ANNUAL REPORT 2021

SAFILO GROUP S.p.A.

Contents

GROUP PROFILE

With over 80 years of experience in the eyewear industry, Safilo Group is the world's second largest manufacturer of sunglasses and prescription eyewear and is engaged in the design, production, wholesale and retail distribution of products for the eyewear market. The Group is a global leader in high-end eyewear and is one of the world's leading manufacturers and distributors of sports eyewear.

Safilo manages a portfolio of proprietary and licensed brands, which are selected based on their competitive positioning and international prestige by way of a consumer segmentation strategy.

Distribution takes place through sales to multiple channels, including opticians, retail chains, specialist shops and a fast growing D2C (direct to consumer) platform.

The Group directly controls the entire production-distribution value chain, divided into the following phases: research and technological innovation, product design and development, planning, programming and purchasing, production, quality control, marketing and communications, sales, distribution and logistics.

Safilo has core strengths in product development and design, this activity is conducted by a significant organization of designers able to ensure the continual stylistic and technical innovation which has always been a distinguishing feature of the Company.

The key factors of success which provide Safilo Group with a distinctive identity in the world's eyewear industry are represented by its diverse brand portfolio with strong brands in all relevant market segments, its excellence in design, innovation and quality of its products, its coverage of the marketplace by way of a worldwide sales, distribution and customer service network, and the diverse nature of its offer in terms of clientele and target markets.

HISTORY OF THE GROUP

Safilo was founded in 1934

Safilo was founded in 1934 when Guglielmo Tabacchi assumed control over the company "Società Azionaria Fabbrica Italiana Lavorazione Occhiali" which produced lenses and frames. This company had been founded in 1878 in northeast Italy with its production unit in Calalzo di Cadore (Belluno), the region that houses the eyewear district. In 1964 the second production unit in Santa Maria di Sala (Venice) was inaugurated and the production of acetate and cellulose frames was transferred there. In the Seventies the production unit in Calalzo di Cadore was extended and the offices in Padua were opened, the latter currently serve as the secondary office and main distribution centre for the Group.

The first commercial subsidiaries were opened in Europe and the USA in the 1980s

In the 1980s, the first commercial subsidiaries were opened in Belgium, Spain, Germany and France. From 1983 to 1986, a controlling interest was acquired in Starline Optical Corp. (now Safilo USA Inc.), a leading U.S. commercial firm active in the eyewear industry that had been a distributor of the Group's products in the United States since 1962.

The industrial development plan was implemented in 1989 when the production facility in Longarone (Belluno) was built. In 2001, the automated distribution centre was inaugurated in the Padua headquarters.

Over the last 20 years the Group has pursued a strategy to strengthen and expand the distribution network by opening subsidiaries in the most promising markets with the final aim of directly controlling distribution in the main geographic regions. In order to implement this strategy, relationships with the Group's clients have been constantly strengthened.

The first commercial subsidiary was opened in the Far East in the 1990s

In 1994, Safilo Far East, the distribution branch in Hong Kong was established, thereby opening the gateway to the Asian and Australian markets. At the end of the Nineties, the Group's presence in Europe was further strengthened by opening subsidiaries in the United Kingdom, Greece, Austria, Portugal and Switzerland, and in the rest of the world in Australia, South Africa, Japan, Brazil, India, Singapore, Hong Kong and Malaysia. In 2004, a branch was opened in Shenzhen - China, one of the markets with great growth potential.

In 1996 the acquisition of a business unit of Carrera GmbH, a specialised manufacturer of sports eyewear, led the Group to acquire the know-how of Optyl for the production of plastic frames as well as the two factories in Traun (Austria) and in Ormož (Slovenia). The acquisition in the same year of the American company Smith Sport Optics Inc. added a range of sports goggles to the Group collections.

Delisting and leveraged buy-out (2001 -2002)

In July 2001, Vittorio Tabacchi acquired a majority stake in the Company and launched a public takeover bid through a special-purpose vehicle. After the takeover bid was completed, Safilo S.p.A. was delisted in December 2001, almost 14 years after it was first listed in 1987 and then was object of a leveraged buy out.

On 14 September 2005, further to a resolution by an extraordinary shareholders' meeting, the parent company changed its name from Safilo Holding S.p.A. to Safilo Group S.p.A.

In 2005 Safilo Group was back on the Stock Exchange

On 9th December 2005, the shares of Safilo Group S.p.A. were listed on the Milan Stock Exchange.

In 2010 the entry of new reference shareholder, HAL Holding N.V.

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

HAL is a strong partner for the Group, and has had a presence in the eyewear retail sales sector since 1996, through the GrandVision retail network.

The acquisition of the Polaroid Eyewear business

On 3 April 2012, the Group completed the acquisition of the Polaroid Eyewear business, a world leader in optics and polarized lens technology and a global eyewear manufacturer and distributor, with a strong and recognizable market positioning.

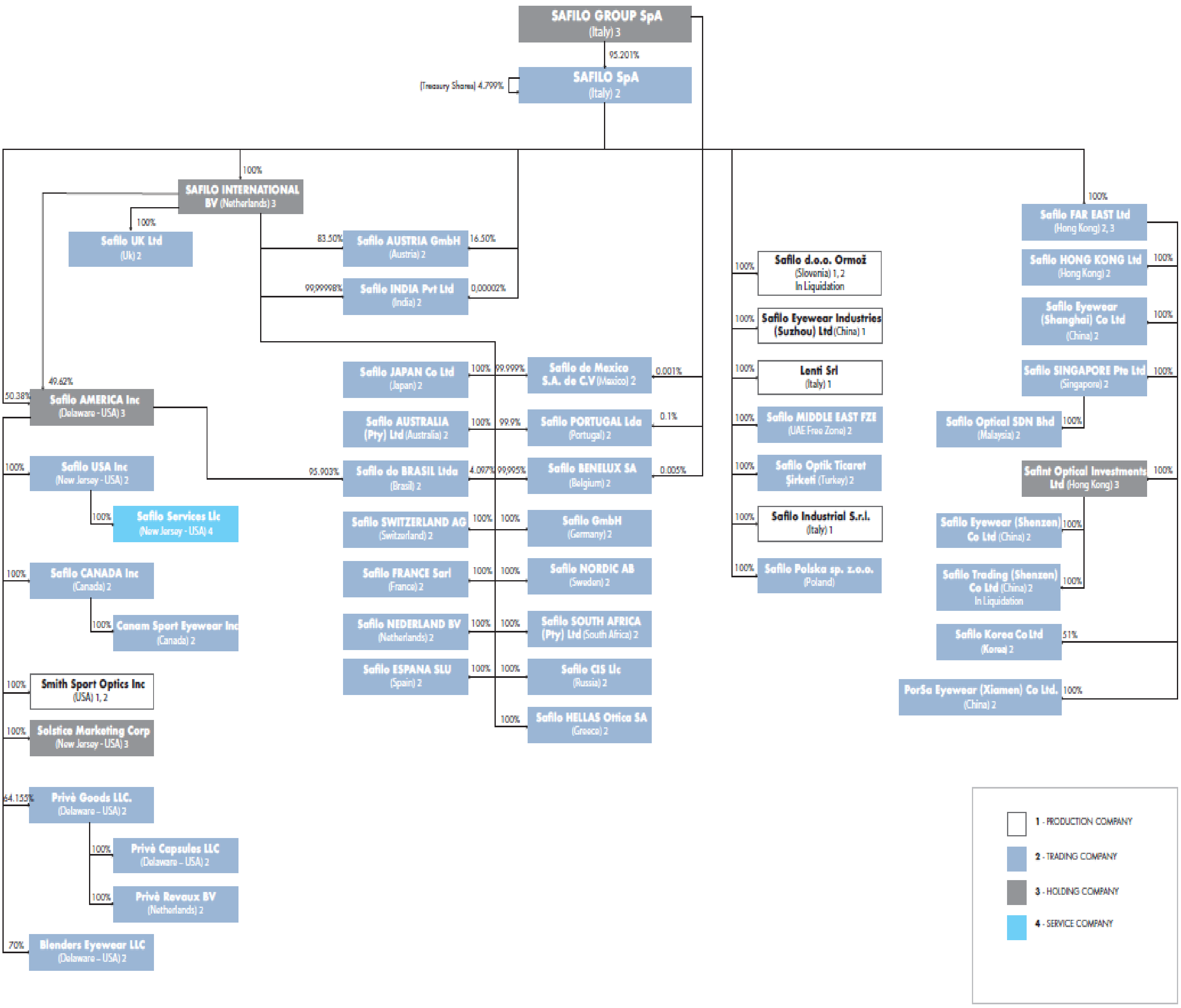
The acquisition of the Privè Revaux business

On 10 February 2020, the Group completed the acquisition of the 61,34% stake in the Miami based Company Privé Goods LLC. Privé Revaux 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. Gaining instant traction with consumers, the fast-growing US eyewear brand is fueled by a strategic celebrity ecosystem, rooted in high caliber social media engagement and strong digital marketing capabilities.

The acquisition of the digital e-commerce Blenders Eyewear business

On 1 June 2020, the Group completed the acquisition of the 70% stake in the California company Blenders Eyewear LLC. Blenders Eyewear has an advanced e-commerce platform with unique direct-to-consumer skills, that will foster and accelerate the Group's e-commerce and omni-channel strategy.

GROUP STRUCTURE



CRITICAL FACTORS FOR THE GROUP'S SUCCESS

Safilo Group's business model is based on product quality, a portfolio of prestigious brands, production flexibility, international distribution capabilities, and product diversity

The Group owes its success to a number of areas of strength, which, taken together, distinguish it within the worldwide eyewear industry:

- design excellence, innovation and product quality: the Group's products are highly appreciated by eyewear resellers and by the consumer due to their superior quality and their innovation in both materials and design. The Group sees quality to be key to success in the market and in effectively managing its brand portfolio;
- a prestigious brand portfolio across market segments: the Group manages a portfolio of brand names focusing on long-term brand partnerships;
- production flexibility: for a number of years, the Group has been engaged in rationalising its organisation and production processes in order to increase efficiency and productivity and to reduce total production times. The use of outsourcing also provides the necessary flexibility in production in order to manage peaks and troughs in demand;
- global distribution platform and territorial coverage: the Group's logistics platform represents a key competitive advantage in supporting the business model thanks, above all, to the high level of coverage of all of the world's main markets. This plays a significant role both in supporting development strategies worldwide for fashion's leading labels and in enhancing the brand portfolio in local markets, and the distribution system is designed to reach nearly 100,000 select points of sale in 130 nations. The Group ensures its market presence through a mixed distribution model comprising direct management and indirect management, through exclusive agreements with independent distributors;
- excellence in customer service: the Group features: (i) a large, expert sales force able to cover the entire market; (ii) a team of key account managers dedicated to assisting the main distribution chains; and (iii) modern, multi-language call centres to manage orders and customer service, using specialised software, which enables creating precise customer profiles to personalise the services even further;
- diversification in revenues: diversification in the portfolio of proprietary and licensed brands and in the target markets and consumer segments concerned enables the Group both to mitigate the risks related to potential slowdowns in the performance of specific markets and the general risk of changes in customer buying habits, as well as to take advantage of opportunities in emerging markets and customer segments.

PRIMARY GROUP PROCESSES AND ACTIVITIES

Manufacturing and distribution chain

On the basis of the success factors described above and in an attempt to effectively manage risk, Safilo Group directly controls the entire production-distribution chain; which is divided into the following phases and processes:

Research, development and design

R&D is based on product design and the development of new materials and production processes

Research and development mainly focuses on two types of activities:

- Product Creation and Design;
- Research and Development of new materials, technologies, production processes and tools/machinery.

A new Product Creation Department was created in late 2014 with the purpose of bridging the gap between Designers and Product Supply. Its mission is to drive the development of the most unique and desirable eyewear collections by combining product development, innovation and the coordination of the multifunctional process from design to manufacturing.

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

Research and development of materials, product and processes aims, on one hand, to improve the technical characteristics of the products and, on the other, to develop innovations of the production process which increase its effectiveness, efficiency, quality and speed to market.

Planning, programming and purchases

Manufacturing is planned on the basis of information that is gathered internally and externally. Internal production is carried out in its factories in Italy, China and the USA

The Planning Office uses the information that has been collected internally and externally to define the production needs on a weekly basis.

Demand Planning aims at forecasting future turnover in units by product. In order to ensure all business plans are aligned to the same targets, Demand Planning also manages the Group's Sales & Operations Planning process, in which all key planning risks and opportunities are proactively highlighted and addressed.

The Global Sourcing Department is mainly responsible for buying raw materials, components and equipment to feed internal production needs. The Sourcing organization purchases also finished goods (frames and sunglasses).

In order to ensure the quality of raw materials, semi-finished and finished goods, the Group carefully selects suppliers and evaluates them on an ongoing basis based on their delivery times and their ability to ensure certain quality standards, as well as on their available production capacity and cost competitiveness.

The provisioning is done both in Europe and in other markets. Since the acquisition of a majority stake in Lenti S.r.l. in 1996, Safilo has the know-how to produce lenses for high-end sunglasses in-house.

Manufacturing and quality control

Safilo products are produced both within the facilities of the Group and by third parties. Safilo directly produces sunglasses, prescription frames and ski goggles in its facilities in Italy, China and the U.S.

Quality

Quality in terms of product safety and compliance with the strictest international regulations and customer expectations: the necessary conditions to compete

Quality for Safilo Group has always taken an approach which goes beyond the very "tangible" aspect and beyond the objective compliance of the product, through the increasingly intensive interpretation of the "perceived" aspect as a key element for the customer's absolute satisfaction.

Creating, designing, engineering, manufacturing and distributing products of high quality, both objective and perceived, complying with the most demanding international regulation and standards have always had a key place within the strategy and the objectives of the Group.

Quality management has evolved from a strong, practical and effective attention to the single product to an increasingly holistic philosophy, integrating the quality discipline into the culture and activities of the whole organization. The fundamental step change goes from defect detection to defect prevention.

The respect of any International regulation is considered a "given".

Safilo Group leverages quality as a competitive lever by constantly challenging the "status quo" in terms of performance, durability, reliability and perceived quality. This is true both for products manufactured in-house and those created at suppliers, whether they supply components, semi-finished goods or finished products.

Safilo's Quality System is ISO 9001:2015 certified.

Marketing and Communication

Marketing actions are defined at global level on the basis of medium-long term plans

Marketing and Communication campaigns to support Safilo's brand portfolio are one of the key factors to the Group's success. The main objectives of the Group marketing strategies include:

- ensuring the right positioning of all brands in portfolio by deeply understanding each brand's unique DNA and bringing that to life through communication campaigns with unexpected creativity and clear objectives of awareness, consideration and conversion to cover the different consumer targets;
- ensuring the development of Safilo's proprietary brands, through an effective marketing-mix and appropriate investments in product, communication and trade marketing activities through its proprietary direct-to-consumer e-commerce platforms;
- to communicate the distinctive brand equity of each brand in terms of design and product technology in the different categories (prescription glasses, sunglasses, sports products).

Marketing actions are addressed to consumers on one hand and to sales points of customers and the Group on the other (trade marketing)

The Group develops specific marketing plans for each brand in its portfolio, adopting different strategies and actions in order to ensure the best positioning for each one. For licensed brands, the Group works in close synergy with its licensors.

Marketing and communications activities mainly consist of direct consumer campaigns and trade marketing activities focused on campaigns done in partnership with optician customers.

Consumer-oriented activities account for the major part of the Group's marketing and advertising investment, and the main outlets are digital and social media, out of home, influencer marketing, sponsorships, and public relations with journalists and opinion leaders in the fashion, entertainment and sports industries. Digital marketing has become an increasingly important communication tool and will continue to be so thanks to its enhanced targeting capabilities, also in consideration of the changing media consumption habits of our consumers.

Trade marketing actions focus on the main chains' and customers' points of sale and are of fundamental importance to guide the final customer's choice and to build up customer loyalty. To this purpose, Safilo recently launched its new B2B platform "You & Safilo" dedicated to opticians. Furthermore, Safilo developed specific trade and communication initiatives to support online customers and internet pure Players.

Corporate communication

The main objective of Safilo's corporate communication is to develop communication plans to build and strengthen the Group's identity and reputation for increased visibility among Safilo's internal and external stakeholders.

Safilo's corporate communication is rooted in the Group's values and is mainly performed through the Group's website safilogroup.com, its social media platforms, internal communication, as well as media relation plans for effective press coverage both on- and offline.

Sales and Distribution

The Group operates in 40 countries through its own extensive subsidiary network

Safilo Group sells its products with an extensive subsidiary network in around 40 countries in North and Latin America, Europe, Middle East and Africa, Asia Pacific and China and a network of more than 50 independent distribution partners covering the other countries. Safilo reaches nearly 100,000 points of sale all over the world including opticians, optometrists, ophthalmologists, distribution chains, department stores, specialised retailers, licensors' own stores, duty free shops and sports shops.

Over recent years the Group has opened showrooms in prestigious locations in Milan, New York, London, Paris, Barcelona, Madrid, New Delhi, Miami, Sao Paolo, Dubai and Mexico City to present products to its retail partners.

Safilo's distribution network is geographically organised in regions, which respectively cover North America, Europe, Asia-Pacific, and Rest of World.

The distribution network is structured in regions

Below is a brief description of the regional divisions:

EUROPE

Europe. The main centre is in Padua in Italy. The Group's European clientele is very varied: in Italy, the majority of customers are independent opticians, in the UK they are mainly chain stores, while in Germany the main customers are buying groups and distribution chains. The Group directly distributes its products to 29 European countries. In those countries where the Group has no sales branches, long-standing relationships have been established with local distributors.

ASIA - PACIFIC

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

NORTH AMERICA

North America covering the USA and Canada, headquartered in New Jersey, USA. Marketing and distribution in the USA is implemented through three main distribution channels: *(i)* opticians, ophthalmologists and optometrists; *(ii)* department stores and chains; *(iii)* sports stores and (*iv*) a fast growing D2C platform for some specific brands.

REST OF WORLD

The commercial structure comprises mainly the Group's business in Latin America and India, Middle East & Africa with affiliates in India, Brazil, South Africa, Dubai and Mexico and a distributor presence in the remaining markets.

THE GROUP'S OWN AND LICENSED BRANDS

The proprietary portfolio includes both Safilo and licensed brands

The Group's brand portfolio encompasses a well balanced set of Own Core Brands, with collections of optical frames, sunglasses, sports goggles and helmets, as well as licensed brands for prescription frames and sunglasses.

Safilo's brand portfolio management is consistent with the Group's strategy to diversify across all the different and strategic segments of the eyewear industry. The company's portfolio covers all consumer segments: from Fashion Luxury – with Jimmy Choo, Isabel Marant, Boss, Missoni, Moschino, Carolina Herrera – to Lifestyle – with Carrera, David Beckham, Dsquared2, Marc Jacobs, Levi's, Tommy Hilfiger, Tommy Jeans, Kate Spade, Banana Republic, Fossil, HUGO, Juicy Couture, Liz Claiborne, Love Moschino, M Missoni, Pierre Cardin, Chiara Ferragni, PORTS, and rag&bone – and Sports & Outdoor – with Smith and Under Armour – to the fast-growing Mass Cool segment – with Blenders, havaianas, Polaroid, Privé Revaux and Seventh Street.

2021 renewal and new licensing agreements for the Group

2021 was a year in which the Group added new strategic licensing agreements and confirmed key partnerships with brands already in portfolio.

In May, Safilo announced a new licensing agreement for the design, manufacturing and distribution of Dsquared2 branded eyewear collections, which has been launched in January 2022.

In July, Safilo announced a new licensing agreement for the design, manufacturing and distribution of Carolina Herrera branded eyewear collections, which has been launched in January 2022.

In September, Safilo announced a new licensing agreement for the design, manufacturing and distribution of Chiara Ferragni branded eyewear collections, which has been launched in January 2022.

Today, the Group's brand portfolio counts more than 30 brands.

Own Core Brands

Safilo's Own Core Brands are of high strategic importance for the Group's future development and objectives, each playing a key role in the respective market segment.

CARRERA
EYEWEAR SINCE 1956

Synonymous with pioneering design and outstanding quality – Carrera is a statement brand since 1956 for people who live by their own rules, continuously defying themselves and proudly approaching life standing out from the crowd. Carrera Collection is composed by three main product families: CARRERA FLAG, the boldest expression of Carrera inspired by the archives with an eye on fashion and always one step ahead; CARRERA SIGNATURE, the brand's evolution combining classic shapes with a dash of urban lifestyle; and CARRERA ACTIVE, a line that reinterprets the brand's roots in sports with a streetstyle attitude.

Polaroid

Polaroid Eyewear is a worldwide leader in eyecare and optics and a pioneering international eyewear brand that owes its name to the invention that changed the world of technology and optics: polarized lenses. Polaroid, since it was established by Edwin Land in 1937, has strengthened its reputation as a leading brand in polarized lenses. Today, Polaroid produces and distributes its polarized sunglasses, optical frames, clip-ons and suncoversTM worldwide through its owner subsidiaries and its network of exclusive distributors. The brand joined the Safilo Group in April 2012.

SAFILO
OCCHIALI DAL 1934

The *SAFILO eyewear* collection, inspired by a unique and long-standing heritage of technical and aesthetic content, conveys the superior design, functional innovation and "Made-in-Italy" know-how for which the brand is globally recognized.

Made from materials of the finest quality, the new men's and women's eyewear is the perfect expression of the superb craftsmanship, uncompromised attention to detail, top-performing properties and masterly use of materials that define the SAFILO savoir-faire.

Combining artisan skills and advanced technology to create timeless products, the new optical frames present unique techno-aesthetic features, aiming at achieving the utmost comfort combined with a visually appealing and functional design.

The *Seventh Street collection* targets a younger age group (school kids and teens) with a range of colourful and fresh products. Seventh Street is an optical specialist brand. Its collection offers a wide range of easy-to-wear, well designed frames with high value for money and optimal comfort and fit, guaranteed by Safilo's quality and know-how. Its offer is varied and complete in terms of materials, shapes, constructions, colors and sizes and is designed for men, women and teenagers looking for a functional and qualitative but also good-looking frame.

SMITH

Originating from Sun Valley, Idaho, Smith was founded in 1965 with the invention of the first snow goggle featuring a sealed thermal lens and breathable vent foam. With more than 50 years of innovation and design experience, Smith is widely known today as an industry leader that pioneers advanced eyewear and helmets that incorporate dynamic technologies, optimized performance and clean styling to fuel fun beyond walls. Smith seeks to power thrilling experiences in snow, surf, bike, fish and peak performance outdoor adventures with a comprehensive collection that exudes modern style and vibrant personality. To Smith, the experience is everything.

Blenders Eyewear was founded in 2012 by Chase Fisher in San Diego. Blenders produces a wide range of men's and women's sunglasses, blue light glasses and snow goggles. Driven by a company-wide motto of "life in forward motion," its products are predicated upon a bold aesthetic that emphasizes progressive colorways aimed at an active lifestyle demographic. Now a talented team of spunky and spirited designers, photographers, and communicators, Blenders is one of America's fastest-growing eyewear brands.

Privé Revaux Eyewear was built on a shared passion for style and quality with the goal of making it accessible in ways never seen until now. Serial entrepreneur David Schottenstein took aim at disrupting the eyewear market, and he enlisted an elite team around him to ensure the brand's success. With the help of celebrity visionaries Jamie Foxx, Hailee Steinfeld, Ashley Benson and Jeremy Piven, as well as VP of Celebrity Relations Dave Osokow and Creative Directors Rob Zangardi and Mariel Haenn, they've done just that. Privé Revaux is the only company to deliver the unique combination of celebrity-inspired style and durability at an unprecedented price point, giving people freedom of expression through hundreds of design options. They're a one-stop-shop for all eyewear needs, from sunglasses to corrective lenses to accessories.

Safilo's own core brand portfolio also includes other minor brands, mainly intended for the North American market, such as Adensco, Chesterfield, Elasta and Emozioni.

Licensed brands

A very prestigious brand portfolio

Each of the licensed brands is designed and positioned with a specific market segment and target consumer in mind. Safilo Group's portfolio of licensed brands is one of the most broad and diversified in the eyewear market. Numerous fashion houses rely on the Group, many of them for world-renowned global brands,others operating in certain countries only. The Group's licences are ruled by exclusive contracts that provide for royalties and marketing contributions to the licensors, calculated as a percentage of net sales generated from the collections and with minimum annual guaranteed amounts. In many cases, such guaranteed amounts are based on a percentage of the turnover achieved by the licensed brand in the previous year.

JIMMY CHOO
CAROLINA HERRERA*
BOSS
ISABEL MARANT
MISSONI
TOMMY HILFIGER
MARC JACOBS
MOSCHINO
DSQUARED2*
PORTS
CHIARA FERRAGNI*
havaianas
EYEWEAR by DAVID BECKHAM
kate spade NEW YORK
rag & bone NEW YORK
UNDER ARMOUR
LIZ claiborne
M MISSONI
TOMMY JEANS
REBECCA MINKOFF
HUGO
LOVE MOSCHINO
Juicy Couture
pierre cardin PARIS
FOSSIL
Levi's
BANANA REPUBLIC

(*) From January 2022

Below is a summary and a brief description of Safilo's licensed brands:

Banana Republic. Modern, covetable style for professional men and women. Dedicated to helping customers achieve professionally and personally, Banana Republic offers versatile work wear that can be styled for any occasion – from desk to dinner. Collections include clothing, accessories and eyewear designs at accessible prices. Banana Republic inspires living everyday life with style. The eyewear collection offers optical frames and sunglasses for women and men, a modern and fresh style with a noticeable quality and characteristic details. Eyewear designs are trend right and effortlessly stylish at an accessible price point.

BOSS. The BOSS DNA of tailoring is an area of enduring expertise and constant reinvention. A wardrobe as versatile as the man or woman who wears it. Collections that are both modern and elegant. Timeless styles with a fresh, modern twist are an essential part of the collection. Traditional tailoring that results in a perfect fit. Self-confident business fashion and sophisticated leisure looks so that the customer can dress perfectly for any occasion. That's BOSS.

Carolina Herrera. Carolina Herrera is well known in the world of fashion for luxury and sophistication founded on elegance and modernity. Since starting in New York in 1981, thanks to a global approach, Herrera has generated an international following and experienced many memorable moments in the world of fashion, dressing incredible women worldwide: royalty, first ladies, global celebrities, award-winning actresses. For over 40 years, continually exceeding the limits of style with her mixture of modern and classic, she has demonstrated that sensuality and femininity are the perfect combination, along with a contemporary touch.

Chiara Ferragni. the brand Chiara Ferragni was launched in 2013 as a fashion yet hip shoe brand, from an idea of Chiara Ferragni, Muse, Creative Director and CEO of the brand. In few seasons the brand evolved towards a complete total look featuring aside from shoes, garments and accessories adorned with a renowned eye logo. In 2016 the brand moved its first steps towards a global expansion, launching pop-up stores such as: Le Bon Marchè in Paris, LuisaViaRoma in Florence, Apropos in Cologne, Breeze Center in Taiwan, Selfridges in London. Moreover, the brand empowered its distribution from July 2017 with the opening of its own flagship stores in the heart of the most fashionable cities: Milan, Paris, Shanghai and Hong Kong. Chiara Ferragni is a brand of sharing, happiness, positive values and good vibes, both in the real and digital universe. Chiara Ferragni women are international, dynamic, cool, modern, and strong.

David Beckham. David Beckham, global icon recognized for his style, curates Eyewear by David Beckham, a collection of timeless frames made from the very finest materials, combining an effortless, British style and attitude with a vintage spirit. His exacting taste and eye for detail have brought together an exceptional contemporary aesthetic with traditional craftsmanship. The brand reflects David's vision, with a constant dedication to design and utmost quality. "My own style journey has taught me the power of simplicity and the importance of detail and craftsmanship." – David Beckham

DSQUARED2. Individual, daring and creative, Dsquared2's approach to fashion is a distinct mix of heritage Canadian iconography, modern Italian tailoring and playful sensuality. Founded by brothers Dean and Dan Caten in 1995, the brand's collections are a seamless melding of contrasts: sporty and glamorous, laidback and extravagant, and masculine and feminine. The Dsquared2 ready to wear collections are produced in Italy, giving rise to the brand's motto of "Born in Canada, Made in Italy".

Fossil. Fossil takes inspiration from the typical mid-1920's design, combining it with the desires of the modern customer. This "modern vintage" philosophy hints at classical, but at the same time contemporary, aesthetics. The collection targets customers who are searching for trendy glasses with neat and colored shapes. Sunglasses are young, sporty and easy to wear, with polarized lenses and flexible hinges. On the other hand, prescription frames offer a wide range of styles, both for men and women, in materials such as metal and acetate.

havaianas. Havaianas has been spreading the Brazilian spirit all around the world since 1962, with its iconic rubber sole and infamous bright and joyful, summer-infused designs. The brand is now sold in over 100 countries worldwide with over 400 new models and designs each year, and continues to be made in its birthplace Brazil. Today, the 'original' flip-flop brand is known globally for comfort, Brazilian summer, freedom and its exciting partnerships.

HUGO. GO YOUR OWN WAY – HUGO Eyewear. For the HUGO man who prefers to lead not to follow and the HUGO woman who makes no compromises – not even in her style. Dramatic cuts, clean designs and cool accents that defy categorization – HUGO is geared towards style individualists that always go their own way. A mix of modern tailoring and strong casual influencers delivers unconventional looks for trendsetters, movers and shakers.

Isabel Marant. Isabel has always had a single-minded love of fashion. By age eleven, she knew exactly what she did and did not want to wear. As a teen, she rebelled against stifling conventions and created her own look, using restyled military coats and her father's sweaters. It was her love of clothing and materials that live and move that brought her to Studio Berçot, never to leave it. While some dream of iconic women in glossy magazines, Isabel dresses women for their real lives – walking down the street or zipping off on a scooter. She never takes a piece out of her workshop without trying it on herself. She has always encouraged handmade creations, and collection after collection has fought to keep traditional skills alive, an approach that she refers to as "the ecology of clothing". In Paris, New York, and Hong Kong, she has remained true to her ideals, and to her staff and partners who have been with her from the start.

Jimmy Choo. Jimmy Choo is a leading global luxury brand with an empowered sense of glamour and a playfully daring spirit. Known for its confident, fashion-forward style and exceptional craftsmanship, Jimmy Choo has become a pioneer in the art of celebrity dressing and red-carpet style. Women's shoes remain the core of the product offer, alongside handbags, small leather goods, scarves, sunglasses, eyewear, belts, fragrance and men's shoes. CEO Hannah Colman and Creative Director Sandra Choi together share a vision to create one of the world's most treasured luxury brands. Jimmy Choo has a global store network encompassing more than 200 stores and is present in the most prestigious department and specialty stores worldwide. Jimmy Choo is part of the Capri Holdings Limited global fashion luxury group publicly listed on the New York Stock Exchange under the ticker CPRI.

Juicy Couture. From the streets of New York, London and Seoul to the beaches of Malibu, the Juicy girl celebrates life and lives every day with a touch of irreverence. Her bold spirit, coveted style and vibrant attitude brings a shine to the world. Embracing its Los Angeles heritage, Juicy discovers the couture in the every day, and delivers an element of surprise in all its designs from the iconic track athleisure apparel, fragrance, accessories, footwear and of course on trend optical and sun eyewear for women, teens and girls.

kate spade new york. Founded in New York in 1993, Kate Spade is a brand that is strongly rooted in optimistic femininity, joy, and style. Kate Spade appeals to empowered women across generations and time zones who want to live their lives to the fullest. The eyewear collection reflects these values through the use of playful colors, prints, and patterns which are applied to easily wearable modern shapes and beautiful styles. Signature branding is thoughtfully integrated throughout all designs for a delightful surprise.

LEVI'S® The Levi's® brand epitomizes classic American style and effortless cool. Since their invention by Levi Strauss & Co. in 1873, Levi's jeans have become one of the most recognizable garments of clothing in the world—capturing the imagination and loyalty of people for generations. Today, the Levi's brand portfolio continues to evolve through a relentless pioneering and innovative spirit that is unparalleled in the apparel industry. Their range of leading jeanswear and accessories are available in more than 110 countries. Designed with the fashion forward consumer in mind, Levi's® eyewear is a perfect lifestyle complement to apparel, allowing consumers to express their authentic self.

Liz Claiborne. Liz Claiborne was founded on a big aspiration to make fashion accessible to all. The brand is the original style authority for strong, spirited women at work and in life. The Liz Claiborne woman is modern, vivacious, strong, graceful, and she truly aspires to be a better version of herself. She loves clothes but doesn't have the time or inclination to chase fashion. The eyewear collection offers optical frames and sunglasses that are classic and functional with feminine details, color and a signature sense of style. Affordable quality, effortless style and versatility.

Marc Jacobs. The Marc Jacobs eyewear collection, featuring sophisticated and slightly retro shapes, stands out for its exclusive, sophisticated and glamorous style. A discreet collection with a very sophisticated image, heightened even further by the top-quality materials and scrupulous attention paid to details. The collection targets women between 25 and 45 years of age who want to affirm their identity and personality.

Missoni. Tied to the aesthetic innovation and technical invention that have always changed the identity of knitwear, Missoni is one of the best known, loved and recognized fashion and design brands in the world. Missoni style is the result of a partnership between two people. In 1953 Ottavio and Rosita decided to set up a knitwear business and were soon at the cutting edge of Italian fashion. Missoni inaugurated and affirmed an unmistakable way of dressing and living: with a colourful "put-together" of zigzag motifs, stripes, waves and slub yarns in a patchwork of geometric and floral jacquard. Under the creative direction of Angela Missoni since 1997, Missoni is now one of the best representatives of Italian fashion and design excellence around the world and continues to influence the contemporary lifestyle with its pioneering multi-coloured aesthetic vision.

M Missoni. Margherita Maccapani Missoni, scion of the knitwear dynasty and creative director of the M Missoni brand since 2018, looked deep into the family company's archives to deliver a distinctive, contemporary line up, refreshed through its signature colourful graphic designs. The M Missoni mission is to remix, re-use and respect, taking the codes of something special and iconic and playing with it to create a new aesthetic. Margherita has taken the hidden gems, the forgotten stories, the unsung lyrics, the scraps from the cutting room floor and rewoven them into a new story. M Missoni presents an alternative voice in the Missoni world. A voice for the free spirited, a voice for the irreverent, a voice for the playful. It takes the Missoni codes and fabrics and repurposes them. Scarves become dresses, home fabrics become coats, vintage logos become new badges of honour.

Moschino and Love Moschino. Italian luxury brand Moschino was founded in 1983 by Franco Moschino and rose to the forefront of the international fashion scene through his ironic, tongue-in-cheek designs. In 2013, Jeremy Scott was appointed Creative Director and the brand hit a new high with his unexpected original designs that paid homage to Franco Moschino's original concepts but were infused Scott's unique vision and sartorial wit. The sexy, surprising, and at times irreverent style, typical of Jeremy Scott' genius characterize all its high-quality and premium garments and accessories.

Pierre Cardin. "The clothing I prefer is the one I create for a life that does not yet exist, the world of tomorrow." Pierre Cardin is not only a stylist, but one of the greatest visionaries of the history: a designer, a man of art, a diplomat, a businessman. Established in 1950, Pierre Cardin's world is made from multiple things, it is protean as well as avant-gardist. Fashion, accessories, jewellery, fragrances, furniture, theatre costumes, tableware, and even Maxim's restaurants. Geometric shapes related to the blending of traditional and new synthetic fabrics to create unique and inimitable lines, recognized all around the world. Each of his collections is an evidence of a fierce appetite for experimentation.

PORTS. PORTS was founded in Toronto, Canada in 1961 by visionary entrepreneur, Luke Tanabe. One of the first to adopt the revolutionary jet set lifestyle, PORTS appealed to those who understood it was possible to travel, dream and work all at once: breakfast in the Sahara then dinner in New York. With this inner essence of "Global Soul, Urban Spirit," PORTS soon became synonymous with cutting-edge fashion, design excellence and a free nomadic spirit. In 1993, PORTS and became the first high-end fashion brand to land in China. With its international image, PORTS rapidly become the first choice for many elite women in China. In 1999, PORTS also introduced the eyewear category: the simple and elegant eyewear collections are widely renowned and respected in the Chinese fashion glasses industry.

rag&bone. Established in 2002, rag & bone was born out of a desire to create masterfully constructed clothing. Rooted in British heritage and imbued with a New York edge, the brand is known for innovative yet wearable clothing that redefines effortless, urban style. Quality guaranteed rag & bone is dedicated to craftsmanship, innovation, and timeless style. Each collection is designed in New

York and produced by some of the oldest and most supremely skilled manufacturers around the world. Since the brand's inception, the focus has been, and always remains, on creating the highest quality goods.British, Americana, Military, Sport. These are the four major codes of our brand. As constants throughout all of our collections, rag & bone will contrast and explore these motivations as we build a brand language recognized and respected by our customers and the marketplace.

Rebecca Minkoff. Rebecca Minkoff is a global fashion brand that spans ready-to-wear, handbags, footwear, jewelry, eyewear, and tech accessories. Its founder, Rebecca Minkoff, understands that behind every successful woman is another successful woman—or many of them. The brand taps into multidimensionality in culture, products, and individuals to bring out the confidence of many, encouraging women to own the multiplicity of the roles they occupy and the multiplicity of their own identities.

Tommy Hilfiger. With a brand portfolio that includes TOMMY HILFIGER and TOMMY JEANS, Tommy Hilfiger is one of the world's most recognized premium designer lifestyle groups. Its focus is designing and marketing high-quality men's tailored clothing and sportswear, women's collection apparel and sportswear, kidswear, denim collections, underwear (including robes, sleepwear and loungewear), footwear and accessories. Through select licensees, Tommy Hilfiger offers complementary lifestyle products such as eyewear, watches, fragrance, swimwear, socks, small leather goods, home goods and luggage. The TOMMY JEANS product line consists of jeanswear and footwear for men and women, accessories, and fragrance. Merchandise under the TOMMY HILFIGER and TOMMY JEANS brands is available to consumers worldwide through an extensive network of TOMMY HILFIGER and TOMMY JEANS retail stores, leading specialty and department stores, select online retailers, and at tommy.com.

Under Armour. Under Armour, Inc., headquartered in Baltimore, Maryland and founded in 1996, is a leading inventor, marketer and distributor of branded athletic performance apparel, footwear and accessories. Powered by one of the world's largest digitally connected fitness and wellness communities, Under Armour's innovative products and experiences are designed to help advance human performance, making all athletes better. Under Armour's vision is to inspire you with performance solutions you never knew you needed and can't imagine living without. Under Armour is about energy and passion. An obsession with being better, stronger, and more focused on your goals than anyone else out there. It's about an athlete's relentless will to succeed. Under Armour has a star-studded lineup of sponsored brand ambassadors including Dwayne "The Rock" Johnson, Steph Curry, Tom Brady, Bryce Harper and Jordan Spieth.

REPORT ON OPERATIONS
AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

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 Committee [3]

Chairman	Bettina Solimando
	Ines Mazzilli
	Carlotta Boccadoro

Control and Risk Committee [4]

Chairman	Ines Mazzilli
	Melchert Frans Groot
	Matthieu Brisset

Sustainability Committee [5]

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

Remuneration and Nomination Committee [4]

Chairman	Cinzia Morelli-Verhoog
	Jeffrey A. Cole
	Irene Boni

Transactions with Related Parties Committee [4]

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. Its composition was modified with effect on 1 January 2022 with the appointment of Giorgia Canova replacing Carlotta Boccadoro.

(4) Appointed by the Board of Directors' Meeting held on April 29, 2021.

(5) Appointed by the Board of Directors' Meeting held on April 29, 2021. Its composition was modified on 9 November 2021 with the appointment of Alberto Macciani.

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

the extraordinary work done in 2021 by Safilo people around the world was rewarded with very important results, which highlighted a strong rebound of the business compared to 2020 and, more meaningfully, a significant improvement compared to the pre-pandemic levels in 2019.

Our net sales reached approximately Euro 970 million, up 26.3% from 2020 lows and 7.5% above 2019 at constant exchange rates, while the recovery at the operating level saw our adjusted EBITDA margin in 2021 rise to 8.4% of sales from break-even in 2020 and the 6.9% posted in 2019.

There were different drivers behind our strong results last year, reflecting both the business environment in which we played, as well as our specific action plans in the different markets, as we continued to implement the strategic choices we took back in 2019 to deliver our medium-term business plan.

We closed the year over delivering our initial expectations, with our business performance very much driven by our organic sales, up 10.5% compared to 2019, and the effectiveness of the brand portfolio overhaul strategy implemented over the recent years through the addition of new proprietary and licensed brands.

North America was our key growth driver against the backdrop of a strong post-Covid rebound in the United States and our strategic choice, initiated some years ago, to invest in the market through a stronger commercial organization.

2021 was a record year for Smith, which became the biggest brand in our portfolio. The significant development of its online channel, enhanced at the beginning of the year with the launch of a new e-commerce site, together with the growth in Blenders e-com sales and the increase experienced by internet pure players confirm the strength of our digital transformation strategy, increasing the online business to 13.4% of sales, up from 12.7% in 2020 and 3.9% in 2019.

Last year our business was once again very competitive in the core channel of the independent opticians, certainly in the United States and in our key European and emerging markets, where prescription frames were clearly the winning product category. In 2021, we were able to make significant progress towards our goal to grow the share of our optical business, which we have been executing through a number of important projects: from strengthening our product assortment to the full deployment in Europe of the B2B platform "You&Safilo", which is helping to consolidate and expand our partnership with opticians, greatly improving their involvement, our offer and the quality of our services.

From an economic standpoint, we are very pleased to have strengthened our economic profile, both through the rebound of the top line and thanks to the completion of our overheads cost reduction program and the good progression of our cost of goods sold savings plan. This work, combined with the strength of our products and business actions, has also allowed us to absorb the inflationary pressures, most evident for us in the surge of transportation costs.

In 2021, we successfully completed a Euro 135 million capital increase in early November which has significantly reduced our net debt and the burden of our future financial expenses. A corporate action that has also allowed us to further strengthen the Group's capital structure, in support of our future growth.

It is indeed with this latter objective in mind that we entered 2022, firmly convinced that Safilo is today more competitive to seize the many opportunities offered by the healthy and growing eyewear industry in which we operate, ready to face the challenges posed by a business environment still influenced by the developments of the health situation in the various countries.

Furthermore, the past weeks have seen tragic events unfolding in Ukraine. Our thoughts are with the affected population in these difficult hours, while we carefully monitor the impacts to our business.

In continuity with the path started in recent years, in 2022 we aim to further strengthen our commitment to People, Product and Planet, the three assets at the heart of our sustainability strategy, with initiatives aimed at consolidating our initial progress and laying the ground for further action to embed them in the fabric of our business functions and operations.

