ANNUAL REPORT 2020

Safilo GROUP

ANNUAL REPORT 2020


CARRERA
EYEWEAR SINCE 1956
#DRIVEYOURSTORY
CARRERA CHAMPION65

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BANANA REPUBLIC

(*) From 2021

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 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.

SAFILO BUSINESS MODEL

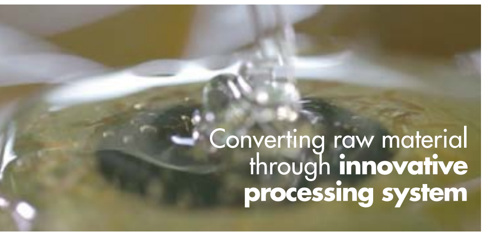
DESIGN, INNOVATION & PRODUCT CREATION

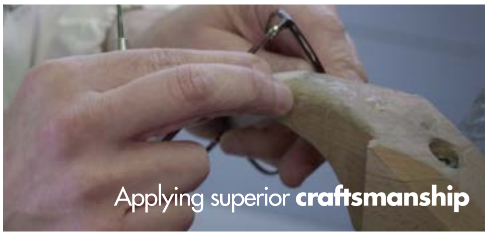
GLOBAL PRODUCT SUPPLY & DISTRIBUTION

GLOBAL BRAND BUILDING & MARKETING

GO TO MARKET

We will be a leading **Global Eyewear Creator** with a **balanced Portfolio of superior brands** that will delight the world's **consumers**, create mutual value with our **partners** and reward Safilo with leadership **shareholder** value creation.





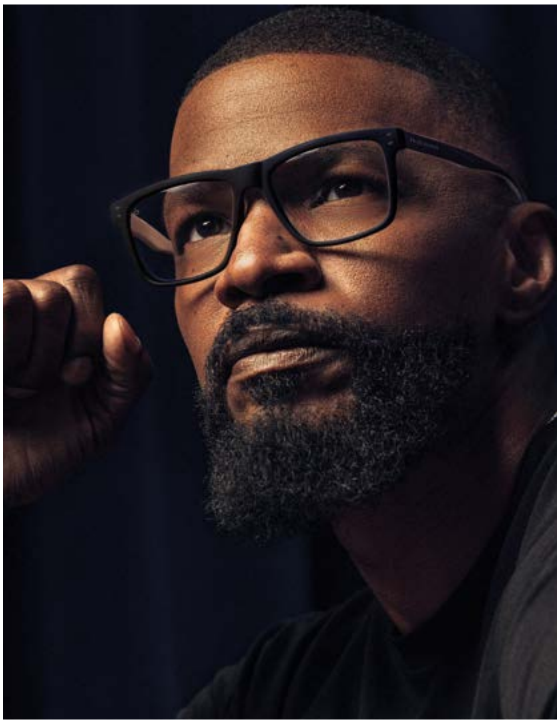
SAFILO BRANDS

CARRERA
EYEWEAR SINCE 1956

Polaroid

SAFILO
MADE IN ITALY DAL 1934

SMITH



LICENSED BRANDS

BANANA REPUBLIC

BOSS
HUGO BOSS

HUGO
HUGO BOSS

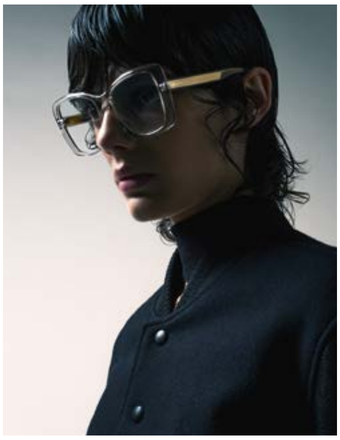
EYEWEAR by DAVID BECKHAM

ELIE SAAB

FENDI

FOSSIL

GIVENCHY
PARIS



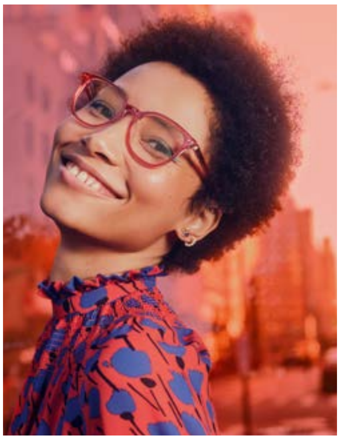
havaianas®

ISABEL MARANT

JIMMY CHOO

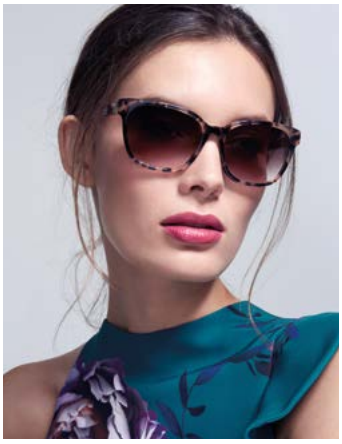
Juicy Couture

kate spade
NEW YORK



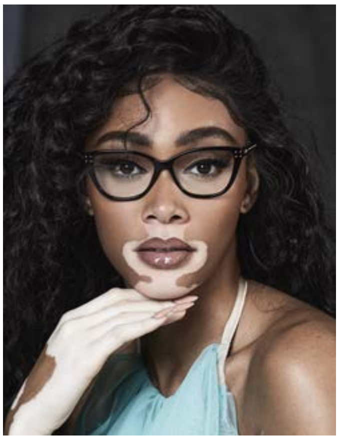
Levi's

LIZ claiborne



THE MARC JACOBS

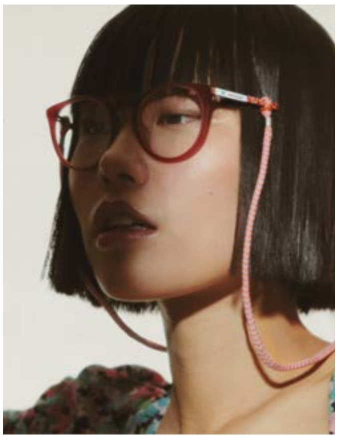
MOSCHINO



LOVE MOSCHINO

MISSONI

M
MISSONI



pierre cardin
PARIS

PORTS

rag & bone
NEW YORK

REBECCA MINKOFF

TOMMY HILFIGER

TOMMY JEANS

UNDER ARMOUR

SAFILO IN THE WORLD

The Safilo Group has a **commercial network in around 40 countries** and **independent distributor partners.**

COMMERCIAL NETWORK

THE AMERICAS

Brasil
Canada
Mexico
Usa

EUROPE

Austria
Belgium
Czech Rep.
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Norway
Netherlands
Portugal
Russia
Slovenija
Slovenská Rep
Spain
Sweden
Switzerland
Turkey
UK

ASIA PACIFIC

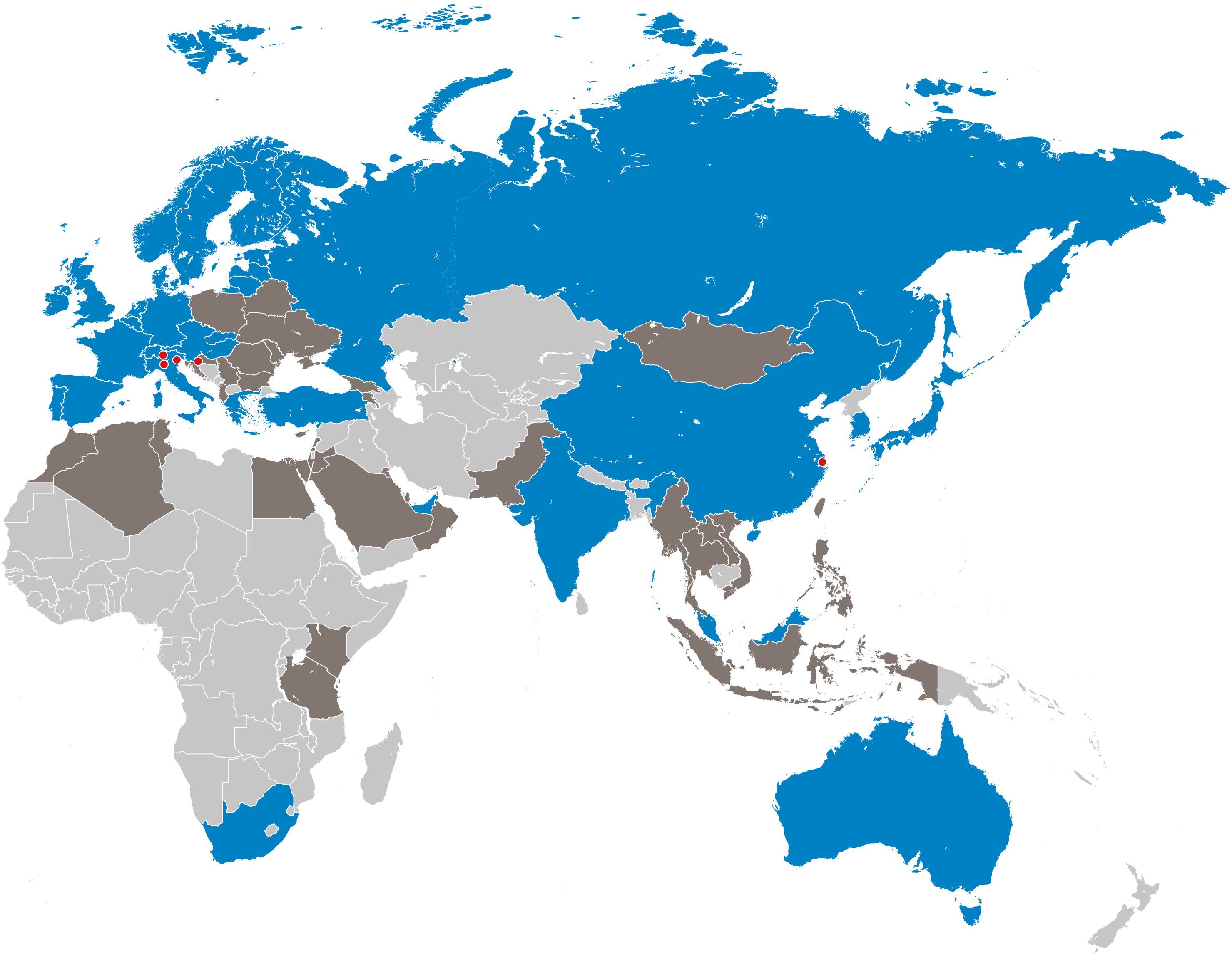
Australia
China
Hong Kong
India
Japan
Malaysia
Singapore
South Korea

REST OF THE WORLD

South Africa
United Arab Emirates

MANUFACTURING FACILITIES

- Longarone (Italy)
- S. Maria di Sala (Italy)
- Bergamo (Italy)
- Ormoz (SLO)
- Salt Lake City (USA)
- Suzhou (RPC)



INDEPENDENT DISTRIBUTOR PARTNERS

THE AMERICAS
Aruba
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
Guatemala
Nicaragua
Panama
Salvador

EUROPE
Albania
Armenia
Belarus
Bulgaria
Croatia
Georgia
Kosovo
Moldova
Poland
Romania
Serbia
Ukraina

ASIA PACIFIC
Indonesia
Mongolia
Myanmar
Philippines
Taiwan
Thailand
Vietnam

REST OF THE WORLD
Algeria
Cyprus
Egypt
Gulf Cooperation Council
Israel
Jordan
Kenya
Lebanon
Morocco
Pakistan
Saudi Arabia
Tanzania
Tunisia

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, and is still the largest Italian unit in the Group. 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 Ormoz (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 9 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.

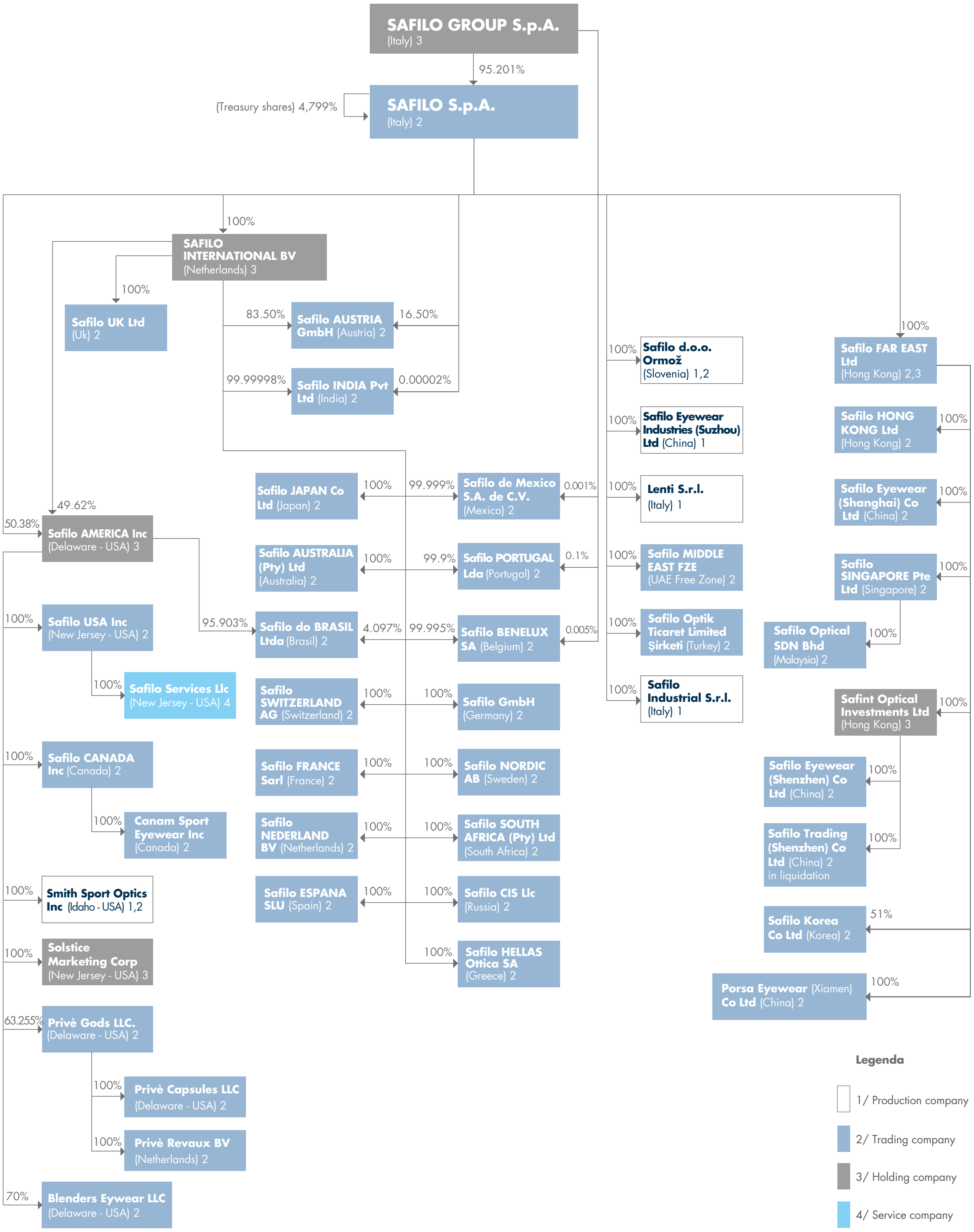
The acquisition of the Privè Revaux business

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 as a licensee to leading fashion houses;

- 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 seven factories in Italy, Slovenia, 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, Slovenia, 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 communications

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.

The wholesale distribution network is structured in regions

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

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 28 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 Elie Saab, Fendi, Jimmy Choo, Givenchy, Isabel Marant, Boss, Missoni, Moschino and Safilo – to Lifestyle – with Carrera, David Beckham, Marc Jacobs, Levi's, Tommy Hilfiger, Tommy Jeans, Kate Spade, Banana Republic, Fossil, HUGO, Juicy Couture, Liz Claiborne, Love Moschino, M Missoni, Pierre Cardin, 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.

2020 renewal and new licensing agreements for the Group

2020 was a year in which the Group added two strategic brands to its proprietary brand portfolio as well as added new strategic licensing agreements and confirmed key partnerships with brands already in portfolio.

In February, Safilo announced the acquisition of Privé Revaux, a fast-growing US eyewear brand fueled by a celebrity network and strong digital marketing.

In June, Safilo announced the acquisition of Blenders Eyewear, a Californian eyewear brand with a digital-native business model and a strong proprietary direct-to-consumer e-commerce platform.

In March, Safilo announced a ten-year licensing agreement for the design, manufacturing and distribution of Isabel Marant eyewear, which has been launched in January 2021.

In May, Safilo announced a new licensing agreement for the design, manufacturing and distribution in China of the PORTS branded eyewear collections, which has been launched in January 2021.

In October, Safilo announced the renewal until December 2026 of its licensing agreement for the design, manufacturing and distribution of the Pierre Cardin eyewear collections, a long-standing partnership that dates back to 1991.

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.

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 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.

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.

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

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

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.

PORTS
BOSS HUGO BOSS
Levi's
ISABEL MARANT *
kate spade NEW YORK
havaianas
MOSCHINO
THE MARC JACOBS
ELIE SAAB
REBECCA MINKOFF
UNDER ARMOUR
MISSONI
JIMMY CHOO
TOMMY HILFIGER
LOVE MOSCHINO
M MISSONI
GIVENCHY PARIS
HUGO HUGO BOSS
Juicy Couture
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rag & bone NEW YORK
EYEWEAR by DAVID BECKHAM
FENDI
pierre cardin PARIS
FOSSIL
BANANA REPUBLIC
liz claiborne

(*) From 2021

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.

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.

Elie Saab. ELIE SAAB is one of the world's leading global luxury fashion and lifestyle brands, with ateliers based both in Paris and Beirut, and Haute Couture salons, ready-to-wear boutiques and bridal suites established throughout the world's fashion capitals, catering to every moment of a woman's life. ELIE SAAB continues to create collections, and a diversified accessories range including eyewear and perfumes, displaying the innate elegance and femininity on which the designer and the label's reputation was built, using elegant tailoring, noble materials and sumptuous Middle Eastern detailing with European sensibility.

Fendi. The brand was established by Adele and Edoardo Fendi in Rome in 1925. Fendi emerged as a brand renowned for its elegance, craftsmanship, innovation and style. The collaboration with Karl Lagerfeld began back in 1965 and in 1992 Silvia Venturini Fendi seconded him in the creative direction. In 2000 the LVMH Group acquires FENDI becoming in 2001 its majority stakeholder. In 2019, Silvia Venturini Fendi becomes Fendi's Creative Director. Today Fendi is synonymous with quality, tradition, experimentation and creativity.

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.

Givenchy. Hubert de Givenchy founded his namesake fashion house in 1952. No sooner did it open than it earned a reputation for breaking with fashion codes of its time. After an incredibly successful 40-year career, he would be succeeded by some of fashion's great talents that contributed to the house of Givenchy ongoing story. In June 2020, Givenchy opened a new chapter in its history with the appointment of Matthew M. Williams as Creative Director of women's and men's collections. A self-taught designer, Mr. Williams brings to the House a commitment to craftsmanship and attention to detail as well as an intuitive understanding of tailoring, technology and integrity in fashion. His flair for translating cultural undercurrents into high fashion, coupled with his vision of the House's timeless attitude and inclusive allure make him the ideal steward for moving the Givenchy legacy forward in a modern and powerful way.

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.


SMITH
SMITH
SPYDER
LAND ROVER

SAFILO GROUP S.p.A. CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2020

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

2020 presented the most challenging market conditions we have ever experienced, and I want to express my utmost gratitude to all our people, in the plants and in our offices around the world, for their dedication and the excellent job accomplished in such a difficult period of our lives.

The health and safety of our people, including the opportunity to manage professional and personal needs with the greatest flexibility, were and continue to be our first priority.

I am proud of the work done by our organization to advance our medium-term strategic agenda this year, and considering the unprecedented market conditions, I am satisfied with our ability to contain, as much as possible, the impact to our top and bottom line.

In 2020 our net sales fell by 15.2% at constant exchange rates and the adjusted EBITDA finished slightly positive, reflecting the significant Covid-19 impact suffered in the first half of the year followed by a solid sales recovery in the second half, and our decisive interventions on the cost structure. In 2020, we were able to deliver 15 million Euro of structural overhead savings, already bringing home the majority of the 20 million targeted in our medium-term Plan, coupled with an effective use of the supports made available by governments throughout this pandemic.

We also worked strenuously to maintain a sound financial profile, securing additional liquidity for the Group with a new guaranteed term loan facility, and handling, to the best of our abilities, our net working capital requirements through a prudent reduction of our inventories and an effective and balanced management of our cash collection and payments activities.

I want to thank our partners, clients and suppliers, for their support, as together we continued building a more sustainable business in such a crucial year.

The fourth quarter reflected again a more challenging marketplace, as fresh restrictions were imposed above all in Europe to contain the second wave of the pandemic. In such a still complex environment, we are therefore particularly pleased with our positive finish to the year, which we think confirms the strategic directions we set out at the end of 2019 and the business priorities we gave ourselves to accomplish our Plan.

In the last three months of the year, our net sales grew by +3.0% at constant exchange rates behind the sequential improvement, quarter on quarter, of our wholesale activities, thanks again to the strength of our North American market, where we kept leveraging on the capabilities, we built to better serve our customers in the independent opticians channel. In the fourth quarter, the United States were thus a key growth driver, which together with the strong business rebound we experienced in China and Australia, allowed us to almost fully offset the impact of the challenging market environment in Europe and in a number of emerging countries.

In a year in which e-commerce and social digital marketing leapfrogged in consumer relevance, the significant progress of Smith's direct-to-consumer business and the acquisitions of Privé Revaux in February and of Blenders Eyewear in June, gave a strong boost to the digital transformation strategy we announced in December 2019, representing a meaningful support to the recovery we posted in the second half of the year. Our second half net sales grew by 4.5% at constant exchange rates and the adjusted Ebitda increased by 21%.

Our total online business grew sharply in 2020, contributing around 100 million Euro or 13% to our Group's net sales, from around 4% in 2019, a clear strategic choice we took before the outset of the pandemic and which we invested in during the year, alongside the significant focus we put on strengthening the partnership with our clients through a brand new B2B platform and CRM system, all improving the customer engagement and enhancing our product offer and service levels.

In 2020, we continued to renew our portfolio, launching four new brands during the year, Levi's, David Beckham, Missoni and Ports, and getting ready for the launch of Isabel Marant and Underarmour at the beginning of 2021.

Last year, we also started our production footprint overhaul, to realign the Group's manufacturing capacity to the current and future production needs, selling the Martignacco site at the beginning of October and starting the reorganization of the Longarone plant.

Considering the challenging market scenarios due to the pandemic we are still dealing with, we are now required to take further steps in the direction of our Plan to have a more efficient and competitive industrial footprint, in particular with reference to the declared intention to start a process for the closure of the Slovenia factory in Ormoz. This is for us a very painful choice, dictated by an already complex situation, which has become structural and no longer sustainable, and on which we will be fully committed to identifying, in collaboration with the local trade unions and authorities, all possible solutions to mitigate its social impacts.

The business environment at the beginning of 2021 remained affected by the containment actions still in place in many countries to halt the spread of Covid-19 and the uncertainties over the scale and timing of the expected rebound in consumer demand across the different geographies. Our business activity in January and February was in line with our expectations for a more moderate start to the year compared to the very positive sales trends recorded at the beginning of 2020, while the first ten days of March confirm a significant acceleration compared to the same period last year, the first to be highly impacted by the consequences of the pandemic.

Sales performance in these months continued to be influenced by the positive business trends in the United States, the ongoing strength of the online channel and a more marked recovery in emerging markets while a number of countries in Europe and the travel retail business in Asia remain weak spots.

As we continue to maintain a prudent stance on the prospects for the current year awaiting further market evidence of a solid sun season, the main assumption of our work today rests on the opportunity for our business, both owned and licensed, to effectively compensate for discontinued and exiting activities, and on the continuation of our cost reduction plan to recover this year a more positive economic profile.

Angelo Trocchia
Chief Executive Officer

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	Guido Guzzetti
	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 RISK AND SUSTAINABILITY COMMITTEE (4)	*Chairman*	Ines Mazzilli
		Melchert Frans Groot
		Guido Guzzetti
REMUNERATION AND NOMINATION COMMITTEE (5)	*Chairman*	Cinzia Morelli-Verhoog
		Jeffrey A. Cole
		Guido Guzzetti
TRANSACTIONS WITH RELATED PARTIES COMMITTEE (3)	*Chairman*	Ines Mazzilli
		Guido Guzzetti
		Cinzia Morelli-Verhoog
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.	

(1) Appointed by the Shareholders' Meeting held on April 24th, 2018 and subsequently amended in its composition by the Shareholders' Meeting on April 28th, 2020.
(2) Appointed by the Shareholders' Meeting held on April 28th, 2020.
(3) Appointed by the Board of Directors' Meeting held on April 24th, 2018 and subsequently amended in its composition on May 6th, 2020.
(4) Appointed by the Board of Directors' Meeting held on April 24th, 2018. Starting from January 1, 2021 the Control Risk and Sustainability Committee has been renamed Control and Risk Committee and a new Sustainability Committee has been appointed.
(5) Appointed by the Board of Directors' Meeting held on April 24th, 2018 and subsequently amended in its composition respectively on March 13th, 2019 and on May 6th, 2020.

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

Economic data (*) (Euro million)	**2020**	%	**2019**	%
Net sales	780.3	100.0	939.0	100.0
Cost of sales	(417.8)	(53.5)	(462.1)	(49.2)
Gross profit	362.5	46.5	476.9	50.8
Ebitda	(20.1)	(2.6)	26.1	2.8
Ebitda pre non-recurring items	1.0	0.1	65.4	7.0
Operating profit/(loss)	(79.8)	(10.2)	(271.7)	(28.9)
Operating profit/(loss) pre non-recurring items	(54.3)	(7.0)	3.7	0.4
Group profit/(loss) before taxes	(84.1)	(10.8)	(279.0)	(29.7)
Profit/(Loss) attributable to the Group	(69.4)	(8.9)	(301.9)	(32.2)
Profit/(Loss) attributable to the Group pre non-recurring items	(46.5)	(6.0)	(6.0)	(0.6)

Economic data (*) (Euro million)	**Fourth quarter 2020**	%	**Fourth quarter 2019**	%
Net sales	225.6	100.0	230.4	100.0
Gross profit	101.3	44.9	101.8	44.2
Ebitda	5.7	2.5	(17.9)	(7.8)
Ebitda pre non-recurring items	15.0	6.6	11.1	4.8

Balance sheet data (Euro million)	**December 31, 2020**	%	**December 31, 2019**	%
Total assets	913.9	100.0	829.3	100.0
Total non-current assets	392.3	42.9	292.2	35.2
Capital expenditure	24.4	2.7	31.8	3.8
Net invested capital	408.4	44.7	416.8	50.3
Net working capital	188.5	20.6	250.8	30.2
Net financial position	(222.1)	(24.3)	(74.8)	(9.0)
Net financial position pre IFRS 16	(179.0)	(19.6)	(27.8)	(3.4)
Group Shareholders' equity	147.3	16.1	342.1	41.2

Financial data (Euro million)	**2020**		**2019**	
Cash flow from operating activities	0.9		26.5	
Cash flow from investing activities	(133.2)		(23.4)	
Cash flow from financing activities	168.9		(125.7)	
Closing net financial indebtedness (short-term)	86.0		53.9	
Free cash flow	(143.1)		(13.8)	

Earnings/(Losses) per share (in Euro)	**2020**		**2019**	
Earnings/(Losses) per share - basic	(0.252)		(1.191)	
Earnings/(Losses) per share - diluted	(0.251)		(1.190)	

(*) The Group has reported in the previous period the Solstice retail business, disposed on 1 July 2019, as discontinued operation disclosing the contribution in term of net result in a single item of the consolidated income statement. 2019 comparative data of this Report referred only to the continuing operations related to the wholesale business, allowing a proper comparison with the current period.

Group personnel	December 31, 2020	December 31, 2019
Punctual at period end	5,215	5,754
Average	5,595	5,885

Share and market data (in Euro)	2020	2019
Share price at the end of the financial year	0.80	1.11
Maximum share price of the financial year	1.15	1.60
Minimum share price of the financial year	0.51	0.71
No. shares in share capital at 31 December	275,703,846	275,703,846
Stock Market value at the end of the financial year	219,735,965	307,134,084

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 2020, the adjusted economic results exclude: non-recurring costs for Euro 25.5 million (Euro 21.1 million at the EBITDA level and Euro 22.8 million at the net result 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. In fourth quarter 2020, the adjusted EBITDA excludes 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 exclude: (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 excludes 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:

	2020			2019		
(Euro million)	Ebitda	Operating profit/ (Loss)	Profit/(Loss) attributable to the Group	Ebitda	Operating profit/ (Loss)	Profit/(Loss) attributable to the Group
Economic indicators	**(20.1)**	**(79.8)**	**(69.4)**	**26.1**	**(271.7)**	**(301.9)**
Restructuring costs and other non recurring costs	21.1	25.5	25.5	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			(2.7)			(1.9)
Economic indicators pre non recurring items	**1.0**	**(54.3)**	**(46.5)**	**65.4**	**3.7**	**(6.0)**

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 in hand and at bank. Such indicator does not include the valuation at the reporting date of derivative financial instruments and the liability for options on non-controlling interests;
- "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 first and third quarter showing only 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.


