Half year Financial Report

for the period ended June 30th, 2021

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This interim report is available on the Company's website:

www.safilogroup.com

SAFILO GROUP S.p.A.

Registered Office

Settima Strada, 15

35129 Padua - Italy

Contents

Corporate Bodies and Committees

Board of Directors (1)

Chairman	Eugenio Razelli
Chief Executive Officer	Angelo Trocchia
Non-executive Director	Jeffrey A. Cole
Non-executive Director	Melchert Frans Groot
Non-executive Director	Robert Polet
Non-executive, Independent Director	Ines Mazzilli
Non-executive, Independent Director	Matthieu Brisset
Non-executive, Independent Director	Irene Boni
Non-executive Director	Katia Buja
Non-executive, Independent Director	Cinzia Morelli-Verhoog

Board of Statutory Auditors (2)

Chairman	Carmen Pezzuto
Standing Statutory Auditor	Roberto Padova
Standing Statutory Auditor	Bettina Solimando
Alternate Statutory Auditor	Marzia Barbara Reginato
Alternate Statutory Auditor	Marco Prandin

Supervisory Committe (3)

Chairman	Bettina Solimando
	Ines Mazzilli
	Carlotta Boccadoro

Control and Risk Committee (3)

Chairman	Ines Mazzilli
	Melchert Frans Groot
	Matthieu Brisset

Sustainability Committee (3)

Chairman	Eugenio Razelli
	Angelo Trocchia
	Katia Buja
	Vladimiro Baldin
	Fabio Roppoli
	Marco Cella

Remuneration and Nomination Committe (3)

Chairman	Cinzia Morelli-Verhoog
	Jeffrey A. Cole
	Irene Boni

Transactions with Related Parties Committee (3)

Chairman	Ines Mazzilli
	Matthieu Brisset
	Cinzia Morelli Verhoog

Independent Auditors

Deloitte & Touche S.p.A.

(1) Appointed by the Shareholders' Meeting held on April 29, 2021.
(2) Appointed by the Shareholders' Meeting held on April 28, 2020.
(3) Appointed by the Board of Directors' Meeting held on April 29, 2021.

REPORT ON OPERATIONS

General information and activities of the Group

Safilo Group S.p.A., the holding company, is a limited liability company registered in Italy, with the legal seat in Padova, via Settima Strada no. 15.

Companies included in the consolidation area are reported in paragraph 1.3 "Consolidation method and consolidation area".

Safilo Group has been in the eyewear market for more than 80 years and is the second largest worldwide producer of sunglasses and prescription frames. Safilo is active in the design, manufacture and sale of eyewear products. Safilo is a global leader in the high-end eyewear segment of the market and also one of the leading sports eyewear producers and distributors worldwide.

Safilo designs, produces and distributes high quality optical eyewear, sunglasses, sports goggles and accessories. Safilo reaches points of sale all over the world, distribution takes place through sales to multiple channels, including opticians, retail chains, specialist shops and a fast growing D2C (direct to consumer) platform.

The entire production-distribution chain is directly controlled and is divided into the following phases: research and technological innovation, design and product development, planning, programming and purchasing, production, quality control, marketing and communication, sales, distribution and logistics. Safilo is strongly oriented towards the development and design of the product, carried out by a team of designers and product developers who ensure continued technical and stylistic innovation, which has always been one of the company's key strengths.

The Group manages a brand portfolio of both proprietary and licensed brands, selected according to their competitive positioning in the segmentation of the eyewear market. Safilo has extensively complemented its proprietary brand portfolio with numerous brands from Fashion Luxury to Lifestyle and Sports & Outdoor to the fast-growing Mass Cool segment, rooted in long-term relationships with licensors through license agreements.

Thanks to the acquisitions of Blenders and Privé Revaux in 2020, beyond acquiring two high potential growth brands, the Group is implementing the digital transformation strategy outlined in its 2020 – 2024 business plan.

Blenders Eyewear, founded in San Diego in 2012, has built an advanced e-commerce platform, with unique digital and social media skills, achieving fast and profitable growth. Blenders generates approximately 95% of its current business through its proprietary direct-to-consumer e-commerce platform.

Privé Revaux, founded in Miami in 2017 was built on a shared passion for style and quality with the goal of disrupting the eyewear industry and making premium, quality eyewear products accessible to everyone leveraging digital marketing.

The Group's brands include Carrera, Polaroid, Smith, Safilo and Seventh Street and newly acquired Blenders and Privé Revaux, and the licensed brands Banana Republic, BOSS, Eyewear by David Beckham, Elie Saab, Fossil, Givenchy, havaianas, HUGO, Isabel Marant, Jimmy Choo, Juicy Couture, kate spade new york, Levi's, Liz Claiborne, Love Moschino, Marc Jacobs, Missoni, M Missoni, Moschino, Pierre Cardin, PORTS, rag&bone, Rebecca Minkoff, Tommy Hilfiger, Tommy Jeans and Under Armour.

Key consolidated performance indicators

Economic data (Euro million)	First semester 2021	%	First semester 2020	%	First semester 2019	%
Net sales	510.7	100.0	335.6	100.0	495.9	100.0
Cost of sales	(248.5)	(48.7)	(187.0)	(55.7)	(229.8)	(46.3)
Gross profit	262.2	51.3	148.6	44.3	266.2	53.7
Ebitda	51.0	10.0	(38.6)	(11.5)	36.3	7.3
Ebitda pre non-recurring items	49.7	9.7	(28.3)	(8.4)	41.2	8.3
Operating profit/(loss)	22.3	4.4	(68.4)	(20.4)	(218.8)	(44.1)
Operating profit/(loss) pre non-recurring items	24.7	4.8	(55.2)	(16.4)	13.3	2.7
Group profit/(loss) before taxes	10.1	2.0	(80.0)	(23.8)	(221.7)	(44.7)
Profit/(Loss) attributable to the Group	2.0	0.4	(74.8)	(22.3)	(246.9)	(49.8)
Profit/(Loss) attributable to the Group pre non-recurring items	4.4	0.9	(63.7)	(19.0)	8.5	1.7

Economic data (Euro million)	Second quarter 2021	%	Second quarter 2020	%	Second quarter 2019	%
Net sales	259.4	100.0	114.5	100.0	248.6	100.0
Gross profit	135.6	52.3	39.2	34.2	135.9	54.7
Ebitda	37.7	14.5	(42.0)	(36.7)	17.4	7.0
Ebitda pre non-recurring items	23.8	9.2	(34.1)	(29.8)	21.2	8.5

Balance sheet data (Euro million)	June 30, 2021	%	December 31, 2020	%
Total assets	939.0	100.0	913.9	100.0
Total non-current assets	375.9	40.0	392.3	42.9
Net invested capital	427.9	45.6	408.4	44.7
Net working capital	200.6	21.4	188.5	20.6
Net financial position	(226.9)	(24.2)	(222.1)	(24.3)
Net financial position pre IFRS 16	(186.7)	(19.9)	(179.0)	(19.6)
Group Shareholders' equity	161.3	17.2	147.3	16.1

Financial data (Euro million)	First semester 2021	First semester 2020
Cash flow from operating activities	10.1	17.0
Cash flow from investing activities	(9.8)	(120.9)
Cash flow from financing activities	(16.7)	158.4
Closing net financial indebtedness (short-term)	71.2	107.0
Free cash flow	(4.8)	(109.2)
Capital expenditure	10.4	9.3

Earnings/(Losses) per share (in Euro)	First semester 2021	First semester 2020
Earnings/(Losses) per share - basic	0.007	(0.271)
Earnings/(Losses) per share - diluted	0.007	(0.271)
Group Shareholders' equity per share	0.585	0.534

Group personnel	June 30, 2021	December 31, 2020
Punctual at period end	5,086	5,215

The interim financial statements have been subject to limited review by the external auditor of the Group.

Adjusted performance indicators

Adjusted performace indicators exclude the effect of items not related to the ordinary operations which may have an impact on the quality of earnings such as restructuring costs, non recurring costs and legal litigations, impairments when impairment is the result of a non-recurring event. Adjusted indicators exclude the following non-recurring items:

- In the first semester 2021, adjusted economic results pre non-recurring items exclude: non-recurring costs for Euro 19.3 million (Euro 8.4 million on gross profit and Euro 15.6 million on EBITDA), mainly related to the announced closure, starting from June 2021, of the Ormoz production plant in Slovenia and a non-recurring income for Euro 17 million due to the release of a provision for risks and charges booked in 2015 in relation to an investigation by the French Competition Authority. The release is a result of positive outcome, without sanctions, of this investigation. In Q2 2021, the adjusted EBITDA excludes non-recurring costs for Euro 3.2 million (Euro 3.8 million on gross profit) and a non-recurring income for Euro 17 million related to the release of the above mentioned provision.

- In the first semester 2020, adjusted economic results pre non-recurring items excluded non-recurring costs for Euro 13.2 million (Euro 10.3 million on EBITDA), due to restructuring expenses related to the ongoing cost saving program. In Q2 2020, the adjusted EBITDA excluded non-recurring costs for Euro 7.9 million.

- In the first semester 2019, adjusted economic results pre non-recurring items excluded: (i) the impairment of the entire goodwill allocated to the Group's cash generating units for Euro 227.1 million, (ii) non-recurring costs for Euro 5 million (Euro 3.8 million in the second quarter 2019) due to restructuring expenses related to the ongoing cost saving program, and (iii) a write-down of deferred tax assets of Euro 23.3 million.

	First semester 2021			First semester 2020		
(Euro million)	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group
Economic indicators	**51.0**	**22.3**	**2.0**	**(38.6)**	**(68.4)**	**(74.8)**
Restructuring costs and other non recurring costs	15.6	19.3	19.3	10.3	13.2	13.2
Income for release provision on France Antitrust litigation	(17.0)	(17.0)	(17.0)			
Tax effect on non recurring items			0.1			(2.2)
Economic indicators pre non recurring items	**49.7**	**24.7**	**4.4**	**(28.3)**	**(55.2)**	**(63.7)**

	First semester 2019		
(Euro million)	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group
Economic indicators	**36.3**	**(218.8)**	**(246.9)**
Restructuring costs and other non recurring costs	4.9	5.0	5.0
Impairment of goodwill	-	227.1	227.1
Write Down of Deferred Tax Assets			23.3
Economic indicators pre non recurring items	**41.2**	**13.3**	**8.5**

Alternative performance indicators definition

Certain "alternative performance indicators", which are not foreseen in the IFRS accounting principles have been used in this interim 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;
- "EBITDA LTM adjusted" stands for EBITDA calculated for the prior 12 consecutive months ending on the date of measurement before non-recurring items;
- "EBIT" stands for Earnings Before Interest and Taxes and is also stated as "Operating profit/(Loss)";
- "Capital expenditure" refers to purchases of tangible and intangible fixed assets;
- "Net invested capital" refers to the algebraic sum of shareholders' equity of the Group and minority interests and the "Net financial position" (see below);
- "Free Cash Flow" means the algebraic sum of cash flow from/(for) operating activities, the cash flow from/(for) investing activities, and the cash payments for the principal portion of IFRS 16 lease liabilities;
- "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 on hand and at bank. Such indicator does not include the valuation at the reporting date of derivative financial instruments and the liability for options on non-controlling interests.

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.

Following the entry into force on March 18, 2016 of the Italian Legislative Decree no. 25 of 15 February 2016, which eliminates, in accordance with the European Union's Transparency Directive, the obligation to publish interim management statements, the Group releases on a voluntary basis a trading update for the first and third quarters showing only financial KPIs.

Disclaimer

This interim report and, in particular, the section entitled "Subsequent events 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 are beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.

Information on Group economic results

The Group second quarter performance continued the solid sales and profitability momentum of the first three months of the year, allowing to close the first half of 2021 with a significant year on year rebound and well above 2019 first semester, growing +7.7% at constant exchange rates on the top line and +20.5% at the adjusted EBITDA level.

In the period, the Group continued to seize the business opportunities that the renewed brand portfolio provided in the key markets.
Safilo benefited from the significant organic growth achieved by the core brands already in the portfolio, as well as from the full offset of the brands terminated at the end of 2020 with Blenders and Privé Revaux acquisitions and the successful introduction of new licenses.

The path of recovery was certainly supported by the magnitude of the rebound in consumption experienced in the United States, and again by the vigorous business progression recorded in China, Australia and most of the Middle-East countries.

Also in the second quarter, sales growth came from the strong progression recorded in all markets by prescription frames, particularly sustained in the independent opticians channel, and from the surge of outdoor activities boosting our Smith sport products business.
Sales of sunglasses, which were in the period still held back by the pandemic related restrictions in many markets, benefitted, on the other hand, from the strength of the online channel, which grew double-digit also in the second quarter, thanks to the sustained business momentum of internet pure players and to the direct-to-consumer sales of Blenders and Smith.

In the semester Safilo manufacturing and commercial activities has gradually returned to the normal level of operations pre Covid-19 pandemic. The Group has continued to be focused on the actions to preserve the business continuity and the health and safety of all its employees, rigorously implementing the safety and prevention regulations provided by government protocols.

The Group has also continued to implement an effective working capital and cash protection management, which allowed to close the first six months of the year with a positive cashflow from operating activities and a Group's net debt (post-IFRS 16) at Euro 226.9 million, a position substantially in line with the one recorded at the end of December 2020, despite the cash out in the period relating to the definitive closure of the Ormož production site.