Angelo Trocchia

Chief Executive Officer

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

The Group's performance in 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 results, to provide a better evaluation of the current results.

Economic data (Euro million)	2021	%	2020 Restated	%	2019 Restated	%
Net sales	969.6	100.0	780.3	100.0	939.0	100.0
Cost of sales	(467.8)	(48.3)	(417.8)	(53.5)	(462.1)	(49.2)
Gross profit	501.8	51.7	362.5	46.5	476.9	50.8
Ebitda	79.3	8.2	(24.0)	(3.1)	25.5	2.7
Ebitda pre non-recurring items	81.5	8.4	(3.0)	(0.4)	64.8	6.9
Operating profit/(loss)	26.1	2.7	(83.4)	(10.7)	(272.2)	(29.0)
Operating profit/(loss) pre non-recurring items	32.9	3.4	(57.9)	(7.4)	3.2	0.3
Group profit/(loss) before taxes	34.8	3.6	(87.7)	(11.2)	(279.5)	(29.8)
Profit/(Loss) attributable to the Group	21.3	2.2	(73.0)	(9.4)	(302.4)	(32.2)
Profit/(Loss) attributable to the Group pre non-recurring items	27.4	2.8	(50.1)	(6.4)	(6.5)	(0.7)

Economic data (Euro million)	Fourth quarter 2021	%	Fourth quarter 2020 Restated	%	Fourth quarter 2019 Restated	%
Net sales	232.2	100.0	225.6	100.0	230.4	100.0
Gross profit	120.9	52.0	101.3	44.9	101.8	44.2
Ebitda	10.9	4.7	1.7	0.8	(18.5)	(8.0)
Ebitda pre non-recurring items	12.7	5.5	11.0	4.9	10.5	4.6

Balance sheet data (Euro million)	December 31, 2021	%	December 31, 2020 Restated	%
Total assets	937.8	100.0	909.9	100.0
Total non-current assets	373.6	39.8	388.3	42.7
Net invested capital	460.0	49.1	404.4	44.4
Net working capital	214.9	22.9	188.5	20.7
Net financial position	(94.0)	(10.0)	(222.1)	(24.4)
Net financial position pre IFRS 16	(52.8)	(5.6)	(179.0)	(19.7)
Group Shareholders' equity	326.7	34.8	143.3	15.7

Financial data (Euro million)	2021	2020 Restated
Cash flow from operating activities	17.3	(3.1)
Cash flow from investing activities	(9.8)	(129.2)
Cash flow from financing activities	2.1	168.9
Closing net financial indebtedness (short-term)	99.0	86.0
Free cash flow	(2.7)	(143.1)
Capital expenditure	20.1	20.4

Earnings/(Losses) per share (in Euro)	2021	2020 Restated
Earnings/(Losses) per share - basic	0.071	(0.265)
Earnings/(Losses) per share - diluted	0.070	(0.264)
Group Shareholders' equity per share	0.790	0.520

Group personnel	December 31, 2021	December 31, 2020
Punctual at period end	4,545	5,215
Average	4,818	5,595

Share and market data (in Euro)	2021	2020
Share price at the end of the financial year	1.58	0.80
Maximum share price of the financial year	1.79	1.15
Minimum share price of the financial year	0.70	0.51
No. shares in share capital at 31 December	413,555,769	275,703,846
Stock Market value at the end of the financial year	653,418,115	219,735,965

Restatement of previous financial periods

The restatement of 2020 and 2019 refer to the change in accounting policy related to the IFRIC Saas Agenda published in April 2021 on the capitalization of configuration and customization costs for application software under 'Software as a Service' ('SaaS') arrangements. The retrospective application of this change in accounting policy led to adjustments amounting to a reduction of 4,069 and 482 thousand Euro in the intangible assets for Software and to a decrease of 3,588 and 482 thousand Euro of operating profit, respectively in 2020 and 2019 financial periods.

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 2021, the adjusted economic results excluded non-recurring costs for Euro 23.8 million (Euro 10.9 million at the gross profit level, and Euro 19.2 million at the EBITDA level), mainly related to the closure of the Ormož production plant in Slovenia, and also a non-recurring income of Euro 17 million due to the release, booked in the second quarter of 2021, of a provision for risks and charges in relation to an investigation by the French Competition Authority. The release was a result of the positive outcome, without sanctions, of this investigation. In fourth quarter 2021, the adjusted EBITDA excluded non-recurring costs for Euro 1.8 million (Euro 0.7 million at the gross profit level);

- in 2020, the adjusted economic results excluded non-recurring costs for Euro 25.5 million (Euro 21.1 million at the EBITDA level) due to restructuring expenses related to the ongoing cost saving plan for Euro 16.6 million, and to charges due to the termination of activities related to exiting licensed brands for Euro 8.9 million. At the net result level, there is a positive tax effect on the non-recurring costs themselves of Euro 2.7 million. In fourth quarter 2020, the adjusted EBITDA excluded non-recurring costs for Euro 9.3 million, the corresponding part of the above indicated Euro 21.1 million;

- in 2019, the adjusted economic results excluded: (i) the impairment of the entire goodwill allocated to the Group's cash generating units of Euro 227.1 million, (ii) the write-down of deferred tax assets of Euro 22.4 million, (iii) the write-down of fixed assets of Euro 9.0 million for the restructuring plan in Italy, announced on December 10, 2019, (iv) non-recurring costs of Euro 39.4 million, related to the above-mentioned restructuring plan in Italy for Euro 21 million, to the cost saving program undertaken by the Group during the year, and to activities linked to acquisitions and divestitures. At the net result level, there was a positive tax effect on the non-recurring costs themselves of Euro 1.9 million. In fourth quarter 2019, the adjusted EBITDA excluded non-recurring costs for Euro 29.0 million, the corresponding part of the above indicated Euro 39.4 million.

The table below summarizes the reconciliation between the economic indicators and their adjusted value pre-non-recurring items:

	2021			2020 Restated		
(Euro million)	**Ebitda**	**Operating profit/(loss)**	**Profit/(Loss) attributable to the Group**	**Ebitda**	**Operating profit/(loss)**	**Profit/(Loss) attributable to the Group**
Economic indicators	**79.3**	**26.1**	**21.3**	**(24.0)**	**(83.4)**	**(73.0)**
Restructuring costs and other non-recurring costs	19.2	23.8	23.8	21.1	25.5	25.5
Income for release provision on France Antitrust litigation	(17.0)	(17.0)	(17.0)	-	-	-
Tax effect on non-recurring items			(0.6)			(2.7)
Economic indicators pre non-recurring items	**81.5**	**32.9**	**27.4**	**(3.0)**	**(57.9)**	**(50.1)**

	2019 Restated		
(Euro million)	**Ebitda**	**Operating profit/(loss)**	**Profit/(Loss) attributable to the Group**
Economic indicators	**25.5**	**(272.2)**	**(302.4)**
Restructuring costs and other non-recurring costs	39.4	48.4	48.4
Impairment of goodwill	-	227.1	227.1
Write Down of Deferred Tax Assets			22.4
Tax effect on non-recurring items			(1.9)
Economic indicators pre non-recurring items	**64.8**	**3.2**	**(6.5)**

Alternative performance indicators definition

Certain "alternative performance indicators", which are not foreseen in the IFRS accounting principles and are applied to the financial statements being audited, have been used in this Report. Their meaning and content is given below:

- "EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;
- "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 sum of shareholders' equity of the Group and minority interests and the "Net financial position" (see below);
- "Free Cash Flow" means the 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 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. This indicator does not include the valuation of derivative financial instruments and the liability for options on non-controlling interests;
- "Financial leverage" is the ratio between "Net financial position" and "EBITDA".

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 the main financial KPIs.

Disclaimer

This report and, in particular, the section entitled "Significant events after the year-end and outlook" contains forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.

REPORT ON OPERATIONS

INFORMATION ON THE OPERATIONS

2021 has been characterized by some important events that are reflected in Group economic performance:

2021 results above pre Covid-19 pandemic

After 2020, a year strongly impacted by the spread of the Covid-19 (Coronavirus) pandemic, in 2021 the Group recorded a strong recovery in sales and profitability, allowing to close the period with a significant year on year growth well above 2019 levels.

Net sales reached approximately Euro 970 million, up 26.3% from 2020 lows and 7.5% above 2019 at constant exchange rates.

The path to recovery was supported by a strong post-Covid consumption rebound, particularly in the United States, coupled with the continued effective implementation of the key strategic choices of the Group's 2020-2024 Business Plan outlined in December 2019.

Safilo achieved significant organic growth, up 10.5% compared to 2019, driven by its core brands and the effectiveness of the brand portfolio overhaul strategy implemented over the recent years through the addition of new proprietary and licensed brands.

Sales growth was driven by prescription frames across all main markets and particularly in the independent opticians' channel, and by the sport products business of Smith, which became the biggest brand in the Group's portfolio. Sales of sunglasses, which were in the period still held back by the pandemic related restrictions in many markets during the key consumption period in summer, benefitted, on the other hand, from the strength of the online channel, thanks to the momentum of internet pure players and the direct-to-consumer sales of Blenders and Smith.

Thanks to the rebound of the top line, the completion of the overheads cost reduction program and the progress of the cost of goods sold savings plan, the Group was able to deliver an adjusted EBITDA margin of 8.4% of sales up from the almost break-even in 2020 and the 6.9% posted in 2019.

The share capital increase of Euro 135 million

With regards to the capital structure, the Group successfully completed a Euro 135 million capital increase in early November 2021, thanks to which the Group significantly reduced the net debt from Euro 222.1 million recorded in 2020 to Euro 94 million as at 31 December 2021. This has allowed Safilo to strengthen its capital structure in support of future growth and to reduce financial interest charges.

Non-recurring costs and income

2021 economic results include non-recurring costs for a total of Euro 23.8 million, mainly related to the closure of the Ormož production plant in Slovenia, and also a non-recurring income of Euro 17 million due to the release of a provision for risks and charges in relation to the positive outcome, without sanctions, of the investigation by the French Competition Authority.

GROUP ECONOMIC PERFORMANCE

The Group's performance in 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 results, to provide a better evaluation of the current results.

Consolidated income statement (Euro million)	2021	%	2020 Restated	%	2019 Restated	%	Change vs 2020 %	Change vs 2019 %
Net sales	969.6	100.0	780.3	100.0	939.0	100.0	24.3%	3.3%
Cost of sales	(467.8)	(48.3)	(417.8)	(53.5)	(462.1)	(49.2)	-12.0%	-1.2%
Gross profit	**501.8**	**51.7**	**362.5**	**46.5**	**476.9**	**50.8**	**38.4%**	**5.2%**
Selling and marketing expenses	(363.0)	(37.4)	(311.9)	(40.0)	(367.0)	(39.1)	-16.4%	1.1%
General and administrative expenses	(119.6)	(12.3)	(117.6)	(15.1)	(121.2)	(12.9)	-1.7%	1.3%
Other operating income/(expenses)	6.9	0.7	(16.4)	(2.1)	(33.8)	(3.6)	141.9%	120.4%
Operating profit/(loss) before impairment of goodwill	**26.1**	**2.7**	**(83.4)**	**(10.7)**	**(45.2)**	**(4.8)**	**n.s.**	**n.s.**
Impairment loss on goodwill	-	-	-	-	(227.1)	(24.2)	n.s.	n.s.
Operating profit/(loss)	**26.1**	**2.7**	**(83.4)**	**(10.7)**	**(272.2)**	**(29.0)**	**n.s.**	**n.s.**
Gains/(losses) on liabilities for options on non-controlling interests	32.2	3.3	19.8	2.5	-	0.0	62.7%	n.s.
Financial charges, net	(23.5)	(2.4)	(24.1)	(3.1)	(7.3)	(0.8)	2.5%	-221.7%
Profit/(Loss) before taxation	**34.8**	**3.6**	**(87.7)**	**(11.2)**	**(279.5)**	**(29.8)**	**n.s.**	**n.s.**
Income taxes	(14.8)	(1.5)	14.4	1.9	(22.9)	(2.4)	n.s.	35.5%
Net profit/(loss)	**20.0**	**2.1**	**(73.2)**	**(9.4)**	**(302.5)**	**(32.2)**	**n.s.**	**n.s.**
Net profit/(loss) attributable to minority interests	(1.2)	(0.1)	(0.3)	(0.0)	(0.1)	(0.0)	n.s	n.s.
Net profit/(loss) attributable to the Group	**21.3**	**2.2**	**(73.0)**	**(9.4)**	**(302.4)**	**(32.2)**	**n.s.**	**n.s.**
EBITDA	**79.3**	**8.2**	**(24.0)**	**(3.1)**	**25.5**	**2.7**	**n.s.**	**211.2%**

Economic indicators adjusted pre non-recurring items	2021	%	2020 Restated	%	2019 Restated	%	Change vs 2020	Change vs 2019
Gross Profit adjusted pre non-recurring items	**512.6**	**52.9**	**370.2**	**47.4**	**483.5**	**51.5**	**38.5%**	**6.0%**
EBIT adjusted pre non-recurring items	**32.9**	**3.4**	**(57.9)**	**(7.4)**	**3.2**	**0.3**	**n.s.**	**922.6%**
EBITDA adjusted pre non-recurring items	**81.5**	**8.4**	**(3.0)**	**(0.4)**	**64.8**	**6.9**	**n.s.**	**25.7%**
Net profit/(loss) attributable to the Group adjusted pre non-recurring items	**27.4**	**2.8**	**(50.1)**	**(6.4)**	**(6.5)**	**(0.7)**	**n.s.**	**n.s.**

Safilo's economic results in 2021 registered an exponential recovery compared to the significant drops recorded in 2020 due to the negative impacts of the Covid-19 pandemic, also significantly exceeding the economic results of 2019.

The operating performance of the year benefited from the improvement in gross margin, driven by a positive price/mix effect, lower obsolescence costs and the good progression on the cost of goods sold saving plan, which brought about Euro 14 of the total 25 million envisaged in the 2024 Business Plan. In the year, these achievements, together with Euro 5 million related to the completion of the Euro 20 million overheads costs saving plan, effectively offset the inflationary pressures, which were for Safilo particularly relevant on transport costs, as well as the higher investments in advertising, marketing and sales activities carried out by the Group in the year.

2021 economic results included non-recurring costs of Euro 23.8 million (Euro 10.9 million at the gross profit level and Euro 19.2 million at the EBITDA level) and the non-recurring income of Euro 17 million, booked in the second quarter of 2021, due to the release of a provision for risks and charges in relation to an investigation by the French Competition Authority. The release was a result of the positive outcome, without sanctions, of this investigation.

The year also included the negative economic impacts, equal to Euro 3.4 million on EBIDTA and Euro 2.1 million on the Operating and Group Net result, of the change in accounting policy following the IFRIC's agenda decision on 'Software as a Service' ('SaaS') arrangements. Given the retrospective application of this change, 2020 and 2019 results have been restated.

Gross profit in 2021 stood at Euro 501.8 million, registering an increase of 38.4% compared to 2020, and of 5.2% compared to the gross profit recorded in 2019. The gross margin increased to 51.7% of sales compared to 46.5% in 2020 and to 50.8% in 2019.

On an adjusted basis, gross profit in 2021 equalled Euro 512.6 million and a gross margin on sales of 52.9%, marking an improvement of 140 basis points compared to 2019.

Adjusted EBITDA in 2021 equalled Euro 81.5 million compared to Euro -3.0 million recorded in 2020, marking an increase of 25.7% compared to the adjusted EBITDA of Euro 64.8 million recorded in 2019.

The adjusted EBITDA margin increased to 8.4% of sales, up 150 basis points compared to the adjusted EBITDA margin of 6.9% recorded in 2019.

Adjusted operating result (EBIT) in 2021 equalled a profit of Euro 32.9 million compared to the adjusted operating loss of Euro 57.9 million recorded in 2020, and up exponentially compared to adjusted operating profit of Euro 3.2 million recorded in 2019.

The adjusted operating margin stood at 3.4% of sales, an improvement of 310 basis points compared to the adjusted operating margin of 0.3% recorded in 2019.

Below the operating result, the main drivers were:

- a positive accounting adjustment equal to Euro 32.2 million (Euro 19.8 million in 2020) as a result of the reduced liability for put & call options on non-controlling interests due to the revision of the financial plans reflecting the impacts of the Covid-19 pandemic;

- net financial charges of Euro 23.5 million, substantially stable compared to Euro 24.1 million in 2020 and above Euro 7.3 million recorded in 2019, mainly due to the higher average gross debt.

Adjusted Group net result in 2021 equalled a profit of Euro 27.4 million compared to the adjusted Group net loss of Euro 50.1 million recorded in 2020 and the adjusted Group net loss of Euro 6.5 million in 2019. In 2021, the adjusted Group net margin was 2.8% of sales.

Consolidated income statement (Euro million)	**Fourth quarter 2021**	**%**	**Fourth quarter 2020 Restated**	**%**	**Fourth quarter 2019 Restated**	**%**	**Change vs 2020 %**	**Change vs 2019 %**
Net sales	232.2	100.0	225.6	100.0	230.4	100.0	2.9%	0.8%
Gross profit	**120.9**	**52.0**	**101.3**	**44.9**	**101.8**	**44.2**	**19.3%**	**18.8%**
EBITDA	**10.9**	**4.7**	**1.7**	**0.8**	**(18.5)**	**(8.0)**	**530.5%**	**n.s.**

Economic indicators adjusted pre non-recurring items	**Fourth quarter 2021**	**%**	**Fourth quarter 2020 Restated**	**%**	**Fourth quarter 2019 Restated**	**%**	**Change vs 2020 %**	**Change vs 2019 %**
EBITDA adjusted pre non-recurring items	**12.7**	**5.5**	**11.0**	**4.9**	**10.5**	**4.6**	**15.7%**	**20.8%**

Safilo's economic results in fourth quarter 2021 recorded a significant improvement in gross profit and in the related industrial margin. This performance, which reflected a positive price-mix effect and further cost of goods sold structural savings, supported the increase of investments in marketing and new sales activities which took place in the period.

2021 fourth quarter economic results included non-recurring costs of Euro 1.8 million (Euro 0.7 million at the gross profit level). The quarter also included the negative economic impacts, equal to Euro 3.4 million on EBITDA, of the change in accounting policy following the IFRIC's agenda decision on 'Software as a Service' ('SaaS') arrangements. Given the retrospective application of this change, also 2020 and 2019 fourth quarter results have been restated.

Gross profit in fourth quarter 2021 amounted to Euro 120.9 million, registering a growth of 19.3% compared to the fourth quarter 2020 and of 18.8% compared to the fourth quarter 2019. The gross margin in the fourth quarter 2021 rose to 52.0% of sales, a strong improvement compared to the margin of 44.9% in the fourth quarter 2020 and 44.2% recorded in the fourth quarter 2019. On an adjusted basis, the fourth quarter 2021 gross profit equalled Euro 121.5 million and a margin on sales of 52.3%, marking an improvement of 530 basis points compared to the fourth quarter 2019.

Adjusted EBITDA in fourth quarter 2021 reached Euro 12.7 million, up 15.7% compared to the fourth quarter 2020 and 20.8% compared to the adjusted EBITDA recorded in the fourth quarter 2019. Adjusted EBITDA margin stood at 5.5% of sales, an improvement of 60 basis points compared to 4.9% in the fourth quarter 2020 and of 90 basis points compared to 4.6% recorded in the fourth quarter 2019.

Net sales by geographical area

	Full Year						% Change vs 2020		% Change vs 2019	
(Euro million)	2021	%	2020	%	2019	%	current forex	constant forex	current forex	constant forex
Europe	378.5	39.0	330.4	42.3	448.8	47.8	14.6%	14.6%	-15.7%	-14.9%
North America	466.2	48.1	342.5	43.9	334.0	35.6	36.1%	40.5%	39.6%	47.0%
Asia Pacific	52.6	5.4	60.7	7.8	78.0	8.3	-13.4%	-14.2%	-32.6%	-32.1%
Rest of the world	72.4	7.5	46.8	6.0	78.3	8.3	54.8%	57.8%	-7.6%	6.5%
Total	**969.6**	**100.0**	**780.3**	**100.0**	**939.0**	**100.0**	**24.3%**	**26.3%**	**3.3%**	**7.5%**

	Fourth quarter						% Change vs 2020		% Change vs 2019	
(Euro million)	2021	%	2020	%	2019	%	current forex	constant forex	current forex	constant forex
Europe	87.4	37.6	86.1	38.2	106.9	46.4	1.5%	0.7%	-18.2%	-17.0%
North America	111.0	47.8	100.9	44.7	84.7	36.8	10.0%	3.8%	31.1%	34.6%
Asia Pacific	15.4	6.6	21.1	9.3	17.0	7.4	-27.0%	-30.5%	-9.5%	-10.8%
Rest of the world	18.4	7.9	17.5	7.8	21.8	9.5	5.2%	2.7%	-15.5%	-2.3%
Total	**232.2**	**100.0**	**225.6**	**100.0**	**230.4**	**100.0**	**2.9%**	**-0.7%**	**0.8%**	**3.8%**

Safilo's total net sales in 2021 reached Euro 969.6 million, up 26.3% at constant exchange rates compared to Euro 780.3 million recorded in 2020, a year heavily penalized by the lockdowns and business restrictions imposed to contain the Covid-19 pandemic.

The strong rebound in the year also allowed the Group to significantly exceed the net sales registered in 2019, recording an increase of 7.5% at constant exchange rates. Organic sales[1] represented the main growth driver compared to the pre-pandemic business levels, up 10.5% at constant exchange rates, thanks to the strong development recorded by the Group's main brands, from Smith and Carrera to Kate Spade, Tommy Hilfiger and Hugo Boss.

On the other hand, the brand portfolio overhaul strategy implemented by Safilo over the last two years through the acquisitions of Privé Revaux and Blenders and the launch of the new licenses of David Beckham, Missoni, Levi's, Isabel Marant, Ports and Under Armour, enabled the Group to effectively compensate

[1] Organic sales include only the proprietary brands and not terminated licenses, present in both of the compared periods, excluding the business attributable to the production supply contract with Kering Eyewear.

the business decline deriving from licenses terminated at the end of 2020 and at the end of June 2021.

By geography, the continued expansion of the US market represented the main driver of the total growth recorded by the Group compared to the previous year and versus 2019, with the organic business exceeding pre-pandemic business levels also in Europe and in most of the emerging markets.

2021 net sales in North America amounted to Euro 466.2 million, up 40.5% at constant exchange rates compared to 2020. Compared to the pre-pandemic business levels of 2019, Safilo's net sales in the area increased by 47.0% at constant exchange rates, thanks to the strong growth in the organic business, up 15.9%, the acquisitions of Blenders and Privé Revaux together with the new licensed brands which entered the portfolio starting from January 2020, leading to a more evident dimensional jump of the area.

2021 net sales in Europe amounted to Euro 378.5 million, up 14.6% at constant exchange rates compared to 2020, and down 14.9% compared to 2019. Compared to pre-pandemic business levels, the organic sales in Europe grew by 4.5% at constant exchange rates, driven by the double-digit increase recorded by prescription frames, which largely offset the still negative performance of sunglasses, but not enough to counterbalance the decline in business due to the terminated licenses.

2021 net sales in Asia Pacific amounted to Euro 52.6 million, down 14.2% at constant exchange rates compared to 2020 and 32.1% compared to 2019, with the entire year strongly affected by the impact of the terminated licenses. In Asia Pacific, despite the persistence of the Covid-19 pandemic and of the related lockdowns in many markets, the organic sales almost completely recovered pre-pandemic business levels (-3.0% at constant exchange rates compared to 2019), thanks to the Group’s business in China almost doubling and Australia growing double-digit compared to 2019.

2021 net sales in the Rest of the World amounted to Euro 72.4 million, up 57.8% at constant exchange rates compared to 2020 and above 2019 business levels by 6.5%, The latter performance was driven by a 18.5% organic sales growth, with the two main emerging markets of the area, Brazil and Mexico, remaining the key contributors, followed by the significant progression recorded by Middle East markets.

By product category, the 2021 growth above the pre-pandemic business levels was constantly driven by the very positive performance of the prescription frames business, which grew significantly in all the main markets, to represent, at the end of the year, 40.4% of the total business, up from 37.8% in 2019. On the other hand, the recovery recorded in 2021 by sunglasses compared to the sharp decline in 2020 was not yet enough to bring the category business back to 2019 levels, in particularly due to the restrictions that continued to limit tourism in important markets.

By distribution channel, 2021 further confirmed the dimensional jump made by the Group in 2020 in the online channel thanks to the acquisition of Blenders and its e-commerce business, the strong growth of Smith's direct-to-consumer sales and of those recorded by the internet pure player customers.

In the year, the share of business generated in online channels amounted to 13.4% of the Group's total sales, up from 12.7% in 2020 and 3.9% in 2019.

In 2021, Safilo also continued to strengthen its competitive positioning within the main distribution channel of the independent opticians, making considerable progress in the digital transformation of its business model through the full implementation in Europe of the new B2B system "You & Safilo", which joined the digital platforms already present in other markets.

Safilo's total net sales in the fourth quarter 2021 amounted to Euro 232.2 million, substantially stable compared to the same period of 2020 (-0.7% at constant exchange rates), while growing by 3.8% compared to the fourth quarter 2019.

Despite the business environment in the period being influenced by renewed restrictions following the spread of the Omicron variant of Covid-19, the performance of Safilo's organic business was again very positive, up 14.3% at constant exchange rates compared to the previous year, and +9.9% compared to 2019, thanks to the progress achieved by most of the main brands in the Group's portfolio.

The fourth quarter 2021 net sales in North America increased overall by 3.8% at constant exchange rates compared to 2020 and by 34.6% compared to 2019, driven by a broad-based organic sales growth across brands, products and channels, with the prescription frames business outperforming at independent opticians stores and sunglasses which grew nicely in chains.

The fourth quarter 2021 net sales in Europe increased by 0.7% at constant exchange rates compared to 2020, while decreasing by 17.0% compared to 2019 mainly reflecting a challenging comparison base due to the terminated licenses. In the quarter, organic sales in Europe rebounded compared to 2020 driven by continuous progress in the prescription frames business and the recovery, initiated in the third quarter, of sunglasses, particularly in markets such as Italy, France and the UK. The sunglasses category did not instead fully recover the organic business levels of 2019 due to a still subdued business environment in important markets such as Spain and Germany, and to an unfavourable phasing in the shipment of some orders, which were anticipated to the third quarter of the year.

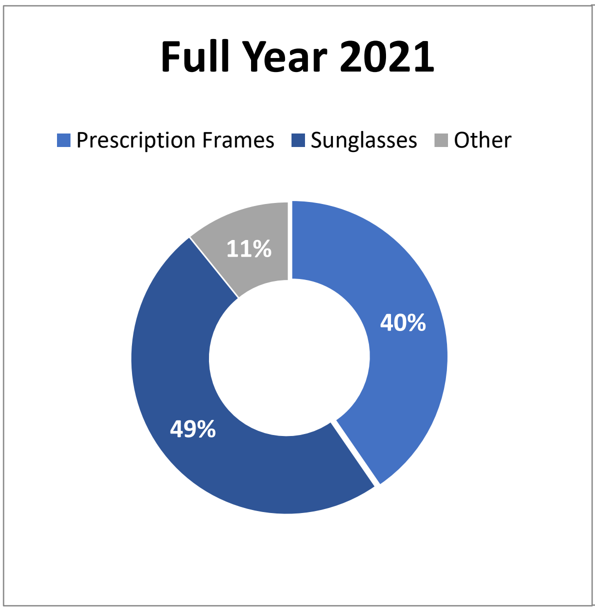
The fourth quarter 2021 net sales in Asia Pacific decreased by a total 30.5% at constant exchange rates compared to 2020 and by 10.8% compared to 2019, with both performances strongly affected by the impact of the terminated licenses.

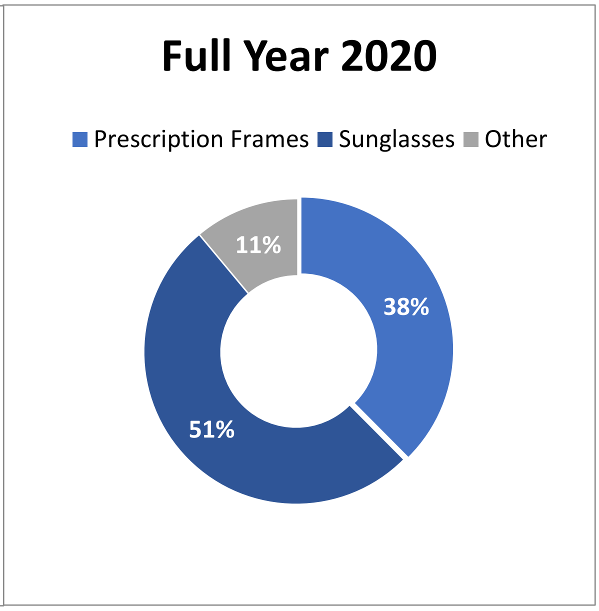
In the period, despite the lockdowns still in place in many Asian countries and in Australia, the performance of the main own and licensed brands, from Carrera and Smith to Tommy Hilfiger and Hugo Boss, was very positive and allowed the organic business of the region to grow significantly compared to 2020 and to also surpass 2019 level.

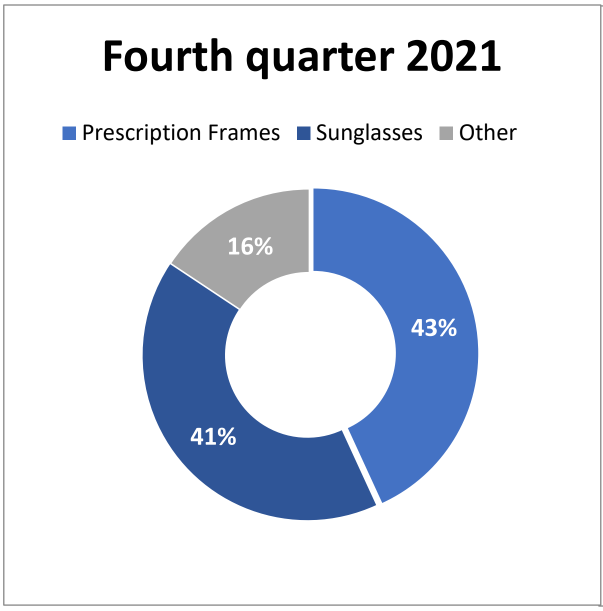
The fourth quarter 2021 net sales in the Rest of the World increased by 2.7% at constant exchange rates compared to 2020, almost completely recovering also the pre-pandemic business levels of 2019 (-2.3% at constant exchange rates). Even in this case, the quarterly performance benefited from the good performance of organic sales, fully driven by the continuing business progress in Brazil and Mexico.

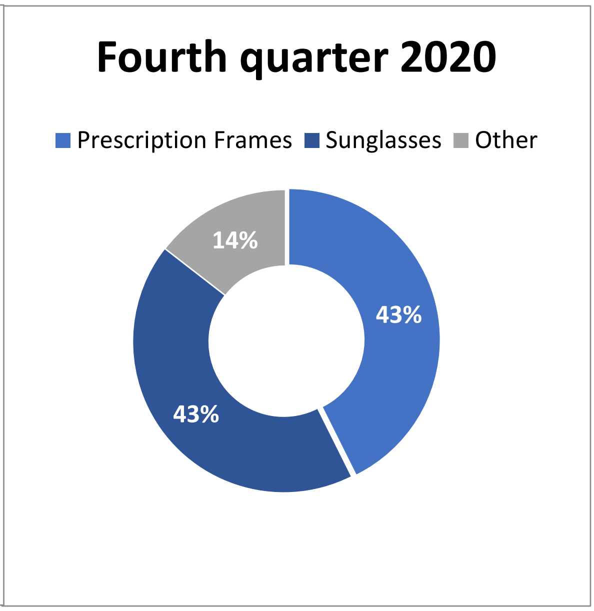
Safilo's total net sales in the second half of 2021 grew by 1.0% at constant exchange rates compared to the second half of 2020 and by 7.3% compared to the corresponding period of 2019, despite the exit of terminating licenses. In the second half of 2021, organic sales were instead up 15.8% compared to 2020 and 12.9% compared to 2019, with the latter performance representing an acceleration compared to the +8.3% organic growth recorded in the first half of 2021 versus the same period in 2019.

The charts below summarize the breakdown of net sales by product category for the full year and for the fourth quarter 2021 compared to the previous year:









CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31 December 2021 compared with those of 31 December 2020:

Balance sheet (Euro million)	**December 31, 2021**	**December 31, 2020 Restated**	**Change**
Trade receivables	173.5	172.6	0.9
Inventory, net	234.4	197.3	37.1
Trade payables	(193.1)	(181.4)	(11.7)
Net working capital	**214.9**	**188.5**	**26.4**
Tangible assets	115.6	128.8	(13.2)
Right of Use assets	36.9	38.8	(1.9)
Intangible assets	141.7	144.8	(3.2)
Goodwill	32.9	30.3	2.5
Non-current assets held for sale	2.3	6.6	(4.2)
Net fixed assets	**329.4**	**349.4**	**(20.0)**
Employee benefit liability	(19.0)	(23.5)	4.5
Other assets / (liabilities), net	(17.8)	(35.2)	17.4
Liabilities for options on non-controlling interests	(47.4)	(74.8)	27.4
NET INVESTED CAPITAL	**460.0**	**404.4**	**55.7**
Cash in hand and at bank	99.0	89.0	10.0
Short term borrowings	(20.0)	(23.0)	3.0
Short-term Lease liabilities	(8.2)	(9.6)	1.4
Long term borrowings	(131.8)	(244.9)	113.1
Long-term Lease liabilities	(32.9)	(33.5)	0.6
NET FINANCIAL POSITION	**(94.0)**	**(222.1)**	**128.1**
Group Shareholders' equity	(326.7)	(143.3)	(183.5)
Non-controlling interests	(39.3)	(39.0)	(0.3)
TOTAL SHAREHOLDERS' EQUITY	**(366.1)**	**(182.3)**	**(183.8)**

Net working capital Net working capital at 31 December 2021 amounts to Euro 214.9 million compared with Euro 188.5 million of the previous year.

Net working capital (Euro million)	December 31, 2021	December 31, 2020	Change
Trade receivables, net	173.5	172.6	0.9
Inventories	234.4	197.3	37.1
Trade payables	(193.1)	(181.4)	(11.7)
Net working capital	**214.9**	**188.5**	**26.4**
% on net sales	*22.2%*	*24.2%*	

The key driver of the increase in the net working capital dynamic was the increase of inventories, mainly due to the normal increase in inventories following the good performance of the business and the preparation of new collections and by the effect deriving from greater goods in transit due to some shipment delays in the United States.

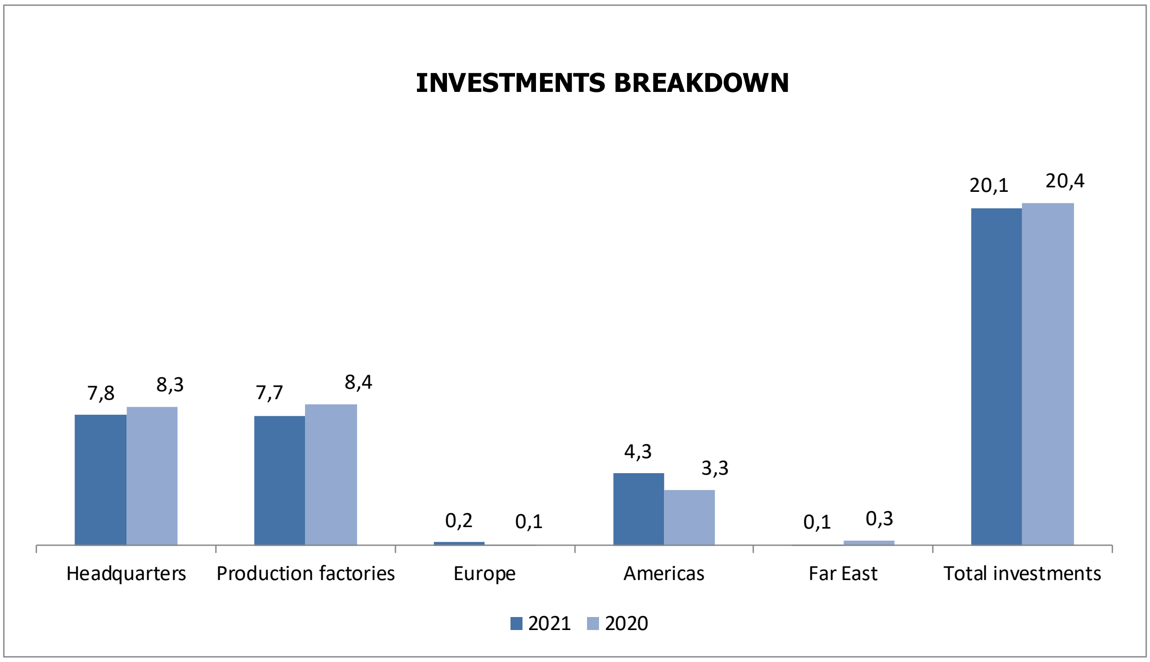
Fixed assets and investments in tangible and intangible fixed assets

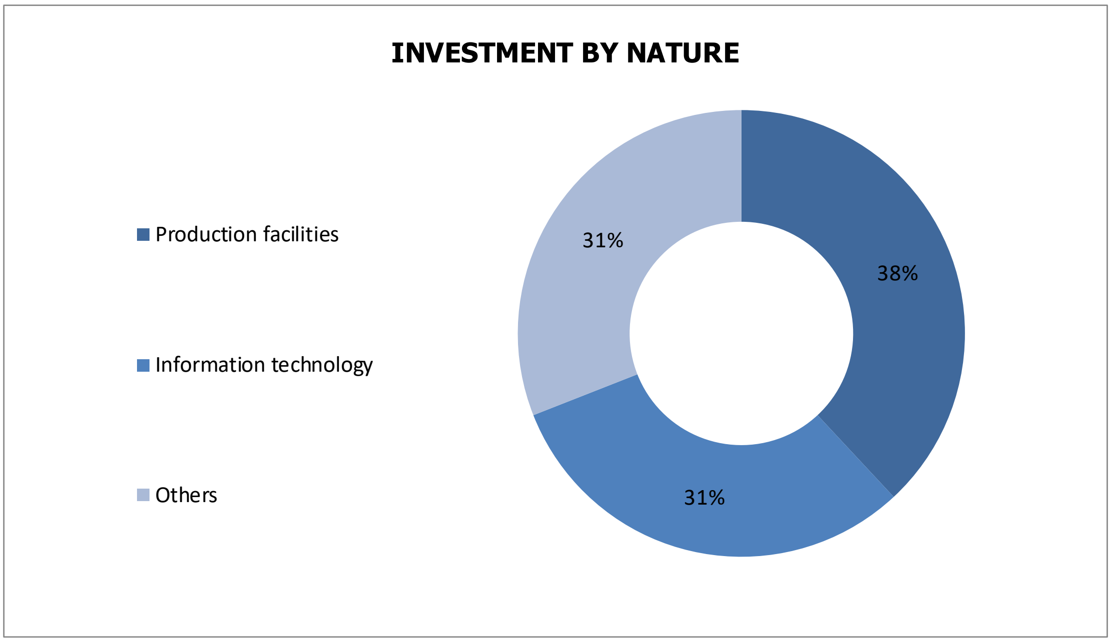
Net fixed assets total Euro 329.4 million at the end of 2021 compared to Euro 349.4 million in 2020 (restated).

The decrease of net fixed assets is mainly due to the ordinary depreciation of the tangible and intangible assets to the disposal of the assets related to the Slovenian industrial plant in Ormoz closed in the period and to the sales of an held for sale office location.

The Group's operating investments of the year total Euro 20.1 million (Euro 20.4 million in 2020 restated). The investments were focused on the continued modernization of its product supply and logistics network and in the roll out of its IT systems overhaul EyeWay and on the Group Digital Transformation.

The allocation of the Group operating investments breaks down as follows:


INVESTMENTS BREAKDOWN
7,8
8,3
7,7
8,4
0,2
0,1
4,3
3,3
0,1
0,3
20,1
20,4
Headquarters
Production factories
Europe
Americas
Far East
Total investments
2021
2020


INVESTMENT BY NATURE
Production facilities
Information technology
Others
38%
31%
31%

FINANCIAL SITUATION

The main items of the net financial position at 31 December 2021 as well as free cash flow figures are reported below in comparison with the previous year.

Net financial position

Net financial debt (Euro million)	**December 31, 2021**	**December 31, 2020**	**Change**
Current portion of long-term borrowings	(20.0)	(20.0)	-
Bank overdrafts and short-term bank borrowings	-	(3.0)	3.0
Short-term lease liability IFRS 16	(8.2)	(9.6)	1.4
Cash and cash equivalents	99.0	89.0	10.0
Short-term net financial position	**70.8**	**56.4**	**14.4**
Long-term borrowings	(131.8)	(151.5)	19.7
Other long-term borrowings	-	(93.5)	93.5
Long-term financial lease liability IFRS 16	(32.9)	(33.5)	0.6
Long-term net financial position	**(164.7)**	**(278.4)**	**113.7**
TOTAL NET FINANCIAL POSITION	**(94.0)**	**(222.1)**	**128.1**
TOTAL NET FINANCIAL POSITION PRE IFRS 16	**(52.8)**	**(179.0)**	**126.2**

Group net debt

At 31 December 2021, the Group's net debt stood at Euro 94.0 million (Euro 52.8 million pre-IFRS 16) down sharply compared to Euro 222.1 million (Euro 179.0 million pre-IFRS 16) recorded in 2020 thanks to the net proceeds, equal to Euro 133.1 million, deriving from the capital increase successfully completed in November 2021.

At the end of 2021, the financial leverage, calculated on the adjusted EBITDA, equalled 1.2x (0.7x pre-IFRS 16 and pre-IFRIC SaaS).

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

- a long-term debt position of Euro 164.7 million, made of bank loans for Euro 131.8 million, of which Euro 108 million of Term Loan facility guaranteed by SACE, and an IFRS-16 effect for Euro 32.9 million;
- a short-term debt position of Euro 28.2 million, made of bank loans for Euro 20.0 million and an IFRS-16 effect for Euro 8.2 million;
- a cash position of Euro 99.0 million.

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

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

Free cash flow

Free cash flow (Euro in millions)	**2021**	**2020**	**Change**
Cash flow from operating activities	17.3	(3.1)	20.4
Cash flow from investing activities	(9.8)	(17.4)	7.7
Cash flow from repayment principal portion of IFRS 16 lease liabilities	(10.3)	(10.7)	0.5
Free cash flow before acquisitions/disposals	**(2.7)**	**(31.3)**	**28.5**
Cash flow for (acquisitions)/disposals of subsidiary	-	(111.8)	111.8
Free cash flow	**(2.7)**	**(143.1)**	**140.3**

In 2021, Safilo's Free Cash Flow equalled a cash absorption of Euro 2.7 million compared to the negative Free Cash Flow of Euro 31.3 million recorded in 2020 (before the acquisitions).