Polaroid
The Original Polarized since 1937
BRIGHT HERE, BRIGHT NOW.
The new Polaroid Sustainable Collection.

1

DIRECTORS OPERATIONS REPORT

REPORT ON OPERATIONS
INFORMATION ON THE OPERATIONS

2020 has been characterized by some important events that are reflected in Group economic performance:

Covid-19 pandemic

Since January 2020, the national and international scenario has been characterized by the spread of Covid-19 (Coronavirus), first in China and, since March, in Europe, the USA and in the rest of the world. For the containment of the virus, the public authorities of the affected countries have established, with varying degrees of severity, restrictive measures to people's mobility and to production and commercial activities (so-called Lockdown). In the months of May and June 2020, and previously in China, these measures were progressively eased, in different ways in the various countries, and manufacturing and commercial activities gradually resumed. However, important outbreaks of the virus remain in many regions of the world until this day. In parallel with the containment measures, governments have approved economic-financial support measures for individuals and businesses, with characteristics and requirements that vary according to the countries.

Safilo Group first underwent the lockdown in its factory and commercial branches located in the Far East, and then in the plants located in Italy, commercial branches located all over the world had been similarly affected by closures for more or less prolonged periods.

From the outset, the Group's actions have been primarily focused on the health and safety of all its employees, for whom it had immediately and rigorously implemented the safety and prevention regulations provided by government protocols. Equally important for Safilo was to focus on maintaining business continuity, ensuring production and service levels which were finetuned on the different market scenarios, while quickly implementing smart working solutions for office staff. The Group has also reconverted some of its production lines for the manufacturing of protective masks and visors to support the fight against Covid-19.

Safilo was not significantly impacted on the supply side. Sufficient stock levels at the end of 2019 granted the Group the flexibility to face the temporary shutdown of its Chinese plant in Suzhou and the difficulties encountered by some Chinese suppliers. Starting from February, the Group's Chinese plant in Suzhou reopened, progressively recovering its workload, while most of the key Chinese suppliers' activity also recovered a normal level. The closure of the Italian plants, leveraging flexible social amortizers available enabled the Group to adapt supply to the new demand scenario, reducing it when markets were locked down and increasing it as markets opened again and demand increased.

On the demand side, in the first two months of 2020, the Group recorded a mid-single digit increase in net sales driven by the double-digit growths recorded by all its own core brands, Carrera, Polaroid and Smith, as well as by the core licensed brands in the portfolio. In March, the business was heavily impacted by the escalation of Covid-19 in Italy and, from the second half of the month, also in the other European countries and in the United States, consequently deteriorating the Group's first quarter 2020 sales and economic performance.

In the month of April, Safilo recorded a very significant decline of its sales activities, reflecting the almost complete shutdown of the various distribution channels and markets in which the Group sells its products, with the online business and the Chinese market having been the only positive exceptions.

In line with expectations, business trends just slightly improved in May, as the lifting and easing of lockdowns and restrictions started to be implemented in many countries, bringing with it the gradual reopening of stores for prescription frames and sunglasses. In June, while consumer traffic remained generally below previous year levels, a number of countries saw a significant improvement of conversion rates, which allowed for a business rebound compared to the previous two months. Such business dynamics were more evident in Europe, in Italy, France and Germany in particular, while business activities in North America reflected the slower pace of re-openings and social disruptions.

The Group's second-quarter and first-half results were heavily hit by the severe disruption of sales activities in April and May (approximately -70% compared to the prior year two months), resulting in an unprecedented operating deleverage and negative economic performance. In June, sales trends recorded a meaningful sequential improvement, which supported the return to a small operating profit.

In the third quarter the business had a positive reaction reflecting, on one side, the sales rebound recorded in July as an expected catch-up effect after the strong pandemic impacts of the first semester, and, on the other side, a dynamic US market, making North America the main driver of our recovery.

The fourth quarter reflected again a more challenging marketplace, as fresh restrictions were imposed above all in Europe to contain the second wave of the pandemic. Nonetheless, in the last three months of the year, Group net sales grew by +3.0% at constant exchange rates behind the sequential improvement, quarter on quarter, of the wholesale activities, thanks again to the strength of the North American market, leveraging on the capabilities built to better serve the customers in the independent opticians channel.

As previously announced, in March Safilo set up a global crisis team to constantly update its assessment of the market and business evolution around the world, modulating accordingly its contingency and recovery plans. The Group's Management has progressively implemented proactive initiatives to mitigate the economic and financial effects of the pandemic, focusing on:

- minimizing all discretionary expenditures;
- eliminating or reducing variable operating expenses;
- adjusting marketing plans to the new consumption scenarios;
- reducing personnel costs making use of applicable government relief programs across the world;
- reducing planned capital expenditures to approximately Euro 24 million in 2020 from approximately Euro 32 million in 2019.

In the year, Safilo achieved structural costs savings of Euro 15 million, marking a significant progress in relation to the Group's medium-term plan for a total Euro 20 million overheads cost reduction. The contingency measures in relation to the Covid-19 emergency resulted instead in a one-time saving estimated in Euro 28 million, mainly reflecting applicable personnel relief programs.

During 2020, the Group continued with the implementation of its restructuring plan of its organization, as part of the 2020 – 2024 business plan presented in December 2019, selling the Martignacco site in October and starting the reorganization of the Longarone plant.

The Group implemented an effective working capital and cash protection management, which allowed Safilo to mitigate the impacts on Free Cash Flow to a cash absorption of Euro 31.3 million, excluding the impact of the acquisitions of Privé Revaux, completed on 10 February 2020, and Blenders Eyewear, closed on 1 June 2020, which have been financed through available cash and credit facilities, and through a subordinated loan provided by Safilo's reference shareholder, Multibrands Italy B.V., controlled by HAL Holding N.V., for an amount of Euro 90 million.

In the period, Safilo's cash flow from the change in working capital was positive, reflecting on one side a lower level of trade receivables, related to the sales reduction partially compensated by a moderate slowdown in cash collections from customers and a higher credit exposure which followed the prolonged stores closure, on the other a tight control of inventories, as well as extended payment terms, either in negotiation with suppliers or where applicable under governments relief schemes.

Business environment at the beginning of 2021 remained affected by the containment actions still in place in many countries to halt the spread of Covid-19 and the uncertainties over the scale and timing of the expected rebound in consumer demand across the different geographies. Safilo's business activity in January and February were in line with management's expectations for a moderate start to the year compared to the very positive sales trends recorded at the beginning of 2020, while the first days of March support the expectation for a significant business rebound compared to the same month last year. Based on the current visibility on the order book, the Group expects its total net sales for the first quarter of 2021 to grow, at constant exchange rates, in a high-single to low-double digit range compared to the first quarter 2020.

New Term Loan Facility of Euro 108 million guaranteed by SACE

On 15 September 2020 the Group announced the signing of a new Term Loan Facility for an amount of Euro 108.0 million to provide the Group with additional liquidity to finance working capital and investment needs for activities located in Italy, supporting the business in a period still characterized by a high level of uncertainty surrounding the recovery of the industry.

The new facility 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.

Thanks to the new SACE Facility Loan the Group has secured its liquidity needs, the net debt as at 31 December 2020 included liquidity of Euro 89 million and additional credit lines available for Euro 89.5 million.

Privè Revaux and Blenders acquisitions

On 10 February 2020 the Group announced the acquisition of a 61.34% equity interest in the Miami-based eyewear company Privé Goods, LLC ("Privé Revaux") for a total consideration of 67.5 million USD. Founded in 2017, 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.

On 1 June 2020 the Group announced the closing of the acquisition of a 70% stake in the equity of the California eyewear company Blenders Eyewear LLC for a total consideration of 64 million USD. Founded in San Diego in 2012, Blenders Eyewear has built an advanced e-commerce platform, with unique digital and social media skills, achieving fast and profitable growth. Blenders generates approximately 95% of its current business through its proprietary direct-to-consumer e-commerce platform. The brand, profitable since its inception, has fuelled its rapid growth through highly effective social marketing strategies which have driven sales and brand awareness. The acquisitions of Blenders and Privé Revaux, two brands with high growth potential, represent an important step in the implementation of the Group digitization strategy reported in the 2020-2024 business plan.

Non-recurring costs

2020 economic results include non-recurring costs for a total of Euro 25.5 million, related 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.

GROUP ECONOMIC PERFORMANCE

The Group has reported in the previous period the Solstice retail business, disposed on 1 July 2019, as discontinued operation disclosing the contribution in term of net result in a single item of the consolidated income statement. 2019 comparative data of this Report referred only to the continuing operations related to the wholesale business, allowing a proper comparison with the current period.

Consolidated income statement (Euro million)	**2020**	**%**	**2019**	**%**	**Change %**
Net sales	780.3	100.0	939.0	100.0	-16.9%
Cost of sales	(417.8)	(53.5)	(462.1)	(49.2)	-9.6%
Gross profit	**362.5**	**46.5**	**476.9**	**50.8**	**-24.0%**
Selling and marketing expenses	(311.9)	(40.0)	(367.0)	(39.1)	-15.0%
General and administrative expenses	(114.0)	(14.6)	(120.7)	(12.9)	-5.5%
Other operating income/(expenses)	(16.4)	(2.1)	(33.8)	(3.6)	-51.4%
Impairment loss on goodwill	-	-	(227.1)	(24.2)	-100.0%
Operating profit/(loss)	**(79.8)**	**(10.2)**	**(271.7)**	**(28.9)**	**-70.6%**
Gains/(losses) on liabilities for options on non-controlling interests	19.8	2.5	-	-	n.s.
Financial charges, net	(24.1)	(3.1)	(7.3)	(0.8)	n.s.
Profit/(Loss) before taxation	**(84.1)**	**(10.8)**	**(279.0)**	**(29.7)**	**-69.9%**
Income taxes	14.4	1.9	(22.9)	(2.4)	n.s.
Profit/(Loss) of the period	**(69.7)**	**(8.9)**	**(302.0)**	**(32.2)**	**-76.9%**
Net profit/(loss) attributable to minority interests	(0.3)	(0.0)	(0.1)	(0.0)	n.s.
Profit/(Loss) of the period attributable to the Group	**(69.4)**	**(8.9)**	**(301.9)**	**(32.2)**	**-77.0%**
EBITDA	**(20.1)**	**(2.6)**	**26.1**	**2.8**	**n.s.**

Economic indicators pre non-recurring items	**2020**	**%**	**2019**	**%**	**Change**
EBIT pre non-recurring items	**(54.3)**	**(7.0)**	**3.7**	**0.4**	**n.s.**
EBITDA pre non-recurring items	**1.0**	**0.1**	**65.4**	**7.0**	**-98.4%**
Net profit/(loss) attributable to the Group pre non-recurring items	**(46.5)**	**(6.0)**	**(6.0)**	**(0.6)**	**n.s.**

Safilo's 2020 economic results finally reflected on one side the unprecedented drop of sales and economic fallout in the first half of the year due to the drastic reduction of worldwide business activities which followed the outbreak and spread of the Covid-19 pandemic, on the other the positive business recovery achieved by the Group in the second half of the year, notwithstanding a market environment which remained in many cases highly constrained.

In the year, Safilo achieved structural overheads costs savings of Euro 15 million, marking a significant progress in relation to the Group's medium-term plan for a total Euro 20 million overheads cost reduction. The contingency measures in relation to the Covid-19 emergency resulted instead in a one-time saving estimated at Euro 28 million, mainly reflecting applicable personnel relief programs.

Safilo closed 2020 with net sales of Euro 780.3 million, down 15.2% at constant exchange rates and 16.9% at current exchange rates compared to Euro 939.0 million recorded in 2019, due to the sharp decline suffered in the first half of the year following the severe lockdowns put in place by governments globally to fight the Covid-19 pandemic.

The business rebound recorded by the Group in the third quarter, followed by the positive net sales performance achieved in the fourth quarter allowed Safilo to post in the second half of 2020 a net sales growth of +4.5% at constant exchange rates, +0.4% at current exchange rates, reaching Euro 444.7 million compared to Euro 443.1 million in the second half of 2019.

In 2020, Safilo's organic business, excluding the acquisitions, declined by 21.9% at constant exchange rates, -21.5% at the wholesale business level (excluding the business of the supply agreement with Kering), while the contribution of the newly acquired Blenders Eyewear and Privé Revaux equaled Euro 61.8 million for the full period of consolidation, with the two businesses together growing by +66% on a pro-forma performance basis, thanks to the surge of their e-com activities.

In 2020, Safilo's total online sales, including acquisitions, almost tripled compared to 2019, accounting for around 13% of the Group's total net sales, from around 4% in the previous year.

2020 **gross profit** equalled Euro 362.5 million, down 24.0% compared to Euro 476.9 million in 2019, with the gross margin on sales declining to 46.5% from 50.8% in the previous year.

The industrial performance reflected on one side the significant drop of production volumes incurred in the first half of 2020, on the other a negative sales mix effect and non-recurring costs for obsolescence and write-offs of fixed assets at the end of year.

Gross profit increased by 1.5% in the second half of 2020 compared to the same period of 2019, with the gross margin improving to 48.1% of sales from 44.3% recorded in the first half of the year and 47.6% registered in the same period of 2019.

2020 **adjusted EBITDA** equalled Euro 1.0 million, down 98.4% compared to Euro 65.4 million in 2019.

In the second half of 2020, the Group's adjusted EBITDA increased to Euro 29.3 million, up 21.0% compared to Euro 24.2 million in the second half of 2019, fully recovering the loss of Euro 28.3 million recorded in the first half of 2020.

In the full year, selling, general and administrative expenses, excluding D&A, decreased by 13.3% compared to the prior year as the Group strived to contain the negative impact of the operating deleverage by accelerating the execution actions behind its overheads cost saving program, and utilizing the available contingency measures.

In the second half of 2020, SG&A expenses benefitted from lower royalty and marketing contribution costs, while logistics costs to move products whether by sea, air or land climbed 39.8% (+13.7% in 2020).

2020 **adjusted Operating result (EBIT)** equalled a loss of Euro 54.3 million compared to the profit of Euro 3.7 million recorded in 2019. In 2020, D&A, excluding non-recurring write-offs of fixed assets, declined by 10.4% compared to the prior year mainly due the effect of the manufacturing downsizing initiated in 2019 in line with the Group's restructuring plan and the lower organic investments incurred in the year.

In the second half of 2020, the adjusted operating result finished slightly positive, at Euro 0.9 million compared to the adjusted operating loss of Euro 9.6 million recorded in the second half of 2019.

2020 **adjusted Group Net Result** equalled a loss of Euro 46.5 million compared to the loss of Euro 6.0 million recorded in 2019. Below the operating result, the main drivers were:

- net financial charges increasing to Euro 24.1 million compared to Euro 7.3 million in 2019, mainly due to negative exchange rates differences and a higher average gross debt;
- a positive accounting adjustment equal to Euro 19.8 million as a result of the reduced liability for put and call options on non-controlling interests due to the revision of the financial plans reflecting the impacts of the Covid-19 pandemic;
- a total tax benefit of Euro 14.4 million compared to the income taxes of Euro 22.9 million booked in 2019, mainly as a result of the US CARES Act which provided for the opportunity to carryback net tax losses with a positive rate differential impact.

In the second half of 2020, the Group's adjusted net result equalled a profit of Euro 17.2 million compared to an adjusted net loss of Euro 14.5 million in the second half of 2019.

Consolidated income statement (Euro million)	**Fourth quarter 2020**	**%**	**Fourth quarter 2019**	**%**	**Change %**
Net sales	225.6	100.0	230.4	100.0	-2.1%
Gross profit	**101.3**	**44.9**	**101.8**	**44.2**	**-0.4%**
EBITDA	**5.7**	**2.5**	**(17.9)**	**(7.8)**	**n.s.**

Economic indicators pre non-recurring items (Euro million)	**Fourth quarter 2020**	**%**	**Fourth quarter 2019**	**%**	**Change %**
EBITDA pre non-recurring items	**15.0**	**6.6**	**11.1**	**4.8**	**34.5%**

In the fourth quarter of 2020, Safilo posted total net sales of Euro 225.6 million, up 3.0% at constant exchange rates and down 2.1% at current exchange rates compared to Euro 230.4 million posted in the fourth quarter of 2019.

The positive sales performance reflected the contribution to the Group's North American business of the recent acquisitions of Privé Revaux and Blenders Eyewear, for a total of Euro 14.1 million, and the sequential improvement of Safilo's organic business, down 3.6% at constant exchange rates, and almost flat at the wholesale business level (excluding the business of the supply agreement with kering), at -1.6% at constant exchange rates from -33.2% in the first half and -5.5% in the third quarter 2020.

The progress of Safilo's total online sales was again very significant in the fourth quarter, standing at around 12% of the Group's net sales from around 4.5% in the same period of 2019, thanks to the fast growing e-com activities of the recent acquisitions and to an organic online sales growth of +60.9% at constant exchange rates, driven by Smith's D2C channel and by the Group's sales generated through internet pure players.

Net sales performance in the fourth quarter 2020 allowed the Group to continue the recovery of earnings started in the third quarter, registering a positive adjusted EBITDA of Euro 15.0 million, up 34.5% compared to the Euro 11.1 million in the fourth quarter of 2019.

In the fourth quarter of 2020, the adjusted EBITDA margin increased to 6.6% of sales from 4.8% in the fourth quarter of 2019, a 180 basis points improvement which mainly reflected the improved operating leverage in the period.

Net sales by geographical area

Net sales by geographical area (Euro million)	**Full year 2020**	**%**	**Full year 2019**	**%**	**Change %**	**Change % (*)**
Europe	330.4	42.3	448.8	47.8	-26.4%	-25.9%
North America	342.5	43.9	334.0	35.6	2.5%	4.7%
Asia Pacific	60.7	7.8	78.0	8.3	-22.2%	-20.9%
Rest of the world	46.8	6.0	78.3	8.3	-40.3%	-32.6%
Total	**780.3**	**100.0**	**939.0**	**100.0**	**-16.9%**	**-15.2%**

Net sales by geographical area (Euro million)	**Fourth quarter 2020**	**%**	**Fourth quarter 2019**	**%**	**Change %**	**Change % (*)**
Europe	86.1	38.2	106.9	46.4	-19.4%	-18.0%
North America	100.9	44.7	84.7	36.8	19.2%	27.0%
Asia Pacific	21.1	9.3	17.0	7.4	24.1%	28.1%
Rest of the world	17.5	7.8	21.8	9.5	-19.7%	-6.5%
Total	**225.6**	**100**	**230.4**	**100**	**-2.1%**	**3.0%**

(*) Sales performance at constant exchange rates.

2020 total sales in North America grew +4.7% at constant exchange rates, after jumping +36.3% in the second half as a result of the full contribution of the acquisitions, and of the organic business rebound of +10.6% at constant exchange rates. The latter positive performance was underpinned by the solid recovery experienced by the Group in the independent optical stores and by the strength of the Smith products in the sports and direct-to-consumer channels. After a very difficult first half of the year, in 2020 the North American organic business declined less than all other geographies, down 14.2% at constant exchange rates.

2020 sales in Europe were down 25.9% at constant exchange rates, as trading activities remained weak also in the second half of the year, at -17.3%, due to a subdued summer season affecting the sunglass business in the third quarter and the second wave of Covid-19 infections undermining the recovery in the fourth quarter.

2020 sales in Asia Pacific were down 20.9% at constant exchange rates, with the sales contraction almost entirely explained by the drastic drop of the travel retail business due to the extensive bans on travel in the year. In the second half of 2020, sales performance in Asia Pacific rebounded, up +10.6% at constant exchange rates, thanks to a surging business in China and in Australia.

2020 sales in the Rest of the World close down 32.6% at constant exchange rates, reflecting the very difficult health environment which characterized the IMEA and Latin America countries for the first nine months of the year, with the first signs of a recovery materializing only in the fourth quarter.

The drivers by geography of the Group net sales performance in the fourth quarter of 2020 were:

- the confirmed rebound of the North American business, up 8.9% on an organic basis excluding the acquisitions and at constant exchange rates. Fourth quarter total net sales in North America were instead up 27.0% at constant exchange rates and 19.2% at current exchange rates, thanks to the contribution, seasonally more moderate than in the previous two quarters, of Privé Revaux and Blenders Eyewear;

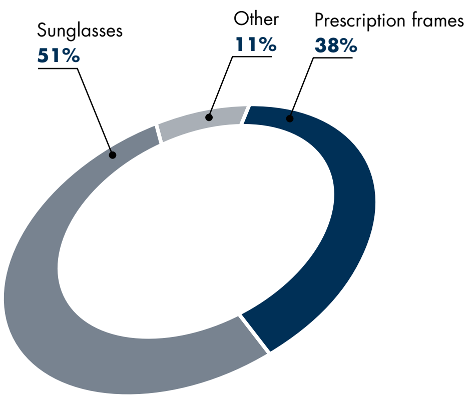
- the still weak market environment in Europe, where net sales in the fourth quarter of 2020 fell by 18.0% at constant exchange rates (-16.0% at the wholesale business level) and 19.4% at current exchange rates, due to the reintroduction of varying restrictions to people's mobility and commercial activities following the second wave of coronavirus infections. Lockdowns and lack of tourism affected in particular specialty channels like boutiques and travel retail, whereas sales generated through internet pure players continued to register strong progress. The quarter also showed the recovery in order taking and wholesale activity from big chains;

• the meaningful growth of Asia Pacific, with the quarterly net sales up 28.1% at constant exchange rates and 24.1% at current exchange rates, from -6.4% in the third quarter of 2020, thanks to the strong acceleration recorded by the Chinese business, more than tripled in the fourth quarter of 2020, and to a significant sales acceleration also in Australia;

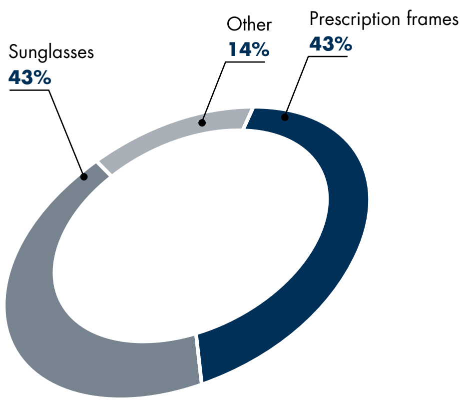
• the milder sales contraction in the Rest of the World, down 6.5% at constant exchange rates and 19.7% at current exchange rates, driven by the positive performance in the quarter of Brazil and Mexico and the first signs of a recovery materializing also in the Middle East countries.

The charts below summarize the breakdown of net sales by product category for the full year and for the fourth quarter 2020:

FULL YEAR 2020



FOURTH QUARTER 2020



CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31 December 2020 compared with those of 31 December 2019:

Balance sheet (Euro million)	**December 31, 2020**	**December 31, 2019**	**Change**
Trade receivables	172.6	188.2	(15.5)
Inventory, net	197.3	235.8	(38.5)
Trade payables	(181.4)	(173.1)	(8.3)
Net working capital	**188.5**	**250.8**	**(62.3)**
Tangible assets	128.8	149.4	(20.6)
Right of Use assets	38.8	42.2	(3.4)
Intangible assets	148.9	49.0	99.9
Goodwill	30.3	-	30.3
Non-current assets held for sale	6.6	5.5	1.0
Net fixed assets	**353.4**	**246.1**	**107.3**
Employee benefit liability	(23.5)	(27.1)	3.6
Other assets / (liabilities), net	(35.2)	(53.1)	17.9
Liabilities for options on non-controlling interests	(74.8)	-	(74.8)
NET INVESTED CAPITAL	**408.4**	**416.8**	**(8.4)**
Cash in hand and at bank	89.0	64.2	24.7
Short term borrowings	(23.0)	(19.2)	(3.8)
Short-term Lease liabilities	(9.6)	(9.7)	0.1
Long term borrowings	(244.9)	(72.9)	(172.1)
Long-term Lease liabilities	(33.5)	(37.3)	3.8
NET FINANCIAL POSITION	**(222.1)**	**(74.8)**	**(147.2)**
Group Shareholders' equity	(147.3)	(342.1)	194.7
Non-controlling interests	(39.0)	0.1	(39.1)
TOTAL SHAREHOLDERS' EQUITY	**(186.4)**	**(342.0)**	**155.6**

Net working capital

Net working capital at 31 December 2020 amounts to Euro 188.5 million compared with Euro 250.8 million of the previous year.

Net working capital (Euro million)	**December 31, 2020**	**December 31, 2019**	**Change**
Trade receivables, net	172.6	188.2	(15.5)
Inventories	197.3	235.8	(38.5)
Trade payables	(181.4)	(173.1)	(8.3)
Net working capital	**188.5**	**250.8**	**(62.3)**
% on net sales	*24.2%*	*26.7%*	

The key driver of the positive net working capital dynamic was the significant reduction of inventories, which prudentially continued into the second half of the year after the tight control placed by the Group on stock levels in the first, most difficult semester.

Trade receivables, which increased in the third and fourth quarters as a result of the improved sales performance, remained a decreasing item on a full year basis as they also benefitted from a much stronger cash collection activity resumed by the Group in the second half. On the other hand, in the fourth quarter the Group made further progress in the normalization of trade payables.

Fixed assets and investments in tangible and intangible fixed assets

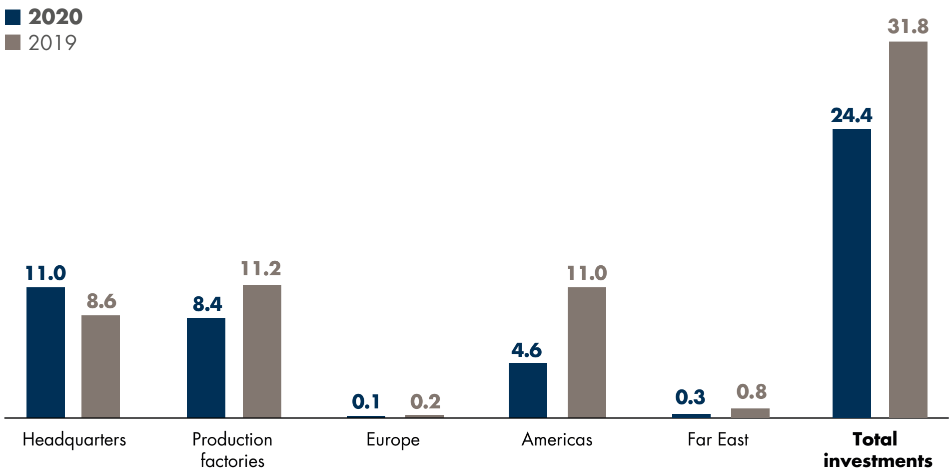
Non-current assets total Euro 353.4 million at the end of 2020 compared to Euro 246.1 million in 2019.

The increase of non-current assets is mainly due to the new assets identified in the Purchase Price Allocation of the two business acquisitions finalised in the period in Privé Revaux and Blenders for a total fair value at the acquisition date equal to Euro 123.5 million, mainly related to Trademarks and other intangible assets and the related goodwill for a total amount of Euro 33.8 million.

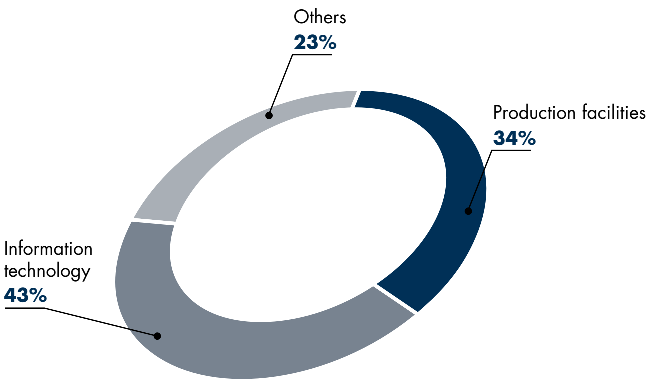
The Group's operating investments of the year total Euro 24.4 million (Euro 31.8 million in 2019). The investments were focused on the continued modernization of its product supply and logistics network and in the roll out of its IT systems overhaul EyeWay and on the Group Digital Transformation.

