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**Safilo Group S.p.A.**

Registered office in Padova 35129 – Zona Industriale, Settima Strada n. 15

Share capital of Euro 349.943.372,53 fully paid in.

Registered with the Company Register of Padova with no. 03032950242

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**INFORMATION DOCUMENT**

*drafted pursuant to art. 71 of the Regulation approved by Consob with resolution no. 11971 of 14.5.1999 and subsequent amendments (the "**Issuers Regulation**"), as well as in accordance with Scheme n.3 of Annex 3B to the Issuers Regulation*

*relating to the acquisition of 61.34% of the equity capital of Prive Goods LLC*

The Information Document is available to the public at the Company's registered office and on the website at the address [www.safilogroup.com/it](http://www.safilogroup.com/it). on February 25<sup>th</sup>, 2020, as well as on the centralized storage mechanism [www.linfo.it](http://www.linfo.it).

## SUMMARY OF THE CONSOLIDATED PRO-FORMA BALANCE SHEET AND ECONOMIC DATA

### A. Pro-forma balance sheet

<i>(thousands of Euro)</i>	Safilo Group as of 31 December 2018	Pro-forma Adjustments Prive Goods LLC Acquisition	Consolidated Pro-forma Safilo Group as of 31 December 2018
Non current assets	536,444	55,631	592,075
Current assets	653,284	(4,736)	648,548
<i>Total assets</i>	<i>1,189,728</i>	<i>50,895</i>	<i>1,240,623</i>
Total shareholders' equity attributable to the Group	646,324	(4,027)	642,297
Non-controlling interest	-	3,848	3,848
Totale shareholders' equity	646,324	(179)	646,145
Non current liabilities	59,166	47,528	106,694
Current liabilities	484,238	3,547	487,785
<i>Total liabilities</i>	<i>543,404</i>	<i>51,074</i>	<i>594,478</i>
<i>Total liabilities and shareholders' equity</i>	<i>1,189,728</i>	<i>50,895</i>	<i>1,240,623</i>

### A. Pro-forma profit/loss

<i>(thousands of Euro)</i>	Safilo Group as of 31 December 2018	Pro-forma Adjustments Prive Goods LLC Acquisition	Consolidated Pro-forma Safilo Group as of 31 December 2018
Net sales	962,861	8,871	971,732
EBIT	(5,891)	(6,921)	(12,812)
Financial charges, net	(17,342)	(2,515)	(19,857)
Profit/(Loss) before taxation	(23,233)	(9,436)	(32,669)
Profit/(Loss) of the period attributable to non-controlling interests	-	(2,091)	(2,091)
Profit/(Loss) of the period attributable to the owners of the parent	(32,446)	(7,345)	(39,791)

### B. Pro-forma per share

	Safilo Group as of 31 December 2018	Pro-forma Adjustments Prive Goods LLC Acquisition	Consolidated Pro-forma Safilo Group as of 31 December 2018
Net result per share (Euro)			
- basic	(0.300)	(0.068)	(0.368)
- diluted	(0.300)	(0.068)	(0.368)

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## INTRODUCTION

This information document (the “**Information Document**”) has been drafted pursuant to art. 71 of the Issuers Regulation, as well as in compliance with the Scheme n. 3 of Annex 3B of the Issuers Regulation.

The Information Document was drawn up following the completion of the acquisition transaction (the “**Transaction**”) by Safilo America Inc. (“**Safilo America**” or “**Company**”), a company indirectly 100% controlled by Safilo Group S.p.A. (“**Safilo**” or the “**Issuer**”), of 61.34% of the Prive Goods LLC’s equity capital (“**Privé**” or the “**Purchased Company**”), held by a group of investors and senior managers of the company (the “**Selling Unitholders**”). The Transaction was carried out in the manner indicated in Chapter 2 below, on the basis of the sale and purchase agreement signed between Safilo America and the Selling Unitholders on February 10<sup>th</sup>, 2020 (the “**Sale and Purchase Agreement**”).

The Transaction qualifies as a Significant Acquisition, since the ratio between (i) comprehensive income (IAS 1) before taxes and the results of discontinued operations of the Purchased Company based on the financial statements at December 31<sup>st</sup>, 2018 and (ii) overall result (IAS 1) before the tax and the results of the Issuer’s discontinued operations taken from the consolidated financial statements at December 31<sup>st</sup>, 2018 is higher than the 25% threshold.

## **1. WARNINGS**

### **1.1 Risks associated with the Transaction**

The Transaction referred to in this Information Document presents the typical risks of investing in significant shareholdings in the equity of companies with unlisted shares and, in particular, the possibility that the acquired stake will be depreciated as a result of: (i) the onset, in Privé's equity, economic and financial position, of contingent liabilities and/or non-existence of assets not known and / or unpredictable, at the time of completion of the Transaction; or (ii) of other factors related to the conduct of the business not foreseeable at the time of completion of the Transaction.

Although the Issuer carried out financial, tax and legal due diligence activities prior to the completion of the Transaction, it cannot be excluded that Privé's activities may present hidden or potential liabilities or other significant critical issues that the Issuer may not have been able to identify during these verification activities. The presence of liabilities and / or critical issues could adversely affect the business, the economic results and the financial situation of Privé and the group in which Safilo is the parent company ("**Safilo Group**").

### **1.2 Risks associated with the execution of the business plan of the Purchased Company**

The Issuer has prepared a business plan for the Purchased Company. The forecast data contained in the business plan being analyzed by the management of the Issuer, including the estimates of achievable revenues, are characterized by elements of subjectivity and uncertainty as they are based on a set of hypotheses for the realization of future events (also related to the macroeconomic scenario and the context of reference or sector) and actions to be taken by the management of the Purchased Company and other companies of the Safilo Group (such as, for example, marketing investments and initiatives related to the organizational structure). However, it cannot be excluded that there may be differences, even significant, between the actual values and the forecast values, such as to negatively influence the business, results and financial situation of the Purchased Company and the Safilo Group or such as not to allow the recovery and/or a positive return on the monetary investment made by Safilo Group in the context of the Transaction and/or deriving from the possible exercise of the put and call options described in Paragraph 2.1.2 of the Information Document.

It should also be noted that the investments aimed at strengthening the brand and developing the distribution capacity of the Purchased Company in the various markets may not have the expected economic returns, with consequent negative effects on the results of Privé and the Safilo Group. See also Paragraph 1.3 below.

### **1.3 Risks associated with dependence on key personnel or strategic partners**

The Privé's economic and financial performance depends to a significant extent on professional skills focused on digital marketing and on the development and maintenance of an adequate network of celebrities or influencers able to promote the brand and its products. In the event that the working relationship between Privé and some key personnel figures or the business relationship between Privé and its strategic partners should be interrupted for any reason, there is no guarantee that the Issuer or the Purchased Company will be able to replace these figures promptly with qualified subjects who can ensure the same professional contribution or the pursuit of the same operational strategies in the short term.

This circumstance could jeopardize the achievement of the strategic purposes and expected results from the Transaction with consequent negative effects on the financial, economic and equity situation of the Purchased Company and the Safilo Group.

#### **1.4 Risks associated with possible deviations of the pro-forma consolidated financial data provided in the Information Document from the results of the Safilo Group**

The Information Document contains pro-forma information, prepared to represent the main effects of the Privé Transaction on the economic performance and the balance sheet and financial position of the Safilo Group as if the Transaction had taken place in the period to which the data pro-forma presented refer. Since these are hypothetical representations, if the Transaction had actually been carried out on the dates taken as a reference for the preparation of the pro-forma information, instead of the effective date, the historical data would not necessarily have been the same as the pro-forma ones.

The pro-forma information has been prepared in accordance with the pro-forma data drafting method governed by CONSOB Communication no. DEM /1052803 of July 5<sup>th</sup>, 2001 starting from Safilo's consolidated financial statements closed on December 31<sup>st</sup>, 2018, to which Privé's financial statements as of December 31<sup>st</sup>, 2018 were aggregated and subsequently applying pro-forma adjustments.

The Privé's financial statements for the year ended December 31<sup>st</sup>, 2018 has been prepared in accordance with US GAAP accounting principles and subjected to a complete audit by the independent auditing firm RSM US LLP, which, in the report issued on July 16<sup>th</sup>, 2019, declared the impossibility to express an opinion on the income statement and cash flows statement for the year ended on December 31<sup>st</sup>, 2018, consequent to the fact that it did not observe the counting of physical inventories as at December 31<sup>st</sup>, 2017, and expressed a clean opinion on the balance sheet as at December 31<sup>st</sup>, 2018.

The pro-forma adjustments contained therein are directly linked to the effects of the Transaction.

The pro-forma information has been examined by the auditing company Deloitte & Touche S.p.A. according to the criteria recommended by Consob with the Communication DEM/1061609 of August 9<sup>th</sup>, 2001 for the verification of pro-forma data with reference to: (i) the reasonableness of the basic hypotheses for the preparation of pro-forma data, (ii) the correct application of the methodology used, and (iii) the correctness of the accounting principles used for the preparation of pro-forma data.

