with local partners usually establish purchase quantity minimums and impose territorial restrictions. In addition, to the extent allowed by local legislation, the distribution of Safilo products is permitted solely via authorised retail stores and qualified sales agents.

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

The wholesale distribution network is structured in 3 divisions

Safilo's distribution network is geographically organised in 3 divisions, which respectively cover North and South America, Asia and Australia, and Europe plus countries elsewhere in the world, such as South Africa (EMEA).

Below is a brief description of the 3 divisions:

EMEA (Europe, Middle-East and South Africa)

EMEA. The main centre is in Padua in Italy. The division manager is also responsible for other areas in the world, including the Middle East, Africa, and South Africa. 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 25 European countries. Around 60% of the more than 600 sales representatives are independent and paid on a commission basis, while the remainder are employees in accordance with specific local legislation, and receive a basic salary plus commission. Most of the sales force is linked by PC to the central computerised distribution system so as to reduce order processing time. Sales and other marketing data can therefore be obtained on a daily basis. There is also a division specifically dedicated to sports products (ski goggles and glasses, helmets and other sports eyewear). A key account manager has also been created and is based in Padua with the task of centrally managing the leading European distribution chains. In those countries where the Group has no sales branches, long-standing relationships have been established with the local distributors, the majority of them having exclusive agreements.
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 organisation units (i.e. branches) 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.

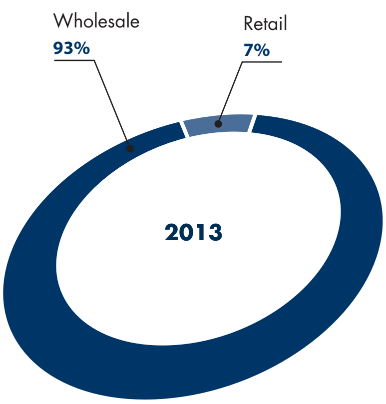
ASIA - PACIFIC

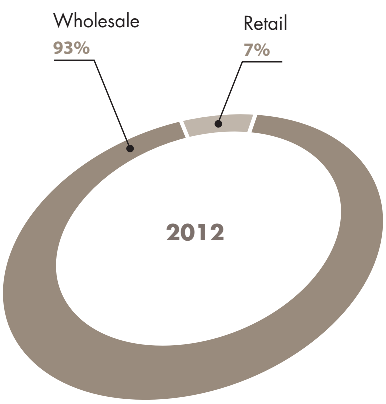
Asia - Pacific. Far East business region manages the wholesale distribution strategies of sunglasses and prescription frames of Safilo portfolio through a direct presence with sales branches in the main markets (Hong Kong, China, Japan, South Korea, Singapore, Malaysia, India and Australia) and with partnership with local distributors in all the other markets (Thailandia, Indonesia, Philippines, Taiwan, Vietnman, Cambodia, New Zealand, Mongolia and Nepal). In Hong Kong besided the regional headquarters, it is located the Global Travel Retail division office responsible for the Duty Free distrbution channel.

AMERICAS

Americas. This divisional manager is responsible for markets in the USA, Canada, and the main South and Central American countries. The Americas' division headquarters is 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. More than 460 independent agents manage the American markets. About 30 operate in Canada, 60 in the Latin America area (Brazil, Mexico and distributors), while in the USA, of the some 360 independent agents, about 270 handle opticians, ophthalmologists and optometrists, about 25 focus on retail stores, i.e. department stores and specialist stores, and about 75 handle a specific product category, like sports eyewear, for example. The Group has three showroom in New York, Miami and Sao Paolo that presents all its product lines.
The major retail chains are handled by the key-account organisation. All Central and South American distributors are managed by the Miami-based sales office of Safilo U.S.A..

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 the growth plan for the Retail segment implemented over the last decade. This strategy has 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, the Safilo Group's presence in the Retail sector represents for the US market an important sales 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.

At the time of its purchase, the US chain numbered six stores. Since then, the Group's strategy has focused on the quest for attractive sales space, also able to assure fast and adequate return on investment. Based on these criteria, over the years numerous stores have been opened, both in prime metropolitan locations and in top-quality shopping malls, leading a total of 137 stores at the end of 2013.

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 house 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 is diversified in terms of geographic position, age, gender, income targets and final consumer requirements.

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.

The Group's licensed brand portfolio includes luxury brands of global renown (e.g. Dior and Gucci) and locally famous brands (for example, Liz Claiborne, Banana Republic, Kate Spade).

Renewal of licensing agreements of strategic importance for the Group

Year 2013 has been of fundamental importance for the Group given the renewal or signing of new important license agreements.

For the American market has been renewed the license agreement with Banana Republic running through 2018.

The license agreement for Marc Jacobs and Marc by Marc Jacobs, belonging to LVMH Group, ending in 2015, has been early renewed until 2024, further validating the strong partnership between the two companies.

Safilo and Kate Spade have announced a new license agreement for the American market for Jack Spade brand and the extension of the license agreement for Kate Spade, both in effect through 2018.

Safilo and Fossil, the global lifestyle company specializing in consumer fashion accessories, have announced the renewal of the license and the extension to include global distribution until 2018.

Bobbi Brown, the iconic cosmetics company owned by Estée Lauder and founded by the world renowned makeup artist and entrepreneur Bobbi Brown, and Safilo have announced a new license agreement valid until 2018. It is the first time that Safilo sign an agreement with a make-up company.

Fendi, the historical Italian Maison and one of the most prestigious in the international luxury scenario, and Safilo have announced a new license agreement valid until 2022. This agreement further strengthens our partnership with LVMH Group.

As at 2013 year-end, the Group's brand portfolio consisted of 36 main brands, 27 of which are licensed and 9 are own brands.

Safilo brands

The strategic importance of Safilo brands

Safilo brands are of extreme strategic importance for the Group's expansion objectives in the medium-high end of the market and for the Fashion and Casual-Sport segments in all product categories (frames, sunglasses and sports products such as ski goggles and helmets and technical goggles for various sports).

Polaroid Polarized Sunglasses

Polaroid Eyewear is the iconic brand acquired by the Safilo Group in April 2012. Polaroid has pioneered polarised lense technology, with Edwin Land, the visionary scientist that founded Polaroid Inc., having invented the first synthetic light-polarising material in 1929.

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

Every pair of sunglasses is fitted with Polaroid UltraSight™ polarised lenses, synonymous with perfect vision, high protection and comfort. Polaroid UltraSight™ lenses are manufactured at a factory located in the Vale of Leven in Scotland, using Thermofusion™, the innovative production technology capable of making lenses with advanced optical properties and ensuring the utmost in polarizing efficiency.

Year 2013 saw the global re-launch of Polaroid, involving a new worldwide advertising campaign with the pay-off "Perfect vision", which perfectly sums up the brand language: iconic status, passion and science.

In 2014, continue the development of the brand with the introduction of new collections and the openings of new markets thanks to the synergies within the Group.

SAFILO OCCHIALI DAL 1934

Safilo occhiali dal 1934 is the Group's historic brand, and has been synonymous with quality eyewear since the 1930s. Today, the Safilo brand benefits from the prestigious signature of the Company name, and its ongoing technical research; it offers a high-quality product that represents a valid alternative to other brands.

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

In 2014 the collection Safilo occhiali dal 1934 is enhanced with new models made in Italy for an even more qualified offer with great attention to detail and new exclusive hinges continuing the historical hinge Elasta.

The Seventh Street collection targets a younger age group, with a range of coloured and fresh products. There are also lines dedicated to a more mature target market that chiefly seeks practicality and functionality in their frames, such as Library, for reading glasses.

Oxydo is a brand with a strong personality, constructed with a focus on distinctive, technical and design details. Oxydo has made a strong and clear value out of its contemporary character, becoming a sought-after, quality product, targeting young adults aged 25 – 35, who are active and move with the times. Oxydo men and women are glamorous, confident and authentic, like the product they choose. Oxydo, with the new graphic and product layout is available both in sun and prescription frames collections.

The 'Carrera Panamericana' race took place in Mexico in the 1950s. A few years later, Carrera meant only one thing: a great brand. Since 1956, Carrera has continuously produced unique collections and introduced revolutionary innovations, such as interchangeable lenses, folding glasses and the patent for Optyl.

Carrera is still all about technology, innovation and design. With its historic heritage and ongoing research, Carrera today has a presence in the cult eyewear market, continues to draw inspiration from its history and looks to the future by reinterpreting the vintage style through a modern use of colours and original shapes. The brand knows how to express its roots, remaining authentic, original and innovative. Carrera customers are dynamic, cosmopolitan, and are seeking to express their strong personality, active people who love real and authentic things with a timeless value. Like Carrera quality and style.

In terms of products, there are two different collections: the sports collection, with ski (and cycling) eyewear, goggles and helmets, which is 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 a brand that is popular among celebrities from the worlds of music and cinema.

Smith was born in 1965 when Mr Bod Smith invented the first sports goggles with double lenses. Today Smith Optics is one of the leading manufacturers of skiing and motorbike goggles, sunglasses and ski helmets. Further to the takeover 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 lovers, such as snowboarding, freestyle or off-track skiing, surf and mountain biking, Smith products target young people who are interested in technological innovation with a high design and fashion content.

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

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 McQUEEN	Dior	JIMMY CHOO	MaxMara
BANANA REPUBLIC	FENDI	Juicy Couture	MAX&Co.
BOBBI BROWN	FOSSIL	kate spade NEW YORK	pierre cardin PARIS
BOSS HUGO BOSS	GUCCI	LizClaiborne new york	SAINT LAURENT PARIS
BOSS HUGO BOSS	HUGO HUGO BOSS	MARC JACOBS	Saks Fifth Avenue
BOTTEGA VENETA	JACK SPADE	MARC BY MARC JACOBS	TOMMY HILFIGER
CÉLINE	JLO BY JENNIFER LOPEZ		

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 makeup 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 and made of the "Made in Italy" his trademark recognized 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 2013

BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

BOARD OF DIRECTORS	*Chairman*	Robert Polet
	Chief Executive Officer	Luisa Deplazes de Andrade Delgado
	Director	Giovanni Ciserani
	Director	Jeffrey A. Cole
	Director	Melchert Frans Groot
	Director	Marco Jesi
	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
		Carlo Bonini
CONTROL AND RISK COMMITTEE	*Chairman*	Eugenio Razelli
		Marco Jesi
		Massimiliano Tabacchi
REMUNERATION AND NOMINATION COMMITTEE	*Chairman*	Jeffrey A. Cole
		Melchert Frans Groot
		Marco Jesi
RELATED PARTIES TRANSACTIONS COMMITTEE		Eugenio Razelli
		Marco Jesi
		Giovanni Ciserani
INDEPENDENT AUDITORS	PricewaterhouseCoopers S.p.A.	

CHAIRMAN'S LETTER

Dear Shareholders,

2013 marks an important year for Safilo Group, during which we confirmed our long-term commitment to the Group's Wholesale Business Model in line with our strategic plan.

Safilo was able to meet the operational commitments that it had set for the year. The economic context of the year was mixed, given the negative foreign exchange impact and challenging market conditions in some of our key markets.

With Fendi, Safilo signed an important new "Made in Italy" license. With Bobbi Brown, a further new US license joined the portfolio aiming to add Beauty to the eyewear shopper experience. Also, several licenses were renewed, namely Marc Jacobs, and Safilo started to prepare for the growth of the Proprietary Brands, specifically with the integration of Polaroid.

Safilo therefore ends the year stronger, with a further improved financial profile. It is consequently ready to take a further step on its path to sustainable profitable growth. This next step has come with the appointment of a new CEO, Luisa Delgado, who joins us from SAP, and brings over 20 years of multi country business leadership experiences at Procter&Gamble. We thank Roberto Vedovotto for his successful leadership of Safilo through the important period of the last 5 years, which have seen Safilo re-gain financial stability. The mission going forward is to build on that foundation in order to construct systematically the capabilities and solidity of brand building and operations in order to ensure Safilo's sustainable profitable growth for the mid and long term going forward.

We believe that Safilo specifically, and the eyewear sector overall, have significant development potential for the mid and long term. Safilo has considerable potential to grow to its fair share potential in many markets worldwide, both in terms of the breadth of our brands, and geographies. The eyewear market, particularly in the mass and the highest end segments, has further opportunity to grow, and we believe in its potential.

Safilo can continue to count on a highly experienced Board of Directors, and a leading shareholder that is permanently committed to supporting the Company's long-term sustainable growth.

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 for their commitment to building a solid Safilo for the future.

Robert Polet
Chairman

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

In October 2013, I had the privilege of being appointed Chief Executive Officer of the Safilo Group, a responsibility I accepted with a great sense of duty, and dedication.

In this first opportunity as an Executive Director, I would like to start by thanking you, as well as all employees and partners of Safilo and our customers, for believing in Safilo's potential and resilience, and supporting the company's turnaround to date.

A number of very intense months have passed since I took up my office with Safilo, and I would now like to take this opportunity to share with you my views about the year just ended, and direction for the future.

2013 performance

We are satisfied with our 2013 performance. We have delivered on our priorities for the year, in terms of sales, profitability of our business, and consolidation of the Group's financial strength:

- We said we would grow organically in order to replace as much as possible the Armani licenses through broad based organic growth. Sales landed very closely to last year's, at constant exchange rates, demonstrating that we were able to off-set the phase of replacing Armani which was our main marching order for the year. Importantly, we did so by growing across the breadth of our brand portfolio, thereby strengthening our brand bench. The strength of our brand portfolio, in terms of its extent and relevance across the markets worldwide, clearly came to play. Organic development and our leading market share growth in the key markets in which we play, driven by our key brands Dior and Gucci, the collections of Céline and Jimmy Choo, the fast growing Boss franchise and contemporary brands Tommy Hilfiger and Marc by Marc Jacobs, and Kate Spade, clearly showed the way. Our Proprietary Brands started to contribute led by Polaroid, with strong double-digit growth enabled by the start of its international expansion, and Carrera, mostly through the resonating success of the frame collections, while sun remained stable.

  Together, this bench of brands enabled the Group to effectively replace shelf spaces previously occupied by the phase-out brands. As a consequence, we achieved double-digit sales organic growth almost every quarter, particularly in Europe, led by work with the biggest Key Accounts, in the Travel Retail Channel, and in some emerging markets like Russia where our portfolio, including Polaroid, is particularly competitive. Americas and Asia were more mixed. In Asia particularly, it was challenging for us to recover the loss of Armani in light of our very narrow portfolio of brands currently sold. For the vast majority of our brands, Asia remains a White Space. Stronger systemic capabilities that we are now putting in place in the region, country-by-country, will enable us to hit the ground fast in filling that sizeable opportunity. In North America, we were able to count on strong American names like Kate Spade, Fossil, and Liz Claiborne, yet remain focused on the Independent Optician Channel, our historical strength, while not yet exploring Optical Chains, which represent yet another globally relevant White Space. We made some first progress in Latin America, which is our largest unexplored White Space.

- In terms of profitability, our adjusted EBITDA margin grew by 110 bps, up from 9.8% to 10.9%, with the last Quarter at 11.9%. We improved our sales mix, and the key performance indicators of our ordinary business activities, which therefore makes for structural sustainability.

- We reduced our net financial debt significantly and ended the year with a ratio of net financial debt to adjusted EBITDA with a record low for us of 1.5 times.

We have achieved these objectives, showing that our portfolio of brands is highly diversified and competitive, our organization agile and resilient, and that our opportunities for further business development are significant: Expanding "where we play" by building our own proprietary portfolio and our geographical footprint, and sharpening "how to win" with further differentiated commercial and product supply strategies, simplified operations, and e-enabled global integration.

Net, we are satisfied with the year – with the results we have achieved and that have put us in a stronger position financially and operationally, with the resilience that we have shown as a total organization, confirming that we can lead in a challenging year, and with what we have learned about our many opportunities in terms of markets, channels and brands, and operationally. We are taking these learnings forward, as we continue on the trajectory we had set ourselves along the strategic plan to 2015.

Building leading edge capability to deliver sustainably

While the main objective through the first years of the turnaround has been to stabilize our financial situation, and define and build 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 most recent 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 & Lifestyle, are two 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. Employee engagement is becoming a measurable enabler for productivity enhancement. These 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. 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.

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.

Design Inspired

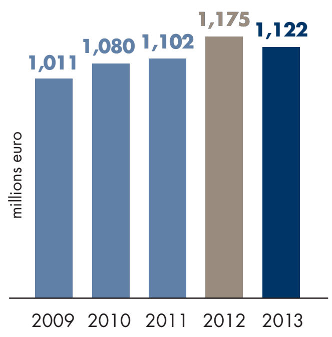
What makes Safilo special is our superior Product Design and Innovation, as well as our proven ability to partner with the most prestigious Brands across the world. At Safilo, we share a genuine passion for eyewear Design, its traditional savoir-faire, and its opportunities for surprising creativity. 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.

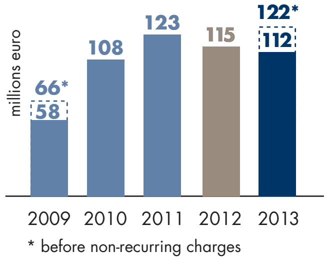
Luisa Deplazes de Andrade Delgado
Chief Executive Officer

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

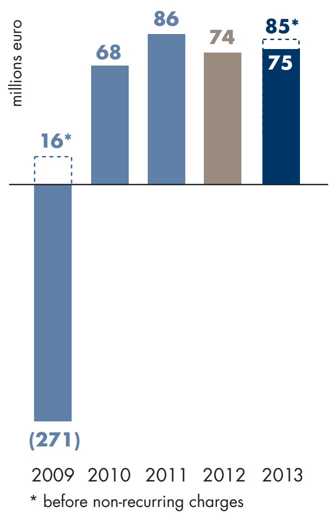
NET SALES



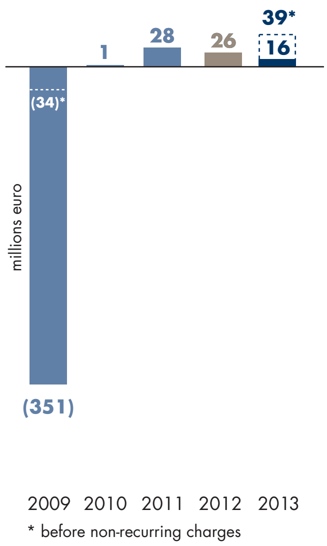
EBITDA



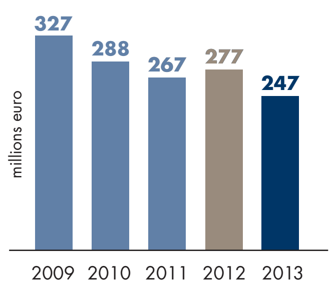
EBIT



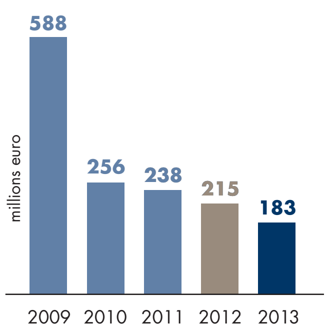
NET RESULT



NET WORKING CAPITAL



NET DEBT



Economic data (Euro million)	**2013**	**%**	**2012**	**%**
Net sales	1,121.5	100.0	1,175.3	100.0
Cost of sales	(437.8)	(39.0)	(495.6)	(42.2)
Gross profit	683.7	61.0	679.7	57.8
Ebitda	111.7	10.0	115.1	9.8
Ebitda pre non-recurring items	121.8	10.9	115.1	9.8
Operating profit	74.7	6.7	73.9	6.3
Operating profit pre non-recurring items	84.8	7.6	73.9	6.3
Group profit before taxes	50.1	4.5	44.0	3.7
Profit attributable to the Group	15.5	1.4	25.9	2.2
Profit attributable to the Group pre non-recurring items	39.0	3.5	25.9	2.2

Balance sheet data (Euro million)	**December 31, 2013**	**%**	**December 31, 2012**	**%**
Total assets	1,465.6	100.0	1,491.3	100.0
Total non-current assets	871.5	59.5	901.4	60.4
Capital expenditure	36.7	2.5	29.3	2.0
Net invested capital	1,028.6	70.2	1,078.1	72.3
Net working capital	246.9	16.8	277.4	18.6
Net financial position	(182.5)	12.5	(215.3)	14.4
Group Shareholders' equity	843.1	57.5	857.7	57.5

Financial data (Euro million)	**2013**	**2012**
Cash flow operating activity	68.6	80.4
Cash flow investing activity	(40.2)	(99.4)
Cash flow financing activity	(5.5)	(10.9)
Closing net financial indebtedness (short-term)	69.7	45.6

Financial and economic indicators	**2013**	**2012**
ROS	6.7%	6.3%
ROI	7.3%	6.9%
ROE	1.8%	3.0%

Group personnel	**2013**	**2012**
Punctual as at December 31st	8,053	7,767
Average in the financial year	7,821	7,950

Earnings per share (in Euro)	**2013**	**2012**
Earnings per share - basic	0.251	0.428
Earnings per share - diluted	0.250	0.428
Group Shareholders' equity per share	13.55	13.89

Share and market data (in Euro)	**2013**	**2012**
Share price at the end of the financial year	17.02	6.67
Maximum share price of the financial year	18.12	6.73
Minimum share price of the financial year	6.77	4.15
No. shares in share capital at December 31st	62,199,965	61,739,965
Stock Market value at the end of the financial year	1,058,798,904	411,496,867

It should be noted that:

- *non-recurring items refer to charges not related to the ordinary operations. In 2013 operating non-recurring items refer 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 are mainly related to the Company's best estimate of tax assessment in Italy for years 2007 to 2011. This estimate is reasonable and consistent with the definition which took place on February 27, 2014 covering all the years. The table below summarizes the reconciliation between the economic indicators and their adjusted value pre non-recurring items:*

	2013		
(Euro million)	**Ebitda**	**Operating profit**	**Profit attributable to the Group**
Economic indicators	**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
Other non-recurring costs	1.0	1.0	1.0
Tax effect on non-recurring items			(0.6)
Provision for tax litigation			14.0
Economic indicators pre non-recurring items	**121.8**	**84.8**	**39.0**

	Fourth quarter 2013		
(Euro million)	**Ebitda**	**Operating profit**	**Profit (loss) attributable to the Group**
Economic indicators	**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
Other non-recurring costs	0.7	0.7	0.7
Tax effect on non-recurring items			1.2
Provision for tax litigation			14.0
Economic indicators pre non-recurring items	**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);*
- *"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;*
- *"ROI" is the ratio between operating profit and net invested capital;*
- *"ROE" is the ratio between Group net profit (loss) and Group shareholders' equity;*
- *"organic performance" is calculated at constant exchange rates, excluding the sales of the Armani brands not renewed at the end of 2012 and the Polaroid business recorded in the first quarter of 2013.*

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

Safilo Group confirmed in 2013 the financial and economic strength, with a strong organic sales growth, an improved profitability in all levels and a significant reduction in net debt.