The closure of Ormož production site in Slovenia is another significant step forward in the execution of the Group's industrial restructuring plan. In April Safilo signed an agreement with the trade unions and the work council regarding the closure of the site effective end of June 2021 and is managing the disposal of the plant and related assets to guarantee a project for its reindustrialization.

In June Safilo also announced the launch of a share capital increase up to a maximum of Euro 135 million aimed at the repayment of the existing Shareholder Loan, granted by its main shareholder HAL, of original

Euro 90 million, plus the relative amount of interests accrued, that will allow to further strengthen the Group's capital structure and a substantial saving in financial charges for interest expenses.
The excess part of the proceeds from the share capital increase is aimed to support the investments and drivers of future growth, including new opportunities that may come available in the sector.

At the same time, Safilo continued the rebalance of its brand portfolio, with targeted additions that will allow to gain a leading position in the various eyewear segments and reference markets. After having signed with Dsquared2 in May, in July Safilo announced a new partnership with Carolina Herrera, a strong brand, valued worldwide for the extreme elegance and femininity of its products, which will allow, starting from January 2022, to immediately strengthen our women's proposition.

FIRST SEMESTER ECONOMIC PERFORMANCE

The Group's performance in the first semester and second quarter 2020 was heavily affected by the Covid 19 pandemic, in this report on operations our 2021 performance and the related comments are thus provided also in comparison with 2019 first semester and second quarter results, to provide a better evaluation of the current results.

Consolidated income statement (Euro million)	**First semester 2021**	**%**	**First semester 2020**	**%**	**First semester 2019**	**%**	**Change vs 2020 %**	**Change vs 2019 %**
Net sales	510.7	100.0	335.6	100.0	495.9	100.0	52.2%	3.0%
Cost of sales	(248.5)	(48.7)	(187.0)	(55.7)	(229.8)	(46.3)	-32.9%	-8.1%
Gross profit	**262.2**	**51.3**	**148.6**	**44.3**	**266.2**	**53.7**	**76.5%**	**-1.5%**
Selling and marketing expenses	(188.1)	(36.8)	(150.0)	(44.7)	(192.9)	(38.9)	-25.4%	2.5%
General and administrative expenses	(59.0)	(11.6)	(56.7)	(16.9)	(60.9)	(12.3)	-4.1%	3.0%
Impairment loss on goodwill	-	-	-	-	(227.1)	(45.8)		100.0%
Other operating income/(expenses)	7.2	1.4	(10.3)	(3.1)	(4.2)	(0.8)	170.1%	273.5%
Operating profit/(loss)	**22.3**	**4.4**	**(68.4)**	**(20.4)**	**(218.8)**	**(44.1)**	**132.7%**	**110.2%**
Gains/(losses) on liabilities for options on non-controlling interests	(0.7)	(0.1)	-	-	-	-		
Financial charges, net	(11.6)	(2.3)	(11.6)	(3.5)	(2.9)	(0.6)	-0.2%	-300.5%
Profit/(Loss) before taxation	**10.1**	**2.0**	**(80.0)**	**(23.8)**	**(221.7)**	**(44.7)**	**112.6%**	**104.5%**
Income taxes	(7.6)	(1.5)	5.7	1.7	(25.2)	(5.1)	-233.2%	70.0%
Net profit/(loss)	**2.5**	**0.5**	**(74.3)**	**(22.1)**	**(246.9)**	**(49.8)**	**103.3%**	**101.0%**
Net profit/(loss) attributable to minority interests	0.5	0.1	0.5	0.1	-	-	13.8%	2376.8%
Net profit/(loss) attributable to the Group	**2.0**	**0.4**	**(74.8)**	**(22.3)**	**(246.9)**	**(49.8)**	**102.6%**	**100.8%**
EBITDA	**51.0**	**10.0**	**(38.6)**	**(11.5)**	**36.3**	**7.3**	**232.4%**	**40.8%**

Economic indicators pre non-recurring items	**First semester 2021**	**%**	**First semester 2020**	**%**	**First Semester 2019**	**%**	**Change vs 2020**	**Change vs 2019**
EBIT pre non-recurring items	**24.7**	**4.8**	**(55.2)**	**(16.4)**	**13.3**	**2.7**	**144.7%**	**85.5%**
EBITDA pre non-recurring items	**49.7**	**9.7**	**(28.3)**	**(8.4)**	**41.2**	**8.3**	**275.7%**	**20.5%**
Net profit/(loss) attributable to the Group pre non-recurring items	**4.4**	**0.9**	**(63.7)**	**(19.0)**	**8.5**	**1.7**	**106.9%**	**-48.5%**

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

Safilo's first semester 2021 economic results reflected the benefits of the recovery of operating leverage led by the strong top-line growth, the now leaner overheads structure which the Group continued to manage with disciplined cost control, and cost of goods sold efficiencies.

In first semester 2021, Safilo's structural costs savings amounted to around Euro 13 million, while the

contingency measures still in place in relation to the Covid-19 emergency resulted in an estimated cost avoidance of around Euro 4 million.
The Group's results have been, on the other hand, affected by the inflationary pressures coming in particular from rising transportation costs.

On July 22, 2021, the French Competition Authority, following its investigation initiated in 2009 regarding a number of alleged practices in the eyewear sector in France, dismissed all charges raised against Safilo and which the Group had been vigorously challenging.
Following this outcome, no sanctions were applied to Safilo, which was thus able to release the provision for risks and charges of Euro 17.0 million, booked in 2015 in order to cover the potential estimated liability. Such release had a positive impact on the Group's reported second quarter and first semester 2021 results, while it was not included in the adjusted key performance indicators. First semster 2021 economic results included also restructuring costs of Euro 19.3 million (Euro 8.4 million at the gross profit level, and Euro 15.6 million at the EBITDA level).

First semester 2021 gross profit stood at Euro 262.2 million, recording a significant increase of +76.5% compared to first semester 2020, and a slight decline of -1.5% compared to the gross profit in first semester 2019. The gross margin was instead 51.3% compared to 44.3% in first semester 2020 and 53.7% in first semester 2019.
On an adjusted basis, first semester 2021 gross profit equaled Euro 270.6 million and a margin on sales of 53.0%.

First semester 2021 EBITDA soared to Euro 51.0 million from the loss of Euro -38.6 million recorded in first semester 2020 and posting an increase of +40.8% compared to the EBITDA of Euro 36.3 million recorded in first semester 2019. First semester 2021 EBITDA margin increased to 10.0% compared to -11.5% in first semester 2020 and 7.3% in first semester 2019.
First semester 2021 adjusted EBITDA equaled Euro 49.7 million compared to the adjusted loss of Euro -28.3 million recorded in first semester 2020 and posting an increase of +20.5% compared to the adjusted EBITDA of Euro 41.2 million recorded in first semester 2019.
The adjusted EBITDA margin increased to 9.7% compared to -8.4% in first semester 2020, higher compared to the 8.3% adjusted EBITDA margin recorded in first semester 2019.

First semester 2021 operating result was back to a profit of Euro 22.3 million, compared to the operating losses of Euro -68.4 million and Euro -218.8 million recorded in first semester 2020 and first semester 2019 respectively. First semester 2021 operating margin stood at 4.4% of sales.
First semester 2021 adjusted operating result equalled Euro 24.7 million, compared to the adjusted loss of Euro -55.2 million booked in first semester 2020 and posting a meaningful increase of +85.5% compared to the adjusted operating profit of Euro 13.3 million recorded in first semester 2019.
The adjusted operating margin stood at 4.8% of sales from -16.4% in first semester 2020, and improving compared to the 2.7% adjusted operating margin recorded in first semester 2019.

First semester 2021 Group net result equaled a profit of Euro 2.0 million, compared to the Group net losses of Euro -74.8 million and Euro -246.9 million recorded in first semester 2020 and first semester 2019 respectively.

First semester 2021 adjusted Group net result equaled a profit of Euro 4.4 million, compared to the adjusted net loss of Euro -63.7 million recorded in first semester 2020 and registering a decline of 48.5% compared to the adjusted net profit of Euro 8.5 million posted in first semester 2019.

SECOND QUARTER ECONOMIC PERFORMANCE

Consolidated income statement (Euro million)	**Second quarter 2021**	**%**	**Second quarter 2020**	**%**	**Second quarter 2019**	**%**	**Change vs 2020 %**	**Change vs 2019 %**
Net sales	259.4	100.0	114.5	100.0	248.6	100.0	126.6%	4.3%
Gross profit	**135.6**	**52.3**	**39.2**	**34.2**	**135.9**	**54.7**	**246.3%**	**-0.2%**
EBITDA	**37.7**	**14.5**	**(42.0)**	**(36.7)**	**17.4**	**7.0**	**189.7%**	**116.6%**
EBITDA pre non-recurring items	**23.8**	**9.2**	**(34.1)**	**(29.8)**	**21.2**	**8.5**	**169.9%**	**12.2%**

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

From an economic standpoint, the significant sales rebound recorded by Safilo in second quarter 2021 translated into a sharp rise in operating profitability compared to last year's exceptionally low basis and gave the opportunity to exceed 2019 margins at the EBITDA level.

Positive economic results were fueled by a structural recovery in operating leverage as sales volumes increased and by cost efficiency drivers in terms of lower obsolescence contributing to offset inflationary pressures particularly on transportation costs. As planned, marketing and advertising expenses reaccelerated compared to first quarter 2021, driven by the online business peak season and the expectation of a less restricted retail environment.

Second quarter 2021 economic results included restructuring costs of Euro 3.2 million (Euro 3.8 million at the gross profit level) and the above mentioned income of Euro 17 million due to the release of a provision for risks and charges.

Second quarter 2021 gross profit rose to Euro 135.6 million, recording an exponential increase compared with Euro 39.2 million recorded in second quarter 2020 and resulting substantially in line with the gross profit of Euro 135.9 million recorded in second quarter 2019. Second quarter 2021 gross margin reached 52.3%, compared to 34.2% in second quarter 2020 and 54.7% in second quarter 2019.

On an adjusted basis, second quarter 2021 gross profit equaled Euro 139.4 million and a margin of 53.7%.

Second quarter 2021 EBITDA soared to Euro 37.7 million compared to the EBITDA loss of Euro 42.0 million recorded in the second quarter 2020, and posting an increase of +116.6% compared to the profit of Euro 17.4 million reported in the second quarter 2019. Second quarter 2021 EBITDA margin increased to 14.5%

compared to -36.7% in first semester 2020 and 7.0% in first semester 2019.

Second quarter 2021 adjusted EBITDA equaled Euro 23.8 million compared to the adjusted EBITDA loss of Euro -34.1 million recorded in second quarter 2020, and posting an increase of +12.2% compared to the adjusted EBITDA profit of Euro 21.2 million reported in second quarter 2019. Second quarter 2021 adjusted EBITDA margin increased to 9.2% compared to -29.8% in second quarter 2020 and was higher than the 8.5% adjusted EBITDA margin recorded in second quarter 2019.

Net sales by geographical area

	First semester						% Change vs 2020		% Change vs 2019	
(Euro million)	2021	%	2020	%	2019	%	current forex	constant forex	current forex	constant forex
Europe	208.2	40.8	165.0	49.2	246.3	49.7	26.2%	27.1%	-15.5%	-14.7%
North America	240.1	47.0	128.5	38.3	169.5	34.2	86.9%	103.6%	41.6%	50.6%
Asia Pacific	25.9	5.1	23.7	7.1	43.5	8.8	9.1%	11.7%	-40.4%	-39.1%
Rest of the world	36.5	7.2	18.4	5.5	36.7	7.4	98.6%	111.7%	-0.4%	14.4%
Total	**510.7**	**100.0**	**335.6**	**100.0**	**495.9**	**100.0**	**52.2%**	**59.9%**	**3.0%**	**7.7%**

In the first semester of 2021, Safilo net sales totaled Euro 510.7 million, posting a year on year rebound of +59.9% at constant exchange rates, +52.2% at current exchange rates compared to Euro 335.6 million in first semester 2020.

Compared to the first semester of 2019, first semester 2021 total net sales recorded an increase of +7.7% at constant exchange rates, +3.0% at current exchange rates, with strong sales momentum throughout the first two quarters consistently driven by the rebound in growth experienced in the US and in China, and by some of the Group's key strategic drivers.

On a two-year basis, first semester 2021 key sales dynamics were:

- the full compensation of the business terminated at the end of 2020 with the acquisitions of Blenders and Privé Revaux and the introduction of the new licenses of Levi's, David Beckham, Missoni, Ports, Isabel Marant and Under Armour;
- the broad based organic growth delivered by the Group's comparable brands portfolio, up high-single digits at constant exchange rates, led by Smith's strong outperformance in its core product categories, by Carrera and the main licenses of Hugo Boss, Tommy Hilfiger, Kate Spade and Jimmy Choo, all firmly exceeding 2019 levels;
- the strong progress of the online business, thanks to the new, significant contribution of Blenders' e-commerce, up 31.3% on a pro-forma performance basis, the growth of Smith's DTC channel, and of the Group's sales generated through internet pure players. In first semester 2021, Safilo's total online sales reached 13.6% of the Group's total business, from 11% in first semester 2020 and 3.8% in first semester 2019, growing 2x and almost 4x compared to the respective periods;
- the double-digit growth of prescription frames across brands and markets, advancing the Group's

strategy for a re-balanced business between product categories, and the still soft performance of sunglasses.