The pro-forma information does not reflect prospective data, is not representative of the results and cash flows that would have actually been achieved by the Safilo Group following the Transaction and is not indicative of the related financial and equity position, as well as the Safilo Group's future results.

#### **1.5 Risks related to the effects of the Transaction accounting**

As of the date of this Information Document, the Transaction has not yet been accounted for, with particular reference to the purchase price allocation process on the fair value of the net assets acquired provisionally attributed to goodwill for the purposes of pro-forma information. In particular, it should be noted that, as a result of the allocation process, the depreciation and any write-downs attributable to allocations on the identified tangible and intangible assets (e.g., goodwill) may be reflected in the future Safilo Group's consolidated income statements starting from the 2020 financial year. However, these effects are not included in the pro-forma consolidated income statement referred to in Paragraph 5. Furthermore, as better described in Paragraph 2.1.2 of the Information Document, the equity held by the Minority Unitholders (see definition below) are subject to reciprocal put and call options. Since the price for the possible exercise of these options, starting from the 2023 financial year, is variable depending on future economic trends relating to an extended time horizon of Privé, as of the Information Document the Issuer deems not to reliably estimate its value, which could also be significant. For this reason, for the sole purpose of drafting the Pro-Forma Consolidated Statements, the Issuer has made use of the provisions of point (7) of paragraph 6 a) (i) of Consob communication DEM /1052803 of July 5<sup>th</sup>, 2001 and did not include these options in determining the pro-forma effects of the Transaction. In accordance with the requirements of IFRS 3, the value of these options will be assessed and recognized in the first financial statements published after the Transaction.

#### **1.6 Risks associated with impairment of goodwill (so-called impairment test)**

With regard to the goodwill recognized in the pro-forma information following the Transaction, it

should be noted that the Company availed itself of the right to determine the values to be allocated within 12 months from the acquisition date; therefore, the value of goodwill, equal to approximately Euro 55.5 million, is to be considered temporary since the Issuer has not yet completed the purchase price allocation process according to the requirements of the IFRS principle. Goodwill will be subject to periodic verification of the adequacy of the book value (impairment test) in accordance with IAS 36 (Impairment of assets). The impairment test is aimed at verifying that the recoverable value of an asset is not less than its carrying amount on the reference date. If the test shows a recoverable value lower than the book value, the difference constitutes an impairment loss to be charged to the income statement, aligning the book value with the determined recoverable value.

It is not possible to exclude that any future write-down of goodwill, resulting - according to IFRS standards - in a reduction of the Issuer's assets and consolidated net equity, could have negative effects on the business, the prospects and the economic situation, equity and financial position of the Safilo Group.

### **1.7 Risks associated with the evolution of the Safilo Group's net debt**

The Transaction was partially financed for Euro 30 million through a subordinated financing made available by the largest shareholder of the Issuer and for the remaining part (about Euro 31.6 million) through the use of available liquidity or credit lines and entailing, consequently, an increase in the consolidated net financial position of the Issuer for an amount equal to the price paid at closing by Safilo America to the Selling Unitholders. For further information on the loan agreement, please refer to Paragraph 2.1.3 of this Information Document and to the information document relating to a transaction of greater importance with related parties, drawn up pursuant to art. 5 of the Related Party Transactions Regulation approved by Consob with resolution no. 17221 of 12.3.2010 and subsequent amendments and available on the website ([www.safilogroup.com](http://www.safilogroup.com)) on February 13<sup>th</sup>, 2020.

Furthermore, the contractually agreed acquisition mechanism of the equity owned by the Minority Unitholders (as defined below), could lead, in the event of exercise of the related call or put options envisaged by the related agreement, a further financial outlay by the Company with the consequent potential increase in Safilo's consolidated net debt existing before the completion of the purchase of this equity. If, also following the Transaction and any future exercise of the related call or put options, the Safilo Group is unable to repay or refinance its debt or obtain new loans or other sources of liquidity to an extent that allows the payment of what is due to the lenders or other creditors of the Group Safilo according to the times and methods envisaged, a situation of financial tension could be created that is capable of producing negative impacts on the equity, financial and economic results and forecasts of the Group Safilo.

### **1.8 Risks relating to dependence on suppliers of the Purchased Company**

In carrying out its activity Privé makes use of key suppliers for the production, sale and delivery of its products; Privé's activity depends on the ability of its suppliers to guarantee quality standards and specific requests, as well as compliance with the relative delivery times.

If the relationship with one or more of the current suppliers is interrupted without an adequate programming, their replacement with other suppliers, possibly also within the existing supply network of the Safilo Group, could take place at different conditions, even unfavorable, with respect to current ones and in the short term determine delays in deliveries, missed sales or interruptions of the product procurement service, with negative consequences on the economic results of the Purchased Company and the Safilo Group.

### **1.9 Risks associated with the concentration of the business on some customers**

As of the Information Document Privé's business is mainly focused on wholesale with a significant portion of turnover attributable to a limited number of customers, also taking into account the recent establishment of the company (see Paragraph 2.1 below). For this reason the loss of one or more of the current customers or the insufficient expansion or diversification in the future of the distribution platform of Privé, wholesale and/or retail, could entail negative effects for the economic results, as well as delay and/or jeopardize the achievement of the strategic objectives of the Purchased Company



and the Safilo Group.

### **1.10 Risks related to the SARS-CoV-2 virus (so-called Coronavirus)**

As of the date of this Information Document, Privé does not own production plants for the manufacture of glasses or components and outsources the production, mainly in the Chinese Republic (“China”), to third party suppliers.

Due to the new SARS-CoV-2 virus (so-called Coronavirus), during the current month of February 2020 the production activities of Safilo Group in China underwent a contraction. In particular, on the date of this Information Document, this situation is leading to a temporary and partial suspension of the activities of the Group’s various Chinese suppliers.

Although Safilo Group is taking countermeasures aimed at mitigating the effects of this situation, in particular the potential effects on sales of products processed in China deriving from a possible prolonged reduction in the availability of stock compared to the planned needs, it cannot be excluded that the continuation of the epidemic caused by the so called coronavirus and future related scenarios, currently not identifiable by the Issuer, may have effects, even negative, on the equity and financial position as well as the economic results and perspectives of the Purchased Company and the Safilo Group.

## **2. INFORMATION REGARDING THE TRANSACTION**

### **2.1 Summary description of the terms and conditions of the Transaction**

The Transaction referred to in this Information Document consisted in the acquisition by Safilo America of 61.34% of Privé’s equity capital, a company incorporated under US law, subject to the State of Delaware’s law and operational headquarters in Miami (Florida), which in turn controls the 100% of the capital of Prive Capsules LLC, company subject to the State of Delaware’s law with operational headquarters in Miami (Florida) established in 2019.

The Transaction was completed on February 10<sup>th</sup>, 2020.

#### ***2.1.1 Description of the target companies of the Transaction***

The company target of the Transaction is Privé, active in the eyewear segment, in particular in the creation, production and marketing of frames of eyeglasses and sunglasses under the Privé Revaux brand.

This brand has been growing strongly in the American market since its creation and aims to offer the market quality products at an affordable price and with an attractive design for the consumer, strategically leveraging the promotional activity by celebrities and influencers, in prevalence on social media, in order to increase visibility and sales.

The strengths of Privé’s business model are mainly connected to the ability to interact with consumers on social media and to the effective use of digital marketing tools.

Privé was founded in 2017 by David Schottenstein (who at the date of the Information Document holds the position of Chief Executive Officer of Privé) and operates mainly in the United States through a wholesale network and an e-commerce website for retail.

In the wholesale channel the products are mainly sold to a television broadcaster, department stores, optical retailers and internet players.

In addition to traditional sunglasses Privé has expanded its offer of quality and trend at an affordable price also offering blue light blocking glasses that reduce visual fatigue and reading glasses.

Privé does not own proprietary production plants for the manufacture of glasses or components, but the production, mainly carried out in China, is outsourced entirely to third party suppliers.

Similarly, the logistics and warehouse management activities are operated by third parties.

Furthermore, Privé does not currently operate through proprietary stores.

The 2018 financial statements of the Purchased Company show a turnover of approximately USD

10.5 million and a net loss of approximately USD 6.4 million. The turnover obtained in 2019, as of the Information Document not yet approved by the Purchased Company's Board of Directors, stood at around USD 20 million, with an increase of around 90% compared to 2018.

**2.1.2 Means, conditions and terms of the Transaction and related forms and times of payment and collection; criteria followed for determining the price; any appraisals to support the price; subjects from whom the assets were purchased**

The terms and conditions of the Transaction are governed by the Sale and Purchase Agreement and by collateral agreements that govern the governance of the Purchased Company starting from the closing, completed on February 10<sup>th</sup>, 2020, and the methods of the eventual purchase of the Residual Share (as below defined) (the “**Governance Agreement**” and, together with the Sale and Purchase Agreement, the “**Documentation of the Transaction**”).