These results were achieved in an unfavorable and uncertain macroeconomic scenario, characterized in general by a slowing world economy and on the currency market, by the general devaluation of the main currencies against the Euro. In Safilo's case, in addition, 2013 has been influenced by the discontinuity resulting from the termination of the Armani licenses, phased out in 2012, and the needs connected to the launch of the new Polaroid brand in markets outside Europe.

Net sales in 2013 totaled Euro 1,121.5 million, down 4.6% on the year 2012 (down 1.9% at constant exchange rates), but representing a double digits organic growth for existing brands at constant exchange rates.

The results for the year were negatively impacted by non-recurring expenses of Euro 10.1 million connected for approximately Euro 6.2 million to the succession plan for the CEO, and for the rest to restructuring initiatives, primarily in Europe. In addition, tax charge was affected for approximately Euro 13.4 million by non-recurring expenses mainly related to the Company's best estimates of the tax assessments for fiscal years 2007 to 2011. This estimate is reasonable and consistent with the definition which took place on February 27, 2014 covering all the years.

EBITDA for the year amounted to Euro 111.7 million. Without considering non-recurring expenses, EBITDA was Euro 121.8 million, representing an EBITDA margin of 10.9% (9.8% in 2012). The operating performance and the positive performance of working capital have enabled the Group to improve its net financial position, which was down to Euro 182.5 million at the end of December 2013, and to reduce the financial leverage (net debt to adjusted EBITDA) to 1.5x.

These results reflected the progressive improvements achieved during the year, confirmed in the fourth quarter when the Group recorded an EBITDA of Euro 30.4 million. Without considering non-recurring expenses, EBITDA was Euro 33.1 million representing an EBITDA margin of 11.9% (Euro 29.2 million in 2012 with an EBITDA margin of 9.3%).

In its business development strategy, the Group has both entered into new licensing agreements with Bobbi Brown, Fendi and Jack Spade and stabilized its licensed brand portfolio renewing its licenses with Liz Claiborne, Banana Republic, Marc Jacobs, Marc by Marc Jacobs and Kate Spade. It has also strengthened the centrality of the proprietary brands for the future growth of the Group, continuing the integration of the Polaroid business and the development of all other brands also through collaborations with famous designers.

The financial trend benefited from the redemption of the High Yield Bond in May 2013 equal to a residual notional amount of Euro 135 million, of which Euro 7.1 million held by Safilo S.p.A..

GROUP ECONOMIC RESULTS

Consolidated statement of operations (Euro million)	**2013**	**%**	**2012**	**%**	**Change %**
Net sales	1,121.5	100.0	1,175.3	100.0	-4.6%
Cost of sales	(437.8)	(39.0)	(495.6)	(42.2)	-11.7%
Gross profit	**683.7**	**61.0**	**679.7**	**57.8**	**0.6%**
Selling and marketing expenses	(451.8)	(40.3)	(461.9)	(39.3)	-2.2%
General and administrative expenses	(149.0)	(13.3)	(148.2)	(12.6)	0.5%
Other operating income/(expenses)	(8.1)	(0.7)	4.3	0.4	n.s.
Operating profit	**74.7**	**6.7**	**73.9**	**6.3**	**1.1%**
Financial charges, net	(24.7)	(2.2)	(29.9)	(2.5)	-17.3%
Profit before taxation	**50.1**	**4.5**	**44.0**	**3.7**	**13.7%**
Income taxes	(34.1)	(3.0)	(17.4)	(1.5)	95.5%
Net profit	**16.0**	**1.4**	**26.6**	**2.3**	**-40.0%**
Net profit attributable to minority interests	0.5	0.0	0.7	0.1	-38.6%
Net profit attributable to the Group	**15.5**	**1.4**	**25.9**	**2.2**	**-40.0%**
EBITDA	**111.7**	**10.0**	**115.1**	**9.8**	**-3.0%**

Economic indicators pre non-recurring items	**2013**	**%**	**2012**	**%**	**Change %**
EBIT pre non-recurring items	**84.8**	**7.6**	**73.9**	**6.3**	**14.8%**
EBITDA pre non-recurring items	**121.8**	**10.9**	**115.1**	**9.8**	**5.8%**
Net profit attributable to the Group pre non-recurring items	**39.0**	**3.5**	**25.9**	**2.2**	**50.7%**

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

Consolidated statement of operations (Euro million)	**Fourth quarter 2013**	**%**	**Fourth quarter 2012**	**%**	**Change %**
Net sales	279.7	100.0	312.9	100.0	-10.6%
Cost of sales	(112.9)	(40.4)	(142.4)	(45.5)	-20.7%
Gross profit	**166.8**	**59.6**	**170.6**	**54.5**	**-2.2%**
Selling and marketing expenses	(107.7)	(38.5)	(118.7)	(37.9)	-9.3%
General and administrative expenses	(38.0)	(13.6)	(38.8)	(12.4)	-1.9%
Other operating income/(expenses)	(0.4)	(0.2)	3.9	1.2	n.s.
Operating profit	**20.6**	**7.4**	**17.0**	**5.4**	**21.2%**
Financial charges, net	(6.6)	(2.3)	(8.4)	(2.7)	-21.6%
Profit before taxation	**14.1**	**5.0**	**8.6**	**2.8**	**62.5%**
Income taxes	(20.2)	(7.2)	(3.5)	(1.1)	n.s.
Net profit (loss)	**(6.1)**	**(2.2)**	**5.1**	**1.6**	**n.s.**
Net profit attributable to minority interests	0.2	0.0	0.1	0.0	20.0%
Net profit (loss) attributable to the Group	**(6.3)**	**(2.3)**	**5.0**	**1.6**	**n.s.**
EBITDA	**30.4**	**10.9**	**29.2**	**9.3**	**4.2%**

Economic indicators pre non-recurring items	**Fourth quarter 2013**	**%**	**Fourth quarter 2012**	**%**	**Change %**
EBIT pre non-recurring items	**23.3**	**8.3**	**17.0**	**5.4**	**37.2%**
EBITDA pre non-recurring items	**33.1**	**11.9**	**29.2**	**9.3**	**13.6%**
Net profit attributable to the Group pre non-recurring items	**11.7**	**4.2**	**5.0**	**1.6**	**n.s.**

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

In 2013, the Group reported consolidated net sales of Euro 1,121.5 million, down 4.6% on the Euro 1,175.3 million of 2012 (-1.9% at constant exchange rates) with a significant double digits organic growth.

In the fourth and final quarter, net sales reached Euro 279.7 million, down 10.6% at current exchange rates (-6.9% at constant exchange rates), recording a significant organic growth at constant exchange rates.

Net sales by geographical area
(Euro million)

	2013	%	2012	%	Change %	Change % (*)
Europe	470.8	42.0	470.6	40.0	-	-0.6
Americas	457.9	40.8	488.7	41.6	-6.3	-2.5
Asia	177.5	15.8	198.8	16.9	-10.7	-6.4
Rest of the world	15.4	1.4	17.2	1.5	-10.8	-1.7
Total	**1,121.5**	**100.0**	**1,175.3**	**100.0**	**-4.6**	**-1.9**

(*) At constant exchange rates.

Net sales by geographical area
(Euro million)

	Fourth quarter 2013	%	Fourth quarter 2012	%	Change %	Change % (*)
Europe	119.1	42.6	128.6	41.1	-7.4	-6.6
Americas	108.4	38.8	125.0	39.9	-13.3	-7.9
Asia	47.1	16.8	54.1	17.3	-12.9	-7.2
Rest of the world	5.1	1.8	5.2	1.7	-0.4	+12.7
Total	**279.7**	**100.0**	**312.9**	**100.0**	**-10.6**	**-6.9**

(*) At constant exchange rates.

In 2013, sales in Europe amounted to Euro 470.8 million, with a slight increase compared to Euro 470.6 million of the previous year. Organic business in the area realized a double digits growth driven by France, United Kingdom and Germany. Such trend has been confirmed also in the fourth quarter driven by a significant growth in Russia, Spain and Italy.

In the American market, total sales for 2013 amounted to Euro 457.9 million, compared with the Euro 488.7 million of the year 2012 down 6.3% (-2.5% at constant exchange rates). Also this area recorded a solid organic growth in particular in Canada and US. In the fourth quarter 2013, total sales in the American market totaled Euro 108.4 million compared to Euro 125.0 million of the same period of the previous year down 13.3% (-7.9% at constant exchange rates), with a positive organic performance in particular in the North American market.

Asian sales for 2013 amounted to Euro 177.5 million, down 10.7% (-6.4% at constant exchange rates) compared with Euro 198.8 million in 2012. Annual trend, as in the fourth quarter confirmed the double digits organic growth with good performance in China, India and Japan. In the fourth quarter of 2013 sales amounted to Euro 47.1 million compared to Euro 54.1 million of the same period of the previous year down 12.9% (-7.2% at constant exchange rates).

Net sales by product
(Euro million)

	2013	%	2012	%	Change %	Change % (*)
Prescription frames	413.8	36.9	437.5	37.2	-5.4	-2.3
Sunglasses	623.7	55.6	655.7	55.8	-4.9	-2.5
Sport products	76.3	6.8	73.1	6.2	+4.3	7.3
Other	7.8	0.7	9.0	0.8	-13.6	-13.2
Total	**1,121.5**	**100.0**	**1,175.3**	**100.0**	**-4.6**	**-1.9**

(*) At constant exchange rates.

Net sales by product
(Euro million)

	Fourth quarter 2013	%	Fourth quarter 2012	%	Change %	Change % (*)
Prescription frames	101.4	36.3	116.2	37.1	-12.7	-8.5
Sunglasses	149.4	53.4	167.8	53.6	-10.9	-7.4
Sport products	27.4	9.8	26.8	8.6	+2.2	+5.7
Other	1.4	0.5	2.1	0.7	-30.1	-33.5
Total	**279.7**	**100.0**	**312.9**	**100.0**	**-10.6**	**-6.9**

(*) At constant exchange rates.

In terms of product category, sales of prescription frames totalled Euro 413.8 million in 2013 (Euro 437.5 million in the same period of 2012), down 5.4% at current exchange rates and 2.3% at constant exchange rates. A double digits organic growth has to be pointed out both in the year and in the fourth quarter in which sales were Euro 101.4 million compared to Euro 116.2 million of the corresponding period of the previous year.

In 2013, the sunglasses segment sales totalled Euro 623.7 million, compared with Euro 655.7 million in the same period of the previous year, down 4.9% (-2.5% at constant exchange rates). Also in this segment, there has been good progress in organic growth more accentuated in the last quarter of 2013 in which sales was Euro 149.4 million compared to Euro 167.8 million of the same period of the previous year.

Income statement for 2013 recorded a **gross profit** of Euro 683.7 million up on the Euro 679.7 million of 2012, with a significant improvement in the gross profit margin to 61.0% (57.8% in 2012). The increase in gross profit continued in the last quarter of 2013, with a gross margin of 59.6% compared with the 54.5% of the same period of 2012. This result reflects a better sales mix and a reduction in obsolete stock as a result of a more effective planning of the supply chain.

The impact of selling and marketing expenses was slightly up in both the year 2013 and the fourth quarter of 2013, compared with the same periods of 2012. This reflects investment in growing and expanding the brands in portfolio.

EBITDA for the 2013 amounted to Euro 111.7 million. Without considering non-recurring expenses of Euro 10.1 million, EBITDA totaled Euro 121.8 million, representing an EBITDA margin of 10.9% with a significant increase on Euro 115.1 million of the previous year, equal to a margin of 9.8%.

Net financial expenses improved benefitting from redemption, in May 2013, of High Yield Bond and from a lower average debt on the period.

The tax rate was affected by the effects of non-recurring events that have impacted the quarter and the year with a negative balance of Euro 13.4 million.

The Group thus reported **net profit** of Euro 15.5 million for the year 2013. Without considering non-recurring items, this figure amounted to Euro 39.0 million with a margin on sales of 3.5% significantly increasing compared with Euro 25.9 million (a margin of 2.2%) of 2012.

In the fourth quarter of 2013 the Group thus reported a loss of Euro 6.3 million. Without considering non-recurring items, the result amounted to a profit of Euro 11.7 million compared with a profit of Euro 5.0 million of 2012.

ANALYSIS BY DISTRIBUTION CHANNEL - WHOLESALE/RETAIL

The table below shows key data by operating segment:

(Euro million)	WHOLESALE				RETAIL			
	2013	**2012**	**Change**	**Change %**	**2013**	**2012**	**Change**	**Change %**
Net sales to 3rd parties	1,041.5	1,094.6	(53.1)	-4.8%	80.0	80.7	(0.7)	-0.9%
EBITDA (*)	111.8	105.2	6.6	6.3%	10.0	9.9	0.1	0.7%
%	*10.7%*	*9.6%*			*12.5%*	*12.3%*		

(Euro million)	WHOLESALE				RETAIL			
	Fourth quarter 2013	**Fourth quarter 2012**	**Change**	**Change %**	**Fourth quarter 2013**	**Fourth quarter 2012**	**Change**	**Change %**
Net sales to 3rd parties	261.5	293.7	(32.1)	-10.9%	18.2	19.2	(1.0)	-5.3%
EBITDA (*)	32.0	28.3	3.7	13.4%	1.1	0.9	0.2	22.0%
%	*12.3%*	*9.6%*			*6.1%*	*4.7%*		

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

The retail business, consisting of 137 Solstice stores in the United States (136 at the end of 2012), positively contributed to the consolidated operating performance.

The retail chain EBITDA margin which was up from 12.3% to 12.5% on the year, thanks to the store network rationalization plan and to the enhancement of its best locations during the last years.

CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31st December 2013 compared with those of 31st December 2012:

Balance sheet (Euro million)	**December 31, 2013**	**December 31, 2012**	**Change**
Trade receivables	239.0	280.4	(41.4)
Inventory, net	212.8	207.6	5.2
Trade payables	(204.9)	(210.6)	5.7
Net working capital	**246.9**	**277.4**	**(30.5)**
Tangible assets	198.2	204.7	(6.5)
Intangible assets and goodwill	584.8	603.6	(18.8)
Financial assets	8.4	10.9	(2.5)
Net fixed assets	**791.4**	**819.2**	**(27.8)**
Employee benefit liability	(34.9)	(36.8)	1.9
Other assets / (liabilities), net	25.2	18.3	6.9
NET INVESTED CAPITAL	**1,028.6**	**1,078.1**	**(49.5)**
Cash in hand and at bank	82.6	59.4	23.2
Short term borrowings	(73.9)	(182.7)	108.8
Long term borrowings	(191.2)	(92.0)	(99.2)
NET FINANCIAL POSITION	**(182.5)**	**(215.3)**	**32.8**
Group Shareholders' equity	(843.1)	(857.7)	14.6
Non-controlling interest	(3.0)	(5.1)	2.1
TOTAL SHAREHOLDERS' EQUITY	**(846.1)**	**(862.8)**	**16.7**

Net working capital

Net working capital was significantly down compared to the end of 2012, due primarily to a different invoicing timing and to an effective management of receivables.

The Group closely monitors the performance of working capital in order to ensure continual improvement in its financial position.

Net working capital (Euro million)	**December 31, 2013**	**December 31, 2012**	**Change**
Trade receivables, net	239.0	280.4	(41.4)
Inventories	212.8	207.6	5.2
Trade payables	(204.9)	(210.6)	5.7
Net working capital	**246.9**	**277.4**	**(30.5)**
% on net sales	*22.0%*	*23.6%*	

The ratio of working capital to sales shows improvement from 23.6% of 2012 to 22.0% of 2013.

Fixed assets and investments in tangible and intangible fixed assets

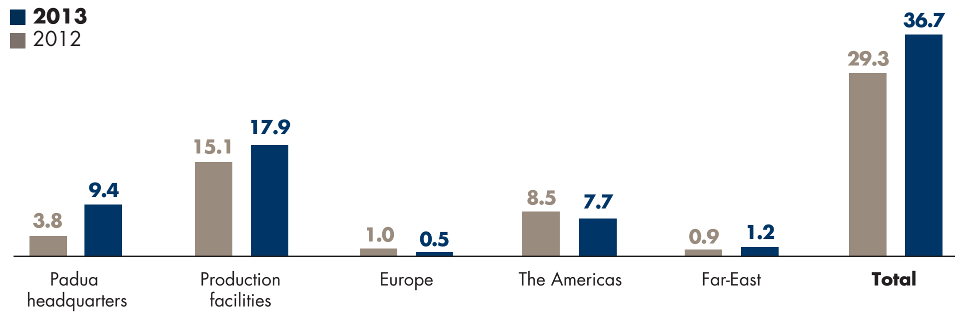
Non-current assets total Euro 871.5 million at the end of 2013 compared to Euro 901.4 million in 2012.

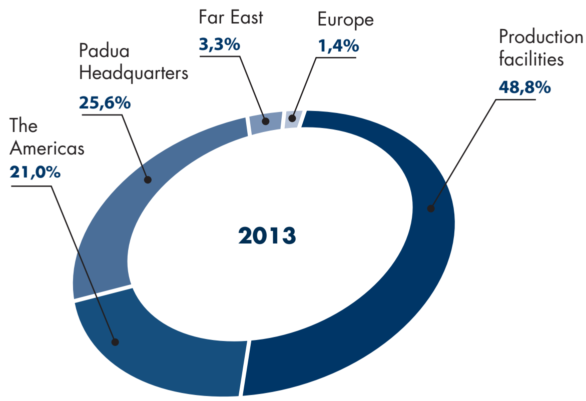
Non-current assets include goodwill of Euro 536.1 million. Impairment tests of these assets did not highlight the need to impair the related carrying amount. Difference on this asset compared to the balance of Euro 558.0 million of 2012 is related to the effects of exchange rates variation on the part expressed in currencies other than Euro.

The Group continued to monitor operating investments totalling Euro 36.7 million also in 2013 (Euro 29.3 million in 2012); it has to be noted that among construction in progress it is included part of the investment for the transformation of the Group operating systems.

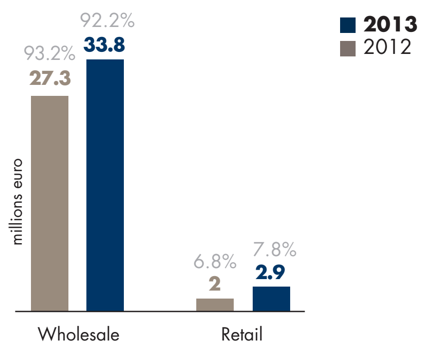
Most of the investment resources were focused on the normal renewal and improvement of production plants.

INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS





CAPITAL EXPENDITURE BY DISTRIBUTION CHANNEL



FINANCIAL SITUATION

The main items of the net financial position at 31st December 2013 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, 2013**	**December 31, 2012**	**Change**
Current portion of long-term borrowings	(25.0)	(1.3)	(23.7)
Bank overdrafts and short term bank borrowings	(12.9)	(13.8)	0.9
Other short-term borrowings	(36.0)	(40.0)	4.0
Ordinary bonds	-	(127.6)	127.6
Cash and cash equivalent	82.6	59.4	23.2
Short-term net financial position	**8.7**	**(123.3)**	**132.0**
Long-term borrowings	(191.2)	(92.0)	(99.2)
Long-term net financial position	**(191.2)**	**(92.0)**	**(99.2)**
NET FINANCIAL POSITION	**(182.5)**	**(215.3)**	**32.8**

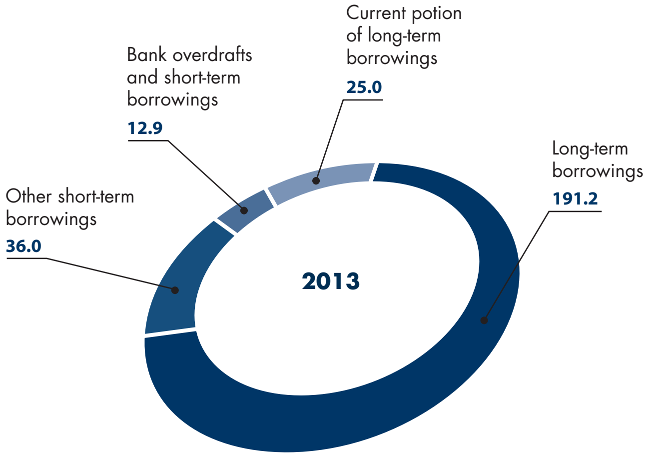
Group net debt down further

Net financial position maintained a constant improvement during 2013, enabling the Group to continue strengthening its overall financial position.

Net debt was down to Euro 182.5 million, with financial leverage of 1.5x EBITDA before non-recurring items.

In May 2013, through the controlled entity Safilo Capital International S.A. the Group has redeemed the residual part of the High Yield Bond equal to a residual notional amount of Euro 135 million, of which Euro 7.1 million held by the controlled entity Safilo S.p.A..

GROSS DEBT 2013
millions euro



Free cash flow

Free cash flow (Euro million)	**2013**	**2012**	**Change**
Cash flow operating activities	68.6	80.4	(11.8)
Cash flow investing activities	(40.2)	(99.4)	59.2
Free cash flow	**28.4**	**(19.0)**	**47.4**

In 2013 Free Cash Flow was positive for Euro 28.4 million compared to a negative value of Euro 19.0 million of 2012. Investing activities in 2012 included the acquisition of the Polaroid business.

MAIN CRITICAL RISK FACTORS FOR THE GROUP

The Group implements all the possible measures to contrast any 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 policies which also include the use of derivatives in order to minimise the effects deriving from fluctuations in exchange rates (especially of the American dollar) and interest rates.

Credit risks

The Group minimises risk through instruments to control customer insolvency

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

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

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

Market risks

Market risks can be divided into the following categories:

Exchange rate risk

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

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

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

The Group constantly tries to reduce 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.

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 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.

Senior loan

In addition to the existing liquidity and the internal capacity to generate cash, the main financial resource available to the Group is the committed revolving credit facility of Euro 260 million of the *senior loan* granted to certain Group companies by a banking pool coordinated by Unicredit Bank AG, expiring in June 2015.

In terms of redemption of the High Yield Bond, duly completed in May 2013, the Group entered into two new *senior* committed revolving credit facilities expiring in June 2015, for a total amount of Euro 100 million - of which Euro 60 million within the so-called *senior loan* (thus amounting to Euro 260 million from the initial Euro 200 million) and 40 million granted by the main shareholder Multibrands Italy BV.

During the financial year 2014 the main commitments on the front borrowings are represented by the maturity within the *senior loan* of the *term loan line* for an amount of approximately Euro 25 million at the end of June. Such commitments are widely covered by the financial resources available at the balance sheet date.

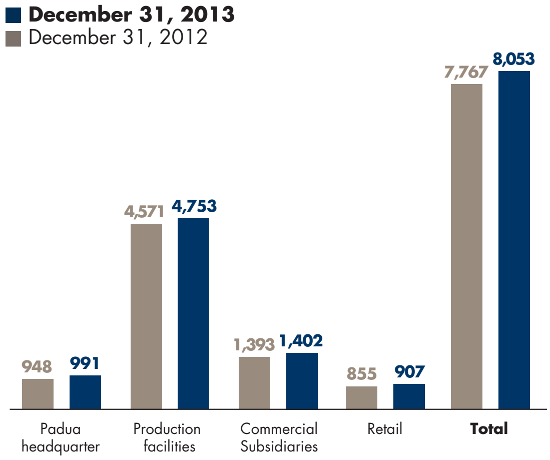
In relation to June 2015 as the deadline of the above mentioned *senior* funding with banks and Multibrands Italy BV, the Group is also evaluating further appropriate tools to refinance, all or part of its debt at maturity.

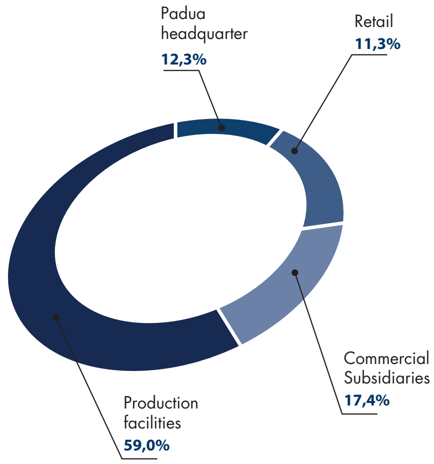
HUMAN RESOURCES AND THE ENVIRONMENT

Human Resources

The Group's workforce

At the end of 2013, the Group had 8,053 staff compared with 7,767 at the end of 2012.





The Group encourages staff to play their part

Safilo believes that people play a key role in strengthening its competitiveness. The evolution and consolidation of a corporate culture, and of the associated conduct, is linked to building the technical and managerial expertise of the Group's human resources through development initiatives designed to promote the personal and professional development of individuals. The guiding principles behind the Group's approach in this regard focus on putting the customer at the centre of everything we do, teamwork, entrepreneurial spirit and getting results.

Structured processes at international level are used in the appraisal of staff, starting from their recruitment, thanks to ongoing assessment of their contribution to to the Group's results and of their individual development.

Talent Acquisition

Also this year the "Talent Acquisition" initiative continued with the mission of attracting and hiring high-potential candidates with a diverse background, highly competent, international, with strong commitment and leadership skills. This activity crossed geographies and markets, aiming at building leadership skills and core competencies to ensure the sustainable growth of the business in the long term. The Group also boosted initiatives relating to employer branding, including the targeted use of social and professional networks, which are resulting in a growing interest in the Group from the talent market.

Learning & Development

In 2013 training and development initiatives focused on boosting managerial, linguistic and technical skills in order to enhance the competitiveness and efficiency of the company. Further interventions were specific to certain business functions to support the organization's development and the related change management processes.

With regards to the commercial area (Customer Contact Center and Salesforce) training activities were carried out to consolidate and strengthen the managerial and sales skills. focused on strengthening and enhancing the managerial and selling competencies. In Global Supply Chain and Information & Communication Technology areas, training activities have been implemented to improve the ability to work on projects, systemic vision competencies, change management and communication.

Continuity has been guaranteed on training activities on issues of Safety and Environment (in line with the State-Regions Agreement), on the administrative responsibility of the Company pursuant to Legislative Decree no. 231/2001, and on the Corporate Social Responsibility - SA8000 consolidating the use of e-learning methodology, of internal coaching and action learning in order to enhance the self-development, enhancing the know-how and the immediate application of learning to the concrete reality of the workplace.

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.

Certification is proof of the Company's commitment to correctly implementing the provisions of the Organisational, 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.

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.

Certification marks a further step towards full implementation of the Code of Ethics adopted by Safilo in 2006.

The Safilo Group is aware of its social and environmental responsibility

During the year Safilo thus continued to promote awareness of issues relating to social responsibility throughout its supply chain, in accordance with the provisions of the SA8000 standard.

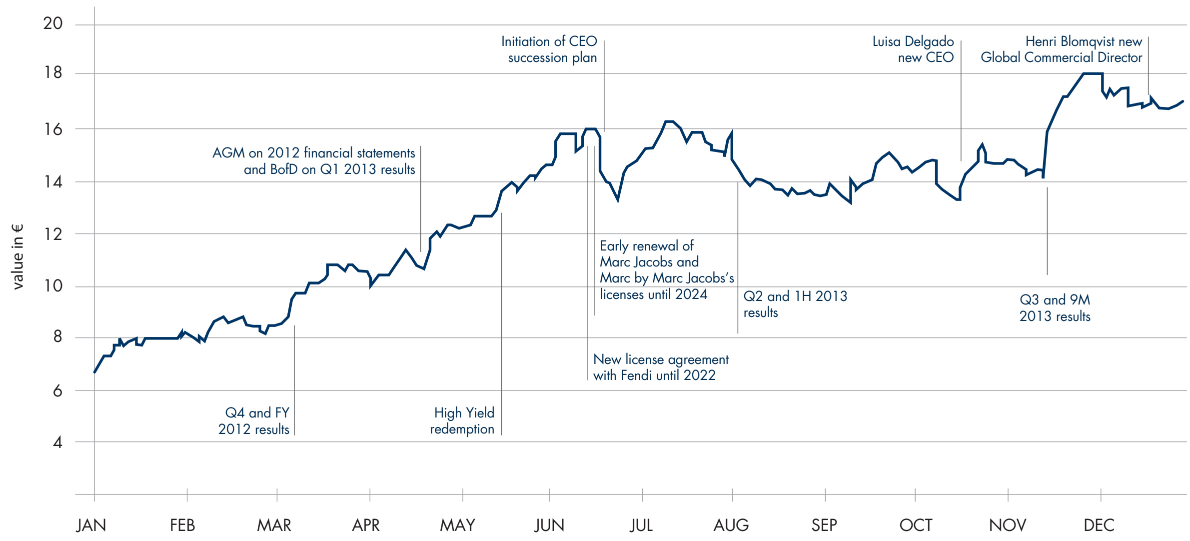
In view of the Group's commitment to ensuring that it operates with a corporate conscience and with respect for the environment and existing regulations, Safilo designed an environmental management system in 2012, with the aim, on the one hand, of controlling the environmental impact of its operations 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 is also committed to research and the adoption of environmentally compatible technologies, developing innovative approaches to improving environmental sustainability. This has led it to enter into collaboration agreements and memorandums of understanding with leading public bodies and universities.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS

Safilo in the stock exchange



2013 a record year for Safilo's shares

2013 was a record year for Safilo's shares, which rose 155.6% over the year, closing in on a return to the levels last seen before the crisis of 2008.

The shares ended the last trading day of the year at a closing price of Euro 17.00, having outperformed all the main comparative indexes, from Milan's general FTSE MIB, up 16.56%, to the FTSE Italia Mid Cap (up 48.84%), which includes Safilo, to the more specific indexes for the sector, consisting of Europe's principal luxury goods and fashion groups.

As happened in 2012, when the shares rose 36.5%, in 2013 the Group's share price performance was driven by its financial results during the year and by a series of events having a positive impact on Safilo's business.

In addition to the renewal of licences with the Liz Claiborne, Banana Republic, Marc Jacobs, Fossil and Kate Spade brands, the Group also concluded new licensing agreements for Bobbi Brown glasses and, more importantly, the Fendi brand, further reinforcing Safilo's strong links with the LVMH Group.

New product partnerships were also announced during the first half, including one with Marc Newson, who has given his name to an exclusive capsule eyewear collection produced by Safilo. New business partnerships were also concluded, including the licensing agreement with Essilor for polarised ophthalmic lenses marketed under the Polaroid brand.

In financial terms, the redemption of High Yield bonds and the accompanying arrangement of new borrowing facilities were of key importance, leading Moody's to upgrade Safilo's debt to B2 with a positive outlook.

In the second half of 2013 Safilo's share price fluctuated, a direct result of the transitional phase that began with the announcement, on 19 June, that the Group was looking to appoint a new Chief Executive Officer. This process culminated with the appointment of Luisa Delgado to head the Group on 15 October.

After a period of volatility, which saw the shares hover around the Euro 13.5 mark, Safilo began to strengthen again following the announcement of its nine-month results for 2013, reaching a high for the year of Euro 18.31 on 29 November.

The Group's last price sensitive announcement in December regarded the appointment of Henri Blomqvist as Safilo's new Global Commercial Director.

On 31 December 2013 Safilo's stock market capitalisation was Euro 1,059 million.

Investor relations

Following on from its Investor Relations programme launched in the second part of 2012, the Group continued to invest in engagement with analysts and investors in 2013, boosting its presence in the main financial centres.

Financial communication focused on the Group's existing shareholders, with the greater proportion of the Group's capital held by European investors.

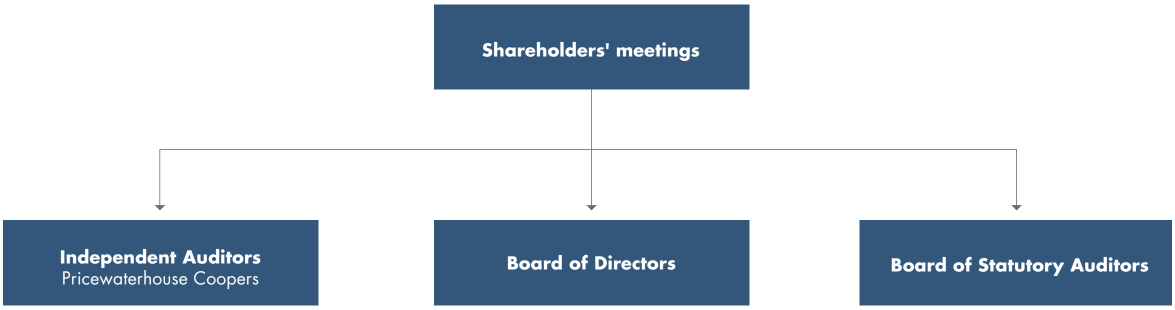
Financial calendar

Board of Directors' meetings planned for 2014:

5th March	Draft Financial Statements for 2013
15th April	Shareholders' Meeting for the approval of the Financial Statements 2013
29th April	Interim Report on Operations for the 1st quarter 2014
31st July	Interim Report on Operations for the 2nd quarter and 1st half 2014
6th November	Interim Report on Operations for the 3rd quarter and first nine months 2014

CORPORATE GOVERNANCE

Corporate bodies and officers

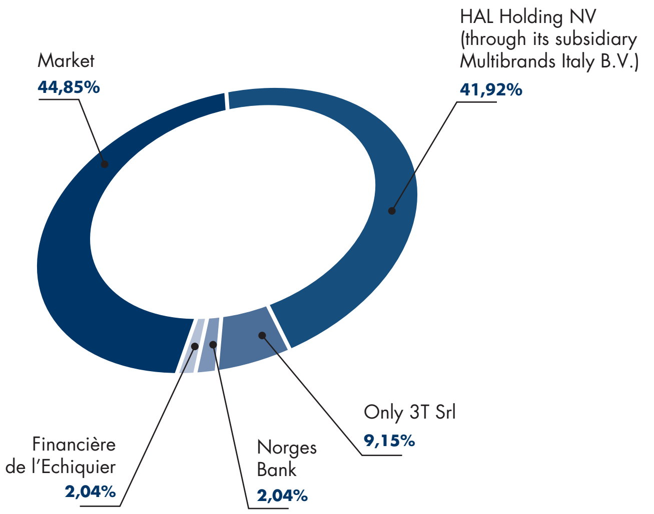


Information on shareholders (pursuant to Article 123-bis, paragraph 1, of Italian Consolidated Finance Act)

Shareholding structure of Safilo Group S.p.A.

At 31st December 2013 the share capital of Safilo Group S.p.A. comprised 62,199,965 ordinary shares with a face value of Euro 5.00 each, of which 41.9192% were held by the company Multibrands Italy BV, with registered office in the Netherlands, and 9.1521% were held by Only 3T. S.r.l..

The following chart shows owners of Safilo Group ordinary shares as at 31st December 2013 with shareholdings exceeding 2% of share capital.



Management and coordination activities

The Company is not subject to direction and coordination activities by others, as defined by Articles 2497 et seq. of the Civil Code. In fact, the Company autonomously defines its general strategic and operative guidelines and has independent authority to negotiate with customers and suppliers; the Company also has a sufficient number of independent directors to ensure that their opinions have a significant impact on Board of Directors decisions.

Transfer restrictions

As at 31st December 2013 there were no restrictions either of share transfer or of shareholders' voting 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 2013, exist a shareholder's agreement underwrote on September 15th, 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 that represent 42.211% of the share capital of the Company at the date of the agreement, 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, 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.

Restrictions on the right to vote and special rights

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 beneficiary of the Plan 2010-2013, which main characteristics are described in the related paragraph, have exercised some options of the First Tranche amounting to 460,000 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 2,300,000 and an increase in the share premium reserve equal to Euro 1,401,620.

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. and William Grant & Sons.

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). Since 2007 she has been a member of the Board of Directors of AmCham (Sweden) and KTF/Chemical Industry Trade Association (Sweden). In September 2012 she joined SAP A.G. as a Member of the Executive Board in charge of "global human resources" and "labor relations director" based in Germany. She also became 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 HomeCare Sector, P&G Geneve. Previously he gained various important management positions in the companies of P&G Group. Amongst his various Association positions, he is 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 2010, Chairman and CEO of Lookmatic.com, a start-up internet prescription eyewear business.
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 a member of the Executive Committee since 2003. Presently he is also member of the Supervisory Board of GrandVision B.V. (non-executive), Chairman of Stichting HAL Pensionfund (executive) and Chairman of Supervisory Board of Audionova BV (non-executive). In the past, he held important roles in different companies of the HAL Group among these, he was CEO of Pearle Europe B.V. (2001-2003) and GrandVision S.A. (2005-2006), Supervisory Board member of Pearle Europe BV (1996 – 2010) and Chairman of Supervisory Board GrandVision SA (2004 – 2010).

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 SC Johnson, where he had managerial roles in Europe and in the US. In 2002, he became President of PepsiCo Europe, managing all Pepsico Businesses. In 2006 was appointed Chairman and Chief Executive Officer of Galbani S.p.A., until its sale to Lactalis Group. He has been Non-Executive Chairman of Board of Directors of Argenta S.p.A., the leading vending company in Italy, and Arcaplanet, the biggest retail chain of pet care and food products, since 2008. He is also an independent member of the Board of Directors of Autogrill S.p.A and of Parmalat S.p.A.. In June 2013 joined the Advisory Board of Gallina Blanca Star.

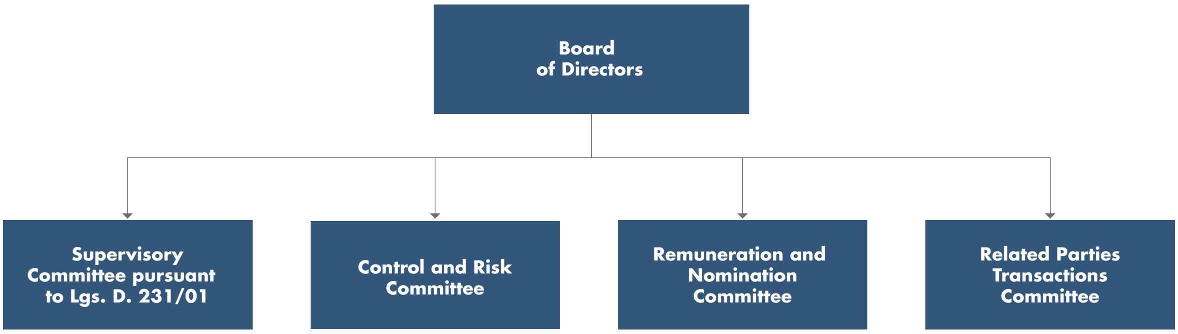
Eugenio Razelli
(Director)

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
	Carlo Bonini (*)

Control and Risk Committee

Chairman	Eugenio Razelli
	Marco Jesi
	Massimiliano Tabacchi

Remuneration and Nomination Committee

Chairman	Jeffrey A. Cole
	Melchert Frans Groot
	Marco Jesi

Related Parties Transactions Committee

	Eugenio Razelli
	Marco Jesi
	Giovanni Ciserani

(*) In charge from 31st January 2013.