	Second quarter						% Change vs 2020		% Change vs 2019	
(Euro million)	2021	%	2020	%	2019	%	current forex	constant forex	current forex	constant forex
Europe	106.7	41.1	57.2	50.0	121.7	48.9	86.5%	87.5%	-12.3%	-11.4%
North America	121.0	46.6	44.1	38.5	80.6	32.4	174.6%	198.9%	50.1%	60.3%
Asia Pacific	12.9	5.0	8.8	7.7	25.7	10.3	46.4%	49.6%	-49.8%	-48.5%
Rest of the world	18.7	7.2	4.4	3.8	20.6	8.3	330.3%	340.4%	-9.1%	4.9%
Total	**259.4**	**100.0**	**114.5**	**100.0**	**248.6**	**100.0**	**126.6%**	**137.1%**	**4.3%**	**9.4%**

In the second quarter of 2021, Safilo's net sales of Euro 259.4 million more than doubled, at +137.1% at constant exchange rates and +126.6% at current exchange rates, compared to Euro 114.5 million posted in the second quarter of 2020, the one most heavily weighed down by the Covid-19 pandemic.

The significant year-on-year rebound translated into a sequential top line acceleration of +9.4% at constant exchange rates, +4.3% at current exchange rates compared to second quarter 2019 (first quarter 2021 +6.0% vs first quarter 2019 at constant exchange rates).

Sales performance continued to reflect the successful rebalancing of the Group's brand portfolio, with the contribution provided by the new proprietary and licensed brand additions - from Blenders and Privé Revaux, to Levi's, David Beckham, Missoni, Ports, Isabel Marant and Under Armour - effectively compensating the licenses terminated at the end of 2020.

The organic sales performance delivered by the Group's comparable brands was very positive, up high-single digits at constant exchange rates versus second quarter 2019, driven by each brand's specific exposure to key markets, channels and product categories. Net sales in the period continued to be driven by strong momentum in prescription frames and sport products, reflecting on one hand the sustained business activity of optical stores in the different marketplaces, on the other the surge of outdoor activities boosting Smith's business in its traditional distribution and more significantly through its renewed direct to consumer (DTC) channel.

Sales of sunglasses, which more than doubled year-on-year, resulted on the other hand slightly below 2019 levels at constant exchange rates, due to the impacts of restrictions on retail and travel, penalizing in particular Polaroid in some of its core markets like Spain, and to a difficult comparison base given the terminated licenses' high weight of these products.

In second quarter 2021, the Group's online business reported another strong growth, up 64% year on year versus second quarter 2020 and reaching 14.4% of the Group's total net sales, thanks to the new, sizeable contribution of Blenders's e-commerce sales and to the performance of the revenues generated through the internet pure players and of Smith's DTC channel.

Second quarter 2021 net sales in North America totaled Euro 121.0 million, almost tripling compared to the same period of 2020, at +198.9% at constant exchange rates and +174.6% at current exchange rates.

Compared to second quarter 2019, Safilo's net sales in the region further accelerated, up +60.3% at constant exchange rates (+41.8% in first quarter 2021 vs first quarter 2019) thanks to the continuing strong momentum recorded in the United States, where buoyant consumption trends and Safilo's compelling business proposition, including now Blenders and Privé Revaux, drove the Group's significant and wide-ranging growth across brands, product categories and channels, with Smith outperforming.

Second quarter 2021 net sales in Europe reached Euro 106.7 million, recording a significant year on year rebound of +87.5% at constant exchange rates and +86.5% at current exchange rates. This positive performance was on the other hand still not sufficient to allow the region to return to pre-pandemic levels and to fully compensate the sizeable terminated business in the base period. Compared to second quarter 2019, Safilo's net sales in Europe were down -11.4% at constant exchange rates, although improving compared to the first quarter (-17.8% in first quarter 2021 vs first quarter 2019).
After a weak start to the sun season, still affected by the impact of retail restrictions until May and the lack of tourists in key cities and summer locations, sales trends improved in the UK, Italy and some Nordic countries, while remaining more subdued in markets like Germany, France and Spain and in those channels more exposed to the terminated business, in particular licensor-owned boutiques, department stores and travel retail.
On the other hand, also in second quarter 2021, sales of prescription frames in Europe were up double-digits compared to second quarter 2019.

Second quarter 2021 net sales in Asia Pacific equaled Euro 12.9 million, recording a year-on-year growth of +49.6% at constant exchange rates and +46.4% at current exchange rates. The business in the region instead declined by 48.5% at constant exchange rates in the comparison with second quarter 2019, which was a record quarter in APAC in particular for the travel retail business.
Second quarter 2021 sales trends in Asia Pacific remained highly diverging, reflecting on one side the ongoing rebound of China and Australia, thanks to a supportive business environment and Safilo's effective relaunch of its business portfolio, on the other the still highly subdued travel retail business and many other markets in the region still affected by the pandemic and lockdown restrictions.

Second quarter 2021 net sales in the Rest of the World equaled Euro 18.7 million, recording an exponential year on year growth of +340.4% at constant exchange rates and +330.3% at current exchange rates. Compared to second quarter 2019, net sales in the region increased by +4.9% at constant exchange rates, with both Middle Eastern and Latin American markets contributing to the positive sales performance.

Balance sheet reclassified

The table below shows the total balance sheet highlights at June 30, 2021, compared with those of December 31, 2020.

Balance sheet (Euro million)	**June 30, 2021**	**December 31, 2020**	**Change**
Trade receivables	220.6	172.6	48.0
Inventory, net	195.1	197.3	(2.2)
Trade payables	(215.1)	(181.4)	(33.7)
Net working capital	**200.6**	**188.5**	**12.0**
Tangible assets	116.5	128.8	(12.3)
Right of Use assets	36.0	38.8	(2.8)
Intangible assets	147.6	148.9	(1.3)
Goodwill	31.3	30.3	1.0
Non-current assets held for sale	11.5	6.6	4.9
Net fixed assets	**342.8**	**353.4**	**(10.6)**
Employee benefit liability	(20.1)	(23.5)	3.4
Other assets / (liabilities), net	(17.4)	(35.2)	17.7
Liabilities for options on non-controlling interests	(78.0)	(74.8)	(3.1)
NET INVESTED CAPITAL	**427.9**	**408.4**	**19.5**
Cash in hand and at bank	71.2	89.0	(17.7)
Short term borrowings	(20.0)	(23.0)	3.0
Short-term Lease liabilities	(8.9)	(9.6)	0.7
Long term borrowings	(237.9)	(244.9)	7.0
Long-term Lease liabilities	(31.3)	(33.5)	2.2
NET FINANCIAL POSITION	**(226.9)**	**(222.1)**	**(4.8)**
Group Shareholders' equity	(161.3)	(147.3)	(14.0)
Non-controlling interests	(39.8)	(39.0)	(0.7)
TOTAL SHAREHOLDERS' EQUITY	**(201.1)**	**(186.4)**	**(14.7)**

Cash flow

The summary statement of cash flows for the first six months ended June 30, 2021, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro million)	**First semester 2021**	**First semester 2020**	**Change**
Cash flow from operating activities	10.1	17.0	(6.9)
Cash flow from investing activities	(9.8)	(9.3)	(0.6)
Cash flow from repayment principal portion of IFRS 16 lease liabilities	(5.1)	(5.3)	0.2
Free cash flow before acquisitions/disposals	**(4.8)**	**2.5**	**(7.3)**
Cash flow for (acquisitions)/disposals of subsidiary	-	(111.7)	111.7
Free cash flow	**(4.8)**	**(109.2)**	**104.4**

Safilo closed the first semester of 2021 with a positive cash flow from operating activities of Euro 10.1 million, which reflected on one hand the significant recovery of operating profitability delivered by the Group in the period, on the other a cash out of around Euro 12 million in relation to the ongoing restructuring plan and a relatively contained absorption from working capital of Euro 9.4 million.

In the first semester of 2021, net working capital dynamics were characterized both by the normal increase of trade receivables and payables which accompanied the surge of trading activities, and by a reduction of inventories by Euro 6.7 million.

Cash flow for investments amounted to Euro 9.8 million, primarily devoted to the Group's current digital transformation, overhaul of its IT infrastructure and to industrial maintenance.

Net working capital

Net working capital (Euro million)	**June 30, 2021**	**June 30, 2020**	**Change vs June**	**December 31, 2020**	**Change vs December**
Trade receivables, net	220.6	150.3	70.3	172.6	48.0
Inventories	195.1	228.4	(33.4)	197.3	(2.2)
Trade payables	(215.1)	(182.1)	(33.1)	(181.4)	(33.7)
Net working capital	**200.6**	**196.7**	**3.9**	**188.5**	**12.0**
% on net sales	*21.0%*	*25.3%*		*24.2%*	

In the first six months of 2021, changes in net working capital (excluding translation difference effect) led to a relatively contained cash absorption of Euro 5.5 million, which was more than counterbalanced by the positive cash flow generated by the economic results of the period. The increase of both trade receivables and trade payables is due to the seasonal factors amplified by the significant business rebound in the first semester 2021 compared to the comparative period that was heavily affected by the Covid-19 pandemic.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro million)	First semester 2021	First semester 2020	Change
Headquarters	4.3	2.7	1.6
Production factories	3.9	4.3	(0.4)
Europe	0.1	0.1	0.0
Americas	2.1	2.1	0.0
Far East	0.0	0.1	(0.1)
Total investments	**10.4**	**9.3**	**1.1**

In the first six months of 2021 capital expenditures amounted to Euro 10.4 million compared with Euro 9.3 million in the same period of the previous year.

The investments of the period were related to product supply and logistic chain for Euro 4.5 million, IT infrastructure and digital transformation for Euro 3.7 million and others for Euro 2.2 million.

Net financial position

Net financial debt (Euro million)	June 30, 2021	December 31, 2020	Change
Current portion of long-term borrowings	(20.0)	(20.0)	0.0
Bank overdrafts and short-term bank borrowings	0.0	(3.0)	3.0
Short-term lease liability IFRS 16	(8.9)	(9.6)	0.7
Cash and cash equivalents	71.2	89.0	(17.7)
Short-term net financial position	**42.4**	**56.4**	**(14.0)**
Long-term borrowings	(141.4)	(151.5)	10.1
Other long-term borrowings	(96.5)	(93.5)	(3.0)
Long-term financial lease liability IFRS 16	(31.3)	(33.5)	2.2
Long-term net financial position	**(269.2)**	**(278.4)**	**9.2**
TOTAL NET FINANCIAL POSITION	**(226.9)**	**(222.1)**	**(4.8)**
TOTAL NET FINANCIAL POSITION PRE IFRS 16	**(186.7)**	**(179.0)**	**(7.7)**

At June 30, 2021, Group Net Debt stood at Euro 226.9 million, compared to the position of Euro 222.1 million recorded at the end of December 2020.

The key components of the Group's net debt at the end of June 2021 were the following:

- a long-term debt position of Euro 269.2 million, consisting of bank loans of Euro 141.4 million (including the Euro 108 million Term Loan facility guaranteed by SACE), the shareholder loan of Euro 96.5 million and IFRS-16 lease liabilities of Euro 31.3 million;

- a short-term debt position of Euro 28.9 million, consisting of bank loans and other short-term borrowings of Euro 20 million and IFRS-16 lease liabilities of Euro 8.9 million;
- a cash position of Euro 71.2 million.

The above loans are subject to operating and financial covenants which the Group complied with as at June 2021.

The Group Net financial position reported in the above table does not include the valuation of derivative financial instruments and the Put&Call option liability on minority interests.

Personnel

The Group's total workforce at 30 June 2021, 31 December 2020 and 30 June 2020 is summarized below:

	June 30, 2021	December 31, 2020	June 30, 2020
Padua headquarters	897	903	971
Production factories	2,902	3,000	3,400
Commercial subsidiaries	1,287	1,312	1,230
Total	**5,086**	**5,215**	**5,601**

Main critical risk factors for the Group

The Group takes appropriate measures to counteract the potential risks and uncertainties that characterize its business. As disclosed in the 2020 Group Annual Report the Group has an approach to business risk management to monitor key risks and put in place action plans to mitigate them.
The spread of the Covid-19 pandemic in 2020, led to a focus on the risk related to the business impacts coming from this pandemic and the redefinition of the scope of some risks already identified.

The main area of attention in term of risks management related to the Covid-19 pandemic were the following ones:

- Operating & Business risks: after the spread of the Covid-19 pandemic the Group's actions continue to be focused on the health and safety of all its employees, implementing the safety and prevention regulations provided by government protocols. Equally important for Safilo is the focus on maintaining business continuity, ensuring production and service levels finetuned on the different market scenarios, providing smart working solutions for office staff and leveraging available flexible social amortizers to adapt supply to the evolving demand scenario.

- Financial liquidity risk: the Group runs an effective working capital and cash protection management approach, in this moment Management's best estimate is that the existing cash and the expected cash generation will allow the Group to fulfill its liquidity needs for the coming year. These estimates, based on the analysis of potential future hypotheses and scenarios related to the Covid-19 development, include strong and effective working capital management and other actions on investments/expenditures, which have so far helped the Group protect its cash position during the months in which the Group was strongly affected by the Covid-19 crisis.

Subsequent events and Outlook

Subsequent events

On July 22, 2021, the French Competition Authority, following its investigation initiated in 2009 regarding a number of alleged practices in the eyewear sector in France, dismissed all charges raised against Safilo and which the Group had been vigorously challenging. Following this outcome, no sanctions were applied to Safilo.