The total price paid at the closing of the Transaction was USD 67.5 million against the acquisition of approximately 61.34% of Privé's equity capital.

The closing was not subject to conditions precedent, but was completed at the same time as the signing of the Documentation of the Transaction, that occurred on February 10<sup>th</sup>, 2020.

In addition, no approval was required from the competent Antitrust authorities.

Pursuant to the Sale and Purchase Agreement, the cash equivalents of the Purchased Company at the closing date were not transferred to the Selling Unitholders.

In this regard, the Sale and Purchase Agreement establishes that the available cash level of the Purchased Company is subject to verification from October 1<sup>st</sup>, 2019 until December 31<sup>st</sup>, 2020 (the “**Verification Period**”). At the end of the assessment procedure, if the cash value never falls below USD 2.5 million during the Verification Period, Privé will be required to distribute to certain Seller Unitholders an additional total amount of USD 2 million by contractual term envisaged, by way of adjustment of the price paid at closing in relation to the cash available of the Purchased Company.

The Documentation of the Transaction provides also for the assignment of put option rights in favor of certain Selling Unitholders and other employees who, following the closing of the Transaction, hold together an interest equal to 38.66% of Privé's equity capital (the “**Residual Interest**”) in the Purchased Company (collectively, the “**Minority Unitholders**”) and call option rights in favor of Safilo America for the aforementioned Residual Interest.

The put and call options may be exercised annually starting from 2023 and following the approval of Privé's annual results (subject to revision) relating to the previous year.

More specifically, the put and call options may be exercised in each of the years 2023 and 2024 for an overall amount in the specific year equal to one third of the Residual Interest and in 2025 for an overall amount equal to the remaining portion of the Residual Interest, at a price calculated as a function of a specific multiple applicable to the value of the Adjusted EBITDA of the Purchased 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 Purchase Company (the “**Option Price**”). According to the agreements between the parties, the failure to exercise the put option due to each of the Minority Unitholders in the specific reference year allows Safilo America to exercise its own call option, in accordance with the methods and timelines regulated in the Documentation of the Transaction.

Should, following the expiry of the put and call options envisaged for the 2025 financial year, a portion of the Residual Interest remain outstanding, starting from 2027 and every two subsequent years each of the two parties (*i.e.* each of the Minority Unitholders and Safilo America) will have the right to exercise a put or call option, respectively, for the sale or purchase of the portion of the Residual Interest possibly not yet exercised in the previous years, at the relevant Option Price, until exhaustion of the same.

Finally, the parties agreed that upon the occurrence of certain events, expressly defined in the Governance Agreement, different operating conditions and/or an acceleration of the exercise rights of the respective put or call options will apply.

As per market practice, the Sale and Purchase Agreement contains the commonly used representations and warranties for contracts for the acquisition of company equity and provides

consequent indemnity obligations in case of violation of the same.

It should be noted that in the Documentation of the Transaction the Issuer has provided a personal guarantee in favor of the Selling Unitholders and Minority Unitholders in relation to the fulfillment of the contractual obligations of Safilo America, while Safilo America has received in turn some personal guarantees and commitments of financial nature in relation to the fulfillment of the contractual obligations of certain Selling Unitholders in the context of the Sale and Purchase Agreement.

The total consideration of USD 67.5 million paid at the closing of the Transaction was negotiated between the parties during the negotiations mainly taking into account the high growth potential of the turnover and the commercial margins of Privé expected in the various sales channels, with reference both to the domestic and the international markets.

This consideration was also supported by the application of the method of discounting estimated future cash flows, based on projections and plans prepared by the management of the Issuer in relation to the business development of the Purchased Company.

It should also be noted that no appraisal was prepared to support the acquisition price, as the management and the Board of Directors of the Issuer directly conducted an in-depth assessment of the Purchased Company.

Finally, it should be noted that the Selling Unitholders, which sold 61.34% of Privé's equity capital to Safilo America according to the Purchase and Sale Agreement, are: (i) institutional investors connected to a private equity fund (*i.e.* TSG Consumer Partners), (ii) David Schottenstein (Privé's founder and Chief Executive Officer) and some celebrities from the world of entertainment, directly or through associated companies, (iii) Privé's managers; (iv) strategic partners of the Purchased Company and other investors.

As a result of the Transaction, Privé's ownership structure is summarized in the following chart.

Safilo America	61.3%
David Schottenstein *	15.5%
Managers, strategic partners and other investors *	23.2%
<b>Total</b>	<b>100.0%</b>

\* Depending on the case, the unit is held directly or indirectly through company vehicles.

### **2.1.3 Source of financing identified to cover the relative price**

The acquisition price was paid, as for Euro 30 million through the use of part of the interest-bearing subordinated loan made available to the Safilo Group by the largest shareholder on February 6<sup>th</sup>, 2020, and for the remaining part through liquidity and lines of credit already available.

In particular, on February 6<sup>th</sup>, 2020 Safilo S.p.A., a company controlled by the Issuer, signed with Multibrands Italy B.V. ("**Multibrands**"), a subsidiary of HAL Holding NV, which holds 49.843% of the share capital of Safilo and therefore its related party, an interest-bearing loan agreement for a total amount of Euro 90 million functional to the Transaction, as well as acquisition of Blenders Eyewear announced in December 2019.

For more information on this loan agreement please refer to the "*information document relating to a transaction of greater importance with related parties*" drawn up pursuant to art. 5 of the Related Party Transactions Regulation approved by Consob with resolution no. 17221 of 12.3.2010 and subsequent amendments and made available on the Issuer's website ([www.safilogroup.com/it](http://www.safilogroup.com/it)) on February 13<sup>th</sup>, 2020.

The Issuer will pay the additional amounts, possibly due according to the call or put option mechanism described in Paragraph 2.1.2 of the Information Document, through the use of own means and/or any credit lines that will be available in the future in conjunction with the expected disbursements.

## **2.2 Reasons and purposes for the Transaction**

### ***2.2.1 Reasons for the Transaction with particular regard to the Company's management objectives***

The Transaction is part of the Safilo Group's growth and development plan and constitutes an initiative of significant strategic value with particular reference to the acquisition of digital marketing skills by the Safilo Group.

The Transaction, together with the acquisition of Blenders Eyewear announced in December 2019, is in fact part of the digital transformation strategy of the Safilo Group outlined in the 2020-2024 strategic plan, aimed at strengthening a marketing model strongly focused on the consumer, representing at the same time an opportunity for further enrichment of the portfolio of proprietary brands and for greater diversification of the business in the market segment of quality products offered at competitive prices.

The Issuer believes that Privé's business can be significantly developed, also thanks to the Safilo Group's contribution of skills, and that this acquisition may contribute to giving further visibility, as well as boosting other brands in the Safilo portfolio.

In addition, the Issuer expects that the Transaction will allow the Safilo Group to originate benefits in the future in terms of: (i) strengthening the skills related to digital marketing; (ii) potential industrial synergies, also through the sharing of common suppliers, both as regards the procurement of products, components and raw materials, and as regards logistics, design and product development activities; (iii) potential commercial and distribution synergies, taking advantage of the consolidated and proven knowledge by the Safilo Group of wholesale customers and the various international markets in which it operates, directly, through its branches or, indirectly, through distributors; (iv) potential synergies of general and administrative expenses and other costs, possibly also related to intra-group services in favor of the Purchased Company.

### ***2.2.2 Indication of the programs developed by the Issuer***

Based on the Documentation of the Transaction, Privé will be managed by the administrative body in order to ensure independence management during the time period in which Minority Unitholders will be its unitholders, without prejudice to the provisions set forth below regarding the appointment of directors, as well as the application to Privé, as to all the other companies of the Safilo Group, of the obligation to adopt and comply with the necessary and appropriate procedures to ensure compliance with the regulations applicable to companies belonging to a group headed by a listed issuer.

David Schottenstein, who holds the most significant equity among the Minority Unitholders, will also continue to hold the role of Privé's Chief Executive Officer ("CEO").

It should be noted that the new governance of Privé starting from the closing provides that, as long as Minority Unitholders are present in the Purchased Company, the Board of Directors is composed of David Schottenstein, a member appointed by the latter, two members appointed by Safilo America and an independent third member appointed by common agreement between David Schottenstein (subject to the maintenance of his position as Chief Executive Officer of Privé) and Safilo America.

The Governance Agreement also provides that, as long as Minority Unitholders are present in the Purchased Company and subject to the retention of the position of CEO by David Schottenstein, the resolutions on some matters require the necessary approval of both the CEO and the members appointed by Safilo America, including, by way of example and not limited to, the operations by the Purchased Company on equity securities, approval of financial statements, modification of distribution policy and the provision of guarantees in relation to financial debt.

In support of the business development plan and to facilitate the transition to some procedures compliant with those used by the Safilo Group, Safilo America is also expected to identify a Chief Financial Officer to be included in the Privé organization chart.