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

INVESTMENTS BREAKDOWN



INVESTMENTS BY NATURE



FINANCIAL SITUATION

The main items of the net financial position at 31 December 2020 as well as free cash flow figures are reported below in comparison with the previous year.

Net financial position

Net financial position (Euro million)	**December 31, 2020**	**December 31, 2019**	**Change**
Current portion of long-term borrowings	(20.0)	-	(20.0)
Bank overdrafts and short-term bank borrowings	(3.0)	(10.3)	7.3
Other short-term borrowings	-	(8.8)	8.8
Short-term lease liability IFRS 16	(9.6)	(9.7)	0.1
Cash and cash equivalents	89.0	64.2	24.7
Short-term net financial position	**56.4**	**35.4**	**21.0**
Long-term borrowings	(151.5)	(72.9)	(78.6)
Other long-term borrowings	(93.5)	-	(93.5)
Long-term financial lease liability IFRS 16	(33.5)	(37.3)	3.8
Long-term net financial position	**(278.4)**	**(110.2)**	**(168.2)**
TOTAL NET FINANCIAL POSITION	**(222.1)**	**(74.8)**	**(147.2)**
TOTAL NET FINANCIAL POSITION PRE-IFRS 16	**(179.0)**	**(27.8)**	**(151.2)**

Group net debt

On 31 December 2020, the Group's net debt stood at Euro 222.1 million (Euro 179.0 million pre-IFRS 16), compared to Euro 74.8 million on 31 December 2019 (Euro 27.8 million pre-IFRS 16).

Excluding the net investment of Euro 111.8 million for the acquisition of Privé Revaux and Blenders Eyewear, the higher net debt position at the end of 2020 reflected the deterioration of the economic performance in a year heavily impacted by the Covid-19 pandemic.

On 15 September 2020 the Group announced the signing of a new Term Loan Facility guarantee by SACE (Italian Export Credit Agency) pursuant to the "Decreto Liquidità" for an amount of Euro 108.0 million.

Thanks to the new SACE Facility Loan the Group has secured additional liquidity, the net debt as at 31 December 2020 included liquidity of Euro 89 million and additional credit lines available for Euro 89.5 million.

The key components of the Group's net debt at the end of December 2020 were the following:

- a long-term debt position of Euro 278.4 million, made of the bank loans for Euro 151.4 million, the shareholder loan for Euro 93.5 million and IFRS-16 lease liabilities for Euro 33.5 million;
- a short-term debt position of Euro 32.6 million, made of the bank loans and other short-term borrowings for Euro 23 million and IFRS-16 lease liabilities for Euro 9.6 million;
- a cash position of Euro 89.0 million.

The above loans are subject to operating and financial covenants which the Group complied with as at December 2020.

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 of the business combinations incurred in the period.

Free cash flow

Free cash flow (Euro million)	**2020**	**2019**	**Change**
Cash flow operating activities	0.9	26.5	(25.7)
Cash flow from investing activities	(21.4)	(30.6)	9.2
Cash flow from repayment principal portion of IFRS 16 lease liabilities	(10.7)	(16.9)	6.2
Free cash flow before acquisitions/disposals	**(31.3)**	**(21.0)**	**(10.2)**
Cash flow for (acquisitions)/disposals of subsidiary	(111.8)	7.2	(119.0)
Free cash flow	**(143.1)**	**(13.8)**	**(10.2)**

In 2020, Safilo's Free Cash Flow, before the acquisitions and the disinvestments, equalled a cash absorption of Euro 31.3 million compared to the negative Free Cash Flow of Euro 21.0 million recorded in 2019.

Safilo closed the year with a slightly positive cash flow from operating activities of Euro 0.9 million, which reflected the Group's strict control on working capital management, resulting in a cash generation of Euro 42.5 million, sufficient to fully offset the negative economic result of the year.

In 2020, cash flow for organic net investments amounted to Euro 21.4 million compared to a net investment of Euro 30.6 million in 2019.

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 Operating risks

The spread of the Covid 19 pandemic in the first half of 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's actions have been primarily focused on the health and safety of all its employees, for whom it had immediately and rigorously implemented the safety and prevention regulations provided by government protocols. Equally important for Safilo was to focus on maintaining business continuity, ensuring production and service levels which were finetuned on the different market scenarios, while quickly implementing smart working solutions for office staff. Safilo was not significantly impacted on the supply side. Starting from February, the Group's Chinese plant in Suzhou reopened, progressively recovering its workload, while most of the key Chinese suppliers' activity also recovered a normal level. The management of the Italian plants, leveraging flexible social amortizers available enabled the Group to adapt supply to the new demand scenario, reducing it when markets were locked down and increasing it as markets opened again and demand increased.

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 climate change in its management system and monitors risks regarding environmental topics. In the short-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.

The Group's plants, located in Italy, China, Slovenia and the USA, have sufficient capacity to meet, if necessary, the production volumes of any sites damaged by extreme weather events or natural catastrophes, mitigating the climate change risks, its financial implications, and any new regulations.

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

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.

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.

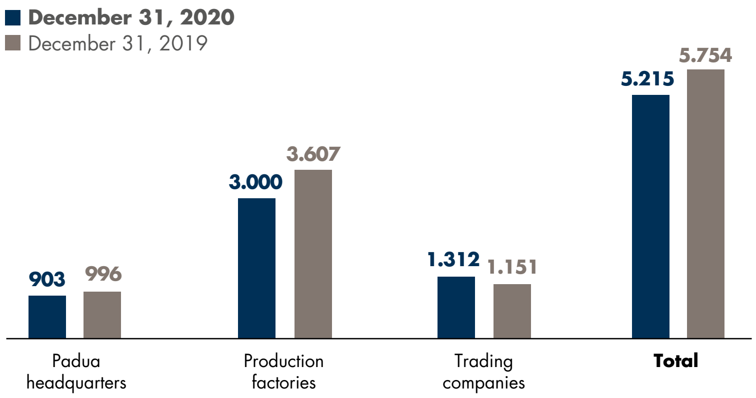
HUMAN RESOURCES AND THE ENVIRONMENT

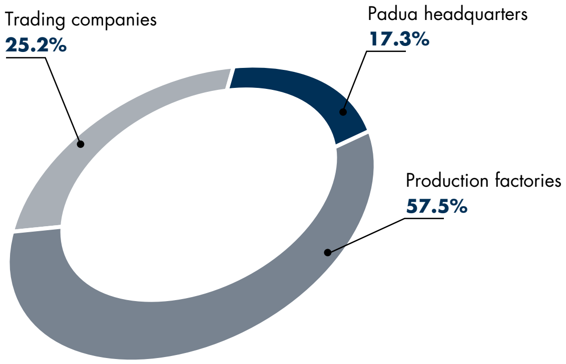
Human Resources

The Group's workforce

At the end of 2020, the Group had 5,215 employees compared with 5,754 at the end of 2019, with a decrease of 539 employees mainly driven by the reduction of the workforce in the production factories, including in October 2020 the announced sale of its Martignacco factory as part of which 181 workers joined the plant reindustrialization project of the buyers.

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





Learning & Development – a key focus area for Safilo

Safilo believes that people play a key role in long-term success. 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 the strategic plan, Safilo's talent acquisition programs focus on attracting leaders and individuals with the right skills and values, in line with the Group's Purposes, Values, Principles and Competencies (PVPC). The activities reach across different geographies, markets and functional areas.

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 was successfully completed for all offices and plants of Safilo S.p.A. and Safilo Industrial S.r.l., Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd. while it is still ongoing the transition process for Lenti S.r.l. (to be completed within 2021).

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 obtained also for the productions plants of Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd in 2015, while for Lenti S.r.l. in 2018.

All the production plants of the Group, except the one located in Clearfield, 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 labor, health and safety in the workplace, transparency). During 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 November 2020, the renewal of the SA8000 certification for the Italian plants was successfully completed, which includes Longarone, S. Maria di Sala, Lenti Srl, the show room in Milan and Padua headquarter. The new certificate expires on January 17, 2024.

ICT – Information Systems

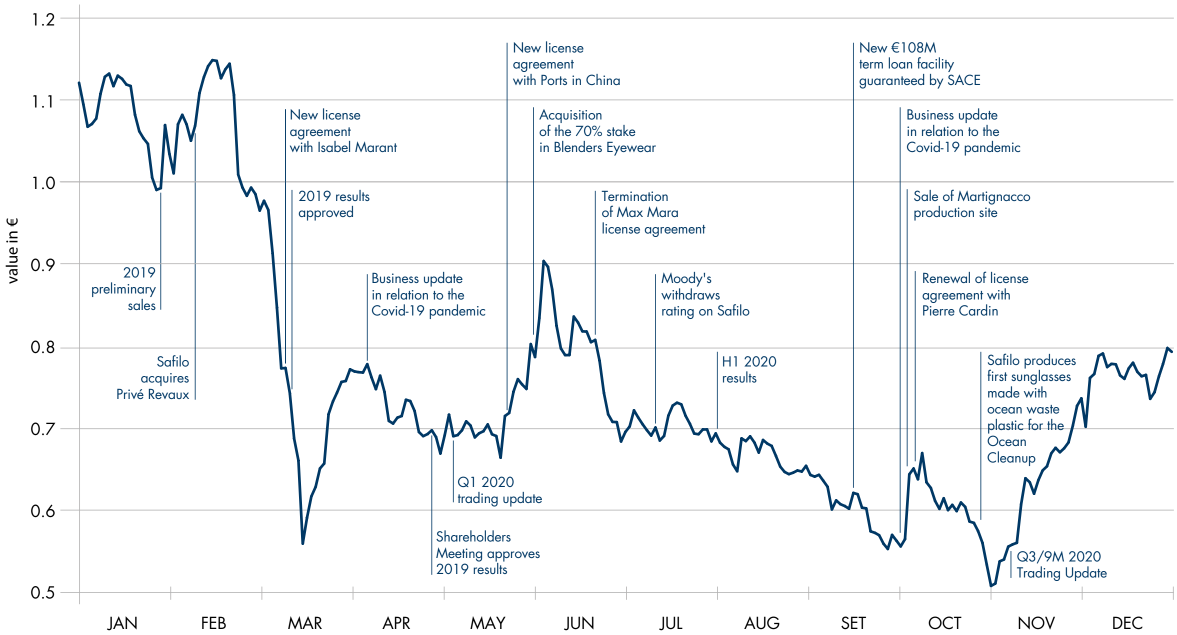
During 2020, following a phase of application stabilization needed after the significant changes introduced between 2016 and 2018, Safilo restarted the SAP ERP roll-out program. The first country in the new plan was Portugal, as a pilot for the deployment of the Group's global model. The project will continue in 2021-22 in the other main EMEA countries and the USA.

2020 was also characterized by the release of the first digital transformation tools based on Sales Force Cloud technology. A new Business Intelligence model (Control Tower) was activated, based on SAP Cloud Platform technology. The main innovations in the digitalization of sales channels are the new B2B You & Safilo platform and the new customer relationship management (CRM) technology. In the North America a new salesforce automation (SFA) Platform was deployed.

In the end, important improvements were introduced following the COVID health emergency. To enable remote work Safilo invested in new laptops for most of the employees, advanced communication systems (Microsoft Teams) and Business Continuity. In this context Cybersecurity has also been a very high priority topic.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS

Safilo in the stock exchange



2020 proved to be a complex and turbulent year also for the global financial markets, with the coronavirus pandemic and subsequent government containment actions leading to significant swings in stock prices.

Between February and March, as the scale of the pandemic and the required lockdowns became clearer, financial markets saw some of the biggest sell-offs since the global financial crisis.

In 2020, the performance of Safilo shares were significantly impacted by the consequences that the outbreak and spread of the pandemic had on the Group's economic and financial performance.

At the end of June 2020, the stock was down 36.6% compared to the close of the previous year, with the lowest peak, equal to Euro 0.577 per share, recorded during the month of March, with the worsening of the pandemic crisis. The stock regained some momentum afterwards, reaching the maximum price - in the post Covid-19 period - of Euro 0.887 during the first week of June, when the Group announced the completion of the acquisition of the 70% stake in Blenders Eyewear.

Safilo share price went through a downward phase again in the second half of 2020, reaching the minimum price for the year, of Euro 0.507 Euro per share, on 30 October 2020.

At the beginning of November, Safilo published its key economic and financial data of the 3rd quarter and first 9 months of 2020, with results which were overall above the consensus estimates made by the main analysts covering the stock. This event represented the main catalyst behind the rerating of Safilo shares during the last two months of the year, which allowed the Group to close 2020 at a share price of Euro 0.797, reducing the overall decline for the year to a -28.5%.

In 2020, Safilo average daily volumes were just over 800 thousand shares, highlighting the much lower activity on the stock compared to 2019, when the average shares traded in one day were approximately 1.8 million. At the end of December 2020, Safilo's capitalization was approximately 210 million Euro.

Although the pandemic and the resulting global recession could have proved particularly burdensome for financial markets, the unprecedented fiscal and monetary stimulus helped to support the recovery of stock markets.

2020 was eventually a year of growth for the financial markets in the United States, with the S&P 500 index closing 2020 up 16.3% and the Nasdaq index growing strongly, up +43.6 % compared to 2019. In contrast, in Europe, most of the continent's indices ended the year down, with the biggest drops being the UK's FTSE 100 (-14.3%) and Spain's IBEX 35 (-15.5%), while the Italian FTSE MIB recorded a more moderate drop (-6.7%).

The Group's stock market capitalization at the date of this report has been slightly above shareholder equity value.

Investor relations

After the presentation of the Group Business Plan 2020-2024 in December 2019, Safilo started 2020 intensifying its Investor Relations activity, a plan which found initial executed in February through the organization of a series of individual and group investor meetings in Italy and in some of the main European financial markets. Although the pandemic necessarily constrained some of the financial communication activities envisaged by the Group for the year, the Company maintained an open and proactive dialogue with the financial market, both on the sell-side and buy-side fronts, thanks to the almost exclusive use of the main devices and the main virtual interaction platforms. In the first half of the year, Safilo's management participated to the Italian Investment Conference remotely organized by Unicredit and Kepler Cheuvreux, while in the second half of the year, the Group continued the dialogue and some of the activities undertaken in the first months of the year.

In 2020, the brokers covering the Safilo stock increased to 8, after the initiation of coverage by UBI Banca on 18 March 2020, with a Hold rating.

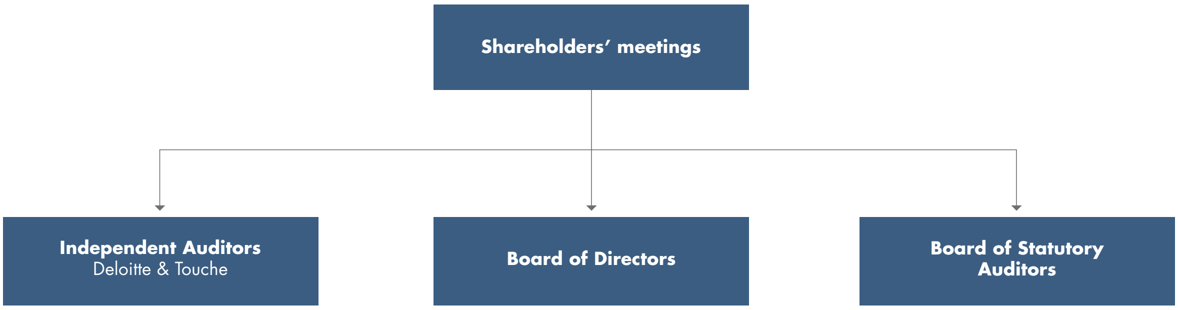
Financial calendar

Board of Directors' meetings planned for 2021:

27 January	Preliminary sales for the Fourth quarter and full year 2020
11 March	Draft Financial Statements for 2020
29 April	Shareholders' Meeting for the approval of the Financial Statements 2020
11 May	Trading update on the First quarter 2021 KPIs
3 August	Interim Report on Operations for the Second quarter and First half 2021
9 November	Trading update on the Third quarter and first Nine months 2021 KPIs

CORPORATE GOVERNANCE

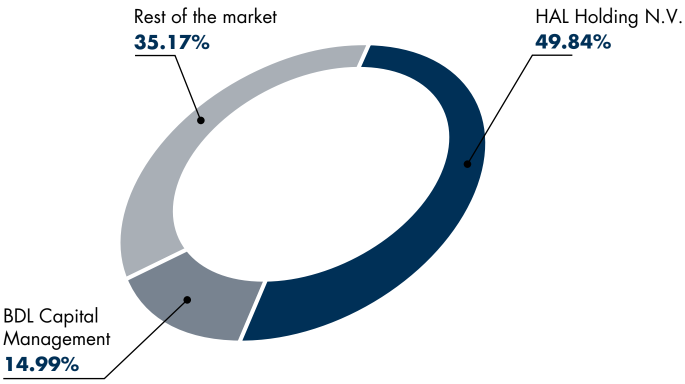
Corporate bodies and officers



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

Shareholding structure of Safilo Group S.p.A.

The following chart shows owners of Safilo Group S.p.A. ordinary shares with shareholdings exceeding 3%[1] of share capital as at 31 December 2020.



(1) Reduced threshold compared to the minimum threshold of 5% by virtue of the transitional regime of enhanced transparency regarding changes in significant shareholdings established by Consob.

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 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 2020 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

On 9th May, 2017, Multibrands Italy B.V., owning, at the time of the execution of the shareholders' agreement, no. 26,073,783[2] ordinary shares, and Eugenio Razelli, Italian citizen, member and current Chairman of the Board of Directors of the Company, entered into a shareholders' agreement concerning, inter alia, the inclusion of Eugenio Razelli as candidate of the list for the appointment of the Board of Directors of Safilo Group S.p.A. to be submitted on the occasion of the renewal of the administrative body, the exercise of the voting rights relating to the ordinary Shareholders' Meeting of Safilo Group S.p.A., as well as the appointment of Eugenio Razelli as Chairman. The agreement will expire upon appointment of the Board of Directors of Safilo Group, following the approval of the 2018 financial statements.

Delegation of power to increase share capital and authorisations to purchase the Company's own shares

The authorization, granted by the ordinary Shareholders' Meeting of the Company held on 30th April, 2019, for the purchase and disposal of treasury shares pursuant to Article 2357 and following Articles of the Italian Civil Code as well as to Article 132 of Legislative Decree 58/1998 and related implementing provisions, for a period of 18 months from the date of the Shareholders' meeting resolution, up to a maximum of no. 10,000,000 shares, expired on October 30, 2020.

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

As at 31 December 2020 the Company does not possess own shares.

(2) It is hereby pointed out that the current number of shares held by Multibrands Italy B.V. on 31 December 2020 is 137,417,972.

The Board of Directors

The Board of Directors which currently holds office has been appointed by the Shareholders' Meeting held on 24th April 2018 (its composition was modified on April 28, 2020) and will remain in office until the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2020.

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 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).

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. 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, which he led until its acquisition by the Findus Group, managing the whole transition process. Before that, he served as General Manager of the Unilever Ice Cream business 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.

Jeffrey A. Cole
(Independent 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 $1billion. 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 with HAL INVESTMENTS of Rotterdam, the Netherlands. Cole National was acquired in October 2004 by Luxottica, an eyewear company based in Milan, Italy. He has served as a Supervisory Board Member, since 1996, at GrandVision B.V. and its predecessor, a leading international optical retailer with over 7,000 locations in 45 countries. 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
(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 GrandVision N.V. (non-executive), Vice-chairman of Supervisory Board of Royal Vopak N.V. (non-executive) and member of the Supervisory Board of Anthony Veder N.V. (non-executive). In the past, Mel Groot 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).

Guido Guzzetti
(Independent Director)

Born in Milano on September 21, 1955. He graduated in Physics from Milan University. He gained fourteen years of experience as CEO of Italian Asset Management Companies ("Società di Gestione del Risparmio", regulated by Bank of Italy and Consob) and three years as CEO of an Italian Bank Insurance P&C Company (regulated by ISVAP) belonging to a leading Italian Banking Group. Overall, he worked for twenty-four years for Companies operating in the financial sector. From 2014 to 2018 he served as Independent Director on the Board of Saipem S.p.A. and member of its Control and Risk Committee and, since 2016, also as member of its Corporate Governance Committee. From 2017 to 2020 he served as Independent Director on the Board of ANIMA S.p.A. and as member of its Related Party Committee. Previously he served as Independent Director on the Board of Astaldi S.p.A. and was a member of its Control and Risk Committee. Since 2010, he has been involved in research and consultancy activities relatedto Financial Markets.

Cinzia Morelli-Verhoog
(Independent Director)

Born in Promesello (Italy) on January 28, 1960 in Premosello (Italy). 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).

Katia Buja
(Director)

Born in Padua, Italy on January 20, 1966, is a Director of the Board of Directors of SAFILO GROUP S.p.A. since April 28, 2020. She graduated in Law from the University of Padua; 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 law firms and for a notary.

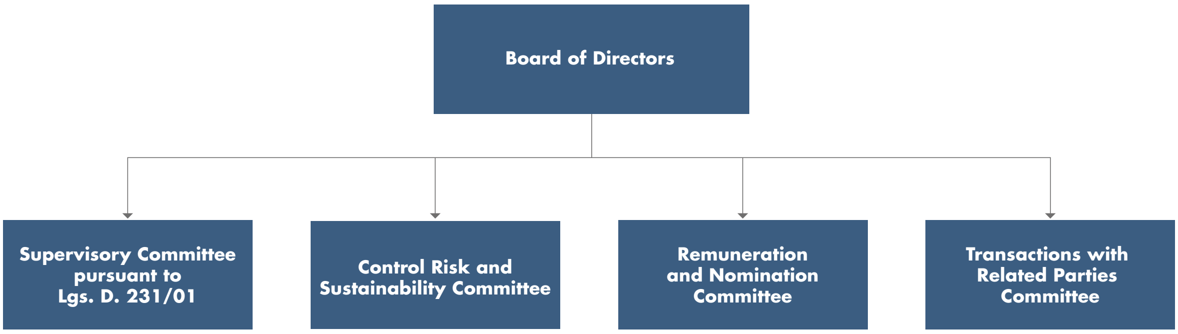
Ines Mazzilli
(Independent Director)

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 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.

Robert Polet
(Director)

Born in Kuala Lumpur, Malaysia, on July 25, 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.

Below is the structure of the Corporate Bodies and Committees of Safilo Group S.p.A. as at December 31, 2020:



Supervisory Committee (1)

Chairman	Bettina Solimando
	Ines Mazzilli
	Carlotta Boccadoro

Control Risk and Sustainability Committee (2)

Chairman	Ines Mazzilli
	Melchert Frans Groot
	Guido Guzzetti

Remuneration and Nomination Committee (3)

Chairman	Cinzia Morelli-Verhoog
	Jeffrey A. Cole
	Guido Guzzetti

Transactions with Related Parties Committee (1)

Chairman	Ines Mazzilli
	Guido Guzzetti
	Cinzia Morelli-Verhoog

(1) Appointed by the Board of Directors' Meeting held on April 24th, 2018 and subsequently amended in its composition on May 6th, 2020.
(2) Appointed by the Board of Directors' Meeting held on April 24th, 2018. Starting from January 1st, 2021 the Control Risk and Sustainability Committee has been renamed Control and Risk Committee and a new Sustainability Committee has been appointed.
(3) Appointed by the Board of Directors' Meeting held on April 24th, 2018 and subsequently amended in its composition respectively on March 13th, 2019 and on May 6th, 2020.

The Board of Statutory Auditors

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
(Chairman)

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.

Roberto Padova
(Standing Statutory Auditor)

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 directror and statutory auditor for industrial companies and companies operating in the energy and medical devices sector.

Bettina Solimando
(Standing Statutory Auditor)

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 application criteria introduced by the Corporate Governance Code for listed companies of Borsa Italiana S.p.A. (hereinafter "Code").

With reference to the adjustments to the corporate governance system from January 1, 2021, it is hereby pointed out that the Board of Directors held on December 15, 2020, has resolved upon the following items (with effect fromon January 1, 2021):

- to set up a dedicated Sustainability Committee, having the duty to support the Board of Directors, with preliminary, proposing and consultative functions, in the evaluations and the decisions relating to the pursuit of the Group's sustainable success, and composed of members of the Board of Directors and group executives;
- to reconvert the Control Risk and Sustainability Committee into a Control and Risk Committee;
- to approve the Regulations of the Board of Directors;
- to approve the new versions of the Regulations of the Remuneration and Nomination Committee, Transaction with Related Parties Committee and Control and Risk Committee;
- to approve the policy for managing the dialogue with all shareholders.

Finally, the Board of Directors held on January 27, 2021 has approved the new Regulations of the Sustainability Committee.

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

The complete version of the report on corporate governance related to the financial year 2020, which is highlighted in just the main points below, 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;
- the independent audit company performs the legal auditing tasks.

Corporate governance, in accordance with the Articles of Association and in line with current legislation and regulations, and as provided by the 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 Investor Relations/Corporate Governance, 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 Investor Relations/Corporate Governance, 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.

Article 15 CONSOB Regulation 20249/2017

Article 15 CONSOB Regulations 20249/2017

Safilo Group S.p.A. declares the compliance with the article 15 of CONSOB Regulation 20249/2017, letters a), b) and c). Namely:

- the subsidiaries' financial statements are deposited at the registered office;
- the acquisition of the subsidiaries' statute with the composition and power of attorney of their committees;
- the monitoring activities carried out both in order to ensure the correct information flow from the subsidiaries to the audit company of the parent company to conduct the audit on the annual accounts and interim reports of same parent company, and in order to verify the existence of an appropriate administrative and accounting system in each subsidiary.

Stock option plans

"2014-2016 Plan" "2017-2020 Plan" and "2020-2022 Plan"

For any information about the Stock Option Plan 2014-2016 , the Stock Option Plan 2017-2020 and the Stock Option Plan 2020-2022 reference should be made to the disclosure prepared pursuant to article 84-bis of the Regulation of the Issuers, as subsequently supplemented, as well as to all the documents related to the above Plans, prepared in accordance with the applicable laws, which are available on the Company's web site (www.safilogroup.com) in Investor Relations – Corporate Governance section.

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 2020.

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, 2020.

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, 2020	Net profit/(loss) of the year 2020	Equity as of December 31, 2019	Net profit/(loss) of the year 2019
Balances as per Safilo Group S.p.A.'s statutory financial statements	303.9	(125.5)	429.3	(242.1)
Contribution of consolidated companies	939.3	(105.3)	986.8	(239.5)
Elimination of the book value of consolidated subsidiaries	(963.9)	150.6	(1,014.8)	342.9
Goodwill	30.3	-	-	(184.9)
Liability for options on non-controlling interests	(74.8)	19.8	-	-
Elimination of dividends paid within the Group	-	(18.4)	-	(0.3)
Elimination of intercompany gains within the Group	(2.6)	0.3	(2.8)	(0.4)
Elimination of intercompany profits included in inventory	(41.9)	10.1	(54.7)	(4.4)
Other consolidated entries	(3.9)	(1.3)	(1.8)	0.3
Total	**186.3**	**(69.7)**	**342.0**	**(328.4)**
Equity attributable to minority interests	39.0	(0.3)	(0.1)	(0.1)
Total attributable to the Group	**147.3**	**(69.4)**	**342.1**	**(328.3)**

SIGNIFICANT EVENTS AFTER THE YEAR-END AND OUTLOOK

Events after the year end

On 11 March 2021 Safilo announced its intention to close its Slovenian production site in Ormož starting from June 2021, which, in the context of the plan to realign the Group's industrial capacity to current and future production needs, will involve 557 employees.

This intervention follows the actions taken in Italy in 2020 which involved the closure of the Martignacco production site and the reorganization of the Longarone site, which is still ongoing.

The already complex situation of the Ormož site in terms of reduction of volumes, due to the termination of the licensing agreements for major brands and the ever-growing trend towards acetate products, a material appreciated by optical customers and consumers for its quality and prestige, has been worsened by the Covid-19 pandemic and has led to structural imbalances which are not sustainable for the years to come.

Furthermore, the above-mentioned closure would be consistent with the Group's business objectives aimed at optimizing and improving the efficiency of its manufacturing footprint.

The Group confirms the opening of a discussion table with the Trade Unions and institutions to identify all possible solutions in order to mitigate any social impacts of this painful scenario.