This event has been considered an "adjusting subsequent event" providing additional information relevant to evaluate pre-existing conditions that already existed at the June 2021 reporting date. According to this Safilo has released the provision for risks and charges of Euro 17.0 million, booked in 2015 in order to cover this potential estimated liability. Such release was considered as a non-recurring income and then had a positive impact on the 2021 second quarter and first semester Group's reported results, while it was not included in the adjusted pre non-recurring key performance indicators.

On July 1, 2021, HAL Holding N.V., Safilo reference shareholder, completed the sale of its 76.72% ownership interest in GrandVision N.V. to EssilorLuxottica S.A.. Following this event the retail companies belonging to the GrandVision Group starting from 1 July 2021 ceased to be a related party.

On July 15, 2021, Safilo announced a new global licensing agreement for the design, manufacture and distribution of Carolina Herrera branded eyewear, starting from January 2022.

On July 28, 2021, Blenders Eyewear announced a further step in its growth and development projects to fuel international expansion outside the US. Following the go-live of the brand's e-commerce platform in Canada and Australia in the first quarter of 2021, Blenders will now enter the United Kingdom and Ireland.

On July 30, 2021, the Extraordinary Shareholders Meeting of Safilo Group S.p.A. approved the share capital increase up to a maximum of Euro 135 million. The capital increase, supported by the Group's reference shareholder is mainly aimed at the repayment of the unsecured and subordinated Shareholder Loan of original Euro 90 million, plus the relative amount of interest accrued, granted to Safilo to support the timely closing of the acquisitions of Blenders Eyewear and Privé Goods. The residual part of the proceeds is aimed at further strengthening the Group's capital structure, supporting its investments and drivers of future growth, including new opportunities that may come available in the sector.

In the period following 30 June 2021, there were no further events in addition to those reported that could have a material impact on the results published in this report.

Outlook

Based on the better than expected first semester 2021 performance and the continuation of positive trends into the beginning of the third quarter, Safilo now expects the Group's full year 2021 net sales above 2019 levels, up mid-single digits at constant exchange rates. Adjusted EBITDA for the year is also forecasted to surpass 2019 levels. Such expectations are also based on the assumption of a stable business environment, in the second half of 2021, in relation to the Covid-19 pandemic.

The Group confirms the strategies outlined in December 2019 in its Group Business Plan 2020-2024, the implementation of which is effectively supporting Safilo in recovering from the negative effects of the Covid-19 pandemic and in continuing to pursue its 2024 sales, economic and financial targets, now also including the effects of the acquisition of Privé Revaux, the new licenses signed in 2020 and 2021 and the expected proceeds of the capital increase.

Interim Condensed Consolidated Financial Statements

and Notes

as at and for the six months period ended

June 30th, 2021

Interim condensed consolidated balance sheet

(Euro/000)	***Notes***	**June 30, 2021**	**of which related parties**	**December 31, 2020**	**of which related parties**
ASSETS					
Current assets					
Cash and cash equivalents	*2.1*	71,229		88,966	
Trade receivables	*2.2*	220,635	9,227	172,642	3,679
Inventory	*2.3*	195,063		197,285	
Derivative financial instruments	*2.4*	166		599	
Other current assets	*2.5*	64,598		55,533	
Total current assets		**551,691**		**515,026**	
Non-current assets					
Tangible assets	*2.6*	116,506		128,821	
Right of Use assets		35,975		38,808	
Intangible assets	*2.7*	147,576		148,915	
Goodwill	*2.8*	31,318		30,331	
Deferred tax assets	*2.9*	37,167		38,084	
Derivative financial instruments	*2.4*	-		-	
Other non-current assets	*2.10*	7,343		7,376	
Total non-current assets		**375,886**		**392,336**	
Non-current assets held for sale	*2.6*	**11,450**		**6,560**	
TOTAL ASSETS		**939,026**		**913,921**	

(Euro/000)	*Notes*	June 30, 2021	of which related parties	December 31, 2020	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Borrowings	*2.11*	20,000		23,000	
Lease liabilities	*2.11*	8,858		9,605	
Trade payables	*2.12*	215,143	1,363	181,401	1,433
Tax payables	*2.13*	18,710		18,369	
Derivative financial instruments	*2.4*	109		764	
Other current liabilities	*2.14*	57,725	-	51,697	16
Provisions	*2.15*	19,652		38,515	
Total current liabilities		**340,196**		**323,349**	
Non-current liabilities					
Borrowings	*2.11*	237,915	96,512	244,926	93,474
Lease liabilities	*2.11*	31,321		33,504	
Employee benefit obligations	*2.16*	20,060		23,500	
Provisions	*2.15*	15,931		14,324	
Deferred tax liabilities	*2.9*	12,709		11,345	
Derivative financial instruments	*2.4*	-		-	
Liabilities for options on non-controlling interests	*2.17*	77,958		74,839	
Other non-current liabilities	*2.18*	1,874		1,765	
Total non-current liabilities		**397,768**		**404,204**	
TOTAL LIABILITIES		**737,964**		**727,553**	
Shareholders' equity					
Share capital	*2.19*	349,943		349,943	
Share premium reserve	*2.20*	594,277		594,277	
Retained earnings and other reserves	*2.21*	(784,899)		(727,519)	
Cash flow hedge reserve	*2.22*	26		-	
Income/(Loss) attributable to the Group		1,960		(69,380)	
Total shareholders' equity attributable to the Group		**161,308**		**147,321**	
Non-controlling interests		**39,754**		**39,047**	
TOTAL SHAREHOLDERS' EQUITY		**201,062**		**186,368**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**939,026**		**913,921**	

Interim condensed consolidated income statement

(Euro/000)	*Notes*	First semester 2021	of which related parties	First semester 2020	of which related parties
Net sales	*3.1*	510,724	31,887	335,590	27,326
Cost of sales	*3.2*	(248,487)		(187,007)	
Gross profit		**262,236**		**148,583**	
Selling and marketing expenses	*3.3*	(188,080)	(1,327)	(149,954)	(358)
General and administrative expenses	*3.4*	(59,050)		(56,715)	
Other operating income/(expenses)	*3.5*	7,235		(10,323)	
Operating profit/(loss)		**22,342**		**(68,409)**	
Gains/(losses) on liabilities for options on non-controlling interests	*3.6*	(673)		-	
Financial charges, net	*3.7*	(11,605)	(3,384)	(11,580)	(1,085)
Profit/(Loss) before taxation		**10,064**		**(79,989)**	
Income taxes	*3.8*	(7,584)		5,693	
Profit/(Loss) of the period		**2,480**		**(74,297)**	
Profit/(Loss) attributable to:					
Owners of the parent		1,960		(74,754)	
Non-controlling interests		520		457	
Earnings/(Losses) per share - basic (Euro)	*3.9*	0.007		(0.271)	
Earnings/(Losses) per share - diluted (Euro)	*3.9*	0.007		(0.271)	

Interim condensed consolidated statement of comprehensive income

(Euro/000)	*Notes*	First semester 2021	First semester 2020
Net profit (loss) for the period (A)		**2,480**	**(74,297)**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		499	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**499**	**-**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	*2.21*	26	-
- Gains/(Losses) on exchange differences on translating foreign operations	*2.20*	12,572	(2,121)
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**12,598**	**(2,121)**
Other comprehensive income/(loss), net of tax (B)		**13,097**	**(2,121)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**15,577**	**(76,417)**
Attributable to:			
Owners of the parent		13,730	(76,185)
Non-controlling interests		1,847	(232)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**15,577**	**(76,417)**

Interim condensed consolidated cash flow statement

(Euro/000)	First semester 2021	First semester 2020
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**85,966**	**53,915**
B - Cash flow from (for) operating activities		
Net profit/(loss) for the period (including minority interests)	2,480	(74,297)
Depreciation and amortization	23,817	24,554
Right of Use depreciation IFRS 16	4,882	5,298
Non-monetary changes related to liabilities for options on non-controlling interests	673	-
Other items	(20,362)	9,205
Interest expenses, net	6,515	3,838
Interest expenses on lease liabilities IFRS 16	788	924
Income tax expenses	7,584	(5,692)
Flow from operating activities prior to movements in working capital	**26,377**	**(36,169)**
(Increase) Decrease in trade receivables	(43,783)	37,931
(Increase) Decrease in inventory, net	6,730	15,360
Increase (Decrease) in trade payables	31,556	(3,155)
(Increase) Decrease in other receivables	(7,191)	(6,561)
Increase (Decrease) in other payables	3,303	12,680
Interest expenses paid	(3,121)	(1,854)
Interest expenses paid on lease liabilities IFRS 16	(788)	(924)
Income taxes paid	(2,968)	(312)
Total (B)	**10,115**	**16,996**
C - Cash flow from (for) investing activities		
Investments in property, plant and equipment	(5,725)	(6,290)
Net disposals of property, plant and equipment and assets held for sale	598	(66)
(Purchase)/Disposal of subsidiary (net of cash acquired/disposed)	-	(111,680)
Purchase of intangible assets, net of disposals	(4,715)	(2,911)
Total (C)	**(9,842)**	**(120,946)**
D - Cash flow from (for) financing activities		
Proceeds from borrowings	-	168,623
Repayment of borrowings	(10,457)	(5,000)
Repayment of principal portion of lease liabilities IFRS 16	(5,111)	(5,263)
Dividends paid	(1,121)	-
Total (D)	**(16,688)**	**158,360**
E - Cash flow for the period (B+C+D)	**(16,415)**	**54,410**
Translation exchange differences	1,678	(1,345)
Total (F)	**1,678**	**(1,345)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	**71,229**	**106,980**

Interim condensed consolidated statement of changes in equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2021	**349,943**	**594,277**	**64,784**	**-**	**(861,682)**	**147,322**	**39,047**	**186,368**
Profit/(Loss) for the period	-	-	-	-	1,960	1,960	520	**2,480**
Other comprehensive income (loss) for the period	-	-	11,245	26	499	11,770	1,327	**13,097**
Total comprehensive income (loss) for the period	**-**	**-**	**11,245**	**26**	**2,459**	**13,730**	**1,847**	**15,577**
Dividends distribution	-	-	-	-	-	-	(1,121)	**(1,121)**
Net increase in the Reserve for share-based payments	-	-	-	-	298	298	-	**298**
Changes in other reserves	-	-	-	-	(41)	(41)	(20)	**(61)**
Consolidated net equity at June 30, 2021	**349,943**	**594,277**	**76,028**	**26**	**(858,966)**	**161,308**	**39,754**	**201,062**

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2020	**349,943**	**594,277**	**87,122**	**-**	**(689,283)**	**342,059**	**(67)**	**341,992**
Profit/(Loss) for the period	-	-	-	-	(74,754)	(74,754)	457	**(74,297)**
Other comprehensive income (loss) for the period	-	-	(1,432)	-	-	(1,432)	(689)	**(2,121)**
Total comprehensive income (loss) for the period	**-**	**-**	**(1,432)**	**-**	**(74,754)**	**(76,185)**	**(232)**	**(76,417)**
Non-controlling interests of subsidiaries acquired	-	-	-	-			45,265	**45,265**
Changes of non-controlling interests of subsidiaries acquired	-	-	-	-	571	571	(571)	**-**
Purchase option of subsidiaries non-controlling interests	-	-	-	-	(103,850)	(103,850)	-	**(103,850)**
Net increase in the Reserve for share-based payments	-	-	-	-	85	85	-	**85**
Changes in other reserves	-	-	-	-	90	90	38	**128**
Consolidated net equity at June 30, 2020	**349,943**	**594,277**	**85,690**	**-**	**(867,141)**	**162,769**	**44,433**	**207,202**

NOTES

1. Basis of preparation

1.1 General information

These interim condensed consolidated financial statements refer to the financial period from 1 January 2021 to 30 June 2021. Economic and financial information is provided with reference to the first six months of 2021 and 2020 whilst balance sheet information is provided with reference to 30 June 2021 and 31 December 2020.

The interim consolidated financial report of Safilo Group at 30 June 2021, including condensed consolidated financial statements and interim Management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.2 58/98 - T.U.F. - and subsequent amendments and additions. This interim financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual financial statements. They refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this interim financial report should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2020.

All values are shown in thousands of Euro unless otherwise indicated.

These financial statements were approved by the Board of Directors on 3 August 2021.

The interim condensed consolidated financial statements have been prepared based on the going concern assumption.

With reference to the going concern assumption, it has to be noted that on 30 June 2021, the Group exhibits a net financial debt of Euro 226,864 thousand compared to Euro 222,069 thousand on 31 December 2020, and a cash position of Euro 71,229 thousand which compares to Euro 88,966 thousand on 31 December 2020, furthermore, at 30 June 2021 the Group had additional credit lines for Euro 92.6 million.
In June Safilo also announced the launch of a share capital increase up to a maximum of Euro 135 million aimed at the repayment of the existing Shareholder Loan, granted by its main shareholder HAL, of original Euro 90 million, plus the relative amount of interests accrued, that will allow to further strengthen the Group's capital structure and a substantial saving in financial charges for interest expenses.
The excess part of the proceeds from the share capital increase is aimed to support the investments and drivers of future growth, including new opportunities that may come available in the sector.
In its considerations, Management believes that no material uncertainties exist with reference to the going concern assumption in the foreseeable future.

1.2 Accounting standards, amendments and interpretations and impact of changes in accounting policies applied from 1 January 2021

Except for what is described below about those accounting policies which changed due to new accounting standards, in preparing these interim consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31 December 2020 have been applied.

