



SEE THE WORLD AT ITS BEST

Half year Financial Report
for the period ended June 30th, 2022

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

www.safilogroup.com

SAFILO GROUP S.p.A.

Registered Office

Settima Strada, 15

35129 Padua - Italy

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Corporate Bodies and Committees

Board of Directors ⁽¹⁾

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

Board of Statutory Auditors ⁽²⁾

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

Supervisory Committee ⁽³⁾

<i>Chairman</i>	Bettina Solimando
	Ines Mazzilli
	Giorgia Canova

Control and Risk Committee ⁽³⁾

<i>Chairman</i>	Ines Mazzilli
	Melchert Frans Groot
	Matthieu Brisset

Sustainability Committee ⁽³⁾

<i>Chairman</i>	Eugenio Razelli
	Angelo Trocchia
	Katia Buja
	Vladimiro Baldin
	Fabio Roppoli
	Marco Cella
	Alberto Macciani

Remuneration and Nomination Committee ⁽³⁾

<i>Chairman</i>	Cinzia Morelli-Verhoog
	Jeffrey A. Cole
	Irene Boni

Transactions with Related Parties Committee ⁽³⁾

Chairman

Ines Mazzilli
Matthieu Brisset
Cinzia Morelli Verhoog

Independent Auditors

Deloitte & Touche S.p.A.

(1) Appointed by the Shareholders' Meeting held on April 29, 2021.

(2) Appointed by the Shareholders' Meeting held on April 28, 2020.

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

REPORT ON OPERATIONS

General information and activities of the Group

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

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

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

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

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

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

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

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

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

The Group’s brands include Carrera, Polaroid, Smith, Blenders, Privé Revaux and Seventh Street, and the

licensed brands Banana Republic, BOSS, Carolina Herrera, Chiara Ferragni Collection, Dsquared2, Eyewear by David Beckham, Fossil, havaianas, HUGO, Isabel Marant, Jimmy Choo, Juicy Couture, kate spade new york, Levi's, Liz Claiborne, Love Moschino, Marc Jacobs, Missoni, M Missoni, Moschino, Pierre Cardin, PORTS, rag&bone, Rebecca Minkoff, Tommy Hilfiger, Tommy Jeans and Under Armour.

Key consolidated performance indicators

Economic data (Euro million)	First semester 2022		First semester 2021	
		%		%
Net sales	570.9	100.0	510.7	100.0
Cost of sales	(252.6)	(44.2)	(248.5)	(48.7)
Gross profit	318.3	55.8	262.2	51.3
Ebitda	62.1	10.9	51.0	10.0
Ebitda pre non-recurring items	62.6	11.0	49.7	9.7
Operating profit/(loss)	38.0	6.7	22.3	4.4
Operating profit/(loss) pre non-recurring items	39.2	6.9	24.7	4.8
Group profit/(loss) before taxes	44.0	7.7	10.1	2.0
Profit/(Loss) attributable to the Group	32.7	5.7	2.0	0.4
Profit/(Loss) attributable to the Group pre non-recurring items	33.7	5.9	4.4	0.9

Economic data (Euro million)	Second quarter 2022		Second quarter 2021	
		%		%
Net sales	288.3	100.0	259.4	100.0
Gross profit	162.8	56.5	135.6	52.3
Ebitda	33.3	11.6	37.7	14.5
Ebitda pre non-recurring items	30.6	10.6	23.8	9.2

Balance sheet data (Euro million)	June 30, 2022		December 31, 2021	
		%		%
Total assets	999.6	100.0	937.8	100.0
Total non-current assets	376.5	37.7	373.6	39.8
Net invested capital	536.6	53.7	460.0	49.1
Net working capital	291.9	29.2	214.9	22.9
Net financial position	(105.6)	(10.6)	(94.0)	(10.0)
Net financial position pre IFRS 16	(63.5)	(6.4)	(52.8)	(5.6)
Group Shareholders' equity	399.4	40.0	326.7	34.8

Financial data (Euro million)	First semester 2022		First semester 2021	
Cash flow from operating activities	(3.6)		10.1	
Cash flow from investing activities	(6.2)		(9.8)	
Cash flow from financing activities	(15.3)		(16.7)	
Closing net financial indebtedness (short-term)	78.7		71.2	
Free cash flow	(14.5)		(4.8)	
Capital expenditure	6.4		10.4	