Also, in light of the operational governance starting from the closing, no significant changes to the organization and development plans of Privé by the Issuer are expected in the short term. As indicated in Paragraph 2.2.1 of the Information Document, it is believed that the Safilo Group can benefit starting from the closing from the know-how and the Purchased Company's marketing model.

## **2.3 Relations with the company target of the Transaction and / or with the subjects from which the activities are purchased**

### ***2.3.1 Significant relations entered into by the Issuer, directly or indirectly through subsidiaries, with the company target of the Transaction in place at the time the Transaction is carried out***

There are no significant relationships of the Issuer, directly or indirectly, through subsidiaries, with the company target of the Transaction and / or with the Selling Unitholders pre-existing at the closing and in existence at the time of the Transaction.

### ***2.3.2 Significant relations and agreements between the Issuer, the companies controlled by it, the managers and members of the administrative body of the Issuer and the subjects from which the activities were purchased***

Relations between Privé's unitholders are governed by the Governance Agreement, which constitutes the new social contract starting from the closing of the Transaction and contains the operating rules of the Purchased Company.

More specifically, the Governance Agreement regulates the rights and obligations of the unitholders, the relationships between Safilo America, David Schottenstein and the other Minority Unitholders regarding the administration of the Purchased Company and the adoption of the decisions of greater relevance for the Privé's business.

For a description of the governance provisions of the Purchased Company, as well as the call and put options contained in the Governance Agreement, please refer to Paragraphs 2.1.2 and 2.2.2 of the Information Document.

## **2.4 Documents available to the public**

### ***2.4.1 Documents available to the public and places where they can be consulted***

This Information Document and its Attachments are made available to the public at the registered office of Safilo, Via Settima Strada 15, 35129, Padua and on the Issuer's website at [www.safilogroup.com/it](http://www.safilogroup.com/it) in the Investor Relations section, as well as on the centralized storage mechanism [www.linfo.it](http://www.linfo.it).

In addition to this Information Document, the following documents are available for consultation at the registered office of Safilo Group and on the Issuer's website:

- Safilo's consolidated and statutory financial statements at December 31<sup>st</sup>, 2018;
- Safilo's half-year report at June 30<sup>th</sup>, 2019;
- press release relating to the approval of the Group Business Plan 2020-2024;
- press release relating to the preliminary sales of the Safilo Group's continuing operations for the 2019 financial year.

## **3. SIGNIFICANT EFFECTS OF THE TRANSACTION**

### **3.1 Significant effects of the transaction on the key factors that influence and characterize the Issuer's business and type of business**

The Transaction will have no significant effects on the key factors of the activity carried out by Safilo and on the type of its business, although it is believed, as described in the Information Document, that the same may allow Safilo to benefit from the know-how and of the marketing model of the Purchased Company.

It should be noted that, in accordance with the tax legislation currently in force in the United States,

following the allocation process of the consideration paid for the acquisition of the controlling stake (61.34%) on the fair value of the net assets of Privé, the Issuer expects Safilo America, directly or as the parent company of the tax consolidation in the United States, to benefit in future years, starting from 2020, from the tax deduction for income tax purposes of the amortization of new values allocated to tangible or intangible assets (such as goodwill). It should be noted that this allocation process has not yet taken place on the date of the Information Document.

### **3.2 Possible implications of the transaction on the strategic lines relating to commercial, financial and centralized services provision between Group companies**

The Transaction does not currently entail any changes in the structure and policy of intra-group relations in relation to administrative services and commercial and financial relations.

## **4. ECONOMIC AND FINANCIAL DATA RELATING TO THE ASSETS ACQUIRED**

### **4.1 Economic and financial data relating to the assets acquired**

The Transaction concerns the acquisition by Safilo America of 61.34% of the equity of Privé carried out on February 10<sup>th</sup>, 2020, in respect of which the equity, economic and financial data are provided below.

It should be noted that these data have been restated according to the classification adopted by Safilo in preparing the Consolidated Financial Statements.

#### ***Comparative table of the reclassified balance sheets and income statements relating to the last two closed financial years of Privé***

The reclassified Privé's equity, financial and economic position for the financial year ended on December 31<sup>st</sup>, 2018 is presented below, accompanied by summary explanatory notes, prepared in accordance with the provisions of the US legislation and the US GAAP accounting standards, applicable at the closing of such an exercise.

The transactions are translated from the functional currency of the Privé (USD) into the presentation currency of the Safilo Group (Euro), using the exchange rates in force on the date of the Transaction. Gains and losses on exchange rates resulting from the closure of the said transactions and the translation at year-end exchange rates of the monetary assets and liabilities in foreign currencies are recorded in the income statement.

The rules for conversion are as follows:

- assets and liabilities are converted using the exchange rates in effect on the closing date of the year;
- costs, revenues, charges and income are converted at the average exchange rate for the period;
- the "conversion reserve" includes the exchange differences generated by the conversion of the opening net assets and the movements that occurred during the year at the year-end exchange rates.

The Directors deemed unrepresentative to present Privé's historical data for the financial year ended on December 31<sup>st</sup>, 2017, as the Purchased Company only started operating during 2017. Historical data as at December 31<sup>st</sup>, 2017 have not been subject neither to complete nor limited auditing.

Furthermore, Privé's balance sheet and the equity and financial position for the period ended June 30<sup>th</sup>, 2019 are not presented in this Information Document since they have been prepared for management purposes only and they do not represent a complete set of accounting information.

It should be considered that, after a complete review of Privé's financial statements at December 31<sup>st</sup>, 2018, the auditing company RSM US LLP declared the impossibility to express an opinion on the

income statement and cash flows statement for the year ended on December 31<sup>st</sup>, 2018, consequent to the fact that it did not observe the physical counting of inventories as at December 31<sup>st</sup>, 2017, and expressed a clean opinion on the balance sheet as at December 31<sup>st</sup>, 2018.

Balance sheet as of 31 December 2018

(thousands of Euro)	<b>Prive Goods LLC US GAAP, historical information</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	7,628
Trade receivables	1,093
Inventory	1,921
Derivative financial instruments	
Other current assets	1,261
<b>Total current assets</b>	<b>11,902</b>
<b>Non current assets</b>	
Tangible assets	84
Intangible assets	15
Goodwill	0
Deferred tax assets	0
Derivative financial instruments	0
Other non current assets	0
<b>Total non current assets</b>	<b>98</b>
<b>TOTALE ASSETS</b>	<b>12,001</b>
<b>Liabilities and shareholders' equity</b>	
<b>Current liabilities</b>	
Short term borrowings	0
Trade payables	782
Tax payables	0
Derivative financial instruments	0
Other current liabilities	1,264
Provision for risks	0
<b>Total current liabilities</b>	<b>2,047</b>
<b>Non current liabilities</b>	
Long term borrowings	0
Employees benefit liability	0
Provision for risks	0
Deferred tax liabilities	0
Derivative financial instruments	0
Other non current liabilities	0
<b>Total non current liabilities</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>2,047</b>
Shareholders' equity	
Share capital	15,533
Share premium reserve	
Retained earnings and other reserves	(170)
Cash flow hedge reserve	
Income/(loss) attributable to the Group	(5,409)
<b>Total shareholders' equity attributable to the Group</b>	<b>9,954</b>
Non controlling interests	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>9,954</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12,001</b>

Below a comment on the main items of the balance sheet at December 31<sup>st</sup>, 2018.

- **Cash and cash equivalents:** cash and cash equivalents include cash and demand deposits with banks.
- **Trade receivables:** include receivables from customers net of a write-down fund of Euro 103 thousand.
- **Inventories:** these consist exclusively of finished product inventories net of a write-down fund of Euro 219 thousand essentially due to the write-down of slow-moving or no longer in production goods.
- **Other current assets:** mainly refer to guarantee deposits and other current receivables.
- **Tangible assets:** mainly include the net value of furniture and cars.
- **Intangible assets:** include the net value of the costs incurred for the development of the company's website.
- **Trade payables:** represent trade payables at the end of the year,
- **Other current liabilities:** mainly include payables to celebrities who lend their image to the company.
- **Unitholders' equity:** includes capital contributions of Euro 15,533 thousand, consisting of n. 1,300,000 units.