Cash flow from operating activities before the change in working capital equaled Euro 38.1 million which reflected, on one hand, the significant improvement in operating performance recorded in the year, on the other, a cash out of around 19 million in relation to the ongoing industrial restructuring plan. Changes in working capital, which generated a cash absorption of Euro 20.8 million, mainly reflected the normal increase in inventories following the good performance of the business and the preparation of new collections. In the fourth quarter, net working capital dynamics also reflected on one hand the effect deriving from greater goods in transit due to some shipment delays in the United States, on the other a stronger than expected cash collection activity.

In 2021, cash flow for investments, net of disposals, amounted to Euro 9.8 million compared to a net investment of Euro 17.4 million in 2020.

MAIN CRITICAL RISK FACTORS FOR THE GROUP

The Group implements the measures deemed to be appropriate to contrast any foreseen risks and uncertainties arising from its business. The risks are both internal and external and are explained below. The Group has an enterprise risk management approach in place to monitor the key risks and develop action plans to mitigate them.

Internal risks

Strategic risks

The Group could be unable:

- to take advantage of business opportunities in the market segments and geographic areas in which it operates;
- to allocate the resources to the most profitable and potential markets, or to more economically beneficial initiatives;
- to build, develop and protect its brands and patents;
- to maintain and develop the licence contracts required for its business and fulfil the relative obligations and commitments;
- to contrast the competition maintaining and strengthening its own distribution and sales networks;
- to launch innovative products on the market that meet consumer tastes and are in tune with fashion trends.

Operating risks

The Group business is subject to:

- the risk of being unable to organise and coordinate integrated supply/production/logistics and commercial processes in order to provide a rapid response to the needs of increasingly attentive and discerning customers;
- the risk of being unable to identify and purchase raw materials, semi-finished and finished products compliant with the Group's quality standards;
- the operational risks of industrial facilities, distribution centres and supplier relationships;
- the risk of non-compliance with internal control procedures as well as the Italian and foreign legislation that are applicable to the Group (for example local tax laws).

Covid-19 pandemic operating risks

The spread of the Covid 19 pandemic in 2020, led to a focus on the risk related to the business impacts coming from such pandemic and the redefinition of the scope of some risks already identified.

After the spread of the Covid 19 pandemic the Group has implemented a set of procedure and action plans primarily focused on the health and safety of all its employees, based on the implementation of the safety and prevention regulations provided by government protocols. Equally important for Safilo has been to implement an action plan to guarantee the business continuity, ensuring production and service levels and implementing smart working solutions for office staff. Safilo thanks to this set of procedure and action plans can face and guarantee the business continuity in case of any future pandemic scenario in term of new upsurge of Covid-19 variants.

External risks

Business risks

In terms of business risks, the Group is exposed to:

- actions implemented by competitors and the possible entry of new market players;
- the loss of licenses;
- the effects of the macro-economic and political and social environment, in terms of consumers' buying power, loyalty and buying trends;
- changes in national and international regulations that could hamper the Group's competitive position;
- climatic conditions, such as very bad weather in the spring or summer which could drastically reduce sales of sunglasses or warm winter conditions with respect to the sale of snow products;
- health epidemics and pandemics, such as the current Covid-19 coronavirus situation, could reduce demand for and constrain supply of the Group's products;
- the diffusion of alternative products and solutions to correct eyesight, other than glasses, for example, laser surgery.

Climate Change

Safilo considers the relevance of the climate change in its management system and monitors the related risks. Climate Change is declined by Safilo in the management system and risks identified with respect to environmental topics. The governance of climate change topics, as well as environmental matters, is entrusted to the Board of Directors with the consultative support of the Sustainability Committee in defining the related guidelines, as well as the Control and Risks Committee with reference to the management of related risks. As regards the risks related to climate change, in the short to medium term, there are no significant risks related to the production processes or markets in which the Group operates. The Group is focused on the risks related to climate change with regards to the potential impacts in the medium-long term. The climate change risks identified by the Group are related to the improper management of energy and emission sources, to risks related to regulation changes associated with the fight against climate change and physical risks, such as risks arising from the progressive change of climate conditions related to long-term variations (chronic risks) and from extreme weather events (acute risks) that expose the Group to damage or destruction of "tangible capital" as industrial buildings, plants machineries and infrastructures, potential interruptions of essential supplies, and potential reduction of production capacity. With reference to physical risks, also monitored within the ERM framework, the Group's plants, located in different countries (Italy, China, and the USA), together with the extensive supplier network, guarantee an excess capacity to mitigate, if necessary, the production volumes of other sites impacted by extreme weather events or natural catastrophes, mitigating the climate change risks and related financial implications.

Financial risks

The Group pays constant attention to financial risk management

The Group constantly monitors the financial risk it is exposed to in order to assess in advance any possible negative impact and to undertake any corrective measures aimed at mitigating or correcting the risks.

The Group is exposed to a variety of risks of a financial nature: credit risk, market risks and liquidity risk, which are centrally and locally managed on the basis of strict financial planning processes, credit and hedging policies which may also entail the use of derivatives in order to minimise the effects deriving from fluctuations in exchange rates (especially of the American dollar) and interest rates.

Credit risks

The Group minimizes risk through instruments to control customer insolvency

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

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

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

Market risks

Market risks can be divided into the following categories:

Exchange rate risk

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

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

Some companies operate in currencies other than the local currency, in this case mainly in relation to the U.S. dollar.

The Group constantly tries to reduce the effects deriving from currency fluctuations trying to couple as much as possible sales and purchases in the same foreign currency, thus implementing a sort of "natural hedging".

Net currency exposures can be typically hedged using forward contracts ("plain vanilla") whose duration is generally less than twelve months. Information on the fair value and on the method of accounting of derivatives is given in the notes to the financial statements.

Changes in fair value risk

Changes in fair value risk. The Group holds some assets and liabilities subject to changes in value over time depending on the fluctuations of the market where they are traded.

Interest rate risk. Borrowing from banks exposes the Group to the risk of variations in the interest rates. Specifically, loans at variable rates determine the risk of a change in cash flows.

Interest rate risk

The Group regularly assesses its overall exposure to the risk of interest rate fluctuations and can typically manage such risk through the use of derivatives, such as interest rate swaps (I.R.S.) concluded with primary financial institutions.

Liquidity risk

The Group constantly monitors its cash flows

This risk could generate the inability to find, at economic conditions, the financial resources needed to sustain operations within the necessary timeframe. Cash flows, borrowings and company liquidity are constantly monitored at central level by the Group treasury in order to ensure effective and efficient management of the financial resources.

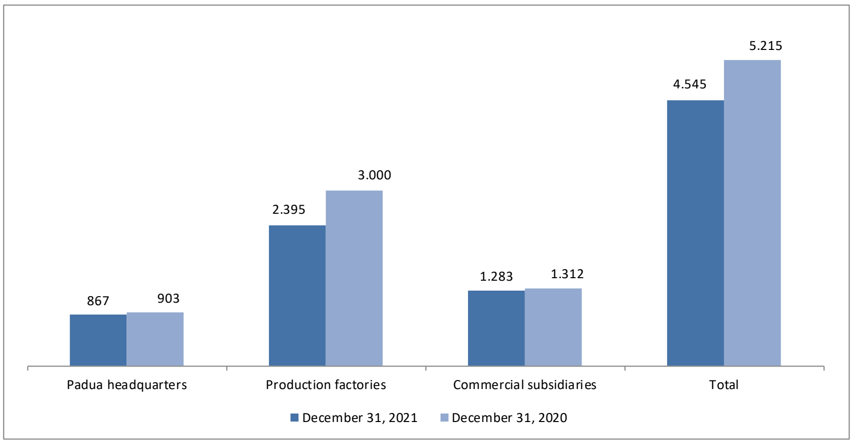
HUMAN RESOURCES AND THE ENVIRONMENT

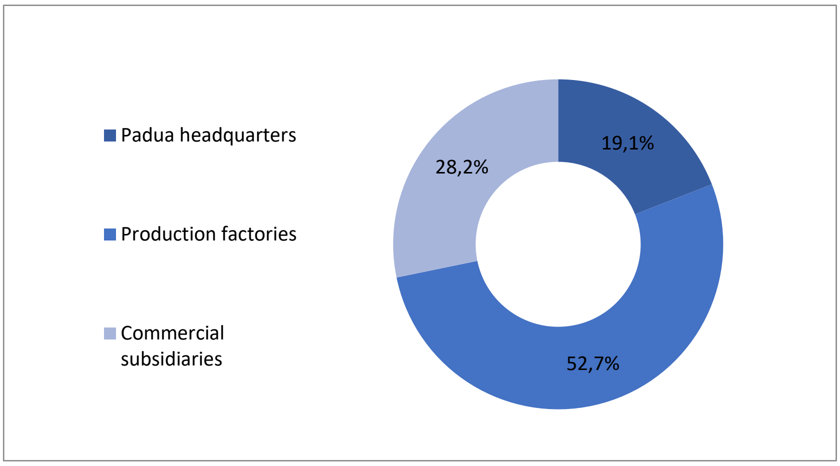
Human Resources

The Group's workforce

At the end of 2021, the Group had 4,545 employees compared with 5,215 at the end of 2020, with a decrease of 670 employees mainly driven by the reduction of the workforce in the production factories, following the closure of the Slovenian production site in Ormož in June 2021.

The allocation of the Group workforce by business area breaks down as follows:





Learning & Development – a key focus area for Safilo

Safilo invests in talent management, including learning and training. Learning & development initiatives designed to foster the personal and professional growth of individuals are important elements of Safilo's focus in this area, rooted in product and customer centricity, teamwork, entrepreneurialism and accountability for results.

Talent Acquisition

To ensure the right capabilities are on board to deliver its strategic plan, Safilo's talent acquisition programs focus on attracting leaders and individuals with the right skills and values. Safilo believe that diversity is a source of wealth and creativity and promote an inclusive working environment where differences are welcomed, creating value, and where everyone's talent and merit are rewarded and valued.

Ethics and Integrity

These important values are formalized in Safilo's Worldwide Business Conduct Manual – "The Safilo Way". The Group aim is to establish corporate policies to help people to act with integrity, accountability and transparency in line with the Group's principles.

Safety at work

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

Safilo is committed to safeguarding the health and safety of its employees, external collaborators, visitors, customers and communities. Health and safety procedures are designed to allow employees to work safely in any corporate environment, office, factory or warehouse.

In 2011 the Group undertook the certification process of its "health and safety" management system according to the international standard OHSAS 18001: 2007 in all production sites and at the group headquarters. The certifications obtained with leading accredited bodies (DNV GL Business Assurance) were, after passing the controls / audits required by the legislation, successfully renewed in 2017/2018.

With the publication of the new international standard ISO 45001: 2018 which replaces and integrates BS OHSAS 18001: 2007, in 2020 the Group activated the complex procedure of transition to the new legislation, which has been successfully completed in 2021 for all offices and plants of Safilo S.p.A. and Safilo Industrial S.r.l., Lenti S.r.l. and Safilo Eyewear Industries Ltd.

The certification testifies to the correct and careful application of the provisions of the Organization, Management and Control Model adopted pursuant to Legislative Decree 231/01, with specific regard to Special Part "C" - Crimes relating to health and safety in the places of work.

In line with the requirements of the international standard, "Occupational health and safety management systems - ISO 45001: 2018, Safilo has an ongoing commitment to conducting initiatives aimed at safeguarding the health and safety of its employees, reducing workplace risks and ensuring a prompt and effective response in the event of an emergency.

Social and environmental responsibility

Safilo Group is aware of its social and environmental responsibility

Since Safilo S.p.A. achieved the SA8000 Certification in 2012, an internal Supply Chain Committee, composed of the Director Global Sourcing, Management System Compliance Manager and the Global Quality Assurance Director, has monitored the conformity level of the supply chain at the global level with the social responsibility principles adopted by the Group.

The SA8000 Certification has been successively obtained also for the Italian production plants of Safilo Industrial S.r.l. and Lenti S.r.l..

All the Italian production plants of the Group, have a system in line with the SA8000 Social Accountability Management System Standard, which certifies that Safilo's business system complies with the principles of social responsibility (freedom of association, human rights, ban on forced labour, health and safety in the workplace, transparency).

In 2018 all the sites started a new certification cycle valid until 2021, with the planning of periodic surveillance audits as required by the standard.

In October 2020, the renewal of the SA8000 certification was successfully completed for the Italian plants of Safilo Industrial S.r.l. and Lenti S.r.l. (Longarone, Santa Maria di Sala, and Bergamo), and for the Milan showroom and Padua headquarters. The new certificate will expire in January 2024.

ICT – Information Systems

During 2021, the stabilization of ERP systems continued through continuous internalization of evolution and maintenance processes as well as the renewal of critical hardware. A significant improvement had been obtained on the SAP Enterprise Warehouse Management platform, updated to the most recent software version released by SAP.

The SAP roll-out projects in EMEA continued with important implementations in Spain and Slovenia. Projects were launched to activate SAP in Germany, Austria and Poland from January 2022. Furthermore, a SAP implementation strategy has been defined for Safilo's businesses in the USA and Canada based on the adoption of SAP S/4 - RISE Edition.

The Digital Transformation of sales platforms through SalesForce continued at a rapid pace through the release of new functionalities in the B2B and CRM areas and the progressive adoption in new markets. With COMPASS, a new solution for SalesForce Automation was deployed on the SalesCloud platform starting in Italy at the end of 2021 and which will continue in 2022-23 in other EMEA markets.

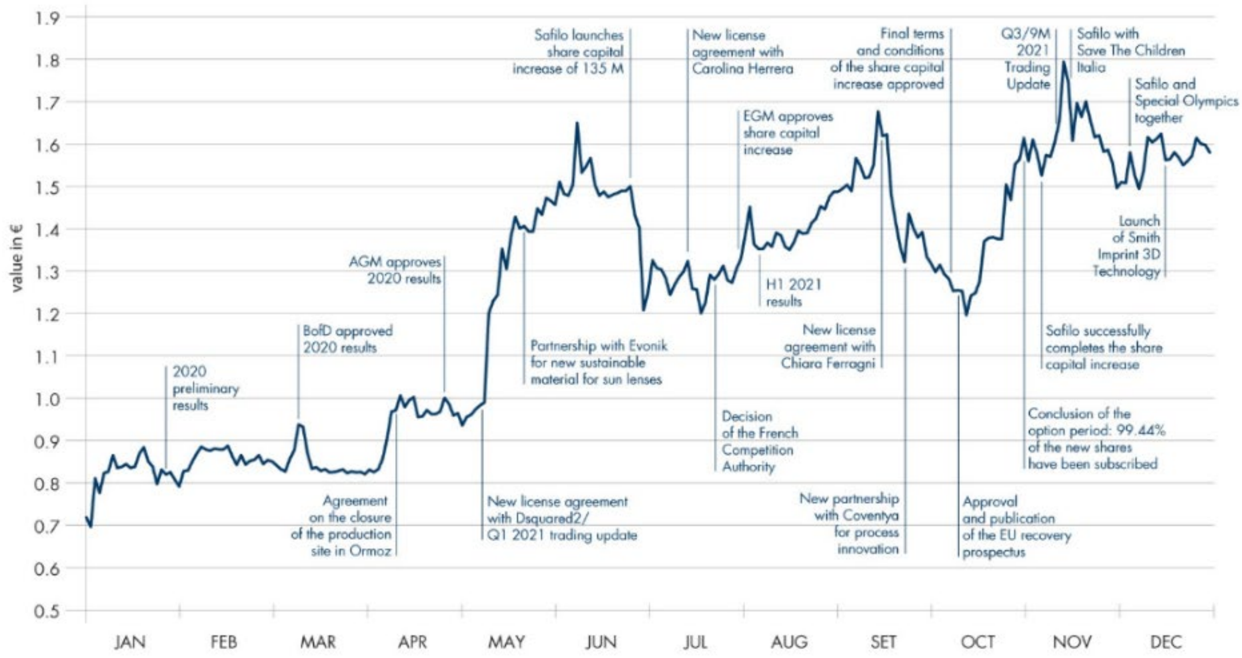
Important improvements have been made to Business Intelligence and Data Analytics platforms enriching them with available cross-system Data (SAP Business Technology Platform, SAP Business Warehouse) and by launch new data visualization dashboards (Tableau).

In continuity with 2020, the modernization of productivity tools continued through the purchase of new Personal Computers equipped with modern security technologies and collaboration/ communication tools. In Padua headquarters the replacement of baselines phones with mobile phones was completed, in order to permit desks sharing and Smart Working.

Important investments have been made to improve general IT cybersecurity and service level monitoring.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS

Safilo in the stock exchange



2021 was a year of strong rises for most of the world's equity markets, dominated by the optimism of institutional investors, despite the persistence of the Covid-19 pandemic and the higher-than-expected increase in inflation.

The large equity rally saw the S&P 500 index closing 2021 up by around 30%, while the Nasdaq tech index rose by a further 23%, after increasing over 40% in 2020. In Europe, most stock markets ended the year strongly up, with the Italian FTSE MIB, the French CAC 40, the UK's FTSE 100 and the German DAX indexes, all registering increases, up respectively by 26.8%, 31.1%, 17% and 15.8%.

This positive market context was the setting for the significant recovery recorded in 2021 also by the Safilo stock, which benefited above all from the Group's strong improvement in its economic and financial performance. During the year, in fact, Safilo's results frequently exceeded analysts' expectations, paving the way for a significant share price re-rating, in particular starting with the announcement, on 11 May 2021, of the first quarter 2021 Trading Update.

The second quarter of the year was an eventful period for Safilo in which significant progress was made on various strategic fronts: from the agreement on the closure of the Ormoz production site, consistent with the Group's business objectives aimed at optimizing and improving the efficiency of its manufacturing footprint, to the new licensing agreement signed with Dsquared2, to the partnership with Evonik to launch a new sustainable material for sun lenses. The Group closed the second quarter with the announcement of the launch of a capital increase, mainly intended to repay the shareholder loan of 90 million euros granted by the reference shareholder HAL in 2020 to allow for the acquisitions of Privé Revaux and Blenders.

The month of July was marked by the announcement of a new licensing agreement with Carolina Herrera and the international launch of Blenders e-commerce in the UK and Ireland, while the month of August typically hosted the communication of the first half of the year results.

In September, Safilo announced the new licensing agreement with Chiara Ferragni, an agreement which was very positively received by the stock market on the day of the announcement.

The fourth quarter of the year was marked by Safilo's launch and execution in October of the planned capital increase, which was successfully concluded in early November with the full subscription by the market. On November 9, 2021, Safilo announced its third quarter Trading Update, with the stock reaching, on the following trading day, the maximum price of the year, of Euro 1.79.

In December, Safilo announced two important projects linked to the Group's commitment to sustainability, the new collaboration with Save the Children Italia in the Rewrite the Future campaign, and the renewal of the collaboration with the Special Olympics, as well as its ongoing focus on the digital transformation front with the debut of Imprint 3D technology developed and launched by Smith, Safilo’s biggest own brand.

Safilo shares closed the last trading session of the year at a price of Euro 1,574, recording a total annual return of 119.1%. In 2021, the average daily volumes on the stock were around 1.7 million, almost double the daily average traded in 2020 and just below the activity recorded in 2019.

At the end of December 2021, Safilo's capitalization was approximately Euro 650 million, compared to approximately Euro 297 million at the end of 2020 and approximately Euro 415 million at the end of 2019.

Investor relations

In 2021, within a more favourable business and financial market context, the Group was able to intensify its investor relations and engagement activities with the financial community which, in Italy and in some of the main international stock markets, expressed a renewed and growing interest in the Company’s equity story.

Safilo was therefore able to combine the consolidated participation in some important equity investment conferences, such as the Italian Investment Conference organized in May by Unicredit and Kepler Cheuvreux and the European Branded Goods Conference organized in September by Mediobanca, with various interaction opportunities exclusively dedicated to Safilo. Last year, these activities, which were carried out mainly following the periodic communication of the Group results and after the announcement of the share capital increase, further supported the consolidation and development of a transparent and proactive dialogue both with current shareholders and new potential ones.

In 2021, Safilo stock continued to receive active coverage from 8 brokers, closing the year with two BUY recommendations, one ADD recommendation and five HOLD recommendations. At the end of the year, the average of the target prices expressed by analysts on the share was Euro 1.78

Financial calendar

Board of Directors' meetings planned for 2022:

27 January	Preliminary sales for the Fourth quarter and full year 2021
15 March	Draft Financial Statements for 2021
28 April	Shareholders' Meeting for the approval of the Financial Statements 2021
3 May	Trading update on the First quarter 2022 KPIs
3 August	Interim Report on Operations for the Second quarter and First half 2022
3 November	Trading update on the Third quarter and first Nine months 2022 KPIs

CORPORATE GOVERNANCE

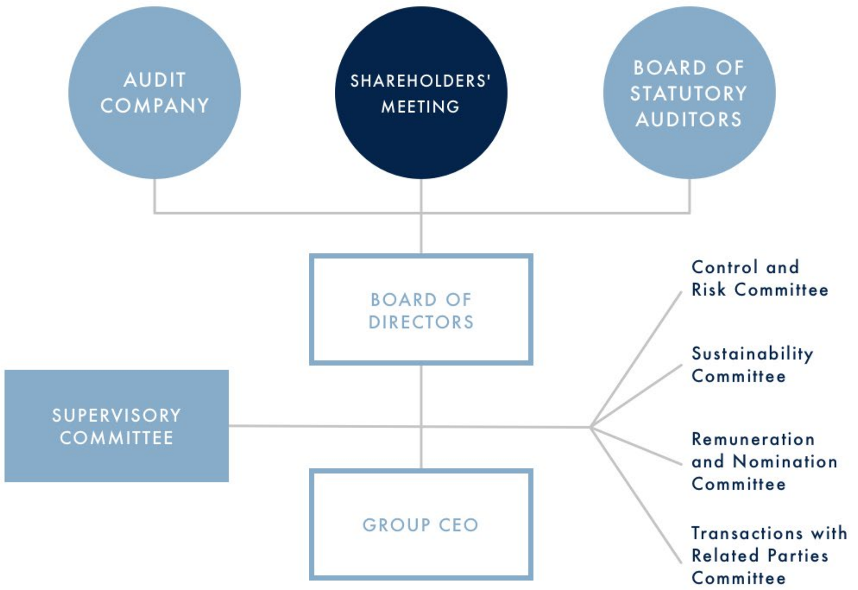
Corporate bodies and officers

Safilo Group S.p.A. adopt the traditional governance system

The Corporate Governance model adopted by Safilo aims to ensure transparent and responsible business operations, significantly contributing to medium and long-term value creation, in compliance with the principles of the Corporate Governance Code for Listed Companies issued by the Corporate Governance Committee. Safilo adopted the traditional governance system which includes:

- the Shareholders' Meeting: a corporate body that expresses the wishes of shareholders through resolutions;
- the Board of Directors: responsible for strategic management in pursuit of the corporate goals and for supervising the implementation of the strategic guidelines;
- the Board of Statutory Auditors: responsible for ensuring compliance with the applicable laws and regulations and the articles of association as well as management control;

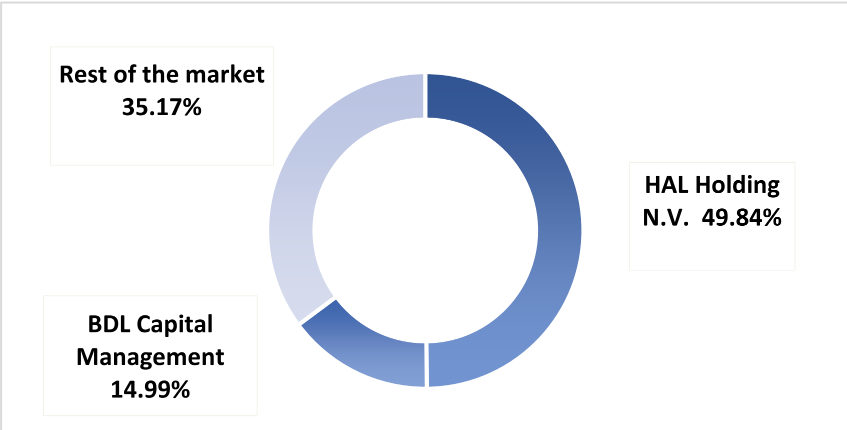
Safilo also engaged an Independent Audit Company to perform the legal auditing tasks.



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

Shareholding structure of Safilo Group S.p.A.

The following chart shows owners of Safilo Group S.p.A. ordinary shares with shareholdings exceeding 5% of share capital as at 31 December 2021.



Management and coordination activities

In accordance with IFRS 10 HAL Holding N.V. is deemed to have control over Safilo Group S.p.A. and, accordingly, is required to consolidate the Company in its consolidated financial statements as from January 1, 2014 (even though the ownership interest of HAL Holding N.V. in Safilo Group S.p.A. is below 50%). However, Safilo Group S.p.A. is still deemed not to be subject to the direction and coordination activity (as such activity is defined under Articles 2497 et seq. of the Civil Code) by other entities, including HAL Holding N.V., since there are not the presumptions that typically have been considered relevant by the doctrine and practice.

As a matter of fact, the presumption set forth by Article 2497-sexies of the Civil Code – unless it is proved otherwise, whereby a company is deemed to be under the direction and coordination of the entity which is bound to consolidate same company in its financial statements – can be rebutted in the case at issue for the following main reasons:

(i) Safilo Group S.p.A. can autonomously define its general strategic and operative guidelines and has independent authority to negotiate with customers and suppliers; its decision making process is therefore carried out independently from the decision making process of HAL Holding N.V.;

(ii) the Company is managed by a Board of Directors the majority of whose members are not members of corporate bodies of HAL Holding N.V. or its subsidiaries. Moreover, the Board of Directors also has a sufficient number of independent directors to ensure that their opinions have a significant impact on its own judgment and decisions;

(iii) the Company is not subject to any centralized management approach by HAL Holding N.V. which, indeed, according to the report of its Executive Board, has not developed a central risk management system, thus allowing each investee company, including the Company, to have its own financial structure and be responsible for evaluating and managing its own risks. Moreover, since HAL Holding N.V. (a) has not included Safilo Group in its management reporting system which monitors the performance of the investee companies and, therefore, (b) has no instruction rights with respect to the governance of the Company, HAL Holding N.V. will continue to include the financial results of the Group in the segment "quoted minority interests" of its accounts;

(iv) although a member of the Executive Board of HAL Holding N.V. is also a member of the Board of Directors of the Company, the information he periodically obtains in this capacity is never – and will never be - used for the preparation of the consolidated financial statements of HAL Holding N.V. so as to preserve confidentiality and to allow the Company to operate independently from any of its shareholders. Accordingly, the risk management and internal control systems of the Company with respect to financial reporting risks are neither monitored nor managed by HAL Holding N.V..

For the sake of completeness and in the interest of transparency, the consolidation of the Group in the consolidated financial statements of HAL Holding N.V., as requested by the IFRS no. 10, may have a material impact on both companies in terms of accounting reconciliation and consolidation requirements. The Company has therefore agreed with HAL Holding N.V. on certain procedures for the exchange of information which allow the latter to comply with its (statutory) obligations in preparing its consolidated financial statements on a timely basis while avoiding any interference with the Company's accounting standards and relevant interpretations, its administrative and accounting system, as well as its internal control system.

In order to make the aforesaid exchange of information more efficient and expeditious, HAL Holding N.V. and the Company, among other things, have (a) set up a procedure aimed at ensuring, to the maximum possible extent permitted by accounting laws and regulations applicable to each of them, that their financial statements are based on materially the same accounting policies or, whenever it is not possible to fully converge the accounting principles of the Company and HAL Holding N.V., at making the necessary (accounting) adjustments to the consolidated financial statements of the Company to be reflected in the consolidated group reporting of HAL Holding N.V., (b) agreed to review the effect of any newly issued accounting standards (if any) with the objective to converge, where practically and legally possible, the implementation of these new standards in the financial statements of both the Company and HAL Holding N.V., and (c) jointly hired an independent financial expert who, through access to the appropriate management and control bodies of both concerned companies (including, as far as the Company is concerned, the Control and Risk Committee and the external auditing firm), is required to reach his own assessments and form an opinion on any accounting/financial matters relating to the Company which should be taken into account in the consolidation process. This activity of the financial expert (which is not to be deemed as an audit or review of the accounts of the Company) will allow HAL Holding N.V. to comply with IFRS in consolidating its ownership interest in the Company while preserving, at the same time, the current risk management and internal control systems of the Company from any external influence (thus rebutting also any presumption of direction and coordination of HAL Holding N.V. over the Company).

Share transfer restrictions

As at 31 December 2021 there were no restrictions of share transfer.

Restrictions on the right to vote and special rights

The Articles of Association do not provide restrictions to the right to vote and the Company has not issued shares with special controlling rights.

Shareholders' Agreements relevant for the purposes of Article 122 of the CFA

The Company does not have knowledge of any shareholders' agreements pursuant to Article 122 of the CFA.

The Shareholders' Meeting has neither delegated the power to increase the share capital nor authorized purchases of own shares.

Company's own shares

As at 31 December 2021 the Company does not possess own shares.

The Board of Directors

The Board of Directors plays an essential role in corporate governance. It is vested with power over the strategic and control guidelines. In addition to the powers granted to it by law and the Articles of Association, the Board holds exclusive authority over the most important decisions from an economic and strategic point of view, as well as in terms of their structural influence on management.

The Board of Directors which currently holds office has been appointed by the Shareholders' Meeting held on 29 April 2021 and will remain in office until the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2023.

Eugenio Razelli

(Chairman)

Born in Genova, on June 18, 1950.

He graduated in Electrical Engineering from Genova University. He began his career in Fiat Auto and Zanussi and became CEO of Gilardini Industriale in 1983. Subsequently, he held positions of growing responsibility with Comind (General Manager of Stars and Politecna) and Magneti Marelli. In particular, in the Components Sector of the Fiat Group he held the positions of General Manager of the Electronic Components Division, of Executive Vice President Manufacturing of the Electromechanical Components Group and, later on, of General Manager of this same Group. In 1991 he was appointed President of the Engine Control Systems. He moved to Pirelli Cavi in 1993 as Vice President Manufacturing and was later appointed President & CEO of Pirelli Cable North America. Upon his return to Italy in 1997 he continued to work at Pirelli Cavi first serving as Senior Executive Vice President, Telecom Division and then as Senior Executive Vice President, Energy Division. From

Angelo Trocchia

(Chief Executive Officer)

Born in Formia (Latina) on April 27, 1963. Angelo Trocchia was formerly Chairman and Chief Executive Officer of Unilever Italia from 2013 to 2018. After an MBA at the STOA'/MIT in Naples and a PHD in aeronautical engineering at the University La Sapienza in Rome, he began, in 1991, an international career in Unilever, where he held various roles of increasing responsibility in supply chain and sales. Until February 2013 he was the Chief Executive Officer of the Unilever Business in Israel, where he delivered two important acquisitions in the Ice Cream and Salty Snack Fields, as well as significant growth in the Personal Care business. He also played a key role in leading the local company towards a brand-new organizational set-up. Previous roles in Unilever include the General Management of the Frozen Foods business, including the sale of Findus Group to a private equity fund and the management of the whole transition process. Before that, he served as General Manager of the Unilever Ice Cream business

Jeffrey A. Cole

(Non-Executive Director)

Born in Cleveland, Ohio - USA, on May 20, 1941. He graduated from Harvard College and Harvard Business School. He was Chairman and CEO, from 1983 to 2003, of Cole National Corporation, a leading optical retailer in North America and a leading provider of managed vision care service, as well as owning the gift store chain "Things Remembered", with sales, including franchisees, of over $1 billion. Major brands included Pearle Vision, Sears Optical, Target Optical, Cole Managed Vision Care and Things Remembered. Cole National also owned a minority interest in optical retailer, Pearle Europe B.V., now GrandVision B.V.. He built the strategic platform of Cole National through acquisitions and internal growth including the start-up of Pearle Europe B.V. in late 1996 in partnership

2001 to 2003 he held the position of President & CEO of Fiamm, a leading company in the market of batteries. From May 2003 to March 2005 he was Senior Vice President for Business Development of Fiat S.p.A. in charge of Mergers and Acquisitions, Innovation and ICT strategies. From April 2005 to June 2015 he was President and Chief Executive Officer of Magneti Marelli. Today he is Industrial Advisor of FSI as well as member of the BoD of Varroc – VLS. Since December 2019 he is also the Vice-President of Texa S.p.A.. In July 2020 he became a Board Member of the start-up Easyrain i.S.p.A. and in December 2020 he was appointed as Chairman of ARAG S.r.l.. He is also a member of the Supervisory Board of Adler Plezer. From 2005 to 2011 he was President of the Italian Association of the Automotive Industry (ANFIA) that has been representing since 1912 the whole automotive sector in Italy; and from 2006 to 2011 Member of the Board of CONFINDUSTRIA (General Confederation of the Italian Industry). Since 2009 he has been Vice President of OICA (International Organization of Motor Vehicle Manufacturers) and from 2009 to 2011 President of FEDERVEICOLI, the Federation of the Italian Motor Vehicles and Components Associations of the transport sector, established after an agreement among ANCMA (National Association for the Bicycle, Motorcycle and Accessory Industry), ANFIA and UNACOMA (Italian Farm Machinery Manufacturers Association).

in the Czech Republic and he also led the Italian Ice Cream business, which accounts for more than 40% of the total Italian business turnover.

with HAL INVESTMENTS of Rotterdam, the Netherlands. Cole National was acquired in October 2004 by Luxottica, an eyewear company based in Milan, Italy. He served as a member of the Grandvision B.V. Supervisory Board, a leading eyewear retailer, from 1996 until august 2021, when the company was sold to Essilux. He is a trustee of the Cole Eye Institute of the Cleveland Clinic one of the top ranked eye research and treatment centers in the USA. He has been the founder and principal shareholder of numerous companies in the USA and has served on the Board of Directors at various times of 12 publicly traded companies in the USA.

Melchert Frans Groot

(Non-Executive Director)

Born in The Hague, Netherlands, on October 22, 1959. In 1984 he graduated in Civil Engineering from the Technical University of Delft, and subsequently gained a Master's in Business Administration from Columbia University in New York. After his first work experience with Philips, in 1989 he joined HAL Holding N.V. where he is the Chairman of the Executive Board since October 2014. Presently he is also Vice-chairman of the Supervisory Board of Royal Vopak N.V. (non-executive), member of the Supervisory Board of Anthony Veder N.V. (non-executive) and Chairman of the Board of Directors of Chile Holding Optico S.A. the holding company of Rotter y Krauss Lta. (non-executive). In the past, he held important roles in different companies of the HAL Group among these, he was CEO of Pearle Europe B.V. (2001-2003) and GrandVision S.A. (2005-2006), Supervisory Board member of Pearle Europe B.V. (1996 – 2010), Chairman of Supervisory Board of GrandVision S.A. (2004 – 2010) and Chairman of the Supervisory Board of Audionova B.V. (2011-2014).

Robert Polet

(Non-Executive Director)

Born in Milano on September 21, 1955. He was, from 2004 to 2011, Chairman and Chief Executive Officer of the Management Board of the Gucci Group contributing to the successful consolidation and growth of the Group and its brands. He previously spent 26 years in the Unilever Group where he was President of Unilever's Worldwide Ice Cream and Frozen Foods division, a $ 7.8 billion business consisting of over 40 operating companies. Prior to that position, he worked in a variety of executive roles within Unilever, including Chairman of Unilever Malaysia, Chairman of Van den Bergh's and Executive Vice President of Unilever's European Home and Personal Care division. He is also a non-executive Director of Philip Morris International Inc. and non-executive Chairman of Rituals B.V., SFMS B.V. and Arica Holding B.V.. He is also a senior independent director of William Grant & Sons and the non-executive Chairman of the Advisory Board of Suitsupply.

Cinzia Morelli-Verhoog

(Non-executive Independent Director)

Born in Premosello, Italy on January 28, 1960. She is the founder of The Marketing Capability Academy, a Dutch company advising companies on how to increase the effectiveness of their marketing strategies and return on investments. She graduated in modern languages from the State University of Milan. From 2004 to 2016 she held various positions in Heineken NV including: International Portfolio Manager, Regional Marketing Manager Europe, Global Commercial Strategy Director, Senior Director Global Marketing Capabilities and finally Senior Director Global Marketing Development. In the past, she worked for Reckitt & Colman and ReckittBenckiser (London), IDV Diageo (Turin), Capgemini (Frankfurt, Milan London), Benckiser Italiana S.p.A. (Milan) and Richardson Vicks/Procter & Gamble (Milan and Rome).

Ines Mazzilli

(Non-executive Independent Director)

Born in Milan on May 5, 1962, she graduated in Business Administration, major in Finance, from Bocconi University in Milan and she attended a Management Course at the INSEAD University in France. Since 2019 she has been serving as non-executive independent Director of the Board of Directors of Assicurazioni Generali S.p.A. and member of its Risk and Control Committee and Related Party Transactions Committee. Since 2022 she is member of its Remuneration and Appointments Committee.

Since 2018 she has been serving as non-executive independent Director of the Board of Directors of Saipem S.p.A. and has been the President of its Audit and Risk Committee. Since 2016 she is member of the Advisory Council and Senior Advisor (external) for GENPACT. She has more than 30 years of experience in a variety of senior finance management positions. She previously worked for 23 years in HEINEKEN. In 1993, she joined the Italian Operating Company as Planning & Control Manager and she was Finance Director 2001-2005. In 2006-2010, she was Senior Finance Director of the Western Europe Region. In 2010-2015, she has been Senior Finance Director of the Global Business Services, responsible for Business Partnering to Global Business Services, HEINEKEN Global Shared Services in Kraków, Global Process and Control Improvement and Global Finance Business Process Management. In 2015-2016, she has been Senior Director Global Finance Processes & Internal Control, responsible for HEINEKEN Global Shared Services, Global Process and Control Improvement and Global Finance Business Process Management. Prior to joining HEINEKEN, she spent the early part of her career, from 1987 to 1993, in senior finance jobs in Elizabeth Arden, being part of Eli Lilly first, and Unilever after. She started her career in banking. She is active in a variety of roundtables with multinationals and since 2014 member of the Advisory Board of Corso di Laurea Magistrale in Economia e Legislazione d’impresa, University of Pavia, Italy.

Katia Buja

(Non-executive Director)

Born in Padua on January 20, 1966, she graduated in Law from the University of Padua and is qualified to practice the profession of lawyer.

She has spent her entire professional career in the Safilo Group with increasing responsibilities until becoming Group General Counsel in 2005, dealing with the legal and corporate aspects of the listed parent company and the Italian and foreign subsidiaries, leading a team of internal lawyers.

Previously she worked for some law firms and notaries.

Irene Boni

(Non-Executive Independent Director)

Born in Sassuolo (Modena), Italy, on February 9, 1981. She graduated in Economics in 2004 from the Alma Mater Studiorum University of Bologna, Italy, and has a Master in Business Administration from Columbia University in New York, USA. She is the Chief Executive Officer of Talent Garden, a European leading player focusing on Digital Education. Irene is also a Senior Advisor, Digital Transformation and E-commerce with an international background and strong experience in digital. She supports executives, entrepreneurs and investors to identify and unleash the growth potential of companies, exploiting technological and process innovation. After starting her career with Procter & Gamble and McKinsey & Co., from 2010 to 2019 she worked at YOOX Group, then YOOX NET-A-PORTER Group covering roles of increasing responsibility (Corporate Development, Operations, Technology, Organization and Human Resources). Irene Boni was a member of the Innovation Advisory Board of Vodafone Italia and of the Altagamma Luxury Consumer Advisory Board. Currently she is a member of ANGELS4WOMEN and independent director of Laminam, AXERVE and HYPE.

Matthieu Brisset

(Non-Executive Independent Director)

Born in Paris, France, on March 2, 1972. He graduated in 1995 from Ecole Polytechnique in France. He is an experienced executive in the luxury sector, with strong financial experience and strong proven experience in B2B and B2C luxury brand management. From 2008 to 2020 he held various roles at LVMH Louis Vuitton Moët Hennessy, where he notably served as Chief Executive Officer of Loro Piana and, most recently, Senior Vice President Strategy & Development, Moët Hennessy. Previously, from 1995 to 2008 he held various roles at JPMorgan Investment Banking. He was previously Vice President of the Board of Directors of MonteNapoleone District and, among others, a member of the Board of Directors of Editions Assouline and of the Supervisory Board of Royal van Lent.

Corporate committees

The Board of Directors has set three internal Committees and one mixed-composition Committee (including management and directors) having the duty to support the Board in the evaluations and the decisions relating to, respectively:

- the internal control and risk management system and the approval of the periodical financial and non-financial reports (Control and Risk Committee);
- the pursuit of the Group's sustainable success (Sustainability Committee, including members of the Board of Directors and managers of the Group);
- both the remuneration and nomination themes (Remuneration and Nomination Committee);
- the approval of Transactions with Related Parties (Transactions with Related Parties Committee).

The Board of Directors has also appointed a Supervisory Committee pursuant to Legislative Decree No. 231/2001 which: i) supervises 231 Model operations and compliance with provisions therein; ii) evaluates the necessity to update the 231 Model; iii) carries out controls with access to all documentation needed.

Below is the composition of the Corporate Committees of Safilo Group S.p.A. as at 31 December 2021 as appointed by the Board of Directors meeting held on 29 April 2021:

Supervisory Committee (1)	
Chairman	Bettina Solimando Ines Mazzilli Carlotta Boccadoro
Control and Risk Committee	
Chairman	Ines Mazzilli Melchert Frans Groot Matthieu Brisset
Sustainability Committee (2)	
Chairman	Eugenio Razelli Angelo Trocchia Katia Buja Vladimiro Baldin Fabio Roppoli Marco Cella Alberto Macciani
Remuneration and Nomination Committee	
Chairman	Cinzia Morelli-Verhoog Jeffrey A. Cole Irene Boni
Transactions with Related Parties Committee	
Chairman	Ines Mazzilli Matthieu Brisset Cinzia Morelli Verhoog

(1) Appointed by the Board of Directors' Meeting held on April 29, 2021. Its composition was modified with effect on 1 January 2022 with the appointment of Giorgia Canova replacing Carlotta Boccadoro.

(2) Appointed by the Board of Directors' Meeting held on April 29, 2021. Its composition was modified on 9 November 2021 with the appointment of Alberto Macciani.

The Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with laws, regulations and Articles of Association, with principles of good management and, especially, the adequacy of the administrative, organizational and accounting structure adopted as well as its actual operations and the adequacy and efficiency of the risk management and control system.