Earnings/(Losses) per share (in Euro)	First semester 2022		First semester 2021	
Earnings/(Losses) per share - basic	0.079		0.007	
Earnings/(Losses) per share - diluted	0.078		0.007	
Group Shareholders' equity per share	0.966		0.585	

Group personnel	June 30, 2022		December 31, 2021	
Punctual at period end	4,404		4,545	

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

Adjusted performance indicators

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

- In the first semester 2022, adjusted economic results pre non-recurring items exclude: non-recurring costs for Euro 1.2 million (Euro 0.6 million on EBITDA) due to some special projects costs and restructuring expenses, almost fully offset by the release of a restructuring provision. In Q2 2022, the adjusted EBITDA excludes a net non-recurring income for Euro 2.7 million, related to the release of the above mentioned restructuring provision, net of some other non-recurring expenses of the period.
- In the first semester 2021, adjusted economic results pre non-recurring items excluded: non-recurring costs for Euro 19.3 million (Euro 8.4 million on gross profit and Euro 15.6 million on EBITDA), mainly related to the announced closure of the Ormož production plant in Slovenia and a non-recurring income for Euro 17 million due to the release of a provision for risks and charges booked in 2015 in relation to an investigation by the French Competition Authority. The release was a result of positive outcome, without sanctions, of this investigation. In Q2 2021, the adjusted economic result excluded non-recurring costs for Euro 3.1 million (Euro 3.8 million on gross profit and Euro 3.2 million on EBITDA) and a non-recurring income for Euro 17 million related to the release of the above mentioned provision.

(Euro million)	First semester 2022			First semester 2021		
	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group
Economic indicators	62.1	38.0	32.7	51.0	22.3	2.0
Restructuring costs and other non recurring costs	0.6	1.2	1.2	15.6	19.3	19.3
Income for release provision on France Antitrust litigation	-	-	-	(17.0)	(17.0)	(17.0)
Tax effect on non recurring items			(0.3)			0.1
Economic indicators pre non recurring items	62.6	39.2	33.7	49.7	24.7	4.4

Alternative performance indicators definition

Certain “alternative performance indicators”, which are not foreseen in the IFRS accounting principles, have been used in this interim Report. Their meaning and content is given below:

- “EBITDA” stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;
- “EBITDA LTM adjusted” stands for EBITDA calculated for the prior 12 consecutive months ending on the date of measurement before non-recurring items;
- “EBIT” stands for Earnings Before Interest and Taxes and is also stated as “Operating profit/(Loss)”;
- “Capital expenditure” refers to purchases of tangible and intangible fixed assets;
- “Net invested capital” refers to the algebraic sum of shareholders’ equity of the Group and minority interests and the “Net financial position” (see below);
- “Free Cash Flow” means the algebraic sum of cash flow from/(for) operating activities, the cash flow from/(for) investing activities, and the cash payments for the principal portion of IFRS 16 lease liabilities;
- “Net working capital” means the algebraic sum of inventories, trade receivables and trade payables;
- “Net financial position” means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held on hand and at bank. Such indicator does not include the valuation at the reporting date of derivative financial instruments and the liability for options on non-controlling interests.

It should be noted that:

- certain figures in this report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be algebraic sums of the figures which precede them;
- the percentage variations and incidences in the tables have been calculated on the basis of data expressed in thousands and not those which are shown, rounded to the nearest million.

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

Disclaimer

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

Information on Group economic results

FIRST SEMESTER ECONOMIC PERFORMANCE

Consolidated income statement (Euro million)	First semester 2022		First semester 2021		Change %
		%		%	
Net sales	570.9	100.0	510.7	100.0	11.8%
Cost of sales	(252.6)	(44.2)	(248.5)	(48.7)	-1.6%
Gross profit	318.3	55.8	262.2	51.3	21.4%
Selling and marketing expenses	(219.0)	(38.4)	(188.1)	(36.8)	-16.4%
General and administrative expenses	(62.5)	(11.0)	(59.0)	(11.6)	-5.9%
Other operating income/(expenses)	1.2	0.2	7.2	1.4	-82.9%
Operating profit	38.0	6.7	22.3	4.4	70.1%
Gains/(losses) on liabilities for options on non-controlling interests	8.7	1.5	(0.7)	(0.1)	n.s.
Financial charges, net	(2.7)	(0.5)	(11.6)	(2.3)	76.7%
Profit before taxation	44.0	7.7	10.1	2.0	n.s.
Income taxes	(11.7)	(2.0)	(7.6)	(1.5)	-54.3%
Net profit	32.3	5.7	2.5	0.5	n.s.
Net profit/(loss) attributable to minority interests	(0.4)	(0.1)	0.5	0.1	n.s.
Net profit attributable to the Group	32.7	5.7	2.0	0.4	n.s.
EBITDA	62.1	10.9	51.0	10.0	21.6%