#### Income statement for the fiscal year ended 31 December 2018

<i>(thousands of Euro)</i>	<b>Prive Goods LLC US GAAP, historical information</b>
<b>INCOME STATEMENT</b>	
Net sales	8,871
Cost of sales	(5,688)
<b>Gross Profit</b>	<b>3,184</b>
Selling and marketing expenses	(2,526)
General and administrative expenses	(6,079)
Other operating income/(expense)	0
Impairment loss on goodwill	0
<b>Operating profit/(loss)</b>	<b>(5,421)</b>
Financial charges, net	13
<b>Profit/(loss) before taxation</b>	<b>(5,409)</b>
Income taxes	0
<b>Profit/(loss) of the period</b>	<b>(5,409)</b>
Profit/(loss) attributable to:	
Owners of the parent	(3,318)
Non controlling interests	(2,091)
<b>STATEMENT OF COMPREHENSIVE INCOME/(LOSS)</b>	
<b>Profit/(loss) of the period (A)</b>	<b>(5,409)</b>
Gains/(losses) that will not be subsequently reclassified to profit or loss:	
- remeasurement of post employment benefit obligations	
- other gains/(losses)	
<b>Total gains/(losses) that will not be subsequently reclassified to profit or loss</b>	<b>0</b>
Gains/(losses) that will be subsequently reclassified to profit or loss:	
- Gains/(losses) on cash flow hedges	
- Gains/(losses) on exchange differences on translating foreign operations	(170)
<b>Total Gains/(losses) that will be subsequently reclassified to profit or loss</b>	<b>(170)</b>
<b>Other comprehensive income/(loss), net of tax (B)</b>	<b>(170)</b>
<b>Total comprehensive income/(loss) (A+B)</b>	<b>(5,579)</b>
Attributable to:	
Owners of the parent	(3,488)



Non controlling interests	(2,091)
<b>Total comprehensive income/(loss)</b>	<b>(5,579)</b>

Below a comment on the main items of the income statement.

- **Net sales:** include sales of glasses made by the company during the year. Sales are made (i) wholesale, both “offline” and through third-party e-commerce platforms, and (ii) in the e-commerce channel, through the directly managed platform. In 2018 there were also direct sales to end customers through kiosks located in department stores.
- **Cost of sales:** mainly includes the purchase cost of finished products and other materials from suppliers (Euro 4,124 thousand). The item also includes transportation costs (Euro 522 thousand) and commissions paid to some e-commerce platforms (Euro 595 thousand).
- **Selling and marketing expenses:** this item mainly represents advertising (Euro 1,515 thousand) and promotion (Euro 966 thousand) expenses.
- **General and administrative expenses:** the item includes personnel costs for Euro 1,772 thousand, development and maintenance costs for the proprietary website for Euro 426 thousand, professional services for Euro 876 thousand, rents for Euro 672 thousand (of which Euro 631 thousand relating to kiosks at department stores), celebrity and testimonial fees for Euro 467 thousand, write-downs of receivables and inventories for Euro 318 thousand, travel expenses for Euro 178 thousand, office management expenses for Euro 86 thousand. The remaining amount refers to expenses of various kinds which are not insignificant in unit.
- **Income taxes:** the company did not detect income taxes during the year, as the legal form is an LLC (“*Limited Liability Company*”) and as such, pursuant to the American law, taxes are paid by the equity holders.

The result for the year highlighted by the Company acquired in its income statement is therefore gross of operating taxes. Therefore, any reference to Privé’s profit in this Information Document must always be understood as pre-tax.

#### Statement of cash flows for the fiscal year ended 31 December 2018

(thousands of Euro)	<b>Prive Goods LLC US GAAP, historical information</b>
<b>A – Opening net cash and cash equivalents (net financial indebtedness – short term)</b>	<b>130</b>
<b>B – Cash flow from (for) operating activities</b>	
Net profit/(loss) for the period (including minority interests)	(5,409)
Depreciation and amortization	41
Impairment loss on goodwill	0
Other non-monetary items	205
Interest expenses, net	0
Income tax expenses	0
<b>Flow from operating activities prior movements in working capital</b>	<b>(5,163)</b>
(Increase) Decrease in trade receivables	(349)
(Increase) Decrease in inventory, net	(365)
Increase (Decrease) in trade payables	507
(Increase) Decrease in other receivables	(681)
Increase (Decrease) in other payables	1,078
Interest expenses paid	0
Income taxes paid	0
<b>Total B</b>	<b>(4,973)</b>
<b>C – Cash flow from (for) investing activities</b>	
Investments in property, plant and equipment	(198)

Net disposals of property, plant and equipment and assets held for sale	0
Acquisition of minorities (in subsidiaries)	0
(Acquisition) Disposal of investments and bonds	0
Purchase of intangible assets, net of disposals	0
<b>Total C</b>	<b>(198)</b>
<b>D – Cash flow from (for) financing activities</b>	
Proceeds from borrowings	4,626
Repayment of borrowings	0
Increase in share capital, net of transaction costs	20,495
Dividends paid	(12,681)
<b>Total D</b>	<b>12,440</b>
<b>E – Cash flow for the period (B+C+D)</b>	<b>7,269</b>
Translation exchange differences	229
<b>Total F</b>	<b>229</b>
<b>G – Closing net cash and cash equivalents (net financial indebtedness – short term) (A+E+F)</b>	<b>7,628</b>

The Privé’s financial statements for the financial year ended on December 31<sup>st</sup>, 2018 were subject to a complete audit by the independent auditing firm RSM US LLP which, in the report issued on July 16<sup>th</sup>, 2019, declared the impossibility to express an opinion on the income statement and cash flows statement for the year ended on December 31<sup>st</sup>, 2018, consequent to the fact that it did not observe the physical counting of inventories as at December 31<sup>st</sup>, 2017, and expressed a clean opinion on the balance sheet as at December 31<sup>st</sup>, 2018.

## 5 PRO-FORMA ECONOMIC AND FINANCIAL DATA OF THE ISSUER

This chapter includes the document the Safilo’s Pro-forma Consolidated Balance Sheet, Pro-forma Consolidated Income Statement as of December 31<sup>st</sup>, 2018 drafted by the Safilo’s Chief Executive Officer on behalf the Company’s Board of Directors by virtue of the powers conferred to him by the same on February 6<sup>th</sup>, 2020 to represent the main effects of the Transaction.

It should be noted that the pro-forma data consist of the Issuer’s reclassified balance sheet and income statement for the 2018 financial year and not for the subsequent half-year ended on June 30<sup>th</sup>, 2019, since the balance sheet, the financial position and income statement of Privé for the period ended on June 30<sup>th</sup>, 2019 have been prepared only for management purposes.

The aforementioned pro-forma document has been subjected to examination by Deloitte & Touche S.p.A, which issued its report on February 24<sup>th</sup>, 2020, attached to this Information Document, with reference to the reasonableness of the basic hypotheses adopted, to the correctness of the methodology used, as well as the correctness of the evaluation criteria and accounting principles used.

### 5.1 Safilo’s Pro-Forma Consolidated Balance Sheet, Pro-forma Consolidated Income Statement as of December 31, 2018

#### Introduction

This Chapter presents the statements of Safilo’s Pro-Forma Consolidated Balance Sheet and Pro-forma Income Statement Consolidated for the year ended on December 31<sup>st</sup>, 2018 (hereinafter also the “**Pro-forma Consolidated Statements**”) accompanied by the relative explanatory notes in relation to the Transaction.

The acquisition of Privé involved the drafting by Safilo of this Information Document pursuant to article 71 of the Issuers Regulation. The Pro-Forma Consolidated Statements have been prepared solely for the purpose of including them in the Information Document.

#### *5.1.1 Basic assumptions, accounting principles and assumptions underlying the*

### *preparation of the Pro-Forma Consolidated Statements*

The Pro-Forma Consolidated Statements have been prepared in accordance with the pro-forma data preparation method governed by CONSOB Communication no. DEM/1052803 of 5 July 2001 starting from the Safilo's financial statements as at December 31<sup>st</sup>, 2018 to which the Privé's consolidated financial statements as of December 31<sup>st</sup>, 2018 were aggregated and subsequently applying pro-forma adjustments.

The Safilo's consolidated financial statements as of December 31<sup>st</sup>, 2018, approved by the Issuer's Board of Directors on March 13<sup>th</sup>, 2019, were fully audited by the auditing company Deloitte & Touche S.p.A., which issued its report without qualifications on March 22<sup>nd</sup>, 2019.

The Privé's financial statements as of December 31<sup>st</sup>, 2018, approved by the Board of Directors on July 16<sup>th</sup>, 2019 and prepared in accordance with the US GAAP accounting principles, have been subject to a complete audit by the independent auditing firm RSM US LLP, which, in the report issued on July 16<sup>th</sup>, 2019, declared the impossibility to express an opinion on the income statement and cash flows statement for the year ended on December 31<sup>st</sup>, 2018, consequent to the fact that it did not observe the counting of physical inventories as at December 31<sup>st</sup>, 2017, and expressed a clean opinion on the balance sheet as at December 31<sup>st</sup>, 2018.

The Privé's financial statements have been reclassified to align it with the International Financial Reporting Standards (“IFRS”) principles applied by Safilo. However, no significant differences were identified between the accounting standards used by Privé and the accounting standards used by Safilo for consolidation purposes.

The accounting principles adopted for the preparation of the Pro-Forma Consolidated Financial Statements, where not specifically indicated, are the same used for the preparation of the consolidated financial statements of the Safilo and in particular the IFRS adopted by the European Union. These accounting principles are illustrated in the explanatory notes to the aforementioned consolidated financial statements. Furthermore, it should be noted that the Pro-forma Consolidated Statements do not represent a “complete set of financial statements” according to IAS 1 and the disclosure provided in the explanatory notes does not include the minimum disclosure required by the IFRS principles.