The Board of Statutory Auditors

The Board of Statutory Auditors currently in office has been appointed by the Shareholders' Meeting held on April 27th, 2011 and will remain in office for three years until the date of the Shareholders' Meeting called for the approval of the financial statements at 31.12.2013.

Paolo Nicolai
(Chairman)

Born in Legnaro (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 (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

PwC appointed until 2013

The Shareholders Assembly of 14th September 2005 entrusted PricewaterhouseCoopers S.p.A. with the mandate of auditing the yearly and consolidated financial statements for 2005, 2006, 2007 as well as the half-year audits on 30th June 2005, 2006 and 2007. With the Shareholders' Assembly resolution on 14th May 2007 the PWC appointment was extended and integrated until approval of the Financial Statements of 31st December 2013, further to the changes in the provisions of the Consolidated Financial Act, which govern accounts audits of issuers and relative groups.

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 7th August 2012, the Board of Directors appointed as the manager responsible for drawing up corporate financial reporting documents (hereinafter "Financial Reporting Manager"), the Chief Financial Officer Vincenzo Giannelli after receiving the favourable opinion of the Board of Auditors - who possesses the professional requisites, including specific skills as well as many years of experience in accounting and financial matters, required for the performance of the tasks assigned by the regulations in force to the Financial Reporting Manager. Moreover, it has been established that the manager thus appointed will hold office until his resignation or revocation by the Board of Directors.

Article 36 CONSOB Regulation 16191/2007

Article 36 CONSOB Regulations 16191/2007

In compliance with article 2.6.2. of the Regulations for markets organised and managed by Borsa Italiana S.p.A., Safilo Group S.p.A. declares the 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.

For more detailed information on the Plan as well as the subsequent amendments, please refer in full to the prospectus prepared pursuant to article 84-bis of the Issuer Regulations as amended, as well as all other documents relating to this Plan, prepared in accordance with the laws in force, and all available in the Investors Relations - Corporate Governance section of the website.

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 2013.

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, 2013.

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, 2013	Net profit/ (loss) of the year 2013	Equity as of December 31, 2012	Net profit/ (loss) of the year 2012
Balances as per Safilo Group S.p.A.'s statutory financial statements	779.0	(7.5)	782.1	(5.7)
Contribution of consolidated companies	1,185.0	(25.3)	1,182.7	57.8
Write-off of the book value of consolidated subsidiaries	(1,578.8)	52.7	(1,580.3)	50.9
Goodwill	487.8	(0.1)	516.4	-
Elimination of dividends paid within the Group	-	(3.9)	-	(78.3)
Elimination of intercompany gains within the Group	3.2	1.8	(6.2)	0.5
Elimination of intercompany profits included in inventory	(32.9)	(0.5)	(36.1)	0.8
Investments in associates - equity method	3.1	(1.9)	5.1	(0.8)
Other consolidated entries	(0.4)	0.7	(0.9)	1.4
Total	**846.0**	**16.0**	**862.8**	**26.6**
Equity attributable to minority interests	2.9	0.5	5.1	0.7
Total attributable to the Group	**843.1**	**15.5**	**857.7**	**25.9**

SIGNIFICANT EVENTS AFTER THE YEAR-END AND OUTLOOK

On February 27, 2014 Safilo S.p.A. decided to accept the proposal of the definition of tax disputes pending, for all of the years involved. The definition determines charges for a total of Euro 21 million - of which Euro 7 million accrued in the financial statements as at 31st December 2012 and Euro 14 million allocated in this financial statement - to be paid in 12 quarterly installments starting in February 2014.

Following a two-year transition period, during which the Group has succeeded in effectively and resolutely redefining the scope of our business, 2014 will be a year of continuity and further expansion of the brand portfolio, recently enriched by the launch of the Fendi brand, in our principal international markets.

In the eightieth year since the Company's foundation, Safilo reiterates its commitment to strengthening and injecting renewed vitality into our main areas of business, so as to guarantee the Group lasting and profitable growth, starting with our proprietary brands, the main emerging markets and the distribution channels with the greatest growth potential.

These are the principal objectives underlying Safilo's strategy in 2014, together with the development of programmes designed to improve our business processes and the related information systems.

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



2 | CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(thousands of Euro)	Notes	December 31, 2013	of which related parties	December 31, 2012	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	4.1	82,608		59,388	
Trade receivables	4.2	238,979	8,367	280,442	21,122
Inventory	4.3	212,780		207,639	
Derivative financial instruments	4.4	54		126	
Other current assets	4.5	59,760		42,344	
Total current assets		**594,181**		**589,939**	
Non-current assets					
Tangible assets	4.6	198,176		204,713	
Intangible assets	4.7	48,703		45,646	
Goodwill	4.8	536,075		558,046	
Investments in associates	4.9	8,432		10,916	
Available-for-sale financial assets	4.10	237		245	
Deferred tax assets	4.11	77,168		76,987	
Derivative financial instruments	4.4	34		-	
Other non-current assets	4.12	2,631		4,825	
Total non-current assets		**871,456**		**901,378**	
TOTAL ASSETS		**1,465,637**		**1,491,317**	

(thousands of Euro)	Notes	December 31, 2013	of which related parties	December 31, 2012	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	4.13	73,874		182,643	68,301
Trade payables	4.14	204,934	6,733	210,573	13,672
Tax payables	4.15	18,210		16,193	
Derivative financial instruments	4.4	1,673		1,000	
Other current liabilities	4.16	43,518		47,739	959
Provisions for risks and charges	4.17	3,325		2,851	
Total current liabilities		**345,534**		**460,999**	
Non-current liabilities					
Long-term borrowings	4.13	191,230		92,034	
Employees benefits liability	4.18	34,879		36,819	
Provisions for risks and charges	4.17	34,593		24,004	
Deferred tax liabilities	4.11	8,061		7,745	
Derivative financial instruments	4.4	24		1,555	
Other non-current liabilities	4.19	5,254		5,315	
Total non-current liabilities		**274,041**		**167,472**	
TOTAL LIABILITIES		**619,575**		**628,471**	
SHAREHOLDERS' EQUITY					
Share capital	4.20	311,000		308,700	
Share premium reserve	4.21	482,565		481,163	
Retained earnings and other reserves	4.22	34,526		43,563	
Fair value and cash flow reserves	4.23	(490)		(1,555)	
Income attributable to the Group		15,521		25,865	
Total shareholders' equity attributable to the Group		**843,122**		**857,736**	
Non-controlling interests		**2,940**		**5,110**	
TOTAL SHAREHOLDERS' EQUITY		**846,062**		**862,846**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,465,637**		**1,491,317**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euro)	Notes	2013	of which related parties	2012	of which related parties
Net sales	5.1	1,121,531	56,787	1,175,292	64,432
Cost of sales	5.2	(437,841)	(9,575)	(495,621)	(8,342)
Gross profit		**683,690**		**679,671**	
Selling and marketing expenses	5.3	(451,828)	(4,628)	(461,866)	(11,155)
General and administrative expenses	5.4	(148,997)		(148,241)	
Other operating income/(expenses)	5.5	(8,141)		4,312	(76)
Operating profit		**74,724**		**73,876**	
Share of income/(loss) of associates	5.6	(2,093)		(497)	
Financial charges, net	5.7	(22,569)	(2,447)	(29,342)	(6,583)
Profit before taxation		**50,062**		**44,037**	
Income taxes	5.8	(34,089)		(17,436)	
Profit of the period		**15,973**		**26,601**	
Profit attributable to:					
Owners of the parent		15,521		25,865	
Non-controlling interest		452		736	
Earnings per share - basic (Euro)	**5.9**	**0.251**		**0.428**	
Earnings per share - diluted (Euro)	**5.9**	**0.250**		**0.428**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	2013	2012
Net profit for the period (A)		**15,973**	**26,601**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		1,926	(3,007)
- Other gains/(losses)		(275)	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**1,651**	**(3,007)**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	4.23	1,064	(214)
- Gains/(Losses) on exchange differences on translating foreign operations	4.22	(35,750)	(13,580)
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**(34,686)**	**(13,794)**
Other comprehensive income/(loss), net of tax (B)		**(33,035)**	**(16,801)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(17,062)**	**9,800**
Attributable to:			
Owners of the parent		(17,429)	9,134
Non-controlling interest		367	666
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(17,062)**	**9,800**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Euro)	Notes	2013	2012
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	4.1	**45,623**	**76,528**
B - Cash flow from (for) operating activities			
Net profit for the period (including minority interests)		15,973	26,601
Depreciation and amortization	4.6 - 4.7	36,963	41,223
Other non-monetary P&L items		(36)	4,257
Interest expenses, net	5.7	11,263	19,093
Income tax expenses	5.8	34,089	17,436
Income from operating activities prior to movements in working capital		**98,252**	**108,610**
(Increase) Decrease in trade receivables		30,828	(16,997)
(Increase) Decrease in inventory, net		(8,017)	18,540
Increase (Decrease) in trade payables		(2,207)	4,525
(Increase) Decrease in other current receivables		(20,090)	(2,105)
Increase (Decrease) in other current payables		16,967	17,788
Interest expenses paid		(11,944)	(18,185)
Income taxes paid		(35,181)	(31,765)
Total (B)		**68,608**	**80,411**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(28,198)	(26,720)
Net disposals of property, plant and equipment		634	559
Acquisition of subsidiary (net of cash acquired)		-	(58,360)
Acquisition of minorities (in subsidiaries)		(4,107)	(12,253)
(Acquisition) Disposal of investments and bonds		-	(13)
Purchase of intangible assets		(8,508)	(2,616)
Total (C)		**(40,179)**	**(99,403)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		125,360	29,210
Repayment of borrowings		(134,541)	(81,756)
Share capital increase		3,702	44,262
Dividends paid		-	(2,658)
Total (D)		**(5,480)**	**(10,942)**
E - Cash flow for the period (B+C+D)		**22,949**	**(29,934)**
Translation exchange differences		1,097	(971)
Total (F)		**1,097**	**(971)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	4.1	**69,669**	**45,623**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Share capital	Share premium reserve	Transl. diff. reserve	Fair value and 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**

(thousands of Euro)	Share capital	Share premium reserve	Transl. diff. reserve	Fair value and cash *flow* reserves	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2012	**284,110**	**461,491**	**14,004**	**(1,341)**	**45,938**	**804,202**	**11,540**	**815,742**
Profit for the period	-	-	-	-	25,865	25,865	736	26,601
Other comprehensive income (loss) for the period	-	-	(13,510)	(214)	(3,007)	(16,731)	(70)	(16,801)
Total comprehensive income (loss) for the period	**-**	**-**	**(13,510)**	**(214)**	**22,858**	**9,134**	**666**	**9,800**
Increase in share capital	24,590	19,672	-	-	-	44,262	-	44,262
Dividends distribution	-	-	-	-	-	-	-	-
Purchase of shares in subsidiaries from non-controlling interests	-	-	-	-	(1,441)	(1,441)	(7,096)	(8,537)
Net increase in the Reserve for share-based payments	-	-	-	-	1,579	1,579	-	1,579
Changes in other reserves	-	-	-	-	-	-	-	-
Consolidated net equity at December 31, 2012	**308,700**	**481,163**	**494**	**(1,555)**	**68,934**	**857,736**	**5,110**	**862,846**

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 41,9192% due to the dilutive effect coming from the excercise of the Stock options Plan.

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 2013 to 31st December 2013 and also presents comparative data related to the financial period from 1st January 2012 to 31st December 2012.

These financial statements were approved by the Board of Directors on 5th March 2014.

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 2013 and 31st December 2012 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 2013

The following new standards and amendments, effective from 1 January 2013, are applicable to the Group.

On June 16th, 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring companies to group items presented in "Total comprehensive income/loss" depending on whether they are potentially reclassificable to profit or loss subsequently. The amendment is applicable for periods beginning on or after July 1st, 2012. The Group has been applying this amendment since January 1st, 2013. Its application had no effect on the measurement of items. The disclosure of the comparative figures provided in this report has been restated accordingly.

On June 16th, 2011 the IASB issued an amendment to IAS 19 – Employees Benefits, retrospectively applicable from January 1st, 2013. The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expenses and the classification of net interest expenses arising from defined benefit plans. The amendment application had no effect neither on the measurement of items nor on the disclosures provided in this interim report since the Group did not defer actuarial gains and losses in accordance with the corridor method but already recognised all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise. As far as concern the introduction of the net interest expenses and the classification of net interest expenses arising from defined benefit plans it had no effect since the Group plans have no plan assets.

On May 12th, 2011 the IASB issued IFRS 13 – Fair Value Measurement, which clarifies the determination of fair value for the purpose of the financial statements and it is applicable to all IFRSs, permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard has to be prospectively applied from January 1st, 2013. The application of this standard did not have any significant effect on the measurement of items in this report.

On 16 December 2011, the IASB issued certain amendments to IFRS 7 – Financial Instruments: Disclosures. The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The Group applied the amendments since 1 January 2013. The application of these amendments had no effect on the disclosures presented in this report.

On 17 May 2012, the IASB issued a set of amendments to IFRSs ("Annual Improvements to IFRS's – 2009-2011 Cycle"); set out below are those that are applicable to the Group, excluding those that only regard changes in terminology and have a limited accounting effect: IAS 1 – Presentation of Financial Statements; IAS 16 – Property, plant and equipment; IAS 32 – Financial instruments: Presentation.

The Group applied these improvements retrospectively since 1 January 2013 and no significant effects arose in this report.

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

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 is expected 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 is expected 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 is expected from the first time adoption of these amendments.

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

On 20 May 2013, the IASB issued the IFRIC Interpretation 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

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.

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 2013 include the parent company, Safilo Group S.p.A, and 52 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights.

In 2013, the Group's consolidation area changed as follows:

- on 31st May 2013 the subsidiary, Safilo Far East Ltd., acquired additional 7% interests in Safint Optical Investment Ltd., a holding company registered in Hong Kong, and already 90% owned. As a result of the acquisitions, the Group now owns 97% of the holding company and indirectly of the Chinese trading companies Safilo Trading Shenzen Ltd. and Safilo Eyewear (Shenzen) Company Ltd., wholly owned by it;

- on 31st May 2013 the subsidiary, Safilo Far East Ltd., acquired a further 10% interest in the trading company, Safilo Hong Kong Ltd., a holding company registered in Hong Kong, and already 70% owned. As a result of the acquisition, the Group has increased its interest to 80%;

- in 2013 the minority shareholder of the subsidiary Safilo India Pvt Ltd has exercised its option to sell the share interest held equal to 11, 5%. Following this exercise, although not yet legally finalized the transfer of the shares, it was decided to consolidate 100% of the subsidiary and to detect the corresponding liability for the price not yet settled.

Starting from 1st January 2013 the American trading company Polaroid Eyewear U.S. LLC. has been merged into Safilo USA Inc..

During the second quarter it has been also completed the liquidation of the Italian subsidiary Smith Sport Optics S.r.l..

At 31st December 2013 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
Polaroid Eyewear S.r.l. - Varese	EUR	104,000	100.0
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 Capital Int. S.A. - Luxembourg (L)	EUR	31,000	100.0
Luxury Trade S.A - Luxembourg (L)	EUR	1,650,000	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	80.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading (Shenzen) Company Limited - (RC)	CNY	2,481,000	97.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	USD	6,700,000	97.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	USD	18,300,000	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 Paolo (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	88.5
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	5,961,418	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

Investments in subsidiaries

The companies in which the Group exercises control ("subsidiary companies"), as defined in IAS 27, 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 2013 and 31st December 2012 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, 2013	As of December 31, 2012	(Appreciation)/ Depreciation %	Average for 2013	Average for 2012	(Appreciation)/ Depreciation %
US Dollar	USD	1.3791	1.3194	4.5%	1.3281	1.2848	3.4%
Hong-Kong Dollar	HKD	10.6933	10.2260	4.6%	10.3016	9.9663	3.4%
Swiss Franc	CHF	1.2276	1.2072	1.7%	1.2311	1.2053	2.1%
Canadian Dollar	CAD	1.4671	1.3137	11.7%	1.3684	1.2842	6.6%
Japanese Yen	YEN	144.7200	113.6100	27.4%	129.6627	102.4900	26.5%
British Pound	GBP	0.8337	0.8161	2.2%	0.8493	0.8109	4.7%
Swedish Krown	SEK	8.8591	8.5820	3.2%	8.6515	8.7041	-0.6%
Australian Dollar	AUD	1.5423	1.2712	21.3%	1.3777	1.2407	11.0%
South-African Rand	ZAR	14.5660	11.1727	30.4%	12.8330	10.5511	21.6%
Russian Ruble	RUB	45.3246	40.3295	12.4%	42.3370	39.9262	6.0%
Brasilian Real	BRL	3.2576	2.7036	20.5%	2.8687	2.5084	14.4%
Indian Rupee	INR	85.3660	72.5600	17.6%	77.9300	68.5973	13.6%
Singapore Dollar	SGD	1.7414	1.6111	8.1%	1.6619	1.6055	3.5%
Malaysian Ringgit	MYR	4.5221	4.0347	12.1%	4.1855	3.9672	5.5%
Chinese Renminbi	CNY	8.3491	8.2207	1.6%	8.1646	8.1052	0.7%
Korean Won	KRW	1,450.9300	1,406.2300	3.2%	1,453.9121	1,447.6913	0.4%
Mexican Peso	MXN	18.0731	17.1845	5.2%	16.9641	16.9029	0.4%

2.6 Tangible assets

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

Charges incurred for the maintenance and repairs of 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.

Loans

Loans 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.

Loans 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. 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.

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 past due receivables as of 31st December 2013 and 31st December 2012 as well as any allowance made for totally or partially uncollectible receivables:

(thousands of Euro)	December 31, 2013		December 31, 2012	
Ageing of trade receivables overdue and impaired	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**
up to 6 months	3,666	(2,591)	3,267	(2,655)
6 to 12 months	8,011	(7,421)	1,952	(1,851)
12 to 24 months	3,888	(3,696)	3,765	(3,765)
over 24 months	14,831	(12,593)	15,628	(15,628)
Total	**30,396**	**(26,301)**	**24,612**	**(23,899)**

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 2013 past due receivables for which no allowance for bad debts was made, as the Group considered them fully collectible, amounted to 49,327 thousand Euro (compared to 52,813 thousand Euro at 31st December 2012). Of these, receivables that were more than 12 months past due amounted to 2,386 thousand Euro (compared to 1,611 thousand at 31st December 2012) but accounted for 0.9% of the Group's total trade receivable vis-à-vis 0.5% in the previous year.

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.

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 "conversion reserve".

As far as the sensitivity analysis is concerned, note that an increase or decrease of 1% of the US dollar against the Euro would result respectively in an increase or a decrease of the 2013 operating profit of the Group of around 0.1 million Euro (around 0.1 million Euro in 2012).

The tables below summarize the financial assets and liabilities of the Group per currency at 31st December 2013 and 31st December 2012:

	December 31, 2013			
(thousands of Euro)	**Euro**	**Dollaro USA**	**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 financial 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**

(thousands of Euro)	December 31, 2012			
	Euro	**Dollaro USA**	**Other currencies**	**Total**
Cash in hand and at bank	9,085	18,669	31,634	59,388
Trade receivables, net	115,100	91,146	74,196	280,442
Derivative financial instruments	-	126	-	126
Other current assets	24,933	8,669	8,742	42,344
Total current financial assets	**149,118**	**118,610**	**114,572**	**382,300**
Derivative financial instruments	-	-	-	-
Other non-current assets and available for sale financial assets	2,943	885	1,242	5,070
Total non-current financial assets	**2,943**	**885**	**1,242**	**5,070**
Trade payables	118,304	68,848	23,421	210,573
Short-term borrowings	168,825	-	13,818	182,643
Derivative financial instruments	-	1,000	-	1,000
Tax payables and other current liabilities	34,872	8,852	20,208	63,932
Total current financial liabilities	**322,001**	**78,700**	**57,447**	**458,148**
Long-term borrowings	91,863	-	171	92,034
Derivative financial instruments	1,555	-	-	1,555
Other non-current liabilities	13	4,944	358	5,315
Total non-current financial liabilities	**93,431**	**4,944**	**529**	**98,904**

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. This risk is predominantly concentrated within the "available for sale" portfolio and is constantly monitored by the Group.

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.

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 2013 the floating-rate portion of the Group's total borrowings not subject to hedging amounted to 140,020 thousand Euro (accounting for 52.82% of total debt) compared to 72,844 thousand Euro (accounting for 26.52% 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.

As far as the sensitivity analysis is concerned, 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 672 thousand Euro (491 thousand Euro at 31st December 2012).

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 654 thousand Euro (684 thousand Euro at 31st December 2012). 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 647 thousand Euro (673 thousand Euro at 31st December 2012).