The Board of Statutory Auditors currently in office has been appointed by the Shareholders' Meeting held on 28 April 2020 and will remain in office for three years until the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2022.

Carmen Pezzuto	**Roberto Padova**	**Bettina Solimando**
(Chairman)	(Standing Statutory Auditor)	(Standing Statutory Auditor)
Born in Sacile (PN) in 1967, she is a graduate in Economics and Commerce of Cà Foscari University in Venice. She has been registered with the Padova Charted Accountants' and Auditors' Register since 1993. She is a standing statutory auditor for industrial, commercial and service companies.	Born in Rome in 1956, he is a graduate in Law of Roma University. He has been a member of the Bar Association of Rome since 1985. He is a statutory auditor and member of the Supervisory Committee (Lgs. Decree 231/2001) for companies operating in the industrial, energy and medical devices sector.	Born in San Severo (FG) in 1974, she is a graduate in Economics and Commerce of Verona University. She has been registered with the Verona Chartered Accountants' and Auditors' Register since 2002. She is a statutory auditor for industrial and commercial companies.

Corporate Governance Report

Governance is based on the criteria of the Corporate Governance Code for Listed Companies

The Board of Directors has aligned the corporate governance system of the Company and of the Group to the principles and reccomendations of the Corporate Governance Code for listed companies of Borsa Italiana S.p.A. (hereinafter "Code").

The complete version of the report on corporate governance can be found in the Corporate Governance section of the site www.safilogroup.com

The complete version of the report on corporate governance is available on the Company website (www.safilogroup.com), as well as in a printed version at the Company headquarters.

The Company adopts a traditional governance method in that:

- the Company's management body is the Board of Directors,
- the supervisory body which ensures compliance with the law, the Articles of Association and correct administration principles is the Board of Statutory Auditors.

An independent audit company performs the legal auditing tasks.

Corporate governance, in accordance with the Articles of Association and in line with current legislation and regulations, and as provided by the Code is entrusted to the following bodies.

The Board of Directors

Appointing Board of Directors

The Board of Directors is appointed and replaced in compliance with article 14 and 15 of the Articles of Association, published on the website in the section Corporate Governance/Articles of Association and corporate documents, and should be referred to for details.

In particular, the members of the Board of Directors are appointed by the Shareholders' on the basis of lists presented by the shareholders, to allow:

(i) that minority shareholders are represented by one member on the Board of Directors; and

(ii) the balanced representation of genders (masculine or feminine) in compliance with applicable law.

The Board of Directors is invested with the widest possible powers for the ordinary and extraordinary administration of the Company, excluding only those powers that by law are the prerogative of the Shareholders' Meeting.

The Board of Statutory Auditors

Appointing auditors

The Board of Statutory Auditors is appointed and replaced in compliance with article 27 of the Articles of Association, published on the website in the section Corporate Governance/Articles of Association and corporate documents, and should be referred to for details.

In particular, the auditors are appointed by the Shareholders' Meeting on the basis of lists presented by the shareholders, to allow minority shareholders to appoint a statutory auditor and a substitute auditor.

The Board of Statutory Auditors ensures compliance with the law and the Articles of Association as well as with the principles of correct administration. It also monitors the adequacy of the Company's organisation structure, for those matters of its responsibility as well as the internal control system and risks management and the administration and accounts system in order to verify the reliability of the same to correctly represent company facts, on the effective implementation of the corporate governance rules contained in the Code and the adequacy of the dispositions given by the Company to its subsidiaries, in compliance with article 114, paragraph 2 of the Consolidated Financial Act.

As established by the Consolidate Financial Act and Legislative Decree 39/2010, the Board of Statutory auditors is responsible to make a reasoned proposal to the Shareholders' Meeting for the appointment of the independent audit company.

The Board of Statutory Auditors, as part of its legal responsibilities, checks the correct application of the criteria and procedures to control independence that are adopted by the Board of Directors to appraise the independence of its members; the outcome of the control is notified to the market every year, as part of the corporate governance report or in the Auditors' report to the Shareholders' Meeting.

The Audit Company

Deloitte & Touche appointed until 2022

The Shareholders Assembly of 15th April 2014 entrusted Deloitte & Touche S.p.A. with the mandate of auditing the separate and consolidated financial statements from 2014 to 2022.

Financial reporting manager

Appointment of the financial reporting manager

The Financial Reporting Manager must prepare the adequate administration and accounts procedures for drafting the annual financial statements, the consolidated financial statements and any other financial communications and/or documents, and he must certify that the procedures:

- are adequate taking into account the characteristics of the company;

- have been effectively applied during the period relative to the annual financial statement, the consolidated financial statement and any other financial communication or document.

Given that article 154-bis of the Consolidated Financial Act does not recall a specific model for assessing the adequacy of the administration and accounts procedures, to satisfy the needs for applying the regulations, the Company has opted for applying a theoretic reference model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) that is universally recognised and is the most accredited.

The activities required to assess the adequacy and effectiveness of the procedures and processes that generate financial statement are as follows:

- identifying the control systems necessary to reduce the identified risks;
- carrying out the control tests;
- implementing corrective actions that may be required to adapt the control system.

On April 27th 2015, the Board of Directors appointed as manager responsible for drawing up corporate financial reporting documents (hereinafter "Financial Reporting Manager"), the Chief Financial Officer Gerd Graehsler after receiving the favourable opinion of the Board of Auditors - who possesses the professional requisites, including specific skills as well as many years of experience in accounting and financial matters, required for the performance of the tasks assigned. Moreover, it has been established that the manager thus appointed will hold office until his resignation or revocation by the Board of Directors.

OTHER INFORMATION

Atypical and/or unusual transactions

No atypical and/or unusual transactions, as defined by Consob Communication 6064293 dated July 28th, 2006, were undertaken during 2021.

Related party transactions

In compliance with applicable legislative and regulatory requirements, the Board of Directors of November 5th, 2010 approved the "Regulations for the transactions with related parties", to govern transactions of major strategic, economic, capital or financial significance for the Company, including those undertaken with related parties, to assure their transparency and material and procedural correctness. Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Group. Transactions with related parties, are on an arm's length basis, according to the nature of the transaction, sale of products or provision of services.

For further details regarding the related party transactions, please refer to note 6 to the Consolidated Financial Statements as of December 31, 2021.

Research and development

The Group's research and development focuses on materials, production processes and the improvement of technical characteristics of the products, and on innovations of the production process which increases its effectiveness, efficiency, quality and speed to market. Expenditure on research is expensed as incurred.

RECONCILIATION OF THE PARENT COMPANY'S NET PROFIT AND SHAREHOLDERS' EQUITY WITH THE CONSOLIDATED BALANCES

(Euro million)	Equity as of December 31, 2021	Net profit/(loss) of the year 2021	Equity as of December 31, 2020 Restated	Net profit/(loss) of the year 2020 Restated
Balances as per Safilo Group S.p.A.'s statutory financial statements	426.3	(11.2)	303.9	(125.5)
Contribution of consolidated companies	1,085.8	35.6	935.2	(108.9)
Elimination of the book value of consolidated subsidiaries	(1,074.8)	-	(963.9)	150.6
Goodwill	31.8	(1.0)	30.3	0.0
Liability for options on non-controlling interests	(47.4)	32.2	(74.8)	19.8
Elimination of dividends paid within the Group	0.0	(33.5)	-	(18.4)
Elimination of intercompany gains within the Group	(2.4)	0.2	(2.6)	0.3
Elimination of intercompany profits included in inventory	(45.7)	(1.2)	(41.9)	10.1
Other consolidated entries	(7.6)	(1.1)	(3.9)	(1.3)
Total	**366.0**	**20.0**	**182.3**	**(73.3)**
Equity attributable to minority interests	39.3	(1.3)	39.0	(0.3)
Total attributable to the Group	**326.7**	**21.3**	**143.3**	**(73.0)**

SIGNIFICANT EVENTS AFTER THE YEAR-END AND OUTLOOK

Events after the year end

On 14 January 2022 David Schottenstein, board member and CEO of Privé Goods LLC (Privé Revaux) has resigned and left the Company. Following this event pursuant to the contractual terms of the acquisition the Group has exercised its put and call option on the non-controlling interests held by David Schottenstein increasing its controlling stake in Privé Revaux from 64.2% to 81.9% in exchange for a nominal amount. This event has been considered a "non-adjusting subsequent event" and hence it has not been taken into consideration for the determination of the fair value of the liability for the options on non-controlling interests of Privé Revaux as at 31 December 2021. Accordingly, the Group will reflect this impact in its 2022 financial statements.

During the second half of February conflict broke out in the Ukraine. The group is closely monitoring the situation and the impact on its business. Safilo's net sales and assets in Russia and Ukraine accounted for less than 2% of the Group's total revenues and less than 1% of the Group's total net assets. This represents a "non-adjusting subsequent event".

In the period following 31 December 2021, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

Outlook

In the first months of 2022, Safilo's business, now enriched by the launch of the three new licensed brands signed in 2021, Dsquared2, Carolina Herrera and Chiara Ferragni Collection, grew in all the main geographies and product categories in which the Group operates, confirming a constant currency high-single digit growth trend.

The Group's business environment is still influenced by the developments in the Covid-19 pandemic, and more recently by the conflict in the Ukraine (sales in Russia and Ukraine account for less than 2% of the Group's total revenues) as well as by global inflationary pressures.

In 2022, Safilo Group will remain focused on strengthening its business model, confident that the growing power of its brand portfolio, coupled with the greater competitiveness of its omnichannel distribution will usher in a new phase of development for the Group.

For the Board of Directors
Chief Executive Officer

Angelo Trocchia

FINANCIAL STATEMENTS AND NOTES TO

THE CONSOLIDATED FINANCIAL STATEMENTS

as of 31 December 2021

Consolidated financial statements

Consolidated balance sheet

(Euro/000)	*Notes*	December 31, 2021	of which related parties	December 31, 2020 Restated	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	*4.1*	99,002		88,966	
Trade receivables	*4.2*	173,548	321	172,642	3,679
Inventory	*4.3*	234,430		197,285	
Derivative financial instruments	*4.4*	1,503		599	
Other current assets	*4.5*	53,406		55,533	
Total current assets		**561,888**		**515,026**	
Non-current assets					
Tangible assets	*4.6*	115,613		128,821	
Right of Use assets	*4.7*	36,918		38,808	
Intangible assets	*4.8*	141,659		144,846	
Goodwill	*4.9*	32,861		30,331	
Deferred tax assets	*4.10*	37,441		38,084	
Derivative financial instruments	*4.4*	-		-	
Other non-current assets	*4.11*	9,070		7,376	
Total non-current assets		**373,563**		**388,266**	
Non-current assets held for sale	*4.6*	**2,320**		**6,560**	
TOTAL ASSETS		**937,771**		**909,852**	

(Euro/000)	Notes	December 31, 2021	of which related parties	December 31, 2020 Restated	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Borrowings	4.12	20,000		23,000	
Lease liabilities	4.12	8,247		9,605	
Trade payables	4.13	193,082	23	181,401	1,433
Tax payables	4.14	17,420		18,369	
Derivative financial instruments	4.4	545		764	
Other current liabilities	4.15	55,562	-	51,697	16
Provisions	4.16	15,776		38,514	
Total current liabilities		**310,632**		**323,349**	
Non-current liabilities					
Borrowings	4.12	131,798	-	244,926	93,474
Lease liabilities	4.12	32,917		33,504	
Employee benefit obligations	4.17	18,995		23,500	
Provisions	4.16	15,144		14,324	
Deferred tax liabilities	4.10	13,031		11,345	
Derivative financial instruments	4.4	-		-	
Liabilities for options on non-controlling interests	4.18	47,406		74,839	
Other non-current liabilities	4.19	1,760		1,765	
Total non-current liabilities		**261,052**		**404,204**	
TOTAL LIABILITIES		**571,684**		**727,553**	
Shareholders' equity					
Share capital	4.20	384,820		349,943	
Share premium reserve	4.21	692,458		594,277	
Retained earnings and other reserves	4.22	(771,812)		(728,001)	
Cash flow hedge reserve	4.23	-		-	
Income/(Loss) attributable to the Group		21,275		(72,968)	
Total shareholders' equity attributable to the Group		**326,741**		**143,252**	
Non-controlling interests		**39,346**		**39,047**	
TOTAL SHAREHOLDERS' EQUITY		**366,087**		**182,299**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**937,771**		**909,852**	

2020 restatement refers to the change in accounting policy related to the IFRIC Saas Agenda published in April 2021 on the capitalization of configuration and customization costs for application software under 'Software as a Service' ('SaaS') arrangements, for more detail see the paragraph 2.1 "Accounting policies" in the Notes.

Consolidated income statement

(Euro/000)	Notes	2021	of which related parties	2020 Restated	of which related parties
Net sales	5.1	969,584	32,653	780,298	43,810
Cost of sales	5.2	(467,824)		(417,770)	
Gross profit		**501,760**		**362,528**	
Selling and marketing expenses	5.3	(363,033)	(1,350)	(311,909)	(1,841)
General and administrative expenses	5.4	(119,552)	(20)	(117,595)	(20)
Other operating income/(expenses)	5.5	6,900		(16,448)	
Operating profit/(loss)		**26,075**		**(83,424)**	
Gains/(losses) on liabilities for options on non-controlling interests	5.6	32,249		19,824	
Financial charges, net	5.7	(23,500)	(6,280)	(24,097)	(3,875)
Profit/(Loss) before taxation		**34,824**		**(87,696)**	
Income taxes	5.8	(14,795)		14,449	
Profit/(Loss) of the period		**20,029**		**(73,247)**	
Profit/(Loss) attributable to:					
Owners of the parent		21,275		(72,968)	
Non-controlling interests		(1,246)		(279)	
Earnings/(Losses) per share - basic (Euro)	5.9	0.071		(0.265)	
Earnings/(Losses) per share - diluted (Euro)	5.9	0.070		(0.264)	

2020 restatement refers to the change in accounting policy related to the IFRIC Saas Agenda published in April 2021 on the capitalization of configuration and customization costs for application software under 'Software as a Service' ('SaaS') arrangements, for more detail see the paragraph 2.1 "Accounting policies" in the Notes.

Consolidated statement of comprehensive income

(Euro/000)	*Notes*	2021	2020 Restated
Net profit (loss) for the period (A)		**20,029**	**(73,247)**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		661	(188)
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**661**	**(188)**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	*4.22*	-	-
- Gains/(Losses) on exchange differences on translating foreign operations	*4.21*	30,575	(26,778)
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**30,575**	**(26,778)**
Other comprehensive income/(loss), net of tax (B)		**31,236**	**(26,966)**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**51,265**	**(100,213)**
Attributable to:			
Owners of the parent		49,347	(95,494)
Non-controlling interests		1,919	(4,719)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**51,265**	**(100,213)**

2020 restatement refers to the change in accounting policy related to the IFRIC Saas Agenda published in April 2021 on the capitalization of configuration and customization costs for application software under 'Software as a Service' ('SaaS') arrangements, for more detail see the paragraph 2.1 "Accounting policies" in the Notes.

Consolidated statement of cash flows

(Euro/000)	*Notes*	2021	2020 Restated
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	*4.1*	**85,966**	**53,915**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		20,029	(73,247)
Depreciation and amortization	*4.6 - 4.8*	43,319	48,803
Right of Use depreciation IFRS 16	*4.7*	9,893	10,573
Non-monetary changes related to liabilities for options on non-controlling interests		(32,249)	(19,824)
Other items		(23,258)	(2,492)
Interest expenses, net	*5.7*	12,052	10,024
Interest expenses on lease liabilities IFRS 16	*5.7*	1,548	1,784
Income tax expenses	*5.8*	14,795	(14,449)
Flow from operating activities prior to movements in working capital		**46,130**	**(38,829)**
(Increase) Decrease in trade receivables		6,886	6,349
(Increase) Decrease in inventory, net		(25,820)	36,674
Increase (Decrease) in trade payables		6,270	(490)
(Increase) Decrease in other receivables		(6,201)	2,072
Increase (Decrease) in other payables		(1,967)	(2,133)
Interest expenses paid		(5,314)	(4,905)
Interest expenses paid on lease liabilities IFRS 16		(1,548)	(1,784)
Income taxes paid		(1,141)	(48)
Total (B)		**17,295**	**(3,095)**
C - Cash flow from (for) investing activities			
Investments inproperty, plant and equipment		(13,216)	(13,444)
Net disposals of property, plant and equipment and assets held for sale		10,192	2,837
(Purchase)/Disposal of subsidiary (net of cash acquired/disposed)		-	(111,778)
Purchase of intangible assets, net of disposals		(6,736)	(6,838)
Total (C)		**(9,759)**	**(129,223)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		-	198,467
Repayment of borrowings	*4.12*	(119,602)	(18,840)
Repayment of principal portion of lease liabilities IFRS 16		(10,263)	(10,735)
Increase in share capital, net of transaction costs		133,057	-
Dividends paid		(1,121)	-
Total (D)		**2,072**	**168,892**
E - Cash flow for the period (B+C+D)		**9,608**	**36,574**
Translation exchange differences		3,428	(4,522)
Total (F)		**3,428**	**(4,522)**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	*4.1*	**99,002**	**85,966**

2020 restatement refers to the change in accounting policy related to the IFRIC Saas Agenda published in April 2021 on the capitalization of configuration and customization costs for application software under 'Software as a Service' ('SaaS') arrangements, for more detail see the paragraph 2.1 "Accounting policies" in the Notes.

Consolidated statement of changes in equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. 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**	**(865,752)**	**143,252**	**39,047**	**182,299**
Profit/(Loss) for the period	-	-	-	21,275	21,275	(1,246)	**20,029**
Other comprehensive income (loss) for the period	-	-	27,410	661	28,071	3,165	**31,236**
Total comprehensive income (loss) for the period	**-**	**-**	**27,410**	**21,937**	**49,346**	**1,919**	**51,265**
Increase in share capital, net of transaction costs	34,877	98,180	-	-	133,057	-	**133,057**
Dividends distribution	-	-	-	-	-	(1,121)	**(1,121)**
Changes of non-controlling interests of subsidiaries acquired	-	-	-	478	478	(478)	**-**
Net increase in the Reserve for share-based payments	-	-	-	647	647	-	**647**
Changes in other reserves	-	-	-	(40)	(40)	(21)	**(61)**
Consolidated net equity at December 31, 2021	**384,820**	**692,458**	**92,193**	**(842,730)**	**326,741**	**39,346**	**366,087**

(Euro/000)	Share capital	Share premium reserve	Translation diff. 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**
Change in accounting policy (*)	-	-	-	(482)	(482)	-	**(482)**
Consolidated net equity at January 1, 2020 restated	**349,943**	**594,277**	**87,122**	**(689,765)**	**341,577**	**(67)**	**341,510**
Profit/(Loss) for the period	-	-	-	(72,968)	(72,968)	(279)	**(73,247)**
Other comprehensive income (loss) for the period	-	-	(22,338)	(188)	(22,526)	(4,440)	**(26,966)**
Total comprehensive income (loss) for the period	**-**	**-**	**(22,338)**	**(73,155)**	**(95,494)**	**(4,719)**	**(100,213)**
Non-controlling interests of subsidiaries acquired	-	-	-	-	-	45,236	**45,236**
Changes of non-controlling interests of subsidiaries acquired	-	-	-	1,219	1,219	(1,219)	**-**
Purchase options on subsidiaries non-controlling interests	-	-	-	(103,849)	(103,849)	-	**(103,849)**
Net increase in the Reserve for share-based payments	-	-	-	79	79	-	**79**
Changes in other reserves	-	-	-	(281)	(281)	(184)	**(465)**
Consolidated net equity at December 31, 2020 restated	**349,943**	**594,277**	**64,784**	**(865,752)**	**143,252**	**39,047**	**182,299**

(*) As at 1 January 2020 restatement refers to the change in accounting policy related to the IFRIC Saas Agenda published in April 2021 on the capitalization of configuration and customization costs for application software under 'Software as a Service' ('SaaS') arrangements, for more detail see the paragraph 2.1 "Accounting policies" in the Notes.

1. General information

1.1 General information

Established in 1934 in Italy's Veneto region, Safilo Group is one of the eyewear industry's principal players in the design, manufacturing and distribution of optical frames, sunglasses, sports eyewear, goggles and helmets.

The holding company, Safilo Group S.p.A., is a joint stock company established in Italy on 14 October 2002 registered with the Business and Trade registry of Vicenza and with the head office in Padua, Settima Strada 15, Italy. Group headquarters is in Padua, Settima Strada 15, Italy.

Safilo Group S.p.A. is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange (code SFL IT0004604762).

Following the Group's financial restructuring, which was completed in the first quarter of 2010 with the share-capital increase, Multibrands Italy B.V. (a subsidiary of HAL Holding N.V.) became the parent company's leading shareholder.

According to IFRS 10 HAL Holding N.V. is deemed to have control over Safilo Group S.p.A. and accordingly is required to consolidate Safilo Group S.p.A. in its financial statements as from 1 January 2014 (even though its ownership interest of HAL Holding N.V. in the company Safilo Group S.p.A. is below 50%). HAL Holding is fully owned by HAL Trust, listed on NYSE Euronext of the Amsterdam Stock Exchange.

These consolidated financial statements are reported in thousands of Euro. The consolidated financial information relates to the period from 1 January 2021 to 31 December 2021 and also presents comparative data related to the financial period from 1 January 2020 to 31 December 2020.

These financial statements were approved by the Board of Directors on 15 March 2022.

The companies included in the consolidation area are listed in paragraph 2.3 "Scope of consolidation and methodology".

2. Summary of accounting principles adopted

2.1 Accounting policies

The accounting policies described here below have been applied during the preparation of these consolidated financial statements in a consistent manner for both financial years presented and on the going concern assumption.

The consolidated financial statements for the year ended 31 December 2021 and 31 December 2020 were prepared in accordance with IFRSs issued by the International Accounting Standard Board ("IASB") and endorsed by the European Commission, as well as with the measures enacted to implement article 9 of Legislative Decree no. 38/2005. IFRSs include also all the interpretations of the International Financial Reporting Interpretations Commitee ("IFRIC"), previously called Standing Interpretations Commitee ("SIC").

The consolidated financial statements were prepared in accordance with "cost" criteria with the exception of financial assets available-for-sale and some financial assets and liabilities, including derivative instruments, for which the "fair value" criterion was adopted.

Preparation of the annual report in accordance with IFRSs requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and explanatory notes. Actual results may differ from these estimates. The areas of the financial statements that are most affected by such estimates and assumptions are listed in section 2.21 "Use of estimates".

Accounting standards, amendments and interpretations effective as of 1 January 2021

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

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2021:

- 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 1 April 2021. The document extends by one year the application of the amendment already published on 28 May 2020 that provided for the lessees the right to account for the reduction in rents connected to Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 is respected. Lessees will be able to record the effects of the reductions in rent directly in the income statement on the effective date of the reduction. The Group was already applying this amendment starting from 1 June 2020, with no material impact in terms of rent concessions on the present report.

Except for the above mentioned amendment, at the date of this 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 early adopted by the Group

At the date of this report the following amendments have been endorsed by the European Union applicable to the Group and effective for annual periods beginning on or after 1 January 2022 that have not been early adopted by the Group in preparing this 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 1 January 2022.

The Group will comply with these new standards and amendments based on their relevant effective dates, their application is not expected to have 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 has not yet completed its endorsement process for the following standards and amendments at the date of this 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 1 January 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 1 January 2023;

- 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 1 January 2023.

The Group will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the consolidated financial statements.

Changes in accounting policies

Software as a service ('SaaS') arrangements

Following the IFRIC's agenda decision published in April 2021 related to the capitalization of costs of configuring or customizing software applications under 'Software as a Service' ('SaaS') arrangements, the Group has changed its accounting policy related to the capitalization of these costs.

The Group's accounting policy had been to capitalize costs directly attributable to the configuration and customization of SaaS arrangements as intangible assets in the item Software. Following the adoption of the above IFRIC agenda guidance, the Group has identified the current SaaS arrangements in place and assessed to determine if it has control of the software. For those arrangements where the Group do not have control of the developed software, the Group has changed its accounting policy and derecognised the intangible asset previously capitalized, this change affected mainly certain investments in software implemented in the recent years for the digitalization of the sales channels (B2B and B2C platform and CRM technology).

This change in accounting policy has been applied retrospectively to the earliest period that was practicable and has led to adjustments in term of reduction in the intangible assets and increase in operating expenses within general and administrative expenses. Accordingly, the prior periods financial statements have been restated in accordance with IAS 8.

This change in accounting policy led to adjustments amounting to a reduction of 6,176 and 4,069 thousand Euro in the intangible assets for Software recognised respectively as at 31 December 2021 and 2020, and a decrease of the operating profit of 2,106 and 3,588 thousand Euro, in 2021 and 2020 respective years, that impacted administrative expenses. There was no impact on the cash flow. The retrospective application has also affected 2019 financial year with a minor impact to financial results.

The tables below show the impact of the change in accounting policy on the current and the previously financial results that have been restated by its retrospective application.

(Euro/000)	**2021**	**2020 Restated**	**2019 Restated**
Income statement impact			
Increase of EDP service costs - General & Administrative expenses	(3,365)	(3,980)	(606)
Decrease in amortization expenses	1,259	392	124
Impact on operating profit	**(2,106)**	**(3,588)**	**(482)**
Balance Sheet impact			
Decrease of intangible assets Software	(6,176)	(4,069)	(482)
Impact on equity	**(6,176)**	**(4,069)**	**(482)**
Cash flow Statement impact			
Decrease of flow from operating activities	(3,365)	(3,980)	(606)
Decrease of flow for investing activities	3,365	3,980	606
Impact on cash flow	**-**	**-**	**-**

2.2 Format of financial statements

Safilo Group presents the income statement by function (so-called "cost of sales"). This is considered to be more representative with respect to presentation by type of expenses, as it conforms more closely to the internal reporting and business model and is in line with international practice in the eyewear sector.

For the balance sheet, a distinction is made in the assets and liabilities between current and non-current as described in paragraphs 51 and following of IAS 1.

The indirect method for the cash flow statement was used. Therefore, the net profit of the period is adjusted by the effects of non-monetary transactions, changes in working capital and cash flows from investing and financing activities.

In compliance with paragraph 85 of IAS 1 some dedicated items have been introduced on the face of the statements of the financial position and on the profit and loss statement to separately disclose the balances related to the financial liability for the options on non-controlling interests of some investments and its related fair value changes to profit and loss:

- "Liabilities for options on non-controlling interests" in the section "Non current liabilities" of the statement of the financial position;
- "Gains/(losses) on liabilities for options on non-controlling interests" in the section related to the "Financial income/(charges)" of the Profit and Loss.
- "Non-monetary changes related to liabilities for options on non-controlling interests" in the statement of cash flow.

2.3 Consolidation method and consolidation area

The Group's consolidated financial statements as of 31 December 2021 include the parent company, Safilo Group S.p.A., and 47 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights.

In 2021, the Group's consolidation area changed for the incorporation on 22 November 2021 of the new trading subsidiary Safilo Polska sp. z.o.o. located in Warsaw.

On 14 April 2021 the subsidiary Safilo d.o.o. Ormož was formally put in liquidation, after the decision to close the Slovenian production site, in the context of the reorganization plan of the Group's industrial capacity. The liquidation process will be finalised in the course of 2022, as at 31 December 2021 the subsidiary is still part of the consolidation area and has been accounted for on a line-by-line basis.

At 31 December 2021 the direct and indirect holdings included in the scope of consolidation under the line-by-line method, in addition to the parent company Safilo Group S.p.A., were the following:

	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 Polska sp. z.o.o. - Warsaw (PL)	PLN	50.000	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	64,2
Privè Capsules LLC - Delaware (USA)	USD	-	64,2
Blenders Eyewear LLC - Delaware (USA)	USD	1.000	70,0
PorSa Eyewear (Xiamen) Co Ltd.- (RC)	CNY	1.000.000	100,0

Investments in subsidiaries

The companies in which the Group exercises control ("subsidiary companies"), as defined in IFRS 10, either due to direct shareholdings or by indirectly holding the majority of the voting rights, having the power to determine even indirectly the financial and managerial choices of the companies and thus obtaining the relative benefits regardless of the relationships deriving from the share ownership, are consolidated using the line-by-line method. Potential exercisable voting rights existing at the balance sheet date are considered in order to determine control. The subsidiary companies are consolidated from the date on which control is assumed and are deconsolidated from the date when control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

With regards to the accounting for transactions and events that result in a change in the Group's interest in its subsidiaries and the attribution of a subsidiary's losses to non-controlling interests, IAS 27 (revised 2008) specifies that once control has been obtained, further transactions whereby the parent entity acquires additional equity interests from non-controlling interests, or disposes of equity interests without losing control are transactions with owners and therefore shall be accounted for as equity transactions. It follows that the carrying amounts of the controlling and non-controlling interests must be adjusted to reflect the changes in their relative interests in the subsidiary and any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent. There is no consequential adjustment to the carrying amount of goodwill and no gain or loss is recognized in profit or loss.

Upon consolidation, the amounts resulting from intra-group operations between consolidated companies are eliminated, in particular in relation to receivables and payables at the balance sheet date, costs and revenues as well as financial income and charges. In addition, gains and losses between the subsidiary companies that are fully consolidated are also eliminated.

The accounting principles adopted by the subsidiary companies have been modified where necessary, to comply with those adopted by the parent company.

Non-controlling interests and the amount of net profit attributable to them are shown separately under "Non-controlling interests" and "Profit for the period attributale to non-controlling interests" in the consolidated balance sheet and income statement, respectively.

All consolidated subsidiaries close their fiscal year on December 31, with the exception of Safilo India Pvt Ltd. which closes its financial year on 31 March, and economic and financial statements are then prepared by the subsidiary in order to allow the Parent Company to prepare the consolidated financial statements as of December 31.

Investments in associated companies

The holdings in companies/entities in which a significant influence is exercised ("associated companies"), that is presumed to exist when the percentage held is between 20% and 50%, are valued under the "equity" method. Due to the application of the equity method, the value of the investment is aligned to the shareholders' equity that is adjusted, where necessary, to reflect the application of the IFRS approved by the European Commission, and includes the recording of any goodwill identified at the moment of acquisition. The share of gains/losses realized by the associated companies after the acquisition is recorded on the income statement, while the share of movements of reserves after the acquisition is recorded in the equity reserves. When the share of losses of the Group in an associated company is equal to or exceeds its holding in the associated company, taking into account all receivables not guaranteed, the value of the investment is fully written down and the Group does not record further losses above its share, except where the Group has the obligation to cover these losses. Gains and losses not realized that are generated on operations with associated companies are eliminated for the part pertaining to the Group.

Investments in other companies

Investments in other companies representing "available-for-sale financial assets" are valued at their fair value and gains and losses arising from changes in the fair value are assigned directly to shareholders' equity until sale. Total gains and losses are charged to the statement of operations of the year in which the sale took place, unless an AFS financial asset has accumulated a significant or prolonged decrease of its *fair value.* In this case, the accumulated losses in the fair value reserve of shareholders' equity is recognized in the statement of operations.

2.4 Segment information

Information according to business sector and geographic area is given pursuant to IFRS 8 – Operating Segments.

The criteria applied for the identification of the segments depend on how management organizes the Group and attributes managerial responsibilities. After the divestiture of the Group's remaining retail operations in 2019, business sector information is provided solely for the Wholesale sector.

The grouping by geographic area depends on the location of the registered head office of each Group company; therefore the sales identified in accordance with this segmentation are determined by origin of invoicing and not by target market.

2.5 Conversion of financial statements and transactions into currencies other than Euro

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing on the date of the transaction. Exchange rate gains and losses resulting from such transactions and from the translation of assets and liabilities in foreign currencies at the exchange rates at end of the year are accounted for in the income statement.

The rules for the conversion of financial statements of companies expressed in currencies different from the Euro are the following:

- assets and liabilities are converted using the exchange rates prevailing on the balance sheet date;
- costs, revenues, income and charges are converted at the average exchange rate of the period;
- the "translation difference reserve" includes foreign exchange differences generated from the conversion of the opening shareholders' equity and the movements during the year at a rate different from that at the end of the year;
- the goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the end of the period.

The exchange rates applied in the conversion of financial statements prepared in currencies other than Euro at 31 December 2021 and 31 December 2020 are detailed in the following table, appreciation (figures with a minus sign in the table below) indicates an increase in the value of the currency against the Euro.

		As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
Currency	**Code**	**December 31, 2021**	**December 31, 2020**	**%**	**2021**	**2020**	**%**
US Dollar	USD	1.1326	1.2271	-7.7%	1.1827	1.1422	3.5%
Hong-Kong Dollar	HKD	8.8333	9.5142	-7.2%	9.1932	8.8587	3.8%
Swiss Franc	CHF	1.0331	1.0802	-4.4%	1.0812	1.0705	1.0%
Canadian Dollar	CAD	1.4393	1.5633	-7.9%	1.4826	1.5300	-3.1%
Japanese Yen	YEN	130.3800	126.4900	3.1%	129.8767	121.8458	6.6%
British Pound	GBP	0.8403	0.8990	-6.5%	0.8596	0.8897	-3.4%
Swedish Krown	SEK	10.2503	10.0343	2.2%	10.1465	10.4848	-3.2%
Australian Dollar	AUD	1.5615	1.5896	-1.8%	1.5749	1.6549	-4.8%
South-African Rand	ZAR	18.0625	18.0219	0.2%	17.4766	18.7655	-6.9%
Russian Ruble	RUB	85.3004	91.4671	-6.7%	87.1527	82.7248	5.4%
Brasilian Real	BRL	6.3101	6.3735	-1.0%	6.3779	5.8943	8.2%
Indian Rupee	INR	84.2292	89.6605	-6.1%	87.4392	84.6392	3.3%
Singapore Dollar	SGD	1.5279	1.6218	-5.8%	1.5891	1.5742	0.9%
Malaysian Ringgit	MYR	4.7184	4.9340	-4.4%	4.9015	4.7959	2.2%
Chinese Renminbi	CNY	7.1947	8.0225	-10.3%	7.6282	7.8747	-3.1%
Korean Won	KRW	1.346.3800	1.336.0000	0.8%	1.354.0570	1.345.5765	0.6%
Mexican Peso	MXN	23.1438	24.4160	-5.2%	23.9852	24.5194	-2.2%
Turkish Lira	TRY	15.2335	9.1131	67.2%	10.5124	8.0547	30.5%
Dirham UAE	AED	4.1595	4.5065	-7.7%	4.3436	4.1947	3.5%
Polish Zloty	PLN	4.5969	n.a.	n.a.	4.5652	n.a.	n.a.

2.6 Tangible assets

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

Charges incurred for the maintenance and repairs of ordinary and/or cyclical nature are directly charged to the income statement of the period in which the costs are incurred. The capitalization of costs relating to the expansion, modernization or improvement of proprietary structural assets or of those used by third parties, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset. The book value is adjusted for depreciation on a systematic basis, over the useful life.

Capitalized costs for leasehold improvements are attributed to the category of the assets they refer to and are depreciated over the shorter of either the remaining duration of the rental contract or the remaining useful lifetime of the assets improved.

When circumstances indicate that there may be a permanent impairment in value, an estimate is made of the recoverable amount of the asset, and any loss is recorded in the income statement. When the reasons for the previously recognized impairment no longer exist, the book value of the asset is restated through profit or loss, up to the value at which the asset would have been recognized in the absence of impairment and net of amortization.

Depreciation of tangible assets is calculated on a straight-line basis over the estimated useful lifetime of the asset, in accordance with the following depreciation rates:

Category	Useful lifetime in years
Buildings	15-40
Plant, machinery and equipment	3-15
Furniture, office equipment and vehicles	3-8

Land is not depreciated.

When the asset to be depreciated is composed of separately identifiable elements whose useful lifetime differs significantly from that of the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the "component approach" principle.

The remaining value of the assets and their useful lifetime are reviewed at the end of each financial year. The capital gains or losses from the sale of the fixed assets are posted to the income statement and valued as the difference between the sale proceeds and the net book value.

2.7 Right of Use

Assets held through lease contracts (both finance and operating) are recognized according to the IFRS 16 standard which, starting from 1 January 2019, has replaced the previous IAS 17 providing a new definition of leases and introducing a criterion based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification of the asset, right to replace it, right to obtain all economic benefits and the right to manage the use of the asset. The standard establishes a model to recognize and measure lease contracts for the lessee through the posting of the asset (also in operating leases) offset by a financial debt. Assets held through lease contracts, are recognized as assets of the Group at the present value of their contractual lease payments. The corresponding liability due to the lessor is recorded on the financial statements under financial debts. The assets are depreciated over the duration of the lease contract.

The Group has elected to apply the exemptions stated by the Standard that allow to keep leases off balance if they have an initial contractual duration of less than or equal to 12 months (IFRS16.5-a) or if they refer to a low-value asset (IFRS16.5-b), according to these exemptions these contracts are still recorded as lease and rent expenses on a straight-line basis in the income statement over the duration of the lease contract.

Management considered the clarifications included in the "IFRIC Agenda Decision" of November 2019 relating to the determination of the lease term. In particular, it was considered that:

- the buildings in which the manufacturing plants are located are all owned by the Group;

- the contracts for the properties in which the main office locations and logistic centers are located were recently signed and have a residual duration which is still significant;

- the contracts relating to the properties in which the office locations of lesser importance are located have characteristics for which their abandonment would not entail a "more than insignificant penalty".

These considerations, considering also the general reorganization and turnaround phase of the Group, led to the confirmation of the lease terms previously identified on the basis of the remaining contractual durations.

2.8 Intangible assets

Intangible assets consist of clearly identifiable non-monetary assets, without any physical substance and capable of generating future economic benefits. These assets are recognized at purchase and/or production cost, including the costs of bringing the asset to its current use, net of accumulated amortization and any impairment. Amortization begins when the asset is available for use and is allocated in equal instalments over the course of its useful life.

When circumstances indicate that there may be an impairment loss, an estimate is made of the recoverable amount of the asset, and any impairment is recognized through the income statement. When the reasons for the previously recognized impairment no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would have been recognized in the absence of impairment and net of amortization.

Goodwill

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain. Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by transaction basis. Goodwill is not amortised but is tested for impairment at least once a year or whenever there are any impairment indicators. After initial recognition, goodwill is valued at cost, net of any accumulated impairment.

When a company or a business unit previously purchased is sold and that acquisition led to goodwill, in measuring the gain or loss on the sale, consideration is given to the corresponding residual value of goodwill.

Goodwill and fair value adjustments generated from the acquisition of a foreign company are recorded in the relative foreign currencies and are converted at the exchange rate at the end of the period.

Trademarks

Trademarks are recorded at cost. They have a definite useful lifetime and are recorded at cost net of any accumulated amortization. Amortization is calculated on a straight-line basis allocating the cost of trademarks over the relative useful lifetime.

Software

All software licenses purchased are capitalized on the basis of the costs incurred for their acquisition and in bringing them to their current condition. Amortization is calculated on a straight-line basis over their estimated useful lifetime (from 3 to 5 years). For those arrangements where the Group does not have control of the developed software, the costs of configuring or customizing software applications under software as a service (SaaS) arrangements are expensed as per the latest IFRIC agenda guidance of April 2021.

The costs associated with the development and maintenance of software programs are posted to the income statement of the period in which they were incurred. The costs directly associated with the production of unique and identifiable software products controlled by the Group are recorded as intangible fixed assets on the balance sheet only if the following conditions are respected: the costs can be reliably calculated, the Group has the technical and financial resources to complete the products and intends to conclude such activities, the technical feasibility of the products is guaranteed and the use of the products will generate probable future economic benefits for more than one year. Direct costs include costs relating to employees developing the software as well as any appropriate share of general costs.

2.9 Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization but undergo an impairment test at least on an annual basis to monitor whether their book value has been reduced.

Assets subject to amortization undergo impairment tests when events or circumstances arise that indicate that the book value cannot be recovered. In both cases any loss in value is posted for the share of book value exceeding the recoverable value. This value is the higher of either the fair value of the asset net of the costs for sale or its value for use. If the value for use of an asset cannot be established individually, the recoverable value of the unit that generates cash flows (so-called "cash generating unit" or CGU) to which the asset belongs must be established. Assets are grouped at the level of the cash generating units (CGU) making them coincide with the Business Units, on the basis of geographical aggregations that are the base for interpreting the Group performance. The Group then discounts to present value the future estimated cash flows generated by these CGUs by applying a discount rate that reflects the current time value for money and the specific risks associated with the business.

When a loss on an asset, other than goodwill, no longer exists or is reduced, the book value of the asset or cash-generating unit is increased to the new estimated recoverable value, which cannot exceed the value that would have been established if there had been no loss due to reduction in value.

A reversal of loss in value is calculated according to the revaluation model and recorded in the income statement in accordance with the provisions of IAS 16.

2.10 Financial instruments

All the financial assets recognized that fall within the scope of application of IFRS 9 must subsequently be recognized at amortized cost or at fair value on the basis of the entity's business model for the management of financial assets and characteristics relating to contractual cash flows of the financial activity.

Specifically:

• Debt instruments held in the context of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows, and which have cash flows represented solely by capital payments and interest on the principal amount to be returned, are subsequently valued at amortized cost;

• Debt instruments held in the context of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets, and which have cash flows represented solely by capital payments and interest on amount of the capital to be repaid, are subsequently measured at fair value with changes recorded in the other components of the comprehensive income statement (FVTOCI);

• All other debt instruments, including the liability for options on non-controlling interests, and investments in equity instruments are subsequently measured at fair value, with changes recognized in profit (loss) for the year (FVTPL).

Notwithstanding the foregoing, the Group may make the following irrevocable selection/designation upon initial recognition of a financial asset:

• The Group may make an irrevocable choice to present subsequent changes in the fair value of an investment in equity instruments that are neither held for trading nor a potential consideration recognized by a purchaser in a business combination transaction in the other components of the comprehensive income statement;

• The Group may irrevocably designate an investment in debt instruments that meets the amortized cost or FVTOCI criteria as measured at fair value, with changes recognized in profit (loss) for the year (FVTPL) if this eliminates or reduces significantly an accounting asymmetry.

During the current year, the Group has not designated any investments in debt instruments that meet the amortized cost or FVTOCI criteria as measured at fair value recorded in profit (loss) for the year.

When an investment in a debt instrument measured as FVTOCI is eliminated, the cumulative gain (loss) previously recognized under the other components of the comprehensive income statement is reclassified from equity to profit (loss) for the year through a correction from reclassification. On the other hand, when an investment in a representative instrument of capital designated as valued FVTOCI is eliminated, the cumulative gain (loss) previously recognized among the other components of the comprehensive income statement is subsequently transferred to retained earnings without passing through the income statement. Debt instruments subsequently valued at amortized cost or FVTOCI are subject to impairment.