The Pro-Forma Consolidated Statements are expressed in Euro, the Safilo's functional currency.

Unless otherwise indicated, all amounts expressed in Euro have been rounded to thousands.

Pro-forma adjustments, based on the contents of CONSOB Communication no. DEM / 1052803 of July 5<sup>th</sup>, 2001, were made in order to detect the significant effects associated with the Transaction to reflect them retroactively on the consolidated financial statements at December 31<sup>st</sup> 2018 and transform it into pro-forma data to simulate, according to consistent evaluation criteria with historical data and in compliance with the reference legislation, the effects of the Transaction on the consolidated economic performance and equity situation of Safilo, as if they had virtually occurred on December 31<sup>st</sup>, 2018 for the sole effect of the balance sheet and on January 1<sup>st</sup>, 2018 as regards the economic effects.

For a correct interpretation of the information provided by the pro-forma data it is necessary to consider the following aspects:

- i) Since the representations are built on hypotheses, if the Transaction had actually been carried out at the date taken as a reference for the preparation of the pro-forma data (December 31<sup>st</sup>, 2018), instead of the February 10<sup>th</sup>, 2020, the historical data would not necessarily have been the same to the pro-forma ones.
- ii) The pro-forma data do not reflect prospective data as they are prepared in such a way as to represent only the effects of the acquisition, without taking into account the potential effects due to changes in management policies and operational decisions consequent to the Transaction itself;
- iii) It should be noted that certain assumptions used for the drafting of this Information Document were formulated on the basis of the information available at the date of the preparation of this Information Document. They will therefore be updated after the final analysis that will be carried out during the first consolidation. Therefore, it cannot be excluded that from this analysis differences may emerge with respect to what is shown in the Consolidated Pro-Forma Statements.

Furthermore, in consideration of the different purposes of the pro-forma data compared to the data of the historical financial statements and the different methods of calculating the effects of the Transaction with reference to the Pro-Forma Consolidated Balance Sheet, the Pro-forma Income Statement at December 31<sup>st</sup>, 2018, the Pro-forma Consolidated Statements must be read and interpreted separately, without seeking accounting links between the prospectuses.

Finally, it should be considered that as of the date of this Information Document, the Transaction has not yet been accounted for with particular reference to the purchase price allocation process on the fair value of the net assets acquired. It should be noted that, if tangible and intangible assets are identified as a result of the allocation process, the depreciation and any write-downs attributable to these allocations may be reflected in the Safilo's consolidated future income statements starting from the 2020 financial year. However, these effects are not included in the Pro-Forma Consolidated Income Statement.

### ***5.1.2 Description of the Transaction***

The Transaction subject of the adjustments relates to the acquisition of Privé. In particular, on February 10<sup>th</sup>, 2020 the Safilo Group acquired a 61.34% stake in Privé's equity capital for an amount of USD 67.5 million (corresponding to Euro 61.6 million at the exchange rate at date of announcement), which corresponds to the overall purchase price paid at closing, as defined in the purchase and sale contract signed by the parties. The equity interest held by Minority Unitholders are subject to reciprocal put and call options exercisable starting from 2023, as better described in Paragraph 2.1.2 of this Information Document.

The Transaction qualifies as a business combination. The cost of the business combination is calculated on the acquisition date in consideration of the fair value of the assets and /or liabilities assumed and the equity interests issued in order to obtain control. The cost of the combination includes the fair value of each liability incurred or assumed. The assets, liabilities and potential liabilities acquired and identifiable are recognized at their fair value at the acquisition date with the exception of the put and call options which have not been valued, as described in Paragraph 5.3.1 of this Information Document.

The values of the assets and liabilities of the Purchased Company were provisionally reflected in the financial position at the book values resulting from the financial statements of Privé, recording goodwill of approximately Euro 55.5 million, equal to the difference between the consideration for the purchase of the investment and the corresponding portion of the net equity of the Purchased Company.

The main costs associated with the Transaction, estimated provisionally at the date of the Information Document in approximately Euro 1.5 million, for the purpose of preparing the pro-forma data have been accounted for and charged to the income statement. These costs, directly attributable to the Transaction, mainly refer to the due diligence, legal costs and other consultancy activities.

The assumptions used are described in more detail below, in the context of the paragraphs relating to pro-forma adjustments.

## **5.2. Pro-forma Consolidated Statements**

This paragraph shows the pro-forma consolidated statements of balance sheet at December 31<sup>st</sup>, 2018 (the "**Pro-forma Consolidated Balance Sheet**"), the pro-forma consolidated income statement for the year ended on December 31<sup>st</sup>, 2018 ("**Pro-forma Consolidated Income Statement**") and the related explanatory notes.

### ***5.2.1 Pro-forma Consolidated Balance Sheet as of December 31<sup>st</sup>, 2018***

The following table shows, by type, the pro-forma adjustments made to represent the significant effects of the Transaction on the Safilo's consolidated balance sheet at December 31<sup>st</sup>, 2018.

<i>(thousands of Euro)</i>	Pro-forma adjustments				Safilo Group pro-forma with Prive Goods LLC acquisition
	Safilo Group historical information	Prive Goods LLC US GAAP, historical information	IFRS adjustments Prive Goods LLC	Acquisition accounting Prive Goods LLC	
	A)	B)	C)	D)	E)
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	178,247	7,628		(16,638)	169,236
Trade receivable	184,356	1,093		0	185,449
Inventory	237,710	1,921		0	239,631
Derivative financial instruments	389			0	389
Other current assets	52,582	1,261		0	53,843
<b>Total current assets</b>	<b>653,284</b>	<b>11,902</b>	<b>0</b>	<b>(16,638)</b>	<b>648,548</b>
<b>Non current assets</b>					
Tangible assets	176,891	84		0	176,975
Intangible assets	58,486	15		0	58,501
Goodwill	226,267	0		55,532	281,799
Deferred tax assets	63,248	0		0	63,248
Derivative financial instruments	0	0		0	0
Other non current assets	11,552	0		0	11,552
<b>Total non current assets</b>	<b>536,444</b>	<b>98</b>	<b>0</b>	<b>55,532</b>	<b>592,075</b>
<b>TOTAL ASSETS</b>	<b>1,189,728</b>	<b>12,001</b>	<b>0</b>	<b>38,894</b>	<b>1,240,623</b>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short term borrowings	211,129	0		0	211,129
Trade payables	170,772	782		1,500	173,054
Tax payables	23,173	0		0	23,173
Derivative financial instruments	408	0		0	408
Other current liabilities	52,020	1,264		0	53,284
Provision for risks	26,736	0		0	26,736
<b>Total current liabilities</b>	<b>484,238</b>	<b>2,047</b>	<b>0</b>	<b>1,500</b>	<b>487,785</b>
<b>Non current liabilities</b>					
Long term borrowings	0	0		47,528	47,528
Employees benefit liability	26,226	0		0	26,226
Provision for risks	13,748	0		0	13,748
Deferred tax liabilities	13,455	0		0	13,455
Derivative financial instruments	0	0		0	0
Other non current liabilities	5,737	0		0	5,737
<b>Total non current liabilities</b>	<b>59,166</b>	<b>0</b>	<b>0</b>	<b>47,528</b>	<b>106,694</b>
<b>TOTAL LIABILITIES</b>	<b>543,404</b>	<b>2,047</b>	<b>0</b>	<b>49,028</b>	<b>594,478</b>
<b>Shareholders' equity</b>					
Share capital	345,610	15,533			
Share premium reserve	581,121				
Retained earnings and other reserves	(247,961)	(170)			
Cash flow hedge reserve	0				
Income/(loss) attributable to the Group	(32,446)	(5,409)			
<b>Total shareholders' equity attributable to the Group</b>	<b>646,324</b>	<b>9,954</b>	<b>0</b>	<b>(13,981)</b>	<b>642,297</b>
Non controlling interests	0			3,848	3,848
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>646,324</b>	<b>9,954</b>	<b>0</b>	<b>(10,133)</b>	<b>646,145</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,189,728</b>	<b>12,001</b>	<b>0</b>	<b>38,894</b>	<b>1,240,623</b>

### 5.2.2 Pro-forma Consolidated Income Statement as of December 31<sup>st</sup>, 2018

The following table shows, by type, the pro-forma adjustments made to represent the significant effects of the Transaction on the Safilo's consolidated income statement relating to the financial year ended

December 31<sup>st</sup>, 2018.