The following table summarises the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31st December 2013 and 31st December 2012:

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	6/30/2014
Revolving facility	EURO	Euribor	1.8621%	189,333	6/30/2015

December 31, 2012 (thousands of Euro)	**Currency**	**Nominal interest rate**	**Internal interest rate**	**Book value**	**Expiry**
Facility A1 - T2	EURO	Euribor	2.224%	24,878	6/30/2014
Revolving facility	EURO	Euribor	2.192%	63,888	6/30/2015
High Yield	EURO	9.625%	10.6887%	127,578	5/15/2013

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, 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**

December 31, 2012 (thousands of Euro)	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	75,187	15,420	59,767
Credit lines on long-term loans	226,546	91,546	135,000
Total	**301,733**	**106,966**	**194,767**

The credit lines on long-term loans increased in comparison to December 31st 2012, when they amounted to Euro 301.7 million, due to the subscription, in the second quarter, of the following financing transactions for a total amount of Euro 100 million:

- a new revolving credit facility (part of the existing Senior Loan), for a total amount of Euro 60 million, maturing June 30th 2015, underwritten by Intesa Sanpaolo, Unicredit and BNP Paribas;
- a new revolving financing, for a total amount of Euro 40 million, maturing June 30th 2015, underwritten by Multibrands Italy B.V., a company controlled by HAL Holding N.V..

At December 31st, 2013, such new lines were not used.

The table below summarises the financial assets and liabilities of the Group at 31st December 2013 and 31st December 2012 by maturity:

(thousands of Euro)	December 31, 2013			
	within 1 year	**between 2 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	-	-	54
Other current assets	59,760	-	-	59,760
Total current financial assets	**381,401**	**-**	**-**	**381,401**
Derivative financial instruments	-	34	-	34
Other non-current assets and available for sale financial assets	-	2,035	833	2,868
Total non-current financial assets	**-**	**2,069**	**833**	**2,902**
Trade payables	204,934	-	-	204,934
Tax payables	18,210	-	-	18,210
Short-term borrowings	73,874	-	-	73,874
Derivative financial instruments	1,673	-	-	1,673
Other current liabilities	43,518	-	-	43,518
Total current financial liabilities	**342,209**	**-**	**-**	**342,209**
Long-term borrowings	-	191,230	-	191,230
Derivative financial instruments	-	24	-	24
Other non-current liabilities	-	2,645	2,609	5,254
Total non-current financial liabilities	**-**	**193,899**	**2,609**	**196,508**

(thousands of Euro)	December 31, 2012			
	within 1 year	**between 2 and 5 years**	**beyond 5 years**	**Total**
Cash in hand and at bank	59,388	-	-	59,388
Trade receivables, net	280,442	-	-	280,442
Derivative financial instruments	126	-	-	126
Other current assets	42,344	-	-	42,344
Total current financial assets	**382,300**	**-**	**-**	**382,300**
Derivative financial instruments	-	-	-	-
Other non-current assets and available for sale financial assets	-	4,249	821	5,070
Total non-current financial assets	**-**	**4,249**	**821**	**5,070**
Trade payables	210,573	-	-	210,573
Tax payables	16,193	-	-	16,193
Short-term borrowings	182,643	-	-	182,643
Derivative financial instruments	1,000	-	-	1,000
Other current liabilities	47,739	-	-	47,739
Total current financial liabilities	**458,148**	**-**	**-**	**458,148**
Long-term borrowings	-	92,034	-	92,034
Derivative financial instruments	-	1,555	-	1,555
Other non-current liabilities	-	2,963	2,352	5,315
Total non-current financial liabilities	**-**	**96,552**	**2,352**	**98,904**

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	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
- High Yield	-	-	-	-	-	-
- 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**

Financial instruments (thousands of Euro)	**Financial instruments at fair value through** Income Statement	Equity	**Financial instruments at amortised cost**	**Investments and non-listed financial assets at cost**	**Current value at Dec. 31, 2012**	***Fair value* at Dec. 31, 2012**
ASSETS						
- Cash in hand and at bank	-	-	59,388	-	59,388	59,388
- Trade receivables, net	-	-	280,442	-	280,442	280,442
- Derivative financial instruments	126	-	-	-	126	126
- Financial assets available for sale	199	-	-	46	245	245
- Other current assets	-	-	42,344	-	42,344	42,344
- Other non-current assets	-	-	4,825	-	4,825	4,825
Total assets	**325**	**-**	**386,999**	**46**	**387,370**	**387,370**
LIABILITIES						
- Short-term and long-term borrowings	-	-	147,099	-	147,099	147,099
- High Yield	-	-	127,578	-	127,578	129,246
- Derivative financial instruments	1,000	1,555	-	-	2,555	2,555
- Other current liabilities	-	-	47,739	-	47,739	47,739
- Other non-current liabilities	-	-	5,315	-	5,315	5,315
Total liabilities	**1,000**	**1,555**	**327,731**	**-**	**330,286**	**331,954**

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 2013, split by hierarchical level of the fair value.

(thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	234	-	-	234
Derivative financial instruments	-	88	-	88
Total assets	**234**	**88**	**-**	**322**
Derivative financial instruments	-	(1,697)	-	(1,697)
Total liabilities	**-**	**(1,697)**	**-**	**(1,697)**

In 2013 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 82,608 thousand, compared to Euro 59,388 thousand at 31st December 2012 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, 2013	December 31, 2012
Cash and cash equivalents	82,608	59,388
Bank overdrafts	(1,380)	(2,998)
Current bank borrowings	(11,559)	(10,767)
Net cash and cash equivalents	**69,669**	**45,623**

4.2 Trade receivables, net

This item breaks down as follows:

(thousands of Euro)	December 31, 2013	December 31, 2012
Gross value receivables	271,336	312,996
Allowance for doubtful accounts and sales returns	(32,357)	(32,554)
Net value	**238,979**	**280,442**

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 31,293 thousand Euro (37,721 thousand Euro at 31st December 2012).

The allowance for doubtful accounts and returns includes:

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

The following table shows changes in the above mentioned allowance:

(thousands of Euro)	Balance at January 1, 2013	Posted to income statement	Uses	Changes in the scope of consolid.	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**

(thousands of Euro)	Balance at January 1, 2012	Posted to income statement	Uses	Changes in the scope of consolid.	Transl. Diff.	Balance at December 31, 2012
Allowance for bad debts	20,217	2,850	(2,334)	3,217	(51)	23,899
Allowance for sales returns	7,399	673	-	755	(172)	8,655
Total	**27,616**	**3,523**	**(2,334)**	**3,972**	**(223)**	**32,554**

4.3 Inventories

This item breaks down as follows:

(thousands of Euro)	December 31, 2013	December 31, 2012
Raw materials	91,701	64,655
Work in progress	8,492	5,827
Finished products	200,354	209,063
Gross	**300,547**	**279,545**
Obsolescence provision (-)	(87,767)	(71,906)
Total	**212,780**	**207,639**

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, 2013	Posted to income statement	Reclass.	Changes in the scope of consolid.	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**

(thousands of Euro)	Balance at January 1, 2012	Posted to income statement	Reclass.	Changes in the scope of consolid.	Transl. Diff.	Balance at December 31, 2012
Inventory gross value	278,714	(11,616)	-	14,822	(2,375)	279,545
Obsolescence provision	(58,979)	(6,924)	-	(6,590)	587	(71,906)
Total net	**219,735**	**(18,540)**	**-**	**8,232**	**(1,788)**	**207,639**

4.4 Derivative financial instruments

The following table summarises the amount of financial instruments:

(thousands of Euro)	December 31, 2013	December 31, 2012
Current assets:		
Foreign currency contracts - Fair value through P&L	43	126
Foreign currency contracts - cash flow hedge	11	-
Total	**54**	**126**
Non-current assets:		
Interest rate swaps - cash flow hedge	34	-
Total	**34**	**-**

(thousands of Euro)	December 31, 2013	December 31, 2012
Current liabilities:		
Foreign currency contracts - Fair value through P&L	1,163	1,000
Interest rate swaps - cash flow hedge	510	-
Total	**1,673**	**1,000**
Non-current liabilities:		
Interest rate swaps - cash flow hedge	24	1,555
Total	**24**	**1,555**

The net market value of IRSs used as hedge reported in the balance sheet at 31st December 2013 was negative for 500 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.

The market value of the forward hedge 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 negative net market value of Euro 1.109 thousand.

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

(thousands of Euro)	December 31, 2013			December 31, 2012		
	Contractual value		***Fair value***	**Contractual value**		***Fair value***
	(USD/000)	(Euro/000)	(Euro/000)	(USD/000)	(Euro/000)	(Euro/000)
Expiry year 2014	-	55,000	(510)	-	55,000	(1,498)
Expiry year 2015	-	70,000	10	-	20,000	(57)
Total	**-**	**125,000**	**(500)**	**-**	**75,000**	**(1,555)**

4.5 Other current assets

This item breaks down as follows:

(thousands of Euro)	December 31, 2013	December 31, 2012
VAT receivable	16,898	3,691
Tax credits and payments on account	11,696	14,246
Prepayments and accrued income	21,611	18,522
Receivables from agents	381	417
Other current receivables	9,174	5,468
Total	**59,760**	**42,344**

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 21,611 thousand Euro (18,522 thousand Euro at December 31st, 2012) and mainly consisted of:

- prepaid royalty costs of 15,084 thousand Euro;
- prepaid advertising costs of 1,374 thousand Euro;
- prepaid rent and operating lease costs of 1,985 thousand Euro;
- prepaid insurance for 884 thousand Euro.

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

Other current receivables amounted to 9,174 thousand Euro, compared to 5,468 thousand Euro in 2012, and related mainly:

- receivables reported in the balance sheet of the subsidiary Safilo S.p.A. for Euro 1,964 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 555 thousand Euro;
- amounts receivable for insurance refunds totalling 793 thousand Euro;
- receivables from social security institutions for Euro 3,358 thousand for benefits resulting from the application of social welfare measures in the subsidiary Safilo S.p.A.;

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, 2013	Increase	Decrease	Reclass.	Changes in the scope of consolid.	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**

(thousands of Euro)	Balance at January 1, 2012	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2012
Gross value							
Land and buildings	144,564	820	(327)	(1,761)	1,692	(407)	144,581
Plant and machinery	188,270	6,634	(3,752)	86	5,888	(62)	197,064
Equipment and other assets	215,708	19,224	(8,817)	(853)	595	(2,072)	223,785
Assets under constructions	45	42	(45)	-	-	-	42
Total	**548,587**	**26,720**	**(12,941)**	**(2,528)**	**8,175**	**(2,541)**	**565,472**
Accumulated depreciation							
Land and buildings	39,861	3,867	(290)	(1,748)	417	(76)	42,031
Plant and machinery	130,956	9,328	(3,577)	77	2,292	(18)	139,058
Equipment and other assets	169,496	20,720	(8,515)	(857)	373	(1,547)	179,670
Total	**340,313**	**33,915**	**(12,382)**	**(2,528)**	**3,082**	**(1,641)**	**360,759**
NET VALUE	**208,274**	**(7,195)**	**(559)**	**-**	**5,093**	**(900)**	**204,713**

A total of 28,189 thousand Euro was invested in tangible fixed assets in the financial period (26,720 thousand Euro at 31st December 2012), mainly as follows:

- 19,975 thousand Euro for the factories, mainly for the upgrading of plants and for the purchase and production of equipment for new models;
- 6,594 thousand Euro for the U.S. companies;
- the remaining part in other companies of the Group.

In 2012 the changes in the scope of consolidation referred to the acquisition of Polaroid Eyewear 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, 2013	December 31, 2012
Land and buildings	12,970	12,981
Accumulated depreciation (-)	(2,507)	(2,214)
Net book value	**10,463**	**10,767**
Plant and machinery	3,300	3,301
Accumulated depreciation (-)	(3,300)	(3,273)
Net book value	**-**	**28**
Equipment and other assets	500	823
Accumulated depreciation (-)	(409)	(513)
Net book value	**91**	**310**
Total	**10,554**	**11,105**

4.7 Intangible assets

The following table shows changes in intangible fixed assets:

(thousands of Euro)	Balance at January 1, 2013	Increase	Decrease	Reclass.	Changes in the scope of consolid.	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**

(thousands of Euro)	Balance at January 1, 2012	Increase	Decrease	Reclass.	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2012
Gross value							
Software	26,090	2,372	(461)	16	-	(299)	27,718
Trademarks and licenses	43,776	116	-	-	38,707	(5)	82,594
Other intangible assets	8,319	128	(55)	34	-	(44)	8,382
Intangible assets in progress	-	-	-	-	-	-	-
Total	**78,185**	**2,616**	**(516)**	**50**	**38,707**	**(348)**	**118,694**
Accumulated depreciation							
Software	19,629	2,174	(461)	16	-	(219)	21,139
Trademarks and licenses	40,081	4,678	-	-	-	(5)	44,754
Other intangible assets	6,762	456	(55)	34	-	(42)	7,155
Total	**66,472**	**7,308**	**(516)**	**50**	**-**	**(266)**	**73,048**
NET VALUE	**11,713**	**(4,692)**	**-**	**-**	**38,707**	**(82)**	**45,646**

Investments in intangible fixed assets made during the year amount to Euro 8,528 thousand (Euro 2,616 thousand in the previous year). The increase in investments reported under the construction in progress is mainly due to the start of the project to implement the new integrated information system (ERP) of the Group.

In 2012, the change in the consolidation referred to the acquisition of the Polaroid Eyewear brand recognized in the business combinations. This trademark whose value is equal to Euro 38,707 thousand has been identified as a finite useful life and is amortized over a period of 20 years.

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

(thousands of Euro)	Note	2013	2012
Cost of sales	5.2	17,863	19,569
Selling and marketing expenses	5.3	5,342	5,735
General and administrative expenses	5.4	13,312	14,634
Other operating income/(expenses)	5.5	446	1,285
Total		**36,963**	**41,223**

4.8 Goodwill

The following table shows changes in goodwill:

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

(thousands of Euro)	Balance at January 1, 2012	Increase	Decrease	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2012
Goodwill	564,560	-	-	958	(7,472)	558,046

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 increase of Euro 958 thousand relating to the change in scope of consolidation occurred during the previous year refers to the goodwill generated by the acquisition of the Polaroid Eyewear Group.

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, 2013	159,816	191,440	184,819	536,075
December 31, 2012	160,462	203,274	194,310	558,046

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 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 three-year projections for the period 2015-2017 determined by initial reference to the 2014 Budget approved by the Board of Directors on December 17th 2013.

Overall, the impairment test methodology used for the 2013 financial statements is consistent with criteria used for 2012 financial statements and is in line with following factors:

- the management used the most recent information on future projections, the same used for the 2014 budget;
- the market risk premium used to calculate the weighted average cost of capital (WACC) remained unchanged in comparison to 2012;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single countries and have been adapted to the rate of inflation expected by analysts for 2018.

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 summarises 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 2013	 2012	Growth rate "g" 2013	 2012
EMEA	5.9%	6.5%	1.7%	1.7%
Far East	6.4%	6.5%	2.9%	2.6%
America	5.9%	5.5%	2.5%	2.4%

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)	Movements of the period: Value at January 1, 2013	Share of period results and write-down of dividends	Impairment	Transl. diff.	Value at December 31, 2013
Elegance Optical Int. Holdings Ltd	5,298	5,377	10,675	(1,424)	(428)	(391)	8,432
Optifashion As (in liquidation)	353	(112)	241	-	(241)	-	-
Total	**5,651**	**5,265**	**10,916**	**(1,424)**	**(669)**	**(391)**	**8,432**

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

The table below shows the principal data relating to the last approved financial statements of the above-mentioned companies:

(thousands of Euro)	Asset	Liabilities	Equity	Revenues	Net profit (loss)	% Group	Equity Group at December 31, 2013
Elegance Optical Int. Holdings Ltd	44,746	7,191	37,555	20,443	(2,988)	23.05%	8,656

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 2013 prepared for disclosure to the Hong Kong Stock Exchange. The fair value of this investment, which reflects the closing market price at 31st December 2013, amounted to approximately 3.2 million Euro, compared to 4.5 million Euro at 31st December 2012. Such amount is deemed to be lower than the recoverable value of the investment.

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, 2013	December 31, 2012
Gruppo Banco Popolare	Other equity investment	179	161
Unicredit S.p.A.	Other equity investment	55	38
Other	Other equity investment	3	46
Total		**237**	**245**

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, 2013	Increase/ (Decrease)	Revaluation/ (write-down)	Value at December 31, 2013
Gruppo Banco Popolare	228	(67)	161	-	18	179
Unicredit S.p.A.	61	(23)	38	-	17	55
Other	46	-	46	-	(43)	3
Total	**335**	**(90)**	**245**	**-**	**(8)**	**237**

These assets are valued at the lower of their carrying amount and fair value movements during the period relates to write-downs resulting from a long-term decline in their fair value and revaluation of value which resulted in a partial recovery of impairment losses previously recognized in the income statement in previous years.

The value of the investments in Gruppo Banco Popolare and Unicredit S.p.A. was determined with reference to the prices quoted on the official markets at the balance sheet date.

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, 2013	December 31, 2012
Deferred tax assets	135,975	140,642
Depreciation Fund (-)	(58,807)	(63,654)
Total net deferred tax assets	**77,168**	**76,987**
Deferred tax liabilities	(8,061)	(7,745)
Total net	**69,107**	**69,242**

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 58,807 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, 2013	Posted to Income statement	Posted to Equity	Reclass. /Other changes	Transl. diff.	Balance at December 31, 2013
- Tax losses carried forward	42,742	7,022	-	814	(742)	49,836
- Inventories	32,780	4,924	-	43	(2,159)	35,588
- Taxed allowances for doubtful accounts	7,895	612	-	(27)	(217)	8,263
- Taxed provisions	4,270	(17)	-	-	(41)	4,212
- Employees benefit liabilities	754	37	(92)	-	(6)	693
- Intangible assets	3,792	(336)	-	-	(3)	3,453
- Tangible assets	14,173	(244)	-	-	(211)	13,718
- Fair value of derivative instruments	-	-	-	-		-
- Other payables	31,939	(12,890)	-	-	(34)	19,015
- Other temporary differences	2,297	(469)	(277)	-	(354)	1,197
- Total deferred tax assets	**140,642**	**(1,361)**	**(369)**	**830**	**(3,767)**	**135,975**
- Devaluation of deferred tax assets on tax losses	(29,866)	(13,903)	-	(2,473)	546	(45,696)
- Devaluation of deferred tax assets on other temporary differences	(33,788)	19,219	-	1,423	35	(13,111)
- Total allowance on deferred tax assets	**(63,654)**	**5,316**	**-**	**(1,050)**	**581**	**(58,807)**
Total net	**76,988**	**3,955**	**(369)**	**(220)**	**(3,186)**	**77,168**

Deferred tax liabilities

(thousands of Euro)	Balance at January 1, 2013	Posted to: Income statement	Posted to: Equity	Reclass. /Other changes	Transl. diff.	Balance at December 31, 2013
- Depreciation differences	4,691	617	-	-	(242)	5,065
- Goodwill	1,385	363	-	-	(55)	1,694
- Inventories	210	(122)	-	121	(13)	197
- Receivables and payables	384	(301)	-	-	(31)	52
- Other temporary differences	1,075	15	-	1	(36)	1,054
Total	**7,745**	**571**	**-**	**122**	**(377)**	**8,061**

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 45,696 Euro thousand because, at present, recovery via future taxable income is not considered likely.

Maturity (thousands of Euro)	Tax losses	Tax benefit
2019	871	337
2020	5,787	1,779
2021	1,060	318
2022	277	83
2023	2,069	533
2024	2,813	844
2027	25,007	7,502
2028	1,644	493
2029	1,149	345
Unlimited	135,015	36,926
Various	11,693	676
Total	**187,385**	**49,836**
Provision		(45,696)
TOTAL DEFERRED TAX ASSETS ON LOSSES CARRIED FORWARD		**4,140**

Following the finalization, that took place on February 27, 2014, of all the disputes with the Italian tax authorities (see note 4.17 - Provision for risks and charges), the losses reported above have been reduced of approximately Euro 24 million. The reduction has not led to any economic impact as the Group had not recognized deferred tax assets on such losses.