IFRS 9 introduced the classification and measurement of financial liabilities with reference to the recognition of fair value changes attributable to changes in the credit risk of the issuer, for financial liabilities designated by the Group as FVTPL. In particular, IFRS 9 requires that changes in the fair value of financial liabilities that are attributable to changes in the credit risk of these liabilities are presented in the other components of the comprehensive income statement, unless the recognition in the other components of the comprehensive income statement do not originate or increase an accounting asymmetry in profit (loss) for the year. Changes in fair value attributable to the credit risk of a financial liability are not subsequently reclassified to profit (loss) for the year but are instead transferred to retained earnings when the liability is de-recognized. Previously, in accordance with IAS 39, the entire amount of changes in the fair value of financial liabilities designated as FVTPL was presented in profit (loss) for the year.

Borrowings are initially recognized at fair value less any transaction costs. After initial recognition, they are recognized at amortized cost; all differences between the amount financed (net of initial transaction costs) and the face value are recognized in profit or loss over the duration of the loan using the effective interest method. If there is a significant variation in the expected cash flow that can be reliably estimated by management, the value of the loans is recalculated to reflect the expected change in the cash flow. The value of the loans is recalculated on the basis of the discounted value of the new expected cash flow and the internal rate of return.

Borrowings are classified under current liabilities unless the company has an unconditional right to defer the payment for at least twelve months after the balance sheet date, and are removed from the balance sheet when they expire and the Group has transferred all risks and obligations relating to the instrument.

Derivative instruments

All derivative financial instruments are measured at fair value, in accordance with IFRS 9. When the financial instruments possess the characteristics required to be recorded according to hedge accounting, the following accounting procedures are applied:

- *Fair value hedge* – if a derivative financial instrument is designated as a hedge for the exposure of changes in the current value of an asset or liability on the financial statements attributable to a specific risk that can determine effects on the income statement, the profit or loss after the initial valuation of the fair value of the hedge instruments is recognized in the income statement. The profit or loss on the hedged item, related to the hedged risk, changes the book value of that item and is recognized in the income statement.

- *Cash flow hedge* – if a derivative financial instrument is designated as a hedge for the exposure of changes in the cash flows of an asset or liability recorded on the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or losses of the financial instrument is recognized in an equity reserve. The cumulative profits or losses are reversed from equity and recorded in the income statement in the same period as the operation that is hedged. The profits or losses associated with a hedge or with that part of the hedge that has become ineffective, are immediately recorded in the income statement. If a hedge instrument or a relation of a hedge is closed, but the hedged operation has not yet been realized, the cumulative profits and losses, up to that moment recorded in equity, are recognized in the income statement when the relative operation is realized. If the operation hedged is no longer considered probable, the profits or losses not yet realized in equity are recognized immediately in the income statement.

IFRS 9 requires that the expenses and income deriving from hedges are recognized as an adjustment to the initial carrying amount of the non-financial elements hedged (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassified adjustments based on IAS 1 Presentation of Financial Statements. The hedging income and losses subject to the basis adjustment are categorized as amounts that will not subsequently be reclassified to profit or loss or to the other elements of the comprehensive income statement. This is consistent with the practice of the Group prior to the adoption of IFRS 9.

In line with previous years, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Group has designated the change in fair value of the entire forward contract, including the forward points, as a hedging instrument.

When option contracts are used to hedge highly probable scheduled transactions, the Group only designates the intrinsic value of the options as a hedging instrument. Based on IFRS 9, changes in the time value of options relating to the hedged item are recognized in the other elements of the comprehensive income statement and are accumulated in the equity reserve. The amounts accumulated in equity are either reclassified to profit or loss for the period when the hedged item influences the profit (loss) for the period or removed directly from equity and included in the carrying amount of the non-financial item. IFRS 9 requires that the accounting treatment related to the unspecified time value of an option be applied retrospectively.

If hedge accounting cannot be applied, the profits or losses deriving from the fair value of the derivative financial instruments are immediately recognized in the income statement.

2.11 Inventory

Inventories are measured at the lower of either the purchase or production cost and the net realizable value. The cost of raw materials and purchased finished products is calculated using the "weighted average cost" method or the standard cost where it approximates actual cost. The cost of semi-finished products and internally produced finished products includes raw material, direct labor costs and the indirect costs allocated based on normal production capacity.

The net realizable value is determined on the basis of the estimated selling price under normal market conditions, net of direct sales costs.

Against the value of stock as determined above, provisions are made in order to take account of obsolete or slow moving stock.

2.12 Trade receivables

Trade receivables are initially classified on the financial statements at their current value and subsequently recalculated with the "amortized cost" method, net of any write-downs for loss in value. A provision for doubtful accounts is allocated when there is evidence that the Group may not succeed in collecting the original amount due. The provisions allocated for doubtful accounts are recorded in the income statement.

The Group from time to time also transfers some trade receivables to factoring companies. In case such receivables represent legally sold credit, that do not comply with all the conditions of IFRS 9, they are not removed from the balance sheet, but are maintained on the financial statement with a contra entry as a financial debt towards the factoring company.

2.13 Cash in hand and at bank

Cash and cash equivalents include cash, bank deposits on demand and other highly liquid short-term investments available within three months from purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognized in the income statement. Bank overdrafts are posted under current liabilities.

2.14 Employee benefits

Pension plans

The Group recognizes different forms of defined benefit plans and defined contribution plans, in line with the local conditions and practices in the countries in which it carries out its activities. The premiums paid for defined contribution plans are recorded in the income statement for the part matured in the year. The defined benefit plans are based on the working life of the employees and on the remuneration received by the employee during a predetermined period of employment.

The obligation of the company to finance the defined benefit plans and the annual cost recognized in the income statement are determined by independent consultants using the "projected unit credit" method. The related costs are recorded in the income statement on the basis of the estimated employment period of employees. The Group recognises all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise.

The employee severance fund of Italian companies ("TFR") has always been considered to be a defined benefit plan however, following the changes to the discipline that governs the employment severance fund introduced by Italian law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accruing from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";

- the portion of the employee benefit liability accruing as of 31 December 2006, must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

For an analysis of the accounting effects deriving from this decision, see paragraph 4.16 "Employees benefits".

Remuneration plans under the form of share capital participation

The Group recognizes additional benefits to some employees through "equity settled" type stock options. In accordance with IFRS 2 - Share-based payments, the current value of the stock options determined at the vesting date through the application of the "Black & Scholes" method is recognized in the income statement under personnel costs in constant quotas over the period between the vesting date of the stock options and the maturity date, counterbalanced by an equity reserve.

The effects of the vesting conditions not related to the market are not taken into consideration in the fair value of the vested options but are material to measurement of the number of options which are expected to be exercised.

At the balance sheet date the Group revises its estimates on the number of options which are expected to be exercised. The impact of the revision of the original estimates is recognized in profit or loss over the maturity period, with a balance entry in equity reserves.

When the stock option is exercised, the amounts received by the employee, net of the costs directly attributable to the transaction, are credited to share capital for an amount equal to the par value of the issued shares and to the share premium reserve for the remaining part.

2.15 Provisions for risks and charges

The Group records provisions for risks and charges when:

- it has a legal or constructive obligation to third parties;
- it is probable that it will be necessary to use resources of the Group to settle the obligation;
- a reliable estimate of the amount can be made;
- changes in estimates are recorded in the income statement of the period in which the changes occur.

2.16 Liabilities for options on non-controlling interests

Pursuant to the contractual terms, the non-controlling interests held by the minority equity holders of the subsidiaries Privé Goods LLC and Blenders Eyewear LLC are subject to customary reciprocal put and call options. More specifically, the put and call options for:

• Privé Goods LLC may be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining portion, at a price calculated as a function of a specific multiple applicable to the value of the EBITDA of the company achieved in the fiscal year preceding that of exercise of the relative option and adjusted to take into account the net financial position of the Company;

• Blenders Eyewear LLC may be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining portion, at a price calculated as a function of a specific multiple applicable to the value of the arithmetic average of the EBITDA of the company achieved over the last two consecutive fiscal years preceding that of exercise of the relative option and adjusted to take into account the net financial position of the company.

These options generated liabilities for options on non-controlling interest in the Group consolidated financial statements at the acquisition date valued at their fair value using a discounted cash-flow approach based on the business plans underlying the acquisitions. The value of the liabilities is regularly updated at year end on the basis of updated business plans.

2.17 Revenue recognition

The Group's primary revenue segment is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners. Moreover, for certain brands in its portfolio the Group sells its eyewear products directly to its customers through its online sales channel, 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. The Group recognised expected returns from sales of products by reducing revenue and recognised the cost relating to these returns by reducing cost of sales. In accordance with IFRS 15, the Group recognises the amount corresponding to the sales value of expected returns in the item Trade Payables and the amount corresponding to the cost of the products in the item Inventory.

Based on historical experience and specific knowledge of customers, the Group estimates the amount of returns expected to be received on the entire portfolio using the expected value method.

Warranty terms coincide with regulatory requirements and warranties cannot be sold or extended separately, as such, they are not capable of generating separate revenues. There no services associated to the sale of goods to customers.

The contracts with customers may recognize to the customer the right to incentives for the marketing and advertising activity performed by them on behalf of Safilo. The Group concluded that, according to IFRS 15 criteria, these are consideration paid to customer for distinct services and, as a consequence, recognizes them as expenses.

This item does not include transportation costs charged to customers which have been classified as a reduction of the respective cost item.

2.18 Public contributions

The Group recognizes public contributions when there is reasonable certainty that they will be received and that the conditions required for the contribution have been or will be respected.

The contributions received are recorded in the income statement for the time required to relate them to the relative costs and they are considered as deferred income.

2.19 Royalties

The Group recognises royalty income and expenses in accordance with the accrual principle and in compliance with the substance of the contracts agreed.

2.20 Dividends

Dividends are recorded when the right of the Shareholders to receive the payment arises, which normally occurs when the Shareholders' meeting resolves the distribution of dividends. The distribution of dividends is therefore recorded as a liability on the financial statements in the period in which the distribution is approved by the Shareholders' meeting.

2.21 Income taxes

Income taxes include all taxes calculated on the taxable profits of the companies of the Group. Income taxes are recognized on the income statement, with the exception of those relating to accounts that are directly credited or debited to equity, in which case the tax effect is recognized directly in equity. Taxes not related to income (e.g. property taxes) are recorded within operating costs.

Income tax expense also includes any provisions to cover risks arising from disputes over taxes inclusive of amounts related to taxes due and any penalties.

Deferred taxes are calculated on fiscal losses that can be carried forward and all the temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax bases. Deferred tax assets are recognized only for those amounts where it is probable there will be future taxable income allowing for recovery of the amounts.

Current and deferred tax assets and liabilities are offset when the income tax is applied by the same tax authority and when there is a legal right to offsetting. The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period in the countries in which the Group operates.

2.22 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit or loss of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted

In order to calculate the diluted earnings per share, the weighted average number of shares outstanding is adjusted for the dilution potential on ordinary shares (e.g. for stock options and convertible bonds), while the profit or loss of the Group is adjusted to take into account the effects, net of income taxes, of the conversion.

2.23 Use of estimates

The preparation of the consolidated financial statements requires management to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts posted in the financial statements, such as the balance sheet, the income statement, the cash flow statement and the notes thereto. Actual results of the balances on the financial statements, resulting from the above-mentioned estimates and assumptions, may differ from those reported on the financial statements due to the uncertainty which characterizes the assumptions and the conditions on which the estimates are based.

The outbreak of Covid-19 at the beginning of 2020, represented an extraordinary circumstance that had direct and indirect repercussions on economic activity and has created a general environment of uncertainty. However, considering that the Group’s consolidated business in the financial year 2021 experienced only limited impacts from the Covid-19 pandemic, also thanks to the increased vaccination rates across most developed countries, management in its assumptions considered the impact of Covid-19 going forward as limited on a global level.

The accounting standards that are more subject to the directors' estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements of the Group are described briefly below.

- *Goodwill*: in accordance with the accounting standards adopted for the preparation of the financial statements, the Group tests goodwill at least once a year in order to ascertain the existence of any loss in value to be recorded in the income statement. In particular, the test results in the determination of the fair value allocated to the cash-generating units. This value is determined according to their current value in use. The assessment process of the impairment test is complex and is based on assumptions concerning, among other things, the forecast of expected cash flows of the CGUs, the determination of appropriate discounting rates (WACC) and long-term growth (g-rate). These estimates depend on factors that may change over time with consequent effects, which may be significant, compared to management's assessments. Consistent with the indications of the main regulators, to meet the difficulties of making accurate estimates of future flows, management performed their estimate considering independent sources and analysts' projections and carried out the test performing some sensitivity analyses relating to the main inputs of the calculation. As suggested by regulators and standard setters, the uncertainties have been reflected in the estimate of cash flows, rather than adding a risk premium to the discount rate.

- *Write-down of fixed assets*: in accordance with the accounting standards applied by the Group, the fixed assets are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulty in recovering the relative net book value through use. The verification of the existence of such difficulty requires management 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 management's measurements and estimates.

- *Allowance for bad or doubtful debts*: the allowance for bad or doubtful debts reflects 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. Management in its estimate considered also the economic conditions present in the various markets in which the Group operates and the consequent possible future losses on debts originated by contingent situations in those markets.

- *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.

- *Product warranty* provision: when a product is sold, the Group estimates the relative costs of performing work under warranty and allocates a provision on the basis of historic information and a series of statistical data regarding the nature, frequency and the average cost of such work. The Group works constantly to minimize the costs of work performed under guarantee and to improve the quality of its products. The warranty provision is dependent on the amount of sales, which may decrease due to the scenario described in the note related to subsequent events.

- *(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, management consults its lawyers, and other legal and fiscal experts, and when expenditure is considered probable and the amount can be reasonably estimated, adequate funds are allocated.

- *Pension plans*: the companies of the Group participate in pension plans, the costs of which are calculated by the management, with the assistance of the Group's actuarial consultants, on the basis of statistical assumptions and assessment factors regarding in particular the discount rate to be used, relative mortality and resignation rates.

- *Deferred taxes*: deferred tax assets are accounted for on the basis of the expectations of future taxable income. The 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.

- *Leases:* the calculation of the value of the right of use assets arising from lease contracts, and of the related financial liabilities, represents a significant management's estimate. In particular, a high level of judgment is applied in the determination of the lease term and in the calculation of the incremental borrowing rate. The determination of the lease term takes into consideration the contractual terms while, with reference to the renewal clauses, the Group applies a genera "no renewal" rule. The incremental borrowing rate is built considering the asset type, the jurisdiction in which it is obtained and the currency of the contract.

- *Business combination and options on minority interests:* the identification and assessment of the fair value of the assets acquired and the liabilities assumed in the business combinations recently finalized by the Group, as well as the subsequent recognition of goodwill, involved a complex procedure that requires the application of different valuation techniques, which assumed as input values historical data, elements forecasts based on estimates or market observation, such as, for example, a customer retention rate, a royalty rate for the use of comparable assets, a discount rate, the residual useful life of the assets acquired. In performing this valuation process, management were supported by the advice of third party independent advisors. A change in the estimates applied in the process of allocating the price paid could lead to differences, even significant ones, with respect to the values recorded in the financial statements. The contractual terms of the related purchase agreements also included 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.

2.24 Fair value estimates

The fair value of the financial instruments traded on an active market is based on the listed price at the balance sheet date. The fair value of the financial instruments not traded on an active market is calculated in accordance with valuation techniques and models that are widely used in financial sectors and in particular:

- the fair value of interest rate swaps is calculated on the basis of the current value of future cash flows;
- the fair value of the forward currency hedging contracts is determined on the basis of the current value of the differences between the contracted forward exchange rate and the spot market rate at the balance sheet date;
- the fair value of stock options is calculated using the Black & Scholes model.

3. Risk management

The operations of Safilo Group are subject to various financial risks, in particular:

- credit risks, related to normal business relations with clients and to financial assets in the financial statements;
- market risks (mainly interest and exchange rate risks), since the Group operates internationally and uses financial instruments that generate interest;
- liquidity risks, concerning the ability to promptly find resources on financial markets under normal market conditions when needed.

The Group constantly monitors the financial risks to which it is exposed, in order to assess potentially negative effects in advance and to take appropriate corrective measures with the aim of eliminating or, at least, limiting the negative effects deriving from the risks in question. Since 2020, the assessment of financial risks has been influenced by the spread and evolution of the Covid-19 pandemic.

The risks to which the Group is exposed are managed centrally on the basis of hedging policies that may also include the use of derivative instruments with the aim of minimizing the effects deriving from exchange rate (especially in relation to the US dollar) and interest rate fluctuations.

Credit risks

The Group strives to reduce risk deriving from the insolvency of its customers through rules ensuring that sales are made to reliable and solvent customers. The relative assessment is based on information regarding the solvency of customers and statistical historical data. However, credit risk is mitigated by the fact that credit exposure is spread over a very large number of clients.

The markets economic and financial conditions caused since 2020 by Covid-19 have accentuated the risk of potential insolvency, in a differentiated way according to the categories of customers and geographical areas such as emerging markets. In reaction to this changed context, the Group strengthened the policies described and maintained constant monitoring of the individual credit positions.

Positions of a significant amount for which the Group recognizes that total or partial recovery will be effectively impossible, also taking into account any guarantees obtained, as well as the charges and expenses that will have to be sustained for the attempted credit recovery, are subject to individual write-down. In compliance with IFRS 9, management has also considered potential risks associated with specific categories of customers or certain geographic areas.

The Group's theoretical maximum exposure to the credit risk at the date of the balance sheet is represented by the book value of the financial assets.

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

(Euro/000)	December 31, 2021			December 31, 2020		
Ageing of trade receivables	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Net value value trade receivables**	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Net value value trade receivables**
Overdue and impaired						
up to 3 months	947	(947)	-	911	(606)	306
3 to 6 months	775	(775)	-	438	(438)	-
6 to 9 months	1,587	(1,587)	-	1,347	(1,347)	-
from 9 to 12 months	1,703	(1,703)	-	6,103	(6,103)	-
from 12 to 24 months	5,858	(5,858)	-	2,536	(2,536)	-
over 24 months	4,909	(4,909)	-	5,073	(5,073)	-
Grand total	**15,779**	**(15,779)**	**-**	**16,409**	**(16,103)**	**306**
Overdue and not impaired						
up to 1 month	11,207		11,207	16,021		16,021
from 1 to 3 months	8,237		8,237	18,596		18,596
3 to 6 months	6,000		6,000	7,014		7,014
6 to 9 months	1,044		1,044	8,056		8,056
from 9 to 12 months	722		722	804		804
from 12 to 24 months	518		518	538		538
over 24 months	53		53	140		140
Grand total	**27,780**	**(344)**	**27,436**	**51,170**	**(538)**	**50,632**
Neither overdue nor impaired	146,751	(639)	146,112	122,156	(451)	121,705
Grand total	**190,309**	**(16,762)**	**173,548**	**189,734**	**(17,092)**	**172,643**

At 31 December 2021 past due receivables for which no allowance for bad debts was considered, as the Group considered them fully collectible, amounted to 27,780 thousand Euro (compared to 51,170 thousand Euro at 31 December 2020). Of these, receivables that were more than 12 months past due amounted to 571 thousand Euro (compared to 678 thousand Euro at 31 December 2020) but accounted for 0.3% of the Group's total trade receivable compared to 0.4% in the previous year.

The Group has reviewed and assessed the existing trade receivables for impairment based on the model of expected losses using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized. According to the analysis performed, in consideration of the Group's business characteristics and the evaluation of the trading policies currently in use, at 31 December 2021 the Group has accrued an additional credit loss allowance of 1.0 million Euro (compared to 1.0 million Euro at 31 December 2020) that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not overdue.

<u>Market risks</u>

Market risks can be divided into the following categories:

Exchange rate risk

The Group operates internationally and is therefore exposed to risks deriving from variations in exchange rates that may influence the value of its shareholders' equity and financial results.

In 2021, fluctuations in the exchange rates of the main currencies have been less relevant than in 2020, that was significantly affected by the uncertainty generated by the spread of the Covid-19.

The Group tries to reduce the effects deriving from currency fluctuations implementing a kind of "natural hedging" between revenues and costs denominated in the same foreign currency (mainly in US dollar). The remaining exposure can be hedged with currency forward contracts ("plain vanilla") always expiring in less than 12 months.

As far as sensitivity analysis is concerned, an increase or decrease of 10% of Euro against the US Dollar and the Hong Kong Dollar would result respectively in a decrease or an increase of the 2021 net sales of around 42,428 thousand Euro (around 31,655 thousand Euro in 2020) and in a decrease or an increase of the net profit of the Group of around 516 thousand Euro (around 1,141 thousand Euro in 2020). While an increase or decrease of 10% of Euro against currencies that showed a relevant variation during the pandemic (Brazilian Real, Turkish Lira, Russian Ruble and South Africa Rand) would result overall in a decrease or an increase of the 2021 net sales of around 3,582 thousand Euro (3,294 thousand Euro in 2020) and in a decrease or an increase of the net profit of the Group of around 466 thousand Euro (179 thousand Euro in 2020).

Furthermore, the Group owns shareholdings in subsidiaries located in areas outside the European Monetary Union, the variations in the net assets, deriving from fluctuations in the exchange rates of the local currency against the Euro, are recorded in a reserve of the consolidated shareholders' equity named "translation reserve".

The table below summarizes the net financial assets of the Group per currency at 31 December 2021 and 31 December 2020:

(Euro/000)	**December 31, 2021**	**December 31, 2020**
USD	219,866	243,976
HKD	73,532	68,736
CNY	72,048	62,884
GBP	3,742	2,256
CAD	20,424	18,469
CHF	12,097	11,175
BRL	7,812	5,115
EUR	(50,212)	(240,574)
Other currencies	6,778	10,263
Total	**366,087**	**182,299**

In terms of translation risk related to the conversion of the equity of the companies in foreign currencies other than the Euro, the sensitivity analysis shows that a possible revaluation or devaluation of 10% of Euro against those currencies, would respectively cause a decrease or increase in Group net equity of about 37,845 thousand Euro (about 35,792 thousand Euro in 2020), of which about 776 thousand Euro related to currencies that showed a relevant variation during the pandemic (Brazilian Real, Turkish Lira, Russian Ruble and South Africa Rand).

The table below summarizes the financial assets and liabilities of the Group per currency at 31 December 2021 and 31 December 2020:

(Euro/000)	December 31, 2021			
	Euro	**US Dollar**	**Other currencies**	**Total**
Cash in hand and at bank	38,687	37,744	22,571	99,002
Trade receivables, net	62,526	66,898	44,124	173,548
Derivative financial instruments	1,503	-	-	1,503
Other current assets	18,359	23,122	11,925	53,406
Total current financial assets	**121,074**	**127,764**	**78,620**	**327,458**
Derivative financial instruments	-	-	-	-
Other non-current assets	4,334	861	3,875	9,070
Total non-current financial assets	**4,334**	**861**	**3,875**	**9,070**
Trade payables	87,108	84,372	21,602	193,082
Short-term borrowings	20,000	-	-	20,000
Lease liabilities	2,940	3,444	1,863	8,247
Derivative financial instruments	545	-	-	545
Tax payables and other current liabilities	31,851	21,864	19,267	72,982
Total current financial liabilities	**142,444**	**109,680**	**42,732**	**294,856**
Long-term borrowings	131,798	-	-	131,798
Lease liabilities	4,245	26,635	2,037	32,917
Derivative financial instruments	-	-	-	-
Liabilities for options on non-controlling interests	-	47,406	-	47,406
Other non-current liabilities	810	684	266	1,760
Total non-current financial liabilities	**136,853**	**74,725**	**2,303**	**213,881**

(Euro/000)	December 31, 2020			
	Euro	**US Dollar**	**Other currencies**	**Total**
Cash in hand and at bank	27,359	37,245	24,362	88,966
Trade receivables, net	64,327	59,872	48,443	172,642
Derivative financial instruments	599	-	-	599
Other current assets	18,135	27,585	9,814	55,534
Total current financial assets	**110,420**	**124,702**	**82,619**	**317,741**
Derivative financial instruments	-	-	-	-
Other non-current assets	1,479	879	5,019	7,376
Total non-current financial assets	**1,479**	**879**	**5,019**	**7,376**
Trade payables	104,506	56,260	20,635	181,401
Short-term borrowings	23,000	-	-	23,000
Lease liabilities	3,107	4,274	2,224	9,605
Derivative financial instruments	764	-	-	764
Tax payables and other current liabilities	38,369	14,950	16,746	70,065
Total current financial liabilities	**169,746**	**75,484**	**39,605**	**284,835**
Long-term borrowings	244,463	-	463	244,926
Lease liabilities	4,844	25,709	2,951	33,504
Derivative financial instruments	-	-	-	-
Liabilities for options on non-controlling interests	-	74,839	-	74,839
Other non-current liabilities	817	680	268	1,765
Total non-current financial liabilities	**250,124**	**101,229**	**3,682**	**355,034**

Changes in fair value risk

The Group holds some assets that are subject to variations in value over time according to the variations of the market on which they are traded.

With regard to trade payables and receivables and other current and non-current assets, it is assumed that their book value is approximately equal to their fair value.

Interest rate risk

Borrowing exposes the Group to the risk of variations in interest rates. In particular, floating-rate borrowings are subject to a cash flow risk. At 31 December 2021 the floating-rate portion of the Group's total borrowings not subject to hedging instruments amounted to the entire borrowings balance of 153,000 thousand Euro (accounting for 100% of total debt) compared to 269,937 thousand Euro in the previous year (accounting for 100% of total debt).

The Group constantly monitors its exposure to changes in interest rates, and may choose to manage this risk through interest rate swaps (IRSs). The interest rate swap contracts are stipulated with primary financial institutions and, at the beginning of the hedge, the formal designation is made and the documentation relating to the hedge is prepared.

The table below summarizes the breakdown by maturity date of the nominal value (gross of 1,202 thousand Euro of transaction costs) for the floating and fixed interest-bearing loans, as at 31 December 2021 and 31 December 2020:

December 31, 2021 *(thousands of Euro)*	**Floating**	**Fixed**	**Total**
within 1 year	20,000	-	20,000
between 1 and 2 years	43,000	-	43,000
between 3 and 5 years	90,000	-	90,000
beyond 5 years	-	-	-
Total	**153,000**	**-**	**153,000**

December 31, 2020 *(thousands of Euro)*	**Floating**	**Fixed**	**Total**
within 1 year	23,000	-	23,000
between 1 and 2 years	20,000	-	20,000
between 3 and 5 years	115,463	-	115,463
beyond 5 years	111,474	-	111,474
Total	**269,937**	**-**	**269,937**

The floating interest-bearing loans as at 31 December 2021 are not hedged by interest rate swap contracts.

The following table summarizes the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31 December 2021 and 31 December 2020:

December 31, 2021 *(Euro/000)*	**Currency**	**Nominal interest rate**	**Nominal value**	**Book value**	**Expiry**
Term Loan Facility	*Euro*	Euribor	45,000	44,258	30 June 2023
SACE Term Loan Facility	*Euro*	Euribor	108,000	107,540	30 June 2026

December 31, 2020 *(Euro/000)*	**Currency**	**Nominal interest rate**	**Nominal value**	**Book value**	**Expiry**
Term Loan Facility	*Euro*	Euribor	65,000	63,590	30 June 2023
SACE Term Loan Facility	*Euro*	Euribor	108,000	107,399	30 June 2026
HAL subordinated shareholder loan	*Euro*	Euribor	90,000	93,474	31 December 2026

As far as sensitivity analysis is concerned, a positive (negative) variation of 50 bps in the level of the short-term interest rates applied to the variable rate financial liabilities not subject to hedging instrument would have an immaterial impact (76 thousand Euro at 31 December 2020) in term of greater (lower) annual financial charge, on a pre-tax basis.

Liquidity risk

This risk could affect the inability to find the necessary financial resources to support the operating activities at favorable market terms within the necessary timeframe. The Group companies' cash flows, borrowing requirements and liquidity are constantly monitored at central level by the Group's Treasury in order to ensure an effective and efficient use of the available cash.

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

December 31, 2021 *(Euro/000)*	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	17,555	-	17,555
Credit lines on long-term loans	228,000	153,000	75,000
Total	**245,555**	**153,000**	**92,555**

December 31, 2020 *(Euro/000)*	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	17,453	3,000	14,453
Credit lines on long-term loans	248,463	173,463	75,000
Total	**265,916**	**176,463**	**89,453**

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 120,000 thousand Euro (used for 45,000 thousand Euro at 31 December 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 table below summarizes the financial assets and liabilities of the Group by maturity, undiscounted and inclusive of the interest payments, at 31 December 2021 and 31 December 2020:

(Euro/000)	**December 31, 2021**				
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Total**
Cash in hand and at bank	99,002	-	-	-	99,002
Trade receivables, net	173,548	-	-	-	173,548
Derivative financial instruments	1,503	-	-	-	1,503
Other current assets	53,406	-	-	-	53,406
Other non-current assets	-	4,163	4,159	748	9,070
Total financial assets	**327,459**	**4,163**	**4,159**	**748**	**336,529**
Trade payables	193,082	-	-	-	193,082
Tax payables	17,420	-	-	-	17,420
Borrowings	20,000	41,798	90,000	-	151,798
Interest payments	4,127	3,397	3,726	-	11,249
Lease liability	8,247	6,817	14,372	11,729	41,164
Derivative financial instruments	545	-	-	-	545
Other current liabilities	55,562	-	-	-	55,562
Liabilities for options on non-controlling interests	-	15,802	31,604	-	47,406
Other non-current liabilities	-	1,076	684	-	1,760
Total financial liabilities	**298,983**	**68,889**	**140,386**	**11,729**	**519,986**

(Euro/000)	**December 31, 2020**				
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Total**
Cash in hand and at bank	88,966	-	-	-	88,966
Trade receivables, net	172,642	-	-	-	172,642
Derivative financial instruments	599	-	-	-	599
Other current assets	55,533	-	-	-	55,533
Other non-current assets	-	3,627	2,751	998	7,376
Total financial assets	**317,740**	**3,627**	**2,751**	**998**	**325,116**
Trade payables	181,401	-	-	-	181,401
Tax payables	18,369	-	-	-	18,369
Borrowings	23,000	20,000	113,453	111,474	267,926
Interest payments	5,494	4,554	6,946	414	17,408
Lease liability	9,605	6,695	13,116	13,694	43,109
Derivative financial instruments	764	-	-	-	764
Other current liabilities	51,697	-	-	-	51,697
Liabilities for options on non-controlling interests	-	-	74,839	-	74,839
Other non-current liabilities	-	1,237	493	35	1,765
Total financial liabilities	**290,330**	**32,486**	**208,846**	**125,616**	**657,279**

Classification of financial assets and liabilities

The table below shows the financial instruments reported on the balance sheet, according to the analyses requested by IFRS 7, with indication of the valuation criteria applied and, in the case of "financial instruments measured at fair value", the impact on the income statement or the shareholders' equity. If applicable, the last column of the table shows the fair value of the financial instrument.

Financial instruments	**Financial instruments at fair value through**					
(Euro/000)	**Income Statement**	**Other comprehensive income (OCI)**	**Financial instruments at amortised cost**	**Investments and non-listed financial assets at cost**	**Current value at Dec. 31, 2021**	***Fair value at Dec. 31, 2021***
ASSETS						
Cash in hand and at bank	-	-	99,002	-	99,002	99,002
Trade receivables, net	-	-	173,548	-	173,548	173,548
Derivative financial instruments	1,503	-	-	-	1,503	1,503
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	53,406	-	53,406	53,406
Other non-current assets	-	-	9,070	-	9,070	9,070
Total assets	**1,503**	**-**	**335,026**	**-**	**336,529**	**336,529**
LIABILITIES						
Borrowings	-	-	151,798	-	151,798	151,798
Lease liability	-	-	41,164	-	41,164	41,164
Derivative financial instruments	545	-	-	-	545	545
Other current liabilities	-	-	55,562	-	55,562	55,562
Liabilities for options on non-controlling interests	47,406	-	-	-	47,406	47,406
Other non-current liabilities	-	-	1,760	-	1,760	1,760
Total liabilities	**47,951**	**-**	**250,283**	**-**	**298,234**	**298,234**

Financial instruments	**Financial instruments at fair value through**					
(Euro/000)	**Income Statement**	**Other comprehensive income (OCI)**	**Financial instruments at amortised cost**	**Investments and non-listed financial assets at cost**	**Current value at Dec. 31, 2020**	***Fair value at Dec. 31, 2020***
ASSETS						
Cash in hand and at bank	-	-	88,966	-	88,966	88,966
Trade receivables, net	-	-	172,642	-	172,642	172,642
Derivative financial instruments	599	-	-	-	599	599
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	55,533	-	55,533	55,533
Other non-current assets	-	-	7,376	-	7,376	7,376
Total assets	**599**	**-**	**324,518**	**-**	**325,118**	**325,118**
LIABILITIES						
Borrowings	-	-	267,926	-	267,926	267,926
Lease liability	-	-	43,109	-	43,109	43,109
Derivative financial instruments	764	-	-	-	764	764
Other current liabilities	-	-	51,697	-	51,697	51,697
Liabilities for options on non-controlling interests	74,839	-	-	-	74,839	74,839
Other non-current liabilities	-	-	1,765	-	1,765	1,765
Total liabilities	**75,603**	**-**	**364,497**	**-**	**440,100**	**440,100**

Hierarchical levels of the fair value measurement

Financial instruments reported in the balance sheet valued at the fair value, according to IFRS 13, are classified in the three-level hierarchy that reflects the significance of the input used in determining the fair value. The three levels of fair value of the hierarchy are:

- Level 1 – if the instrument is quoted in an active market;
- Level 2 - if the fair value is measured based on valuation techniques for which all significant inputs are based on observable market data, other than quotations of the financial instrument;
- Level 3 – if the fair value is calculated based on valuation techniques for which any significant input is not based on observable market data.

The following table shows the liabilities and assets valued at their fair value at 31 December 2021, split by hierarchical level of the fair value.

December 31, 2021				
(Euro/000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	1,503	-	1,503
Total assets	**-**	**1,503**	**-**	**1,503**
Derivative financial instruments	-	(545)	-	(545)
Liabilities for options on non-controlling interests	-	-	(47,406)	(47,406)
Total liabilities	**-**	**(545)**	**(47,406)**	**(47,951)**

December 31, 2020				
(Euro/000)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	599	-	599
Total assets	**-**	**599**	**-**	**599**
Derivative financial instruments	-	(764)	-	(764)
Liabilities for options on non-controlling interests	-	-	(74,839)	(74,839)
Total liabilities	**-**	**(764)**	**(74,839)**	**(75,603)**

In 2021 there have been no transfers from level 1 to level 2 and from level 2 to level 3 and vice versa.

4. Notes to the consolidated balance sheet

4.1 Cash and cash equivalents

This account totals 99,002 thousand Euro compared to 88,966 thousand Euro 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)	December 31, 2021	December 31, 2020
Cash and cash equivalents	99,002	88,966
Bank overdrafts	-	-
Current bank borrowings	-	(3,000)
Net financial indebtedness - short term	**99,002**	**85,966**

As of 31 December 2021, about 40% of the cash balance resided in the Italian companies, about 33% in the US entities, 18% in the European entities, while the remaining 9% was attributable to several other entities.

Management has established policies to make existing cash readily available for any need of the Group.

4.2 Trade receivables

This item breaks down as follows:

(Euro/000)	December 31, 2021	December 31, 2020
Gross value trade receivables	190,309	189,734
Allowance for doubtful accounts (-)	(16,762)	(17,092)
Net value	**173,548**	**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 5.4).

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

(Euro/000)	January 1, 2021	Addition	Use/Release (-)	Transl. diff.	December 31, 2021
Allowance for doubtful accounts (-)	17,092	3,015	(3,365)	20	16,762

(Euro/000)	January 1, 2020	Addition	Use/Release (-)	Changes in the scope of consolidation	Transl. Diff.	December 31, 2020
Allowance for doubtful accounts (-)	12,720	9,403	(3,606)	28	(1,453)	17,092

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 an allowance for doubtful accounts equal to 3,015 thousand Euro, also in consideration of the current and prospective risk on the global markets under the ongoing pandemic.

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 31 December 2021 the provision for doubtful accounts include a credit loss allowance of 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).

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*.

Further information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3 paragraph "Credit risks".

4.3 Inventories

This item breaks down as follows:

(Euro/000)	December 31, 2021	December 31, 2020
Raw materials	70,819	69,265
Work in progress	6,854	8,051
Finished goods	224,884	207,443
Gross inventories	**302,556**	**284,759**
Provision for obsolete inventories (-)	(68,127)	(87,475)
Total	**234,430**	**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 5.2).

The movements in the period are shown below:

(Euro/000)	January 1, 2021	Posted to income statement	Transl. diff.	December 31, 2021
Inventory gross value	284,759	4,866	12,931	302,556
Provision for obsolete inventories (-)	(87,475)	20,954	(1,606)	(68,127)
Total net	**197,285**	**25,820**	**11,325**	**234,430**

(Euro/000)	January 1, 2020	Posted to income statement	Changes in the scope of consolidation	Transl. Diff.	December 31, 2020
Inventory gross value	316,464	(28,649)	9,843	(12,900)	284,759
Provision for obsolete inventory (-)	(80,663)	(8,025)	(323)	1,536	(87,475)
Total net	**235,801**	**(36,674)**	**9,521**	**(11,364)**	**197,285**

The significant reduction of the provision for obsolete inventory compared to the previous year benefitted also from the release of the provision for the depletion sales on the licensed brands exited at the end of the previous year and in the first half of 2021 and from regular scrapping activities which the Group resumed in 2021 post Covid-19.

4.4 Derivative financial instruments

The following table summarizes the amount of financial instruments:

(Euro/000)	December 31, 2021	December 31, 2020
Current assets:		
- Foreign currency contracts - Fair value through P&L	1,503	599
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	545	764
Total Net	**958**	**(164)**

The market value of the forward contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had contracts for hedging against exchange rate fluctuations for a positive net market value of 958 thousand Euro (negative for 164 thousand Euro at 31 December 2020).

The following table summarizes the characteristics and fair value of forward contracts:

December 31, 2021			Fair value	
(Euro/000)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	137,511	1,503	545
Cash flow hedge	within 1 year	-	-	-
Total forward contracts		**137,511**	**1,503**	**545**

December 31, 2020			Fair value	
(Euro/000)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	93,627	599	764
Cash flow hedge	within 1 year	-	-	-
Total forward contracts		**93,627**	**599**	**764**

4.5 Other current assets

This item breaks down as follows:

(Euro/000)	December 31, 2021	December 31, 2020
VAT receivable	11,815	8,051
Income tax receivables	19,023	25,831
Prepayments and accrued income	11,999	10,802
Other receivables	10,569	10,849
Total	**53,406**	**55,533**

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

Prepayments and accrued income amounted to 11,999 thousand Euro compared to 10,802 thousand Euro at 31 December 2020, mainly relate to royalties and advertising expenses for 4,672 thousand Euro, prepaid insurance for 608 thousand Euro and other prepaid expenses for 6,712 thousand Euro.

Other current receivables amounted to 10,569 thousand Euro, compared to 10,849 thousand Euro of 31 December 2020. The balance mainly includes deposit payments due within 12 months and other receivables related to the ordinary business.

It is considered that the book value of the other current assets is approximately equal to their fair value.

4.6 Tangible assets

The table below summarises the changes in the tangible assets:

(Euro/000)	January 1, 2021	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2021
Gross value						
Land and buildings	129,950	1,510	(15,753)	(124)	3,327	118,911
Plant and machinery	191,400	4,818	(23,096)	41	2,836	175,998
Equipment and other assets	151,913	6,855	(28,767)	114	6,097	136,213
Advance payments	169	33	(118)	(41)	1	43
Total	**473,431**	**13,216**	**(67,734)**	**(10)**	**12,261**	**431,164**
Accumulated depreciation						
Land and buildings	62,035	5,128	(10,891)	-	1,398	57,670
Plant and machinery	159,058	7,497	(22,210)	-	1,923	146,267
Equipment and other assets	123,517	12,093	(28,682)	-	4,686	111,613
Total	**344,610**	**24,718**	**(61,783)**	**-**	**8,006**	**315,551**
Net value	**128,821**	**(11,502)**	**(5,950)**	**(10)**	**4,254**	**115,613**

(Euro/000)	January 1, 2020	Increase	Decrease	Reclass.	Changes in the scope of consolidation	Reclass. assets held for sale	Transl. diff.	December 31, 2020
Gross value								
Land and buildings	132,627	360	(204)	-	518	(1,550)	(1,800)	129,950
Plant and machinery	208,225	942	(11,516)	-	-	(5,378)	(874)	191,400
Equipment and other assets	146,062	11,972	(2,200)	13	373	-	(4,306)	151,913
Advance payments	62	169	(49)	(13)	-	-	(1)	169
Total	**486,975**	**13,443**	**(13,969)**	**-**	**891**	**(6,928)**	**(6,981)**	**473,431**
Accumulated depreciation								
Land and buildings	59,618	4,022	(341)	-	72	(316)	(1,020)	62,035
Plant and machinery	165,051	9,149	(10,197)	-	-	(4,292)	(653)	159,058
Equipment and other assets	112,920	15,406	(1,885)	-	42	-	(2,966)	123,517
Total	**337,588**	**28,577**	**(12,423)**	**-**	**114**	**(4,608)**	**(4,638)**	**344,610**
Net value	**149,387**	**(15,134)**	**(1,546)**	**-**	**777**	**(2,320)**	**(2,343)**	**128,821**

Investments in tangible assets in the financial period amount to 13,216 thousand Euro (13,443 thousand Euro in the previous year), and refer to:

- Euro 9,963 thousand in the production facilities, mainly for the purchase and production of equipment for new models;
- Euro 1,573 thousand in the U.S. companies;
- Euro 1,402 thousand in the Italian distribution centre mainly for the upgrade of logistic equipment;
- the remaining part in the other companies of the Group.

Disposals in gross tangible assets in the financial period amount to 67,734 thousand Euro (13,969 thousand Euro in the previous year) and are mainly related to the disposal of the assets of the Slovenian production site in Ormož closed at the end of June 2021 and to the disposal of the assets related to the exited licensed brands.

Non-current assets held for sale

The item "Non-current assets held for sale" presented in a separate line item equal to 2,320 thousand Euro (6,560 in the previous year), recorded a decrease in the period due to the finalization of the sale of an office location near the Padua Headquarter, disposed with effective date 1 December 2021.

As 31 December 2021 the item includes an industrial real estate location near the Longarone production site, which had been downsized in 2020. It is measured at fair value determined on the basis of third-party independent appraisal.