At the date of this interim report there are no new standards and amendments relevant for the Group and for which the European Union had completed its endorsement process.

Accounting standards, amendments and interpretations issued and endorsed by the European Union but not effective for the reported period and not adopted early by the Group

At the date of this interim report there are the following new standards and amendments to standards and interpretations that have not been early adopted by the Group in preparing this interim report:

- on 14 May 2020, the IASB published the following amendments called: Amendments to IFRS 3 Business Combinations, Amendments to IAS 16 Property, Plant and Equipment and Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018-2020. All changes will take effect on January 1, 2022.

The Group will comply with these new standards and amendments based on their relevant effective dates, from their application it is not expected any material impact on the Group Consolidated financial statements.

Accounting standards, amendments and interpretations not yet completed and endorsed by the European Union

In addition, the European Union had not yet completed its endorsement process for the following standards and amendments at the date of this interim report:

- on 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other short or long-term liabilities. The changes come into effect from January 1, 2023;

- on 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes come into effect from January 1, 2023;

- on 31 March 2021, the IASB published the amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021. The changes come into effect from April 1, 2021. The Group was already applying this amendment from 2020, with no material impact on the present interim report;

- on 7 May 2021, the IASB published the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The changes come into effect from January 1, 2023.

The Group will comply with these new 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.

1.3 Consolidation method and consolidation area

During the first six months of 2021, the Group's consolidation area has not changed.

The direct and indirect holdings, included in the consolidation scope under the line-by-line method, and other than the holding company Safilo Group S.p.A., are the following:

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Padua	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	100.0
Safilo Industrial S.r.l. - Padua	EUR	41,634,703	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	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	100.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	100.0
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 Limited- Shenzen (RC) (in liquidation)	CNY	2,481,000	100.0
Safilo Korea Co. Ltd. - Seoul (K)	KRW	50,000,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	CNY	46,546,505	100.0
Safilo Eyewear (Shanghai) Co Ltd - (RC)	CNY	1,000,000	100.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129,704,740	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
Safilo d.o.o. Ormož - Ormož (SLO) (in liquidation)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197,135,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
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 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
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	100,000	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199,975	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	100.0
Privè Goods LLC. - Delaware (USA)	USD	19,919,335	63.3
Privè Capsules LLC - Delaware (USA)	USD	-	63.3
Blenders Eyewear LLC - Delaware (USA)	USD	1,000	70.0
PorSa Eyewear (Xiamen) Co Ltd.- (RC)	CNY	1,000,000	100.0

1.4 Translation of financial statement in currencies other than Euro

The exchange rates applied in the conversion of subsidiaries' financial statements prepared in currencies other than the Euro are given in the following table; appreciation (figures with a minus sign in the table below) indicates as increase in the value of the currency against the Euro.

		As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
Currency	**Code**	**June 30, 2021**	**December 31, 2020**	**%**	**June 30, 2021**	**June 30, 2020**	**%**
US Dollar	USD	1.1884	1.2271	-3.2%	1.2054	1.1021	9,4%
Hong-Kong Dollar	HKD	9.2293	9.5142	-3.0%	9.3551	8.5531	9,4%
Swiss Franc	CHF	1.0980	1.0802	1.6%	1.0946	1.0642	2,9%
Canadian Dollar	CAD	1.4722	1.5633	-5.8%	1.5030	1.5033	0,0%
Japanese Yen	YEN	131.4300	126.4900	3.9%	129.8681	119.2668	8,9%
British Pound	GBP	0.8581	0.8990	-4.6%	0.8680	0.8746	-0,8%
Swedish Krown	SEK	10.1110	10.0343	0.8%	10.1308	10.6599	-5,0%
Australian Dollar	AUD	1.5853	1.5896	-0.3%	1.5627	1.6775	-6,8%
South-African Rand	ZAR	17.0114	18.0219	-5.6%	17.5244	18.3112	-4,3%
Russian Ruble	RUB	86.7725	91.4671	-5.1%	89.5502	76.6692	16,8%
Brasilian Real	BRL	5.9050	6.3735	-7.4%	6.4902	5.4104	20,0%
Indian Rupee	INR	88.3240	89.6605	-1.5%	88.4126	81.7046	8,2%
Singapore Dollar	SGD	1.5976	1.6218	-1.5%	1.6059	1.5411	4,2%
Malaysian Ringgit	MYR	4.9336	4.9340	0.0%	4.9387	4.6836	5,4%
Chinese Renminbi	CNY	7.6742	8.0225	-4.3%	7.7960	7.7509	0,6%
Korean Won	KRW	1.341.4100	1.336.0000	0.4%	1.347.5387	1.329.5321	1,4%
Mexican Peso	MXN	23.5784	24.4160	-3.4%	24.3270	23.8430	2,0%
Turkish Lira	TRY	10.3210	9.1131	13.3%	9.5226	7.1493	33,2%
Dirham UAE	AED	4.3644	4.5065	-3.2%	4.4266	4.0473	9,4%

Foreign currency transactions are converted into the currency using the exchange rate at the transaction date. The foreign exchange gains and losses resulting from the settlement of transactions and from the translation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, in the line "Financial charges, net".

1.5 Use of estimates

The preparation of the interim condensed consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact the amounts reported in the financial statements such as the balance sheet, the income statement and the cash flow statement and the disclosures in the notes to the accounts. Actual results may differ from previous estimates and assumptions due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Some valuation processes, in particular the most complex such as the calculation of permanent impairments in values for fixed assets, are only made in full for the preparation of the Annual financial statements when all the necessary information is available, unless "impairment" indicators exist that require an immediate valuation of a potential loss in value.

The outbreak of Covid-19 (Coronavirus), represented an extraordinary circumstance that had direct and indirect repercussions on economic activity and has created a general environment of uncertainty that still persists, the evolution and impact of which is not predictable. Management's assumptions that may mostly be affected are, but not limited to, the ones requiring a high level of judgement, they relate mainly to: impairment of goodwill, tangible and intangible assets, valuation of inventory, allowance for expected credit losses, identification of potentially onerous contracts and provisions, recoverability of deferred tax assets.

The potential effects of this phenomenon on the estimates used by Management are also commented below.

- *Goodwill and fixed assets*: in accordance with the accounting standards adopted for the preparation of the financial statements, the company tests goodwill and net invested capital (including fixed assets) 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 determination of which 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. Despite the general respect of the accounting policies defined in past years, management considered Covid-19 in the review of its credit quality assessment and expectations regarding the economic conditions present in the various markets in which the Group operates and, lastly, in the estimate of expected future losses.

- *Allowance for inventory obsolescence*: the Group produces and sells goods subject to changes in market trends and consumer demand, consequently a significant level of judgment is required in determining the appropriate write-down of inventories based on sales forecasts. The inventory of finished products which are obsolete 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, management proceeds with the appropriate write-downs. The uncertainties described were exacerbated with the spread of Covid-19, which therefore mainly influenced the sales forecasts which are used as input for the evaluation. Management used sensitivities to address the uncertainties described.

- *(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. The outbreak of Covid-19 may mainly generate contingent liabilities arising from onerous contracts, and may affect the probability assigned to certain facts and circumstances when estimating the value of contingent liabilities.

- *Deferred taxes*: deferred tax assets are accounted for on the basis of the expectations of future taxable income. The assessment of the recoverability of deferred tax assets derives from specific assumptions about the probability that taxable income will be realized in future years and that these are sufficient to allow the recovery of deferred tax assets. These valuations are based on assumptions that may not even be realized, or are realized to an insufficient extent compared to what is necessary to fully recover the deferred tax assets recorded in the financial statements, and therefore their variation could have significant effects on the valuation of deferred tax assets. The ability of the entities of the Group to generate future taxable income, and therefore to recover its deferred tax assets, may be significantly affected by the uncertainties posed by the diffusion of Covid-19, with variable intensity depending on the geographical area.

- *Business combination and options on minority interests:* the contractual purchase terms of some investments in subsidiaries also include reciprocal put and call options on the non-controlling interests, for which the Group has recognized a liability whose valuation is highly dependent on the expectations of management regarding the future performance of the acquired companies, which can be subject to significant uncertainty generated by the persistence of the Covid-19 pandemic.

2. Notes to the condensed consolidated balance sheet

2.1 Cash and cash equivalents

At 30 June 2021 this account totals Euro 71,229 thousand, compared to Euro 88,966 thousand at 31 December 2020 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. The related credit risk is very limited as the counterparties are leading banks.

The following table shows the reconciliation of the item "Cash and cash equivalents" with the cash balance (short term indebtedness) presented on the cash flow statement:

(Euro/000)	**June 30, 2021**	**December 31, 2020**	**June 30, 2020**
Cash and cash equivalents	71,229	88,966	110,875
Bank overdrafts	-	-	(166)
Current bank borrowings	-	(3,000)	(3,730)
Net financial indebtedness - short term	**71,229**	**85,966**	**106,980**

More than 85% of the Group's cash balance as of June 30, 2021 was located in the Italian, other European and US entities of the Group, management has the ability to readily access to the cash balances located all over the Group if needed.

2.2 Trade receivables

This item breaks down as follows:

(Euro/000)	**June 30, 2021**	**December 31, 2020**
Gross value trade receivables	238,851	189,734
Allowance for doubtful accounts	(18,216)	(17,092)
Net value	**220,635**	**172,642**

The allowance for doubtful accounts includes the provision for insolvency posted on the income statement under the item "general and administrative expenses" (note 3.4).

The significant increase in the gross amount of trade receivables is due to the seasonal factors amplified by the significant business rebound of the second quarter 2021 compared to the last quarter of 2020.

The following table shows changes in the allowance for doubtful accounts:

(Euro/000)	January 1, 2021	Addition	Use/Release (-)	Transl. diff.	June 30, 2021
Allowance for doubtful accounts	17,092	2,284	(1,499)	339	18,216

The Group has no particular concentration of credit risk, as its credit exposure is spread over a large number of clients and geographies. The carrying amount of the trade receivables, is considered to be approximately equal to their *fair value*.

As required by IFRS 7, paragraph 36, the table below analyses the age of gross receivables as of 30 June 2021 and 31 December 2020:

Ageing of trade receivables *(Euro/000)*	**June 30, 2021**	**December 31, 2020**	**Change**
Overdue and impaired	**17,144**	**16,409**	**735**
up to 1 month	17,255	16,021	1,234
from 1 to 3 months	10,197	18,596	(8,400)
3 to 6 months	5,751	7,014	(1,263)
6 to 9 months	1,835	8,056	(6,221)
from 9 to 12 months	2,955	804	2,151
from 12 to 24 months	6,075	538	5,536
over 24 months	49	140	(91)
Overdue and not impaired	**44,117**	**51,170**	**(7,053)**
Neither overdue nor impaired	**177,590**	**122,156**	**55,434**
Grand total	**238,851**	**189,734**	**49,117**

At 30 June 2021 overdue receivables not impaired, amounted to 44,117 thousand Euro (compared to 51,170 thousand Euro at 31 December 2020). Of these, receivables that were more than 9 months past due amounted to 9,079 thousand Euro (compared to 1,483 thousand Euro at 31 December 2020) accounted for 3.80% of the Group's total trade receivable compared to 0.78% in the previous year.

This overdue more than 9 month and not imapired is mostly related to the receivables on boutiques sales of the licensed brands terminated on 31 December 2020 that are expected to be settled in 2021 with the definition of the final contractual obligations.

In accordance with the requirements of IFRS 9, the Group has reviewed and assessed the overdue trade receivables for impairment and, according to the analysis performed, has accrued in the semester an allowance for doubtful accounts equal to 2,284 thousand Euro.

In further compliance to the applicable standards, the Group has assessed the existing trade receivables for impairment based on the model of expected losses, as at 30 June 2021 the provision for doubtful accounts include a credit loss allowance of 1.1 million Euro that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not past due (1 million Euro as at 31 December 2020).

2.3 Inventory

This item breaks down as follows:

(Euro/000)	**June 30, 2021**	**December 31, 2020**
Raw materials	68,998	69,265
Work in progress	5,339	8,051
Finished goods	203,048	207,443
Gross	**277,386**	**284,759**
Provision for obsolete inventory (-)	(82,323)	(87,475)
Total	**195,063**	**197,285**

In order to deal with obsolete or slow-moving stock, a specific provision has been allocated, calculated on the basis of the possibility for future sale of finished goods and use of raw materials and semi-finished products. This item is charged in the income statement in "cost of sales" (note 3.2).

The movements in the period are shown below:

(Euro/000)	**January 1, 2021**	**Posted to income statement**	**Transl. diff.**	**June 30, 2021**
Inventory gross value	284,759	(12,605)	5,231	277,386
Provision for obsolete inventory	(87,475)	5,874	(722)	(82,323)
Total net	**197,285**	**(6,730)**	**4,509**	**195,063**

2.4 Derivative financial instruments

The following table summarises the total amount of derivative financial instruments:

(Euro/000)	**June 30, 2021**	**December 31, 2020**
Current assets:		
- Foreign currency contracts	166	599
Current liabilities:		
- Foreign currency contracts	109	764
Total Net	**57**	**(164)**

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 outstanding contracts for the hedging against exchange rate fluctuations for a positive net market value of Euro 57 thousand.

2.5 Other current assets

This item breaks down as follows:

(Euro/000)	June 30, 2021	December 31, 2020
VAT receivable	9,674	8,051
Income tax receivables	26,599	25,831
Prepayments and accrued income	12,366	10,802
Other receivables	15,959	10,849
Total	**64,598**	**55,533**

Income tax receivables are mainly related to tax credits and advance payments made during the period which will be offset against the related tax payable.