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, 2013	December 31, 2012
Deferred tax assets		
- recoverable within one year	46,415	38,608
- recoverable beyond one year	30,753	38,379
Total	**77,168**	**76,987**
Deferred tax liabilities		
- recoverable within one year	61	409
- recoverable beyond one year	8,000	7,336
Total	**8,061**	**7,744**
TOTAL NET	**69,107**	**69,243**

4.12 Other non-current assets

The table below shows details of non-current assets

(thousands of Euro)	December 31, 2013	December 31, 2012
Long-term guarantee deposit	2,465	2,679
Other long-term receivables	166	2,146
Total	**2,631**	**4,825**

"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, 2013	December 31, 2012
Bank overdrafts	1,380	2,998
Short-term bank loans	11,559	10,767
Ordinary bonds	-	127,578
Short-term portion of long-term bank loans	24,959	1,312
Short-term portion of financial leasing	1,181	1,250
Debt to the factoring company	34,320	38,623
Other short-term loans	118	115
Other debts for purchase of minority interests	357	-
Short-term borrowings	**73,874**	**182,643**
Medium long-term loans	189,333	88,765
Medium long-term portion of financial leasing	1,897	3,150
Other medium long-term loans	-	119
Long-term borrowings	**191,230**	**92,034**
TOTAL	**265,104**	**274,677**

At 31st December 2013, the Senior Loan is equal to Euro 214,292 and breaks down as follows:

- Facility A1 – Tranche 2, totalling Euro 25 million, expiring 30th June 2014 and booked under the item "Short-term portion of long-term bank loans";
- a revolving line called "Facility B", totalling a maximum of Euro 200 million, expiring 30th June 2015, comprising two tranches, also payable in USD, at 31st December 2013 used for Euro 190 million and booked under the item "Medium long-term loans".

The Senior Loan contract includes a series of obligations and restrictions that concern operational and financial aspects relating to the subsidiaries Safilo S.p.A. and Safilo USA Inc., to protect the integrity of the guarantees provided to the financing banks, and which mainly translate into prohibiting, beyond certain limits set out in the contract, the provision of real guarantees in favour of third parties ("negative pledge"), the incurring of financial debt beyond that resulting from the Senior Loan, the carrying out extraordinary company transactions, and the obligation to fulfil periodic disclosure requirements relating to financial data.

As regards financial commitments, from 30th June 2012 the company must comply with defined levels of the covenants calculated on the basis of financial statement data at the end of each half-year. If these parameters are not respected, the conditions to continue the loan agreement would need to be renegotiated with financiers, in relation to the appropriate waivers or changes to the aforementioned parameters. If this were not the case, an event of default could arise which would involve the compulsory advance payment of the loan.

The main covenants in the current contractual agreement are associated with the net debt/EBITDA and EBITDA/Net interests for the period ratios. At 31st December 2013 the Group complies with all the outstanding covenants.

The collateral for the above loans, which are evaluated according to the amortised cost method, is composed mainly of pledges on Safilo S.p.A. shares and personal guarantees supplied by the companies directly financed.

On 15th May 2013, reached its maturity and was fully reimbursed the High Yield bond issued on 15th May 2003 by the Luxembourg subsidiary Safilo Capital International S.A. at a fixed rate of 9.625%, for a residual nominal amount of Euro 135 million, of which 7,1 million Euro hold by the subsidiary Safilo S.p.A..

The payables for financial leasing refer to tangible assets owned under lease contracts by some Group's companies. The lease contracts will expire in about 2 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, 2013	December 31, 2012
Short-term portion of financial leasing	1,181	1,250
Long-term portion of financial leasing	1,897	3,150
Total	**3,078**	**4,400**

The short-term payables towards factoring companies are for contracts stipulated with leading factoring companies by the subsidiary Safilo S.p.A. for 34,320 thousand Euro.

The "other medium and long-term loans" mainly refer to a loan granted to the subsidiary Safilo S.p.A. valid under law 46/82 at a fixed rate.

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

(thousands of Euro)	December 31, 2013	December 31, 2012
From 1 to 2 years	191,230	26,276
From 2 to 3 years	-	65,758
From 3 to 4 years	-	-
Beyond 5 years	-	-
Total	**191,230**	**92,034**

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, 2013	December 31, 2012	Change
A	Cash and cash equivalents	82,608	59,388	23,220
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**82,608**	**59,388**	**23,220**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(12,939)	(13,765)	826
G	Ordinary bonds	-	(127,578)	127,578
G	Current portion of long-term borrowings	(24,959)	(1,312)	(23,647)
H	Other short-term borrowings	(35,975)	(39,988)	4,013
I	**Debts and other current financial liabilities (F+G+H)**	**(73,874)**	**(182,643)**	**108,769**
J	**Current financial position, net (D)+(E)+(I)**	**8,734**	**(123,255)**	**131,989**
K	Long-term bank borrowings	(189,333)	(88,765)	(100,568)
L	Ordinary bonds	-	-	-
M	Other long-term borrowings	(1,897)	(3,269)	1,372
N	**Debts and other non current financial liabilities (K+L+M)**	**(191,230)**	**(92,034)**	**(99,196)**
I	**Net financial position (J)+(N)**	**(182,496)**	**(215,289)**	**32,793**

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

(thousands of Euro)	December 31, 2013	December 31, 2012
Short-term		
Euro	62,242	168,826
Chinese Renminbi	9,462	10,826
Brasilian Real	2,097	2,837
Swedish Kronor	73	154
Total	**73,874**	**182,643**
Medium long-term		
Euro	191,204	91,863
Swedish Kronor	26	171
Total	**191,230**	**92,034**
TOTAL	**265,104**	**274,677**

4.14 Trade payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2013	December 31, 2012
Trade payables for:		
Purchase of raw materials	43,544	32,012
Purchase of finished goods	59,033	71,334
Suppliers from subcontractors	5,058	3,158
Tangible and intangible assets	10,786	3,356
Commissions	2,708	4,092
Royalties	24,711	24,479
Advertising and marketing costs	28,739	36,930
Services	30,355	35,212
Total	**204,934**	**210,573**

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 2013 tax payables amounted to 18,210 thousand Euro (compared to 16,193 thousand in 2012). Of this sum, 6,231 thousand Euro referred to income tax for the period, Euro 3,774 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.

4.16 Other current liabilities

This item breaks down as follows:

(thousands of Euro)	December 31, 2013	December 31, 2012
Payables to personnel and social security institutions	33,567	36,405
Agent fee payables	1,523	1,758
Payables to pension funds	1,131	1,124
Accrued advertising and sponsorship costs	497	1,421
Accrued interests on long-term loans	411	1,963
Other accruals and deferred income	3,815	3,371
Other current liabilities	2,574	1,697
Total	**43,518**	**47,739**

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, 2013	Increase	Decrease	Changes in the scope of consolid.	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**
Provisions for risks - short term	**2,851**	**2,232**	**(1,658)**	**-**	**(100)**	**3,325**
TOTAL	**26,855**	**18,836**	**(7,661)**	**-**	**(112)**	**37,918**

(thousands of Euro)	Balance at January 1, 2012	Increase	Decrease	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2012
Product warranty provision	5,827	730	(820)	-	(3)	5,734
Agents' severance indemnity	5,324	1,256	(1,392)	164	-	5,352
Provision for corporate restructuring	3,697	-	(1,149)	-	-	2,548
Other provisions for risks and charges	3,845	8,280	(1,755)	-	-	10,370
Provisions for risks - long term	**18,693**	**10,266**	**(5,116)**	**164**	**(3)**	**24,004**
Provisions for risks - short term	**6,599**	**864**	**(4,860)**	**260**	**(12)**	**2,851**
TOTAL	**25,292**	**11,130**	**(9,976)**	**424**	**(15)**	**26,855**

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 provision for corporate restructuring reflects the sums set to meet the costs related to the downsizing of the Italian manufacturing facilities put in place in 2009. The decrease of this provision was due to the costs already incurred for employees who left during the year.

Provisions for other risks and charges during the year refer to the best estimate made by the management of the liabilities to be recognized in relation to proceedings arisen in relation to 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.

As explained in the notes to the financial statements for the year ended 31 December 2012, Safilo S.p.A. was notified of a tax assessment on 28th December 2012 with respect to the period of assessment 2007, having regard to transfer pricing and substitute tax requirements. The finding concerning transfer pricing resulted in an assessment to IRAP, including sanctions, of approximately Euro 2.2 million. The total of disputed withholdings and sanctions, however, amounted to approximately Euro 6.3 million.

The notices of assessment for 2007 were challenged before the Venice provincial tax tribunal on 21st June 2013.

A tax audit was then performed for years of assessment 2008, 2009, 2010 and 2011.

The Company then received two notices of assessment on 30th December 2013 concerning year of assessment 2008 and a penalty demand. The notices relate to findings of the same nature with respect to 2007.

The findings concerning transfer pricing resulted in an assessment to IRAP of approximately Euro 0.7 million (no penalty was applied in accordance with paragraphs 281/284, Law 147 of 27th December 2013 - the so-called 2014 stability statute). Total disputed withholdings and sanctions, on the other hand, amounted to approximately Euro 5.9 million.

Findings regarding 2009, 2010 and 2011 were officially notified on 20th December 2013. The findings were of the same nature as those relating to 2007 and 2008, except for a new finding for 2009 having regard to the taxation of dividends distributed by Safilo Far East Ltd.

The findings concerning transfer pricing resulted in an assessment to IRAP of approximately Euro 1.5 million (no penalty was applied in accordance with paragraphs 281/284, Law 147 of 27th December 2013 - the so-called 2014 stability statute). Total disputed withholdings, on the other hand, amounted to approximately Euro 17.5 million. The finding with respect to the taxation of dividends distributed by Safilo Far East Ltd through the subsidiary Safilo International BV in 2009 related to the method in which taxable dividends were computed.

The IRES findings had no effect on income in that Safilo S.p.A. has sufficient tax loss carry forwards for all years of assessment that have not resulted in the recognition of deferred tax assets.

As a result of the findings notified, it has been deemed prudent to provide for the liability as well as interest thereon and related costs, as the risk of payment has been deemed probable. The amount of the provision was estimated with reference to the status of the pre-tribunal and legal proceedings for the notifications of assessment for 2007 and 2008, and the audit findings relating to 2009, 2010 and 2011, in view of the deflationary tolls applicable to tax disputes, in order to settle all potential disputes regarding the above matters.

This estimate is reasonable and consistent with the definition which took place on February 27, 2014 covering all the years.

4.18 Employees benefits

During the financial years under analysis, the item showed the following movements:

(thousands of Euro)	Balance at January 1, 2013	Posted to income statement	Actuarial gains/ (losses)	Uses	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2013
Defined contribution plan	623	6,864	-	(7,080)	-	(34)	373
Defined benefit plan	36,196	1,416	(2,017)	(797)	-	(292)	34,506
Total	**36,819**	**8,280**	**(2,017)**	**(7,877)**	**-**	**(326)**	**34,879**

(thousands of Euro)	Balance at January 1, 2012	Posted to income statement	Actuarial gains/ (losses)	Uses	Changes in the scope of consolid.	Transl. diff.	Balance at December 31, 2012
Defined contribution plan	51	8,813	-	(8,605)	422	(58)	623
Defined benefit plan	32,533	1,493	3,353	(1,997)	935	(121)	36,196
Total	**32,584**	**10,306**	**3,353**	**(10,602)**	**1,357**	**(179)**	**36,819**

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.

Actuarial estimates used for calculating the employee severance liability accrued up to 31st December 2006 are based on a system of assumptions based on:

a. demographic parameters;
b. economic parameters;
c. financial parameters.

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

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

The main financial parameter is given by the discount rate. For discounting to present value, the system of zero-coupon rates derived from swap rates was applied.

The amounts recorded in the financial statements can be divided as follows:

(thousands of Euro)	2013	2012
Service cost	7,370	8,813
Interest cost	910	1,493
Actuarial gain/(loss)	(2,017)	3,353
Total	**6,263**	**13,659**

4.19 Other non-current liabilities

At 31st December 2013 other non-current liabilities amounted to 5,254 thousand Euro (5,315 thousand Euro at 31st December 2012), mainly reflecting the long-term liability concerning mainly the store rental contracts of the US retail subsidiary Solstice and for the remaining portion, relating to non-current liabilities recorded on Group companies' balance sheets.

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 2013, shareholders' equity amounts totalled 846,062 thousand Euro (of which 2,940 thousand Euro belonging to non-controlling interests) versus Euro 862,846 thousand Euro as at 31st December 2012 (of which Euro 5,110 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 2013, the ratio stood at 18% (20% at 31st December 2012).

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 tranche for a total amount of 460,000 options exercised at an exercise price equal to Euro 8,047 per share. This exercise resulted in the issuance of an equal number of shares with a nominal value of 5.00 euros, an increase of the share capital amounted of Euro 2,300,000 and an increase in the share premium reserve of Euro 1,401,620.

Following the above-mentioned capital increase, at 31st December 2013 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 310,999,825.00, consisting of no. 62,199,965 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 2013 the share premium reserve of the Parent Company, Safilo Group S.p.A., has recorded an increase of 1,401,620 Euro and amounts to Euro 482,564,933.69.

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 26,601 thousand (of which 736 thousand Euro belonging to non-controlling interests) to the allocation of the previous year's result;
- for Euro 35,750 thousand (of which 85 thousand Euro belonging to non-controlling interests) to the negative translation differences coming from the translation into Euro of the subsidiaries' financial statements;
- for Euro 683 thousand to the cost for the period of the outstanding *stock option* plan;
- for Euro 1,926 thousand to the increase coming from the actuarial valuation, net of tax effect, of the employee termination indemnities of defined contribution plans;
- for Euro 4,107 thousand to the decrease related to the price paid for the purchase of minority interests in some companies, of which 1,570 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 Fair value and cash flow reserves

This item breaks down as follows:

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

(thousands of Euro)	Balance at January 1, 2012	Consolidated statement of comprehensive income: Profit (loss) of the period	Gain (loss) reclass to profit and loss	Total Profit (loss) of the period	Balance at December 31, 2012
Cash flow reserve	(1,341)	(214)	-	(214)	(1,555)

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

4.24 Stock option plans

In the Extraordinary Meeting held on 5th November 2010, the Shareholders approved the issue of up to 1,700,000 (one million seven hundred thousand/00) new ordinary shares with a nominal value of 5.00 (five/00) Euro each, for a total of 8,500,000.00 (eight million five hundred thousand/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).

Specifically, four different option grant dates have been set:

- the first tranche ("First Tranche") was granted on the date of the meeting of the Board of Directors that was held on 5th November and 14th December 2010;
- the second tranche ("Second Tranche") was granted on the date of the meeting of the Board of Directors held on 16th March 2011 to approve the accounts for the year ended 31st December 2010;
- the third tranche ("Third Tranche") was granted on the date of the meeting of the Board of Directors held on 8th March 2012 to approve the accounts for the year ended 31st December 2011;
- the last tranche ("Fourth Tranche") was granted on the date of the meeting of the Board of Directors held to approve the accounts for the year ended 31st December 2012.

On 13 November 2013, the Board of Directors has amended the rules of the Plan 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 thereby attributed 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 three-year period of each tranche commensurate with consolidated EBIT.

Information relating to the tranches of the Plan granted on 31st December 2013 is shown below.

	Grant date	**No. of options**	***Fair value* in Euro**	**Maturity**
First tranche	05/11/10	190,000	4.08	31/05/16
Second tranche	16/03/11	315,000	1.48	31/05/17
Third tranche	08/03/12	300,000	1.06	31/05/18
Fourth tranche	06/03/13	235,000	1.12	31/05/19
Fourth tranche-bis	13/11/13	65,000	1.76	31/05/19

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
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%

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

	No. of options	Average exercise price in Euro
Outstanding at the beginning of the year	**1,380,000**	**8.473**
Granted	385,000	9.495
Forfeited	(55,000)	8.470
Excercised	(460,000)	8.047
Expired	(145,000)	9.408
Outstanding at year-end	**1,105,000**	**8.884**

Among the options outstanding at the end of the period, the first tranche of the plan, has become exercisable starting from the approval date of the 2012 financial statements until the end of the exercise period set for May 31st, 2016. The option exercisable still outstanding as at December 31st 2013 are equal to 190,000.

The second tranche of the plan, equal to a total of 315,000 options will be exercisable from the date of approval of these financial statements until the expiry of the exercise period set for May 31, 2017.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1 Net sales

Group sales in 2013 amounted to 1,121,531 thousand Euro, showing a 4.6% increase on the previous year (1,175,292 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)	2013	2012
Purchase of raw materials and finished goods	323,880	342,995
Capitalisation of costs for increase in tangible assets (-)	(7,809)	(7,047)
Change in inventories	(8,021)	16,745
Wages and social security contributions	83,667	92,616
Subcontracting costs	12,981	16,142
Depreciation	17,863	19,569
Rental and operating leases	845	699
Other industrial costs	14,435	13,902
Total	**437,841**	**495,621**

Changes in inventories can be broken down as follows:

(thousands of Euro)	2013	2012
Finished products	(2,006)	15,464
Work-in-progress	(2,755)	(282)
Raw materials	(3,260)	1,563
Total	**(8,021)**	**16,745**

The average number of employees by rank is shown below:

(thousands of Euro)	2013	2012
Executives	129	121
Clerks and middle management	3,264	3,244
Factory workers	4,428	4,585
Total	**7,821**	**7,950**

5.3 Selling and marketing expenses

This item breaks down as follows:

(thousands of Euro)	2013	2012
Payroll and social security contributions	115,586	114,113
Sales commissions	62,134	71,711
Royalty expenses	92,133	96,402
Advertising and promotional costs	120,499	113,394
Amortization and depreciation	5,342	5,735
Logistic costs	17,580	18,064
Consultants fees	1,161	4,787
Rental and operating leases	14,795	14,925
Utilities	783	927
Provision for risks	(943)	169
Other sales and marketing expenses	22,758	21,639
Total	**451,828**	**461,866**

5.4 General and administrative expenses

This item breaks down as follows:

(thousands of Euro)	2013	2012
Payroll and social security contributions	73,331	72,892
Allowance and write off of doubtful accounts	5,548	2,969
Amortization and depreciation	13,312	14,634
Consultants fees	14,744	15,430
Rental and operating leases	8,525	8,933
EDP costs	6,360	4,971
Insurance costs	2,177	2,502
Utilities, security and cleaning	6,515	7,362
Taxes (other than on income)	4,693	5,105
Other general and administrative expenses	13,792	13,443
Total	**148,997**	**148,241**

5.5 Other operating income (expenses)

This item breaks down as follows:

(thousands of Euro)	2013	2012
Losses on disposal of assets	(267)	(305)
Other operating expenses	(11,254)	(5,255)
Write downs of tangible assets	(446)	(1,285)
Gains on disposal of assets	92	53
Other operating incomes	3,734	11,104
Total	**(8,141)**	**4,312**

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.

During the year under "other operating expenses" 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 totalled a loss of 2,093 thousand Euro (versus a loss of 497 thousand Euro in 2012) 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)	2013	2012
Interest expenses on loans	6,926	6,556
Interest expenses and charges on High Yield	4,902	13,296
Bank commissions	5,349	6,028
Negative exchange rate differences	15,032	13,926
Financial discounts	908	1,167
Other financial charges	981	1,248
Total financial charges	**34,098**	**42,221**
Interest income	565	759
Positive exchange rate differences	10,924	11,942
Other financial income	40	178
Total financial income	**11,529**	**12,879**
TOTAL FINANCIAL CHARGES, NET	**22,569**	**29,342**

5.8 Income taxes

This item breaks down as follows:

(thousands of Euro)	2013	2012
Current taxes	(37,473)	(30,813)
Deferred taxes	3,384	13,377
Total	**(34,089)**	**(17,436)**

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

(thousands of Euro)	%	2013	%	2012
Profit before taxation	**100%**	**50,062**	**100%**	**44,037**
Theoretical taxes	-27.5%	(13,767)	-27.5%	(12,110)
IRAP (current and deferred) and other taxes	-12.8%	(6,393)	-7.8%	(3,435)
Provision for tax litigation	-28.0%	(14,031)	-16.1%	(7,100)
Taxes relating to prior years	-1.1%	(530)	0.7%	303
Effect of diff. between foreign tax rates and the theoretical Italian one	-4.7%	(2,355)	-5.0%	(2,216)
Non taxable incomes	4.9%	2,439	7.1%	3,106
Non deductible costs	-4.7%	(2,352)	-5.6%	(2,446)
Effect of deferred tax assets not recognised	-19.5%	(9,781)	-6.6%	(2,899)
Recognition of deferred tax assets not recognised in the prior years	25.1%	12,560	21.6%	9,518
Other differences	0.2%	121	-0.4%	(157)
Total	**-68.1%**	**(34,089)**	**-39.6%**	**(17,436)**

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	2013	2012
Profit for ordinary shares (in Euro/000)	15,521	25,865
Average number of ordinary shares (in thousands)	61,796	60,477
Earnings per share - basic (in Euro)	**0.251**	**0.428**

Diluted	2013	2012
Profit for ordinary shares (in Euro/000)	15,521	25,865
Profit for preferred shares	-	-
Profit in income statement	**15,521**	**25,865**
Average number of ordinary shares (in thousands)	61,796	60,477
Dilution effects: - stock option (in thousands)	363	-
Total	**62,159**	**60,477**
Earnings per share - diluted (in Euro)	**0.250**	**0.428**

5.10 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2013.