4.7 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	Reclass.	Transl. diff.	December 31, 2021
Gross value						
Buildings Right of Use	48,678	3,085	(5,448)	-	3,134	49,449
Other assets Right of Use	8,377	3,212	(2,936)	-	11	8,664
Total	**57,054**	**6,297**	**(8,384)**	**-**	**3,145**	**58,112**
Accumulated depreciation						
Buildings Right of Use	13,914	7,390	(5,203)	-	862	16,964
Other assets Right of Use	4,332	2,503	(2,615)	-	11	4,230
Total	**18,246**	**9,893**	**(7,818)**	**-**	**873**	**21,194**
Net value	**38,808**	**(3,596)**	**(566)**	**-**	**2,272**	**36,918**

(Euro/000)	January 1, 2020	Increase	Decrease	Changes in the scope of consolidation	Transl. diff.	December 31, 2020
Gross value						
Buildings Right of Use	47,303	8,269	(3,638)	683	(3,938)	48,678
Other assets Right of Use	8,165	1,988	(1,622)	-	(154)	8,377
Total	**55,468**	**10,256**	**(5,260)**	**683**	**(4,092)**	**57,054**
Accumulated depreciation						
Buildings Right of Use	10,218	7,813	(3,143)	-	(973)	13,914
Other assets Right of Use	3,031	2,760	(1,400)	-	(59)	4,332
Total	**13,249**	**10,573**	**(4,543)**	**-**	**(1,032)**	**18,246**
Net value	**42,219**	**(316)**	**(717)**	**683**	**(3,060)**	**38,808**

Investments in Right of Use in the financial period amount to 6,297 thousand Euro (10,256 thousand Euro in the previous year) related to the ordinary renewal of some locations of the commercial subsidiaries and of the expired operating lease contracts for company cars.

4.8 Intangible assets

The following table shows changes in intangible assets:

(Euro/000)	January 1, 2021	Increase	Decrease	Reclass.	Changes in the scope of consolidation	Transl. diff.	December 31, 2021
Gross value							
Software	93,614	6,224	(3,960)	9	-	1,417	97,304
Trademarks and licenses	141,532	242	-	-	-	7,159	148,933
Other intangible assets	29,367	370	(1,164)	-	-	2,083	30,656
Total	**264,512**	**6,836**	**(5,124)**	**9**	**-**	**10,659**	**276,893**
Accumulated amortization							
Software	76,893	7,195	(3,867)	-	-	1,121	81,342
Trademarks and licenses	36,491	6,714	-	-	-	471	43,675
Other intangible assets	6,283	4,693	(1,157)	-	-	397	10,216
Total	**119,667**	**18,601**	**(5,024)**	**-**	**-**	**1,989**	**135,233**
Net value	**144,846**	**(11,765)**	**(100)**	**9**	**-**	**8,670**	**141,659**

(Euro/000)	January 1, 2020	Increase	Decrease	Reclass.	Changes in the scope of consolidation	Transl. diff.	December 31, 2020
Gross value							
Software	89,400	6,389	(690)	-	134	(1,619)	93,614
Trademarks and licenses	55,877	104	-	-	95,068	(9,517)	141,532
Other intangible assets	4,688	477	(11)	-	26,922	(2,709)	29,367
Total	**149,964**	**6,969**	**(701)**	**-**	**122,125**	**(13,844)**	**264,513**
Accumulated amortization							
Software	68,338	10,285	(560)	-	46	(1,217)	76,893
Trademarks and licenses	31,161	5,573	-	-	-	(243)	36,491
Other intangible assets	1,970	4,368	(11)	-	82	(125)	6,283
Total	**101,470**	**20,225**	**(571)**	**-**	**127**	**(1,585)**	**119,667**
Net value	**48,494**	**(13,257)**	**(131)**	**-**	**121,998**	**(12,259)**	**144,846**

Investments in intangible fixed assets made during the year amount to 6,836 thousand Euro (6,969 thousand Euro in the previous year). The investments mainly relate to the continuing implementation of the integrated information system (ERP) in the Group's subsidiaries, and to the Group's digital transformation strategy.

Following the IFRIC's agenda decision published in April 2021 and related to the capitalization of costs of configuring or customizing software application under 'Software as a Service' ('SaaS') arrangements, the Group has changed its accounting policy related to the capitalization of these costs. For those arrangements where the Group does not have control over the developed software, the previously capitalized intangible asset were de-recognized. This change mainly affected certain investments in software implemented in the recent years for the digitalization of the sales channels (B2B and B2C platform and CRM technology) and has led to a reduction of software capitalization in 2021 equal to 3,365 thousand Euro, an amount which has been fully expensed in the EDP service costs in the general and administrative expenses, while the retrospective restatement of the balances as at 31 December 2020 amounts to 4,069 thousand Euro of net reduction in the intangible assets for Software. For more information, please refer to paragraph 2.1 Accounting policies.

Depreciation and Amortization

Depreciation and amortization for tangible and intangible assets are allocated over the following income statement items:

(Euro/000)	*Notes*	2021	2020 Restated
Cost of sales	*5.2*	17,396	22,049
Selling and marketing expenses	*5.3*	3,400	3,261
General and administrative expenses	*5.4*	22,523	23,492
Amortization and depreciation		**43,319**	**48,803**
Cost of sales - Right of Use depreciation	*5.2*	1,121	1,274
Selling and marketing expenses - Right of Use depreciation	*5.3*	4,401	4,439
General and administrative expenses - Right of Use depreciation	*5.4*	4,372	4,860
Depreciation Right of Use - IFRS 16		**9,893**	**10,573**
Total		**53,212**	**59,375**

Amortization and depreciation equal 43,319 thousand Euro (48,803 thousand Euro in the previous period). The decrease for 5,484 thousand Euro mainly affected the "cost of sales" and is due to the reshaping of the Group's industrial capacity according to the restructuring plan of the Group's manufacturing footprint, with the closure of the Slovenian plant in Ormož at the end of June 2021, aiming to its realignment to the current production needs.

In the current period the non-recurring tangible assets write-downs, mainly related to the closure of the Slovenian plant in Ormož and to the termination of activities related to the exiting licensed brands, were equal to 4,573 thousand Euro in the cost of sales (4,447 thousand Euro in the previous period).

The item general and administrative expenses include amortization for 8,698 thousand Euro (6,480 thousand Euro in the previous period) related to the intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the two acquisitions Privé Revaux and Blenders Eyewear, executed in 2020.

Management carefully examined the recoverability of the assets identified in the Purchase Price Allocation of the two acquired companies. As a result of this analysis, it was concluded that, despite the reshaping of the forecasts, based on the expectations of recovery from the pandemic, there were no specific impairment indicators for the assets identified in the Purchase Price Allocation of the two acquisitions.

The Right of Use depreciations in 2021 are equal to 9,893 thousand Euro (10,573 thousand Euro in the previous year).

The Group does not recognize as intangible assets the research and development costs related to both technological and production processes developments and product design.

During the year the Group incurred and charged to income, costs for research and development amounting to 13,924 thousand Euro (12,612 thousand Euro in the previous year).

4.9 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, they will enable the whole Group to compete more effectively in the fast growing digital sales and communication channels. The allocation to a single CGU is consistent with the approach adopted for the preparation of the 31 December 2020 financial statements, which has been 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.**	**December 31, 2021**
Goodwill	30,331	-	-	2,531	32,861

(Euro/000)	**January 1, 2020**	**Increase**	**Decrease**	**Changes in the scope of consolidation**	**Transl. diff.**	**December 31, 2020**
Goodwill	-	-	-	33,844	(3,514)	30,331

During the current period, the item recorded an increase of 2,531 thousand Euro due to foreign currency translation.

Impairment test

The approach followed and the assumptions made to perform the impairment test are described below.

For the unique identified CGU of the Group, the recoverable amount is based on its value in use determined based on estimated future cash flow projections. On 15 March 2022 the Board of Directors has approved Financial Projections for the period 2022-2026 which confirm the main goals and strategies defined in the Group Business Plan 2020-2024 published in December 2019.

These Financial Projections, which include the consolidation of the Blenders and Privé Revaux businesses and the new brand licenses Chiara Ferragni, Carolina Herrera and Dsquared2, have been prepared starting from the approved Group Budget for 2022 and considering for the period 2023-2026 the ongoing implementation of the Group's strategic plan while confirming the long term objectives in terms of volumes and marginality.

In estimating the growth in the plan period, the Group has taken into consideration both its own internal expectations as well as indications obtained from independent external sources.

As a reminder, the main objectives and strategies underlying Safilo's 2020-2024 business plan were:

- to develop a modern and successful customer-centric and consumer-oriented business model, powered by a new 360° digital transformation strategy;
- to deliver Sales Growth, by placing customers and consumers at the heart of the strategy, and accelerating initiatives to digitally transform the Company's business model. Continuing in the coming years the initiatives started in 2020 in Europe, Safilo intends to strengthen and enlarge its client base by pursuing a customer-centric strategy, redesigning its Customer Experience, Engagement and Customer Care activities through the adoption of the latest technologies in the B2B, CRM (Customer Relationship Management) and salesforce automation fields.

  The Group will continue developing a multi-segment and multi-channel portfolio strategy by also accelerating projects to build an even-closer connection with end consumers. Safilo is pursuing this strategic choice through a more decisive digital shift of its mix of capabilities and investments, from digital and social marketing to Direct-to-Consumer distribution, a channel in significant growth in which Safilo wants to accelerate both through strategic commercial partnerships and through the acquisition of new important capabilities;
- to deliver Margin Expansion, through an efficient cost structure, which responds to the requirement to realign the Group's current industrial capacity to the future production needs and to achieve further costs of goods sold and overheads efficiencies, guaranteeing the Group's economic and financial solidity and the pursuit, during the Plan's timeline, of a recovery of the levels of profitability to which Safilo aspires.

The impairment test methodology used for the execution of the impairment test at the date of 31 December 2021 is consistent with the criteria used for the 2020 financial statements and considers the following factors:

- Management used the most recent information available to calculate the WACC (weighted average cost of capital), in particular: risk free rate, market risk premium, beta, specific risk premium for Safilo, cost of debt (including lease liabilties), debt/equity structure. As recommended by regulators, the WACC has not been adjusted for a Covid-related risk premium, being the uncertainty reflected in the cash flows;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country in which the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2026.

To calculate the present value, the future cash flows thus obtained were discounted to their present value at a discount rate (WACC) as at the test's date of reference that took into account the specificities of each geography where the Group operates. The cash flows generated after the horizon considered were determined on the basis of perpetual growth rates considered adequate with reference to the economic conditions of the country of reference.

The following table summarizes the WACC and "g" rates used by the Group for the impairment test:

Key assumptions	**"WACC" discount rate**		**Growth rate "g"**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Safilo Group	7.93%	8.36%	1.90%	1.90%

The execution of the impairment test resulted in a cover compared to the net invested capital including goodwill as of 31 December 2021.

Management has performed sensitivities to test the cover of Net Invested Capital based on different scenarios where key parameters like WACC and Free Cash Flows have been progressively modelled. As a matter of fact, with reference to the break-even level: to obtain an enterprise value equal to the net invested capital as of 31 December 2021, including goodwill, EBITDA and related cash flows could be reduced by 55% or WACC could be increased by +4,5%.

After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2021.

Management has used the most reliable information available at this moment. In monitoring the goodwill value, management has taken into consideration also exogenous factors, such as the stock market capitalization. The stock market valuation in general may be subject to different expectations and various fluctuations and hence in practice different valuation methods exist, such as those based on expected cash flows.

During year 2021 Safilo Group's stock market capitalization has been always above the book value of shareholder equity.

Management believe that the assumptions incorporated in the Financial Projections 2022-2026 underlying the impairment test are reasonable and that the Group has the necessary skills and resources to meet planned goals considering that an appropriate execution risk of the plan has been embedded in the WACC used for the test.

4.10 Deferred tax assets and deferred tax liabilities

The following table shows the amounts of deferred tax assets and liabilities, net of the write-downs applied:

(Euro/000)	**December 31, 2021**	**December 31, 2020**
Deferred tax assets	191,580	187,743
Valuation Allowance (-)	(154,139)	(149,658)
Net deferred tax assets	37,441	38,084
Deferred tax liabilities	(13,031)	(11,345)
Total net	**24,410**	**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. The valuation allowance for deferred tax asset as of 31 December 2021 amounts to 154,139 and has increased by 4,481 thousand Euro compared to 2020 in order to take into account any potential deferred tax assets, that might not be recovered by the forecasted future taxable profit in relation to some Group companies. 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.

The table below provides details of the items affected by temporary differences on which deferred tax assets and liabilities were calculated.

Deferred tax assets

		Posted to			
(Euro/000)	**January 1, 2021**	**Income Statement**	**Equity**	**Transl. diff.**	**December 31, 2021**
- Tax losses carried forward	108,899	6,472	-	889	116,259
- Inventories	29,641	(4,812)	-	1,118	25,947
- Taxed allowances for doubtful accounts	5,377	(1,195)	-	196	4,378
- Taxed provisions	6,669	(876)	-	40	5,833
- Employees benefit liabilities	1,386	(284)	(120)	(1)	981
- Intangible assets	2,441	(112)	-	10	2,339
- Tangible assets	6,721	3,599	-	416	10,736
- Other payables	7,183	(7,183)	-	-	-
- Taxed financial interests	13,273	2,225	-	62	15,560
- Other temporary differences	6,153	3,119	-	276	9,548
- Total deferred tax assets	**187,743**	**952**	**(120)**	**3,006**	**191,581**
- Valuation allowance of deferred tax assets on tax losses	(98,506)	(9,727)	-	(272)	(108,505)
- Valuation allowance of deferred tax assets on other temporary differences	(51,152)	5,644	-	(126)	(45,634)
- Total allowance on deferred tax assets	**(149,658)**	**(4,083)**	**-**	**(398)**	**(154,139)**
Total net	**38,084**	**(3,131)**	**(120)**	**2,608**	**37,441**

Deferred tax liabilities

(Euro/000)	January 1, 2021	Posted to Income Statement	Posted to Equity	Transl. diff.	December 31, 2021
- Depreciation differences	4,119	(1,234)	-	213	3,097
- Goodwill	154	1,813	-	92	2,059
- Inventories	270	(128)	-	7	150
- Receivables and payables	6	360	-	20	386
- Other temporary differences	6,796	(17)	-	562	7,339
Total	**11,345**	**793**	**-**	**894**	**13,031**

The table below shows the Group's total carryforward for unused tax losses by expiration date, the related deferred tax assets and the amount of valuation allowance. The deferred tax assets calculated on the tax losses available for carry forward of some Group companies amount to a total of 116,259 thousand Euro. These deferred tax assets have been written down by a valuation allowance of 108,505 thousand Euro, because at present their recovery via the generation of future taxable profit is not considered probable.

Expiration date *(Euro/000)*	Tax losses	Tax benefit
2022	1,057	264
2024	397	102
2025	12,546	3,521
2026	4,563	1,506
2027	1,415	443
2029	34	11
2030	1,084	351
2036	739	185
Unlimited	435,992	106,117
Other tax losses relating local taxes:		
Various		3,757
Total	**457,828**	**116,259**
Valuation Allowance (-)		(108,505)
Total deferred tax assets on losses carried forward		**7,754**

The following table shows deferred tax assets and liabilities split between the portion due within one year and the portion due after more than one year.

(Euro/000)	December 31, 2021	December 31, 2020
Deferred tax assets		
- recoverable within one year	20,347	14,576
- recoverable beyond one year	17,094	23,508
Total	37,441	38,084
Deferred tax liabilities		
- recoverable within one year	(571)	(278)
- recoverable beyond one year	(12,459)	(11,067)
Total	(13,031)	(11,345)
Total net	**24,410**	**26,739**

4.11 Other non-current assets

The table below shows details of non-current assets:

(Euro/000)	December 31, 2021	December 31, 2020
Long-term guarantee deposits	1,682	1,666
Other long-term receivables	4,128	375
Long-term tax receivables	3,260	5,335
Total	**9,070**	**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.

Other long-term receivables mainly refer to the cash consideration for the disposal of the office real estate near the Padua Headquarters, classified as held for sale, finalised with effective data 1 December 2021. The receivable has been discounted at its present value and will be collected through monthly instalments along a four year payment period according to the contract.

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.

4.12 Borrowings and Lease liability

This item breaks down as follows:

(Euro/000)	**December 31, 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	131,798	151,453
Other long-term loans - Shareholder Loan	-	93,474
Long-term borrowings	**131,798**	**244,926**
Short-term portion of financial lease liability IFRS 16	8,247	9,605
Long-term portion of financial lease liability IFRS 16	32,917	33,504
Financial lease liability IFRS 16	**41,164**	**43,109**
Total	**192,962**	**311,035**

Borrowings

At 31 December 2021 the Group has bank loans for a total amount of 151,798 thousand Euro of which 20,000 thousand Euro classified as short-term and 131,798 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).

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

- 45,000 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 90% guaranteed by SACE (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 1,202 thousand Euro (2,010 thousand Euro as at 31 December 2020), bringing their combined net value to the 151,798 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 31 December 2021 (no amount drawn also as at 31 December 2020);

- the Covid-19 refinancing facility equal to 463 thousand Euro signed in 2020 by the Swiss subsidiary, in the framework of the local financing support measures, has been reimbursed in advance on the contractual maturity date of 1 March 2025.

The item "Other long-term loans" related to the shareholder loan entered by the Group with its reference shareholder HAL for a nominal value of 90,000 thousand Euro and accrued capitalised interests, has been fully reimbursed at the end of October 2021, in advance on the contractual maturity date of 31 December 2026, for a total amount 99,139 thousand Euro (90,000 thousand Euro of nominal value plus 9,139 thousand Euro of capitalised interests net of the applicable withholding tax), thanks to the proceeds of the share capital increase finalised in 2021.

The SACE TLF is 90% guaranteed by SACE (Italian Export Credit Agency), pursuant to the "Decreto Liquidità" adopted on April 8, 2020 by the Italian Government and converted into law by the Parliament, in the context of the extraordinary measures promoted to deal with the economic and social impact of the Covid-19 outbreak. The Term Loan Facility, arranged by BNP Paribas, ING Bank, Intesa Sanpaolo and UniCredit, also acting as SACE Coordinator and Agent Bank, matures on 30 June 2026, with ca. 3 years grace period and a repayment profile in twelve quarterly instalments starting from September 2023. The facility is unsecured and pari passu with the Euro 150 million "2018 TL&RCF" signed in 2018. The SACE TLF contains the specific representations and undertakings required by the "Decreto Liquidità", along with other customary provisions for this kind of transaction.

These committed, unsubordinated and unsecured facility agreements (2018 TL&RCF and SACE TLF) are subject to customary operating and financial covenants. At 31 December 2021 the Group complies with all the outstanding covenants.

Total Interest expenses on borrowings are 12,376 thousand Euro (10,265 thousand Euro in 2020) of which figurative interest, calculated according to amortized cost method, are 808 thousand Euro.

Here below we report the maturity analysis of the nominal value of the long-term bank loans, gross of 1,202 thousand Euro of transaction costs (2,010 thousand Euro in 2020):

(Euro/000)	**December 31, 2021**	**December 31, 2020**
From 1 to 2 years	43,000	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	18,000	36,463
Beyond 5 years	-	18,000
Total	**133,000**	**153,463**

The Group, as at 31 December 2021, has no financial borrowings in currencies other than Euro, details on the Group's exposure to interest rate and liquidity risks arising from borrowings are set out in the paragraphs relating the risk management (see note 3).

Financial Lease liability

The IFRS 16 financial lease liability, as at 31 December 2021, amounts to 41,164 thousand Euro of which 8,247 thousand Euro as short term, and 32,917 thousand Euro as long term.

Here below we report the maturity analysis of the long term IFRS 16 financial lease liability:

(Euro/000)	**December 31, 2021**	**December 31, 2020**
From 1 to 2 years	6,817	6,695
From 2 to 3 years	5,717	5,187
From 3 to 4 years	4,679	4,288
From 4 to 5 years	3,975	3,641
Beyond 5 years	11,729	13,694
Total	**32,917**	**33,504**

Net Financial Position

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 attention notice 5/21 of 29 April 2021.

Net financial debt *(Euro/000)*	**December 31, 2021**	**December 31, 2020**	**Change**
A Cash	267	177	90
B Cash equivalents	98,735	88,789	9,945
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	**99,002**	**88,966**	**10,035**
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	(28,247)	(29,605)	1,358
G Current financial indebtedness (E + F)	**(28,247)**	**(32,605)**	**4,358**
H Net current financial indebtedness (G - D)	**70,755**	**56,362**	**14,393**
I Non-current financial debt (excluding current portion and debt instruments)	(164,715)	(278,431)	113,716
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	**(164,715)**	**(278,431)**	**113,716**
M Total financial indebtedness (H + L)	**(93,960)**	**(222,069)**	**128,109**

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 4.4 and 4.18 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 31 December 2021 the indirect or contingent indebtedness of the Group, includes "liabilities for options on non-controlling interests” equal to 47,406 thousand of Euro (74,839 thousand Euro as at 31 December 2020) as disclosed in note 4.18.

In compliance with the same communication, it is specified that the balance sheet also presents a liability for "employee benefit obligations" equal to 18,995 thousand of Euro as disclosed in note 4.17, and "provisions for risks" for a total of 30,921 thousand of Euro as disclosed in note 4.16.

4.13 Trade payables

This item breaks down as follows:

(Euro/000)	December 31, 2021	December 31, 2020
Trade payables for:		
Purchase of raw materials	26,309	30,776
Purchase of finished goods	77,072	45,120
Suppliers from subcontractors	5,118	3,680
Tangible and intangible assets	2,812	3,174
Commissions	3,508	2,880
Royalties	10,193	36,276
Advertising and marketing costs	9,371	9,130
Services	48,809	40,199
Sales returns liabilities (Refund Liability)	9,891	10,165
Total	**193,082**	**181,401**

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

The decrease of the royalties payables is due to the amount accrued in the previous period on the licenses terminated on 31 December 2020 that has been net settled in 2021 with all the license termination's outstanding 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 sales. The refund liability refers to well identified items and customers and management has elements to estimate the liability with a high reliability level.

4.14 Tax payables

This item breaks down as follows:

(Euro/000)	December 31, 2021	December 31, 2020
Income tax payables	8,051	6,013
VAT payables	3,325	3,134
Other taxes payables	6,044	9,221
Total	**17,420**	**18,369**

At 31 December 2021 tax payables amounted to Euro 17,420 thousand (compared to Euro 18,369 thousand at 31 December 2020). Of this sum Euro 8,051 thousand referred to income tax for the period, Euro 3,325 thousand to VAT payable and Euro 6,044 thousand to taxes withheld, current and local taxes.

The provision for the year's current income tax is shown in note 5.8 concerning income tax.

4.15 Other current liabilities

This item breaks down as follows:

(Euro/000)	**December 31, 2021**	**December 31, 2020**
Payables to personnel and social security institutions	37,239	31,789
Agent fee payables	97	204
Payables to pension funds	1,282	1,341
Accrued advertising and sponsorship costs	1,451	1,303
Accrued interests on long-term loans	14	469
Other accruals and deferred income	11,325	10,015
Other current liabilities	4,153	6,576
Total	**55,562**	**51,697**

Payables to personnel and social security institutions mainly refer to salaries and wages for December and for 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.

4.16 Provisions

This item breaks down as follows:

(Euro/000)	January 1, 2021	Increase	Decrease	Reclass	Transl. diff.	December 31, 2021
Product warranty provision	5,736	71	(113)	-	70	5,764
Agents' severance indemnity	2,931	352	(548)	-	1	2,736
Other provisions for risks and charges	5,657	1,944	(960)	-	4	6,645
Provisions for risks - long term	**14,324**	**2,366**	**(1,621)**	**-**	**75**	**15,144**
Product warranty provision	1,012	1,070	(229)	-	125	1,978
Provision for corporate restructuring	11,592	7,047	(10,845)	-	(0)	7,795
Other provisions for risks and charges	25,910	709	(20,641)	-	26	6,004
Provisions for risks - short term	**38,514**	**8,826**	**(31,715)**	**-**	**151**	**15,776**
Total	**52,838**	**11,192**	**(33,335)**	**-**	**226**	**30,921**

(Euro/000)	January 1, 2020	Increase	Decrease	Reclass	Transl. diff.	December 31, 2020
Product warranty provision	5,779	-	(43)	-	-	5,736
Agents' severance indemnity	3,037	280	(380)	-	(5)	2,931
Provision for corporate restructuring	20,831	-	(9,336)	(11,496)	-	-
Other provisions for risks and charges	9,617	3,950	(7,684)	-	(226)	5,657
Provisions for risks - long term	**39,264**	**4,230**	**(17,443)**	**(11,496)**	**(231)**	**14,324**
Product warranty provision	1,092	-	-	-	(80)	1,012
Provision for corporate restructuring	150	98	(150)	11,496	(1)	11,592
Other provisions for risks and charges	21,582	6,244	(1,864)	-	(53)	25,910
Provisions for risks - short term	**22,824**	**6,342**	**(2,014)**	**11,496**	**(133)**	**38,514**
Total	**62,088**	**10,572**	**(19,457)**	**-**	**(365)**	**52,838**

The product warranty provision was recorded against the costs to be incurred for the replacement of products sold before the balance sheet date.

The agents’ severance indemnity was created against the risk deriving from the payment of indemnities in the case of termination of the agency agreement. This provision has been calculated based on existing laws at the balance sheet date considering all the future expected financial cash outflows.

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way, 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 and includes the severance cost accrued and already paid in the period. The decrease of the period equal to 10,845 thousand Euro is related to the above mentioned severance cost liquidated in the period and to utilization for the other ongoing restructuring plans.

Provisions for other risks and charges refer to the best estimate made by 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 the Italian subsidiaries and 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 amounting to 17,000 thousand Euro and 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, the company's past 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 adequate to cover the existing risks.

4.17 Employee benefit obligations

This item breaks down as follows:

(Euro/000)	December 31, 2021	December 31, 2020
Defined contribution plan	16	154
Defined benefit plan	18,979	23,346
Total	**18,995**	**23,500**

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

(Euro/000)	January 1, 2021	Addition	Actuarial (gains)/losses	Uses	Transl. diff.	December 31, 2021
Defined benefit plan	23,346	456	(783)	(4,054)	15	18,979

(Euro/000)	January 1, 2020	Addition	Actuarial (gains)/losses	Uses	Transl. diff.	December 31, 2020
Defined benefit plan	27,055	891	204	(4,773)	(30)	23,346

The decrease of the period equal to 4,054 thousand Euro is mainly related to the restructuring plan of the Group's manufacturing footprint, with the closure of the Slovenian plant in Ormož at the end of June 2021.

This item refers to different forms of defined benefit and defined contribution pension plans, in line with the local conditions and practices in the countries in which the Group carries out its business.

The employee severance fund of Italian companies ("TFR"), which constitutes the main part of the balance related the defined benefit plan, has historically been considered to be a defined benefit plan. However, following the changes in legislation governing the employment severance fund introduced by Italian law no. 296 of 27 December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accrued from 1 January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";
- the portion of the employee benefit liability accrued as of 31 December 2006 must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

The employee severance fund of Italian companies ("TFR") has no plan assets at its service.

Actuarial estimates used for calculating the employee severance liability accrued up to 31 December 2006 are based on a system of assumptions based on demographic parameters, economic parameters and financial parameters.

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

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

The main financial parameter is given by the discount rate. The annual discount rate used to calculate the present value of the obligation was derived by the Iboxx Corporate AA index with a duration comparable to the duration of the collective of workers covered by the assessment.

The principal assumptions used for the purpose of the actuarial valuations as at 31 December 2021 and 31 December 2020 are summarized here follow:

	2021	2020
Discount rate	0,44%	-0,02%
Inflation rate	1,75%	0,80%
Rate of benefit increase	2,81%	2,10%

Below depicts the sensitivity of the Group's defined benefit obligations to changes in the principal assumptions.

(Eur/000) Assumption	Change	Increase	Decrease
Inflation	1,00%	878	(824)
Discount rate	1,00%	(1.298)	1.480
Life expectancy	1 year	118	(118)

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

(Euro/000)	2021	2020
Service cost	(443)	(676)
Interest cost	(12)	(215)
Actuarial gain/(loss)	783	(204)
Total	**328**	**(1,094)**

4.18 Liabilities for options on non-controlling interests

Movements in the item were as follows:

(Euro/000)	January 1, 2021	Increase	Decrease	Transl. diff.	December 31, 2021
Liabilities for options on non-controlling interests	74,839	-	(32,249)	4,817	47,406
	74,839	**-**	**(32,249)**	**4,817**	**47,406**

The amount equal to 47,406 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 acquiring respectively 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.

These options were valued at their fair value at the acquisition date, using a discounted cash-flow approach based on the business plans underlying the two acquisitions and recorded as a non-current liability. The non-controlling interest continues to be recognised and is allocated its share of profits and losses in the normal way.

As at 31 December 2021 management, on the basis of the updated business plans of the two investments, has reperformed the fair value calculation of these liabilities. The main assumptions for determining the fair value are the ones on the future performance of the two new businesses acquired. With reference to Privé Revaux, management updated the financial forecasts for future years, to take into consideration the temporary slowdown in the company's growth process caused also by the Covid-19 pandemic. Since the timing of the contractual windows for exercising the options has not changed, even in the presence of a deferral of the expected growth compared to the initial valuations, the fair value of the liability mainly relating to the Privé Revaux investment, was significantly reduced as at 31 December 2021, with the recognition of a fair value liability reduction equal to 32,249 thousand Euro reported as financial gain in the item "Gains/(losses) for options on non-controlling interests" in the income statement.

In consideration of the significant decrease of the value of the option, management carefully examined the recoverability of the assets identified in the Purchase Price Allocation of the two newly acquired companies. As a result of this analysis, it was concluded that, despite the reshaping of the forecasts, based on the expectations of recovery from the pandemic, there were no specific impairment indicators for the assets identified in the Purchase Price Allocation of the two acquisitions.

Furthermore, the value of the liability was adjusted for translation difference due to the Euro/US exchange rate fluctuation and for the accretion consequent to the financial discounting of the long-term debt.

4.19 Other non-current liabilities

Movements in the item were as follows:

(Euro/000)	January 1, 2021	Increase	Decrease	Transl. diff.	December 31, 2021
Other non current liabilities	1,765	(78)	-	73	1,760
	1,765	**(78)**	**-**	**73**	**1,760**

The "other non current liabilities" line include also the estimate of the tax liability equal to 810 thousand Euro accrued according to the new IFRIC 23, on the basis of the assessment of the limited uncertain tax treatment identified within the Group.

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). On 31 December 2021, shareholders' equity totaled 326,741 thousand Euro versus Euro 143,252 thousand Euro on 31 December 2020.

4.20 Share capital

On 30 July 2021, the Extraordinary Shareholders' Meeting of Safilo Group S.p.A. decided to increase the share capital for a maximum total amount of Euro 135 million, including potential share premium, to be carried out in divisible form through the issue of new ordinary shares without face value indication, with regular dividend entitlement, to be offered as options to shareholders.

On 4 October 2021, the Board of Directors of Safilo Group S.p.A. decided terms, conditions and calendar of the capital increase resolved by the Extraordinary Shareholders' Meeting of 30 July 2021. In particular, on that date, the Board of Directors approved the issuance of a maximum of 137,851,923 ordinary shares to be offered as an option to shareholders, in a ratio of 1 new share every 2 ordinary shares owned, at an issue price of Euro 0.979 per new share, for a total value of Euro 134,957,033.

During the option offering period, which began on 11 October 2021 and ended on 28 October 2021, 274,162,858 option rights valid for the subscription of 137,081,429 newly issued ordinary shares were exercised, representing approximately 99.44% of the total number of new shares offered, for a total countervalue of Euro 134,202,719.

In accordance with art. 2441, third paragraph, of the Italian Civil Code, Safilo offered on Stock Exchange n. 1,540,988 option rights not exercised during the option period, valid for the subscription of n. 770,494 new shares corresponding to approximately 0.56% of the total of the new shares offered. During the stock exchange session of 2 November 2021, all 1,540,988 unexercised option rights were sold, consequently 770,494 new ordinary shares were subscribed for a countervalue of Euro 754,314.

As a result of the subscription and redemption of these 137,081,429 new ordinary shares during the option offer period, as well as a further 770,494 new ordinary shares following the offer of the unexercised rights on the stock exchange, a total of 137,851,923 new shares were subscribed to, equal to all the new ordinary shares offered under option, for a total value of Euro 134,957,033 at 31 December 2021.

The total amount received for the subscription of the newly issued shares was allocated to share capital for Euro 34,876,537 and to the share premium reserve for Euro 100,080,496.

At 31 December 2021, the share capital of the parent company, Safilo Group S.p.A., amounted to Euro 384,819,909 (compared to Euro 349,943,373 of previous year) and is divided into 413,555,769 ordinary shares.

4.21 Share premium reserve

At 31 December 2021, the share premium reserve of the parent company, Safilo Group S.p.A. totalled Euro 692,457,846 (compared to Euro 594,277,350 at the end of the previous year).

The increase for the period, due to the capital increase finalised during the year, amounts to Euro 98,180,496, net of the transaction costs related to the capital increase of Euro 1,900,000.

4.22 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 year, the movements of the item "retained earnings and other reserve" mainly refer to:

- an increase of 30,575 thousand Euro due to the translation differences coming from the translation of the subsidiaries' financial statements into Euro;
- an increase of 647 thousand Euro related to the cost of the period of the stock option plans in place;
- an increase of 661 thousand Euro due to the actuarial valuation, net of tax effect, of the employee termination indemnities of defined benefit plans;
- a decrease of 61 thousand Euro mainly related to transactions with minority interests.

4.23 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. As at 31 December 2021 the Group has no currency forward contract in place subject to cash flow hedging accounting.

4.24 Stock option plans

As at 31 December 2021 the Group has in place three Stock Option Plans: 2014-2016 Plan, 2017-2020 Plan and the 2020-2022 Plan.

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.

It should be noted that the Board of Directors resolved the following adjustments of the Stock Option Plans in place to take into account the effects of the share capital increase up to a maximum of Euro 135 million resolved by the Shareholders' Meeting held on 30 July 2021. In particular both the number of options rights assigned, and the related exercise price were adjusted applying a conversion factor equal to 0.901.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2021 are shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2014-2016				
First tranche	29/04/14	242,080	2.41	31/05/22
Stock Option Plan 2017-2020				
Third tranche	30/04/19	1,036,119	0.18	31/05/27
Stock Option Plan 2020-2022				
First tranche	31/07/20	3,771,753	0.18	30/06/28
Second tranche	11/03/21	3,971,431	0.27	30/06/29

The fair value of the stock options was estimated on the vesting date based on the Black-Scholes model.

The main market inputs of the model used are shown below:

	Share price at grant date	Exercise price in Euro	Expected volatility	Free risk rate
Stock Option Plan 2014-2016				
First tranche	8.75	8.39	30.00%	1.044%
Stock Option Plan 2017-2020				
Third tranche	0.81	0.68	36.20%	0.087%
Stock Option Plan 2020-2022				
First tranche	0.63	0.63	47.78%	-0.392%
Second tranche	0.93	0.87	45.67%	-0.290%

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

	No. of options	Average exercise price in Euro
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**234,384**	**9.31**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(16,164)	9.31
Adjustment post capital increase	23,860	
Outstanding at period-end	**242,080**	**8.39**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**1,009,000**	**0.75**
Granted	-	-
Forfeited	(75,000)	0.75
Exercised	-	-
Expired	-	-
Adjustment post capital increase	102,119	
Outstanding at period-end	**1,036,119**	**0.68**
Stock Option Plan 2020-2022		
Outstanding at the beginning of the period	**3,500,000**	**0.70**
Granted	3,600,000	0.97
Forfeited	(120,000)	0.75
Exercised	-	-
Expired	-	-
Adjustment post capital increase	763,184	
Outstanding at period-end	**7,743,184**	**0.76**

During the year, 3,600,000 options have been granted related to the second tranche of the Plan 2020-2022, in the same period 195,000 options have been forfeited, of which 75,000 of the Plan 2017-2020 and 120,000 of the Plan 2020-2022.

Among the options outstanding at the end of the period the first tranche of the Plan 2014-2016, equal to a total of 242,080 is exercisable from the date of the approval of 2016 financial statements until the expiry of the exercise period set for 31 May 2022, while the third tranche of the Plan 2017-2020, equal to 1,036,119 options, is exercisable until 31 May 2027. The first and the second tranche of the Plan 2020-2022, equal respectively to 3,771,753 and to 3,971,431 are exercisable until 30 June 2028 and 30 June 2029.

At the date of the approval of these financial statements the options vested and exercisable still outstanding are the one related to the Plan 2014-2016 equal to 242,080.

The average exercise price for options of the Plan 2014-2016 is equal to 8.39 Euro with a remaining contract life of 0.4 years, for the third tranche of the Plan 2017-2020 is equal to 0.68 Euro with a remaining contract life of 5.4 years, while for the first and the second tranche of the Plan 2020-2022 are equal to respectively 0.63 and 0.87 Euro with an average remaining contract life of 7.0 years.

The adoption of these plans has affected the income statement for the period for a cost of 647 thousand Euro (79 thousand Euro at 31 December 2020).

5. Notes to the consolidated income statement

5.1 Net sales

The Group's primary revenue segment is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners. Moreover, the Group sell its eyewear products directly to its customers through its online sales channel 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.

2021 Group sales amounted to 969,584 thousand Euro, showing an increase of 24.3% compared to the previous year (780,298 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.

5.2 Cost of sales

This item breaks down as follows:

(Euro/000)	2021	2020
Purchase of raw materials and finished goods	360,298	250,125
Capitalisation of costs for increase in tangible assets (-)	(3,774)	(6,311)
Change in inventories	(25,820)	36,674
Wages and social security contributions	88,473	89,283
Subcontracting costs	16,832	11,335
Amortization and depreciation	17,396	22,049
Depreciation Right of Use - IFRS 16	1,121	1,274
Rental and operating leases	1,460	1,697
Offset Rental and operating leases - IFRS 16	(1,181)	(1,375)
Utilities, security and cleaning	6,037	6,818
Other industrial costs	6,982	6,201
Total	**467,824**	**417,770**

Cost of sales increased by Euro 50,054 thousand (or 12.0%), from Euro 417,770 thousand in 2020, to Euro 467,824 thousand in 2021. The cost of sales increase was due to the return of the industrial activity to the level pre Covid-19 pandemic. The payroll and social security contributions remain substantially stable compared to 2020 benefitting of the savings provided by the reshaping of the Group's industrial capacity according to the restructuring plan of the Group's manufacturing footprint, with the closure of the Slovenian plant in Ormož effective from 1 July 2021, aiming to its realignment to the current production needs.

Amortization and depreciation decreased by Euro 4,653 thousand from Euro 22,049 thousand in 2020 to Euro 17,396 thousand in 2021.

The item has been also affected by non-recurring costs of Euro 10,856 thousand, of which 4,573 thousand Euro for additional depreciation for write down of fixed assets, mainly related to the restructuring expenses for the closure, starting from the end of June 2021, of the Ormož production plant in Slovenia and to other non-recurring expenses linked to the termination of activities related to exiting licensed brands.

Changes in inventories can be broken down as follows:

(Euro/000)	2021	2020
Finished products	(29,376)	33,178
Work-in-progress	1,681	(1,280)
Raw materials	1,875	4,776
Total	**(25,820)**	**36,674**

5.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	**2021**	**2020**
Payroll and social security contributions	98,263	82,816
Sales commissions	44,585	38,807
Royalty expenses	56,118	57,275
Advertising and promotional costs	110,437	88,371
Amortization and depreciation	3,400	3,261
Depreciation Right of Use - IFRS 16	4,401	4,439
Logistic costs	28,943	22,547
Consultants fees	1,190	1,238
Rental and operating leases	7,125	7,118
Offset Rental and operating leases - IFRS 16	(5,681)	(5,381)
Utilities, security and cleaning	1,125	1,589
Provision for risks	65	(1,145)
Other sales and marketing expenses	13,064	10,975
Total	**363,033**	**311,909**

Selling and marketing expenses increased by Euro 51,124 thousand (or 16.4%), from Euro 311,909 thousand in 2020 to Euro 363,033 thousand in 2021. This was due to the significant recovery of sales activity returning to the level pre Covid-19 pandemic with the consequent increase of payroll and social security contributions by Euro 15,447 thousand (or 18.7%), sales commissions by Euro 5,778 thousand (or 14.9%), advertising and promotional costs by Euro 22.066 thousand (or 25.0%). Royalty expenses decreased of 1,157 thousand Euro (or 2.0%), from 57,275 thousand Euro to Euro 56,118 thanks to the significant increase of the turnover that have reduced the negative impact of the contractual minimum guaranteed royalties that affected the previous year.

5.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	2021	2020
Payroll and social security contributions	47,765	41,991
Allowance and write off of doubtful accounts	1,540	8,522
Amortization and depreciation	22,523	23,492
Depreciation Right of Use - IFRS 16	4,372	4,860
Professional services	13,963	11,195
Rental and operating leases	5,579	5,956
Offset Rental and operating leases - IFRS 16	(4,748)	(5,442)
EDP costs	17,835	17,677
Insurance costs	2,161	2,039
Utilities, security and cleaning	3,120	2,860
Taxes (other than on income)	1,555	1,683
Other general and administrative expenses	3,889	2,762
Total	**119,552**	**117,595**

General and administrative expenses increased by Euro 1,957 thousand (or 1.7%), from Euro 117,595 thousand in 2020 to Euro 119,552 thousand in 2021. This was mainly due to an increase in payroll and social security contributions by Euro 5,774 thousand (or 13.8%), from Euro 41,991 thousand in 2020 to Euro 47,765 thousand in 2021.

General and administrative expenses on the other side have also benefitted, compared to the previous period, of lower write off and bad debt allowances, decreased for an amount equal to Euro 6,982 thousand.

Depreciation and amortization decreased by 970 thousand Euro, from 23,942 thousand in 2020 to Euro 22,523 thousand in 2021, the item includes amortization for 8,698 thousand Euro (6,480 thousand Euro in the previous period) related to the intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the acquisitions of Privé Revaux and Blenders Eyewear completed in 2020.

Average number of employees

The average number of employees by rank is shown below:

	2021	2020
Executives	100	110
Clerks and middle management	2,188	2,346
Factory workers	2,530	3,139
Total	**4,818**	**5,595**

The reduction of the average number of employees by 777 is the result of the reshaping of the Group's industrial capacity according to the restructuring plan of the Group's manufacturing footprint, with the closure of the Italian plant in Martignacco in 2020 and of the Slovenian one in Ormož effective from 1 July 2021, and the Group's overhead cost reduction program.