<i>(thousands of Euro)</i>	Safilo Group historical information	Pro-forma adjustments			Safilo Group pro-forma with Prive Goods LLC acquisition
		Prive Goods LLC US GAAP, historical information	IFRS adjustments Prive Goods LLC	Acquisition accounting Prive Goods LLC	
	A)	B)	C)	D)	E)
<b>CONSOLIDATED INCOME STATEMENT</b>					
Net sales	962,861	8,871		0	971,732
Cost of sales	(481,341)	(5,688)		0	(487,029)
<b>Gross Profit</b>	<b>481,520</b>	<b>3,184</b>	<b>0</b>	<b>0</b>	<b>484,704</b>
Selling and marketing expenses	(386,257)	(2,526)		0	(388,783)
General and administrative expenses	(135,525)	(6,079)		(1,500)	(143,104)
Other operating income/(expense)	34,371	0		0	34,371
Impairment loss on goodwill	0	0		0	0
<b>Operating profit/(loss)</b>	<b>(5,891)</b>	<b>(5,421)</b>	<b>0</b>	<b>(1,500)</b>	<b>(12,812)</b>
Financial charges, net	(17,342)	13		(2,528)	(19,857)
<b>Profit/(loss) before taxation</b>	<b>(23,233)</b>	<b>(5,409)</b>	<b>0</b>	<b>(4,028)</b>	<b>(32,669)</b>
Income taxes	(9,213)	0			(9,213)
<b>Profit/(loss) of the period</b>	<b>(32,446)</b>	<b>(5,409)</b>	<b>0</b>	<b>(4,028)</b>	<b>(41,882)</b>
Profit/(loss) attributable to:					
Owners of the parent	(32,446)	(3,318)		(4,028)	(39,791)
Non controlling interests	0	(2,091)		0	(2,091)
<b>STATEMENT OF COMPREHENSIVE INCOME/(LOSS)</b>					
<b>Profit/(loss) of the period (A)</b>	<b>(32,446)</b>	<b>(5,409)</b>	<b>0</b>	<b>(4,028)</b>	<b>(41,882)</b>
Gains/(losses) that will not be subsequently reclassified to profit or loss:					
- remeasurement of post employment benefit obligations	708				708
- other gains/(losses)	0				0
<b>Total gains/(losses) that will not be subsequently reclassified to profit or loss</b>	<b>708</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>708</b>
Gains/(losses) that will be subsequently reclassified to profit or loss:					
- Gains/(losses) on cash flow hedges	35				35
- Gains/(losses) on exchange differences on translating foreign operations	17,095	(170)			16,925
<b>Total Gains/(losses) that will be subsequently reclassified to profit or loss</b>	<b>17,130</b>	<b>(170)</b>	<b>0</b>	<b>0</b>	<b>16,960</b>
<b>Other comprehensive income/(loss), net of tax (B)</b>	<b>17,838</b>	<b>(170)</b>	<b>0</b>	<b>0</b>	<b>17,668</b>
<b>Total comprehensive income/(loss) (A+B)</b>	<b>(14,608)</b>	<b>(5,579)</b>	<b>0</b>	<b>(4,028)</b>	<b>(24,214)</b>
Attributable to:					
Owners of the parent	(14,608)	(3,488)		(4,028)	(22,123)
Non controlling interests		(2,091)		0	(2,091)
<b>Total comprehensive income/(loss)</b>	<b>(14,608)</b>	<b>(5,579)</b>	<b>0</b>	<b>(4,028)</b>	<b>(24,214)</b>

### 5.3 Explanatory notes to the Pro-forma Consolidated Statements

#### 5.3.1 Detail of the pro-forma adjustments relating to the consolidated balance sheet

##### A) Safilo Group historical information

This column includes the Safilo Group's consolidated balance sheet at December 31<sup>st</sup>, 2018, as extracted from the consolidated financial statements for the year ended on December 31<sup>st</sup>, 2018, prepared in accordance with IFRS and approved by the Issuer's Board of Directors on March 13<sup>th</sup>, 2019. These financial statements were audited by the auditing company Deloitte & Touche S.p.A., which issued its report without qualifications on March 22<sup>nd</sup>, 2019.

## **B) Prive Goods LLC (US GAAP), historical information**

This column includes the Prive Goods LLC's balance sheet at December 31<sup>st</sup>, 2018 extracted from the financial statements of Prive Goods LLC drawn up according to the US GAAP accounting principles and subject to auditing by the auditing firm RSM US LLP, which, in the report issued on July 16<sup>th</sup>, 2019, declared the impossibility to express an opinion on the income statement and cash flows statement for the year ended on December 31<sup>st</sup>, 2018, consequent to the fact that it did not observe the counting of physical inventories as at December 31<sup>st</sup>, 2017, and expressed a clean opinion on the balance sheet as at December 31<sup>st</sup>, 2018.

## **C) IFRS adjustments Prive Goods LLC**

It was not necessary to include the pro-forma adjustments applied to Prive Goods LLC's balance sheet in order to adapt it to the IFRS principles, as there were no significant differences with the accounting principles adopted by Safilo for consolidation purposes.

## **D) Acquisition accounting Prive Goods LLC**

The column shows the pro-forma effects relating to the accounting treatment of the Transaction and in particular the increase in the item "Long term borrowings" for Euro 45 million (to which are added the estimate of the financial charges that the Safilo would have registered if the Transaction had been completed on January 1<sup>st</sup> 2018) and the reduction in the item "Cash and cash equivalents" for Euro 16.6 million. The sum of these two items is equal to the total consideration paid on the closing date of the acquisition (Euro 61.6 million), as defined by the sale and purchase agreement signed by the parties.

Specifically, the Transaction was financed for (i) Euro 30 million through a loan from the largest shareholder of Safilo, Multibrands Italy BV, controlled by HAL Holding NV, (ii) Euro 15 million through the use of the revolving credit line in place with a pool of national and international banks, and (iii) for the remaining part (Euro 16.6 million) through the use of cash.

Furthermore, the equity investments held by the Minority Unitholders are subject to reciprocal put and call options, as better described in Paragraph 2.1.2 of the Information Document. Since the price for the possible exercise of these options, starting from the 2023 financial year, is variable depending on future economic trends relating to an extended time horizon of Privé, at the time of the acquisition and drafting of the Information Document the Issuer deems not to be able to reliably estimate its value. For this reason, for the sole purpose of drafting the Pro-forma Consolidated Statements, the Issuer has made use of the provisions of point (7) of paragraph 6 a) (i) of Consob communication no. DEM / 1052803 of 5 July 2001 and did not include these options in determining the pro forma effects of the acquisition. In accordance with the requirements of accounting standard IFRS 3, the value of these options will be assessed and recognized in the first financial statements following the acquisition.

The Transaction has been treated as a business combination and consequently the appropriate surveys have been made for the purpose of consolidating the Purchased Company. Therefore, the values of the assets and liabilities of the Purchased Company are equal to the book values resulting from the balance sheet of Privé drawn up according to the IFRS principles, recording goodwill of approximately Euro 55.5 million, equal to the difference between the consideration for the purchase of the investment (approximately Euro 61.6 million) and the corresponding portion of the Purchased Company's equity (61.34% of Euro 10 million, equivalent to approximately Euro 6.1 million), based on the percentage of possession of the net assets of the Purchased Company (partial goodwill). Consequently, third parties' net equity of approximately Euro 3.8 million was recorded (non-controlling interest).

It should be noted that the item "Long term borrowings" was increased by Euro 47.5 million due to the recognition of the additional financial debt (Euro 45 million) relating to the payment of a portion of the acquisition price on the date of closing and estimated financial charges (approximately Euro 2.5 million), which Safilo would have recorded if the Transaction had been completed on January 1<sup>st</sup>, 2018. The item "Cash and cash equivalents" was reduced by Euro 16.6 million.

The item "Trade payables" was increased by Euro 1.5 million due to the recognition of the debt relating to the accessory costs estimated provisionally for the acquisition, as described in Paragraph 5.1.2 of the Information Document.

Finally, column D) includes under the item "Total shareholders' equity attributable to the Group" the pro-forma result for the period originating from the acquisition costs and estimated financial charges for

a total of approximately Euro 4 million. It was not considered necessary to note the effect of taxation on these cost items, taking into account the tax position of the companies to which they refer.

It should be considered that at the date of the Information Document, the Transaction has not yet been accounted for with particular reference to the purchase price allocation process on the fair value of the net assets acquired. In particular, it should be noted that, if tangible and intangible assets are identified as a result of the allocation process, the depreciation and any write-downs attributable to these allocations may be reflected in the Safilo's consolidated future income statements starting from the year 2020. However, these effects are not included in the Pro-Forma Consolidated Income Statement.

#### **E) Safilo Group pro-forma with Prive Goods LLC acquisition**

This column highlights Safilo's pro forma consolidated balance sheet at December 31<sup>st</sup>, 2018, as a result of the sum of the previous columns.

### **5.3.2 Detail of the pro-forma adjustments relating to the consolidated income statement**

#### **A) Safilo Group historical information**

This column includes the consolidated total income statement of the Safilo as at December 31<sup>st</sup>, 2018, as extracted from the consolidated financial statements for the year ended December 31<sup>st</sup>, 2018, prepared in accordance with IFRS and approved by the Issuer's Board of Directors on March 13<sup>th</sup>, 2019. These financial statements were audited by the auditing company Deloitte & Touche S.p.A., which issued its opinion without qualifications on March 22<sup>nd</sup>, 2019.