In the period following 31 December 2020, 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

Business environment at the beginning of 2021 remained affected by the containment actions still in place in many countries to halt the spread of Covid-19 and the uncertainties over the scale and timing of the expected rebound in consumer demand across the different geographies. Safilo's business activity in January and February were in line with management's expectations for a moderate start to the year compared to the very positive sales trends recorded at the beginning of 2020, while the first days of March support the expectation for a significant business rebound compared to the same month last year. Based on the current visibility on the order book, the Group expects its total net sales for the first quarter of 2021 to grow, at constant exchange rates, in a high-single to low-double digit range compared to the first quarter 2020.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia


BLENDERS
EYEWEAR

2

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(thousands of Euro)	Notes	December 31, 2020	of which related parties	December 31, 2019	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	4.1	88,966		64,233	
Trade receivables	4.2	172,642	3,679	188,163	5,675
Inventory	4.3	197,285		235,801	
Derivative financial instruments	4.4	599		118	
Other current assets	4.5	55,533		43,281	
Total current assets		**515,026**		**531,597**	
Non-current assets					
Tangible assets	4.6	128,821		149,387	
Right of Use assets	4.6	38,808		42,219	
Intangible assets	4.7	148,915		48,976	
Goodwill	4.8	30,331		-	
Deferred tax assets	4.9	38,084		41,723	
Derivative financial instruments	4.4	-		-	
Other non-current assets	4.10	7,376		9,906	
Total non-current assets		**392,336**		**292,210**	
Non-current assets held for sale	4.6	**6,560**		**5,531**	
TOTAL ASSETS		**913,921**		**829,338**	

(thousands of Euro)	Notes	December 31, 2020	of which related parties	December 31, 2019	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Borrowings	4.11	23,000		19,159	
Lease liabilities	4.11	9,605		9,720	
Trade payables	4.12	181,401	1,433	173,122	2,707
Tax payables	4.13	18,369		18,771	
Derivative financial instruments	4.4	764		1,121	
Other current liabilities	4.14	51,697	16	54,024	
Provisions	4.15	38,514		22,824	
Total current liabilities		**323,349**		**298,742**	
Non-current liabilities					
Borrowings	4.11	244,926	93,474	72,864	
Lease liabilities	4.11	33,504		37,327	
Employee benefit obligations	4.16	23,500		27,064	
Provisions	4.15	14,324		39,264	
Deferred tax liabilities	4.9	11,345		10,852	
Derivative financial instruments	4.4	-		-	
Liabilities for options on non-controlling interests	4.17	74,839		-	
Other non-current liabilities	4.18	1,765		1,232	
Total non-current liabilities		**404,204**		**188,604**	
TOTAL LIABILITIES		**727,553**		**487,346**	
Shareholders' equity					
Share capital	4.19	349,943		349,943	
Share premium reserve	4.20	594,277		594,277	
Retained earnings and other reserves	4.21	(727,519)		(273,901)	
Cash flow hedge reserve	4.22	-		-	
Income/(Loss) attributable to the Group		(69,380)		(328,260)	
Total shareholders' equity attributable to the Group		**147,321**		**342,059**	
Non-controlling interests		**39,047**		**(67)**	
TOTAL SHAREHOLDERS' EQUITY		**186,369**		**341,992**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**913,921**		**829,338**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euro)	Notes	2020	of which related parties	2019	of which related parties
Net sales	5.1	780,298	43,810	939,038	55,200
Cost of sales	5.2	(417,770)		(462,149)	
Gross profit		**362,528**		**476,890**	
Selling and marketing expenses	5.3	(311,909)	(1,841)	(367,024)	(2,846)
General and administrative expenses	5.4	(114,007)	(20)	(120,699)	(20)
Other operating income/(expenses)	5.5	(16,448)		(33,847)	
Impairment loss on goodwill	4.8 - 5.6	-		(227,062)	
Operating profit/(loss)		**(79,836)**		**(271,742)**	
Gains/(losses) on liabilities for options on non-controlling interests	5.7	19,824		-	
Financial charges, net	5.8	(24,097)	(3,875)	(7,304)	-
Profit/(Loss) before taxation		**(84,109)**		**(279,046)**	
Income taxes	5.9	14,449		(22,941)	
Profit/(Loss) of the period from continuing operations		**(69,659)**		**(301,987)**	
Profit/(Loss) of the period from discontinued operations	5.10	**-**		**(26,358)**	
Profit/(Loss) of the period		**(69,659)**		**(328,345)**	
Profit/(Loss) attributable to:					
Owners of the parent		(69,380)		(328,260)	
Non-controlling interests		(279)		(85)	
Earnings/(Losses) per share - basic (Euro)	5.11	**(0.252)**		**(1.191)**	
Earnings/(Losses) per share - basic from continuing operations (Euro)	5.11	**(0.252)**		**(1.096)**	
Earnings/(Losses) per share - diluted (Euro)	5.11	**(0.251)**		**(1.190)**	
Earnings/(Losses) per share - diluted from continuing operations (Euro)	5.11	**(0.251)**		**(1.094)**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	2020	2019
Net profit (loss) for the period (A)		**(69,659)**	**(328,345)**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		(188)	(2,007)
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**(188)**	**(2,007)**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	4.21	-	-
- Gains/(Losses) on exchange differences on translating foreign operations	4.20	(26,778)	8,917
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**(26,778)**	**8,917**
Other comprehensive income/(loss), net of tax (B)		**(26,966)**	**6,910**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(96,625)**	**(321,435)**
Attributable to:			
Owners of the parent		(91,906)	(321,350)
Non-controlling interests		(4,719)	(85)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(96,625)**	**(321,435)**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Euro)	Notes	2020	2019
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	4.1	**53,915**	**174,967**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(69,659)	(328,345)
Depreciation and amortization	4.6 - 4.7	49,195	57,219
Right of Use depreciation IFRS 16	4.6 - 4.7	10,573	19,588
Impairment loss on goodwill	4.8 - 5.6	-	227,062
(Gain)/Loss from disposal of subsidiary	5.10	-	13,587
Non-monetary changes related to liabilities for options on non-controlling interests		(19,824)	-
Other items		(2,492)	22,742
Interest expenses, net	5.8	10,024	5,583
Interest expenses on lease liabilities IFRS 16	5.8	1,784	2,207
Income tax expenses	5.9	(14,449)	24,430
Flow from operating activities prior to movements in working capital		**(34,849)**	**44,073**
(Increase) Decrease in trade receivables		6,349	(1,595)
(Increase) Decrease in inventory, net		36,674	(13,702)
Increase (Decrease) in trade payables		(490)	2,145
(Increase) Decrease in other receivables		2,072	4,573
Increase (Decrease) in other payables		(2,133)	(1,631)
Interest expenses paid		(4,905)	(3,267)
Interest expenses paid on lease liabilities IFRS 16		(1,784)	(2,207)
Income taxes paid		(48)	(1,844)
Total (B)		**885**	**26,546**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(13,444)	(23,242)
Net disposals of property, plant and equipment and assets held for sale		2,837	1,117
(Purchase)/Disposal of subsidiary (net of cash acquired/disposed)		(111,778)	7,239
Purchase of intangible assets, net of disposals		(10,818)	(8,513)
Total (C)		**(133,203)**	**(23,399)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		198,467	83,790
Repayment of borrowings		(18,840)	(210,000)
Repayment of principal portion of lease liabilities IFRS 16		(10,735)	(16,933)
Increase in share capital, net of transaction costs		-	17,490
Dividends paid		-	-
Total (D)		**168,892**	**(125,654)**
E - Cash flow for the period (B+C+D)		**36,574**	**(122,507)**
Translation exchange differences		(4,522)	1,454
Total (F)		**(4,522)**	**1,454**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	4.1	**85,966**	**53,915**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Share capital	Share premium reserve	Transl. 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**
Profit/(Loss) for the period	-	-	-	(69,380)	(69,380)	(279)	**(69,659)**
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)**	**(69,568)**	**(91,906)**	**(4,719)**	**(96,625)**
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	**349,943**	**594,277**	**64,784**	**(861,682)**	**147,322**	**39,047**	**186,369**

(thousands of Euro)	Share capital	Share premium reserve	Transl. diff. reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2019	**345,610**	**581,121**	**78,205**	**(358,612)**	**646,324**	**-**	**646,324**
Change in accounting policy (*)	-	-	-	(600)	(600)		**(600)**
Consolidated net equity at January 1, 2019 restated	**345,610**	**581,121**	**78,205**	**(359,212)**	**645,724**	**-**	**645,724**
Profit/(Loss) for the period	-	-	-	(328,260)	(328,260)	(85)	**(328,345)**
Other comprehensive income (loss) for the period	-	-	8,917	(2,007)	6,910	(1)	**6,910**
Total comprehensive income (loss) for the period	**-**	**-**	**8,917**	**(330,267)**	**(321,350)**	**(86)**	**(321,435)**
Increase in share capital, net of transaction costs	4,333	13,156	-	-	17,490	19	**17,509**
Dividends distribution	-	-	-	-	-	-	**-**
Net increase in the Reserve for share-based payments	-	-	-	194	194	-	**194**
Changes in other reserves	-	-	-	-	-	-	**-**
Consolidated net equity at December 31, 2019	**349,944**	**594,277**	**87,122**	**(689,285)**	**342,058**	**(67)**	**341,992**

(*) As at 1 January 2019 restatement refers to the change in accounting policy related to the new IFRIC 23 "Uncertainty over Income Tax Treatments".

PRIVÉ REVAUX

EYEWEAR

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 General information

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

The parent company is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange.

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

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 consolidated financial statements are reported in thousands of Euro. The consolidated financial information relates to the period from 1 January 2020 to 31 December 2020 and also presents comparative data related to the financial period from 1 January 2019 to 31 December 2019.

These financial statements were approved by the Board of Directors on 11 March 2021.

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.

With reference to the going concern assumption, it has to be noted that on 31 December 2020, the Group exhibits a net financial debt of Euro 222,069 thousand (of which Euro 23,000 thousand expiring within 2021) compared to Euro 74,836 thousand on 31 December 2019, and a cash position of Euro 88,966 thousand which compares to Euro 64,233 thousand on 31 December 2019. As of 31 December 2020 the Group has also additional unused credit line for about Euro 89.5 million. In 2020 in view of the economic scenario related to the Covid-19 pandemic, Group management implemented a strict cash protection approach, based on which - excluding the investments done in the first semester of 2020 for the acquisitions of Blenders and Privé Revaux – Safilo has been able to limit the increase in the Group's net financial position on 31 December 2020 compared to the position recorded on 31 December 2019. Management's best estimate is that the existing cash, thanks to the additional term loan signed under the framework of the Italian Liquidity Decree, the new set of financial covenants, and the expected cash flows will allow the Group to meet its liquidity needs for the coming year, despite the uncertainties of the current market environment affected by the developments of Covid-19, which make any predictions on future operational and financial performance difficult. These estimates, based on the analysis of potential future hypotheses and scenarios related to the Covid-19 development, include strong and effective working capital management and other actions on investments/expenditures, already described in the management's report on operations, which have so far helped the Group protect its cash position during the months in which the Group was strongly affected by the Covid-19 crisis. In its considerations, management at this point believes that no material uncertainties exist with reference to the going concern assumption in the foreseeable future.

The consolidated financial statements for the year ended 31 December 2020 and 31 December 2019 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".

This Report has been prepared following the Regulators' recommendations and in particular the ESMA guidelines published on 28 October 2020 and the Consob "Richiamo di attenzione n. 1/21" published on 16 February 2021.

Accounting standards, amendments and interpretations effective as of 1 January 2020

Except for what is described below about those accounting policies which changed due to new accounting standards, in preparing these consolidated financial statements the same accounting principles and criteria of the consolidated balance sheet as at 31 December 2019 have been applied.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2020:

- on May 28, 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides 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. They will be able to record the effects of the reductions in rent directly in the income statement on the effective date of the reduction. This amendment applies to financial statements starting on June 1, 2020. The Group has applied this amendment starting from 1 January 2020, the introduction of the new amendment has resulted in an immaterial impact in terms of rent concessions;

- on October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "relevant" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a financial statement an effect similar to that which would have occurred if such information had been omitted or incorrect. The adoption of this amendment did not have any effects on the Group's consolidated financial statements;

- on 26 September 2019, the IASB published the amendment called “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”. The same changes IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements required for the application of hedge accounting, providing for temporary exceptions to them, in order to mitigate the impact deriving from the uncertainty of the IBOR reform on future cash flows in the previous period its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the aforementioned exemptions apply. The adoption of this amendment did not have any effects on the Group’s consolidated financial statements;

- on March 29, 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods starting on January 1, 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps ensure that the Standards are conceptually consistent and that similar transactions are treated equally, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting principles when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards. The adoption of this amendment did not have any effects on the Group’s consolidated financial statements;

- on 22 October 2018, the IASB published the document “Definition of a Business (Amendments to IFRS 3)”. The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the business definition, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term “ability to create output” with “ability to contribute to the creation of output” to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced a test (“concentration test”), optional, which allows to exclude the presence of a business if the price paid is substantially attributable to a single activity or group of activities. The amendments apply to all business combinations and business acquisitions subsequent to January 1, 2020, but early application is allowed. The adoption of this amendment did not have any effects on the Group’s consolidated financial statements.

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

At the date of this report there are no new standards and amendments to standards and interpretations that are applicable to the Group and are effective for annual periods beginning on or after 1 January 2021 and that have not been early adopted by the Group in preparing this report.

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

In addition, the European Union had not yet completed its endorsement process for the following standards and amendments at the date of this 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 14 May 2020, the IASB published the following amendments called: Amendments to IFRS 3 Business Combinations, Amendments to IAS 16 Property, Plant and Equipment and Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018-2020. All changes will take effect on January 1, 2022.

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

2.2 Format of financial statements

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

For the balance sheet, a distinction is made in the assets and liabilities between current and non-current as described in paragraphs 51 and following of IAS 1. The indirect method for the cash flow statement was used. Therefore, the net profit of the period is adjusted by the effects of non-monetary transactions, changes in working capital and cash flows from investing and financing activities.

Starting from 2020 financial statements, in compliance with paragraph 85 of IAS 1 some new 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.

These items were not in place as at 31 December 2019, therefore no restatement has been made on comparative figures.

The format of the statement of cash flows has been revised eliminating the two items related to the "Increase Right of Use - IFRS 16" in the section Investing activities and the "Increase lease liability IFRS 16" in the Financing activities. This new disclosure is more representative with respect to the IFRS 16 monetary cash flow presentation considering that this is not affected by the above two items. These items were in place as at 31 December 2019, therefore comparative figures have been restated accordingly reducing for the same amount both investing and financing activities flows with zero impact in term of total cash flow.

2.3 Consolidation method and consolidation area

The Group's consolidated financial statements as of 31 December 2020 include the parent company, Safilo Group S.p.A., and 46 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights.

In 2020, the Group's consolidation area changed as follows:

- on 10 February 2020 Safilo America Inc. acquired a 61.34% equity interest in the Miami-based eyewear company Privé Goods LLC ("Privé Revaux") and its subsidiary Privé Capsules LLC. After the acquisition the Group ownership increased to 63.26% due to the reassignment of some outstanding shares owned by employees who resigned;

- on 1 June 2020 Safilo America Inc. signed the closing of the acquisition of a 70% equity interest in the California eyewear company Blenders Eyewear LLC;

- in April 2020 PorSa Eyewear (Xiamen) Co. Ltd. was incorporated as a new company fully owned by Safilo Far East Ltd., to manage the business related to the new ten-year license agreement for the design, manufacture and distribution of Ports branded sunglasses and optical frames, set to initially cover the Mainland China market.

At 31 December 2020 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)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197,135,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo UK Ltd. - London (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	100,000	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199,975	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	100.0
Privè Goods LLC. - Delaware (USA)	USD	19,919,335	63.3
Privè Capsules LLC - Delaware (USA)	USD	-	63.3
Blenders Eyewear LLC - Delaware (USA)	USD	1,000	70.0
PorSa Eyewear (Xiamen) Co Ltd.- (RC)	CNY	-	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 income statement 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 income statement.

2.3.1 Business Combination

Privé Revaux acquisition

On 10 February 2020 the Group announced, through the US holding company Safilo America Inc., the acquisition of a 61.34% equity interest in the Miami-based eyewear company Privé Goods, LLC ("Privé Revaux") through a simultaneous signing and closing.

Founded in 2017, 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 calibre social media engagement and strong digital marketing capabilities.

Detail of the purchase consideration is as follows:

(thousands of Euro)

Cash consideration paid	61,638
Contingent consideration	1,826
Total purchase consideration	**63,465**

The overall consideration for the 61.34% controlling interest in the company was 67,500 thousand USD, corresponding to 61,638 thousand Euro at the exchange rate on the acquisition date.

The contingent consideration refers to an amount of 1,826 thousand Euro (equal to 2 million USD), to be paid to certain selling shareholders upon the occurrence of certain conditions related to the cash balance of the company acquired in the "verification period" from October 2019 to December 2020. Since the fulfillment of these conditions is considered probable, management considered this amount as an adjustment of the purchase price paid at the closing date. At the date of the approval of this financial report these conditions have been fulfilled and then the contingent consideration has become certain.

The net cash outflow related to the acquisition is as follow:

(thousands of Euro)

Cash consideration paid	61,638
(-) Cash and cash equivalents acquired	(3,012)
Net Cash-outflow for acquisition	**58,627**

The assets and liabilities recognised as a result of the acquisition are as follow:

(thousands of Euro)	Book value net assets acquired	Fair value net assets identified and IFRS adjustments	Total fair value net assets acquired
Cash and cash equivalents	3,012	-	3,012
Trade receivables	4,407	-	4,407
Inventory	4,542	481	5,023
Other current assets	665	-	665
Right of Use	-	100	100
Tangible Assets	96	-	96
Intangible assets	3	-	3
Intangible assets: Trademark	-	41,092	41,092
Intangible assets: Distributor relationship	-	14,611	14,611
Intangible assets: Developed Technology	-	-	-
Intangible assets: Non-compete agreement	-	2,739	2,739
Other non-current assets	10	-	10
Lease liabilities	-	(100)	(100)
Trade payables	(7,514)	-	(7,514)
Tax payables	(236)	-	(236)
Other current liabilities	(246)	-	(246)
NET IDENTIFIABLE ASSETS ACQUIRED	**4,737**	**58,923**	**63,660**
(-) Non-controlling interests	**(1,831)**	**(22,780)**	**(24,611)**
(+) Goodwill		**24,415**	**24,415**
TOTAL NET ASSETS ACQUIRED	**2,906**	**60,559**	**63,465**

The Purchase Price Allocation has identified new assets with a total fair value equal to 58,923 thousand Euro, mainly related to Trademarks and other intangible assets. These new assets identified are amortized over the following useful life: trademark over 20 years, distribution relationships over 15 years and non-compete agreements over 3 years. Deferred taxes have not been recognized in relation to these new assets identified, since their values have been recognized also for tax purposes in the jurisdiction in which the acquisition was made. The valuation of these new assets and the related tax treatment was determined on the basis of an appraisal prepared by an independent third party.

The difference between the purchase price, the value of the non-controlling interests and the net assets acquired, equal to 24,415 thousand Euro, was attributed to goodwill.

(thousands of Euro)

Total purchase consideration	63,465
(-) Fair value net assets acquired	(63,660)
(+) Non-controlling interests of net assets acquired (proportionate method)	24,611
Goodwill booked from Purchase Price Allocation	**24,415**

The fair value of the assets acquired and of the liabilities assumed, identified by the purchase price allocation, according to IFRS 3, is considered as final at the date of this financial report.

The Group has recognised a non-controlling interest in the acquired company at the proportionate share of the acquired net identificable assets (proportionate method).

Pursuant to the contractual terms the non-controlling interests held by the minority equity holders 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 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.

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 acquisition, equal to 58,266 thousand Euro, and recorded as a liability. Considering that the risks and rewards of ownership remain with the non-controlling interest, this liability recognised has reduced the Group controlling interest equity. The non-controlling interest continues to be recognised and is allocated its share of profits and losses in the normal way.

The Group acquired the control of the company starting from the acquisition date 10 February 2020, therefore, the related results were included in the consolidated financial statements starting from this date. The acquired business contributed revenues of 19,748 thousand Euro.

Blenders Eyewear acquisition

On 1 June 2020 the Group announced the closing of the acquisition, through the US holding company Safilo America Inc., of a 70% stake in the equity of the California eyewear company Blenders Eyewear LLC.

Founded in San Diego in 2012, Blenders Eyewear has built an advanced e-commerce platform with unique digital and social media skills, which has achieved fast and profitable growth thanks to its world-class digital capabilities. The company generates approximately 95% of its current business through its proprietary direct-to-consumer e-commerce platform.

Detail of the purchase consideration is as follow:

(thousands of Euro)

Cash consideration paid	57,554
Contingent consideration	-
Total purchase consideration	**57,554**

The overall consideration for the 70% controlling interest in the company is 63,977 thousand USD, corresponding to 57,554 thousand Euro at the exchange rate on the acquisition date.

The net cash outflow related to the acquisition is as follow:

(thousands of Euro)

Cash consideration paid	57,554
(-) Cash and cash equivalents acquired	(4,402)
Net Cash-out for acquisition	**53,152**

The assets and liabilities recognised as a result of the acquisition are as follow:

(thousands of Euro)	**Book value net assets acquired**	**Fair value net assets identified and IFRS adjustments**	**Total fair value net assets acquired**
Cash and cash equivalents	4,402	-	4,402
Trade receivables	70	-	70
Inventory	3,918	580	4,498
Other current assets	3,440	-	3,440
Right of Use	-	583	583
Tangible Assets	681	-	681
Intangible assets	311	-	311
Intangible assets: Trademark	-	53,976	53,976
Intangible assets: Distributor relationship	-	270	270
Intangible assets: Developed Technology	-	3,149	3,149
Intangible assets: Non-compete agreement	-	5,847	5,847
Other non-current assets	9	-	9
Lease liabilities	-	(610)	(610)
Trade payables	(5,232)	-	(5,232)
Tax payables	(2,372)	-	(2,372)
Other current liabilities	(271)	-	(271)
Other non-current liabilities	(27)	27	-
NET IDENTIFIABLE ASSETS ACQUIRED	**4,929**	**63,822**	**68,751**
(-) Non-controlling interests	**(1,479)**	**(19,147)**	**(20,625)**
(+) Goodwill		**9,429**	**9,429**
TOTAL NET ASSETS ACQUIRED	**3,450**	**54,104**	**57,554**

The Purchase Price Allocation has identified new assets with a total fair value equal to 63,822 thousand Euro, mainly related to trademark and other intangible assets. These new assets identified are amortized over the following useful life: trademark over 20 years, distribution relationships over 15 years, developed technology over 5 years and non-compete agreements over 3 years.

Deferred tax liabilities have not been recognized in relation to these new assets identified, since their values have been recognized also for tax purposes in the jurisdiction in which the acquisition was made. The valuation of these new assets and the related tax treatment was determined on the basis of an appraisal prepared by an independent third party.

The difference between the purchase price, the value of the non-controlling interests and the net assets acquired, equal to 9,429 thousand Euro, was attributed to goodwill.

(thousands of Euro)

Total purchase consideration	57,554
(-) Fair value net assets acquired	(68,751)
(+) Non-controlling interests of net assets acquired (proportionate method)	20,625
Goodwill booked from Purchase Price Allocation	**9,429**

The fair value of the assets acquired and the liabilities assumed, identified by the purchase price allocation, according to IFRS 3, is considered as final at the date of this financial report.

The Group has recognised non-controlling interest in the acquired company at the proportionate share of the acquired net identifiable assets (proportionate method).

Pursuant to the contractual terms the non-controlling interests held by the minority equity holders 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 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 were valued at their fair value at the acquisition date, using a discounted cash-flow approach based on the business plans underlying the acquisition, equal to 45,584 thousand Euro, and recorded as a liability. Considering that the risks and rewards of ownership remain with the non-controlling interest, this liability recognised has reduced the Group controlling interest equity. The non-controlling interest continues to be recognised and is allocated its share of profits and losses in the normal way.

The Group acquired the control of the company starting from the acquisition date 1 June 2020, therefore, the related results were included in the consolidated financial statements starting from this date. The acquired business contributed revenues of 42,030 thousand Euro.

2.4 Segment information

Information according to business sector (retail/wholesale) and geographic area is given, pursuant to IFRS 8 – Operating Segments.

Management prepares information according to the Group's operating segments, i.e. *"Wholesale and Retail"*. The criteria applied for the identification of the segments depend on 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 2020 and 31 December 2019 are depicted in the following table; appreciation (figures with a minus sign in the table below) indicates an increase in the value of the currency against the Euro.

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		December 31, 2020	December 31, 2019	%	2020	2019	%
US Dollar	USD	1.2271	1.1234	9.2%	1.1422	1.1195	2.0%
Hong-Kong Dollar	HKD	9.5142	8.7473	8.8%	8.8587	8.7715	1.0%
Swiss Franc	CHF	1.0802	1.0854	-0.5%	1.0705	1.1125	-3.8%
Canadian Dollar	CAD	1.5633	1.4598	7.1%	1.5300	1.4855	3.0%
Japanese Yen	YEN	126.4900	121.9400	3.7%	121.8458	122.0058	-0.1%
British Pound	GBP	0.8990	0.8508	5.7%	0.8897	0.8778	1.4%
Swedish Krown	SEK	10.0343	10.4468	-3.9%	10.4848	10.5891	-1.0%
Australian Dollar	AUD	1.5896	1.5995	-0.6%	1.6549	1.6109	2.7%
South-African Rand	ZAR	18.0219	15.7773	14.2%	18.7655	16.1757	16.0%
Russian Ruble	RUB	91.4671	69.9563	30.7%	82.7248	72.4553	14.2%
Brasilian Real	BRL	6.3735	4.5157	41.1%	5.8943	4.4134	33.6%
Indian Rupee	INR	89.6605	80.1870	11.8%	84.6392	78.8361	7.4%
Singapore Dollar	SGD	1.6218	1.5111	7.3%	1.5742	1.5273	3.1%
Malaysian Ringgit	MYR	4.9340	4.5953	7.4%	4.7959	4.6374	3.4%
Chinese Renminbi	CNY	8.0225	7.8205	2.6%	7.8747	7.7355	1.8%
Korean Won	KRW	1.336.0000	1.296.2800	3.1%	1.345.5765	1.305.3173	3.1%
Mexican Peso	MXN	24.4160	21.2202	15.1%	24.5194	21.5565	13.7%
Turkish Lira	TRY	9.1131	6.6843	36.3%	8.0547	6.3578	26.7%
Dirham UAE	AED	4.5065	4.1257	9.2%	4.1947	4.1113	2.0%

2.6 Tangible assets and Right of Use

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 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.

Right of Use assets

Assets held through lease contracts (both finance and operating) are recognized according to the IFRS 16 standard that, 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.

The 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 as at 31 December 2020 have a residual duration that 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.

2.7 Intangible assets

Intangible assets consist of clearly identifiable non-monetary assets, without any physical substance and capable of generating future economic benefits. These assets are 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.

Other Intangible assets - Distribution relationships, Developed Technology and Non-compete agreements

Distribution relationships, developed technology and non-compete agreements are classified in the item Other intangible assets and are generally identified and booked in the process of the purchase price allocation related to a business combination. The valuation of these new assets is performed based on an appraisal prepared by an independent advisor. These new assets identified are amortized over their useful life considered appropriate according to general practice which for distribution relationships is 15 years, for Developed Technology 5 years and for non-compete agreements 3 years.

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).

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

2.8 Impairment of non-financial assets

Assets with an indefinite useful life are not subject to 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 units" or CGU) to which the asset belongs must be established. The Group then discounts to present value the future estimated cash flows by applying a discount rate that reflects the current time value of money and the specific risks associated with the business.

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

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

2.9 Financial instruments

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 the effects of changes in credit risk of the financial liability 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 derecognised. 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 the hedge accounting, the following accounting procedures are applied:

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

The new IFRS 9 requirements in terms of accounting for hedging transactions ("hedge accounting") confirmed the existence of the three types of hedging. However, greater flexibility was introduced in the type of transactions that qualify for hedge accounting, specifically by extending the types of instruments that qualify as hedging instruments and the types of risk components related to non-financial elements that they are eligible for hedge accounting. In addition, the effectiveness test has been replaced with a principle of "economic relationship". Furthermore, the retrospective determination of hedge effectiveness is no longer required. More information on risk management activities introduced by the Group was introduced.

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 IAS 39, changes in the fair value of the time value of the option (the non-designated party) were immediately recognized in profit (loss) for the year. 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.

2.10 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.

2.11 Trade receivables

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

The Group also transfers trade receivables to factoring companies. 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.

2.12 Cash in hand and at bank

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

2.13 Employee benefits

Pension plans

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

The obligation of the company to finance the defined benefit plans and the annual cost 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 recognises 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.

2.14 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.

2.15 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, the Group had been selling its eyewear products directly to its customers through its online sales channel, only for some brands of its portfolio, mainly in the North America market.

Revenues include the fair value of the sale of goods and services, less VAT, returns and discounts. In particular, the Group recognizes the revenues when the control over goods sold is transferred to the customer, assumed at the shipment date, in accordance with the sales terms agreed.