Economic indicators pre non-recurring items	First semester 2022		First semester 2021		Change
		%		%	
EBIT pre non-recurring items	39.2	6.9	24.7	4.8	59.1%
EBITDA pre non-recurring items	62.6	11.0	49.7	9.7	26.1%
Net profit attributable to the Group pre non-recurring items	33.7	5.9	4.4	0.9	n.s.

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

In the first half of 2022 Safilo recorded another meaningful economic improvement compared to the same period of 2021, in which the Group had already posted a significant increase versus 2019. As net sales continued to grow driven by the increase of volumes, positive sales mix and price effects, these top line dynamics, alongside the structural savings of around Euro 6 million achieved in the first half of the year at the COGS level, allowed the Group to more than offset the inflationary pressures which continued to impact transport and energy costs and to post a remarkable increase in gross profit.

Safilo delivered a robust economic performance also at the operating level, notwithstanding the increase in marketing and advertising investments, on the back of the business seasonality and its positive momentum, and higher EDP expenses following the accounting of software-as-a-service investment projects under the new IFRIC agenda.

At the net profit level, the Group recorded a further meaningful upside, thanks to lower financial charges and gains on liabilities for options on non-controlling interests.

Gross profit in first semester 2022 reached Euro 318.3 million, recording an increase of 21.4% compared to H1 2021, while the gross margin grew to 55.8%, improving 450 basis points compared to the gross margin of 51.3% recorded last year (respectively +17.6% and +280 basis points compared to H1 2021 adjusted gross profit and margin).

In H1 2022, selling, general and administrative costs increased by 13.9% compared to the H1 2021 behind an increase in marketing and advertising investments recorded both in Q1 and Q2 due to the peak season for the sunglass business, and the impact of Euro 3.7 million of software-as-a-service investment projects under the new IFRIC agenda, the equivalent of which in H1 2021 was still capitalized.

Adjusted EBITDA in first semester 2022 amounted to Euro 62.6 million, up 26.1% compared to the adjusted EBITDA of Euro 49.7 million recorded in H1 2021. The adjusted EBITDA margin stood at 11.0% (11.6% ex IFRIC SaaS impact not applied in the first semester 2021), marking an improvement of 130 basis points compared to the 9.7% posted in H1 2021.

Adjusted EBIT in first semester 2022 amounted to Euro 39.2 million, up 59.1% compared to the adjusted EBIT of Euro 24.7 million recorded in H1 2021, while the adjusted EBIT margin grew to 6.9% from 4.8% posted in H1 2021.

Below the operating results, the main drivers were:

- a gain of Euro 8.7 million due to lower liabilities for options on non-controlling interests, mainly following the increase of Safilo's controlling stake in Privé Revaux from 64.2% to 82.8%;
- net financial charges of Euro 2.7 million, substantially lower compared to Euro 11.6 million recorded in H1 2021, thanks to the share capital increase undertaken last year, which more than halved the Group Net Debt, and to a net positive impact of Euro 3.4 million from exchange rate differences.

Adjusted Group Net result in first semester 2022 equalled a profit of Euro 33.7 million compared to Euro 4.4 million recorded in H1 2021. The adjusted Group net margin increased to 5.9% from 0.9% recorded last year.

SECOND QUARTER ECONOMIC PERFORMANCE

Consolidated income statement (Euro million)	Second quarter 2022		Second quarter 2021		Change
		%		%	%
Net sales	288.3	100.0	259.4	100.0	11.2%
Cost of sales	(125.5)	(43.5)	(123.7)	(47.7)	-1.4%
Gross profit	162.8	56.5	135.6	52.3	20.0%
EBITDA	33.3	11.6	37.7	14.5	-11.5%

Economic indicators pre non-recurring items	Second quarter 2022		Second quarter 2021		Change
		%		%	%
EBITDA pre non-recurring items	30.6	10.6	23.8	9.2	28.5%

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

In second quarter 2022, Safilo continued to effectively counter inflationary pressures with a positive price/mix effect and additional structural COGS savings, overall granting the Group another significant increase in gross profit and the ability to reinvest part of this improvement in higher advertising and communication activities to support the positive top line momentum.