Prepayments and accrued income amounted to 12,366 thousand Euro (10,802 thousand Euro at December 31, 2020) and mainly consisted of prepaid royalties for 4,487 thousand Euro, prepaid insurance for 797 thousand Euro and other prepaid expenses for 7,082 thousand Euro.

Other current receivables amounted to 15,959 thousand Euro, compared to 10,849 thousand Euro of December 2020. The balance increase is mainly related to the amount paid as advance payment on the outstanding net liability related the licenses terminated on 31 December 2020 that will be settled in 2021 with the definition of the final contractual obligations.

These receivables are expected to be recovered in the coming months and are reasonably certain in term of fulfillment conditions. It is considered that the book value of the other current assets is approximately equal to their *fair value*.

2.6 Tangible assets and Right of Use assets

Tangible assets

Changes in tangible assets in the first six months of 2021 are shown below:

(Euro/000)	January 1, 2021	Increase	Decrease	Reclass.	Reclass. assets held for sale	Transl. diff.	June 30, 2021
Gross value							
Land and buildings	129,950	314	(17)	-	(11,949)	1,404	119,701
Plant and machinery	191,400	1,909	(2,380)	41	-	1,098	192,067
Equipment and other assets	151,914	3,436	(11,197)	-	-	2,477	146,629
Advance payments	169	67	(131)	(41)	-	-	64
Total	**473,431**	**5,725**	**(13,725)**	**-**	**(11,949)**	**4,980**	**458,462**
Accumulated depreciation							
Land and buildings	62,035	3,213	(16)	-	(7,059)	628	58,802
Plant and machinery	159,058	4,504	(2,070)	-	-	748	162,240
Equipment and other assets	123,517	6,553	(11,044)	-	-	1,888	120,914
Total	**344,610**	**14,270**	**(13,130)**	**-**	**(7,059)**	**3,264**	**341,956**
Net value	**128,821**	**(8,545)**	**(596)**	**-**	**(4,890)**	**1,715**	**116,506**

Investments in tangible assets in the first six months amount to 5,725 thousand Euro (6,289 thousand Euro in the previous period), and refer to:

- Euro 3,847 thousand in production facilities, mainly for the upgrade of plants and for the purchase and production of equipment for new models;
- Euro 1,455 thousand for the U.S. companies;
- Euro 335 thousand mainly for the upgrade of logistic equipment in the Italian Headquarter and the distribution centre;
- the remaining part in other companies of the Group.

The balance related to the reclassification to "Non-current assets held for sale" refers to the reclassification of real estate subject to a plan of disposal. During the period the Group, has reclassified as asset held for sale the building of the Slovenian production plant site in Ormož which has been closed effective end of June 2021 according to the plan to realign the Group’s industrial capacity to the current and future production needs.

At 30 June 2021 the item “Non-current assets held for sale”, presented in a separate line item in the balance sheet, includes the following real estate locations: a separate office location part of the Padua Headquarters and the two manufacturing locations of Longarone and Ormož production sites. They are measured at their fair value, equal to 11,450 thousand Euro, determined on the basis of third-party independent appraisals.

Right of Use assets

The table below summarises the changes in the Right of Use assets, mainly related to real estate rent contracts and to long term operating lease contracts for company cars.

(Euro/000)	January 1, 2021	Increase	Decrease	Transl. diff.	June 30, 2021
Gross value					
Buildings Right of Use	48,678	163	(846)	1,342	49,337
Other assets Right of Use	8,377	1,039	(1,024)	14	8,406
Total	**57,054**	**1,202**	**(1,870)**	**1,356**	**57,743**
Accumulated depreciation					
Buildings Right of Use	13,914	3,611	(714)	390	17,201
Other assets Right of Use	4,332	1,273	(1,047)	9	4,567
Total	**18,246**	**4,884**	**(1,760)**	**398**	**21,768**
Net value	**38,808**	**(3,682)**	**(109)**	**958**	**35,975**

The increase in the Investments in Right of Use in the financial period amounts to 1,202 thousand Euro and is mainly related to the ordinary renewal of the car lease contracts expired during the semester.

2.7 Intangible assets

Changes in intangible assets in the first six months of 2021 are shown below:

(Euro/000)	January 1, 2021	Increase	Decrease	Transl. diff.	June 30, 2021
Gross value					
Software	98,199	4,418	(69)	629	103,178
Trademarks and licenses	141,532	150	-	2,801	144,482
Other intangible assets	29,367	147	(161)	824	30,177
Total	**269,098**	**4,715**	**(230)**	**4,254**	**277,837**
Accumulated amortization					
Software	77,408	3,972	(68)	494	81,807
Trademarks and licenses	36,491	3,285	-	144	39,920
Other intangible assets	6,283	2,290	(161)	121	8,534
Total	**120,183**	**9,548**	**(229)**	**760**	**130,261**
Net value	**148,915**	**(4,833)**	**(1)**	**3,494**	**147,576**

Investments in intangible fixed assets made during the six months amount to 4,715 thousand Euro (3,053 thousand Euro in the previous period). The increase in investments reported under "software" is mainly due to the continuing investments to implement the integrated information system (ERP) of the Group and to the Group's digital transformation strategy.

Amortization and depreciation for tangible and intangible assets, are allocated over the following income statement items:

(Euro/000)	*Notes*	First semester 2021	First semester 2020
Cost of sales	*3.2*	10,787	12,116
Selling and marketing expenses	*3.3*	1,479	1,543
General and administrative expenses	*3.4*	11,552	10,896
Amortization and depreciation		**23,817**	**24,554**
Cost of sales - Right of Use depreciation	*3.2*	575	657
Selling and marketing expenses - Right of Use depreciation	*3.3*	2,092	2,262
General and administrative expenses - Right of Use depreciation	*3.4*	2,214	2,379
Depreciation Right of Use - IFRS 16		**4,882**	**5,298**
Total		**28,699**	**29,852**

The amortization and depreciation equals 28,699 thousand Euro (29,852 thousand Euro in the previous period). In the current period the non-recurring tangible assets write downs, mainly related to the restructuring plan of the Group's manufacturing footprint and to the termination of activities related to the exiting licensed brands, are equal to 3,697 thousand Euro reported in the cost of sales (2,893 thousand Euro in the previous period).

The item general and administrative expenses includes amortization of 4,198 thousand Euro (1,978 thousand Euro in the previous period) related to the new intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the two acquisitions incurred in the previous year.

2.8 Goodwill

The item refers to goodwill which arose from the acquisitions in 2020 of Privé Revaux and Blenders. A single CGU has been identified, representing the whole Group, to which the entire amount of goodwill has been allocated: this allocation is consistent with the strategy underlying the acquisitions, that, beyond the acquisition of two fast growing brands, will enable the whole Group to compete more effectively in markets impacted by digitalization. The allocation to a single CGU is consistent with the approach adopted for the preparation of the December 31, 2020 financial statements, which was designed to appropriately reflect the Group's strategy and business model. The single CGU structure appropriately reflects the high level of interdependence of the functions of the Group. Specifically strategy, goal setting, operations management, as well as reporting and incentive systems are managed at a corporate level, leaving to the local units deployment and tailoring to the specific market.

The following table shows changes in Goodwill:

(Euro/000)	**January 1, 2021**	**Increase**	**Decrease**	**Transl. diff.**	**June 30, 2021**
Goodwill	30,331	-	-	988	31,318

During the current period, the item recorded an increase of 988 thousand Euro due to the foreign currency translation.

In consideration of the Group's economic and financial performance in the first half of 2021, described in the report on operations and in line with the budget and medium-term forecasts reflected in the Financial Projection for the period 2021 – 2025, the directors have considered that there are no indicators of potential impairment of the value of the Group assets. For this reason, the impairment test was not performed on 30 June 2021.

2.9 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:

(Euro/000)	**June 30, 2021**	**December 31, 2020**
Net deferred tax assets	37,167	38,084
Deferred tax liabilities	(12,709)	(11,345)
Total net	**24,458**	**26,739**

The deferred tax assets, net of deferred tax liabilities, have been reviewed and reduced by a valuation allowance in relation to some Group companies to the extent it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized.

This write-down can be reversed in future years to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and tax losses can be utilized.

2.10 Other non-current assets

This item breaks down as follows:

(Euro/000)	June 30, 2021	December 31, 2020
Long-term guarantee deposits	1,710	1,666
Other long-term receivables	200	375
Long-term tax receivables	5,434	5,335
Total	**7,343**	**7,376**

Long-term guarantee deposits mainly refer to security deposits for leasing contracts related to buildings used by some of the Group's companies. Long-term tax receivables mainly refer to VAT and other income tax receivables of some Group companies. It is considered that the book value of the other non-current assets is approximately equal to their fair value.

2.11 Bank loans and borrowings

This item breaks down as follows:

(Euro/000)	June 30, 2021	December 31, 2020
Short-term bank loans	-	3,000
Short-term portion of long-term bank loans	20,000	20,000
Short-term borrowings	**20,000**	**23,000**
Long-term bank loans	141,403	151,453
Other long-term loans - Shareholder Loan	96,512	93,474
Long-term borrowings	**237,915**	**244,926**
Short-term portion of financial lease liability IFRS 16	8,858	9,605
Long-term portion of financial lease liability IFRS 16	31,321	33,504
Financial lease liability IFRS 16	**40,179**	**43,109**
Total	**298,093**	**311,035**

Borrowings

At 30 June 2021 the Group has bank loans for a total amount of 161,403 thousand Euro of which 20,000 thousand Euro classified as short-term and 141,403 thousand Euro as long-term (171,453 thousand Euro as at 31 December 2020 of which 20,000 thousand Euro classified as short-term and 151,453 thousand Euro as long-term) and other long-term loans, related to a shareholder loan made available by its Group reference shareholder (HAL), for a total amount of 96,512 thousand Euro (93,474 thousand Euro as at 31 December 2020).

The breakdown of bank loans by facility is detailed as follows:

- 55,000 thousand Euro as to the "2018 TL&RCF", fully related to the Term Loan Facility and 108,000 thousand Euro as to the Term Loan Facility (the "SACE TLF"). Both facilities are carried at amortized cost, meaning that the total outstanding transaction costs are amortized along the duration of the facility and reported as reduction of the par values. This reduces the amount of the two facilities by 1,597 thousand Euro (2,010 thousand Euro as at 31 December 2020), bringing their combined net value to 161,403 thousand Euro (170,990 thousand Euro as at 31 December 2020);

- the Group's Revolving Credit Facility (75,000 thousand Euro) has not been drawn as at 30 June 2021 (not drawn as at 31 December 2020);

- the Covid-19 refinancing facility signed by the Swiss subsidiary, in the framework of the local financing support measures, equal to 463 thousand Euro as at 31 December 2020 has been fully reimbursed in the semester.

The item "Other long-term loans" refers to a subordinated shareholder loan entered by the Group with its reference shareholder HAL for a total amount of 96,512 thousand Euro of which 90,000 thousand Euro of nominal value and 6,512 thousand Euro of accrued capitalised interests.

The committed, unsubordinated and unsecured facility agreements (2018 TL&RCF and SACE TLF) and also the subordinated shareholder loan are subject to customary operating and financial covenants. At 30 June 2021 the Group complies with all the outstanding covenants.

Here below we report the maturity analysis of the nominal value of the long-term bank loans, gross of 1,597 thousand Euro of transaction costs (2,010 thousand Euro as at 31 December 2020):

(Euro/000)	**June 30, 2021**	**December 31, 2020**
From 1 to 2 years	35,000	20,000
From 2 to 3 years	36,000	43,000
From 3 to 4 years	36,000	36,000
From 4 to 5 years	36,000	36,463
Beyond 5 years	-	18,000
Total	**143,000**	**153,463**

The following table details the credit lines granted to the Group, the uses and the net available amounts, net of factoring and leasing transactions:

June 30, 2021 *(Euro/000)*	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	17,573	-	17,573
Credit lines on long-term loans	238,000	163,000	75,000
Total	**255,573**	**163,000**	**92,573**

The credit lines on long-term loans are related to the committed, unsubordinated and unsecured "2018 TL&RCF" with maturity June 2023 for a total amount equal to 130,000 thousand Euro (used for 55,000 thousand Euro at 30 June 2021) and to the SACE Term Loan Facility (under the framework of the Italian Liquidity Decree) for 108,000 thousand Euro with maturity June 2026.

The Group, as at 30 June 2021, has no financial borrowings in currencies other than Euro.

Financial Lease liability

The IFRS 16 financial lease liability, as at 30 June 2021, amounts to 40,179 thousand Euro of which 8,858 thousand Euro as short term, and 31,321 thousand Euro as long term.

Net Financial Debt

The following table shows the breakdown of net financial debt. This has been calculated consistently with the new ESMA communication 32-382-1138 issued on 4 March 2021 implementing the European regulation UE 2017/1129 and in line with the CONSOB (Italian securities & exchange commission) attention notice 5/21 of 29 April 2021.