5.5 Other operating income (expenses)

This item breaks down as follows:

(Euro/000)	2021	2020
Losses on disposal of assets	(378)	(330)
Other operating expenses	(16,289)	(19,388)
Gains on disposal of assets	219	428
Other operating income	23,347	2,842
Total	**6,900**	**(16,448)**

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

During the year under "other operating expenses" non-recurring costs of Euro 12,921 thousand were accounted for mainly related to the closure, starting from the end of June 2021, of the Ormož production plant in Slovenia and to other non-recurring expenses. In the previous year non-recurring costs of 17,903 thousand Euro were accounted for mainly related to restructuring expenses for the ongoing cost saving plan and other non-recurring expenses linked to the termination of activities related to exiting licensed brands.

"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 the already mentioned investigation by the French Competition Authority. The release was motivated by the positive outcome for the Group, without sanctions, of this investigation.

5.6 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 the the put and call options on the non-controlling interests of the two business combinations finalised in 2020 (for more details see the note 4.18).

As at 31 December 2021 management, on the basis of the updated business plans of the two investments, has reperformed the fair value calculation of these liabilities and adjusted their value recording a gain for its reduction equal to 32,249 thousand Euro (a gain of 19,824 thousand Euro in the previous period).

5.7 Financial charges, net

This item breaks down as follows:

(Euro/000)	**2021**	**2020**
Nominal interest expenses on loans	5,288	5,624
Nominal Interest expenses on shareholder loan	6,280	3,875
Figurative interest expenses on loans	808	766
Interest expenses on operating leases - IFRS 16	1,548	1,784
Bank commissions	6,796	4,439
Negative exchange rate differences	27,845	37,179
Other financial charges	613	1,203
Total financial charges	**49,177**	**54,870**
Interest income	323	241
Positive exchange rate differences	24,485	29,042
Other financial income	869	1,490
Total financial income	**25,676**	**30,773**
Total financial charges, net	**23,500**	**24,097**

Total net financial charges decreased by Euro 597 thousand from Euro 24,097 thousand in 2020 to Euro 23,500 thousand in 2021. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 1,548 thousand, interest on loans increased by Euro 2,110 thousand, from Euro 10,265 thousand in 2020 to Euro 12,375 thousand in 2021. Net exchange rate differences are equal to a loss of Euro 3,360 thousand in 2021 (a loss of Euro 8,137 thousand in 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.

5.8 Income taxes

This item breaks down as follows:

(Euro/000)	2021	2020
Current tax	(10,872)	16,755
Deferred tax	(3,924)	(2,306)
Total	**(14,795)**	**14,449**

Income taxes increased by 29,244 thousand Euro from an income of 14,449 thousand Euro of 2020 to an expense of 14,795 thousand Euro of 2021.

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

(Euro/000)	%	2021	%	2020
Profit before taxation	**100%**	**34,824**	**100%**	**(87,696)**
Income tax benefit (expense) at statutory rate	-24.0%	(8,358)	-24.0%	21,047
Taxes relating to prior years	-7.3%	(2,525)	0.2%	(139)
Foreign tax rate differential	-6.7%	(2,334)	0.9%	(771)
Non taxable income	40.6%	14,144	-7.2%	6,096
Non deductible costs	-8.6%	(2,998)	2.9%	(2,476)
Non-recognition of new DTAs and write-off of existing DTAs	-28.5%	(9,922)	23.2%	(19,519)
Benefit arising from unrecognized DTA of prior years	1.9%	665	-2.4%	1,994
Deferred tax expense for changes in tax rate	0.0%	(10)	-13.8%	11,594
Tax Credit and tax relief	0.0%	10	0.3%	(272)
Other differences	-10.0%	(3,467)	2.7%	(3,105)
Total	**-42.5%**	**(14,795)**	**-17.2%**	**14,449**

Theoretical income taxes are calculated at 24.0 % on the consolidated result before tax. This percentage represents the statutory corporate income tax rate (IRES) applicable at the Italian holding company level.

The Group effective tax rate was primarily affected by certain relevant non-taxable income that have positively affected the result before tax of the period, mainly related to the gain on the liabilities for options on non-controlling interests and to the release of the provision for risks on the Antitrust France litigation.

The write down of deferred tax assets is mainly related to the Italian legal entities continue to negatively affect the tax rate of the Group with a further increase of the deferred tax assets valuation allowance.

5.9 Earnings per share

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

Basic

	2021	2020
Profit/(Loss) for ordinary shares (in Euro/000)	21,275	(72,968)
Average number of ordinary shares (in thousands)	298,364	275,704
Earnings/(Losses) per share - basic (in Euro)	**0.071**	**(0.265)**

Diluted

	2021	2020
Profit/(Loss) for ordinary shares (in Euro/000)	21,275	(72,968)
Average number of ordinary shares (in thousands)	298,364	275,704
Dilution effects:		
- stock option (in thousands)	3,522	270
Total	**301,886**	**275,974**
Earnings/(Losses) per share - diluted (in Euro)	**0.070**	**(0.264)**

5.10 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2021.

5.11 Segment information

Following the divestiture of the Group's retail operations in 2019, from the 2019 financial statements going onwards, the Group considers the Wholesale segment as its sole operating segment.

Below we report the geographical segment information. It should be noted that the grouping by geographic area depends on the location of the registered head office of each Group company; therefore, the sales identified in accordance with this segmentation are determined by origin of invoicing and not by target market as disclosed in the "Report on Operations". Non-current assets do not include derivative financial instruments and deferred tax assets.

Breakdown of revenues and non-current assets by geographic area

	Revenue from external customers		Non-current assets	
(Euro/000)	2021	2020	31 December 2021	31 December 2020
Italy [(1)]	212,739	183,902	113,559	128,842
Europe [(2)]	199,633	171,393	2,778	8,215
America [(3)]	513,167	372,410	187,226	186,085
Asia [(4)]	44,045	52,593	32,555	31,108
Total	**969,584**	**780,298**	**336,118**	**354,250**

(1) Operating companies with registered head office in Italy.
(2) Operating companies with registered head office in European countries (other than Italy), United Arab Emirates and in South Africa.
(3) Operating companies with registered head office in USA, Canada, Mexico and Brazil.
(4) Operating companies with registered head office in the Far East, Australia and India.

6. Transactions with related parties

In compliance with applicable legislative and regulatory requirements, on 23rd March 2007 the parent company's Board of Directors passed a resolution indicating and adopting a number of guidelines to govern transactions of major strategic, economic, capital or financial significance for the Company – including those undertaken with related parties. The aim of the guidelines is to establish competences and responsibilities concerning significant transactions and to assure their transparency and material and procedural correctness. Our notion of related party is based on the definition given in IAS 24.

Following the resolution CONSOB 17721 of March 12th 2010, as amended by Resolution No. 17389 of 23rd June 2010, the Board of Directors of November 5th, 2010 approved the "Regulations for the transactions with related parties", which replaces those guidelines, by adopting procedures that ensure transparency and fairness and procedural related party transactions.

The tables below shows the operating and financial figures determined by related party transactions as of 31 December 2021 and 31 December 2020.

Related parties transactions *(Euro/000)*	**Relationship**	**December 31 2021**	**December 31 2020**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	321	3,679
Total		**321**	**3,679**
Payables			
Companies controlled by HAL Holding N.V.	(a)	23	1,413
HAL Investments B.V.	(a)	-	20
Loans			
Multibrands Italy B.V.	(a)	-	93,474
Multibrands Italy B.V.	(a)	-	16
Total		**23**	**94,922**

(a) Companies controlled by Group's reference Shareholder

Related parties transactions *(Euro/000)*	**Relationship**	**2021**	**2020**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	32,653	43,810
Total		**32,653**	**43,810**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	1,350	1,841
HAL Investments B.V.	(a)	20	20
Financial expenses			
Multibrands Italy B.V.	(a)	6,280	3,875
Total		**7,650**	**5,736**

(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 illustrated 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.

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.

The loan balance reported with Multibrands Italy B.V. in 2020 referred 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 has been fully reimbursed at the end of October 2021, in advance on the contractual maturity date of 31 December 2026, for a total amount 99,139 thousand Euro (90,000 thousand Euro of nominal value plus 9,139 capitalised interests net of the applicable withholding tax), thanks to the proceeds of the share capital increase finalised in 2021.

In the context of the share capital increase the Group, according to the underwriting agreement on all the new shares remain unsubscribed, has also paid to Multibrands Italy B.V., a subsidiary of HAL Investments B.V., an underwriting fee for the amount of 946 thousand Euro. This fee has been included in the share capital increase transaction costs and then booked as a reduction of equity.

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

(Euro/000)	**2021**	**2020**
Directors		
- Salaries ad short term compensations	3.745	1.404
- Non monetary benefits	22	35
- Other compensations	87	838
- Indemnity for end of position or cessation of employment relationship	-	-
- Fair value of equity compensations	237	53
Statutory auditors		
- Fixed compensations and compensations for participation in committees	304	313
Managers with strategic responsabilities		
- Salaries ad short term compensations	735	448
- Non monetary benefits	11	16
- Other compensations	53	129
- Fair value of equity compensations	51	15
- Indemnity for end of position or cessation of employment relationship	-	-
Total	**5.244**	**3.251**

7. Contingent liabilities

The Group does not have any significant contingent liabilities not covered by adequate provisions. Nevertheless, as of the balance sheet date, various legal actions involving the parent company and certain Group companies were pending and mainly against sales representatives. These actions are considered to be groundless and/or their eventual negative outcome cannot be determined at this stage.

8. Commitments

Licensing agreements

At the balance sheet date, the Group had contracts in force with licensors for the production and sale of sunglasses and frames bearing their trademark. The contracts generally establish minimum guaranteed for royalties and advertising expenses.

Commitments related to these minimum guaranteed, estimated on the basis of information available at the reporting date, are summarized detailed by maturity as follow:

Licensing commitments *(Euro/000)*	**December 31, 2021**	**December 31, 2020**
within 1 year	68,743	76,260
between 1 and 3 years	145,189	137,823
between 3 and 5 years	105,250	133,097
beyond 5 years	17,555	37,817
Total	**336,737**	**384,998**

9. Subsequent events

In the period following 31 December 2021, as disclosed in the paragraph "Significant events after the year-end and outlook" included in the Report on operatios, the following events have incurred that might have an impact on the data contained in this document.

On 14 January 2022 David Schottenstein Board member and CEO of Privé Goods LLC (Privé Revaux) resigned and left the Company. Following this event pursuant to the contractual terms of the acquisition the Group has exercised its put and call option on the non-controlling interests held by David Schottenstein increasing its controlling stake in Privé Revaux from 64.2% to 81.9% in exchange for a nominal amount. This event has been considered a "non-adjusting subsequent event" and hence it has not been taken into consideration for the determination of the fair value of the liability for the options on non-controlling interests of Privé Revaux as at 31 December 2021. Accordingly, the Group will reflect this impact in its 2022 financial statements.

During the second half of February conflict broke out in the Ukraine. The group is closely monitoring the situation and the impact on its business. Safilo's net sales and assets in Russia and Ukraine accounted for less than 2% of the Group's total revenues and less than 1% of the Group's total net assets. Such event has been considered as a "non-adjusting subsequent event".

In the period following 31 December 2021, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

10. Significant non-recurring events and transactions

At the balance sheet date the Group did not undertake any significant non-recurring transactions pursuant to the Consob Communication dated 28 July 2006.

11. Transactions resulting from unusual and/or abnormal operations

Pursuant to Consob Communication of 28 July 2006, in 2019 the Group did not put in place any unusual and/or atypical operations, as defined in the said Communication.

APPENDIX

INFORMATION REQUESTED BY ART. 149-DUODECIES OF THE REGULATION ON ISSUERS ISSUED BY CONSOB

The following table, prepared in accordance with Art. 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2021 and 2020 relating to the audit and other audit related services rendered by the same Audit company.

(Eur/000)	Audit Company	Safilo Group's company which received services	2021	2020
Audit	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	72	86
	Deloitte & Touche S.p.A.	Subsidaries	136	135
	Network Deloitte & Touche S.p.A.	Subsidaries	923	980
Attestation	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	50	106
	Deloitte & Touche S.p.A.	Subsidaries	23	20
	Network Deloitte & Touche S.p.A.	Subsidaries	-	5
Other services	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	20	10
	Deloitte & Touche S.p.A.	Subsidaries	-	-
	Network Deloitte & Touche S.p.A.	Subsidaries	2	2
Total			**1.227**	**1.344**

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Angelo Trocchia, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing SAFILO GROUP S.p.A.'s financial statements, hereby attest, having also taken into consideration the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24th February 1998:

- the adequacy with respect to the company structure and
- the effective application,

of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2021 fiscal year.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2021 was based on a process defined in accordance with the theorical reference model CoSO Report – Internal Control Integrated Framework, an internationally generally accepted reference framework.

3. The undersigned also attest that:

3.1 the consolidated financial statements for the year ended on 31 December 2021:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19th July 2002;

b) correspond to the amounts shown in the Company's accounts, books and records;

c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

15 March 2022

The Chief Executive Officer	The manager responsible for preparing the company's financial statements
Angelo Trocchia	*Gerd Graehsler*

REPORT OF INDEPENDENT AUDITORS

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Safilo Group S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Safilo Group S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory provisioning	
Description of the key audit matter	The consolidated balance sheet presents inventories for Euro 234.4 million, net of an obsolescence reserve of Euro 68.1 million, as disclosed in note 4.3. The Group manufactures and sells goods which are subject to changes in market trends and in customers' demand, as a consequence a significant level of Management's judgement is required to determine the appropriate inventory provisioning based on sales forecasts, considering also the termination of some licenses. We considered the relevance of the obsolescence reserve, even in terms of the economic impact, the proportion compared to the inventory amount, which as of December 31, 2021 represents about 25% of consolidated assets, and the subjectivity of the estimates, consequently we assessed that the determination of the obsolescence reserve represents a key audit matter for the audit of Safilo Group's consolidated financial statements.
Audit procedures performed	We preliminarily analyzed the principles and criteria applied by the Group to determine the obsolescence provision which mainly include considerations about commercial policies, sales forecasts and the historical usage of stock. We performed, among others, the following audit procedures, supported by the information technology experts belonging to our network: • understanding of the relevant controls designed and implemented by Safilo Group in the process of determining the inventory provisioning; • analysis of the reasonableness of the main assumptions adopted by the Group to classify the products on the basis of commercial strategies and their permanence in the production cycle, the related sales forecasts, and analysis of the algorithms and criteria applied in the calculation. In this context we also analyzed the historical usage of stock and performed a retrospective review of the estimate; • test of the correct execution of the calculation of the provision based on the policies adopted by Group Management; • analysis of the integrations of the provision deriving from specific events (e.g. termination of licences); • review of the variations of the obsolescence reserve through analysis of main dynamics affecting it, by obtaining, where necessary, adequate supporting documentation.

Impairment test	
Description of the key audit matter	The consolidated balance sheet includes tangible assets for Euro 115.6 million, rights of use for Euro 36.9 million, intangible assets for Euro 141.7 million and goodwill for Euro 32.9 million. This goodwill, recognized in 2020 subsequently the acquisition of the subsidiaries Privé Goods LLC and Blenders Eyewear LLC, is allocated to the single CGU identified by the Directors and represented by the Group as a whole, as disclosed in note 4.9. As required by IAS 36, goodwill was not amortized and it was subject to an impairment test performed at least on an annual basis, which compared the recoverable value of the CGU – based on the value in use methodology – and the carrying value as of December 31, 2021 which included goodwill, tangible assets, rights of use and intangible assets allocated to the CGU. The impairment test as of December 31, 2021 was performed by the Directors based on financial projections for the period 2022 – 2026, approved on 15 March 2022 as described in note 4.9. In note 2.23 the Directors explain how the process of performing the impairment test is complex and it is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). The Directors also prepared some sensitivity analysis, the results of which are illustrated in note 4.9. We considered the significance of the amount of the tangible assets, rights of use, intangible assets and goodwill, collectively representing about 35% of consolidated assets at December 31, 2021, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test, consequently we assessed that the impairment test represents a key audit matter for the audit of Safilo Group's consolidated financial statements.
Audit procedures performed	We preliminarily analized the methodology and assumptions used by Management to perform the impairment test. We performed, among others, the following audit procedures, supported by the experts belonging to our network: • understanding of the relevant controls designed and implemented by Safilo Group related the process of performing the impairment test; • obtaining the sources of information used and analysis of the main assumptions adopted by the Directors to elaborate the expectations in terms of cash flows, also using industry data and researches with reference to the expected trend in revenues and margins, comparison with analysts' expectations and obtaining information from Group Management;

- analysis of the actual results obtained by the Group compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process;

- analysis of the reasonableness of the discount rates (WACC) and long term growth (g-rate);

- test of the clerical accuracy of the model used to calculate the value in use for the CGU;

- test of the accuracy of the determination of the carrying value of the CGU and comparison with the recoverable value resulting from the impairment test;

- test of the sensitivity analysis prepared by Group Management.

Finally we verified the appropriateness and the compliance of the disclosure on the impairment test provided by the Group to the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Safilo Group S.p.A. has appointed us on April 15, 2014 as auditors of the Company for the years from December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Safilo Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Safilo Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Safilo Group S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree December 30, 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree December 30, 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Pergolari
Partner

Padova, Italy
March 18, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

DRAFT OF STATUTORY FINANCIAL STATEMENTS

Safilo Group S.p.A.

at 31 DECEMBER 2021

Contents

SAFILO GROUP S.P.A. – DRAFT OF STATUTORY FINANCIAL STATEMENTS AT 31 DECEMBER 2021

REPORT ON OPERATIONS

Safilo Group S.p.A

at 31 DECEMBER 2021

DIRECTORS OPERATIONS REPORT

Introduction

Safilo Group S.p.A. was incorporated on 14th October 2002. It is the holding company of Safilo Group and performs planning and coordination activities, as defined in article 2497 et seq. of the Italian Civil Code, for the following member companies:

- Safilo S.p.A., directly controlled;
- Lenti S.r.l., 100% of the share capital indirectly controlled through Safilo S.p.A;
- Safilo Industrial S.r.l., 100% of the share capital indirectly controlled through Safilo S.p.A..

As allowed by article 40.2/bis of Legislative Decree 127 of 9th April 1991, the annual Financial Statements and Directors' Report are submitted together with the consolidated Financial Statements and the Directors' Report on the consolidated Financial Statements; the information required by article 2428 of the Civil Code is therefore contained in the Directors' Report on the consolidated Financial Statements.

Subsidiaries

Safilo Group S.p.A. owns 95.201% of the share capital of subsidiary Safilo S.p.A.. The remainder is owned by Safilo S.p.A. in own shares.

The subsidiary Safilo S.p.A. is a wholesaler of prescription frames, sunglasses and sports articles sold under its own brands and licensed brands of international prestige.

Dealings with subsidiaries

The Company joined the tax consolidation programme in the capacity of parent company, while Safilo S.p.A., Lenti S.r.l. and Safilo Industrial S.r.l joined in the capacity of subsidiaries. Moreover, Safilo Group S.p.A., acting in the capacity of parent company, Safilo S.p.A. and Safilo Industrial S.r.l., acting in the capacity of subsidiaries, subscribed to the VAT offsetting procedure laid down by the Ministerial Decree of 13th December 1979 (known as "Group VAT mechanism").

Dealings with the other companies in the Group are carried out at arm's length principle, and no atypical and/or unusual operations with them took place during the year.

Financial year 2021

Financial year 2021 *(Value thousand Euro)*	Receivables	Payables	Income Recharge	Costs
Safilo S.p.A.	860	(20,776)	709	(262)
Held by Safilo S.p.A.				
Lenti S.r.l.	1,162	-	-	-
Safilo Industrial S.r.l.	26,486	-	317	-
Safilo USA Inc.	16	-	16	-
Other Subsidiaries held by Safilo S.p.A.	82	(55)	82	-
Total	**28,606**	**(20,831)**	**1,125**	**(262)**

The receivable from the subsidiary Safilo S.p.A. is mainly referred to the legal and tax services performed by the company and regulated by a service contract.

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

- Euro 2,051 thousand for the debt payable to the subsidiary for services rendered;
- Euro 2,502 thousand payable to Safilo S.p.A. for advances received;
- Euro 16,223 thousand for the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism.

The income from the subsidiary Safilo S.p.A. mainly refers to the charges made for the legal and tax services and the chargeback of some insurance and consultancy costs.

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

The receivables from the subsidiary Lenti S.r.l. relate to the transfer of tax and to the receivables for withholding tax assigned to the consolidation programme.

The receivables from the subsidiary Safilo Industrial S.r.l. relate to the transfer of debit VAT, as a result of the Group VAT mechanism.

The receivables/payables and the related income/costs from other subsidiary held by Safilo S.p.A. relate to the recharge of the costs for the seconded staff and the chargeback of some insurance and consultancy costs.

Financial year 2020

Financial year 2020 (Value thousand Euro)	Receivables	Payables	Income Recharge	Costs
Safilo S.p.A.	807	(44,097)	675	(258)
Held by Safilo S.p.A.				
Lenti S.r.l.	1,612	-	-	-
Safilo Industrial S.r.l.	21,673	-	275	-
Safilo USA Inc.	138	(117)	2,632	-
Other Subsidiaries held by Safilo S.p.A.	109	(64)	106	-
Total	**24,339**	**(44,278)**	**3,688**	**(258)**

The receivable from the subsidiary Safilo S.p.A. is mainly referred to the legal and tax services performed by the company and regulated by a service contract.

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

- Euro 1,742 thousand for the debt payable to the subsidiary for services rendered;
- Euro 2,490 thousand payable to Safilo S.p.A. for advances received;
- Euro 39,865 thousand for the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism.

The income from the subsidiary Safilo S.p.A. mainly refers to the charges made for the legal and tax services and the chargeback of some insurance and consultancy costs.

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

The receivables from the subsidiary Lenti S.r.l. relate to the transfer of tax and to the receivables for withholding tax assigned to the consolidation programme.

The receivables from the subsidiary Safilo Industrial S.r.l. relate to the transfer of debit VAT, as a result of the Group VAT mechanism.

The receivables/payables and the related income/costs from other subsidiary held by Safilo S.p.A. relate to the recharge of the costs for the seconded staff and the chargeback of some insurance and consultancy costs.

Significant events after the year-end and Outlook

Events after the year end

On 14 January 2022 David Schottenstein Board member and CEO of Privé Goods LLC (Privé Revaux) has resigned and left the Company. Following this event pursuant to the contractual terms of the acquisition the Group has exercised its put and call option on the non-controlling interests held by David Schottenstein increasing its controlling stake in Privé Revaux from 64.2% to 81.9% in exchange for a nominal amount. This event has been considered a "non-adjusting subsequent event" and hence it has not been taken into consideration for the determination of the fair value of the liability for the options on non-controlling interests of Privé Revaux as at 31 December 2021. Accordingly, the Group will reflect this impact in its 2022 financial statements.

During the second half of February conflict broke out in the Ukraine. The group is closely monitoring the situation and the impact on its business. Safilo's net sales and assets in Russia and Ukraine accounted for less than 2% of the Group's total revenues and 1% of the Group's total net assets. This represents a "non-adjusting subsequent event".

In the period following 31 December 2021, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

Outlook

In the first months of 2022, Safilo's business, now enriched by the launch of the three new licensed brands signed in 2021, Dsquared2, Carolina Herrera and Chiara Ferragni Collection, grew in all the main geographies and product categories in which the Group operates, confirming a constant currency high-single digit growth trend.

The Group's business environment is still influenced by the developments in the Covid-19 pandemic, and more recently by the conflict in the Ukraine (sales in Russia and Ukraine account for less than 2% of the Group's total revenues) as well as by global inflationary pressures.

In 2022, Safilo Group will remain focused on strengthening its business model, confident that the growing power of its brand portfolio, coupled with the greater competitiveness of its omnichannel distribution will usher in a new phase of development for the Group.

For the Board of Directors

Chief Executive Officer

Angelo Trocchia

FINANCIAL STATEMENTS

AND NOTES TO THE FINANCIAL STATEMENTS

at 31 DECEMBER 2021

Balance Sheet

(Euro)	*Note*	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	*4.1*	1,363,709	3,054,393
Trade receivables	*4.2*	1,143,381	1,503,166
Other current assets	*4.3*	35,049,074	25,649,280
Total current assets		**37,556,164**	**30,206,839**
Non-current assets			
Right of use assets	*4.4*	163,705	248,392
Investments in subsidiaries	*4.5*	414,126,481	319,766,582
Deferred tax assets	*4.6*	-	1,527,094
Other non-current assets	*4.7*	1,169,567	1,621,106
Total non-current assets		**415,459,753**	**323,163,174**
Total assets		**453,015,917**	**353,370,013**

(Euro)	*Note*	2021	2020
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables	*4.8*	3,940,264	3,864,053
Tax payables	*4.9*	387,941	320,076
Other current liabilities	*4.10*	21,037,843	44,929,211
Lease liabilities	*4.11*	79,718	127,286
Total current liabilities		**25,445,766**	**49,240,626**
Non-current liabilities			
Lease liabilities	*4.11*	87,443	118,270
Employee benefit obligations	*4.12*	134,976	150,563
Provisions	*4.13*	1,000,000	-
Total non-current liabilities		**1,222,419**	**268,833**
Total liabilities		**26,668,185**	**49,509,459**
Shareholders' equity			
Share capital	*4.14*	384,819,909	349,943,373
Share premium reserve	*4.15*	692,457,846	594,277,350
Retained earnings (losses) and other reserves	*4.16*	(639,720,437)	(514,851,754)
Net profit (loss) of the year		(11,209,586)	(125,508,415)
Total shareholders' equity		**426,347,732**	**303,860,554**
Total liabilities and shareholders' equity		**453,015,917**	**353,370,013**

Income Statement

(Euro)	*Note*	2021	2020
Net sales	*5.1*	1,082,047	1,025,302
Gross profit		**1,082,047**	**1,025,302**
General and administrative expenses	*5.2*	(7,945,002)	(7,737,377)
Other income/(expenses)	*5.3*	(4,111,676)	1,222,500
Operating profit/(loss)		**(10,974,631)**	**(5,489,575)**
Gains (losses) on equity investments in subsidiaries	*5.4*	-	(120,323,419)
Financial charges, net	*5.5*	442,509	117,558
Profit/(loss) before taxation		**(10,532,122)**	**(125,695,436)**
Income taxes	*5.6*	(677,464)	187,021
Net profit/(loss) for the year		**(11,209,586)**	**(125,508,415)**

Statement of comprehensive Income

(Euro)	2021	2020
Net profit (loss) for the period	(11,209,586)	(125,508,415)
Actuarial gain/(loss)	(7,461)	5,682
Total comprehensive income	**(11,217,047)**	**(125,502,733)**

Statement of Cash Flows

(Euro)	2021	2020
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**3,054,393**	**1,163,436**
B - Cash flow from (for) operating activities		
Net profit/(loss) for the period	(11,209,586)	(125,508,415)
Depreciation IFRS 16	130,816	121,929
Stock Options figurative cost	287,292	37,131
Net changes in employee benefits obligations	(15,588)	(19,377)
Net changes in provision for risks	1,000,000	(614,710)
Other non-monetary P&L items	639,732	120,772,162
Interest expenses on lease liabilities IFRS 16	8,020	10,233
Income tax expenses	677,464	(187,021)
Income (loss) from (for) operating activities prior to movements in working capital	**(8,481,850)**	**(5,388,068)**
(Increase) Decrease in trade receivables	359,785	433,404
(Increase) Decrease in other receivables	(8,455,435)	(4,283,548)
Increase (Decrease) in trade payables	76,211	(913,139)
Increase (Decrease) in other payables	(24,113,752)	12,174,470
Interests expenses paid	(8,020)	-
Total (B)	**(40,623,061)**	**2,023,119**
C - Cash flow from (for) investing activities		
(Investments) disinvestments in subsidiaries	(94,000,000)	-
Total (C)	**(94,000,000)**	**-**
D - Cash flow from (for) financing activities		
Repayment lease liabilities IFRS 16	(124,656)	(132,162)
Increase in share capital, net of transaction costs	133,057,033	-
Total (D)	**132,932,377**	**(132,162)**
E - Cash flow for the period (B+C+D)	**(1,690,684)**	**1,890,957**
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	**1,363,709**	**3,054,393**

Statement of Changes in Equity

(Euro)	Share capital	Share premium reserve	Legal reserve	Other reserves and retained earnings	Net profit (loss)	Total equity
Equity at January 1, 2020	**349,943,373**	**594,277,350**	**3,007,774**	**(275,824,507)**	**(242,119,810)**	**429,284,180**
Previous year's loss allocation	-	-	-	(242,119,810)	242,119,810	-
Increase in share capital, net of transaction costs	-	-	-	-	-	-
Net increase in the Reserve for share-based payments	-	-	-	79,107	-	79,107
Total comprehensive income (loss) for the period	-	-	-	5,682	(125,508,415)	(125,502,733)
Equity at December 31, 2020	**349,943,373**	**594,277,350**	**3,007,774**	**(517,859,528)**	**(125,508,415)**	**303,860,554**
Previous year's loss allocation	-	-	-	(125,508,415)	125,508,415	-
Increase in share capital, net of transaction costs	34,876,537	98,180,496	-	-	-	133,057,033
Net increase in the Reserve for share-based payments	-	-	-	647,193	-	647,193
Total comprehensive income (loss) for the period	-	-	-	(7,461)	(11,209,586)	(11,217,047)
Equity at December 31, 2021	**384,819,909**	**692,457,846**	**3,007,774**	**(642,728,211)**	**(11,209,586)**	**426,347,732**

1. General information

1.1 General information

The holding company, Safilo Group S.p.A., is a joint stock company established in Italy on 14 October 2002 registered with the Business and Trade registry of Vicenza and with the head office in Padua, Settima Strada 15, Italy.

Safilo Group S.p.A. is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange.

Following the Group's financial restructuring, which was completed in the first quarter of 2010 with the share-capital increase, Multibrands Italy B.V. (a subsidiary of HAL Holding N.V.) became the parent company's leading shareholder.

According to IFRS 10 HAL Holding N.V., is deemed to have control over Safilo Group S.p.A. and accordingly is required to consolidate Safilo Group S.p.A. in its financial statements as from 1 January 2014 (even though its ownership interest of HAL Holding N.V. in the company Safilo Group S.p.A. is below 50%). HAL Holding is fully owned by HAL Trust, listed on NYSE Euronext of Amsterdam Stock Exchange.

These financial statements are reported in Euro. The financial information relates to the period from 1 January 2021 to 31 December 2021 and also presents comparative data related to the financial period from 1 January 2020 to 31 December 2020.

Safilo Group S.p.A. is the holding company of the Safilo Group, and during the year it continued in the management of its shareholdings, as well as in the coordination activity towards the subsidiaries.

These financial statements were approved by the Board of Directors on 15 March 2022.

2. Summary of accounting principles adopted

2.1 Accounting policies

The accounting policies described here below have been applied during the preparation of these financial statements in a consistent manner for both financial years presented and on the going concern assumption.

The financial statements for the year ended 31 December 2021 and 31 December 2020 were prepared in accordance with IFRS issued by the International Accounting Standard Board ("IASB") and endorsed by the European Commission, as well as with the measures enacted to implement article 9 of Legislative Decree no. 38/2005. IFRSs include also all the interpretations of the International Financial Reporting Interpretations Commitee ("IFRIC"), previously called Standing Interpretations Commitee ("SIC").

The financial statements were prepared in accordance with "cost" criteria with the exception of some financial assets and liabilities for which the "fair value" criterion was adopted.

Preparation of the annual report in accordance with IFRSs requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and explanatory notes. Actual results may differ from these estimates. The areas of the financial statements that are most affected by such estimates and assumptions are listed in section 2.21 "Use of estimates".

Accounting standards, amendments and interpretations effective as of 1 January 2021

These financial statements were preparing the same accounting principles and criteria of the financial statements as at 31 December 2020 have been applied.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2021:

- 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 document extends by one year the application of the amendment already published on 28 May 2020 that provided for the lessees the right to account for the reduction in rents connected to Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 is respected. Lessees will be able to record the effects of the reductions in rent directly in the income statement on the effective date of the reduction. The Group was already applying this amendment starting from 1 June 2020, with no material impact in terms of rent concessions on the present report.

Except for the above mentioned amendment, at the date of this 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 early adopted by the Group

At the date of this report the following amendments have been endorsed by the European Union applicable to the company and effective for annual periods beginning on or after 1 January 2022 that have not been early adopted by the Group in preparing this 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 company will comply with these new standards and amendments based on their relevant effective dates, their application is not expected to have any material impact on the financial statements.

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

In addition, the European Union has not yet completed its endorsement process for the following standards and amendments at the date of this 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 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 Company will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the financial statements.

2.2 Format of financial statements

Safilo Group presents the income statement by function (so-called "cost of sales"). This is considered to be more representative with respect to presentation by type of expenses, as it conforms more closely to the internal reporting and business management methods and is in line with international practice in the eyewear sector.

For the balance sheet, a distinction is made in the assets and liabilities between current and non-current as described in paragraphs 51 and following of IAS 1. The indirect method for the cash flow statement was used. Therefore, the net profit of the period is adjusted by the effects of non-monetary transactions, changes in working capital and cash flows from investing and financing activities.

2.3 Cash in hand and at bank

Cash and cash equivalents include cash, bank demand deposits and other highly liquid short-term investments that can be unwound within three months after purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognised in income. Bank overdrafts are posted under current liabilities.

2.4 Trade receivables and other receivables

Trade receivables are initially recognised on the statement of financial position at their current value and subsequently recalculated according to the amortised cost method, net of any impairments.

A provision for doubtful accounts is accrued when there is evidence that the Company will not succeed in collecting the original amount due. The provisions accrued for doubtful accounts are recognised in profit or loss.

2.5 Investments in associates (financial assets)

The equity investment in the subsidiary Safilo S.p.A. As required by IAS 36, the equity investment in the subsidiary Safilo S.p.A. is tested for impairment when internal or external factors exist that could represent impairment indicators.

2.6 Employees benefits

Pension plans

The company recognizes different forms of defined benefit plans and defined contribution plans, in line with the local conditions and practices in the countries in which it carries out its activities. The premiums paid for defined contribution plans are recorded in the income statement for the part matured in the year. The defined benefit plans are based on the working life of the employees and on the remuneration received by the employee during a predetermined period of employment.

The obligation of the company to finance the defined benefit plans and the annual cost recognized in the income statement are determined by independent consultants using the "projected unit credit" method. The related costs are recorded in the income statement on the basis of the estimated employment period of employees. The company recognises all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise.

The employee severance fund of Italian companies ("TFR") has always been considered to be a defined benefit plan however, following the changes to the discipline that governs the employment severance fund introduced by Italian law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accruing from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";

- the portion of the employee benefit liability accruing as of 31st December 2006, must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

For an analysis of the accounting effects deriving from this decision, see paragraph 4.12 "Employees benefits".

<u>Remuneration plans under the form of share capital participation</u>

The company recognizes additional benefits to some employees and consultants through "equity settled" type stock options. In accordance with IFRS 2 - Share-based payments, the current value of the stock options determined at the vesting date through the application of the "Black & Scholes" method is recognized in the income statement under personnel costs in constant quotas over the period between the vesting date of the stock options and the maturity date, counterbalanced by an equity reserve.

The effects of the vesting conditions not related to the market are not taken into consideration in the fair value of the vested options but are material to measurement of the number of options which are expected to be exercised.

At the balance sheet date the company revises its estimates on the number of options which are expected to be exercised. The impact of the revision of the original estimates is recognized in profit or loss over the maturity period, with a balance entry in equity reserves.

When the stock option is exercised, the amounts received by the employee, net of the costs directly attributable to the transaction, are credited to share capital for an amount equal to the par value of the issued shares and to the share premium reserve for the remaining part.

2.7 Revenue recognition

Revenues include the fair value of the sale of services, net of VAT and any discounts. The company recognises revenues for billed services in the financial year in which the service is provided.

2.8 Dividends

Dividends are recognised when the right of the Shareholders to receive the payment arises, which normally occurs when the Shareholders' Meeting resolves to distribute dividends. The distribution of dividends is therefore recorded as a liability on the financial statements in the period in which the distribution is approved by the Shareholders' Meeting.

2.9 Income taxes

Income taxes are recognised on the income statement, with the exception of those relating to accounts that are directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

Deferred taxes are calculated on tax losses and all the temporary differences between the tax basis of an asset or liability and their book value. Deferred tax assets are recognised only for those amounts where it is likely there will be future taxable income allowing for recovery of the amounts.

Current and deferred tax assets and liabilities are offset when the income tax is applied by the same tax authority and when there is a legal right to offsetting.

2.10 Earnings per share

<u>Basic</u>

Basic earnings per share are calculated by dividing the profit or loss of the company by the weighted average number of ordinary shares outstanding during the financial year, excluding any treasury shares.

<u>Diluted</u>

Diluted earnings per share are calculated by dividing the profit or loss of the Company by the weighted average number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the weighted average number of shares outstanding is adjusted in respect of the dilutive potential ordinary share (stock options and convertible bonds), while the profit or loss of the Company is adjusted to take into account the effects, net of income taxes, of the conversion.

2.11 Translation of balances in foreign currency

Foreign currency transactions are translated into Euro using the exchange rates in effect at the date of the transaction. Foreign exchange gains and losses resulting from the close of such transactions and from translation of the monetary assets and liabilities in foreign currencies at the exchange rates at end of the year are recognised in profit or loss.

3. Use of estimates

The preparation of the financial statements requires the Directors to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts posted in the financial statements, such as the balance sheet, the income statement, the cash flow statement and the notes thereto. Actual results of the balances on the financial statements, resulting from the above-mentioned estimates and assumptions, may differ from those reported on the financial statements due to the uncertainty which characterizes the assumptions and the conditions on which the estimates are based.

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: allowance for expected credit losses, identification of potentially onerous contracts and provisions, recoverability of deferred tax assets, impairment of equity investments.

- Equity investments: in accordance with the accounting standards adopted for the preparation of the financial statements, the company tests the equity investments for potential impairment when internal or external factors exist that represent impairment indicators. Any loss in value resulting from the test is recorded in the income statement. In particular, the test is derived by properly adjusting the outcome of the impairment test executed at consolidated level. The assessment process of the impairment test is complex and is based on assumptions concerning, among other things, the forecast of expected cash flows, the determination of appropriate discounting rates (WACC) and long-term growth (g-rate). These estimates depend on factors that may change over time with consequent effects, which may be significant, compared to the Directors' assessments. Consistent with the indications of the main regulators, to meet the difficulties of making accurate estimates of future flows, the Directors performed their estimate considering independent sources and analysts' projections and carried out sensitivity analyses relating to the main inputs of the calculation. As suggested by regulators and standard setters, the uncertainties have been reflected in the estimate of cash flows, rather than adding a risk premium to the discount rate.

4. Notes to the balance sheet

4.1 Cash and cash equivalents

This item totals Euro 1,363,709 (compared to Euro 3,054,393 of previous year) and represents the momentary availability of cash. The book value of the available liquidity is aligned with its fair value at the reporting date and the related credit risk is very limited as the counterparts are primary banks.

4.2 Trade receivables

Trade receivables totals Euro 1,143,381 against Euro 1,503,166 of previous year. They refer to the amount charged by Safilo Group S.p.A. to its subsidiaries (mainly Safilo S.p.A. and Safilo Industrial S.r.l. for legal, accounting and tax services). The book value of the trade receivables is kept approximately equal to the fair value and payment terms are aligned with the market benchmarks.

(Euro)	**December 31, 2021**	**December 31, 2020**
Trade receivables from subsidiaries:		
- Safilo S.p.A.	727,484	675,240
- Safilo Industrial S.r.l.	317,116	579,919
- Lenti Srl	1,000	1,000
- Safilo Optyl Doo	1,000	11,920
- Safilo Benelux	4,350	2,872
- Safilo GMBH	4,350	2,872
- Safilo France	5,350	7,072
- Safilo Nordic	3,377	2,894
- Safilo Hellas	1,000	8,800
- Safilo UK	6,411	2,897
- Safilo Nederland	4,350	2,872
- Safilo Austria	4,350	2,872
- Safilo Portugal	7,047	8,965
- Safilo Switzerland	3,378	1,878
- Safilo Espana	4,350	2,872
- Safilo CIS Russia	-	6,290
- Safilo Optik Ticaret	3,236	-
- Safilo USA Inc.	15,971	137,521
- Smith Usa	5,993	-
- Safilo Canada	4,408	1,002
- Safilo America Inc.	-	11,896
- Prive Goods LLC	1,000	-
- Blenders Eyewear LLCs	3,501	-
- Safilo Far East	6,982	13,439
- Safilo Hong Kong	-	1,000
- Safilo Singapore	-	1,000
- Safilo Australia	4,058	13,237
- Safilo South Africa	3,320	2,835
Total	**1,143,381**	**1,503,166**

4.3 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2021	December 31, 2020
VAT receivables	8,630,596	4,333,609
Tax credits and payments on account	59,818	47,988
Prepayments and accrued income	37,931	35,486
Other receivables from subsidiaries - Safilo S.p.A.	132,131	132,131
Other receivables from subsidiaries - Safilo Industrial Srl	26,168,925	21,093,250
Other receivables	19,673	6,816
Total	**35,049,074**	**25,649,280**

The VAT receivables refer to the amount of the VAT arising from Group VAT calculation, while receivables from Safilo Industrial S.r.l. mainly refer to the VAT debt position transferred by the subsidiary itself according to the Group VAT settlement procedure mentioned.

4.4 Right of Use assets

Below the summary of the rights of use divided by category: real estate rent contracts and long-term operating lease contracts for company cars.

(Euro)	Balance at January 1, 2021	Increase	Decrease	Balance at December 31, 2021
Gross Value				
Buildings Right of Use	119,170			119,170
Other assets Right of Use	340,923	46,261	(34,920)	352,264
Total	**460,093**	**46,261**	**(34,920)**	**471,434**
Accumulated depreciation				
Buildings Right of Use	69,762	34,881		104,643
Other assets Right of Use	141,939	95,935	(34,788)	203,086
Total	**211,701**	**130,816**	**(34,788)**	**307,729**
Net book value	**248,392**	**(84,555)**	**(132)**	**163,705**

4.5 Investments in subsidiaries

This item amounts to Euro 414,126,481 (compared to Euro 319,766,582 of previous year).

During 2021 Safilo Group S.p.A. increased the amount invested in Safilo S.p.A. equity of Euro 94,000,000.

In consideration of the difference between the value of the investment in Safilo S.p.A and the relative value of the shareholders' equity, the management subjected the book value of the investment to an impairment test.

On 15 March 2022 the Board of Directors has approved Financial Projections for the period 2022-2026 which confirm the main goals and strategies defined in the Group Business Plan 2020-2024 published in December 2019.