Gross profit in second quarter 2022 amounted to Euro 162.8 million, marking an increase of 20.0% compared to Q2 2021, while the gross margin rose by 420 basis points, from 52.3% to 56.5% of sales (respectively +16.8% and +280 basis points compared to Q2 2021 adjusted gross profit and margin).

In the period, selling, general and administrative costs increased by 13.0% compared to Q2 2021 due to higher investments in marketing and advertising, and for Euro 1.8 million due to the impact related to software-as-a-service investment projects under the new IFRIC agenda, the equivalent of which in Q2 2021 had been capitalized.

Adjusted EBITDA in second quarter 2022 stood at Euro 30.6 million, up 28.5% compared to Q2 2021, while the adjusted EBITDA margin rose by 140 basis points, from 9.2% to 10.6% of sales (11.2% ex IFRIC SaaS impact).

Net sales by geographical area

(Euro in millions)	First semester				Change at current forex %	Change at constant forex %	Change organic sales at constant forex % (*)
	2022	%	2021	%			
Europe	237.1	41.5	208.2	40.8	13.9%	14.1%	22.7%
North America	258.7	45.3	240.1	47.0	7.7%	-2.2%	2.4%
Asia Pacific	25.1	4.4	25.9	5.1	-2.9%	-8.9%	4.1%
Rest of the world	49.9	8.7	36.5	7.2	36.7%	26.1%	28.1%
Total	570.9	100.0	510.7	100.0	11.8%	6.2%	12.0%

(*) Change organic sales is calculated at constant exchange rates and include only the proprietary brands and not terminated licenses, present in both of the compared periods, excluding the business attributable to the production supply contract with Kering Eyewear.

Safilo's net sales in H1 2022 totalled Euro 570.9 million, up 11.8% at current exchange rates, +6.2% at constant exchange rates compared to Euro 510.7 million recorded in H1 2021.

After a strong organic¹ growth of 14.3% in Q1, the solid top line momentum recorded in Q2, at +9.8%, allowed the Group to close the first half of the year with a double-digit organic growth of 12.0% at constant exchange rates, driven by the continued strength of the owned brands Polaroid, Smith and Carrera, and of the main licensed brands of the Group. In H1 2022, Safilo made further progress in the implementation of its turnaround strategy, countering the sales recorded in H1 2021 by the discontinued brands with the successful launch of the new collections of Carolina Herrera, Dsquared2 and Chiara Ferragni.

The first half of the year saw the expected pick-up of sunglass sales, posting an organic growth of 13.9% at constant exchange rates, thanks to a buoyant consumer demand in Europe, the Middle East and Latin America. Sales of prescription frames, representing 38.9% of the Group's total business at the end of the semester, confirmed their natural resilience, recording an organic growth of 5.0% at constant exchange rates, despite the very demanding comparison with H1 2021 when the product category soared by 19.8% compared to H1 2019. Finally, the business of helmets and goggles for winter and summer sport activities kept growing at a rapid pace in the first half of 2022, taking the share of the Group's 'Other' product category to 9.6% of the Group's total business, growing sales by +33.6% at constant exchange rates, and leading the turnover of sports products to more than double compared to H1 2019.

In H1 2022, Safilo's total online sales, consisting of its direct to consumer business (D2C) and the Group's sales via internet pure players (IPP), increased by 7% at constant exchange rates, confirming their share of Safilo's total revenue at a solid 14.4% (13.6% in H1 2021) despite consumer spending returning strongly to physical stores. The Group also kept leveraging its multichannel business model by continuing to develop its B2B e-commerce platforms, including You&Safilo in Europe whose revenues grew by around 12% compared to H1 2021.

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

In the first half of the year, sales growth by geography was driven by the strong bounce back of Europe, while sales performance in North America, facing the double challenge of a tough comparison with H1 2021 and this year's slower consumption pace in the United States, remained positive at the organic level. The emerging markets of Latin America, India and the Middle East, representing together the so called 'Rest of the World' region, confirmed very sustained growth rates over the entire half year, whereas sales in Asia and Pacific, overall penalized by the Covid-related restrictions and lockdowns imposed by China until the beginning of June, grew at the organic level thanks to continued positive trends in South East Asia and Japan.