According to the standard contractual conditions applied by the Group, customers may have a right of return. If the sale includes the right for the client to return unsold goods, at the time of sale, a liability is recognized and a corresponding adjustment of revenues for the goods whose return is estimated. 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. This treatment does not differ from what was done under the previous accounting standard.

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 are 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 considerations paid to customer for distinct services and, as a consequence, recognizes them as expenses.

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

2.16 Public contributions

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

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

2.17 Royalties

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

2.18 Dividends

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

2.19 Income taxes

Income taxes include all taxes calculated on the taxable profits of the companies of the Group. Income taxes are 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 stated with operating costs.

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

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.

2.20 Earnings per share

Basic

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

Diluted

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.

2.21 Use of estimates

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

The outbreak of Covid-19 (Coronavirus) at the beginning of 2020, represents an extraordinary circumstance that may have direct and indirect repercussions on economic activity and has created a general environment of uncertainty, the evolution and impact of which is not predictable. Management's assumptions that may mostly be affected are, but not limited to, the ones requiring a high level of judgement, they relate mainly to: impairment of goodwill, tangible and intangible assets, valuation of inventory, allowance for expected credit losses, identification of potentially onerous contracts and provisions, recoverability of deferred tax assets.

The 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. The potential effects of the Covid-19 phenomenon on the estimates used by Management are also commented 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 the Directors' assessments, this may be more evident in a general environment of uncertainty following the outbreak of Covid-19. 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 the test performing some sensitivity analyzes 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 Covid-19 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 the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is deemed that there may be a potential loss in value, the Group determines this using the most appropriate technical valuation methods available. Proper identification of the indicators of contingent impairment as well as the estimates used to determine them depend on factors which may vary over time, influencing the Directors' measurements and estimates. The outbreak of Covid-19 may mainly affect the forecast of expected cash flows, the determination of the discount rates and the long-term growth.

- *Allowance for bad or doubtful debts*: the allowance for bad or doubtful debts reflects the management's best estimate regarding losses concerning the credit portfolio towards the final client. This estimate is based on the losses expected by the Group, determined on the basis of past experience for similar credits, current and historic overdue, careful monitoring of credit quality and projections regarding the economic and market conditions. Despite the general respect of the accounting policies defined in past years, management considered Covid-19 in the review of its credit quality assessment and expectations regarding the economic conditions present in the various markets in which the Group operates and, lastly, in the estimate of expected future losses.

- *Allowance for* inventory *obsolescence*: the Group produces and sells goods subject to changes in market trends and consumer demand, consequently a significant level of judgment is required in determining the appropriate write-down of inventories based on sales forecasts. The inventory of finished products which are obsolete or slow moving are regularly subjected to specific assessment tests, which take into consideration past experience, historic results and the probability of sale under normal market conditions. If the need to reduce the value of the stock should arise following these analyses, management proceeds with the appropriate write-downs. The uncertainties described were exacerbated with the spread of Covid-19, which therefore mainly influenced the sales forecasts which are used as input for the evaluation. Management used sensitivities to address the uncertainties described.

- *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, the management consults its lawyers, and other legal and fiscal experts, and when expenditure is considered probable and the amount can be reasonably estimated, adequate funds are allocated. The outbreak of Covid-19 may mainly generate contingent liabilities arising from onerous contracts and may affect the probability assigned to certain facts and circumstances when estimating the value of contingent liabilities.

- *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. The ability of the entities of the Group to generate future taxable income, and therefore to recover its deferred tax assets, may be significantly affected by the uncertainties posed by the diffusion of Covid-19, with variable intensity depending on the geographical area.

- *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, an 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. The lease accounting may be affected by the outbreak of Coronavirus, mainly for what concerns the determination of the lease term and the calculation of the incremental borrowing rate.

- *Business combination and options on minority interests:* during the year the Group made two significant acquisitions. The identification and assessment of the fair value of the assets acquired and the liabilities assumed, as well as the subsequent recognition of goodwill, involves a complex procedure that requires the application of different valuation techniques, which assume as input values historical data, elements forecasts based on estimates or market observation, such as, for example, the customer retention rate, the royalty rate for the use of comparable assets, the discount rate, the residual useful life of the assets acquired. In performing this valuation process, the Directors are 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 purchase contractual terms also include reciprocal put and call options on the non-controlling interests, for which the Group has recognized a liability whose valuation is highly dependent on the expectations of management regarding the future performance of the acquired companies, which can be subject to significant uncertainty generated by the persistence of the Covid-19 pandemic.

2.22 Fair value estimates

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

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

3. RISK MANAGEMENT

The operations of 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 interests;
- liquidity risks, with particular regard to the ability to promptly find resources on financial markets under normal market conditions when needed.

The Group constantly monitors the financial risks to which it is exposed, in order to assess potentially negative effects in advance and to take appropriate corrective measures with the aim of eliminating or, at the least, limiting the negative effects deriving from the risks in question. In 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 in 2020 by Covid-19 have accentuated the risk of potential insolvency, in a differentiated way according to the categories of customers and geographical areas. In reaction to this changed context, the Group strengthened the policies described and maintained constant monitoring of the individual credit positions. When necessary, payment terms have been redefined with customers.

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 the IFRS 9, the Management has also considered potential risks associated with specific categories of customers or certain geographic areas, on the basis also of the development of the Covid-19 pandemic.

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 2020 and 31 December 2019:

(thousands of Euro)	December 31, 2020			December 31, 2019		
Ageing of trade receivables	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Net value trade receivables**	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Net value trade receivables**
Overdue and impaired						
up to 3 months	911	(606)	306	1,165	(996)	169
3 to 6 months	438	(438)	-	884	(800)	84
6 to 9 months	1,347	(1,347)	-	826	(826)	-
from 9 to 12 months	6,103	(6,103)	-	1,810	(1,810)	-
from 12 to 24 months	2,536	(2,536)	-	2,569	(2,569)	-
over 24 months	5,073	(5,073)	-	5,119	(5,119)	-
Total	**16,409**	**(16,103)**	**306**	**12,375**	**(12,120)**	**254**
Overdue and not impaired						
up to 1 month	16,021		16,021	13,494		13,494
1 to 3 months	18,596		18,596	6,767		6,767
3 to 6 months	7,014		7,014	1,286		1,286
6 to 9 months	8,056		8,056	662		662
from 9 to 12 months	804		804	436		436
from 12 to 24 months	538		538	373		373
over 24 months	140		140	56		56
Total	**51,170**	**(538)**	**50,632**	**23,073**	**(288)**	**22,785**
Neither overdue nor impaired	122,156	(451)	121,705	165,435	(312)	165,123
Grand total	**189,734**	**(17,092)**	**172,643**	**200,883**	**(12,720)**	**188,163**

At 31 December 2020 past due receivables for which no allowance for bad debts was made, as the Group considered them fully collectible, amounted to 51,170 thousand Euro (compared to 23,073 thousand Euro at 31 December 2019). Of these, receivables that were more than 12 months past due amounted to 678 thousand Euro (compared to 429 thousand Euro at 31 December 2019) but accounted for 0.36% of the Group's total trade receivable compared to 0.21% 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 2020 the Group has accrued an additional credit loss allowance of 1.0 million Euro (compared to 0.6 million Euro at 31 December 2019) that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not overdue.

Market risks

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 2020, fluctuations in the exchange rates of the main currencies have been more relevant than in previous years, as an effect of the uncertainty generated by the spread of the Coronavirus. In particular, the currencies that showed the greatest variation have been the Brazilian Real, the Turkish Lira, the Mexican Peso, the Russian Ruble and the South Africa Rand.

The Group tries to reduce the effects deriving from currency fluctuations implementing a sort 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 2020 net sales of around 31,655 thousand Euro (around 32,263 thousand Euro in 2019) and in a decrease or an increase of the net profit of the Group of around 1,141 thousand Euro (around 163 thousand Euro in 2019). While an increase or decrease of 10% of Euro against currencies that showed a relevant variation in 2020 (Brazilian Real, Turkish Lira, Mexican Peso, Russian Ruble and South Africa Rand) would result overall in a decrease or an increase of the 2020 net sales of around 3,294 thousand Euro and in a decrease or an increase of the net profit of the Group of around 179 thousand Euro.

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 2020 and 31 December 2019:

(thousands of Euro)	December 31, 2020	December 31, 2019
USD	245,140	225,790
HKD	68,736	79,770
CNY	62,884	64,722
GBP	2,256	1,968
CAD	18,469	19,275
CHF	11,175	11,055
BRL	5,115	7,523
EUR	(237,669)	(81,557)
Other currencies	10,263	13,445
Total	**186,369**	**341,992**

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 35,792 thousand Euro (about 38,504 thousand Euro in 2019), of which about 847 thousand Euro related to currencies that showed a relevant variation in 2020 (Brazilian Real, Turkish Lira, Mexican Peso, Russian Ruble and South Africa Rand).

The table below summarizes the financial assets and liabilities of the Group per currency at 31 December 2020 and 31 December 2019:

(thousands of Euro)	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**

(thousands of Euro)	December 31, 2019			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	14,129	29,575	20,529	64,233
Trade receivables, net	60,395	69,260	58,508	188,163
Derivative financial instruments	-	-	118	118
Other current assets	18,246	14,694	10,341	43,281
Total current financial assets	**92,771**	**113,529**	**89,496**	**295,796**
Derivative financial instruments	-	-	-	-
Other non-current assets	1,505	848	7,552	9,906
Total non-current financial assets	**1,505**	**848**	**7,552**	**9,906**
Trade payables	91,783	59,776	21,563	173,122
Short-term borrowings	19,159	-	-	19,159
Lease liabilities	3,557	3,501	2,662	9,720
Derivative financial instruments	1,117	-	5	1,121
Tax payables and other current liabilities	39,076	13,240	20,480	72,796
Total current financial liabilities	**154,691**	**76,517**	**44,710**	**275,918**
Long-term borrowings	72,864	-	-	72,864
Lease liabilities	5,491	27,458	4,378	37,327
Derivative financial instruments	-	-	-	-
Other non-current liabilities	940	-	292	1,232
Total non-current financial liabilities	**79,295**	**27,458**	**4,670**	**111,423**

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 the interest rates. In particular, floating-rate borrowings are subject to a cash flow risk. At 31 December 2020 the floating-rate portion of the Group's total borrowings not subject to hedging instruments amounted to the entire borrowings balance equal to 269,937 thousand Euro (accounting for 100.00% of total debt) compared to 92,023 thousand Euro in the previous year (accounting for 100.00% 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.

It is believed that the effects of Covid-19 on the global economy have not led to a greater risk of interest rate volatility, with regards to the financial structure of Safilo Group.

The table below summarizes the breakdown by maturity date of the nominal value (gross of 2,010 thousand Euro of transaction costs) for the floating and fixed interest-bearing loans, as at 31 December 2020 and 31 December 2019:

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**

December 31, 2019

(thousands of Euro)	Floating	Fixed	Total
within 1 year	19,159	-	19,159
between 1 and 2 years	20,000	-	20,000
between 3 and 5 years	52,864	-	52,864
beyond 5 years	-	-	-
Total	**92,023**	**-**	**92,023**

The floating interest-bearing loans as at 31 December 2020 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 2020 and 31 December 2019:

December 31, 2020

(thousands of Euro)	Currency	Nominal interest rate	Nominal value	Book value	Expiry
Term Loan Facility and Revolving Credit 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

December 31, 2019

(thousands of Euro)	Currency	Nominal interest rate	Nominal value	Book value	Expiry
Term Loan Facility and Revolving Credit Facility	*Euro*	Euribor	85,000	82,864	30 June 2023

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 represented a greater (lower) annual financial charge, on a pre-tax basis, of around 76 thousand Euro (114 thousand Euro at 31 December 2019).

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.

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

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, 2020 (thousands of Euro)	**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**

December 31, 2019 (thousands of Euro)	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	18,095	319	17,776
Credit lines on long-term loans	150,000	85,000	65,000
Total	**168,095**	**85,319**	**82,776**

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 140,000 thousand Euro (used for 65,000 thousand Euro at 31 December 2020) 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 2020 and 31 December 2019:

	December 31, 2020				
(thousands of Euro)	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**

(thousands of Euro)	December 31, 2019				
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	64,233	-	-	-	64,233
Trade receivables, net	188,163	-	-	-	188,163
Derivative financial instruments	118	-	-	-	118
Other current assets	43,281	-	-	-	43,281
Other non-current assets	-	5,285	4,277	344	9,906
Total financial assets	**295,795**	**5,285**	**4,277**	**344**	**305,702**
Trade payables	173,122	-	-	-	173,122
Tax payables	18,771	-	-	-	18,771
Borrowings	19,159	20,000	52,864	-	92,023
Interest payments	3,935	3,475	4,190	-	11,600
Lease liability	9,720	8,930	12,620	15,777	47,047
Derivative financial instruments	1,121	-	-	-	1,121
Other current liabilities	54,024	-	-	-	54,024
Other non-current liabilities	-	352	881	(1)	1,232
Total financial liabilities	**279,852**	**32,757**	**70,555**	**15,777**	**398,940**

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					
(thousands of Euro)	Income Statement	Other comprehensive income (OCI)	Financial instruments at amortised cost	Investments and non-listed financial assets at cost	Current value at December 31, 2020	Fair value at December 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**

Financial instruments	Financial instruments at fair value through					
(thousands of Euro)	Income Statement	Other comprehensive income (OCI)	Financial instruments at amortised cost	Investments and non-listed financial assets at cost	Current value at December 31, 2019	Fair value at December 31, 2019
ASSETS						
Cash in hand and at bank	-	-	64,233	-	64,233	64,233
Trade receivables, net	-	-	188,163	-	188,163	188,163
Derivative financial instruments	118	-	-	-	118	118
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	43,281	-	43,281	43,281
Other non-current assets	-	-	9,906	-	9,906	9,906
Total assets	**118**	**-**	**305,583**	**-**	**305,702**	**305,702**
LIABILITIES						
Borrowings	-	-	92,023	-	92,023	92,023
Lease liability	-	-	47,047	-	47,047	47,047
Derivative financial instruments	1,121	-	-	-	1,121	1,121
Other current liabilities	-	-	54,024	-	54,024	54,024
Other non-current liabilities	-	-	1,232	-	1,232	1,232
Total liabilities	**1,121**	**-**	**194,326**	**-**	**195,448**	**195,448**

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 2020, split by hierarchical level of the fair value.

(thousands of Euro)	**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 2020 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 88,966 thousand Euro compared to 64,233 thousand Euro at 31 December 2019 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:

(thousands of Euro)	December 31, 2020	December 31, 2019
Cash and cash equivalents	88,966	64,233
Bank overdrafts	-	(319)
Current bank borrowings	(3,000)	(10,000)
Net financial indebtedness - short term	**85,966**	**53,915**

As of December 31, 2020, the cash balance resided for about 31% in the Italian companies, about 32% in the US entities, 9% in the Chinese entities, while the remaining 28% 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:

(thousands of Euro)	December 31, 2020	December 31, 2019
Gross value trade receivables	189,734	200,883
Allowance for doubtful accounts	(17,092)	(12,720)
Net value	**172,642**	**188,163**

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:

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

(thousands of Euro)	Balance at January 1, 2019	Addition	Use/ Release (-)	Transl. Diff.	Balance at December 31, 2019
Allowance for doubtful accounts	14,009	1,904	(3,248)	55	12,720

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 9,403 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 2020 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 (0.6 million Euro as at 31 December 2019).

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:

(thousands of Euro)	December 31, 2020	December 31, 2019
Raw materials	69,265	75,837
Work in progress	8,051	6,883
Finished goods	207,443	233,745
Gross	**284,759**	**316,465**
Provision for obsolete inventory (-)	(87,475)	(80,663)
Total	**197,285**	**235,801**

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:

(thousands of Euro)	Balance at January 1, 2020	Posted to income statement	Changes in the scope of consolid.	Transl. Diff.	Balance at 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**

(thousands of Euro)	Balance at January 1, 2019	Posted to income statement	Changes in the scope of consolid.	Transl. Diff.	Balance at December 31, 2019
Inventory gross value	329,525	2,179	(18,175)	2,936	316,465
Provision for obsolete inventory	(91,815)	11,523	-	(372)	(80,663)
Total net	**237,710**	**13,702**	**(18,175)**	**2,564**	**235,801**

The balance of "Changes in the scope of consolidation" is related to the new assets acquired with the business combinations incurred in the period (for more details see the note 2.3.1). In 2019 it was related to the discontinued Retail business disposed in July 2019.

4.4 Derivative financial instruments

The following table summarizes the amount of financial instruments:

(thousands of Euro)	December 31, 2020	December 31, 2019
Current assets:		
- Foreign currency contracts - Fair value through P&L	599	118
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	764	1,121
Total Net	**(164)**	**(1,003)**

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 negative net market value of 164 thousand Euro (negative for 1,003 thousand Euro at 31 December 2019).

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

December 31, 2020			Fair value	
(thousands of Euro)	**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**

December 31, 2019			Fair value	
(thousands of Euro)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	238,767	118	1,121
Cash flow hedge	within 1 year	-	-	-
Total forward contracts		**238,767**	**118**	**1,121**

4.5 Other current assets

This item breaks down as follows:

(thousands of Euro)	December 31, 2020	December 31, 2019
VAT receivable	8,051	9,019
Income tax receivables	25,831	14,069
Prepayments and accrued income	10,802	10,801
Other receivables	10,849	9,393
Total	**55,533**	**43,281**

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 payable.

The balance increase is primarily related to the tax credit expected to be received by the US subsidiary in relation to its 2019 and 2020 consolidated tax losses carry back granted by the Coronavirus Aid, Relief and Economic Security (CARES) Act, which was passed into law on March 27, 2020 in response to the economic fallout of the Covid-19 pandemic in the United States. The collection of this the tax credit can be considered substantially certain.

Prepayments and accrued income amounted to 10,802 thousand Euro (10,801 thousand Euro at December 31, 2019) and mainly consisted of prepaid royalties for 5,488 thousand Euro, prepaid insurance for 685 thousand Euro and other prepaid expenses for 4,629 thousand Euro.

Other current receivables amounted to 10,849 thousand Euro, compared to 9,393 thousand Euro of December 2019. The balance mainly includes receivables from agents and employees for 581 thousand Euro, deposit payments due within 12 months for 2,830 thousand Euro, mainly related to the two acquired companies for 2,488 thousand Euro, and other receivables for 7,438 thousand Euro of which the most relevant reported by the subsidiary Safilo S.p.A. for 1,035 thousand Euro, referring mainly to receivables due from insolvent customers for the amount of credit relating to recoverable VAT, by some Italian subsidiaries for 1,723 thousand Euro towards the social security institutions related also to Covid government relief granted as employment support and for 933 thousand Euro related to the remaining cash consideration for the disposal of Martignacco manufacturing plant, effective on 1 October 2020.

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

4.6 Tangible assets and Right of Use assets

Tangible assets

The table below summarises the changes in the tangible assets:

(thousands of Euro)	Balance at January 1, 2020	Increase	Decrease	Reclass.	Changes in the scope of consoli-dation	Reclass. assets held for sale	Transl. diff.	Balance at 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**

(thousands of Euro)	Balance at January 1, 2019	Increase	Decrease	Reclass.	Changes in the scope of consoli-dation	Reclass. assets held for sale	Transl. diff.	Balance at December 31, 2019
Gross value								
Land and buildings	146,107	1,663	(4,311)	-	-	(11,230)	398	132,627
Plant and machinery	211,067	3,040	(6,088)	9	-	-	197	208,225
Equipment and other assets	165,521	18,407	(18,386)	25	(20,727)	-	1,221	146,062
Advance payments	53	132	(90)	(34)		-	-	62
Total	**522,748**	**23,242**	**(28,875)**	**-**	**(20,727)**	**(11,230)**	**1,817**	**486,975**
Accumulated depreciation								
Land and buildings	62,259	6,733	(3,865)	-	-	(5,699)	190	59,618
Plant and machinery	156,083	14,642	(5,781)	-	-	-	106	165,051
Equipment and other assets	127,514	18,592	(18,112)	-	(16,015)	-	941	112,920
Total	**345,857**	**39,967**	**(27,758)**	**-**	**(16,015)**	**(5,699)**	**1,237**	**337,588**
Net value	**176,891**	**(16,724)**	**(1,117)**	**-**	**(4,711)**	**(5,531)**	**580**	**149,387**

Investments in tangible assets in the financial period amount to 13,443 thousand Euro (23,242 thousand Euro in the previous year), and refer to:

- Euro 8,113 thousand to the production facilities, mainly for the upgrade of plants and for the purchase and production of equipment for new models;
- Euro 3,129 thousand to the U.S. companies, mainly for the consolidation of the North American distribution centre in Denver;
- Euro 1,845 thousand to the Italian Headquarter distribution centre mainly for the upgrade of logistic equipment;
- the remaining part to the other companies of the Group.

The balance of "Changes in the scope of consolidation" is related to the new assets acquired with the business combinations incurred the period (for more details see the note 2.3.1), in 2019 it was related to the discontinued Retail business disposed in July 2019.

The balance related to the reclassification to "Non-current assets held for sale" refers to the reclassification of real estate subject to a plan of disposal. During the period the Group, has reclassified as asset held for sale a building of the Longarone production plant site, destined to be downsized according to the Group Business Plan 2020-2024. The item "Non-current assets held for sale" has also recorded in the period a decrease for the finalization of the process for the sale of the Martignacco production site, with effective date 1 October 2020.

At 31 December 2020 the item "Non-current assets held for sale", presented in a separate line item on the face of the balance sheet, includes the following two real estate locations, a separate office location part of Padua Headquarter and the above mentioned manufacturing location of the Longarone production site. They are measured at their fair value, equal to 6,560 thousand Euro, determined on the basis of third-party independent appraisals.

Right of Use assets

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

(thousands of Euro)	Balance at January 1, 2020	Increase	Decrease	Changes in the scope of consolidation	Transl. diff.	Balance at 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**

(thousands of Euro)	Balance at January 1, 2019	First adoption IFRS 16	Increase	Decrease	Changes in the scope of consoli-dation	Transl. diff.	Balance at December 31, 2019
Gross value							
Buildings Right of Use	-	72,829	18,136	(2,441)	(41,182)	(39)	47,303
Other assets Right of Use	-	7,368	1,561	(785)	-	21	8,165
Total	**-**	**80,197**	**19,696**	**(3,226)**	**(41,182)**	**(18)**	**55,468**
Accumulated depreciation							
Buildings Right of Use	-	-	16,264	(838)	(5,206)	(2)	10,218
Other assets Right of Use	-	-	3,324	(302)	-	9	3,031
Total	**-**	**-**	**19,588**	**(1,141)**	**(5,206)**	**7**	**13,249**
Net value	**-**	**80,197**	**109**	**(2,085)**	**(35,976)**	**(25)**	**42,219**

Investments in Right of Use in the financial period amount to 10,256 thousand Euro (19,696 thousand Euro in the previous year) and is related to the ordinary renewal of some locations of the commercial subsidiaries and to the increase of the warehouse area of the distribution centre in Denver to improve the North American logistic operations capability.

The balance of "Changes in the scope of consolidation" is related to the new assets acquired with the business combinations incurred the period (for more details see the note 2.3.1), in 2019 it was related to the discontinued Retail business disposed in July 2019.

4.7 Intangible assets

The following table shows changes in intangible assets:

(thousands of Euro)	Balance at January 1, 2020	Increase	Decrease	Changes in the scope of consoli-dation	Transl. diff.	Balance at December 31, 2020
Gross value						
Software	90,005	10,369	(690)	134	(1,619)	98,199
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	**150,570**	**10,949**	**(701)**	**122,125**	**(13,844)**	**269,098**
Accumulated amortization						
Software	68,462	10,677	(560)	46	(1,217)	77,408
Trademarks and licenses	31,161	5,573	-	-	(243)	36,491
Other intangible assets	1,970	4,368	(11)	82	(125)	6,283
Total	**101,594**	**20,618**	**(571)**	**127**	**(1,585)**	**120,183**
Net value	**48,976**	**(9,669)**	**(131)**	**121,998**	**(12,259)**	**148,915**

(thousands of Euro)	Balance at January 1, 2019	Increase	Decrease	Changes in the scope of consoli-dation	Transl. diff.	Balance at December 31, 2019
Gross value						
Software	86,963	7,962	(2,503)	(2,659)	243	90,005
Trademarks and licenses	56,163	170	-	(478)	22	55,877
Other intangible assets	7,791	446	(3,627)	-	77	4,687
Total	**150,917**	**8,578**	**(6,131)**	**(3,137)**	**343**	**150,570**
Accumulated amortization						
Software	58,309	14,226	(2,439)	(1,857)	223	68,462
Trademarks and licenses	29,253	2,364	-	(478)	22	31,161
Other intangible assets	4,869	662	(3,627)	-	66	1,970
Total	**92,431**	**17,253**	**(6,066)**	**(2,335)**	**311**	**101,594**
Net value	**58,486**	**(8,675)**	**(64)**	**(803)**	**32**	**48,976**

Investments in intangible fixed assets made during the year amount to 10,949 thousand Euro (8,578 thousand Euro in the previous year). The increase in investments is mainly due to the continuing investments to implement the integrated information system (ERP) of the Group and to the Group's digital transformation strategy.

The balance of "Changes in the scope of consolidation" is related to the new assets acquired with the business combinations incurred the period. These new assets identified are related to trademarks, distribution relationships, developed technology and non-compete agreements (for more details see the note 2.3.1). In 2019 it was related to the discontinued Retail business disposed in July 2019.

Depreciation and Amortization

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

(thousands of Euro)	Notes	2020	2019
Continuing Operations			
Cost of sales	5.2	22,049	30,160
Selling and marketing expenses	5.3	3,261	2,841
General and administrative expenses	5.4	23,885	23,573
Amortization and depreciation		**49,195**	**56,575**
Cost of sales - Right of Use depreciation	5.2	1,274	1,860
Selling and marketing expenses - Right of Use depreciation	5.3	4,439	6,004
General and administrative expenses - Right of Use depreciation	5.4	4,860	6,323
Depreciation Right of Use - IFRS 16		**10,573**	**14,187**
Discontinued Operations		**-**	**6,046**
Total		**59,767**	**76,807**

The amortization and depreciation equals to 49,195 thousand Euro (56,575 thousand Euro in the previous period). The decrease for 7,380 thousand Euro is mainly due to the effect of the restructuring plan of the Group's manufacturing footprint, announced with the new Group Business Plan 2020-2024, started in the previous year with additional non-recurring assets write-downs that affected the comparative period for a total amount of 8,877 thousand Euro (6,635 thousand Euro related to cost of sales and 2,242 thousand Euro to general and administrative expenses). In the current period the non-recurring tangible assets write downs, mainly related to the termination of activities related to the exiting licensed brands, are equal to 4,447 thousand Euro in the cost of sales.

The item general and administrative expenses include amortization for 6,480 thousand Euro related to the new intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the two Business combination incurred in the period.

The Management carefully examined the effects of the Covid-19 pandemic on the forecasts of the future generation of profitability and cash flows, with attention to the assets recorded in relation to the 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 are no specific impairment indicators for the assets identified in the Purchase Price Allocation of the two business acquisitions incurred in the period.

The Right of Use depreciation in 2020 is equal to 10,573 thousand Euro (14,187 thousand Euro in the previous year). The decrease in mainly due to the additional Right of Use write-downs that affected the comparative period for a total amount of 1,422 thousand Euro and for the decrease of the Right of Use assets value coming from the new lease contracts signed in the period for some subsidiary relocations.

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 12,612 thousand Euro (16,258 thousand Euro in the previous year).

4.8 Goodwill

The item refers to goodwill which arose from the acquisitions in 2020 of Privé Revaux and Blenders. A single CGU has been identified, representing the whole Group, to which the entire amount of goodwill has been allocated: this allocation is consistent with the strategy underlying the acquisitions, that, beyond the acquisition of two fast growing brands, will enable the whole Group to compete more effectively in markets impacted by digitalization. The allocation to a single CGU is consistent with the approach adopted for the preparation of the 31 December 2019 financial statements, which was designed to appropriately reflect the Group’s strategy and business model. The single CGU structure appropriately reflects the high level of interdependence of the functions of the Group. Specifically strategy, goal setting, operations management, as well as reporting and incentive systems are managed at a corporate level, leaving to the local units deployment and tailoring to the specific market.

The following table shows changes in Goodwill:

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

(thousands of Euro)	Balance at January 1, 2019	Increase	Decrease	Transl. diff.	Balance at December 31, 2019
Goodwill	226,267	-	(227,062)	795	-

During the current period, the item recorded an increase of 33,844 thousand Euro due to the initial recognition of the goodwill related to the acquisitions of Privé Revaux and Blenders and a reduction for 3,514 thousand Euro due to foreign currency translation.