Net financial debt *(Euro/000)*	**June 30, 2021**	**December 31, 2020**	**Change**
A Cash	21	177	(156)
B Cash equivalents	71,208	88,789	(17,581)
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	**71,229**	**88,966**	**(17,737)**
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-	(3,000)	3,000
F Current portion of non-current financial debt	(28,858)	(29,605)	747
G Current financial indebtedness (E + F)	**(28,858)**	**(32,605)**	**3,747**
H Net current financial indebtedness (G - D)	**42,371**	**56,362**	**(13,990)**
I Non-current financial debt (excluding current portion and debt instruments)	(269,235)	(278,431)	9,195
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	**(269,235)**	**(278,431)**	**9,195**
M Total financial indebtedness (H + L)	**(226,864)**	**(222,069)**	**(4,795)**

The Group Net financial debt reported in the above table does not include the valuation of derivative financial instruments and the liabilities for options on non-controlling interests described respectively in note 2.4 and 2.17 of this report.

In compliance with the ESMA communication 32-382-1138 of 4 March 2021 and the Consob attention notice 5/21 of 29 April 2021, it is specified that at 30 June 2021 the indirect or contingent indebtedness of the Group, includes "liabilities for options on non-controlling interests" equal to 77,958 thousand of Euro as disclosed in note 2.17.

In compliance with the same communication, it is specified that the balance sheet also presents a liability for "employee benefit obligations" equal to 20,060 thousand of Euro as disclosed in note 2.16, and "provisions for risks" for a total of 35,583 thousand of Euro as disclosed in note 2.15.

2.12 Trade payables

This item breaks down as follows:

(Euro/000)	June 30, 2021	December 31, 2020
Trade payables for:		
Purchase of raw materials	28,797	30,776
Purchase of finished goods	65,615	45,120
Suppliers from subcontractors	5,126	3,680
Tangible and intangible assets	2,841	3,174
Commissions	3,145	2,880
Royalties	38,535	36,276
Advertising and marketing costs	10,657	9,130
Services	48,805	40,199
Sales returns liabilities (Refund Liability)	11,621	10,165
Total	**215,143**	**181,401**

The book value of the trade payables is maintained as being approximately the same as their fair value.

The royalty payables still include the amount accrued in 2020 on the licenses terminated on 31 December 2020 that will be net settled in 2021 with the definition of the final contractual obligations.

Sales returns liabilities refer to the amount accrued against the risk of returns of products sold and delivered to customers that, based on the relevant sales terms, might be returned. This sum is charged to the income statement and is deducted directly from revenues. The refund liability refers to identified items and customers and management has elements to estimate the liability with a high level of reliability.

2.13 Tax payables

This item breaks down as follows:

(Euro/000)	June 30, 2021	December 31, 2020
Income tax payables	7,477	6,013
VAT payables	5,375	3,134
Other taxes payables	5,858	9,221
Total	**18,710**	**18,369**

At 30 June 2021 tax payables amounted to Euro 18,710 thousand (compared to Euro 18,369 thousand at 31 December 2020). Of this sum Euro 7,477 thousand referred to income tax for the period, Euro 5,375 thousand to VAT payable and Euro 5,858 thousand to taxes withheld, current and local taxes.

The provision for the year's current income tax is shown in note 3.8 concerning income tax.

2.14 Other current liabilities

This item breaks down as follows:

(Euro/000)	June 30, 2021	December 31, 2020
Payables to personnel and social security institutions	36,468	31,789
Agent fee payables	519	204
Payables to pension funds	1,013	1,341
Accrued advertising and sponsorship costs	2,502	1,303
Accrued interests on long-term loans	41	469
Other accruals and deferred income	13,040	10,015
Other current liabilities	4,142	6,576
Total	**57,725**	**51,697**

"Payables to personnel and social security institutions" mainly refer to salaries and wages, which are paid during the following month, the increase is mainly a seasonal effect due to the contractual supplemental salary and wages and holidays accrued but not taken at the reporting date.

It is considered that the book value of the "other current liabilities" approximates their fair value.

2.15 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	January 1, 2021	Increase	Decrease	Transl. diff.	June 30, 2021
Product warranty provision	5,736	469	-	2	6,207
Agents' severance indemnity	2,931	228	(288)	-	2,871
Other provisions for risks and charges	5,657	1,696	(514)	14	6,853
Provisions for risks - long term	**14,324**	**2,393**	**(802)**	**16**	**15,931**
Product warranty provision	1,012	-	8	54	1,075
Provision for corporate restructuring	11,593	7,047	(7,083)	(1)	11,555
Other provisions for risks and charges	25,910	194	(19,091)	10	7,023
Provisions for risks - short term	**38,515**	**7,241**	**(26,166)**	**62**	**19,652**
Total	**52,839**	**9,634**	**(26,968)**	**78**	**35,583**

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 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.

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way, the outstanding balance is mainly related to the Italian companies restructuring plan communicated in 2019 with the new Group Business Plan 2020-2024. The increase of the period equal to 7,047 thousand Euro is related to the closure of the Slovenian production site in Ormož, announced on 11 March 2021 and effective from 1 July 2021. The amount refers to the severance cost accrued and almost fully already paid in the period, the residual amount still outstanding as at 30 June 2021 that will be liquidated in the coming months is equal to 994 thousand Euro.

Provisions for other risks and charges refer to the best estimate made by the Management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts. The increase of the period is related to risks of litigation in place in some Group subsidiaries.

The decrease of the short term portion of the "Other provision for risks and charges" is mainly related to the release of the provision of 17,000 thousand Euro for the proceedings that have been ongoing since May 2015 with the French Competition Authority. Safilo's French subsidiary (Safilo France S.A.R.L.) together with other major competitors and a number of leading retailers, had been the subject of an investigation conducted by the FCA regarding a number of alleged practices in the eyewear sector in France. After a long investigation on 22 July 2021 the French Competition Authority issued the decision dismissing all the charges which had been raised and which Safilo had been vigorously challenging during these years. Following this decision, the Group has fully reversed the provision benefitting of a non-recurring income reported in the item "other operating income".

The estimate of the above mentioned allowances takes into account, where applicable, the opinion of legal consultants and other experts, past company 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.

The above mentioned allowances are considered sufficient to cover the existing risks.

2.16 Employees benefits liability

This item breaks down as follows:

(Euro/000)	**June 30, 2021**	**December 31, 2020**
Defined contribution plan	255	154
Defined benefit plan	19,805	23,346
Total	**20,060**	**23,500**

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 table below shows the movement in the item "defined benefit plan" during the period:

(Euro/000)	**January 1, 2021**	**Addition**	**Actuarial (gains)/losses**	**Uses**	**Transl. diff.**	**June 30, 2021**
Defined benefit plan	23,346	52	(499)	(3,081)	(14)	19,805

2.17 Liabilities for options on non-controlling interests

Movements in the item were as follows:

(Euro/000)	**January 1, 2021**	**Increase**	**Decrease**	**Transl. diff.**	**June 30, 2021**
Liabilities for options on non-controlling interests	74,839	673	-	2,447	77,958
	74,839	**673**	**-**	**2,447**	**77,958**

The amount equal to 77,958 thousand Euro (74,839 thousand Euro as at 31 December 2020) refers to the put and call options liability on the non-controlling interests of the two business combinations finalised in 2020 related respectively the acquisition of the 61.34% and the 70% equity interest of the Miami-based eyewear company Privé Goods LLC and of the California eyewear company Blenders Eyewear LLC.

Pursuant to the contractual terms the non-controlling interests held by the minority equity holders of these two investments are subject to customary reciprocal put and call options. More specifically, the put and call options may be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining portions, at a price calculated as a function of a specific multiple applicable to the value of the EBITDA of the respective companies achieved over the contractual period preceding that of exercise of the relative option and adjusted to take into account the net financial position of the Company.

In line with the applicable accounting standards, these options are valued at their net present value. The Directors examined the results of Blenders and Prive Revaux in the first half of 2021, on the basis of which they decided not to change the financial projections and the main assumptions on the future performance of the business acquired that are the input for the determination of the value of the liability.

Therefore the present value of the liability as at 30 June 2021 has not been modified, except for the effect of the translation difference due to the Euro/USD exchange rate fluctuation, equal to an increase of 2,447 thousand Euro, and for the accretion consequent to the financial discounting of the long-term debt that has affected the income statement equal to an expense of 673 thousand Euro.

2.18 Other non-current liabilities

Movements in the item were as follows:

(Euro/000)	**January 1, 2021**	**Increase**	**Decrease**	**Transl. diff.**	**June 30, 2021**
Other non current liabilities	1,765	76	-	32	1,874
	1,765	**76**	**-**	**32**	**1,874**

The "other non current liabilities" line is mainly related to the estimate of the tax liability equal to 810 thousand Euro accrued according to the IFRIC 23, on the basis of the assessment of the limited uncertain tax treatment identified within the Group and to some other long-term liability reported by some Group entities.

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). At 30 June 2021, shareholders' equity amounted to Euro 161,308 thousand, compared to Euro 147,321 thousand at 31 December 2020.

2.19 Share capital

At 30 June 2021 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 349,943,373 consisting of no. 275,703,846 ordinary shares with no par value.

2.20 Share premium reserve

At 30 June 2021 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 594,277,350.

2.21 Retained earnings and other reserves

This item includes both the reserves of the subsidiary companies generated after their inclusion in the consolidation area and the translation differences deriving from the translation into Euro of the financial statements of consolidated companies denominated in other currencies.

During the first semester, the movements of the item "retained earnings and other reserve" mainly refer to:

- an increase of 11,245 thousand Euro due to the positive translation differences coming from the translation of the subsidiaries' financial statements into Euro;
- an increase of 298 thousand Euro related to the cost of the period of the stock option plans in place;
- an increase of 499 thousand Euro due to the actuarial valuation reserve of the employee termination indemnities of defined benefit plans.

During the first semester, the Group's subsidiary Blenders Eyewear LLC has distributed dividends, to its minority interests, equal to 1,121 thousand Euro, this amount has reduced the equity related to the non controlling interests.

2.22 Cash flow hedge reserve

The cash flow hedge reserve mainly refers to the current value of derivative instruments currency forward contracts that cover the currency exchange rate risk on future highly probable transactions.

2.23 Stock options plans

As at 30 June 2021 the Group has in place the following Stock Option Plans: 2014-2016, 2017-2020 and the 2020-2022 Plans.

The first two Plans were deliberated by the Extraordinary Meetings respectively held on 15 April 2014 and 26 April 2017, in which the Shareholders approved the issue of respectively up to 1,500,000 and 2,500,000 (adjusted after the 2018 capital increase to 2,891,425) new ordinary shares to be offered to directors and/or employees of the Company and its subsidiaries.

The 2020-2022 Plan were deliberated by the Extraordinary Meeting held on 28 April 2020 in which the Shareholders approved the issue up to 7,000,000 new ordinary shares without par value to be offered to directors and/or employees of the Company and its subsidiaries.

These Plans, designed to incentivise and retain directors and/or employees, is carried out through the grant, in different tranches, of options entitling the beneficiary to subscribe to one of the foregoing ordinary Company share, 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 options attributed by those plans will mature when both the following vesting conditions are met: the continuation of the individual's employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT, for the 2020-2022 Plan this second economic performance vesting condition is not applicable.

During the semester, further 3,600,000 options have been granted related to the second tranche of the Plan 2020-2022.

The adoption of these plans has affected the income statement for the period for Euro 298 thousand (Euro 85 thousand at 30 June 2020).

3. Notes on the consolidated income statement

3.1 Net sales

The Group's primary revenue is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners. Moreover, the Group had been selling its eyewear products directly to its customers through its online sales channel, only for some brands of its portfolio, mainly in the North America market.

Revenues include the fair value of the sale of goods and services, less VAT, returns and discounts. In particular, the Group recognizes the revenues when the control over goods sold is transferred to the customer, assumed at the shipment date, in accordance with the sales terms agreed. According to the standard contractual conditions applied by the Group, customers may have a right of return. If the sale includes the right for the client to return unsold goods, at the time of sale, a liability is recognized and a corresponding adjustment of revenues for the goods whose return is estimated.

In 2021 first semester sales amounted to 510,724 thousand Euro, showing a +52.2% increase compared to the previous period (335,590 thousand Euro).

For a discussion on sales trends and the disaggregated sales by geographical regions, reference should be made to the report on operations, section on the Group's economic results.

3.2 Cost of sales

This item breaks down as follows:

(Euro/000)	First semester 2021	First semester 2020
Purchase of raw materials and finished goods	167,867	103,856
Capitalisation of costs for increase in tangible assets (-)	(1,987)	(3,430)
Change in inventories	6,729	15,360
Wages and social security contributions	48,309	47,251
Subcontracting costs	8,253	5,092
Amortization and depreciation	10,787	12,116
Depreciation Right of Use - IFRS 16	575	657
Rental and operating leases	749	884
Offset Rental and operating leases - IFRS 16	(613)	(733)
Utilities, security and cleaning	3,277	3,248
Other industrial costs	4,543	2,707
Total	**248,487**	**187,007**

Cost of sales increased by Euro 61,480 thousand (or 32.9%), from Euro 187,007 thousand for the six months ended 30 June 2020, to Euro 248,487 thousand for the six months ended 30 June 2021. The cost of sales increase was due to the return to a pre-Covid 19 level of business and industrial activity that has mainly affected the purchases of raw material and finished goods that, net of change in inventories, increased by Euro 55,380 thousand (or 46.5%) from Euro 119,216 thousand for the six months ended 30 June 2020 to Euro 174,596 thousand for the six month ended 30 June 2021. Payroll and social security contribution remained substantially stable increasing by Euro 1,058 thousand (or 2.2%), from Euro 47,251 thousand for the six months ended 30 June 2020 to Euro 48,309 thousand for the six months ended 30 June 2021.