(Euro in millions)	Second quarter				Change at current forex %	Change at constant forex %	Change organic sales at constant forex % (*)
	2022	%	2021	%			
Europe	120.0	41.6	106.7	41.1	12.4%	12.1%	20.7%
North America	129.6	45.0	121.0	46.6	7.1%	-5.1%	-0.6%
Asia Pacific	12.7	4.4	12.9	5.0	-1.4%	-8.5%	5.9%
Rest of the world	26.0	9.0	18.7	7.2	38.6%	24.9%	26.4%
Total	288.3	100.0	259.4	100.0	11.2%	4.0%	9.8%

(*) Change organic sales is calculated at constant exchange rates and include only the proprietary brands and not terminated licenses, present in both of the compared periods, excluding the business attributable to the production supply contract with Kering Eyewear.

Safilo's net sales in Q2 2022 reached Euro 288.3 million, up 11.2% at current exchange rates and 4.0% at constant exchange rates compared to Euro 259.4 million recorded in Q2 2021.

The organic sales performance, equalling a growth of 9.8% at constant exchange rates, was driven by Smith's continuing strong momentum, as well as by the double-digit sales growth rates of Carrera and Polaroid. Within the Group's licensed portfolio, the significant progress of Tommy Hilfiger, BOSS, David Beckham, Under Armour and Isabel Marant stood out.

In Q2, Safilo's total net sales performance continued to be supported by the successful roll-out of the new Carolina Herrera, Dsquared2 and Chiara Ferragni eyewear collections, all contributing to offset the discontinued business still recorded in Q2 2021.

Q2 organic sales performance remained to be also driven by the key product and channel dynamics recorded in the first quarter, with the sunglasses business confirming a significant rebound, equal to + 9.2% at constant exchange rates, reflecting a buoyant consumer demand in Europe, Middle East and Latin America, and the sales of prescription frames which recorded yet another quarter on quarter progress, equal to + 4.6% at constant exchange rates. Finally, the Group's 'Other' product category, mainly comprising the sales of snow goggles and snow and bike helmets, confirmed a strong double-digit growth rate of +48.2% at constant exchange rates in the quarter.

In the second quarter, Safilo kept benefitting from the evolution of its increasingly multi-channel business model, which has allowed it, on the one hand, to fully seize the opportunities provided in the period by the strong recovery of physical retail, while, on the other, to continue developing the digital sales channels: direct to consumer (D2C) and through internet pure players (IPPs), which in Q2 grew by around 6% at constant

exchange rates.

Second quarter 2022 net sales in North America totalled Euro 129.6 million, up 7.1% at current exchange rates thanks to the positive foreign exchange impact resulting from the significant revaluation of the US dollar against the euro. At constant exchange rates, the performance of the market instead declined by a total 5.1% due to the challenging comparison with Q2 2021 and a slower consumption pace in the United States.

The organic business instead remained substantially in line with last year, at -0.6%, thanks especially to Smith's outstanding performance in its core categories of goggles and helmets and by a sound growth of Carrera, BOSS, HUGO, Under Armour and David Beckham, while Blenders softened due to a business environment that became progressively more challenging for pure e-tailers.

Second quarter 2022 net sales in Europe reached Euro 120.0 million, up 12.4% at current exchange rates and +12.1% at constant exchange rates compared to Q2 2021. Organic growth at +20.7% at constant exchange rates, confirmed the excellent performance recorded by the region in Q1, in the wake of a very dynamic business environment, fuelled by the return of local and international tourists, the latter mainly from the United States and the Middle East.