Impairment test

As explained in detail in the Report on Operations, the year 2020 was influenced by the outbreak and worldwide spread of Covid 19. As described, this event significantly impacted Safilo's business and therefore, management assessed, also in line with the Regulators' guidelines, that impairment indicators have been triggered based on IAS 36.

To determine the cash flow projections used in the impairment test, the Board of Directors has approved on 11 March 2021, a Financial Projection for the period 2021 – 2025 that confirms the main goals and strategies defined in the Group Business Plan 2020-2024.

These Financial Projections, which include the consolidation of the newly acquired Blenders and Privé Revaux businesses, have been prepared starting from the approved Group Budget for 2021 and considering for the period 2022-2025 a reshaping and adaptation of the implementation of the strategic action to the effects and the changes introduced by the pandemic, but confirming the long term objectives in terms of volumes and marginality.

In estimating the recovery from the effects of the pandemic and 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. Over the coming 5 years, starting from 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 acquisition of Privé Revaux, Blenders and the new licenses Ports and Isabel Marant had not previously been included in the Group business plan since the respective transactions were signed during the first semester of 2020, and they have now been included in the Financial Projections. Safilo Group intends to leverage the two new acquisitions to reach its strategic objectives and the relative enterprise value.

The impairment test methodology used for the execution of the impairment test at the date of 31 December 2020 is consistent with the criteria used for the 2019 financial statements and considers the following factors:

- The Financial Projections have been prepared including IFRS 16 effects.
- 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, because the uncertainty is 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 2025.

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	**Discount rate "WACC"**		**Growth rate "g"**	
	2020	**2019**	**2020**	**2019**
SAFILO GROUP	8.4%	8.1%	1.9%	2.0%

The impairment test performed did not result in the need for a goodwill impairment as of 31 December 2020.

As a matter of fact, the break-even level of some key inputs to the impairment test has been estimated: in particular, EBITDA and related cash flows can be reduced by 13% or WACC can be increased by 0,8% to obtain an enterprise value equal to the net invested capital as of 31 December 2020, including goodwill. Management has also performed some sensitivities simulating specific events, such as the interruption of some licenses or a different industrial organization: these sensitivities also resulted in a sufficient cover of net invested capital.

After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2020.

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, and considering Safilo's situation, 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.

The Directors believe that the assumptions incorporated in the Financial Projections 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.

4.9 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:

(thousands of Euro)	December 31, 2020	December 31, 2019
Deferred tax assets	187,743	178,818
Valuation Allowance (-)	(149,658)	(137,095)
Net deferred tax assets	**38,084**	**41,723**
Deferred tax liabilities	(11,345)	(10,852)
Total net	**26,739**	**30,871**

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 December 31, 2020 amounts to 149,658 thousand Euro and has increased by 12,563 thousand Euro compared to 2019 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

(thousands of Euro)	Balance at January 1, 2020	Posted to: Income statement	Posted to: Equity	Transl. diff.	Balance at December 31, 2020
Tax losses carried forward	96,192	15,992	-	(3,286)	108,899
Inventories	30,904	50	-	(1,313)	29,641
Taxed allowances for doubtful accounts	5,548	334	-	(505)	5,377
Taxed provisions	9,195	(2,510)	-	(16)	6,669
Employees benefit liabilities	1,482	(105)	16	(7)	1,386
Intangible assets	2,123	335	-	(17)	2,441
Tangible assets	15,222	(8,445)	-	(56)	6,721
Fair value of derivative instruments	-	-	-	-	-
Other payables	766	6,998	-	(582)	7,182
Taxed financial interests	11,861	1,452	-	(40)	13,273
Other temporary differences	5,525	1,240	-	(612)	6,153
Total deferred tax assets	**178,818**	**15,341**	**16**	**(6,434)**	**187,743**
Valuation allowance of deferred tax assets on tax losses	(86,412)	(14,759)	-	2,666	(98,506)
Valuation allowance of deferred tax assets on other temporary differences	(50,683)	(1,466)	-	997	(51,152)
Total valuation allowance on deferred tax assets	**(137,095)**	**(16,225)**	**-**	**3,663**	**(149,658)**
TOTAL	**41,723**	**(884)**	**16**	**(2,771)**	**38,084**

Deferred tax liabilities

(thousands of Euro)	Balance at January 1, 2020	Posted to: Income statement	Posted to: Equity	Transl. diff.	Balance at December 31, 2020
Depreciation differences	3,274	1,162	-	(316)	4,119
Goodwill	-	152	-	3	154
Inventories	330	(44)	-	(16)	270
Receivables and payables	13	(7)	-	-	6
Other temporary differences	7,235	159	-	(599)	6,796
Total	**10,852**	**1,422**	**-**	**(928)**	**11,345**

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 total 108,899 thousand Euro. The deferred tax assets calculated have been written down by a valuation allowance of total 98,506 thousand Euro, because at present their recovery via the generation of future taxable profit is not considered probable.

Expiration date (thousands of Euro)	**Tax losses**	**Tax benefit**
2020	1,482	371
2021	5,327	1,332
2022	14,031	3,508
2023	7,443	1,861
2024	3,337	832
2025	10,817	3,108
2026	4,386	1,473
2027	2,256	653
2030	35	12
2031	80	17
Unlimited	367,740	90,159
Other tax losses relating local taxes:		
Various		5,574
Total	**416,934**	**108,899**
Valuation Allowance (-)		(98,506)
TOTAL DEFERRED TAX ASSETS ON LOSSES CARRIED FORWARD		**10,393**

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.

(thousands of Euro)	December 31, 2020	December 31, 2019
Deferred tax assets		
- recoverable within one year	14,576	17,181
- recoverable beyond one year	23,508	24,542
Total	**38,084**	**41,723**
Deferred tax liabilities		
- recoverable within one year	(278)	(345)
- recoverable beyond one year	(11,067)	(10,507)
Total	**(11,345)**	**(10,852)**
TOTAL NET	**26,739**	**30,871**

4.10 Other non-current assets

The table below shows details of non-current assets:

(thousands of Euro)	December 31, 2020	December 31, 2019
Long-term guarantee deposits	1,666	1,990
Other long-term receivables	375	169
Long-term tax receivables	5,335	7,746
Total	**7,376**	**9,906**

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

4.11 Borrowings and Lease liability

This item breaks down as follows:

(thousands of Euro)	December 31, 2020	December 31, 2019
Bank overdrafts	-	319
Short-term bank loans	3,000	10,000
Short-term portion of long-term bank loans	20,000	-
Debt to the factoring company	-	8,840
Short-term borrowings	**23,000**	**19,159**
Long-term bank loans	151,453	72,864
Other long-term loans - Shareholder Loan	93,474	-
Long-term borrowings	**244,926**	72,864
Short-term portion of financial lease liability IFRS 16	9,605	9,720
Long-term portion of financial lease liability IFRS 16	33,504	37,327
Financial lease liability IFRS 16	**43,109**	**47,047**
Total	**311,035**	**139,070**

Borrowings

At 31 December 2020 the Group has bank loans for a total amount of 171,453 thousand Euro of which 20,000 thousand Euro classified as short-term and 151,453 thousand Euro as long-term (82,864 thousand Euro as at 31 December 2019 of which 10,000 thousand Euro classified as short-term and 72,864 thousand Euro as long-term) and other long-term loans, related to a shareholder loan made available by its Group reference shareholder (HAL), for a total amount of 93,474 thousand Euro. The breakdown of bank loans by facility is detailed as follows:

- 65,000 thousand Euro as to the "2018 TL&RCF", fully related to the Term Loan Facility and 108,000 thousand Euro as to the new Term Loan Facility (the "SACE TLF") signed on 15 September 2020. 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 2,010 thousand Euro (2,136 thousand Euro as at 31 December 2019), bringing their combined net value to the 170,990 thousand Euro (82,864 thousand Euro as at 31 December 2019) as reported in the above table;

- the Group's Revolving Credit Facility (75,000 thousand Euro) has not been drawn as at 31 December 2020 (compared to 10,000 thousand Euro drawn as at 31 December 2019);
- 463 thousand Euro as to a Covid-19 refinancing facility signed by the Swiss subsidiary, in the framework of the local financing support measures, and maturity date 1 March 2025.

The item "Other long-term loans" refers to a shareholder loan entered by the Group with its reference shareholder HAL for a total amount of 93,474 thousand Euro of which 90,000 thousand Euro of nominal value and 3,474 of accrued capitalised interests.

The new 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 new 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, and the possibility for the Group to cure potential future breaches of financial covenants through new subordinated loans which, upon request of the lenders, the Group has undertaken to negotiate and obtain from HAL, Safilo Group's reference shareholder through Multibrand Italy B.V., if ever needed over the duration of the financing and up to a maximum amount of Euro 30 million.

On 6 February 2020 the Group entered a shareholder loan with a financing contract signed by Safilo S.p.A. as borrower and Multibrands Italy B.V, controlled by HAL Holding N.V., as lender, for a total amount of Euro 90 million. This single loan agreement was aimed at financing in part, for Euro 30 million, the acquisition of Privé Revaux, and at fully financing the acquisition of Blenders Eyewear LLC. This shareholder loan is subordinated to Safilo Group's existing financing "2018 TL&RCF" and has a bullet repayment, including accrued capitalized interest. In view of the closing of the new SACE TLF certain amendments to the HAL shareholder loan financing agreement have been approved, including, among others, its subordination to the SACE TLF, in addition to the already provided subordination to the 2018 TL&RCF, and the extension of its maturity from 30 June 2023 to 31 December 2026.

These committed, unsubordinated and unsecured facility agreements (2018 TL&RCF and SACE TLF) and also the subordinated shareholder loan are subject to customary operating and financial covenants. At 31 December 2020 the Group complies with all the outstanding covenants.

Total Interest expenses on borrowings are 10,265 thousand Euro (6,122 thousand Euro in 2019) of which figurative interest, calculated according to Amortized Cost methods, are 766 thousand Euro.

Here below we report the maturity analysis of the nominal value of the long-term bank loans, gross of 2,010 thousand Euro of transaction costs (2,136 thousand Euro in 2019):

Maturity Borrowings (thousands of Euro)	**December 31, 2020**	**December 31, 2019**
From 1 to 2 years	20,000	20,000
From 2 to 3 years	43,000	20,000
From 3 to 4 years	36,000	35,000
From 4 to 5 years	36,463	-
Beyond 5 years	18,000	-
Total	**153,463**	**75,000**

The Group, as at 31 December 2020, 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 2020, amounts to 43,109 thousand Euro of which 9,605 thousand Euro as short term, and 33,504 thousand Euro as long term.

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

Maturity Lease liability (thousands of Euro)	**December 31, 2020**	**December 31, 2019**
From 1 to 2 years	6,695	8,930
From 2 to 3 years	5,187	5,325
From 3 to 4 years	4,288	3,938
From 4 to 5 years	3,641	3,357
Beyond 5 years	13,694	15,777
Total	**33,504**	**37,327**

Net Financial Position

The following table shows the breakdown of net financial debt. This has been calculated consistently with Paragraph 127 of the CESR/05-054b recommendation implementing the European regulation CE 809/2004 and in line with the CONSOB (Italian securities & exchange commission) requirements of 26th July 2007.

	Net financial position (thousands of Euro)	**December 31, 2020**	**December 31, 2019**	**Change**
A	Cash and cash equivalents	88,966	64,233	24,733
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**88,966**	**64,233**	**24,733**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-t. bank borrowings	(3,000)	(10,319)	7,319
G	Current portion of long-term borrowings	(20,000)	-	(20,000)
G	Current portion of long-term lease liability IFRS 16	(9,605)	(9,720)	115
H	Other short-term borrowings	-	(8,840)	8,840
I	**Debts and other current financial liabilities (F+G+H)**	**(32,605)**	**(28,879)**	**(3,726)**
J	**Current financial position, net (D)+(E)+(I)**	**56,362**	**35,355**	**21,007**
K	Long-term bank borrowings	(151,453)	(72,864)	(78,588)
L	Bonds	-	-	-
M	Other long-term borrowings	(93,474)	-	(93,474)
M	Long-term lease liability IFRS 16	(33,504)	(37,327)	3,823
N	**Debts and other non current financial liabilities (K+L+M)**	**(278,431)**	**(110,191)**	**(168,239)**
	Net financial position (J)+(N)	**(222,069)**	**(74,836)**	**(147,233)**
	Net financial position pre-IFRS 16	**(178,960)**	**(27,789)**	**(151,170)**

The Group Net financial position reported in the above table does not include the valuation of derivative financial instruments and the liability for the options on minority interests described respectively in note 4.4 and 4.17 of this report.

4.12 Trade payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2020	December 31, 2019
Trade payables for:		
Purchase of raw materials	30,776	37,665
Purchase of finished goods	45,120	46,388
Suppliers from subcontractors	3,680	4,649
Tangible and intangible assets	3,174	5,137
Commissions	2,880	3,378
Royalties	36,276	13,451
Advertising and marketing costs	9,130	9,125
Services	40,199	43,822
Sales returns liabilities (Refund Liability)	10,165	9,507
Total	**181,401**	**173,122**

The increase of the royalties payables is related to the amount accrued on the licenses terminated on 31 December 2020 that will be 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.

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

4.13 Tax payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2020	December 31, 2019
Income tax payables	6,013	9,742
VAT payables	3,134	2,646
Other taxes payables	9,221	6,384
Total	**18,369**	**18,771**

At 31 December 2020 tax payables amounted to Euro 18,369 thousand (compared to Euro 18,771 thousand at 31 December 2019). Of this sum Euro 6,013 thousand referred to income tax for the period, Euro 3,134 thousand to VAT payable and Euro 9,221 thousand to taxes withheld, current and local taxes.

The provision for the year's current income tax is shown in note 5.9 concerning income tax.

4.14 Other current liabilities

This item breaks down as follows:

(thousands of Euro)	December 31, 2020	December 31, 2019
Payables to personnel and social security institutions	31,789	35,714
Agent fee payables	204	143
Payables to pension funds	1,341	1,590
Accrued advertising and sponsorship costs	1,303	2,149
Accrued interests on long-term loans	469	31
Other accruals and deferred income	10,015	10,535
Other current liabilities	6,576	3,862
Total	**51,697**	**54,024**

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.

4.15 Provisions

This item breaks down as follows:

(thousands of Euro)	Balance at January 1, 2020	Increase	Decrease	Reclass	Transl. diff.	Balance at 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**

(thousands of Euro)	Balance at January 1, 2019	Increase	Decrease	Transl. diff.	Balance at December 31, 2019
Product warranty provision	5,799	-	(20)	-	5,779
Agents' severance indemnity	2,528	506	-	4	3,037
Provision for corporate restructuring	-	20,831	-	-	20,831
Other provisions for risks and charges	5,422	4,649	(434)	(21)	9,617
Provisions for risks - long term	**13,748**	**25,986**	**(453)**	**(17)**	**39,264**
Product warranty provision	1,178	-	(146)	60	1,092
Provision for corporate restructuring	44	5,825	(5,719)	-	150
Other provisions for risks and charges	25,514	256	(4,204)	17	21,582
Provisions for risks - short term	**26,736**	**6,081**	**(10,069)**	**76**	**22,824**
TOTAL	**40,484**	**32,067**	**(10,522)**	**60**	**62,088**

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 decrease of the period equal to 9,336 thousand Euro is related to the expenses incurred for the ongoing restructuring plan and for the Martignacco production site, inactive from 1 July 2020, and finally disposed on 1 October 2020, with a limited impact on the workforce that have continued to be employed thanks to the project of plant reindustrialization presented by the acquirer and supported by the Group with the contribution of trade unions and regional institutions.

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 short-term portion of the "Other provision for risks and charges" includes the provision of 17,000 thousand Euro related to the proceedings before the French Competition Authority (''FCA'') accrued in 2015. Safilo's French subsidiary (Safilo France S.A.R.L.) together with other major competitors and a number of leading retailers in the French eyewear industry, has been the subject of an investigation conducted by the FCA relating to pricing and sales practices in the industry. In May 2015, Safilo France S.A.R.L. and Safilo S.p.A. in its capacity of parent-company received a Statement of Objections from the FCA. On 2 February 2016, Safilo reached an agreement with the FCA's Investigation Services limiting the Group's liability at 17,000 thousand Euro. Consequently, a provision was booked by the Group as the best estimate for the expected liability. On 24 February 2017, the FCA's Body decided to refer the entire case back for further investigation to the FCA's Investigation Services, without imposing any sanction on all the companies currently under investigation. On 19 April 2019, Safilo France S.A.R.L., Safilo S.p.A and, in its capacity of parent company, Safilo Group S.p.A received a new statement objections (the "Supplementary SO"), which supplements the Initial SO (the charges raised in the Initial SO being maintained). In July 2019, Safilo filed a brief in response to both the Initial SO and the Supplementary SO, in which it contested all the charges raised against it by the investigation services. The Group expects to receive further updates from the authorities in 2021.

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 sufficient to cover the existing risks.

4.16 Employee benefit obligations

This item breaks down as follows:

(thousands of Euro)	December 31, 2020	December 31, 2019
Defined contribution plan	154	10
Defined benefit plan	23,346	27,055
Total	**23,500**	**27,064**

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

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

(thousands of Euro)	Balance at January 1, 2019	Addition	Actuarial (gains)/ losses	Uses	Transl. diff.	Balance at December 31, 2019
Defined benefit plan	26,205	1,153	1,987	(2,318)	28	27,055

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 these benefits, 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 27th 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 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 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 summarised 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 2020 and 31 December 2019 are summarized here follow:

	2020	**2019**
Discount rate	-0.02%	0.77%
Inflation rate	0.80%	1.50%
Rate of benefit increase	2.10%	2.63%

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

Assumption (thousands of Euro)	**Change**	**Increase**	**Decrease**
Inflation	1.00%	1,050	(983)
Salary increase	0.25%	119	(113)
Discount rate	1.00%	(1,404)	1,680
Life expectancy	1 year	205	(192)

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

(thousands of Euro)	2020	2019
Service cost	(676)	(751)
Interest cost	(215)	(402)
Actuarial gain/(loss)	(204)	(1,987)
Total	**(1,094)**	**(3,139)**

4.17 Liabilities for options on non-controlling interests

Movements in the item were as follows:

(thousands of Euro)	Balance at January 1, 2020	Increase	Decrease	Changes in the scope of consoli-dation	Transl. diff.	Balance at December 31, 2020
Liabilities for options on non-controlling interests	-	-	(19,824)	103,849	(9,187)	74,839

The Group during the period has finalised two business combinations 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 (for more details see the note 2.3.1).

The amount equal to 74,839 thousand Euro refers to the put and call options liability on the non-controlling interests of these two business combinations.

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, equal to a total amount of 103,849 thousand Euro, and recorded as a non-current liability.

Considering that the risks and rewards of ownership remain with the non-controlling interest, this liability recognised has reduced the Group controlling interest equity. 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 2020 management, on the basis of the updated business plans of the two investments revised to take into consideration the Covid-19 business impact, 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 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 Privé Revaux investment, was significantly reduced as at 31 December 2020, with the recognition of a fair value liability reduction equal to 19,824 thousand Euro reported as financial gain in the item "Gains/(losses) for options on non-controlling interests" in the income statement. Furthermore, the value of the liability was adjusted for translation difference due to the Euro/USD exchange rate fluctuation and for the accretion consequent to the financial discounting of the long- term debt.

4.18 Other non-current liabilities

Movements in the item were as follows:

(thousands of Euro)	**Balance at January 1, 2020**	**Increase**	**Decrease**	**Changes in the scope of consoli-dation**	**Transl. diff.**	**Balance at December 31, 2020**
Other non-current liabilities	1,232	606	-	-	(73)	1,765

The "other non-current liabilities" line is mainly related to the estimate of the tax liability equal to 810 thousand Euro accrued according to the 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 2020, shareholders' equity totaled 147,321 thousand Euro versus 342,059 thousand Euro on 31 December 2019.

4.19 Share capital

At 31 December 2020 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 349,943,373 consisting of no. 275,703,846 ordinary shares with no par value.

4.20 Share premium reserve

At 31 December 2020 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 594,277,350.

4.21 Retained earnings and other reserves

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

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

- a decrease of 26,778 thousand Euro due to the negative translation differences coming from the translation of the subsidiaries' financial statements into Euro;
- an increase of 79 thousand Euro related to the cost of the period of the stock option plans in place;
- a decrease of 188 thousand Euro due to the actuarial valuation, net of tax effect, of the employee termination indemnities of defined benefit plans.
- a decrease of 103,849 thousand Euro related to the option liability on the non-controlling interests of the two subsidiaries acquired, that considering that the risks and rewards of ownership remain with the non-controlling interest, has been recognised reducing the Group controlling interest equity;
- a decrease of 465 thousand Euro mainly related to transactions with minority interests of the new subsidiaries acquired.

4.22 Cash flow hedge reserve

The cash flow hedge reserve mainly refers to the current value of derivative instruments *currency forward contracts* that cover the currency exchange rate risk on future highly probable transactions. As at 31 December 2020 the Group has no currency forward contract in place subject to cash flow hedging accounting.

4.23 Stock option plans

As at 31 December 2020 the Group has in place three Stock Option Plans: 2014-2016 Plan, 2017-2020 Plan and the new 2020-202 Plan granted during the year.

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 new 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 new 2020-2022 Plan this second economic performance vesting condition is not applicable.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2020 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2014-2016				
First tranche	29/04/14	234,384	1.65	31/05/22
Stock Option Plan 2017-2020				
Third tranche	30/04/19	1,009,000	0.20	31/05/27
Stock Option Plan 2020-2022				
First tranche	31/07/20	3,500,000	0.20	30/06/28

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	Risk free rate
Stock Option Plan 2014-2016				
First tranche	9.71	9.31	30.00%	1.044%
Stock Option Plan 2017-2020				
Third tranche	0.90	0.75	36.20%	0.087%
Stock Option Plan 2020-2022				
First tranche	0.69	0.70	47.78%	-0.392%

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	-	-
Outstanding at period-end	**234,384**	**9.31**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**2,832,948**	**0.84**
Granted	-	-
Forfeited	(1,823,948)	0.88
Exercised	-	-
Expired	-	-
Outstanding at period-end	**1,009,000**	**0.75**
Stock Option Plan 2020-2022		
Outstanding at the beginning of the period	**-**	**-**
Granted	3,500,000	0.70
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at period-end	**3,500,000**	**0.70**

During the year, 3,500,000 options have been granted related to the first tranche of the new Plan 2020-2022, in the same period 1,823,948 options of the Plan 2017-2020 has been forfeited.

Among the options outstanding at the end of the period the first tranche of the Plan 2014-2016, equal to a total of 234,384, 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 1,009,000 options, is exercisable until 31 May 2027. The first tranche of the new Plan 2020-2022, equal to 3,500,000 is exercisable until 30 June 2028.

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 234,384.

The average exercise price for options of the Plan 2014-2016 is equal to 9.31 Euro with an average remaining contract life of 1.4 years, for the third tranche of the Plan 2017-2020 is equal to 0.75 Euro with an average remaining contract life of 6.4 years, while for the first tranche of the Plan 2020-2022 is equal to 0.70 Euro with an average remaining contract file of 7.5 years.

The adoption of these plans has affected the income statement for the period for a cost of 79 thousand Euro (194 thousand Euro at 31 December 2019).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The Group has reported in the previous period the Solstice retail business, disposed on 1 July 2019, as discontinued operation disclosing the contribution in term of net result in a single item of the consolidated income statement. 2019 comparative data of this Report referred only to the continuing operations related to the wholesale business, allowing a proper comparison with the current period.

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 had been selling its eyewear products directly to its customers through its online sales channel, only for some brands of its portfolio, mainly in the North America market.

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

2020 Group sales amounted to 780,298 thousand Euro, showing a decrease of 16.9% compared to the previous year (939,038 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:

(thousands of Euro)	2020	2019
Purchase of raw materials and finished goods	250,125	313,207
Capitalisation of costs for increase in tangible assets (-)	(6,311)	(7,566)
Change in inventories	36,674	(18,530)
Wages and social security contributions	89,283	112,423
Subcontracting costs	11,335	14,131
Amortization and depreciation	22,049	30,160
Depreciation Right of Use - IFRS 16	1,274	1,860
Rental and operating leases	1,697	1,893
Offset Rental and operating leases - IFRS 16	(1,375)	(1,535)
Utilities, security and cleaning	6,818	8,116
Other industrial costs	6,201	7,990
Total	**417,770**	**462,149**

Cost of sales decreased by Euro 44,379 thousand (or 9.6%), from Euro 462,149 thousand in 2019, to Euro 417,770 thousand in 2020. The cost of sales reduction was due to the significant reduction of industrial activity following the Covid-19 emergency with the consequent decrease of the payroll and social security contributions by Euro 23,140 thousand (or 20.6%), from Euro 112,423 thousand to Euro 89,283 thousand, benefitting also of the contingency measures in relation to the Covid-19 emergency including the use of applicable personnel relief programs in the Italian plants.

Amortization and depreciation decreased by Euro 8,111 thousand from Euro 30,160 thousand in 2019 to Euro 22,049 thousand in 2020, mainly due to the lower impact of write down of manufacturing assets that affected the comparative period in connection with the Italian plant restructuring announced with the new Group Business Plan 2020-2024.

Changes in inventories can be broken down as follows:

(thousands of Euro)	2020	2019
Finished products	33,178	(19,658)
Work-in-progress	(1,280)	383
Raw materials	4,776	744
Total	**36,674**	**(18,530)**

5.3 Selling and marketing expenses

This item breaks down as follows:

(thousands of Euro)	2020	2019
Payroll and social security contributions	82,816	100,483
Sales commissions	38,807	47,964
Royalty expenses	57,275	67,261
Advertising and promotional costs	88,371	101,391
Amortization and depreciation	3,261	2,841
Depreciation Right of Use - IFRS 16	4,439	6,004
Logistic costs	22,547	19,827
Consultants fees	1,238	2,107
Rental and operating leases	7,118	7,216
Offset Rental and operating leases - IFRS 16	(5,381)	(5,288)
Utilities, security and cleaning	1,589	1,710
Provision for risks	(1,145)	(105)
Other sales and marketing expenses	10,975	15,613
Total	**311,909**	**367,024**

Selling and marketing expenses decreased by Euro 55,115 thousand (or 15.0%), from Euro 367,024 thousand in 2019 to Euro 311,909 thousand in 2020. This was due to the significant reduction of sales activity following the Covid-19 emergency with the consequent decrease of payroll and social security contributions by Euro 17,668 thousand (or 17.6%), sales commissions by Euro 9,157 thousand (or 19.1%), royalty expenses and advertising and promotional costs by respectively Euro 9,986 thousand (or 14.8%) and Euro 13,020 thousand (or 12.8%).

5.4 General and administrative expenses

This item breaks down as follows:

(thousands of Euro)	2020	2019
Payroll and social security contributions	41,991	50,473
Allowance and write off of doubtful accounts	8,522	2,557
Amortization and depreciation	23,885	23,573
Depreciation Right of Use - IFRS 16	4,860	6,323
Professional services	11,195	11,660
Rental and operating leases	5,956	7,530
Offset Rental and operating leases - IFRS 16	(5,442)	(6,803)
EDP costs	13,697	13,030
Insurance costs	2,039	1,892
Utilities, security and cleaning	2,860	3,557
Taxes (other than on income)	1,683	1,904
Other general and administrative expenses	2,762	5,002
Total	**114,007**	**120,699**

General and administrative expenses decreased by Euro 6,692 thousand (or 5.5%), from Euro 120,699 thousand in 2019 to Euro 114,007 thousand in 2020. This was mainly due to a decrease in payroll and social security contributions by Euro 8,482 thousand (or 16.8%), from Euro 50,473 thousand in 2019 to Euro 41,991 thousand in 2020.

General and administrative expenses on the other side are also affected by the impact, compared to the previous period, of higher write off and prudential bad debt allowances, for an amount equal to Euro 5,965 thousand and by additional depreciation and amortization for Euro 6,480 thousand related to the new intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the two acquisitions incurred in the period.

Average number of employees

The average number of employees by rank is shown below:

	2020	2019
Executives	110	115
Clerks and middle management	2,346	2,374
Factory workers	3,139	3,396
Total	**5,595**	**5,885**

The comparative figures have been "restated" to exclude the Solstice retail discontinued operation, allowing a proper comparison with the ones of the current period. The contribution to the Group workforce of the two acquired companies Privè Revaux and Blenders has been equal to 53 employees, at their acquisition date.

5.5 Other operating income (expenses)

This item breaks down as follows:

(thousands of Euro)	2020	2019
Losses on disposal of assets	(330)	(346)
Other operating expenses	(19,388)	(41,164)
Gains on disposal of assets	428	192
Other operating incomes	2,842	7,471
Total	**(16,448)**	**(33,847)**

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 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. In the same period of the last year non-recurring costs of 39,355 thousand Euro were accounted for mainly related to the Group restructuring expenses in Italy for Euro 21 million, and to other non-recurring costs linked to the cost saving program undertaken by the Group, and to activities linked to acquisitions and divestitures.