These Financial Projections, which include the consolidation of the Blenders and Privé Revaux businesses and the new brand licenses Chiara Ferragni, Carolina Herrera and Dsquared2, have been prepared starting from the approved Group Budget for 2022 and considering for the period 2023-2026 the ongoing implementation of the Group's strategic plan while confirming the long term objectives in terms of volumes and marginality.

In estimating the growth in the plan period, the Group has taken into consideration both its own internal expectations as well as indications obtained from independent external sources.

As a reminder, the main objectives and strategies underlying Safilo's 2020-2024 business plan were:

- to develop a modern and successful customer-centric and consumer-oriented business model, powered by a new 360° digital transformation strategy;
- to deliver Sales Growth, by placing customers and consumers at the heart of the strategy, and accelerating initiatives to digitally transform the Company's business model. Continuing in the coming years the initiatives started in 2020 in Europe, Safilo intends to strengthen and enlarge its client base by pursuing a customer-centric strategy, redesigning its Customer Experience, Engagement and Customer Care activities through the adoption of the latest technologies in the B2B, CRM (Customer Relationship Management) and salesforce automation fields.

  The Group will continue developing a multi-segment and multi-channel portfolio strategy by also accelerating projects to build an even-closer connection with end consumers. Safilo is pursuing this strategic choice through a more decisive digital shift of its mix of capabilities and investments, from digital and social marketing to Direct-to-Consumer distribution, a channel in significant growth in which Safilo wants to accelerate both through strategic commercial partnerships and through the acquisition of new important capabilities;
- to deliver Margin Expansion, through an efficient cost structure, which responds to the requirement to realign the Group's current industrial capacity to the future production needs and to achieve further costs of goods sold and overheads efficiencies, guaranteeing the Group's economic and financial solidity and the pursuit, during the Plan's timeline, of a recovery of the levels of profitability to which Safilo aspires.

The impairment test methodology used for the execution of the impairment test at the date of 31 December 2021 is consistent with the criteria used for the 2020 financial statements and considers the following factors:

- Management used the most recent information available to calculate the WACC (weighted average cost of capital), in particular: risk free rate, market risk premium, beta, specific risk premium for Safilo, cost of debt (including lease liabilties), debt/equity structure. As recommended by regulators, the WACC has not been adjusted for a Covid-related risk premium, being the uncertainty reflected in the cash flows;

- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country in which the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2026.

To calculate the present value, the future cash flows thus obtained were discounted to their present value at a discount rate (WACC) as at the test's date of reference that took into account the specificities of each geography where the Group operates. The cash flows generated after the horizon considered were determined on the basis of perpetual growth rates considered adequate with reference to the economic conditions of the country of reference.

The following table summarizes the WACC and "g" rates used by the Group for the impairment test:

Key assumptions	**"WACC" discount rate**		**Growth rate "g"**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Safilo Group	7.93%	8.36%	1.90%	1.90%

Since Safilo S.p.A. the entire Safilo Group is operationally controlled, the impairment test of this investment was derived from that performed for the purposes of the consolidated financial statements. Specifically, the calculation described was therefore adjusted by the net financial position and by the equity attributable to non-controlling interests, in order to obtain a shareholders' equity comparable to the amount of the investment.

After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2021.

Management has used the most reliable information available at this moment. In monitoring the goodwill value, management has taken into consideration also exogenous factors, such as the stock market capitalization. The stock market valuation in general may be subject to different expectations and various fluctuations and hence in practice different valuation methods exist, such as those based on expected cash flows.

During year 2021 Safilo Group's stock market capitalization has been always above the book value of shareholder equity.

The Directors believe that the assumptions incorporated in the Financial Projections 2022-2026 underlying the impairment test are reasonable and that the Group has the necessary skills and resources to meet planned goals considering that an appropriate execution risk of the plan has been embedded in the WACC used for the test.

The following tables show the movements that occurred during the 2021 and during the previous financial year:

(Euro)	% of share capital	Value at January 1, 2021	Increase / (Decrease)	Impairment	Value at December 31, 2021
Safilo S.p.A.	95.201	316,427,044	94,000,000	-	410,427,044
Contribution for Stock Options to subsidiaries		3,338,371	359,899	-	3,698,270
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005	146	-	-	146
Total		**319,766,582**	**94,359,899**	**-**	**414,126,481**

(Euro)	% of share capital	Value at January 1, 2020	Increase / (Decrease)	Impairment	Value at December 31, 2020
Safilo S.p.A.	95.201	436,750,463	-	(120,323,419)	316,427,044
Contribution for Stock Options to subsidiaries		3,296,394	41,977	-	3,338,371
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005	146	-	-	146
Total		**440,048,024**	**41,977**	**(120,323,419)**	**319,766,582**

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

Name	Safilo S.p.A. – Società Azionaria Fabbrica Italiana Lavorazione Occhiali
Registered office	Z.I. Settima Strada, 15 (Padova)
Share capital at 31st December 2020	Euro 66,176,000 i.v.
Shareholders' equity at 31st December 2020	Euro 168,018,075
Net loss for the financial year 2020	Euro (103,132,845)

4.6 Deferred tax assets

Deferred tax assets refer to the taxes calculated on tax losses that may be recovered in future financial years and temporary differences between the carrying value of assets and liabilities and their tax value. Deferred tax assets on tax losses are booked only if there is a reasonable likelihood that they may be recovered through future taxable income.

Starting from 1st January 2006 the Company joined the tax consolidation programme in the capacity of parent company. The subsidiaries participating in the program are Safilo S.p.A., Safilo Industrial S.r.l. and Lenti S.r.l. (both 100% owned by Safilo S.p.A). The effect of this option allows calculation of a single Group taxable income, corresponding to the algebraic sum of the taxable income of the participating entities.

The following table illustrates the breakdown of accounts on which the tax prepayments and adjustment reserve with reversal of the associated deferred tax assets at 31st December 2021:

(Euro)	Balance at January, 1 2021	Impact to Income Statement	Impact to Equity	Receivables / Payables due to tax consolidation	Balance at December, 31 2021
Tax losses Safilo Group S.p.A.	14,310,461	-	-	3,073,781	17,384,242
Tax losses from Safilo S.p.A.	52,305,912	-	-	12,420,237	64,726,149
Tax losses from Lenti S.r.l.	23,990	-	-	-	23,990
Tax losses from Safilo industrial S.r.l.	9,014,015	-	-	1,464,621	10,478,636
Tax losses before the tax consolidation	192,629	-	-	-	192,629
Interest expenses not deducted carryforward	1,532,531	(1,026,983)	-	-	505,548
Other temporary differences	140,428	137,055	-	-	277,483
Provision for Risks	336,000	(96,000)	-	-	240,000
Other temporary differences	(7,501)	2,958	-	-	(4,543)
Total deferred tax assets	**77,848,465**	**(982,970)**	**-**	**16,958,639**	**93,824,134**
Valuation allowance of deferred tax assets	(76,321,371)	(544,124)	-	(16,958,639)	(93,824,134)
Total deferred tax assets, net	**1,527,094**	**(1,527,094)**	**-**	**-**	**-**

The company has increased the valuation allowance on deferred tax assets, covering also the total amount of deferred tax assets on interest expense carry forward not previously written down, based on the fact that the management considers that no future taxable income is expected to be generated to allow the benefit of that deferred tax asset to be utilized.

The following table shows the tax losses carried forward deriving from the Group national tax consolidation:

Financial Year *(Euro)*	**Tax losses**	**Tax benefit**
Before 2014	91,769,322	22,024,637
2015	27,352,290	6,564,550
2016	8,642,688	2,074,245
2017	34,213,659	8,211,278
2018	26,884,736	6,452,337
2019	55,513,664	13,323,279
2020	82,017,679	19,684,243
2021	59,493,536	14,278,449
Total	**385,887,574**	**92,613,018**

Following the changes introduced in 2011 to the art. 84 of TUIR regarding the recoverability of tax losses, starting from 2012 all tax losses can be carried forward without time limitation, in order to offset future taxable income to an extent not greater than 80% of the taxable income for each single fiscal year.

4.7 Other non-current assets

This item totals Euro 1,169,567 (compared to Euro 1,621,106 of previous year) and refers to withholding from the subsidiary Lenti S.r.l. arising from tax consolidation.

4.8 Trade payables

The following table shows a breakdown of trade payables and payables to subsidiaries:

(Euro)	December 31, 2021	December 31, 2020
Trade payables for services	**1,833,800**	**1,940,576**
Trade payables to subsdiaries:		
- Safilo S.p.A.	2,051,351	1,741,938
- Safilo Far East Ltd	55,113	64,308
- Safilo USA Inc.	-	117,231
Total	**3,940,264**	**3,864,053**

The item payables for services mainly refer to consultancies for *business development* operations and consultancies for capital increase

4.9 Tax payables

As of 31 December 2021, this item amounted to Euro 387,941 (compared to Euro 320,076 of previous year) and refers to IRPEF withholdings on wages and salaries, and independent contractors' compensation for the month of December, which were paid in January 2022.

4.10 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2021	December 31, 2020
Payables to personnel and social security institutions	2,303,582	2,562,434
Payables to pension funds	5,608	8,219
Other current liabilities	3,997	3,848
Accrued expenses	43	45
Other payables to subsidiaries - Safilo S.p.A.	18,724,613	42,354,665
Total	**21,037,843**	**44,929,211**

Payable to the subsidiary Safilo S.p.A. mainly refers to the transfer of the VAT credit within the Group VAT settlement procedure. Decrease of this item, compared to the previous year, is partly due to the partial reimbursement of the VAT credit, which took place in 2021, in favour of the subsidiary Safilo S.p.A. for a total of Euro 39,864,393.

4.11 Lease liabilities

Below the summary of the lease liabilities for Rights of Use assets mainly related to real estate rental contracts and long-term operating lease contracts for company cars.

(Euro)	Balance at January 1, 2021	Increase	Decrease	Balance at December 31, 2021
Lease Liabilities IFRS 16	245,556	46,261	(124,656)	167,161
Of which:				
Short term liability	127,286			79,718
Long term liability	118,270			87,443

4.12 Employee benefits obligations

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

		Changes during the year				
(Euro)	Balance at January 1, 2021	Posted to income statement	Actuarial gains/(losses)	Uses/ Payments	Transfer	Balance at December 31, 2021
Defined benefit plan	118,761	8,938	7,461	(184)		134,976
Defined contribution plan	31,802	174,870	-	-	(206,672)	-
Total	**150,563**	**183,808**	**7,461**	**(184)**	**(206,672)**	**134,976**

		Changes during the year				
(Euro)	Balance at January 1, 2020	Posted to income statement	Actuarial gains/(losses)	Uses/ Payments	Transfer	Balance at December 31, 2020
Defined benefit plan	138,530	14,084	(5,683)	(28,170)	-	118,761
Defined contribution plan	31,409	160,804	-	-	(160,411)	31,802
Total	**169,939**	**174,888**	**(5,683)**	**(28,170)**	**(160,411)**	**150,563**

Following the spin-off of January 1, 2017 which implied the transfer of some employees from Safilo S.p.A, the company Safilo Group S.p.A is also subject to the changes made to the regulations governing the employment severance fund introduced by Law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007. Safilo Group S.p.A, on the basis of generally agreed interpretations, has decided that:

- the portion of the employee benefit liability accrued from 1st January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, must be classified as a "defined contribution plan";
- the portion of the employee benefit liability accrued as of 31st December 2006 must be classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries.

The employee severance fund of Italian companies ("TFR") has no plan assets at its service. Actuarial estimates used for calculating the employee severance liability accrued up to 31st December 2006 are based on a system of assumptions based on demographic parameters, economic parameters and financial parameters.

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

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

The main financial parameter is given by the discount rate. The annual discount rate used to calculate the present value of the obligation was derived by the Iboxx Corporate AA index with a duration comparable to the duration of the collective of workers covered by the assessment.

4.13 Provisions

As of 31 December 2021, this item amounts to Euro 1,000,000 and refers to the estimated liability for a long-term incentive plan for top management.

SHAREHOLDERS' EQUITY

The shareholders' equity is both the value contributed by the shareholders of Safilo Group S.p.A. (share capital and share premium reserve) and the value generated by the subsidiaries in terms of results achieved by operations (retained earnings and other reserves).
At 31 December 2021, shareholders' equity amounts to Euro 426,347,732, compared to Euro 303,860,554 of previous year.

4.14 Share capital

On July 30, 2021, the Extraordinary Shareholders' Meeting of Safilo Group S.p.A. decided to increase the share capital for a maximum total amount of Euro 135 million, including potential share premium, to be carried out in divisible form through the issue of new ordinary shares without face value indication, with regular dividend entitlement, to be offered as options to shareholders.

On October 4, 2021, the Board of Directors of Safilo Group S.p.A. decided terms, conditions and calendar of the capital increase resolved by the Extraordinary Shareholders' Meeting of July 30, 2021. In particular, on that date, the Board of Directors approved the issuance of a maximum of 137,851,923 ordinary shares to be offered as an option to shareholders, in a ratio of 1 new share every 2 ordinary shares owned, at an issue price of Euro 0.979 per new share, for a total value of Euro 134,957,033.

During the option offering period, which began on 11 October 2021 and ended on 28 October 2021, 274,162,858 option rights valid for the subscription of 137,081,429 newly issued ordinary shares were exercised, representing approximately 99.44% of the total number of new shares offered, for a total countervalue of Euro 134,202,719.

In accordance with art. 2441, third paragraph, of the Italian Civil Code, Safilo offered on the Stock Exchange n. 1,540,988 option rights not exercised during the option period, valid for the subscription of n. 770,494 new shares corresponding to approximately 0.56% of the total of the new shares offered. During the stock exchange session of 2 November 2021, all 1,540,988 unexercised option rights were sold, consequently 770,494 new ordinary shares were subscribed for a countervalue of Euro 754,314.

As a result of the subscription and redemption of these 137,081,429 new ordinary shares during the option offer period, as well as a further 770,494 new ordinary shares following the offer of the unexercised rights on the stock exchange, a total of 137,851,923 new shares were subscribed to, equal to all the new ordinary shares offered under option, for a total value of Euro 134,957,033 at 31 December 2021

The total amount received for the subscription of the newly issued shares was allocated to share capital for Euro 34,876,537 and to the share premium reserve for Euro 100,080,496.

At December 31, 2021, the share capital of Safilo Group S.p.A. amounted to a total of Euro 384,819,909 (compared to Euro 349,943,373 of previous year) and is divided into 413,555,769 ordinary shares.

4.15 Share premium reserve

At December 31, 2021, the share premium reserve of the parent company Safilo Group S.p.A. totalled Euro 692,457,846 (compared to Euro 594,277,350 at the end of the previous year).

The increase for the period, linked to the capital increase during the year, amounts to Euro 98,180,496, net of the transaction costs related to the capital increase of Euro 1,900,000.

4.16 Retained earnings and other reserves

This account breaks down as follows:

(Euro)	December 31, 2021	December 31, 2020
Legal reserve	3,007,774	3,007,774
Stock option reserve	1,255,663	635,200
Reserve for actuarial gain (losses) of defined benefit plan	(30,209)	(22,748)
Retained losses	(643,953,665)	(518,471,980)
Total	**(639,720,437)**	**(514,851,754)**

Equity accounts - possible use and distribution

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

(Euro)	Amount	Possible use
Share capital	384,819,909	
Paid in capital	692,457,846	A - B - C (*)
Legal reserve	3,007,774	B
Stock option reserve	1,255,663	
Reserve for actuarial gain (losses) of defined benefit plan	(30,209)	
Retained losses	(643,953,665)	
Loss for the period	(11,209,586)	
Total	**426,347,732**	

A = for capital increase
B = to hedge against losses
C = for distribution to shareholders

(*) Fully available for capital increases and to hedge against losses. For other uses, it is necessary to adjust (also through transfer from the share premium reserve) the legal reserve to 20% of the share capital.

Stock option plans

As at 31 December 2021 the Company has in place three Stock Option Plans: 2014-2016 Plan, 2017-2020 Plan and the 2020-2022 Plan.

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.

It should be noted that the Board of Directors resolved the following adjustments of the Stock Option Plans in place to take into account the effects of the share capital increase up to a maximum of Euro 135 million resolved by the Shareholders' Meeting held on 30 July 2021. In particular both the number of options rights assigned, and the related exercise price were adjusted applying a conversion factor equal to 0.901.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2021 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2014-2016				
First tranche	29/04/14	242,080	2.41	31/05/22
Stock Option Plan 2017-2020				
Third tranche	30/04/19	1,036,119	0.18	31/05/27
Stock Option Plan 2020-2022				
First tranche	31/07/20	3,771,753	0.18	30/06/28
Second tranche	11/03/21	3,971,431	0.27	30/06/29

The fair value of the stock options was estimated on the vesting date based on the Black-Scholes model.

The main market inputs of the model used are shown below:

	Share price at grant date	Exercise price in Euro	Expected volatility	Free risk rate
Stock Option Plan 2014-2016				
First tranche	8.75	8.39	30.00%	1.044%
Stock Option Plan 2017-2020				
Third tranche	0.81	0.68	36.20%	0.087%
Stock Option Plan 2020-2022				
First tranche	0.63	0.63	47.78%	-0.392%
Second tranche	0.93	0.87	45.67%	-0.290%

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

	No. of options	Average exercise price in Euro
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**234,384**	**9.31**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(16,164)	9.31
Adjustment post capital increase	23,860	
Outstanding at period-end	**242,080**	**8.39**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**1,009,000**	**0.75**
Granted	-	-
Forfeited	(75,000)	0.75
Exercised	-	-
Expired	-	-
Adjustment post capital increase	102,119	
Outstanding at period-end	**1,036,119**	**0.68**
Stock Option Plan 2020-2022		
Outstanding at the beginning of the period	**3,500,000**	**0.70**
Granted	3,600,000	0.97
Forfeited	(120,000)	0.75
Exercised	-	-
Expired	-	-
Adjustment post capital increase	763,184	
Outstanding at period-end	**7,743,184**	**0.76**

During the year, 3,600,000 options have been granted related to the second tranche of the new Plan 2020-2022, in the same period 195,000 options have been forfeited, of which 75,000 of the Plan 2017-2020 and 120,000 of the Plan 2020-2022.

Among the options outstanding at the end of the period the first tranche of the Plan 2014-2016, equal to a total of 242,080 is exercisable from the date of the approval of 2016 financial statements until the expiry of the exercise period set for 31 May 2022, while the third tranche of the Plan 2017-2020, equal to 1,036,119 options, is exercisable until 31 May 2027. The first and the second tranche of the new Plan 2020-2022, equal respectively to 3.771.753 and to 3.971.431 are exercisable until 30 June 2028 and 30 June 2029.

At the date of the approval of these financial statements the options vested and exercisable still outstanding are the one related to the Plan 2014-2016 equal to 242,080.

The average exercise price for options of the Plan 2014-2016 is equal to 8.39 Euro with a remaining contract life of 0.4 years, for the third tranche of the Plan 2017-2020 is equal to 0.68 Euro with a remaining contract life of 5.4 years, while for the first and the second tranche of the Plan 2020-2022 are equal to respectively 0.63 and 0.87 Euro with an average remaining contract life of 7.0 years.

The adoption of these plans weighed on the income statement for the period for a cost of Euro 287 thousand (Euro 37 thousand at 31 December 2020).

5. Notes to the income statement

5.1 Service revenues

The company, as Group's financial holding company, does not have revenues from the sale of goods, but only revenues for services for Euro 1,082,047 relating to charges to subsidiaries for administrative, legal, accounting and tax services performed on its behalf during the year.

5.2 General and administrative expenses

(Euro)	**2021**	**2020**
Payroll and social security contributions	2,944,805	4,471,522
Corporate compliance costs	313,950	270,283
Remunerations to directors and statutory auditors	2,356,507	1,673,246
Consultancies	785,062	779,100
Cost of services rendered by Safilo S.p.A.	242,360	198,213
Other general and administrative expenses	171,502	223,084
Provisions accrual (Long Term Incentive)	1,000,000	-
Depreciation	130,817	121,929
Total	**7,945,002**	**7,737,377**

The following table illustrates the average number of employees divided by category:

	2021	**2020**
Executives	7	7
Clerks and middle management	10	12
Total	**17**	**19**

5.3 Other operating income (expenses)

This item amounts to Euro 4,111,676 and mainly refers to costs incurred for business development operations.

5.4 Gains (losses) on equity investments in subsidiaries

In 2021 no write-down was made as the value of the investment. The investments were subject to impairment test (see note 4.5).

5.5 Financial charges

This item breaks down as follows:

(Euro)	**2021**	**2020**
Interest expenses and charges on Bond	8,020	10,233
Bank commissions	1,470	1,663
Negative exchange rate differences	23,520	69,700
Other financial charges	-	964
Total financial charges	**33,010**	**82,560**
Interests income	-	952
Positive exchange rate differences	13,786	199,166
Dividends	5,600	-
Other financial income	456,133	-
Total financial income	**475,519**	**200,118**
Total financial (charges) income, net	**442,509**	**117,558**

In 2021, the company received dividends from the subsidiary Safilo Portugal LDA for Euro 5,600.

The item "Other financial income", of Euro 456,133, mainly refers to the revenue gained from offer of option rights for the subscription of new shares issued to increase the share capital of the company.

5.6 Income taxes

This item breaks down as follows:

(Euro)	**2021**	**2020**
Current taxes	849,631	631,156
Deferred taxes	(1,527,095)	(444,135)
Total	**(677,464)**	**187,021**

Current taxes, positive for 849,631 Euro, mainly refer to the income from tax consolidation that the company has made with reference to the use of its losses against the taxable income of the subsidiary Lenti S.r.l. and, to a lesser extent, to adjustments made in the determination of the taxable income of previous years; while the negative amount of 1,527,095 Euro is attributable to the devaluation of the residual deferred tax assets For which, as already described, the management considers that no future taxable income is expected to be generated to allow the benefit of that deferred tax asset to be utilized.

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

(Euro)	%	2021	%	2020
Profit (loss) before taxation	**100%**	**(10,532,123)**	**100%**	**(125,695,436)**
Theoretical taxes	-24.0%	2,527,710	-24.0%	30,166,905
Not deductible costs	0.4%	(42,767)	23.0%	(28,892,748)
Costs booked to equity reduction and fully deducted	-4.3%	456,000	0.0%	-
Income from tax fiscal unity	-8.1%	849,631	-0.5%	631,156
Non-recognition of new DTAs and write-off of existing DTAs	41.5%	(4,472,461)	1.4%	(1,718,292)
Other differences	-0.04%	4,423	0.0%	-
Total	**6.4%**	**(677,464)**	**-0.1%**	**187,021**

5.7 Earnings (losses) per share

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

Basic

	2021	2020
Profit/(loss) for ordinary shares	(11,209,586)	(125,508,415)
Average number of ordinary shares	298,364,436	275,703,846
Earnings (loss) per share - basic (in Euro)	**(0,04)**	**(0,46)**

Diluted

	2021	2020
Profit/(loss) for ordinary shares	(11,209,586)	(125,508,415)
Profit for preferred shares	-	-
Profit/(loss) in income statement	**(11,209,586)**	**(125,508,415)**
Average number of ordinary shares	298,364,436	275,703,846
Dilution effects:		
- stock option	3,521,845	269,675
Total	**301,886,281**	**275,973,521**
Earnings (loss) per share - diluted (in Euro)	**(0,04)**	**(0,46)**

6. Commitments

The Company had no purchase commitments at the reporting date.

7. Subsequent events

In the period following 31 December 2021, as disclosed in the paragraph "Significant events after the year-end and outlook" included in the Report on operatios, the following events have incurred that might have an impact on the data contained in this document.

On 14 January 2022 David Schottenstein Board member and CEO of Privé Goods LLC (Privé Revaux) resigned and left the Company, Following this event pursuant to the contractual terms of the acquisition the Group has exercised its put and call option on the non-controlling interests held by David Schottenstein increasing its controlling stake in Privé Revaux from 64,2% to 81,9% in exchange for a nominal amount. This event has been considered a "non-adjusting subsequent event" and hence it has not been taken into consideration for the determination of the fair value of the liability for the options on non-controlling interests of Privé Revaux as at 31 December 2021, Accordingly, the Group will reflect this impact in its 2022 financial statements.

During the second half of February conflict broke out in the Ukraine. The group is closely monitoring the situation and the impact on its business, Safilo's net sales and assets in Russia and Ukraine accounted for less than 2% of the Group's total revenues and 1% of the Group's total net assets.

In the period following 31 December 2021, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

8. Significant non-recurring events and transactions

During 2021 the company did not engage in significant non-recurring transactions pursuant to the CONSOB Communication of 28th July 2006.

9. Transactions resulting from unusual and/or abnormal operations

Pursuant to CONSOB Communication of 28th July 2006, in 2021 the Company did not put in place any unusual and/or atypical operations, as defined in this Communication.

10. Transactions with related parties

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

(Euro)	2021	2020
Directors		
- Salaries ad short term compensations	3,690,916	1,391,374
- Non monetary benefits	21,835	34,750
- Other compensations	86,930	838,298
- Fair value of equity compensations	236,791	52,588
Statutory auditors		
- Fixed compensations and compensations for participation in committees	143,000	153,400
Managers with strategic responsibilities		
- Salaries ad short term compensations	735,375	448,000
- Non monetary benefits	11,370	16,240
- Other compensations	53,011	128,658
- Fair value of equity compensations	50,501	14,521
Total	**5,029,729**	**3,077,829**

Resolution regarding the result for the year

We submit for your approval the financial statements for the financial year ending on December 31st, 2021, drafted according to the IFRS International Accounting Standards, and recommend that the loss of the year, amounting to 11,209,586 Euro be carried forward.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia

APPENDIX

Information requested by art, 149-duodecies of the Regulation on Issuers issued by Consob

The following table, prepared in accordance with Art, 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2021 relating to the audit and other audit related services rendered by the same Audit firm.

(Euro/000)	**2021**
Audit	72
Attestation	50
Other services	20
Total	**142**

Certification of the Annual Report pursuant to article 81-ter of CONSOB Regulation 11971 of 14th May 1999 as amended

The undersigned Angelo Trocchia, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing Safilo Group S.p.A.'s financial statements, hereby certify, having also taken into consideration the provisions of article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24 February 1998:

- the adequacy with respect to the company structure and
- the effective application,

of the administrative and accounting procedures for preparation of the annual report during the 2021 financial year, It is also certified that the annual report at 31 December 2021:

a) corresponds to the results documented in the books, accounting and other records;

b) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of article 9 of Legislative Decree 38/2005 and, based on their knowledge, fairly and correctly present the financial position, results of operations and cash flows of the issuer.

15 March 2022

The Chief Executive Officer

Angelo Trocchia

The manager responsible for preparing the company's financial statements

Gerd Graehsler

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Shareholders' Meeting of Safilo Group S.p.A.
on the financial year 2021
pursuant to art. 153 T.U.F. and art. 2429 co. 2, C.C.

Dear Shareholders,

during the financial year ended 31 December 2021, the Board of Statutory Auditors of Safilo Group S.p.A. carried out the supervision activity required by law, in accordance with the requirements of the Civil Code, articles 148 and following of T.U.F., the Legislative Decree no.39 of 27 January 2010 as modified from the Legislative Decree 17 July 2016 no.135 and the Legislative Decree 254/2016, considering also the recommendations included in Consob's Communications on company controls and the activities of the Board of Statutory Auditors, as well as principles of conduct of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Italian national council of graduate accountants and accounting experts).
As it is known, the year 2021 has been also influenced by the effects of the COVID-19 pandemic, even if to a lesser extent than in the previous year: the activities of the corporate bodies continued in ways that alternated meetings and exchanges of information "from remote" with meetings "in presence"; the activity of the Board of Statutory Auditors also continued through the acquisition of data and information in electronic format and through video-conference meetings, as well as through meetings at the registered office when deemed compatible with the emergency situation.
As premise, it should be noted that the Board of Statutory Auditors of Safilo Group S.p.A. has been appointed by the Shareholders' Meeting held on 28 April 2020 and is in charge until the approval of the financial statements as at 31 December 2022.
As regards the methods employed by the Board of Statutory Auditors to carry out its institutional activities, it confirms the following:

- it monitored compliance with the law and by laws;
- it attended the Shareholders' Meeting and all the meetings of the Board of Directors held during this year, and obtained from the Directors quarterly reports on activities carried out and significant operations executed by the company or its subsidiaries and verified that the aforesaid operations were coherent with the assumed deliberations and in respect for the principles of correct management;
- it monitored, within our area of responsibility, the organisational adequacy of the company, its respect for the principles of correct management and the organisational evolution of the Group;
- it monitored the operation of the administrative and accounting system, in order to assess its adequacy for management requirements and its reliability for the reporting of business operations. During this activity, it relied on the information supplied by the executive Director in charge of the internal control system, on information obtained as part of the regular participation to the activities of the Control Risk Committee, on examination of reports prepared by the Head of the Internal Audit function on the adequacy of administrative and accounting procedures pursuant to Law 262/05 and on the outcome of related tests carried out, together with the information obtained during periodic meetings with the auditing firm Deloitte & Touche S.p.A. which reported on the outcome of systematic

checks and on the proper keeping of accounting records. We have no particular comments to make in this respect;

- strengthened the information flows mentioned above as a consequence of the COVID-19 pandemic, as stated in the *"Richiamo di attenzione CONSOB 1/2021"* published on 16 February 2021;
- not having been appointed to perform an analytical inspection of the content of the financial statements, we verified the general structure of the financial statements and consolidated financial statements, drawn up in compliance with IAS/IFRS international accounting principles, and of the respective management reports through direct checks and using specific information supplied by the auditing company;
- it verified that the impairment test had been carried out for items subject to evaluation in the consolidated financial statements, and in the statutory financial statements.

The Board reports that:

- to the best of our knowledge, the Directors did not infringe the provisions of article 2423 paragraph 4 of the Civil Code in the Notes to the Financial Statements;
- it verified that, following adoption of its own "Internal Dealing Code", the Company has set up specific operational and management procedures for any communications from "relevant" parties;
- it verified that, pursuant to the provisions of Legislative Decree No. 231 of 8 June 2001, the company has equipped itself with an Organisation, Management and Control Model that complies with the *Confindustria* Guidelines and fulfils the requirements of the aforementioned legislative decree, disseminated the Code of Ethics and established a Supervisory Committee that reported to the Control and Risk Committee and the Board of Directors on its activities. The necessary actions and measures have been taken to ensure that the organisational model remains appropriate and up-to-date for the purpose of fulfilling its functions and complying with new regulatory requirements;
- we have verified that the company has complied with the provisions of law 15/11/2017 n. 179 concerning Whistleblowing, adopting its Worldwide Business Conduct Manual (WBCM) and related reporting system of alleged violations to the same.

In accordance with the aforementioned Consob communications, the Board hereby provides the following information:

1. <u>Events incurred during the year:</u> the mainly events incurred in 2021 that affected the economic performance of the group are fully illustrated in the specific paragraph of the Report on Operations in the consolidated financial statements, to which reference should be made, and are classified as follows: "2021 results above pre Covid-19 pandemic", "The share capital increase of Euro 135 million", "Non-recurring costs and income".
   About the Covid-19 pandemic, the Company adequately illustrated the risks associated with the pandemic emergency and provided adequate information on the positive and negative effects associated with it which impacted the Group's results.
2. <u>Events after the year end:</u> in the specific paragraph of the Report on Operations, to which reference should be made, two events classified as "events after the year end" are reported, which relate to the increasing of the controlling stake in the American subsidiary Privé Revaux from 64.2% to 81.9%, and the beginning of the conflict between Russia and Ukraine.
3. The significant economic, financial and capital operations carried out by the company and its subsidiaries were executed in accordance with the law and company by laws. Based on the information acquired,

the Board was able to ascertain that they were not manifestly imprudent or risky, that they did not result in a conflict of interest and did not compromise the integrity of the company's assets.

4. It has been ascertained that no atypical and/or unusual operations, as defined by Consob communication DEM/6064293 of 28 July 2006, were carried out within the group or with related or third parties, having found confirmation of this in the information supplied by the Board of Directors and the Auditing Firm.

   Furthermore, the Board ascertained that the standard operating procedures in force within the Group guarantee that all commercial operations with related parties take place according to market conditions.
5. The Board of Statutory Auditors verified the effective implementation and concrete functioning of the Related Party Transactions Procedure adopted by the Company, attending the meetings of the Transactions with Related Parties Committee.
6. The Board believes that the information presented by the Directors in their report on operations and explanatory notes in respect of the operations mentioned in paragraphs 1, 2 and 3 are adequate.
7. The reports prepared by the audit firm Deloitte & Touche S.p.A., issued on 18 March 2022, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31 December 2021 do not contain significant findings and/or disclosure requests. The auditing firm issued its assessment of the consistency of the Management Report with the relevant financial statements without any observations and/or objections.

   With reference to the compliance of the consolidated financial statements with the Delegated Regulation EU 2019/815 of the European Commission on regulatory technical standards relating to the specifications of the single electronic communication format (ESEF - European Single Electronic Format), the auditing firm issued its favorable opinion, and in particular that the consolidated financial statements have been prepared in XHTML format and have been marked in all significant aspects in compliance with the ESEF Delegated Regulation.

   On 18 March 2022, the auditing company also issued its additional report for the Internal Control and Audit Committee, pursuant to art. 11 of EU Regulation 537/2014.
8. During 2021, no reports were made to the Board of Statutory Auditors under article 2408 of the Civil Code, and no complaints were submitted by shareholders.
9. During 2021, Safilo Group S.p.A. has appointed to Deloitte & Touche S.p.A. engagement other than to perform the legal audit of the statutory and consolidated financial statements. In the appendix to the consolidated financial statement is reported, in accordance with the principle 149-Duodecies of the Issuers' Regulations, the statement of the fees recognized for the year to Deloitte & Touche S.p.A. and its network for statutory audit and other services provided by the same Independent Auditor to the company and to the Group. In accordance with the article 17, ninth paragraph, of the Legislative Decree 39/2010, the Independent Auditor has regularly communicated to the Board of Statutory Auditors additional engagements to those of auditing the accounts, obtaining the relative authorization from the Board after assessment of possible risks for the independence of the Auditor.
10. During the 2021 financial year, the Board of Statutory Auditors expressed its opinion when required by current laws.
11. The Board of Statutory Auditors verified the accuracy of the criteria and assessment procedures employed by the Board of Directors to assert the independence of its members.
12. The Board of Statutory Auditors has verified the possession of the requirements of integrity and independence of its members; to the Report on Corporate Governance and Ownership Structure for the financial year 2021, approved by the Board of Directors on 15 March 2022, is attached a list on

supervision activities that outlines the tasks performed, as of the date of issue of the Report, by the members of the Board of Statutory Auditors, drawn up according to sample 4, appendix 5-bis of the Issuers' Regulations.

13. During 2021, the Board of Directors held ten meetings and the Board of Statutory Auditors held six meetings. Additionally, the Control Risk Committee met five times and the Sustainability Committee met two times, with the constant participation of the Board of Statutory Auditors, while the Remuneration and Nomination Committee met four times and the Related Parties Transactions Committee met two times, always with the participation of the Board of Statutory Auditors.
14. On the basis of the information gathered from the company’s departmental managers, from the Internal Audit function, and during periodic meetings with the Auditing Firm, the Board believes that the principles of correct management were constantly observed.
15. The Board gathered information about and monitored the company’s organisational structure to the extent of our responsibilities.
16. Based on the analyses performed and the information obtained during meetings with the Director in charge of the internal control system, with the Internal Control Manager, with the Manager in charge of preparing the accounting documentation and during meetings of the Control Risk Committee, the Sustainability Committee and the Supervisory Board, the Board verified the adequacy and reliability of the internal control system and risks management.
17. The Board verified the adequacy of the administrative and accounting system and the reliability of the same in correctly representing business operations.
18. The Board verified the adequacy of the manner in which the parent company hands down instructions to its main subsidiaries.
19. During systematic meetings between the Board of Statutory Auditors and the Auditing Firm under art. 150, paragraph 2, Legislative Decree 58/1998, no significant findings emerged.
20. The Remuneration Report is prepared pursuant to art. 84 quarter of the Issuers’ Regulations and to Consob resolution No. 11971/1999 and subsequent amendments, and is structured in two sections: the first section which contains the remuneration policy for the year 2022 and will be submitted to the shareholders' meeting, and the second section which describes the methods by which the remuneration policy in force for the financial year 2021 has been implemented, providing a summary of the remuneration paid.
21. The 2021 Report on Corporate Governance and Ownership Structure prepared by the Board of Directors contains a description of the governance of the Company and the Group that appears to be in line with the principles of the Self-Regulation Code and the Issuers’ Regulations. This Report also presents information on the ownership structure pursuant to art. 123 bis of the TUF (consolidated finance act). The Board of Statutory Auditors monitored implementation of the corporate governance rules, based on the Corporate Governance Code promoted by Borsa Italiana in the version in force from 1 January 2021, in the terms illustrated within the 2021 Report on Corporate Governance and Ownership Structure.
22. The Chief Executive Officer and the Manager responsible for preparing the company’s financial statements provided the statements required by article 154-bis, paragraph 5, regarding the financial statements and consolidated financial statements in accordance with the model provided in appendix 3c-ter of the Issuers’ Regulations.
23. The evaluation of the goodwill in the consolidated financial statement, based on impairment test results, did not highlight the need for an impairment. To determine the cash flow projections used in the

impairment test, the Board of Directors has approved on 15 March 2022, a Financial Projection for the period 2022 – 2026 which confirm the main goals and strategies defined in the Group Business Plan 2020-2024 published in December 2019. In estimating the growth in the plan period, the Group has taken into consideration both its own internal expectations as well as indications obtained from independent external sources.

In the Notes to the Consolidated Financial Statements, note 4.9, have been described goals and strategies of the Group Business Plan 2020-2024, the complex evaluation process, as well as the assumptions on which the impairment test is based. During year 2021, the value of the Company that can be deduced from the Stock Market's prices has been always above the book value of shareholder equity. The Board of Directors considers that the assumptions included in the Business Plan approved for the impairment test are reasonable, also taking into account all the other elements considered in the test's execution.

24. Based on the same Financial Projection for the period 2022 – 2026 approved by the Board of Directors on 15 March 2022, the impairment test, in the separate financial statement of Safilo Group S.p.a., on the equity investment value in Safilo S.p.a. did not result in any impairment loss, as described in the note 4.5 of the Notes to the separate financial statement.
25. The Board also took note about the topics described in the "Key Audit Matters" paragraph included in the report of Independent Auditor.
26. Consolidated Non-Financial Information Statement: the Board verified the compliance with the provisions pursuant to the Legislative Decree 30 December 2016 no.254, regarding the consolidated non-financial information statement of Safilo Group S.p.A. and its subsidiaries (hereinafter NFD). The Board of Statutory Auditors finds that the Company has prepared, in its capacity as Parent Company and following the provisions of the Legislative Decree 30 December 2016 no. 254 ("Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups" – hereinafter "Decree"), the 2021 Consolidated Non-Financial Information Statement of the Safilo Group, as required by Articles 3 and 4 of the Decree and by the "Global Reporting Initiative Sustainability Reporting Standards" (hereinafter "GRI Standards"), defined in 2016 and subsequently updated by the GRI - Global Reporting Initiative – adopted by the directors as reporting standards. The Board of Statutory Auditors supervised about the compliance with the provisions established by the Decree in the preparation of the NFD, verifying that it allows the understanding of the business, its performance, its results and its impacts produced, and that reports about the relevant topics such as environmental, social, people, respect of human rights and anticorruption, taking into account the business and characteristics of the Company, in compliance with the provisions of the Article 3 of the Decree. The Board of Statutory Auditors also noted that, pursuant to the Article 3 paragraph 10, the company Deloitte & Touche S.p.A., in charge of auditing the Group's financial statements, issued on 18 March 2022 a specific Report on the Consolidated Non-Financial Information Statement, attesting the compliance of the information provided in this Document with Articles 3 and 4 of the Decree and the GRI Standards.
27. The Board confirms that no omissions, irregularities or wrongful actions emerged from our supervisory activities that would need to be reported to the Supervisory Bodies or Shareholders.

To conclude, the Board expresses its approval, to the extent of its responsibilities, of the 2021 financial statements as presented by the Board of Directors, with the Report on Operations, and of Directors' proposal to carry forward the loss of the period of Euro 11,209,586.

Padua, 18 March 2022

THE BOARD OF STATUTORY AUDITORS

Signed by

Carmen Pezzuto	Chairman
Roberto Padova	Regular auditor
Bettina Solimando	Regular auditor

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

REPORT OF INDEPENDENT AUDITORS

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Safilo Group S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of the equity investment in Safilo S.p.A.	
Description of the key audit matter	The balance sheet includes for Euro 414.1 million the equity investment in Safilo S.p.A. (the "subsidiary"). As disclosed in Note 4.5., in order to confirm the evaluation of the equity investment as at December 31, 2021 the Directors have submitted the equity investment to impairment test. Since Safilo S.p.A. is the operating company of the Safilo Group, the impairment test has been derived from the one performed for the purposes of evaluating the goodwill recognized in the consolidated financial statements and therefore it is based on the financial projections for the period 2022 – 2026, approved by the Directors on March 15, 2022. In note 3, the Directors explain how the impairment test represents a complex process and it is based on assumptions related, among others, to the expectations in terms of cash flows, the determination of appropriate discount rates (WACC) and of long-term growth (g-rate). We considered the relevance of the value of the investment, which represents about 91% of the Company's assets as of December 31, 2021, the subjectivity of the estimates underlying the determination of the key variables of the impairment test, the difference between the value of the investment and the net equity of the investee and the negative results registred by the subsidiary in the last years, consequently we assessed that the impairment of the equity investment in the susidiary represents a key audit matter for the audit of Safilo Group's financial statements
Audit procedures performed	We preliminarily analized the methodology and assumptions used by Management to perform the impairment test. We performed the following audit procedures, supported by the experts belonging to our network: • detection and understanding of the relevant controls designed by the Company in the process of performing the impairment test; • obtaining the sources of information and analysis of the main assumptions adopted by the Directors to elaborate the expectations in terms of cash flows, also using industry data and researches with reference to the expected trend in revenues and margins, comparison with analysts' expectations and obtaining information from Management; • analysis of the actual results obtained compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process; • analysis of the reasonableness of the discount rates (WACC) and long term growth (g-rate);

- test of the accuracy of the determination of the carrying value and comparison with the recoverable value resulting from the impairment test.

Finally we verified the appropriateness and the compliance of the disclosure on the impairment test provided by the Directors to the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Safilo Group S.p.A. has appointed us on April 15, 2014 as auditors of the Company for the years from December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Safilo Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Safilo Group S.p.A. as at December 31, 2021 including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Safilo Group S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Safilo Group S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Pergolari
Partner

Padova, Italy
March 18, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

SAFILO GROUP S.p.A.

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Headquarters:

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