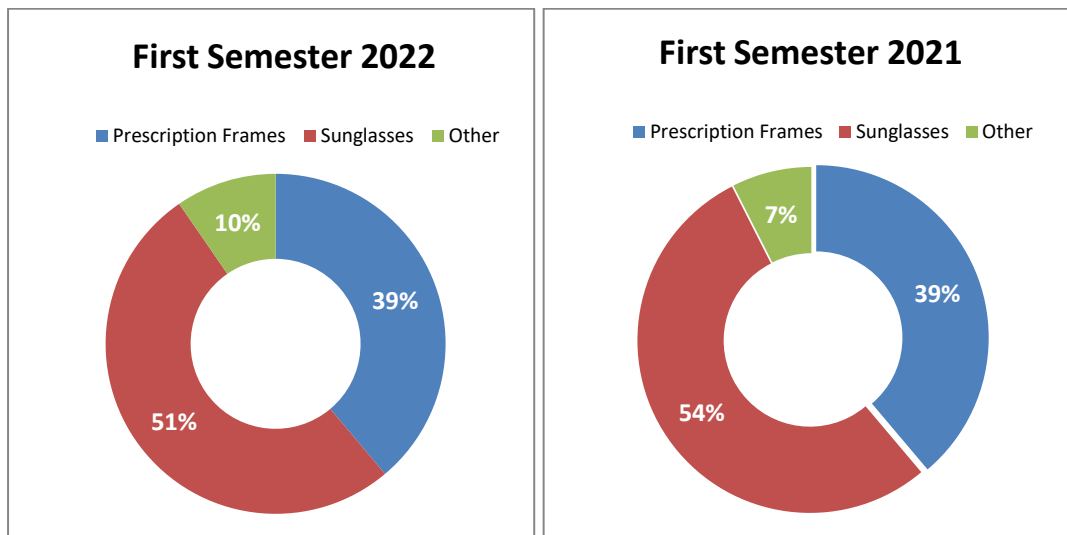
Sales of sunglasses recorded a strong bounce back in all key European markets, especially in Italy, France, Spain and Portugal, while business in Turkey and Poland was particularly strong thanks to the significant growth of Polaroid, Carrera and the Group's core licenses.

In Europe, the Iberian markets in particular benefitted from the highly successful launch of the new collections of Carolina Herrera by Safilo.

Second quarter 2022 net sales in Asia and Pacific stood at Euro 12.7 million, down 1.4% at current exchange rates and 8.5% at constant exchange rates compared to Q2 2021, with the business in Greater China remaining the main drag of the reported regional performance due to the months of April and May heavily impacted by Covid-related lockdowns. Sales momentum was instead dynamic in South East Asia, in Australia and in Japan, thanks to the ongoing expansion of brands such as Carrera, Smith, BOSS, Kate Spade and Levi's which supported another quarter of positive organic growth for the region, at +5.9% at constant exchange rates.

Second quarter 2022 net sales in the Rest of the World increased to Euro 26.0 million, up 38.6% at current exchange rates and 24.9% at constant exchange rates compared to Q2 2021. Similarly, organic sales growth in the region equalled +26.4% at constant exchange rates, consolidating the strong performance recorded in Q1 and again marking the very positive business momentum experienced on one side by Brazil and Mexico, alongside the other smaller Latin American markets, and, on the other, by Middle East and India, on the back of a dynamic trading environment and strong performance in particular by Carrera, Polaroid, Tommy Hilfiger, BOSS, HUGO and David Beckham.

The charts below summarize the breakdown of net sales by product category for the semester compared to the previous period:



Balance sheet reclassified

The table below shows the total balance sheet highlights at 30 June 2022, compared with those of 31 December 2021.

Balance sheet (Euro in million)	June 30, 2022	December 31, 2021	Change
Trade receivables	241.1	173.5	67.6
Inventory, net	252.7	234.4	18.3
Trade payables	(202.0)	(193.1)	(8.9)
Net working capital	291.9	214.9	77.0
Tangible assets	112.7	115.6	(2.9)
Right of Use assets	37.3	36.9	0.4
Intangible assets	143.4	141.7	1.8
Goodwill	35.8	32.9	3.0
Non-current assets held for sale	2.3	2.3	0.0
Net fixed assets	331.6	329.4	2.2
Employee benefit liability	(18.0)	(19.0)	1.0
Other assets / (liabilities), net	(26.4)	(17.8)	(8.6)
Liabilities for options on non-controlling interests	(42.5)	(47.4)	4.9
NET INVESTED CAPITAL	536.6	460.0	76.5
Cash in hand and at bank	78.7	99.0	(20.3)
Short term borrowings	(34.5)	(20.0)	(14.5)
Short-term Lease liabilities	(8.4)	(8.2)	(0.2)
Long term borrowings	(107.6)	(131.8)	24.2
Long-term Lease liabilities	(33.7)	(32.9)	(0.8)
NET FINANCIAL POSITION	(105.6)	(94.0)	(11.6)
Group Shareholders' equity	(399.4)	(326.7)	(72.7)
Non-controlling interests	(31.6)	(39.3)	7.8
TOTAL SHAREHOLDERS' EQUITY	(431.0)	(366.1)	(64.9)

Cash flow

The summary statement of cash flows for the first six months ended 30 June 2022, with comparatives for the same period of the previous year, is provided below:

Free cash flow (Euro in millions)	First semester 2022	First semester 2021	Change
Cash flow from operating activities	(3.6)	10.1	(13.7)
Cash flow from investing activities	(6.2)	(9.8)	3.6
Cash flow from repayment principal portion of IFRS 16 lease liabilities	(4.7)	(5.1)	0.4
Free cash flow	(14.5)	(4.8)	(9.7)

In the first semester of 2022, Safilo's Free Cash Flow equalled a cash absorption of Euro 14.5 million compared to the cash absorption of Euro 4.8 million recorded in H1 2021.