Amortization and depreciation decreased by Euro 1,329 thousand from Euro 12,116 thousand in 2020 to Euro 10,787 thousand in 2021.

The change in inventories can be broken down as follows:

(Euro/000)	First semester 2021	First semester 2020
Finished products	(975)	13,989
Work-in-progress	2,886	464
Raw materials	4,819	908
Total	**6,729**	**15,360**

The average number of Group employees in the first six months of 2021 and 2020 can be summarised as follows:

	First semester 2021	First semester 2020
Executives	103	108
Clerks and middle management	2,262	2,327
Factory workers	2,753	3,228
Total	**5,118**	**5,662**

The decrease in the average number of factory workers is mainly due to the restructuring of the Group's manufacturing footprint of the Italian plants performed in 2020 which involved the closure of the Martignacco production site and the reorganization of the Longarone site.

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2021	First semester 2020
Payroll and social security contributions	50,267	40,335
Sales commissions	22,757	17,373
Royalty expenses	31,390	29,208
Advertising and promotional costs	59,087	43,606
Amortization and depreciation	1,479	1,543
Depreciation Right of Use - IFRS 16	2,092	2,262
Logistic costs	13,947	8,567
Consultants fees	351	424
Rental and operating leases	3,536	3,715
Offset Rental and operating leases - IFRS 16	(2,660)	(2,711)
Utilities, security and cleaning	548	726
Provision for risks	(492)	11
Other sales and marketing expenses	5,778	4,896
Total	**188,080**	**149,954**

Selling and marketing expenses increased by Euro 38,126 thousand (or 25.4%), from Euro 149,954 thousand for the six months ended 30 June 2020 to Euro 188,080 thousand for the six months ended 30 June 2021. This was due to the return to the sales activity pre-Covid 19 with the consequent increase of payroll and social security contributions by Euro 9,932 thousand (or 24.6%), by sales commissions Euro 5,385 thousand (or 31.0%), royalty expenses and advertising and promotional costs by respectively Euro 2,182 thousand (or 7.5%) and Euro 15,481 thousand (or 35.5%).

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2021	First semester 2020
Payroll and social security contributions	24,078	21,498
Allowance and write off of doubtful accounts	1,392	5,462
Amortization and depreciation	11,552	10,896
Depreciation Right of Use - IFRS 16	2,214	2,379
Professional services	6,844	4,986
Rental and operating leases	2,641	2,860
Offset Rental and operating leases - IFRS 16	(2,444)	(2,604)
EDP costs	7,356	6,786
Insurance costs	1,122	1,028
Utilities, security and cleaning	1,605	1,519
Taxes (other than on income)	761	817
Other general and administrative expenses	1,929	1,089
Total	**59,050**	**56,715**

General and administrative expenses increased by Euro 2,334 thousand (or 4.1%), from Euro 56,715 thousand for the six months ended June 30, 2020 to Euro 59,050 thousand for the six months ended 30 June 2021. This was mainly due to an increase in payroll and social security contributions by Euro 2,581 thousand (or 12.0%), from Euro 21,498 thousand for the six months ended 30 June 2020 to Euro 24,078 thousand for the six months ended 30 June 2021.

General and administrative expenses on the other side also benefitted from the lower impact, compared to the previous period, of prudential bad debt allowances, for an amount equal to Euro 4,070 thousand.

3.5 Other operating income (expenses)

This item breaks down as follows:

(Euro/000)	**First semester 2021**	**First semester 2020**
Losses on disposal of assets	(114)	(27)
Other operating expenses	(11,811)	(10,729)
Gains on disposal of assets	181	1
Other operating incomes	18,979	432
Total	**7,235**	**(10,323)**

Other operating income and expenses include cost and revenue components either not related to the Group's ordinary operations or that are considered by Management to be of non-recurring nature.

During the first six months of 2021 under "other operating expenses" non-recurring costs of Euro 10,942 thousand were accounted for mainly related to the announced closure, starting from the end of June 2021, of the Ormož production plant in Slovenia.

During the first six months of 2021 "other operating income" includes a non-recurring income of Euro 17,000 thousand due to the release of a provision for risks and charges booked in 2015 in relation to an investigation by the French Competition Authority. The release was motivated by the positive outcome, without sanctions, of this investigation, as disclosed in the paragraph "Subsequent event" of the notes.

3.6 Gains (losses) on liabilities for options on non-controlling interests

The item refers to the gain or loss deriving from the changes in the fair value of the liability related to the put and call options on the non-controlling interests of the two business combinations finalised in the first half of 2020 (for more details see the note 2.17).

As at 30 June 2021 the fair value of the liability has not been modified, except for the effect of the translation difference due to the Euro/USD exchange rate fluctuation and for the accretion consequent to the financial discounting of the long-term debt that has been reported in this item equal to an expense of 673 thousand Euro.

3.7 Interest expenses and other financial charges, net

This item breaks down as follows:

	First semester 2021	First semester 2020
Nominal interest expenses on loans	2,802	2,532
Nominal Interest expenses on shareholder loan	3,384	1,085
Figurative interest expenses on loans	413	366
Interest expenses on operating leases - IFRS 16	788	924
Bank commissions	3,318	2,031
Negative exchange rate differences	16,414	27,014
Other financial charges	267	593
Total financial charges	**27,385**	**34,545**
Interest income	84	145
Positive exchange rate differences	15,558	21,469
Other financial income	139	1,351
Total financial income	**15,780**	**22,965**
Total financial charges, net	**11,605**	**11,580**

Total net financial charges remain substantially stable from Euro 11,580 thousand for the six months ended 30 June 2020 to Euro 11,605 thousand for the six months ended 30 June 2021. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 788 thousand, interest on loans and Shareholders loan increased by Euro 2,616 thousand, from Euro 3,983 thousand for the six months ended 30 June 2020 to Euro 6,599 thousand for the six months ended 30 June 2021. Net exchange rate differences are equal to a loss of Euro 856 thousand in the first six months ended 30 June 2021 (a loss of Euro 5,545 thousand in the first six months of 2020).

The items "figurative interest expenses on loans" is related to the additional figurative interest component calculated according to the amortised cost method on the basis of the effective interest rate including any transaction costs.

3.8 Income tax expenses

This item breaks down as follows:

(Euro/000)	First semester 2021	First semester 2020
Current tax	(4,606)	(670)
Deferred tax	(2,978)	6,362
Total	**(7,584)**	**5,693**

Income taxes record an expense for the six months ended 30 June 2021 of 7,584 thousand Euro, mainly impacted by income taxes of the US entities and by the non recognition of deferred tax assets for the Italian and other Group entities. The comparative period benefitted from the recognition of deferred tax assets for Euro 6 million on the tax losses of the US entities.

3.9 Earnings (Losses) per Share

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

Basic

	First semester 2021	First semester 2020
Profit/(Loss) for ordinary shares (in Euro/000)	1,960	(74,754)
Average number of ordinary shares (in thousands)	275,704	275,704
Earnings/(Losses) per share - basic (in Euro)	**0.007**	**(0.271)**

Diluted

	First semester 2021	First semester 2020
Profit/(Loss) for ordinary shares (in Euro/000)	1,960	(74,754)
Average number of ordinary shares (in thousands)	275,704	275,704
Dilution effects:		
- stock option (in thousands)	2,239	62
Total	**277,943**	**275,766**
Earnings/(Losses) per share - diluted (in Euro)	**0.007**	**(0.271)**

3.10 Seasonality

Group revenues are partially affected by seasonal factors, as demand is generally higher in the first half of the year as a result of sunglass sales ahead of the summer. Revenues are historically at their lowest in the third quarter of the year, since the sales campaign for the second half is launched in autumn. The described trend in sales has related effects on trade receivables, inventory, trade payables and the liquidity of the Group.

3.11 Significant non-recurring transactions and atypical and/or unusual operations

In the first six months of 2021, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of July 28th 2006.

3.12 Dividends

In the first six months of 2021, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders.

3.13 Segment reporting

Following the disposal of the retail chain Solstice in 2019 the Group has only the Wholesale as operating segment according to the Group business and control model.

RELATED PARTIES TRANSACTIONS

The nature of transactions with related parties is set out in the following table:

Related parties transactions *(Euro/000)*	**Relationship**	**June 30, 2021**	**December 31 2020**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	9,201	3,679
HAL Investments B.V.	(a)	26	-
Total		**9,227**	**3,679**
Payables			
Companies controlled by HAL Holding N.V.	(a)	1,363	1,413
HAL Investments B.V.	(a)	-	20
Loans			
Multibrands Italy B.V.	(a)	96,512	93,474
Multibrands Italy B.V.	(a)	-	16
Total		**97,875**	**94,922**

Related parties transactions *(Euro/000)*	**Relationship**	**First semester 2021**	**First semester 2020**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	31,887	27,326
Total		**31,887**	**27,326**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	1,327	358
Financial expenses			
Multibrands Italy B.V.	(a)	3,384	1,085
Total		**4,712**	**1,443**

(a) 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.
With regards to the table above, note that the companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the GrandVision Group, with which Safilo carries out commercial transactions in line with market conditions.

The balance reported with Multibrands Italy B.V. refers to the loan and the related interest accrued, entered into between Safilo S.p.A. and Multibrands Italy B.V. on 6 February 2020 for a total amount of Euro 90 million. This loan agreement was aimed at financing in part the acquisition of Privé Revaux and at fully the acquisition of Blenders Eyewear LLC. The loan is subordinated to the existing financing signed by the Group in October 2018 with its lending banks and to the SACE Facility signed in September 2020.

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. These actions are considered to be groundless and/or their eventual negative outcome cannot be determined at this stage.

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 trademarks. The contracts not only establish minimum guarantees, but also a commitment for advertising investments.

SUBSEQUENT EVENTS

On July 22, 2021, the French Competition Authority, following its investigation initiated in 2009 regarding a number of alleged practices in the eyewear sector in France, dismissed all charges raised against Safilo and which the Group had been vigorously challenging. Following this outcome, no sanctions were applied to Safilo.

This event has been considered an "adjusting subsequent event" providing additional information relevant to evaluate pre-existing conditions that already existed at the June 2021 reporting date. According to this Safilo has released the provision for risks and charges of Euro 17.0 million, booked in 2015 in order to cover this potential estimated liability. Such release was considered as a non-recurring income and then had a positive impact on the 2021 second quarter and first semester Group's reported results, while it was not included in the adjusted pre non-recurring key performance indicators.

On July 1, 2021, HAL Holding N.V., Safilo reference shareholder, completed the sale of its 76.72% ownership interest in GrandVision N.V. to EssilorLuxottica S.A.. Following this event the retail companies belonging to the GrandVision Group starting from 1 July 2021 ceased to be a related party.

On July 15, 2021, Safilo announced a new global licensing agreement for the design, manufacture and distribution of Carolina Herrera branded eyewear, starting from January 2022.

On July 28, 2021, Blenders Eyewear announced a further step in its growth and development projects to fuel international expansion outside the US. Following the go-live of the brand's e-commerce platform in Canada and Australia in the first quarter of 2021, Blenders will now enter the United Kingdom and Ireland.

On July 30, 2021, the Extraordinary Shareholders Meeting of Safilo Group S.p.A. approved the share capital increase up to a maximum of Euro 135 million. The capital increase, supported by the Group's reference shareholder is mainly aimed at the repayment of the unsecured and subordinated Shareholder Loan of original Euro 90 million, plus the relative amount of interest accrued, granted to Safilo to support the timely closing of the acquisitions of Blenders Eyewear and Privé Goods. The residual part of the proceeds is aimed at further strengthening the Group's capital structure, supporting its investments and drivers of future growth, including new opportunities that may come available in the sector.

In the period following 30 June 2021, there were no further events in addition to those reported that could have a material impact on the results published in this report.

For the Board of Directors
The Chief Executive Officer
Angelo Trocchia

Attestation in respect of the Half-year condensed financial statements under Article 154-bis of Legislative Decree 58/98

The undersigned Angelo Trocchia, as the Chief Executive Officer, and Gerd Graehsler, as the officer responsible for the preparation of Safilo Group S.p.A. financial statements, hereby attest, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree February 24th 1998, no, 58, the adequacy of the administrative and accounting procedures with respect to the Company structure and their effective application in the preparation of the 2021 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2021 were based and the evaluation of their adequacy has been made on a process defined by Safilo Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

Furthermore, the undersigned attest that the half-year condensed financial statements have been prepared in accordance with the international financial standards as endorsed by the European Union through Regulation (EC) no, 1606/2002 of the European Parliament and Counsel, dated 19 July 2002 and in particular IAS 34 – Interim Financial Reporting. This half-year report corresponds to the amounts shown in the Company's books and records and provides a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

Finally, the interim Management report contains references to the important events occurred in the first six months of the financial year and their impact on the half-year condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the year, together with the respective mitigation plan, along with a description of the transactions with related parties.

Padua, 3 August 2021

Angelo Trocchia
Chief Executive Officer

Gerd Graehsler
Chief Financial Officer
Manager responsible for the preparation of
the company's financial documents

REPORT OF INDEPENDENT AUDITORS ON HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

To the Shareholders of
Safilo Group S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Safilo Group S.p.A. and subsidiaries (the "Safilo Group"), which comprise the balance sheet as of June 30, 2021 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the interim financial statements under Resolution n° 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Safilo Group as at June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Pergolari
Partner

Padova, Italy
August 6, 2021

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