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 FYs ended on 31st December 2013 and 2012.

	December 31, 2013			
(thousands of Euro)	**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	5,353	-	-	5,353
Unallocated corporate assets	-	-	-	346,816
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)

(thousands of Euro)	December 31, 2012			
	WHOLESALE	**RETAIL**	**Eliminat.**	**Total**
Net sales:				
- to other segment	14,952	-	(14,952)	-
- to third parties	1,094,552	80,740	-	1,175,292
Total net sales	**1,109,504**	**80,740**	**(14,952)**	**1,175,292**
Gross profit	**627,102**	**52,569**	**-**	**679,671**
Operating profit	**69,271**	**4,605**	**-**	**73,876**
Share of income of associates	(497)	-	-	(497)
Financial charges, net				(29,342)
Income taxes				(17,436)
Net profit				**26,601**
Segment assets	1,345,844	41,305	(4,721)	1,382,428
Investment in associates	10,916	-	-	10,916
Unallocated corporate assets	-	-	-	98,428
Total consolidated assets				**1,491,772**
Segment liabilities	316,311	10,395	(4,721)	321,985
Unallocated corporate liabilities	-	-	-	306,486
Total consolidated liabilities				**628,471**
Other information				
Capital expenditure	27,344	1,992		29,336
Depreciation & amortization	35,934	5,289		41,223
Non-cash items other than depreciation and amortization	(12,310)	222		(12,088)

Breakdown of revenues and non-current assets by geographic area

(thousands of Euro)	Revenue from external customers		Non-current assets	
	2013	**2012**	**December 31st, 2013**	**December 31st, 2012**
Italy (1)	225,044	240,571	151,197	152,753
Europe (2)	274,729	269,717	182,514	183,934
America (3)	457,052	482,356	226,222	241,081
Asia (4)	164,705	182,648	234,320	246,384
Corporate (5)	-	-	-	239
Total	**1,121,531**	**1,175,292**	**794,253**	**824,391**

(1) Operating companies with registered head office in Italy.
(2) Operating companies with registered head office in European countries (other than Italy) 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.
(5) Non-operating companies.

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 2013 and 31st December 2012.

Related parties transactions (thousands of Euro)	**Relationship**	**December 31, 2013**	**December 31, 2012**
Receivables			
Companies controlled by HAL Holding N.V.	(b)	8,367	21,122
Total		**8,367**	**21,122**
Payables			
Elegance Optical International Holdings Ltd	(a)	2,726	3,326
Companies controlled by HAL Holding N.V.	(b)	4,007	10,465
Long term borrowings (High Yield) and accrued interests			
HAL International Investments N.V.	(b)	-	69,141
Total		**6,733**	**82,932**

Related parties transactions (thousands of Euro)	**Relationship**	**December 31, 2013**	**December 31, 2012**
Revenues			
Companies controlled by HAL Holding N.V.	(b)	56,787	64,432
Total		**56,787**	**64,432**
Operating expenses			
Elegance Optical International Holdings Ltd	(a)	9,575	8,342
Companies controlled by HAL Holding N.V.	(b)	4,628	11,231
Financial expenses			
HAL International Investments N.V.	(b)	2,447	6,583
Total		**16,650**	**26,156**

(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:

- Optifashion As is a production and commercial company based in Istanbul, Turkey, of which the Safilo Group owns 50%;
- 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.

In addition, during the year the shareholders of Only 3T S.r.l. which holds a stake of 9.1521% in Safilo Group S.p.A. have accrued by various way remunerations for a total amount of Euro 710 thousand.

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

At the balance sheet date, the Group had no significant purchase commitments. At the balance sheet date, however, 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.

9. SUBSEQUENT EVENTS

In the period following 31st December 2013, 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 2012 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 2013 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 2013
Audit	PricewaterhouseCoopers S.p.A.	Holding Company - Safilo Group S.p.A.	49
	PricewaterhouseCoopers S.p.A.	Subsidaries	146
	Network PricewaterhouseCoopers	Subsidaries	1,110
Attestation	PricewaterhouseCoopers S.p.A.	Holding Company - Safilo Group S.p.A.	2
	PricewaterhouseCoopers S.p.A.	Subsidaries	67
	Network PricewaterhouseCoopers	Subsidaries	152
Other services	PricewaterhouseCoopers S.p.A.	Holding Company - Safilo Group S.p.A.	-
	PricewaterhouseCoopers S.p.A.	Subsidaries	-
	Network PricewaterhouseCoopers	Subsidaries	108
Total			**1,637**

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 Vincenzo Giannelli, 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 2013 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 2013 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 2013:

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 2014

The Chief Executive Officer	The manager responsible for preparing the company's financial statements
Luisa Deplazes de Andrade Delgado	*Vincenzo Giannelli*

REPORT OF INDEPENDENT AUDITORS

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N°39 OF 27 JANUARY 2010

To the shareholders of
Safilo Group SpA

1 We have audited the consolidated financial statements of Safilo Group SpA and its subsidiaries ("Safilo Group") as of 31 December 2013 which comprise the consolidated balance sheet statement, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and related notes to the financial statements. The directors of Safilo Group SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant 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 period, which are presented for comparative purposes, reference is made to our report dated 29 March 2013.

3 In our opinion, the consolidated financial statements of the Safilo Group as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Safilo Group for the period then ended.

4 The directors of Safilo Group SpA are responsible for the preparation of a report on operations and a 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 compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information

PricewaterhouseCoopers SpA

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referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n°58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n°001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by the Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n°58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Safilo Group SpA as of 31 December 2013.

Padua, 19 March 2014

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

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SAFILO GROUP S.p.A. STATUTORY FINANCIAL STATEMENTS AT 31ST DECEMBER 2013

CONTENTS

SAFILO GROUP S.P.A. - STATUTORY FINANCIAL STATEMENTS AT 31st DECEMBER 2013

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 spectacle 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

On 31st December 2013 all the shares of Safilo S.p.A. were pledged to a pool of banks, coordinated by UNICREDIT BANK AG, which granted a senior loan to subsidiaries Safilo S.p.A. and Safilo USA Inc., indirectly controlled by Safilo S.p.A..

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. 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.

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 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. are as follows:

- Euro 24,940 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 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. are 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 receivables from subsidiary Lenti S.r.l. relate to the transfer of tax and to the receivables for withholding tax assigned to the consolidation programme.

The income from Safilo S.p.A. relates to charges made for administrative, legal, accounting and tax services performed on its behalf.

The costs payable to subsidiary Safilo S.p.A. relate to the charge made by Safilo S.p.A. for services performed on behalf of the parent company.

Financial year 2012

(thousands of Euro)	Receivables	Payables	Income	Financial income	Costs
Safilo S.p.A.	34,557	(4,207)	980	5	(25)
Lenti S.r.l. (held by Safilo S.p.A.)	1	-	-	-	-
Smith Sport Optics S.r.l. in liquidation (held by Safilo S.p.A.)	-	(35)	-	-	-

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

- Euro 28,739 thousand for dividends resolved on by Safilo S.p.A. but not yet received on the date of the financial statements. Over the year a total of Euro 3,600 thousand were received in dividends;
- Euro 1,186 thousand for sums charged to the subsidiary for administrative, accounting, legal and tax services performed on its behalf;
- Euro 4,632 thousand for the VAT debit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism.

The payables to subsidiary Safilo S.p.A. are as follows:

- Euro 1,804 thousand relating to the transfer by 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 60 thousand for the debt payable to the subsidiary for services rendered;
- Euro 464 thousand payable to Safilo S.p.A. for advances received.

The payable to subsidiary Lenti S.r.l. on the 2011 financial statements relating to the transfer of losses to the consolidation programme was offset against the taxable income for 2012 and transferred to the consolidation programme as well. The receivable refers to withholding tax assigned to the consolidation programme.

The payable to subsidiary Smith Sport Optics S.r.l. in liquidation derives from the VAT credit transferred by the latter to the parent company as a result of the Group VAT mechanism and the credit deriving for the assignment of withholding taxes to the tax consolidation programme.

The income from Safilo S.p.A. relates to charges made for administrative, legal, accounting and tax services performed on its behalf.

Financial income refers to interest of a loan granted to the subsidiary Safilo S.p.A. subsequently turned into shareholders' capital contribution.

The costs payable to subsidiary Safilo S.p.A. relate to the charge made by Safilo S.p.A. for services performed on behalf of the parent company.

Data protection obligations

During 2013 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 2014, 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, 31st 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

In the period between the date of the Financial Statements and the date of this report, there aren't any significant events to report.

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 2013, drafted according to the IFRS International Accounting Standards, and recommend that the loss for the year, amounting to Euro 7,483,459.18 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, 2013	December 31, 2012
ASSETS			
Current assets			
Cash in hand and at bank	4.1	3,221,399	195,443
Trade receivables, net	4.2	1,195,600	1,185,800
Other current assets	4.3	35,558,441	31,865,388
Total current assets		**39,975,440**	**33,246,631**
Non-current assets			
Investments in subsidiaries	4.4	749,313,759	748,948,528
Deferred tax assets	4.5	-	3,989,554
Other non-current assets	4.6	224,199	1,105
Total non-current assets		**749,537,958**	**752,939,187**
TOTAL ASSETS		**789,513,398**	**786,185,818**

(Euro)	Note	December 31, 2013	December 31, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings		-	-
Trade payables and payables to subsidiary	4.7	8,391,729	441,811
Tax payables	4.8	730,368	406,200
Other current liabilities	4.9	628,244	1,224,746
Total current liabilities		**9,750,341**	**2,072,757**
Non-current liabilities			
Long-term borrowings		-	-
Employee benefit liability	4.10	121,829	146,583
Provisions for risks and charges	4.11	173,563	-
Other non-current liabilities	4.12	436,503	1,839,013
Total non-current liabilities		**731,895**	**1,985,596**
TOTAL LIABILITIES		**10,482,236**	**4,058,353**
Shareholders' equity			
Share capital	4.13	310,999,825	308,699,825
Share premium reserve	4.14	482,564,934	481,163,314
Retained earnings (losses) and other reserves	4.15	(7,050,138)	(2,020,567)
Net profit (loss) of the year		(7,483,459)	(5,715,107)
Total shareholders' equity		**779,031,162**	**782,127,465**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**789,513,398**	**786,185,818**

Income Statement

(Euro)	Note	2013	2012
Net sales	5.1	980,000	980,000
Cost of sales		-	-
Gross profit		**980,000**	**980,000**
Selling and marketing expenses		-	-
General and administrative expenses	5.2	(3,962,671)	(5,758,625)
Other operating income/(expenses)	5.3	(2,156,227)	(930,254)
Operating profit/(loss)		**(5,138,898)**	**(5,708,879)**
Financial charges, net	5.4	(1,566)	(6,611)
Profit/(loss) before taxation		**(5,140,464)**	**(5,715,490)**
Income taxes	5.5	(2,342,995)	383
Net profit/(loss) for the year		**(7,483,459)**	**(5,715,107)**

Statement of comprehensive Income

(Euro)	2013	2012
Net profit (loss) for the period	**(7,483,459)**	**(5,715,107)**
Actuarial gain/(loss)	2,870	(32,771)
Total comprehensive income (loss)	**(7,480,589)**	**(5,747,878)**

Statement of Cash Flows

(Euro)	2013	2012
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**195,443**	**142,040**
B - Cash flow from (for) operating activities		
Net profit (loss) for the period	(7,483,459)	(5,715,107)
Amortization	-	-
Net movements in the employees benefits liability	(21,883)	1,207
Provision for risks	(173.563)	-
Stock Options	(317,435)	457,590
Interest expenses (income)	(806)	(467)
Income tax expenses	2,342,995	-
Income (loss) from (for) operating activities prior to movements in working capital	**(4,672,155)**	**(5,256,777)**
(Increase) Decrease in receivables	(3,736,393)	2,477,178
Increase (Decrease) in payables	3,932,079	(767,465)
Interests received	805	467
Income taxes paid	-	-
Total (B)	**(4,475,664)**	**(3,546,597)**
C - Cash flow from (for) investing activities		
(Investments) disinvestments in subsidiaries	-	(44,262,000)
Total (C)	**-**	**(44,262,000)**
D - Cash flow from (for) financing activities		
Capital increase	3,701,620	44,262,000
Dividends received	3,800,000	3,600,000
Total (D)	**7,501,620**	**47,862,000**
E - Cash flow for the period (B+C+D)	**3,025,956**	**53,403**
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	**3,221,399**	**195,443**

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, 2012	**284,109,825**	**461,491,314**	**3,007,774**	**(1,606,610)**	**(4,967,313)**	**742,034,990**
Previous year's profit (loss) allocation	-	-	-	(4,967,313)	4,967,313	-
Capital increase	24,590,000	19,672,000	-	-	-	44,262,000
Other changes	-	-	-	1,578,353	-	1,578,353
Total comprehensive income (loss) for the period	-	-	-	(32,771)	(5,715,107)	(5,747,878)
Equity at December 31, 2012	**308,699,825**	**481,163,314**	**3,007,774**	**(5,028,341)**	**(5,715,107)**	**782,127,465**
Previous year's profit (loss) 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)	(7,486,589)
Equity at December 31, 2013	**310,999,825**	**482,564,934**	**3,007,774**	**(10,057,912)**	**(7,483,459)**	**779,031,162**

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 2013 to 31st December 2013. It also includes information relating to the financial period from 1st January 2012 to 31st December 2012 for comparison purposes.

This annual report was approved by the Board of Directors on 5th March 2014.

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 2013 and 31st December 2012 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 2013

The following new standards and amendments, effective from 1 January 2013, are applicable to the Company.

On June 16th, 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring companies to group items presented in "Total comprehensive income/loss" depending on whether they are potentially reclassificable to profit or loss subsequently. The amendment is applicable for periods beginning on or after July 1st, 2012. The Company has been applying this amendment since January 1st, 2013. Its application had no effect on the measurement of items. The disclosure of the comparative figures provided in this report has been restated accordingly.

On June 16th, 2011 the IASB issued an amendment to IAS 19 – Employees Benefits, retrospectively applicable from January 1st, 2013. The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expenses and the classification of net interest expenses arising from defined benefit plans. The amendment application had no effect neither on the measurement of items nor on the disclosures provided in this interim report since the Company did not defer actuarial gains and losses in accordance with the corridor method but already recognised all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise. As far as concern the introduction of the net interest expenses and the classification of net interest expenses arising from defined benefit plans it had no effect since the Company plans have no plan assets.

On May 12th, 2011 the IASB issued IFRS 13 – Fair Value Measurement, which clarifies the determination of fair value for the purpose of the financial statements and it is applicable to all IFRSs, permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard has to be prospectively applied from January 1st, 2013. The application of this standard did not have any significant effect on the measurement of items in this report.

On 16 December 2011, the IASB issued certain amendments to IFRS 7 – Financial Instruments: Disclosures. The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The Company applied the amendments since 1 January 2013. The application of these amendments had no effect on the disclosures presented in this report.

On 17 May 2012, the IASB issued a set of amendments to IFRSs ("Annual Improvements to IFRS's – 2009 2011 Cycle"); set out below are those that are applicable to the Company, excluding those that only regard changes in terminology and have a limited accounting effect: IAS 1 – Presentation of Financial Statements; IAS 16 – Property, plant and equipment; IAS 32 – Financial instruments: Presentation.

The Company applied these improvements retrospectively since 1 January 2013 and no significant effects arose in this report.

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

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 is expected 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 is expected 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 is expected from the first time adoption of these amendments.

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

On 20 May 2013, the IASB issued the IFRIC Interpretation 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

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.

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 Borrowings

Loans 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.

Loans are recognised as current liabilities unless the company has an unconditional right to postpone repayment of them for at least 12 months after the reporting date.

The loans are eliminated from the statement of financial position when they are extinguished and after the company has transferred all the risks and liabilities associated with the instrument itself.

2.8 Employees benefits

Pension plans

In accordance with a generally accepted interpretation, the termination benefits (TFR) granted by the company to its employees are considered a defined benefits plan for which actuarial calculations must be made. The nature of TFR as reported in the annual accounts of Safilo Group S.p.A. has not changed in spite of the changes made to the rules governing the reserves for termination benefits enacted by Law 296 of 27th December 2006 ("2007 Italian Budget Act") and subsequent decrees and regulations issued in the first several months of 2007, insofar as this company has less than 50 employees.

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 profit or loss under personnel costs in constant amounts over the period between the vesting date of the stock options and the maturity date, with a balancing entry recognised directly in equity reserves.

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 reporting date the company revises its estimates of 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 from 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 outstanding shares is adjusted by assuming the conversion of all potential shares that would have a diluting effect, while the net 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.

4. Notes to the balance sheet

4.1 Cash in hand and at bank

This account totals Euro 3,221,399 (compared with Euro 195,443 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, 2013	December 31, 2012
Cash in hand and at bank	3,221,399	195,443

4.2 Trade receivables, net

The trade receivables total Euro 1,195,600 against Euro 1,185,800 in 2012 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.

(Euro)	December 31, 2013	December 31, 2012
Trade receivables from Safilo S.p.A.	1,195,600	1,185,800

4.3 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2013	December 31, 2012
VAT receivables	9,806,470	81,500
IRES tax receivables	676,217	620,455
Withholding taxes	168	100
Other receivables from Safilo S.p.A.	24,939,697	31,029,122
Other receivables	135,889	134,211
Total	**35,558,441**	**31,865,388**

The receivables from the subsidiary Safilo S.p.A. equal to Euro 24,939,697 refers to dividends resolved by the shareholders' meeting of the subsidiary and not yet collected at the reporting date. During the financial year 2013 were dividends for Euro 3,800,000 collected.

It is considered that the book value of the item "Other current assets" is approximately equal to their fair value. There were no transactions executed in currencies other than Euro.

4.4 Investments in subsidiaries

This item totalled Euro 749,313,759 versus Euro 748,948,528 the previous year. The increase is due 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 365,231.

The entire equity stake of Safilo S.p.A. is pledged to a pool of banks co-ordinated by Unicredit Bank AG, which granted loans to the subsidiaries Safilo S.p.A. and Safilo USA Inc., which is an indirect subsidiary of Safilo S.p.A..

The following tables illustrate the changes that took place during the financial year 2013 and the previous one:

(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**

(Euro)	% of share capital	Value at January 1, 2012	Increase (Decrease)	Value at December 31, 2012
Safilo S.p.A.	95.201	702,660,209	44,262,000	746,922,209
Contribution for Stock Options to subsidiaries	-	905,556	1,120,763	2,026,319
Total		**703,565,765**	**45,382,763**	**748,948,528**

The key information for the subsidiary Safilo S.p.A. is summarised as follows:

Safilo S.p.A. – Società Azionaria Fabbrica Italiana Lavorazione Occhiali

Registered office	Piazza Tiziano 8, Pieve di Cadore (BL)
Share capital at 31st December 2013	Euro 66,176,000 fully paid-in
Shareholders' equity at 31st December 2013	Euro 592,898,708
Net loss for the financial year 2013	Euro (5,966,510)

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). 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 33,234,402.

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 2013:

(Euro)	Balance at January 1, 2013	Impact on Income statement	Impact on Equity	Reclass.	Receivables/ Payables due to tax consol.	Balance at December 31, 2013
Tax losses Safilo Group S.p.A.	11,488,188	1,866,344	-	(2,967,496)	(270,017)	10,117,019
Tax losses from Safilo S.p.A.	13,514,192	-	-	2,352,359	6,799,076	22,665,627
Tax losses from Polaroid S.r.l.	-	-	-	-	144,833	144,833
Tax profit from Lenti S.r.l.	(591,874)	223,094	-	619,363	(223,094)	27,489
Tax losses from Smith Sport Optics S.r.l. in liquidation	4,226	-	-	(4,226)	-	-
Directors fees	66,000	85,304	-	-	-	151,304
Temporary differences for IPO costs	1,162,829	-	(646,479)	-	-	516,350
Other temporary differences	(388,544)	324	-	-	-	(388,220)
Total deferred tax assets	**25,255,017**	**2,175,066**	**(646,479)**	**-**	**6,450,798**	**33,234,402**
Write downs of deferred tax assets, net	(21,265,463)	(4,518,061)	646,479	-	(8,097,357)	(33,234,402)
Totale deferred tax assets, net	**3,989,554**	**(2,342,995)**	**-**	**-**	**(1,646,559)**	**-**

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
2008	4,156,905	1,143,149
2009	11,514,492	3,166,485
2010	41,320,607	11,363,167
2011	17,025,902	4,682,123
2012	35,477,267	9,756,248
2013	6,331,104	1,741,054
Total	**119,836,246**	**32,954,968**

Following the finalization, that took place on February 27, 2014, of all the disputes with the Italian tax authorities, the losses mentioned above have been reduced of approximately Euro 24 million. The reduction has not led to any economic impact as deferred tax assets on such losses were not recognized.