Safilo closed the first half of 2022 with a negative cash flow from operating activities of Euro 3.6 million (it was positive for Euro 10.1 million in H1 2021), reflecting, on one side, the significant improvement of the economic performance, and, on the other, the cash absorption from the change in net working capital.

In the first half of the year, Safilo recorded a sizeable increase of trade receivables, in line with the growth of the business activity, while trade payables just slightly increased, offsetting the small rise in inventories compared to the end of the year. It is worth noting that while cash collection remained very strong and healthy during the whole semester, the activity of the period could not count on around Euro 10 million due to some anticipated payments from customers at the end of 2021. In H1 2022, the cash flow for investments stood at Euro 6.2 million.

Net working capital

Net working capital (Euro in million)	June 30, 2022	June 30, 2021	Change vs June	December 31, 2021	Change vs December
Trade receivables, net	241.1	220.6	20.5	173.5	67.6
Inventories	252.7	195.1	57.7	234.4	18.3
Trade payables	(202.0)	(215.1)	13.2	(193.1)	(8.9)
Net working capital	291.9	200.6	91.3	214.9	77.0
<i>% on net sales</i>	<i>28.3%</i>	<i>21.0%</i>		<i>22.2%</i>	

In the first semester of 2022, changes in net working capital (excluding translation difference effect equal to Euro 18.1 million) led to a cash absorption of Euro 58.9 million compared to the end of 2021. The increase is mainly due to the sizeable increase of trade receivables, in line with the growth of the business activity, while trade payables just slightly increased, offsetting the small rise in inventories compared to the end of the year.

Investments in tangible and intangible fixed assets

The Group's capital expenditure breaks down as follows:

(Euro in million)	First semester 2022	First semester 2021	Change
Headquarters	2.0	4.3	(2.3)
Production factories	2.0	3.9	(1.9)
Europe	0.1	0.1	-
Americas	2.3	2.1	0.2
Far East	-	-	-
Total investments	6.4	10.4	-4.0

In the first semester of 2022 capital expenditures amounted to Euro 6.4 million compared with Euro 10.4 million in the same period of the previous year. The investments of the period were related to product supply and logistic chain for Euro 3.1 million, IT infrastructure for Euro 1.4 million and others for Euro 1.9 million.

The reduction of investments compared to previous year is due to the application of the IFRIC's agenda decision published in April 2021 and related to the capitalization of costs of configuring or customizing software application under 'Software as a Service' ('SaaS') arrangements, still capitalized by the Group at the end of H1 2021. This change mainly affected certain investments in software for the digitalization of the sales channels (B2B and B2C platform and CRM technology). In the first semester of 2022 an amount of Euro 3.7 million has been fully expensed in the EDP service costs in the general & administrative expenses that previously to IFRIC agenda adoption were considered as intangible capex.

Net financial position

Net financial debt (Euro in million)	June 30, 2022	December 31, 2021	Change
Current portion of long-term borrowings	(34.5)	(20.0)	(14.5)
Short-term lease liability IFRS 16	(8.4)	(8.2)	(0.2)
Cash and cash equivalents	78.7	99.0	(20.3)
Short-term net financial position	35.7	70.8	(35.0)
Long-term borrowings	(107.6)	(131.8)	24.2
Long-term financial lease liability IFRS 16	(33.7)	(32.9)	(0.8)
Long-term net financial position	(141.3)	(164.7)	23.4
TOTAL NET FINANCIAL POSITION	(105.6)	(94.0)	(11.6)
TOTAL NET FINANCIAL POSITION PRE IFRS 16	(63.5)	(52.8)	(10.7)

At 30 June 2022, the Group's net debt amounted to Euro 105.6 million (Euro 63.5 million pre-IFRS 16 with a corresponding leverage ratio, also pre-IFRIC SaaS, of 0.7x), compared to Euro 109.1 million (Euro 68.9 million pre-IFRS 16) at the end of March 2022 and Euro 94.0 million (Euro 52.8 million pre-IFRS 16) as at 31 December 2021.