5.6 Impairment loss on goodwill

As reported in note 4.8 "Goodwill", the Group has performed the impairment test on goodwill. The execution of the test substantially confirmed that there was no need to book any impairment loss.

5.7 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 put and call options on the non-controlling interests of the two business combinations finalised in the period (for more details see the note 4.17).

As at 31 December 2020 management, on the basis of the updated business plans of the two investments revised to take into consideration the Covid-19 business impact, has reperformed the fair value calculation of these liabilities and adjusted their value recording a gain for its reduction equal to 19,824 thousand Euro.

5.8 Financial charges, net

This item breaks down as follows:

(thousands of Euro)	2020	2019
Nominal interest expenses on loans	5,624	2,786
Nominal Interest expenses on shareholder loan	3,875	-
Figurative interest expenses on loans	766	450
Nominal interest expenses on Bond	-	735
Figurative interest expenses on Bond	-	2,151
Interest expenses on operating leases - IFRS 16	1,784	1,539
Bank commissions	4,439	4,747
Negative exchange rate differences	37,179	22,276
Other financial charges	1,204	919
Total financial charges	**54,871**	**35,603**
Interest income	241	1,483
Positive exchange rate differences	29,042	22,314
Other financial income	1,490	4,502
Total financial income	**30,773**	**28,299**
TOTAL FINANCIAL CHARGES, NET	**24,097**	**7,304**

Total net financial charges increased by Euro 16,793 thousand from Euro 7,304 thousand in 2019 to Euro 24,097 thousand in 2020. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 1,784 thousand, interest on loans and Bond increased by Euro 4,143 thousand, from Euro 6,122 thousand in 2019 to Euro 10,265 thousand in 2020. Net exchange rate differences are equal to a loss of Euro 8,137 thousand in 2020 (a gain of Euro 37 thousand in 2019). The increase of the exchange rate differences is connected to the high volatility of certain exchange rates, especially emerging market currencies, as a result of the uncertainty generated by the Covid-19 pandemic.

The items "figurative interest expenses on loans and Bond" 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.

5.9 Income taxes

This item breaks down as follows:

(thousands of Euro)	2020	2019
Current tax	16,755	(7,426)
Deferred tax	(2,306)	(15,515)
Total	**14,449**	**(22,941)**

Income taxes decreased by 37,390 thousand Euro from a cost of 22,941 thousand Euro of 2019 to an income of 14,449 thousand Euro of 2020.

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

(thousands of Euro)	%	2020	%	2019
Profit before taxation	**100%**	**(84,109)**	**100%**	**(279,046)**
Income tax benefit (expense) at statutory rate	-24.0%	20,186	-24.0%	66,971
IRAP and other local taxes	0.1%	(104)	0.2%	(577)
Taxes relating to prior years	0.2%	(139)	0.1%	(267)
Foreign tax rate differential	0.9%	(771)	0.3%	(901)
Non taxable income	-7.2%	6,096	-0.5%	1,326
Non deductible costs	2.9%	(2,476)	0.8%	(2,282)
Impairment of goodwill not deductible	0.0%	-	17.3%	(48,359)
Non-recognition of new DTAs and write-down of existing DTAs	23.2%	(19,519)	15.1%	(42,173)
Benefit arising from unrecognized DTA of prior years	-2.4%	1,994	-0.3%	791
Deferred tax expense for changes in tax rate	-13.8%	11,594	0.0%	(108)
Tax Credit and tax relief	0.3%	(272)	-0.2%	589
Other differences	2.5%	(2,140)	-0.7%	2,049
Total	**-17.2%**	**14,449**	**8.2%**	**(22,941)**

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 is primarily affected positively by the tax rate differential of the deferred tax assets recorded as at 31 December 2019 on the tax losses of the US subsidiaries and the tax rate applicable to the carry back of such tax losses on the basis of the Coronavirus Aid, Relief and Economic Security (CARES) Act, which was passed into law on March 27, 2020 in response to the economic fallout of the Covid-19 pandemic in the United States.

The write-down of deferred tax assets 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.

5.10 Discontinued operations

In 2019 the Discontinued operations result referred to the Solstice retail business, disposed on 1 July 2019, that generated a total loss of Euro 26,358 thousand, of which Euro 17,312 thousand related to the disposal loss, including Euro 3,725 thousand for the write down of deferred tax assets no longer recoverable after the disposal, and Euro 9,047 thousand to the net loss of the retail business in the period.

5.11 Earnings per share

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

Basic	2020	2019
Profit/(Loss) for ordinary shares (in thousands of Euro)	(69,380)	(328,260)
Profit/(Loss) for ordinary shares from continuing operations (in thousands of Euro)	(69,380)	(301,987)
Average number of ordinary shares (in thousands)	275,704	275,635
Earnings/(Losses) per share - basic (in Euro)	**(0.252)**	**(1.191)**
Earnings/(Losses) per share - basic from continuing operations (in Euro)	**(0.252)**	**(1.096)**

Diluted	2020	2019
Profit/(Loss) for ordinary shares (in thousands of Euro)	(69,380)	(328,260)
Profit/(Loss) for ordinary shares from continuing operations (in thousands of Euro)	(69,380)	(301,987)
Average number of ordinary shares (in thousands)	275,704	275,635
Dilution effects: - stock option (in thousands)	270	308
Total	**275,974**	**275,942**
Earnings/(Losses) per share - diluted (in Euro)	**(0.251)**	**(1.190)**
Earnings/(Losses) per share - diluted from continuing operations (in Euro)	**(0.251)**	**(1.094)**

5.12 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2020.

5.13 Segment information

The operating segments (Wholesale and Retail) were identified by management in line with the management and control model used for the Group.

Following the disposal of the retail chain Solstice in 2019 the Group has reported the retail business as a discontinued operation and hence the operating segment disclosure usually reported in this note has been considered no longer relevant. From the 2019 financial statements going forward, operating segment information will be solely under the Wholesale 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

(thousands of Euro)	Revenue from external customers		Non-current assets	
	2020	**2019**	**December 31, 2020**	**December 31, 2019**
Italy (1)	183,902	256,094	128,842	142,974
Europe (2)	171,393	227,258	8,215	12,712
America (3)	372,410	383,999	186,085	59,222
Asia (4)	52,593	71,686	31,108	35,579
Total	**780,298**	**939,038**	**354,250**	**250,487**

(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 2020 and 31 December 2019.

Related parties transactions (thousands of Euro)	**Relationship**	**December 31, 2020**	**December 31, 2019**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	3,679	5,649
HAL Investments B.V.	(a)	-	26
Total		**3,679**	**5,675**
Payables			
Companies controlled by HAL Holding N.V.	(a)	1,413	2,697
HAL Investments B.V.	(a)	20	10
Loans			
Multibrands Italy B.V.	(a)	93,474	-
Multibrands Italy B.V.	(a)	16	-
Total		**94,922**	**2,707**

(a) Companies controlled by Group's reference Shareholder.

Related parties transactions (thousands of Euro)	**Relationship**	**2020**	**2019**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	43,810	55,200
Total		**43,810**	**55,200**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	1,841	2,846
HAL Investments B.V.	(a)	20	20
Financial expenses			
Multibrands Italy B.V.	(a)	3,875	-
Total		**5,736**	**2,866**

(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.

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

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

(thousands of Euro)	2020	2019
Directors		
Salaries ad short term compensations	1,404	2,133
Non monetary benefits	35	18
Other compensations	838	385
Indemnity for end of position or cessation of employment relationship	-	-
Fair value of equity compensations	53	24
Statutory auditors		
Fixed compensations and compensations for participation in committees	313	303
Managers with strategic responsabilities		
Salaries ad short term compensations	448	645
Non monetary benefits	16	14
Other compensations	129	213
Fair value of equity compensations	15	13
Indemnity for end of position or cessation of employment relationship	-	-
Total	**3,251**	**3,747**

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 not only establish minimum guarantees, but also a commitment for advertising expenses.

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

Licensing commitments (thousands of Euro)	**December 31, 2020**	**December 31, 2019**
within 1 year	76,260	115,581
between 1 and 3 years	137,823	175,763
between 3 and 5 years	133,097	155,100
beyond 5 years	37,817	86,962
Total	**384,998**	**533,406**

9. SUBSEQUENT EVENTS

In the period following 31 December 2020, as disclosed in the paragraph “Significant events after the year-end and outlook” included in the Report on operatios, the following events has incurred that might have an impact on the data contained in this document.

On 11 March 2021 Safilo announced its intention to close its Slovenian production site in Ormož starting from June 2021, which, in the context of the plan to realign the Group’s industrial capacity to current and future production needs, will involve 557 employees.

This intervention follows the actions taken in Italy in 2020 which involved the closure of the Martignacco production site and the reorganization of the Longarone site, which is still ongoing.

The already complex situation of the Ormož site in terms of reduction of volumes, due to the termination of the licensing agreements for major brands and the ever-growing trend towards acetate products, a material appreciated by optical customers and consumers for its quality and prestige, has been worsened by the Covid-19 pandemic and has led to structural imbalances which are not sustainable for the years to come.

Furthermore, the above-mentioned closure would be consistent with the Group’s business objectives aimed at optimizing and improving the efficiency of its manufacturing footprint.

The Group confirms the opening of a discussion table with the Trade Unions and institutions to identify all possible solutions in order to mitigate any social impacts of this painful scenario.

In the period following 31 December 2020, 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 28th July 2006.

11. TRANSACTIONS RESULTING FROM UNUSUAL AND/OR ABNORMAL OPERATIONS

Pursuant to Consob Communication of 28th July 2006, in 2020 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 2020 and 2019 relating to the audit and other audit related services rendered by the same Audit company.

(thousands of Euro)	**Audit Company**	**Safilo Group's company which received services**	**2020**	**2019**
Audit (*)	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	86	66
	Deloitte & Touche S.p.A.	Subsidaries	135	134
	Network Deloitte & Touche S.p.A.	Subsidaries	980	683
Attestation	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	106	63
	Deloitte & Touche S.p.A.	Subsidaries	20	34
	Network Deloitte & Touche S.p.A.	Subsidaries	5	17
Other services	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	10	10
	Deloitte & Touche S.p.A.	Subsidaries	-	-
	Network Deloitte & Touche S.p.A.	Subsidaries	2	4
Total			**1,344**	**1,011**

(*) This item includes fees for the audit of the consolidated financial statements of the Group amounted to Euro 34.8 thousand.

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 2020 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 2020 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 2020:

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.

11 March 2021

The Chief Executive Officer

Angelo Trocchia

The manager responsible for preparing the company's financial statements
Gerd Graehsler

REPORT OF INDEPENDENT AUDITORS

Deloitte.

Deloitte & Touche S.p.A.
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Italia

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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 31 December 2020, and the consolidated statement of income, 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 31 December 2020, 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.

Deloitte.

Inventory provisioning	
Description of the key audit matter	The consolidated balance sheet presents inventories for Euro 197.3 million, net of an obsolescence reserve of Euro 87.5 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, on the basis of sales forecasts, considering also the termination of some licenses and the level of uncertainty characterizing the Group's business as a consequence of the persisting impact of Covid 19 pandemic. We considered the relevance of the obsolescence reserve, even in terms of the economic impact, and the proportion compared to the inventory amount which, as of 31 December 2020, represents about 22% of consolidated assets; we also considered the subjectivity of the estimates and 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	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. We also reviewed the sensitivity analyzes performed by the Group in consideration of the uncertainties originated by Covid 19 pandemic; • test of the correct execution of the calculation of the provision based on the algorithms 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 them, by obtaining, where necessary, adequate supporting documentation.

Impairment test	
Description of the key audit matter	The consolidated balance sheet includes intangible assets for Euro 148.9 million, tangible assets and rights of use for Euro 167.6 million, and goodwill for Euro 30.3 million. This goodwill, recognized in 2020, is allocated to the single CGU identified by the Directors which represents the Group as a whole, as disclosed in note 4.8. 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 31 December 2020 which included goodwill, tangible and intangible assets and rights of use allocated to the CGU. The impairment test as of 31 December 2020 was performed by the Directors based on financial projections which cover the 5 years' period 2021 – 2025, approved on 11 March 2021, derived from the business plan 2020 – 2024 presented in December 2019, updated to reflect the estimated impact of the Covid 19 pandemic, as described in note 4.8, reshaping and adapting the actions and the timing to achieve the Group's strategic goals. The Directors explain in note 2.21 how the persistence of the Covid 19 pandemic determines elements of uncertainty on the ability of Group to deliver the action and the goals included in the financial projections 2021 – 2025. The Directors have taken into consideration the most reliable information currently available, leveraging on external sources and have also elaborated some sensitivity analyses to evaluate uncertainties. In note 2.21 the Directors explain how the process of performing the impairment test is complex and 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). Those estimates depend on factors which may change in time, particularly in the uncertain environment generated by the Covid 19 pandemic, with possible effects which may be significant on Management's assessment. We considered the significance of the amount of the intangible assets, tangible assets and rights of use, and goodwill, collectively representing about 40% of consolidated assets, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test; we also took into account the negative results obtained by the Group in the last years and the persistence of the Covid 19 pandemic, whose evolution is still hardly predictable. As a result we assessed that the impairment test represents a key audit matter for the audit of Safilo Group's consolidated financial statements.
Audit procedures	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 about the potential impacts of the Covid 19 pandemic, 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;
- analysis of the sensitivity analyses prepared by 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.

Acquisition of Blenders LLC and Privé Goods LLC	
Description of the key audit matter	As disclosed in note 2.3.1, during the year 2020 the Group has completed the acquisition of 61.34% of the share capital of Privé Goods LLC and of 70% of the share capital of Blenders LLC, both established under the US jurisdiction, operating in the same business as Safilo Group, respectively on 10 February 2020 and 1 June 2020. As explained in notes 2.3.1 and 2.21, these operations were recognized in the consolidated financial statements, as required by the International Financial Reporting Standard IFRS 3 "Business Combinations", in accordance with the "purchase method" that provides the process of Purchase Price Allocation ("PPA") and entailed Management's evaluation of the assets transferred and the liabilities incurred, also through the support of professionals appointed for this purpose. The final allocation of the PPA values generated, among others, the recognition at the respective acquisition date of goodwill for Euro 33.8 million (Euro 30.3 million as of 31 December 2020 as an effect of foreign exchange translation), intangible assets with a definite useful life for Euro 121.6 million, and a step-up value of inventories for Euro 1.1 million. No deferred taxation was recognized provided that the mentioned values are tax deductible in the jurisdiction in which the acquisitions were completed.

Pursuant to the contractual terms, the non-controlling interests held by the minority equity holders are subject to reciprocal put and call options, with multiple exercise windows in the years starting from 2023 and at a price to be determined based on the EBITDA achieved by each acquired company, adjusted to consider the respective net financial position. Liabilities for total Euro 103.9 million have been recognized in front of those options, and a corresponding reduction of the equity attributable to the Group. That amount represents the present value, at the respective acquisition dates, of the estimated consideration in case of exercise of the options, determined based on discounted cash flows resulting from the underlying business plans. As of 31 December 2020, the Directors updated Privé Goods LLC's financial projections to reflect the modified market scenarios originated by Covid 19 pandemic, representing a longer term to fully implement the strategic actions designed. This revision required the re-measurement of the present value of the options liability at year-end, resulting in its consequent reduction for Euro 19.8 million and a corresponding reversal to profit and loss for the same amount.

In consideration of the relevance of those operations for Safilo Group's consolidated financial statements and of the complexity of the assumptions made by Management which, for their nature, imply significant judgments, we assessed that the accounting of the mentioned business combinations represents a key audit matter for the audit of the Group's consolidated financial statements.

Audit procedures

We performed, among others, the following audit procedures, supported by the experts belonging to our network:

- analysis of the agreements related to the acquisitions of the equity investments, in order to understand the main terms and conditions;
- understanding of the relevant controls designed and implemented by Safilo Group related the acquisition accounting;
- analysis of the reports prepared by the independent experts and of the criteria used by Management to account for the business combinations in compliance with IFRS 3, with particular reference to the criteria and the assumptions used to identify the assets transferred and the liabilities incurred, to estimate the related fair value and the methods used to determine the value of goodwill;
- discussion of Management's and independent experts' assumptions, involving the experts belonging to our network, and re-performing of the calculation of the values identified;
- analysis of the criteria applied by Management to recognize and measure the liabilities in front of the put and call options on the minority interests.

Finally, we verified the appropriateness of the disclosure on the business combinations and its compliance with the applicable accounting standards.

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 15 April 2014 as auditors of the Company for the years from 31 December 2014 to 31 December 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 consolidated 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 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 31 December 2020, 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 Safilo Group as at 31 December 2020 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 Safilo Group as at 31 December 2020 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 Group 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 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

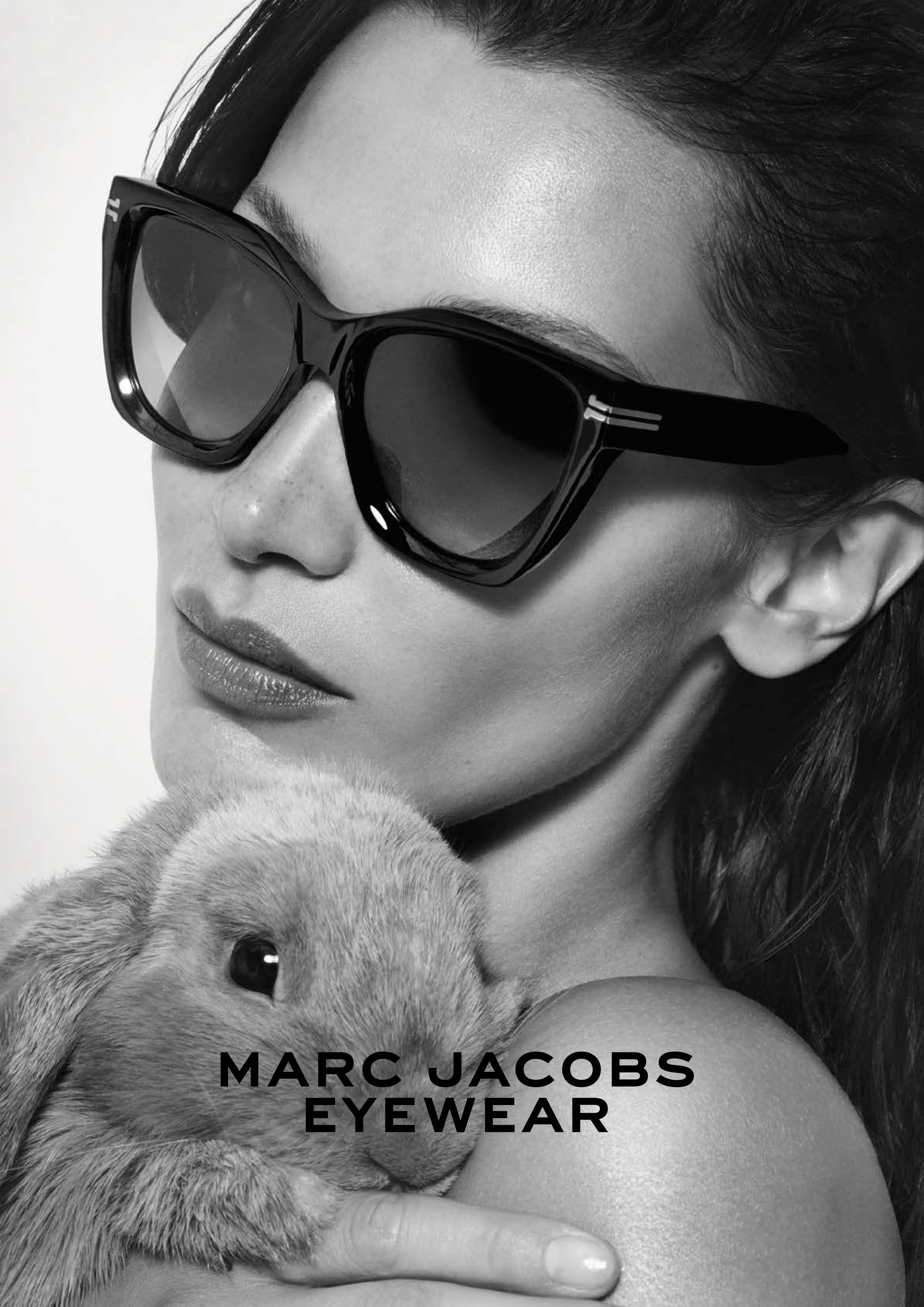
Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Pergolari
Partner

Padova, Italy
16 March 2021

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


MARC JACOBS
EYEWEAR

ISABEL MARANT

REBECCA LEIGH
PHOTOGRAPHED BY JUERGEN TELLER

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SAFILO GROUP S.p.A. STATUTORY FINANCIAL STATEMENTS AT DECEMBER 31ST 2020

TOMMY HILFIGER

CONTENTS

SAFILO GROUP S.P.A. - STATUTORY FINANCIAL STATEMENTS AT 31ST DECEMBER 2020

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 2020

(thousand of 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.	1,621	-	-	-
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.

Financial year 2019

(thousand of Euro)	Receivables	Payables	Income Recharge	Costs	Financial Income
Safilo S.p.A.	980	(32,057)	804	(281)	686
Held by Safilo S.p.A.					
Lenti S.r.l.	980	-	-	-	-
Safilo Industrial S.r.l.	16,197	-	255	-	-
Safilo D.O.O. Ormoz Proizvodnja Ocal	11	-	11	-	-
Safilo Far East Ltd.	5	(70)	5	-	-
Safilo USA Inc.	320	(70)	320	-	-
Other Subsidiaries held by Safilo S.p.A.	39	(1)	43	-	-
Total	**18,532**	**(32,198)**	**1,438**	**(281)**	**686**

The receivable from the subsidiary Safilo S.p.A. are mainly referred to the legal and tax services performed by Safilo Group and regulated by a service contract.

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

- Euro 1,422 thousand for the debt payable to the subsidiary for services rendered;
- Euro 2,479 thousand payable to Safilo S.p.A. for advances received;
- Euro 28,156 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.

Financial income refers to the portion of interest income accrued in 2019 in favor of the company for the Euro 62,000,000 loan, fully repaid by Safilo S.p.A. in May 2019.

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 year-end

On 11 March 2021 Safilo announces the intention of closure of its Slovenian production site in Ormoz starting from June 2021 which, in the context of the plan of realigning the Group's industrial capacity to current and future production needs, will involve 557 employees.

This intervention comes after the ones happened in Italy in 2020 with the closure of the Martignacco production site and the reorganization of the Longarone site, which is still ongoing.

The already complex situation of the Ormoz site in terms of reduction of volumes, due to the termination of the licensing agreements for major brands and the ever-growing trend towards acetate products, appreciated by optical customers and consumers for quality and prestige, has been worsened by the Covid-19 pandemic, which led to structural imbalances, not sustainable for the years to come.

Furthermore, the above mentioned closure would be consistent with the Group's business objectives aimed at optimizing and improving the efficiency of its manufacturing footprint.

The Group confirms the opening of a discussion table with the trade unions and institutions to identify all possible solutions with the view to mitigate any social impacts of this painful scenario.

In the period following 31 December 2020, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia

STATUTORY FINANCIAL STATEMENTS

Balance Sheet

(Euro)	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4.1	3,054,393	1,163,436
Trade receivables	4.2	1,503,166	1,936,570
Other current assets	4.3	25,649,280	21,811,009
Total current assets		**30,206,839**	**24,911,015**
Non-current assets			
Right of Use assets	4.4	248,392	260,244
Investments in subsidiaries	4.5	319,766,582	440,048,024
Deferred tax assets	4.6	1,527,094	1,971,229
Other non-current assets	4.7	1,621,106	988,779
Total non-current assets		**323,163,174**	**443,268,276**
TOTAL ASSETS		**353,370,013**	**468,179,291**

(Euro)	Notes	December 31, 2020	December 31, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables	4.8	3,864,053	4,777,192
Tax payables	4.9	320,076	295,866
Other current liabilities	4.10	44,929,211	32,469,992
Lease liabilities	4.11	127,286	125,258
Total current liabilities		**49,240,626**	**37,668,308**
Non-current liabilities			
Lease liabilities	4.11	118,270	140,849
Employee benefit obligations	4.12	150,563	169,940
Provisions		-	916,015
Total non-current liabilities		**268,833**	**1,226,804**
Total liabilities		**49,509,459**	**38,895,112**
Shareholders' equity			
Share capital	4.13	349,943,373	349,943,373
Share premium reserve	4.14	594,277,350	594,277,350
Retained earnings (losses) and other reserves	4.15	(514,851,754)	(272,816,734)
Net profit (loss) of the year		(125,508,415)	(242,119,810)
Total shareholders' equity		**303,860,554**	**429,284,179**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**353,370,013**	**468,179,291**

Income Statement

(Euro)	Notes	2020	2019
Net sales	5.1	1,025,302	915,531
Gross profit		**1,025,302**	**915,531**
General and administrative expenses	5.2	(7,737,377)	(7,236,255)
Other operating income/(expenses)	5.3	1,222,500	(2,439,031)
Operating profit/(loss)		**(5,489,575)**	**(8,759,755)**
Write-down of investments in subsidiaries	5.4	(120,323,419)	(229,224,726)
Financial charges, net	5.5	117,558	(2,219,463)
Profit/(loss) before taxation		**(125,695,436)**	**(240,203,944)**
Income taxes	5.6	187,021	(1,915,866)
Net profit/(loss) for the year		**(125,508,415)**	**(242,119,810)**

Statement of comprehensive Income

(Euro)	2020	2019
Net profit (loss) for the period	(125,508,415)	(242,119,810)
Actuarial gain/(loss)	5,682	(9,965)
Total comprehensive income/(loss)	**(125,502,733)**	**(242,129,775)**

Statement of Cash Flows

(Euro)	2020	2019
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**1,163,436**	**75,969,317**
B - Cash flow from (for) operating activities		
Net profit/(loss) for the period	(125,508,41)	(242,119,810)
Depreciation IFRS 16	121,929	130,183
Stock Options figurative cost	37,131	43,123
Net changes in employee benefits obligations	(19,377)	17,538
Net changes in provision for risks	(614,710)	-
Other non-monetary P&L items	120,772,162	229,224,726
Interest expenses on lease liability IFRS 16	10,233	9,612
Interest expenses, net	-	2,198,319
Income tax expenses	(187,021)	1,915,866
Income (loss) from (for) operating activities prior to movements in working capital	**(5,388,068)**	**(8,580,443)**
(Increase) Decrease in trade receivables	433,404	(700,633)
(Increase) Decrease in other receivables	(4,283,548)	20,138,623
Increase (Decrease) in trade payables	(913,139)	(790,341)
Increase (Decrease) in other payables	12,174,470	(18,470,916)
Interests expenses paid	-	(57,125)
Total (B)	**2,023,119**	**(8,460,835)**
C - Cash flow from (for) investing activities		
(Investments) disinvestments in subsidiaries	-	-
Total (C)	**-**	**-**
D - Cash flow from (for) financing activities		
Repayment of borrowings	-	(150,000,000)
Collection loan to subsidiaries	-	62,000,000
Repayment of principal portion of lease liabilities IFRS 16	(132,162)	(124,320)
Increase in share capital, net of transaction costs	-	17,489,577
Dividends received	-	4,289,697
Total (D)	**(132,162)**	**(66,345,046)**
E - Cash flow for the period (B+C+D)	**1,890,957**	**(74,805,881)**
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	**3,054,393**	**1,163,436**

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, 2019	**345,610,119**	**581,121,027**	**3,007,774**	**(265,557,406)**	**(10,451,179)**	**653,730,335**
Previous year's loss allocation	-	-	-	(10,451,179)	10,451,179	-
Increase in share capital, net of transaction costs	4,333,254	13,156,323	-	-	-	17,489,577
Increase in the Reserve for share-based payments	-	-	-	194,043	-	194,043
Total comprehensive income (loss) for the period	-	-	-	(9,965)	(242,119,810)	(242,129,775)
Equity at December 31, 2019	**349,943,373**	**594,277,350**	**3,007,774**	**(275,824,507)**	**(242,119,810)**	**429,284,179**
Previous year's loss allocation	-	-	-	(242,119,810)	242,119,810	-
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**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. General information

1.1 General information

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

The company is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange.

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

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 2020 to 31 December 2020 and also presents comparative data related to the financial period from 1 January 2019 to 31 December 2019.

These financial statements were approved by the Board of Directors on 11th March 2021.

Safilo Group S.p.A. is the holding company of Safilo Group, and during the year it continued in the management of its shareholdings, as well as in the coordination activity towards the subsidiaries.