#### **B) Prive Goods LLC (US GAAP), historical information**

This column includes the comprehensive income statement of Prive Goods LLC as at December 31<sup>st</sup>, 2018 extracted from the financial statements of Prive Goods LLC, prepared according to the US GAAP accounting principles and subject to auditing by the auditing firm RSM US LLP, which, in the report issued on July 16<sup>th</sup>, 2019, declared the impossibility to express an opinion on the income statement and cash flows statement for the year ended on December 31<sup>st</sup>, 2018, consequent to the fact that it did not observe the counting of physical inventories as at December 31<sup>st</sup>, 2017, and expressed a clean opinion on the balance sheet as at December 31<sup>st</sup>, 2018.

#### **C) IFRS adjustments Prive Goods LLC**

It was not necessary to include the pro-forma adjustments applied to the comprehensive income statement of Prive Goods LLC to adapt it to the IFRS principles, as there were no significant differences with the accounting principles adopted by Safilo during the consolidation phase.

#### **D) Acquisition accounting Prive Goods LLC**

The column shows the pro-forma effects relating to the accounting treatment of the acquisition of Prive Goods LLC and in particular:

- a) the increase in the item "Net financial charges" for approximately Euro 2.5 million, equal to the financial charges that the company would have recorded if the transaction had been completed on January 1<sup>st</sup>, 2018; and
- b) the increase in the item "General and administrative expenses", equal to the ancillary costs incurred for the purchase of the equity in Prive Goods LLC, provisionally estimated at approximately Euro 1.5 million at the date of the Information Document, essentially attributable to the activity due diligence, legal costs and other consultancy activities.

It was not considered necessary to note the effect of taxation on these items, taking into account the tax position of the companies to which they refer.

#### **E) Safilo Group pro-forma with Prive Goods LLC acquisition**

This column highlights the pro forma consolidated comprehensive income statement of the Safilo Group at December 31<sup>st</sup>, 2018, which is the sum of the previous columns.



## Reconciliation of net equity and profit

<i>(thousands of Euro)</i>	<b>Net equity as of 31 December 2018</b>	<b>Profit/(loss) 2018</b>
<b>Safilo Group historical information</b>	<b>646,324</b>	<b>(32,446)</b>
Acquisition	3,848	(5,409)
Financial charges	(2,528)	(2,528)
Ancillary expenses	(1,500)	(1,500)
<b>Safilo Group pro-forma information with Prive Goods LLC acquisition</b>	<b>646,145</b>	<b>(41,882)</b>
<i>Of which:</i>		
<i>Owners of the parent</i>	<i>642,297</i>	<i>(39,791)</i>
<i>Non controlling interests</i>	<i>3,848</i>	<i>(2,091)</i>

### **5.4 Pro-forma indicators per share of the Issuer**

The Safilo's historical and pro-forma figures per share as at December 31<sup>st</sup>, 2018 are shown below:

	<b>Safilo Group historical information</b>	<b>Prive Goods LLC US GAAP, historical information</b>	<b>IFRS adjustments Prive Goods LLC</b>	<b>Acquisition accounting Prive Goods LLC</b>	<b>Safilo Group pro-forma with Prive Goods, LLC acquisition</b>
Average number of shares	107,998,460	107,998,460	107,998,460	107,998,460	107,998,460
Net result per ordinary share - basic (Euro)	(0.300)	(0.031)	-	(0.037)	(0.368)
Net result per ordinary share - diluted (Euro)	(0.300)	(0.031)	-	(0.037)	(0.368)
Net equity per share (Euro)	5.985	0.092	-	(0.130)	5.947

There were no significant changes in the data per share recorded as a result of the Transaction.

## **6. PROSPECTS FOR THE ISSUER AND THE GROUP HEADED BY IT**

### **6.1 General information on the Issuer's business from the end of the year covered by the latest published financial statement**

As communicated on January 29<sup>th</sup>, 2020, the analysis of the preliminary data relating to the 2019 turnover showed during the year 2019 an increase in the consolidated net turnover of the business in continuity (*i.e.* excluding the retail business sold in 2019) equal to about Euro 28.3 million compared to the end of the year as at December 31<sup>st</sup>, 2018, going from Euro 910.7 million to Euro 939.0 million, an increase of 3.1% at current exchange rates and 0.9% at exchange rates constant.

On a preliminary and pre-IFRS 16 basis, the Issuer also estimated for 2019 an adjusted EBITDA margin (*i.e.* non-recurring charges) of continuity activities of 5.5% and a consolidated net debt of Safilo Group of approximately Euro 30 million.

The Issuer's consolidated financial statements for the year ended on December 31<sup>st</sup>, 2019 have not yet been published as of the date of this Information Document.

In the opinion of the Issuer, from the closing date of the last financial year until the date of this Information Document, there were no significant trends in the production, sales, stocks and volume of orders and in the evolution of costs and selling prices.

The Issuer notes that, due to the new virus SARS-CoV-2 (so called coronavirus), during February 2020 the production activities of Safilo Group in China, both internally operated and entrusted to third party suppliers, underwent a contraction, both with regard to volumes of components destined for Italian factories both in volumes and stocks of finished products processed in China. In particular, this situation is leading, on the date of this Information Document, to a temporary and partial suspension of the activities of the Group's various Chinese suppliers, including the Safilo production plant in Suzhou, a city in the Jiangsu province. In addition, the correlated reduction in retail traffic, which is gradually

occurring in February, currently disadvantages sales of the Safilo Group both in the Asian markets and in the Travel Retail Asia channel. At the date of the Information Document some limited outbreaks of the coronavirus have occurred also in Italy.

The Issuer, at the date of the Information Document, is adopting countermeasures aimed at mitigating the effects of this situation, in particular the potential effects on the sales of products processed in China deriving from a possible prolonged reduction in the availability of stock compared to the planned needs. Since it is not currently possible to predict the duration of this situation and the related future scenarios, the Issuer cannot currently assess its impact on the expected consolidated results of the current year.

As regards the evolution of the financial structure of the Safilo Group, it should be noted that during 2019 the largest shareholder took steps to subscribe and pay, for approximately Euro 17.7 million, the ordinary shares that remained unopted at the end of the period on the stock exchange offer ended on December 28<sup>th</sup>, 2018, as well as the “Equity Linked 2014-2019” bond loan for an amount of Euro 150 million to complete the Safilo Group's refinancing operation carried out during 2018, for a total of Euro 300 million.

In addition, as indicated in Paragraph 2.1.3 of the Information Document, the price of the Transaction paid at closing was financed partially through the use of Euro 30 million, of a subordinated loan granted by the largest shareholder of the Issuer and, for the remaining part, to available credit and liquidity lines. For more information, please refer to Paragraph 2.1.3 of this Information Document and to the “information document relating to a transaction of greater importance with related parties” drawn up pursuant to art. 5 of the Related Party Transactions Regulation approved by Consob with resolution no. 17221 of 12.3.2010 and subsequent amendments and made available on the website ([www.safilogroup.com/it](http://www.safilogroup.com/it)) on February 13<sup>th</sup>, 2020.

### **6.1.1 Indications of the impact of the Transaction on the half-year situation of the Issuer**

Based on the half-year report of the Safilo Group at June 30<sup>th</sup>, 2019, subject to limited auditing by Deloitte & Touche S.p.A., which issued its opinion without qualifications on August 7<sup>th</sup>, 2019, and the information of Privè Goods LLC to the same date, prepared exclusively for management purposes and not subject to a complete audit or limited audit, if the pro-forma data had been presented as at June 30<sup>th</sup>, 2019 there would be a percentage incidence of Privè's net turnover on the Safilo Group pro-forma consolidated turnover for approximately 1%, slightly above the same incidence as at the financial year ended on December 31<sup>st</sup>, 2018. Moreover, the incidence of the Transaction on Safilo Group's pro-forma net equity at the end of the first half of 2019 would have increased compared to such incidence as at the financial year ended on December 31<sup>st</sup>, 2018, as a consequence of the significant reduction in the Safilo Group's net equity following the loss for the first half of 2019, recognized mainly as a result of the write-down of the goodwill and deferred tax assets.

### **6.2 Elements of information are provided in relation to the reasonable forecast of the results of the current year**

On December 10<sup>th</sup>, 2019, Safilo informed the market of the approval by the Board of Directors of the 2020-2024's strategic plan. From a strategic perspective, the Transaction falls, therefore, within what was already communicated to the market.

Moreover, taking into account the eyewear sector and the markets in which the Safilo Group operates and the underlying exogenous risks with respect to the Safilo Group, connected for example to consumer preferences, exchange rate risk, fluctuations in demand and the competitive context, it is possible to ensure that the historical data and trends of Safilo are fully representative of the results and future financial conditions.

#### **Attachments:**

- Independent auditors' report on the examination of the pro forma consolidated statements.

