INDEPENDENT AUDITOR’S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREES No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Safilo Group S.p.A. and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Safilo Group S.p.A. (the “Company”) in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
Inventory provisioning
Description of the key audit matter

The consolidated balance sheet presents inventories for Euro 234.4 million, net of an obsolescence reserve of Euro 68.1 million, as disclosed in note 4.3. The Group manufactures and sells goods which are subject to changes in market trends and in customers’ demand, as a consequence a significant level of Management’s judgement is required to determine the appropriate inventory provisioning based on sales forecasts, considering also the termination of some licenses.

We considered the relevance of the obsolescence reserve, even in terms of the economic impact, the proportion compared to the inventory amount, which as of December 31, 2021 represents about 25% of consolidated assets, and the subjectivity of the estimates, consequently we assessed that the determination of the obsolescence reserve represents a key audit matter for the audit of Safilo Group’s consolidated financial statements.

Audit procedures performed

We preliminarily analyzed the principles and criteria applied by the Group to determine the obsolescence provision which mainly include considerations about commercial policies, sales forecasts and the historical usage of stock.

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

- understanding of the relevant controls designed and implemented by Safilo Group in the process of determining the inventory provisioning;

- analysis of the reasonableness of the main assumptions adopted by the Group to classify the products on the basis of commercial strategies and their permanence in the production cycle, the related sales forecasts, and analysis of the algorithms and criteria applied in the calculation. In this context we also analyzed the historical usage of stock and performed a retrospective review of the estimate;

- test of the correct execution of the calculation of the provision based on the policies adopted by Group Management;

- analysis of the integrations of the provision deriving from specific events (e.g. termination of licences);

- review of the variations of the obsolescence reserve through analysis of main dynamics affecting it, by obtaining, where necessary, adequate supporting documentation.
The consolidated balance sheet includes tangible assets for Euro 115.6 million, rights of use for Euro 36.9 million, intangible assets for Euro 141.7 million and goodwill for Euro 32.9 million. This goodwill, recognized in 2020 subsequently the acquisition of the subsidiaries Privé Goods LLC and Blenders Eyewear LLC, is allocated to the single CGU identified by the Directors and represented by the Group as a whole, as disclosed in note 4.9. As required by IAS 36, goodwill was not amortized and it was subject to an impairment test performed at least on an annual basis, which compared the recoverable value of the CGU – based on the value in use methodology – and the carrying value as of December 31, 2021 which included goodwill, tangible assets, rights of use and intangible assets allocated to the CGU.

The impairment test as of December 31, 2021 was performed by the Directors based on financial projections for the period 2022 – 2026, approved on 15 March 2022 as described in note 4.9.

In note 2.23 the Directors explain how the process of performing the impairment test is complex and it is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). The Directors also prepared some sensitivity analysis, the results of which are illustrated in note 4.9.

We considered the significance of the amount of the tangible assets, rights of use, intangible assets and goodwill, collectively representing about 35% of consolidated assets at December 31, 2021, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test, consequently we assessed that the impairment test represents a key audit matter for the audit of Safilo Group’s consolidated financial statements.

We preliminarily analized the methodology and assumptions used by Management to perform the impairment test.

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

- understanding of the relevant controls designed and implemented by Safilo Group related the process of performing the impairment test;

- obtaining the sources of information used and analysis of the main assumptions adopted by the Directors to elaborate the expectations in terms of cash flows, also using industry data and researches with reference to the expected trend in revenues and margins, comparison with analysts’ expectations and obtaining information from Group Management;
• analysis of the actual results obtained by the Group compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process;

• analysis of the reasonableness of the discount rates (WACC) and long term growth (g-rate);

• test of the clerical accuracy of the model used to calculate the value in use for the CGU;

• test of the accuracy of the determination of the carrying value of the CGU and comparison with the recoverable value resulting from the impairment test;

• test of the sensitivity analysis prepared by Group Management.

Finally we verified the appropriateness and the compliance of the disclosure on the impairment test provided by the Group to the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and
are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report.

**Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders’ Meeting of Safilo Group S.p.A. has appointed us on April 15, 2014 as auditors of the Company for the years from December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Safilo Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

**Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Safilo Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of the Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.
In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Safilo Group S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree December 30, 2016, no. 254.

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Pergolari
Partner

Padova, Italy
March 18, 2022

This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.