2. Summary of accounting principles adopted

2.1 Accounting policies

The accounting policies described 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. With reference to the going concern assumption, it has been evaluated making reference to the situation of the group of which Safilo Group S.p.A is the parent company. Specifically, it has to be noted that on 31 December 2020, the Group exhibits a net financial debt of Euro 222,069 thousand (of which Euro 23,000 thousand expiring within 2021) compared to Euro 74,836 thousand on 31 December 2019, and a cash position of Euro 88,966 thousand which compares to Euro 64,233 thousand on 31 December 2019. As of 31 December 2020, the Group has also additional unused credit line for about Euro 89,5 million. In 2020 in view of the economic scenario related to the Covid-19 pandemic, Group management implemented a strict cash protection approach, base on which - excluding the investments done in the first semester of 2020 for the acquisitions of Blenders and Privé Revaux – Safilo has been able to limit the increase in the Group's net financial position on 31 December 2020 as compared to the position recorded on 31 December 2019. Management's best estimate is that the existing cash, thanks to the additional term loan signed under the framework of the Italian Liquidity Decree, the new set of financial covenants, and the expected cash flows will allow the Group to meet its liquidity needs for the coming year, despite the uncertainties of the current market environment affected by the developments of Covid-19, which make any predictions on future operational and financial performance difficult. These estimates, based on the analysis of potential future hypotheses and scenarios related to the Covid-19 development, include strong and effective working capital management and other actions on investments/expenditures, already described in the management's report on operations, which have so far helped the Group protect its cash position during the months in which the Group was strongly affected by the Covid-19 crisis. Furthermore, the net equity of the Company remains widely positive even after the loss realized in 2020, and the residual amount of the share capital is compliant with the Italian Law requirements. In its considerations, management at this point believes that no material uncertainties exist with reference to the going concern assumption in the foreseeable future.

The financial statements for the year ended 31 December 2020 and 31 December 2019 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 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 3 "Use of estimates".

This Report has been prepared following the Regulators' recommendations and in particular the ESMA guidelines published on 28 October 2020 and the Consob "Richiamo di attenzione n. 1/21" published on 16 February 2021.

Accounting standards, amendments and interpretations effective as of 1 January 2020

Except for what is described below about those accounting policies which changed due to new accounting standards, in preparing these financial statements the same accounting principles and criteria of the balance sheet as at 31 December 2019 have been applied.

Furthermore, the Company has adopted the following new standards and amendments, effective from 1 January 2020:

- on May 28, 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document provides 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. They will be able to record the effects of the reductions in rent directly in the income statement on the effective date of the reduction. This amendment applies to financial statements starting on June 1, 2020. The Company has applied this amendment starting from 1 January 2020, the introduction of the new amendment has resulted in an immaterial impact in terms of rent concessions;

- on October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "relevant" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a financial statement an effect similar to that which would have occurred if such information had been omitted or incorrect. The adoption of this amendment did not have any effects on the financial statements;

- on 26 September 2019, the IASB published the amendment called "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The same changes IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements required for the application of hedge accounting, providing for temporary exceptions to them, in order to mitigate the impact deriving from the uncertainty of the IBOR reform on future cash flows in the previous period its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the aforementioned exemptions apply. The adoption of this amendment did not have any effects on the financial statements;

- on March 29, 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods starting on January 1, 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps ensure that the Standards are conceptually consistent and that similar transactions are treated equally, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting principles when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards. The adoption of this amendment did not have any effects on the financial statements;

- on 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the business definition, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced a test ("concentration test"), optional, which allows to exclude the presence of a business if the price paid is substantially attributable to a single activity or group of activities. The amendments apply to all business combinations and business acquisitions subsequent to January 1, 2020, but early application is allowed. The adoption of this amendment did not have any effects on the financial statements.

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

At the date of this report there are no new standards and amendments to standards and interpretations that are applicable to the Company and are effective for annual periods beginning on or after 1 January 2021 and that have not been early adopted by the company in preparing this report.

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

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

The format of the statement of cash flows has been revised eliminating the two items related to the "Increase Right of Use - IFRS 16" in the section Investing activities and the "Increase lease liability IFRS 16" in the Financing activities. This new disclosure is more representative with respect to the IFRS 16 monetary cash flow presentation considering that this is not affected by the above two items. These items were in place as at 31 December 2019, therefore comparative figures have been restated accordingly reducing for the same amount both investing and financing activities flows with zero impact in term of total cash flow.

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 4.14 "Employees benefits".

Remuneration plans under the form of share capital participation

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

Basic

Basic earnings per share are calculated by dividing the profit or loss of the company by the weighted average number of ordinary shares outstanding during the financial year, excluding any treasury shares.

Diluted

Diluted earnings per share are calculated by dividing the profit or loss of the Company by the weighted average number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the weighted average number of 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.

The outbreak of Covid-19 (Coronavirus) at the beginning of 2020, represents an extraordinary circumstance that may have direct and indirect repercussions on economic activity and has created a general environment of uncertainty, the evolution and impact of which is not predictable. Management's assumptions that may mostly be affected are, but not limited to, the ones requiring a high level of judgement, they relate mainly to: 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, this may be more evident in a general environment of uncertainty following the outbreak of Covid-19. 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 account totals Euro 3,054,393 (compared with Euro 1,163,436 in the 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

The trade receivables total Euro 1,503,166 against Euro 1,936,570 in 2019 and they come from the amounts charged by the Company to its subsidiary Safilo S.p.A. and Safilo Industrial S.r.l. for legal and tax services, also charged to its subsidiary for costs of staff in secondment. The book value of the trade receivables is maintained as being approximately the same as the fair value, market payment terms are applied to the credits presented.

(Euro)	December 31, 2020	December 31, 2019
Trade receivables	-	28,245
Trade receivables from subsidiaries:		
- Safilo S.p.A.	675,240	847,344
- Safilo Industrial S.r.l.	579,919	685,540
- Lenti S.r.l.	1,000	-
- Safilo Benelux S.A.	2,872	4,200
- Safilo GMBH	2,872	2,100
- Safilo France S.a.r.l	7,072	4,200
- Safilo Nordic AB	2,894	2,099
- Safilo UK Ltd.	2,897	2,100
- Safilo Nederland B.V.	2,872	4,200
- Safilo Austria Gmbh	2,872	2,100
- Safilo Portugal Lda	8,965	4,797
- Safilo Switzerland AG	1,878	2,103
- Safilo Optik Ticaret Limited	-	2,091
- Safilo Espana S.L.	2,872	-
- Safilo D.O.O. Ormoz	11,920	11,439
- Safilo CIS – LLC	6,290	-
- Safilo Hellas Ottica S.a.	8,800	-
- Safilo Canada Inc.	1,002	-
- Safilo America Inc.	11,896	-
- Safilo USA Inc.	137,521	319,826
- Smith Sport Optics Inc.	-	3,671
- Safilo Far East Ltd.	13,439	4,661
- Safilo Hong Kong Ltd.	1,000	-
- Safilo Singapore Pte Ltd.	1,000	-
- Safilo Australia Pty Ltd.	13,237	3,753
- Safilo South Africa Pty Ltd.	2,835	2,100
Total	**1,503,166**	**1,936,570**

4.3 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2020	December 31, 2019
VAT receivables	4,333,609	5,500,373
Tax credits and payments on account	47,988	36,635
Prepayments and accrued income	35,486	36,166
Other receivables from subsidiaries - Safilo S.p.A.	132,131	132,131
Other receivables from subsidiaries - Safilo Industrial S.r.l.	21,093,250	15,511,695
Other receivables	6,816	594,009
Total	**25,649,280**	**21,811,009**

Vat receivables refer to the VAT credit of the Group VAT mechanism.

The receivable from Safilo Industrial S.r.l refers mainly to the VAT debit transferred for the Group VAT settlement mechanism.

4.4 Right of Use assets

Below the summary of the rights of use divided by category relating mainly to real estate rent contracts and to long-term operating lease contracts for company cars.

(Euro)	Balance at January 1, 2020	Increase	Decrease	Balance at December 31, 2020
Gross value				
Buildings Right of Use	119,170	-	-	119,170
Other assets Right of Use	271,255	69,668	-	340,923
Total	**390,425**	**69,668**	**-**	**460,093**
Accumulated depreciation				
Buildings Right of Use	34,881	34,881	-	69,762
Other assets Right of Use	95,300	46,639	-	141,939
Total	**130,181**	**81,520**	**-**	**211,701**
Net value	**260,244**	**(11,852)**	**-**	**248,392**

4.5 Investments in subsidiaries

This item totalled Euro 319,766,582 versus Euro 440,048,024 in the previous year.

2020 was influenced by the outbreak and worldwide spread of Covid 19. This event significantly impacted Safilo's business and therefore, management assessed, also in line with the Regulators' guidelines, that impairment indicators have been triggered.

To determine the cash flow projections used in the impairment test, the Board of Directors has approved on 11 March 2021, a Financial Projection for the period 2021 – 2025 that confirms the main goals and strategies defined in the Group Business Plan 2020-2024.

These Financial Projections, have been prepared starting from the approved Group Budget for 2021 and considering for the period 2022-2025 a reshaping and adaptation of the implementation of the strategic action to the effects and the changes introduced by the pandemic, but confirming the long term objectives in terms of volumes and marginality.

In estimating the recovery from the effects of the pandemic and 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.

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

- The Financial Projections have been prepared including IFRS 16 effects.
- 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 2025.

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	**Discount rate "WACC"**		**Growth rate "g"**	
	2020	**2019**	**2020**	**2019**
SAFILO GROUP	8.4%	8.1%	1.9%	2.0%

The calculation described has been adjusted by the net financial position and the equity attributable to the minorities, to obtain an equity value comparable with the amount of the investment.

The outcome of the test is an impairment loss of Euro 120,323 thousand.

Management has used the most reliable information available at this time and, to deal with these uncertainties, has developed sensitivity analyses based on various hypothetical future scenarios which have sometimes highlighted the possibility of limiting further losses in value in the presence of significant changes in the hypothesis. The directors, believing the baseline scenario to be the most probable, confirmed the write-down emerging from the impairment test.

The following tables show the movements that occurred during the 2020 and during the previous financial year:

(Euro)	**% of share capital**	**Balance at January 1, 2020**	**Increase / (Decrease)**	**Impairment**	**Balance 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**

(Euro)	% of share capital	Balance at January 1, 2019	Increase / (Decrease)	Impairment	Balance at December 31, 2019
Safilo S.p.A.	95.201	665,975,189	-	(229,224,726)	436,750,463
Contribution for Stock Options to subsidiaries		3,145,474	150,920	-	3,296,394
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005	146	-	-	146
Total		**669,121,830**	**150,920**	**(229,224,726)**	**440,048,024**

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 2019	Euro 66,176,000 i.v
Shareholders' equity at 31st December 2019	Euro 271,375,641
Net loss for the financial year 2019	Euro (169,184,216)

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 2020:

(Euro)	Balance at January 1, 2020	Impact to Income statement	Impact to Equity	Receivables/ Payables due to tax consolidation	Balance at December 31, 2020
Tax losses Safilo Group S.p.A.	13,251,814	-	-	1,058,647	14,310,461
Tax losses from Safilo S.p.A.	39,476,198	-	-	12,829,714	52,305,912
Tax losses from Lenti S.r.l.	23,990	-	-	-	23,990
Tax losses from Safilo Industrial S.r.l.	5,814,241	-	-	3,199,774	9,011,015
Tax losses before fiscal consolidation	192,629	-	-	-	192,629
Interest expenses not deducted carryforward	1,973,509	(440,978)	-	-	1,532,531
Other temporary differences	216,538	(76,111)	-	-	140,427
Provision for risks	219,844	116,156,	-	-	336,000
Dividend for competency	-	-	-	-	-
Other temporary differences	(4,344)	(3,157)	-	-	(7,501)
Total deferred tax assets	**61,164,419**	**(404,090)**	**-**	**17,088,135**	**77,848,464**
Valuation allowance of deferred tax assets	(59,193,190)	(40,045)	-	(17,088,135)	(76,321,371)
Total deferred tax assets, net	**1,971,229**	**(444,135)**	**-**	**-**	**1,527,094**

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	70,850,218	17,004,052
Total	**315,226,577**	**75,654,378**

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

The item totals Euro 1,621,106 (compared to Euro 988,779 in the previous year) and refers to withholding from Lenti S.r.l. tax transferred to the national tax consolidation.

4.8 Trade payables

The following table shows a breakdown of trade payables and payables to subsidiaries:

(Euro)	December 31, 2020	December 31, 2019
Trade payables for services	1,940,576	3,214,489
Trade payables to subsidiaries:		
Safilo S.p.A.	1,741,938	1,422,224
Safilo Far East Ltd.	64,308	70,244
Safilo USA Inc.	117,231	70,235
Total	**3,864,053**	**4,777,192**

The payables to suppliers for services mainly refer to some consultancy for business development operations.

4.9 Tax payables

This account totaled Euro 320,076 at 31st December 2020, compared to Euro 295,866 in the previous year, and refers to withholding taxes related to IRPEF (personal income tax) on wages, salaries and independent contractor compensation in the month of December that were paid in January 2021.

4.10 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2020	December 31, 2019
Payables to personnel and social security institutions	2,562,434	1,823,576
Payables to pension funds	8,219	6,602
Other current liabilities	3,848	3,445
Accrued expenses	45	49
Other payables to subsidiaries - Safilo S.p.A.	42,354,665	30,636,320
Total	**44,929,211**	**32,469,992**

The debt to the subsidiaries refers mainly at Safilo S.p.A for the VAT credit transferred for the Group VAT settlement mechanism.

4.11 Lease liabilities

Below the summary of the lease liabilities for Rights of Use assets relating mainly to real estate rental contracts and long-term operating lease contracts for the company cars.

(Euro)	Balance at January 1, 2020	Increase	Decrease	Balance at December 31, 2020
Lease Liability	266,107	75,740	(96,292)	245,556
Of which:				
Short term liability	125,258			127,286
Long term liability	140,849			118,270

4.12 Employee benefits obligations

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

(Euro)	Balance at January 1, 2020	Changes during the year 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**

(Euro)	Balance at January 1, 2019	Changes during the year Posted to income statement	Actuarial gains/ (losses)	Uses/ Payments	Transfer	Balance at December 31, 2019
Defined benefit plan	121,620	12,573	9,966	(5,629)	-	138,530
Defined contribution plan	30,782	195,010	-	(972)	(193,411)	31,409
Total	**152,402**	**207,583**	**9,966**	**(6,601)**	**(193,411)**	**169,940**

Following the Spin-off of 1 January 2017 which implied the transfer of some employees from Safilo S.p.A, Safilo Group is also following the changes in legislation governing the employment severance fund introduced by Italian law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007, Safilo Group, on the basis of the generally agreed interpretations, has decided that:

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

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.

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 from the operations (retained earnings and other reserves).

As at 31 December 2020, shareholders' equity amounts to Euro 303,860,554 compared to Euro 429,284,179 at 31 December 2019.

4.13 Share capital

At 31 December 2020 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 349,943,373 align with the value at 31 December 2019, consisting of no. 275,703,846 ordinary shares.

4.14 Share premium reserve

At 31 December 2020 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 594,277,350 aligned with the value at 31 December 2019.

4.15 Retained earnings and other reserves

This account breaks down as follows:

(Euro)	December 31, 2020	December 31, 2019
Legal reserve	3,007,774	3,007,774
Stock option reserve	635,200	583,981
Reserve for actuarial gain (losses) of defined benefit plan	(22,748)	(28,431)
Retained losses	(518,471,980)	(276,380,058)
Total	**(514,851,754)**	**(272,816,734)**

Equity accounts - possible use and distribution

The table below shows the possible use and distribution of equity accounts:

(Euro)	**Amount**	**Possible use**
Share capital	349,943,373	
Paid in capital	594,277,350	A-B-C (*)
Legal reserve	3,007,774	B
Stock option reserve	635,200	
Reserve for actuarial gain (losses) of defined benefit plan	(22,748)	
Retained losses	(518,471,980)	
Loss for the period	(125,508,415)	
Total	**303,860,554**	

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 2020 the Company has in place three Stock Option Plans: 2014-2016 Plan, 2017-2020 Plan and the new 2020-2022 Plan granted during the year.

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 new 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 new 2020-2022 Plan this second economic performance vesting condition is not applicable.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2020 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2014-2016				
First tranche	29/04/14	234,384	1.65	31/05/22
Stock Option Plan 2017-2020				
Third tranche	30/04/19	1,009,000	0.20	31/05/27
Stock Option Plan 2020-2022				
First tranche	31/07/20	3,500,000	0.20	30/06/28

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	Risk free rate
Stock Option Plan 2014-2016				
First tranche	9.71	9.31	30.00%	1.044%
Stock Option Plan 2017-2020				
Third tranche	0.90	0.75	36.20%	0.087%
Stock Option Plan 2020-2022				
First tranche	0.69	0.70	47.78%	-0.392%

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	-	-
Outstanding at period-end	**234,384**	**9.31**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**2,832,948**	**0.84**
Granted	-	-
Forfeited	(1,823,948)	0.88
Exercised	-	-
Expired	-	-
Outstanding at period-end	**1,009,000**	**0.75**
Stock Option Plan 2020-2022		
Outstanding at the beginning of the period	**-**	**-**
Granted	3,500,000	0.70
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at period-end	**3,500,000**	**0.70**

During the year, 3,500,000 options have been granted related to the first tranche of the new Plan 2020-2022, in the same period 1,823,948 options of the Plan 2017-2020 has been forfeited.

Among the options outstanding at the end of the period the first tranche of the Plan 2014-2016, equal to a total of 234,384, 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 1,009,000 options, is exercisable until 31 May 2027. The first tranche of the new Plan 2020-2022, equal to 3,500,000 is exercisable until 30 June 2028.

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 234,384.

The average exercise price for options of the Plan 2014-2016 is equal to 9.31 Euro with an average remaining contract life of 1.4 years, for the third tranche of the Plan 2017-2020 is equal to 0.75 Euro with an average remaining contract life of 6.4 years, while for the first tranche of the Plan 2020-2022 is equal to 0.70 Euro with an average remaining contract file of 7.5 years.

The adoption of these plans weighed on the income statement for the period for a cost of Euro 37 thousand (Euro 43 thousand at 31 December 2019).

5. Notes to the income statement

5.1 Service revenues

In its capacity as holding company of the Group, the Company does not have revenues from the sale of merchandise, but only revenues of Euro 1,025,302 for the rendering of services billed to the subsidiary for administrative, legal, accounting and tax services performed on its behalf during the year.

5.2 General and administrative expenses

(Euro)	2020	2019
Payroll and social security contributions	4,471,522	3,418,927
Corporate compliance costs	270,283	247,396
Remunerations to directors and statutory auditors	1,673,246	2,297,895
Consultancies	779,100	530,266
Cost of services rendered by Safilo S.p.A.	198,213	220,076
Other general and administrative expenses	223,084	391,513
Depreciation	121,929	130,183
Total	**7,737,377**	**7,236,255**

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

	2020	2019
Executives	7	7
Clerks and middle management	12	13
Total	**19**	**20**

5.3 Other operating income/(expenses)

The other operating income amount to Euro 1,222,500 and refer mainly to business development projects recharge billed to Safilo America INC..

5.4 Write-down of investments in subsidiaries

At 31 December 2020 in response to changed market conditions and the losses reported during the year by the subsidiary Safilo S.p.A., the Directors tested the investment in the aforementioned subsidiary for impairment when preparing the annual report. This test resulted in an impairment loss for a total amount of Euro 120,323,419.

5.5 Financial charges, net

This item breaks down as follows:

(Euro)	2020	2019
Interest expenses and charges on Bond	10,233	2,895,916
Bank commissions	1,663	2,629
Negative exchange rate differences	69,700	12,627
Other financial charges	964	12,573
Total financial charges	**82,560**	**2,923,745**
Interests income	952	687,984
Positive exchange rate differences	199,166	16,298
Total financial income	**200,118**	**704,282**
TOTAL FINANCIAL (CHARGES) INCOME, NET	**117,558**	**(2,219,463)**

Positive exchange rate differences are due to US dollar positive effect on the recharges to Safilo America INC..

5.6 Income taxes

This item breaks down as follows:

(Euro)	2020	2019
Current tax	631,576	1,280,970
Deferred tax	(444,135)	(3,196,836)
Total	**187,021**	**(1,915,866)**

Current taxes, positive for 631,156 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 444,135 Euro is attributable to the movement of deferred taxes on the temporary differences of the company and the related devaluation.

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

(Euro)	%	2020	%	2019
Profit (loss) before taxation	**100%**	**(125,695,436)**	**100%**	**(240,203,944)**
Income tax benefit (expense) at statutory rate	-24.0%	30,166,905	-24.0%	57,648,947
Not deductible costs	12.0%	(28,892,748)	22.9%	(54,994,687)
Costs booked to equity reduction and fully deducted	0.0%	-	0.0%	59,168
Income from tax fiscal unity	-0.3%	631,156	-0.5%	1,280,981
Non-recognition of new DTAs and write-off of existing DTAs	0.7%	(1,718,292)	2.5%	(5,910,274)
Total	**-11.5%**	**187,021**	**0.8%**	**(1,915,866)**

5.7 Earnings (losses) per share

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

Basic	2020	2019
Profit/(loss) for ordinary shares	(125,508,415)	(242,119,810)
Average number of ordinary shares	275,703,846	275,634,823
Earnings (loss) per share - basic (in Euro)	**(0.455)**	**(0.878)**

Diluted	2020	2019
Profit/(loss) for ordinary shares	(125,508,415)	(242,119,810)
Average number of ordinary shares	275,703,846	275,634,823
Dilution effects:		
- Stock Option	269,675	307,589
Total	**275,973,521**	**275,942,412**
Earnings (losses) per share - diluted (in Euro)	**(0.455)**	**(0.877)**

5.8 Dividends

The Company did not distribute dividends to shareholders neither in financial year 2020.

5.9 Segment information

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

6. Commitments

The Company had no purchase commitments at the reporting date.

7. Subsequent events

No events occurred during the period after the reporting date that might have a material impact on the data set out in this report other than those illustrated in the section "Significant events after year-end" of the Report on operations.

8. Significant non-recurring events and transactions

During 2020 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 2020 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)	2020	2019
Directors		
- Salaries ad short term compensations	1,391,374	2,113,000
- Non monetary benefits	34,750	18,009
- Other compensations	838,298	384,905
- Fair value of equity compensations	52,588	24,362
Statutory auditors		
- Fixed compensations and compensations for participation in committees	153,400	143,000
Managers with strategic responsibilities		
- Salaries ad short term compensations	448,000	645,453
- Non monetary benefits	16,240	13,538
- Other compensations	128,658	212,593
- Fair value of equity compensations	14,521	12,507
Total	**3,077,829**	**3,567,367**

11. Resolution regarding the result for the year

We submit for your approval the financial statements for the financial year ending on 31st December 2020, drafted according to the IFRS International Accounting Standards, and recommend that the loss for the year, amounting to 125,508,415 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 2020 relating to the audit and other audit related services rendered by the same Audit firm.

(Euro)	2020
Audit	86,000
Attestation	106,000
Other Service	10,000
Total	**202,000**

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 24th February 1998:

- the adequacy with respect to the company structure and
- the effective application,

of the administrative and accounting procedures for preparation of the annual report during the 2020 financial year.

It is also certified that the annual report at 31st December 2020:

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.

11th March 2021

The Chief Executive Officer	The manager responsible for preparing the company's financial statements
Angelo Trocchia	*Gerd Graehsler*

REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Shareholders' Meeting of Safilo Group S.p.A. on the financial year 2020 pursuant to art. 153 T.U.F. and art. 2429 co. 2, C.C.

Dear Shareholders,

during the financial year ended 31 December 2020, 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 January 27, 2010 as modified from the Legislative Decree July 17, 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 2020 has been influenced by a situation of deep uncertainty due to the effects of the COVID-19 pandemic: the activities of the corporate bodies did not stop and continued in ways that favored meetings and exchanges of information "from remote"; 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 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 and Sustainability 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 8/6/2001, your company has equipped itself with an Organisation, Management and Control Model that complies with the *Confindustria* Guidelines and fulfils the requirements of the aforementioned legislative decree, disseminated the Code of Ethics and established a Supervisory Committee that reported to the Control and Risk Committee and the Board of Directors on its activities. The necessary actions and measures have been taken to ensure that the organisational model remains appropriate and up-to-date for the purpose of fulfilling its functions and complying with new regulatory requirements;
- 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 2020 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: Covid-19 pandemic, new credit line of Euro 108 million guaranteed by SACE, acquisitions of equity investments in Privé Revaux and Blenders, non-recurring costs.

About the Covid-19 pandemic, the notes of the financial statements adequately report the references to the Covid-19 (Coronavirus) emergency, describing the effects on each item of the balance sheet and the income statement, confirming the assessment of the possible critical issues regarding the going concern assumption, and highlighting the constant monitoring and planning of mitigation actions.

2. Events after the year end: in the period after 31 December 2020 the Group announced the closure of the Slovenian production site in Ormož, in the context of the plan to realign the Group's industrial capacity to current and future production needs. The transaction is described in the specific paragraph of the Report on Operations in the consolidated financial statements and in the separate financial statements of Safilo Group S.p.A..
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 bylaws. 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.
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 16 March 2021, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31 December 2020 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.
   On 16 March 2021, 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 2020, 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 2020, 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 2020 financial year, the Board of Statutory Auditors expressed its opinion when required by current laws and verified that its members fulfilled the integrity and independence requirements.
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 2020, approved by the Board of Directors on 11 March 2021, 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 2020, the Board of Directors held eleven meetings and the Board of Statutory Auditors held seven meetings. Additionally, the Control Risk and Sustainability Committee met seven 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 four 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 and 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 2021 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 2020 has been implemented, providing a summary of the remuneration paid.

21. The 2020 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 until 31 December 2020, and in the new version in force from 1 January 2021, in the terms illustrated within the 2020 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. Management assessed the Covid-19 pandemic impacts on the Group business as an impairment indicator, based on IAS 36 and in line with the Regulators' guidelines. To determine the cash flow projections used in the impairment test, the Board of Directors has approved on 11 March 2021, a Financial Projection for the period 2021 – 2025 that confirms the main goals and strategies defined in the Group Business Plan 2020-2024. In estimating the recovery from the effects of the pandemic and 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 4.8, has been described objectives 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. The value of the Company that can be deduced from the Stock Market's prices is still lower than the evaluation of the Equity Value for the impairment test, obtained with the application of the DCF (Discounted Cash Flow) method, however, as commented in the Notes to the Consolidated Financial Statements, the Board of Directors considers that the assumptions included into 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 2021 – 2025 approved by the Board of Directors on 11 March 2021, the impairment test, in the separate financial statement of Safilo Group S.p.a., on the equity investment value in Safilo S.p.a. resulted in an impairment loss of Euro 120.323 thousand, 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 2020 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 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 16 March 2021 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 2020 financial statements as presented by the Board of Directors in the Management Report, and of Directors' proposal to carry forward the loss of the period.

Padua, 16 March 2021

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.

EYEWEAR by DAVID BECKHAM

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 31 December 2020, and the statement of income, 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 31 December 2020, 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 320 million the equity investment in Safilo S.p.A. As disclosed in Note 4.5. In order to confirm the evaluation of the equity investment as December 31, 2020, 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 as a consequence it is based on the financial projections which cover the 5 years' period 2021 – 2025, approved on 11 March 2021, derived from the business plan 2020 – 2024 presented in December 2019, updated to reflect the estimated impact of the Covid 19 pandemic, as described in note 4.5, reshaping and adapting the actions and the timing to achieve the Group's strategic goals. In note 3, the Directors explain how the impairment test represents a complex process and is based on assumptions related, among others, to the expectations in term of cash flows for each CGU, the determination of appropriate discount rates (WACC) and long-term growth (g-rate). Those estimates depend on factors which may change in time, particularly in the uncertain environment generated by the Covid 19 pandemic, with possible effects which may be significant on Management's assessment. We considered the relevance of the value of the investment, which represents about 90% of the Company's assets as of December 31, 2020, we considered the subjectivity of the estimates underlying the determination of the key variables of the impairment test; we also took into account the negative results obtained by the Group in the last years and the the persistence of the Covid 19 pandemic, whose evolution is still hardly predictable. As a result we assessed that the impairment of the equity investment in Safilo S.p.A. represents a key audit matter for the audit of Safilo Group's financial statements.
Audit procedures	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 Safilo Group in the process of 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 about the potential impacts of the Covid 19 pandemic, 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;

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 15 April, 2014 as auditors of the Company for the years from 31 December 2014 to 31 December 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 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 31 December 2020, 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 31 December 2020 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 31 December 2020 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 16, 2021

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

Safilo
GROUP
www.safilogroup.com