Following the changes introduced in 2011 to the art. 84 of TUIR regarding the recoverability of tax losses, it will be possible to carry them indefinitely forward starting from 2012, to an extent not greater than 80% of taxable income for each single year.

4.6 Other non-current assets

The item totals Euro 224,199 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, 2013**	**December 31, 2012**
Trade payables for services	384,763	381,311
Intercompany payables to Safilo S.p.A.	8,006,966	60,500
Total	**8,391,729**	**441,811**

The debt from the subsidiary Safilo S.p.A refers mainly at the VAT credit transferred for the Group VAT mechanism.

4.8 Tax payables

This account totalled Euro 730,368 at 31st December 2013, compared to Euro 406,200 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 2014.

4.9 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2013	December 31, 2012
Payables to personnel and social security institutions	626,497	1,220,875
Payables to pension funds	1,701	3,823
Other current liabilities	46	48
Total	**628,244**	**1,224,746**

Payables to personnel and social security institutions principally refer to salaries and wages for December and for accrued but unused holiday leave.

4.10 Employees benefits liability

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

(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

(Euro)	Balance at January 1, 2012	Changes during the year: Posted to income statement	Actuarial gains/ (losses)	Uses/ Payments	Balance at December 31, 2012
Defined benefit plan	112,605	15,585	32,771	(14,378)	146,583

The changes made to termination benefit (TFR) rules by Law 296 of 27th December 2006 ("2007 Italian Budget") and subsequent decrees and regulations issued over the first several months of 2007 did not impact the accounting classification of TFR for Safilo Group S.p.A., insofar as it is a legal entity with less than 50 employees. Consequently, on the basis of a generally accepted interpretation, the reserve for termination benefits of Safilo Group S.p.A. continues to be considered a defined benefits pension plan, which must thus be discounted.

The actuarial estimates used to measure the TFR reserve are based on a system of plausible hypotheses based on:

a. demographic parameters;
b. economic parameters;
c. financial parameters.

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

The economic parameters principally refer to long-term inflation rates and the financial yield rate, crucial for the revaluation of amounts accrued in the reserve for termination benefits. They also include the dynamics in collective compensation under examination. The average increases in compensation were considered, both according to accumulated seniority in service and for macro-categories of contractual classification (white-collar employees, middle-level managers and executives). The principal financial parameter is given by the discount rate.

The amounts booked to the income statement (operating and financial component) and to shareholders' equity (actuarial differences) break down as follows:

(Euro)	2013	2012
Service cost	21,684	4,480
Interest cost	2,532	11,105
Actuarial difference	(2,870)	32,771
Total	**21,346**	**48,356**

4.11 Provision for risks and charges

(Euro)	December 31, 2013	December 31, 2012
Provision for risks and charges	173,563	-

The provision for risks amounted to Euro 173,563 refers to the part of the Long Term Bonus to CEO.

4.12 Other non-current liabilities

(Euro)	December 31, 2013	December 31, 2012
Intercompany payables to Safilo S.p.A.	436,503	1,804,308
Intercompany payables to Smith Sport Optics S.r.l. in liquidation	-	34,705
Total	**436,503**	**1,839,013**

The long-term payable to subsidiary Safilo S.p.A. of Euro 436,503 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 2013, shareholders' equity amounts to Euro 779,031,162 compared to Euro 782,127,465 at 31st December 2012.

4.13 Share capital

During the year, the share capital increased by Euro 2,300,000 on the exercise of the option by the beneficiaries of the 2010-2013 Stock Option Plan.

4.14 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.

4.15 Retained earnings and other reserves

This account breaks down as follows:

(Euro)	December 31, 2013	December 31, 2012
Legal reserve	3,007,774	3,007,774
Stock option reserve	1,627,527	3,062,662
Reserve for actuarial gain/(Losses)	(22,417)	(25,287)
Retained (losses) earnings	(11,663,022)	(8,065,716)
Total	**(7,050,138)**	**(2,020,567)**

Equity accounts at 31st December 2013 - 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	310,999,825				
Paid in capital	482,564,934	A - B - C (*)	482,564,934	340,972,002	
Legal reserve	3,007,774	B			
Stock option reserve	1,627,527				
Reserve for actuarial gain (losses) of defined benefit plan	(22,417)				
Retained (losses) earnings	(11,663,022)				
Profit/(loss) for the period	(7,483,459)				
Total	**779,031,162**				

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.

4.16 Stock option plans

In the Extraordinary Meeting held on 5th November 2010, the Shareholders approved the issue of up to 1,700,000 (one million seven hundred thousand/00) new ordinary shares with a nominal value of 5.00 (five/00) Euro each, for a total of 8,500,000.00 (eight million five hundred thousand/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.

Specifically, four different option grant dates have been set:

- the first tranche ("First Tranche") was granted on the date of the meeting of the Board of Directors that was held on 5th November and 14th December 2010;
- the second tranche ("Second Tranche") was granted on the date of the meeting of the Board of Directors held on 16th March 2011 to approve the accounts for the year ended 31st December 2010;
- the third tranche ("Third Tranche") was granted on the date of the meeting of the Board of Directors held on 8th March 2012 to approve the accounts for the year ended 31st December 2011;
- the last tranche ("Fourth Tranche") was granted on the March 6, 2014 of the meeting of the Board of Directors held to approve the accounts for the year ended 31st December 2012.

On 13 November 2013, the Board of Directors has amended the rules of the Plan 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 thereby attributed 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 three-year period of each tranche commensurate with consolidated EBIT.

Information relating to the first two tranches of the Plan granted on 31st December 2013 is shown below:

	Grant date	**No. of options**	**Fair value in Euro**	**Maturity**
First tranche	05/11/10	190,000	4.08	31/05/16
Second tranche	16/03/11	315,000	1.48	31/05/17
Third tranche	08/03/12	300,000	1.06	31/05/18
Fourth tranche	06/03/13	235,000	1.12	31/05/19
Fourth tranche-bis	13/11/13	65,000	1.76	31/05/19

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**
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%

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

	No. of options	**Average exercise price in Euro**
Outstanding at the beginning of the period	**1,380,000**	**8.473**
Granted	385,000	9.495
Forfeited	(55,000)	8.470
Excercised	(460,000)	8.047
Expired	(145,000)	9.408
Outstanding at period-end	**1,105,000**	**8.884**

Among the options outstanding at the end of the period, the first tranche of the plan has become exercisable starting from the approval date of the 2012 financial statements until the end of the exercise period set for May 31st, 2016. The option exercisable still outstanding as at December 31st 2013 are equal to 190,000.

The second tranche of the plan, equal to a total of 315,000 options will be exercisable from the date of approval of these financial statements until the expiry of the exercise period set for May 31, 2017.

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 980,000 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)	2013	2012
Payroll and social security contributions	735,147	1,146,505
Corporate fulfilments costs	217,664	219,989
Fees to directors and statutory auditors	1,949,619	1,967,709
Consultancies	757,069	2,275,088
Cost of services rendered by Safilo S.p.A.	25,000	25,000
Other general and administrative expenses	104,602	124,334
Provision for risks	173,570	-
Total	**3,962,671**	**5,758,625**

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

(Euro)	December 31, 2013	December 31, 2012
Executives	1	2
Clerks and middle management	4	5
Total	**5**	**7**

The amount of the fees due to directors and auditors, in charge at the date of the financial statement for the service of their duties, amounts respectively to Euro 1,756 thousand and Euro 129 thousand.

5.3 Other operating expenses

The Other operating expenses amounted to Euro 2,156,227 and relate non-recurring items refer to the CEO succession plan.

5.4 Financial charges, net

This item breaks down as follows:

(Euro)	2013	2012
Interest expenses	44	4,753
Bank commissions	3,025	2,654
Negative exchange differences	28	11
Other financial charges	2,532	4,480
Total financial charges	**5,629**	**11,898**
Interests income	850	5,220
Positive exchange differences	3,213	67
Total financial income	**4,063**	**5,287**
Total financial (charges) income, net	**(1,566)**	**(6,611)**

5.5 Income taxes

This item breaks down as follows:

(Euro)	2013	2012
Current taxes	-	-
Deferred tax assets	(2,342,995)	383
Total	**(2,342,995)**	**383**

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

	2013		2012	
(Euro)	Amount	%	Amount	%
Profit (loss) before taxation	(5,140,464)	-	(5,715,490)	-
Theoretical taxes income/(cost)	1,413,628	27.5%	1,571,760	27.5%
Effective taxes income/(cost)	(2,342,995)	-45.6%	383	0.0%
Lower (higher) tax burden related to:	**(3,756,623)**	**-73.1%**	**(1,571,377)**	**-27.5%**
Permanent differences	(3,000)	0.1%	(1,703)	0.0%
Write-downs of deferred tax assets	(4,400,102)	-85.6%	(2,217,678)	-38.8%
Deductable expenses through equity	646,479	12.6%	648,004	11.3%
Difference on previous years' taxes	-	-	-	-
Total	**(3,756,623)**	**-73.1%**	**(1,571,377)**	**-27.5%**

5.6 Earnings (losses) per share

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

Basic	**2013**	**2012**
Profit/(loss) for ordinary shares	(7,483,459)	(5,715,107)
Average number of ordinary shares	61,796,091	60,476,872
Earnings (loss) per share - basic (in Euro)	**(0.12110)**	**(0.09450)**

Diluted	**2013**	**2012**
Profit/(loss) for ordinary shares	(7,483,459)	(5,715,107)
Profit for preferred shares	-	-
Profit/(loss) in income statement	**(7,483,459)**	**(5,715,107)**
Average number of ordinary shares	61,796,091	60,476,872
Dilution effects: - stock option	362,525	-
Total	**62,158,616**	**60,476,872**
Earnings (loss) per share - diluted (in Euro)	**(0.12039)**	**(0.09450)**

5.7 Dividends

The Company did not distribute dividends to shareholders neither in financial year 2013.

5.8 Segment information

The Company operates exclusively in Italy and its only activity is the management of its shareholdings.

6 Contingencies

The Italian subsidiary company Safilo S.p.A. received notices of assessment and a notice of penalties for the tax years 2007 and 2008 in the area of transfer pricing. With regard to Ires alone, Safilo Group S.p.A received a notice of assessment as the consolidating entity for the Group's tax unity.

On February 27, 2014 Safilo S.p.A. decided to accept the proposal of the definition of litigation pending, for all of the years involved.

7. Commitments

The Company had no purchase commitments at the reporting date.

8. 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.

9. Significant non-recurring events and transactions

During 2013 the company did not engage in significant non-recurring transactions pursuant to the CONSOB Communication of 28th July 2006.

10. Transactions resulting from unusual and/or abnormal operations

Pursuant to CONSOB Communication of 28th July 2006, in 2013 the Group did not put in place any unusual and/or atypical operations, as defined in this Communication.

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 2013 for audit and non-audit services provided by the independent auditors.

(Euro)	**2013 Audit fees**
Audit	49
Attestation	2
Other services	-
Total	**51**

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 Vincenzo Giannelli, 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 2013 financial year.

It is also certified that the annual report at 31st December 2013:

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 2014

The Chief Executive Officer

Luisa Deplazes de Andrade Delgado

The manager responsible for preparing the company's financial statements

Vincenzo Giannelli

REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Shareholders' Meeting of Safilo Group S.p.A. on the financial year 2013

Dear Shareholders,

during the financial year ended 31 December 2013, 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 PricewaterhouseCoopers S.p.A., which reported on the outcome of systematic checks and on the proper keeping of accounting records. We have no particular comments to make in this respect;
- not having been appointed to perform an analytical inspection of the content of the financial statements, we verified the general structure of the financial statements and consolidated financial statements, drawn up in compliance with IAS/IFRS international accounting principles, and of the respective management reports through direct checks and using specific information supplied by the auditing company;
- we verified that the impairment test had been carried out for the intangible asset entries made in the consolidated financial statements.

We report that:

- to the best of our knowledge, the Directors did not infringe the provisions of article 2423 paragraph 4 of the Civil Code in the Notes to the Financial Statements;
- we verified that, following adoption of its own "Internal Dealing Code", the Company has set up specific operational and management procedures for any communications from "relevant" parties;
- we verified that, pursuant to the provisions of Legislative Decree No. 231 of 8/6/2001, your company has equipped itself with an Organisation, Management and Control Model that complies with the Confindustria Guidelines and fulfils the requirements of the aforementioned legislative decree, disseminated the Code of Ethics and established a Supervisory Committee that reported to the Control and Risk Committee and the Board of Directors on its activities. The necessary actions and measures have been taken to ensure that the organisational model remains appropriate and up-to-date for the purpose of fulfilling its functions and complying with new regulatory requirements.

In accordance with the aforementioned Consob communications, we hereby provide the following information:

1. The significant economic, financial and capital operations carried out by the company and its subsidiaries were executed in accordance with the law and company bylaws. Based on the information acquired, we were able to ascertain that they were not manifestly imprudent or risky, that they did not result in a conflict of interest and did not compromise the integrity of the company's assets.
2. We ascertained that no atypical and/or unusual operations, as defined by Consob communication DEM/6064293 of 28 July 2006, were carried out within the group or with related or third parties, having found confirmation of this in the information supplied by the Board of Directors and the Auditing Firm.
   Furthermore, we ascertained that the standard operating procedures in force within the Group guarantee that all commercial operations with related parties take place according to market conditions.
3. We believe that the information presented by the Directors in their report on operations and explanatory notes in respect of the operations mentioned in paragraph 2 is adequate.
4. The reports prepared by the audit firm PricewaterhouseCoopers S.p.A., issued on March 19th 2014, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31.12.2013 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 2013, 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 2013, Safilo Group S.p.A. has no appointed to PricewaterhouseCoopers 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 PWC S.p.A.	€ 49,000
of the subsidiaries	to PWC S.p.A.	€ 146,000
of the subsidiaries	to PWC network	€ 1,110,000
• for certification services		
of Safilo Group S.p.A.	to PWC S.p.A.	€ 2,000
of the subsidiaries	to PWC S.p.A.	€ 67,000
of the subsidiaries	to PWC network	€ 152,000
• for other services		
for Safilo Group S.p.A.	to PWC S.p.A.	€ 0
for the subsidiaries	to PWC S.p.A.	€ 0
for the subsidiaries	to PWC network	€ 108,000

8. During the 2013 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 2013, 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 "2013 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. 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 2013 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, 19 March 2014

THE BOARD OF STATUTORY AUDITORS

Paolo Nicolai	President
Franco Corgnati	Regular auditor
Bettina Solimando	Regular auditor

Following is 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 19TH, 2014:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
S.I.T. S.R.L.	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
RIELLO S.P.A.	02641790239	Legnago	VR	Chairman of the Board of Statutory auditors	31/12/2015
CA' DEL BOSCO S.R.L. - SOCIETÀ AGRICOLA	01749900989	Erbusco	BS	Chairman of the Board of Statutory auditors	31/12/2014
FIT SERVICE S.P.A.	03604820237	Legnago	VR	Chairman of the Board of Statutory auditors	31/12/2015
ACQUAFIN HOLDING S.P.A.	012160062	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	31/12/2013
SAFILO S.P.A.	03625410281	Pieve di Cadore	BL	Chairman of the Board of Statutory auditors	31/12/2013
HOLDING F.I.S. S.P.A.	01348120930	Pordenone	PN	Chairman of the Board of Statutory auditors	31/12/2015
RPM S.P.A.	00226730299	Badia Polesine	RO	Regular auditor	31/12/2013
ELETTROTEST S.P.A.	00356140293	Badia Polesine	RO	Regular auditor	31/12/2013
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	Gaiole in Chianti	SI	Regular auditor	31/12/2014
ACCIAIERIE VENETE S.P.A.	00224180281	Padova	PD	Regular auditor	31/12/2015
CEMENTERIA DI MONSELICE S.P.A.	01575210164	Padova	PD	Regular auditor	31/12/2014
FININT S.P.A.	04310560265	Conegliano	TV	Regular auditor	31/12/2013
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
ERRE IMMOBILIARE S.R.L.	04251680288	Padova	PD	Sole Director	until revocation

FRANCO CORGNATI – LIST OF POSITIONS HELD AT MARCH 19TH, 2014:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
Az.Agricole L.Bennati S.p.A.	00647670272	Roma	RM	Regular auditor	31/12/2013
B. & T. S.r.l.	09863770013	S. Mauro Torinese	TO	Regular auditor	31/12/2013
Baglio di Pianetto S.r.l.	02940950245	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2013
Bauer S.p.A.	00443820311	Roma	RM	Chairman of the Board of Statutory auditors	31/12/2014
Burgo Energia S.r.l.	08737780018	S. Mauro Torinese	TO	Regular auditor	31/12/2015
Burgo Group S.p.A.	13051890153	Altavilla Vicentina	VI	Regular auditor	31/12/2015
Burgo Distribuzione S.r.l.	0023020377	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2015
Burgo Factor S.p.A.	10209320158	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2015
Centro Servizi Metalli S.p.A.	01323290351	Reggio Emilia	RE	Chairman of the Board of Statutory auditors	31/12/2014
C.I.S. S.p.A. – in liquidation	02026570248	Vicenza	VI	Regular auditor	31/12/2014
Facchin Calcestruzzi S.r.l.	01992290245	Recoaro Terme	VI	Chairman of the Board of Statutory auditors	31/12/2013
Ferriera di Cittadella S.p.A.	00800140246	Vicenza	VI	Regular auditor	31/12/2015
Filivivi S.r.l.	04816000964	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2013
Finintes S.p.A.	01469900128	Milano	MI	Chairman of the Board of Statutory auditors	31/12/2013
Forint S.p.A.	00167200245	Vicenza	VI	Chairman of the Board of Statutory auditors	31/12/2014
Gemmo Holding S.p.A.	03214560249	Arcugnano	VI	Chairman of the Board of Statutory auditors	31/12/2013
Gemmo S.p.A.	03214610242	Arcugnano	VI	Chairman of the Board of Statutory auditors	31/12/2013
Holding Gruppo Marchi S.p.A.	01791370024	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2015
Immobiliare Stampa S.p.A.	09422020157	Vicenza	VI	Regular auditor	31/12/2013
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
Margraf SpA	01317330247	Chiampo	VI	Chairman of the Board of Statutory auditors	31/12/2013
Mosaico S.r.l.	03506890247	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2013

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	31/12/2013
Prodotti Stella S.p.A.	01419130685	Altavilla Vicentina	VI	Chairman of the Board of Statutory auditors	31/12/2013
Safilo Group S.p.A.	03032950242	Pieve di Cadore	BL	Regular auditor	31/12/2013
Safilo S.p.A.	03625410281	Pieve di Cadore	BL	Regular auditor	31/12/2013
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 19TH, 2014:

COMPANY	FISCAL CODE	REGISTERED OFFICE	PR	POSITION	TERM OF OFFICE
Safilo Group S.p.A.	03032950242	Pieve di Cadore	BL	Regular auditor	31/12/2013
Safilo S.p.A.	03625410281	Pieve di Cadore	BL	Regular auditor	31/12/2013
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
GCE Mujelli S.p.A.	02101430961	S. Martino B.A.	VR	Regular auditor	31/12/2015
Hoerbiger Italiana S.p.A.	00884990151	Verona	VR	Regular auditor	31/12/2014
Paul Hartmann S.p.A.	07179150151	Verona	VR	Regular auditor	31/12/2013
Volkswagen Group Firenze S.p.A.	05671860483	Firenze	FI	Regular auditor	31/12/2014

REPORT OF INDEPENDENT AUDITORS

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N°39 OF 27 JANUARY 2010

To the shareholders of
Safilo Group SpA

1 We have audited the separate financial statements of Safilo Group SpA as of 31 December 2013 which comprise the balance sheet statement, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and related notes to the financial statements. The directors of Safilo Group SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant 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 period, which are presented for comparative purposes, reference is made to our report dated 29 March 2013.

3 In our opinion, the separate financial statements of the Safilo Group SpA as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n°38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Safilo Group SpA for the period then ended.

4 The directors of Safilo Group SpA are responsible for the preparation of a report on operations and a 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 compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n°58/98 presented in the report on corporate governance and ownership

PricewaterhouseCoopers SpA

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structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n°001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by the Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n°58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Safilo Group SpA as of 31 December 2013.

Padua, 19 March 2014

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

GROUP

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