The key components of the Group's net debt at the end of June 2022 were the following:

- a long-term debt position of Euro 141.3 million, consisting of the Euro 107.6 million Term Loan facility guaranteed by SACE and IFRS-16 lease liabilities of Euro 33.7 million;
- a short-term debt position of Euro 43.0 million, consisting of bank loans and other short-term borrowings of Euro 34.5 million and IFRS-16 lease liabilities of Euro 8.4 million;
- a cash position of Euro 78.7 million.

The above loans are subject to operating and financial covenants which the Group complied with as at 30 June 2022.

The Group Net financial position reported in the above table does not include the valuation of derivative financial instruments and the Put&Call option liability on minority interests equal respectively to an asset of Euro 1.8 million and a liability of Euro 42.5 million (respectively Euro 1.0 million and a liability of Euro 47.4 million as at 31 December 2021).

Personnel

The Group's total workforce at 30 June 2022, 31 December 2021 and 30 June 2021 is summarized below:

	June 30, 2022	December 31, 2021	June 30, 2021
Padua headquarters	880	867	897
Production factories	2,211	2,395	2,902
Commercial subsidiaries	1,313	1,283	1,287
Total	4,404	4,545	5,086

The decrease in the number of factory workers is mainly due to the restructuring of the Group's manufacturing footprint which involved the closure of the Slovenian production site in Ormož, effective from 1 July 2021, and the reorganization of the Italian one in Longarone.

Main critical risk factors for the Group

The Group takes appropriate measures to counteract the potential risks and uncertainties that characterize its business. As disclosed in the 2021 Group Annual Report the Group has an approach to business risk management to monitor key risks and put in place action plans to mitigate them.

The Group has reviewed its critical risks also with regards to the macro-economic and geo-political implications related to Russia's invasion of Ukraine and the sanctions imposed against Russia and Belarus considering the significant business challenges and the high degree of uncertainty and knock-on effects.

The outcome of the risk assessment performed has substantially confirmed the limited exposure to financial and business impacts for the Group related to this specific risk, also taken in consideration that Safilo's net sales and assets in Russia and Ukraine accounted for respectively less than 2% of the Group's total revenues and around 2% of the Group's total net assets.

In terms of business continuity there is no risk considering that the Group operations in terms of manufacturing and logistics infrastructures are not located in the area involved in the conflict. The Group's business activities in the area are related to Safilo commercial subsidiary with local customers.

Subsequent events and Outlook

Subsequent events

On July 21, 2022, Safilo announced that it has joined The Fashion Pact, a global coalition of companies in the fashion and textile industry (ready-to-wear, sport, lifestyle and luxury) including their suppliers and distributors, all committed to a common core of key environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans.

In the period following 30 June 2022, there were no further events in addition to those reported that could have a material impact on the results published in this report.

Outlook

Based on the results recorded in the first semester of 2022 and the current visibility into the third quarter, Safilo management is confident about already reaching in 2022 the economic targets set out in the 2024 business plan, envisaging net sales at around Euro 1 billion and the adjusted EBITDA margin between 9% and 11%.

The Group now expects full year 2022 net sales to grow mid-single digits at constant exchange rates compared to 2021 and the adjusted EBITDA margin to stand at around 10% from 8.4% recorded in 2021. These forecasts are assuming for the rest of the year a reasonably stable economic and business environment compared to the current situation in relation to macro-economic and geo-political drivers.

The Group aims to provide an update of its medium-term economic and financial targets in the fourth quarter of the year.

**Interim Condensed Consolidated Financial
Statements**

and Notes

as at and for the six months period ended

June 30th, 2022

Interim condensed consolidated balance sheet

<i>(Euro/000)</i>	<i>Notes</i>	June 30, 2022	of which related parties	December 31, 2021	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	<i>2.1</i>	78,674		99,002	
Trade receivables	<i>2.2</i>	241,108	253	173,548	321
Inventory	<i>2.3</i>	252,728		234,430	
Derivative financial instruments	<i>2.4</i>	1,898		1,503	
Other current assets	<i>2.5</i>	46,365		53,406	
Total current assets		620,772		561,888	
Non-current assets					
Tangible assets	<i>2.6</i>	112,667		115,613	
Right of Use assets	<i>2.7</i>	37,337		36,918	
Intangible assets	<i>2.8</i>	143,437		141,659	
Goodwill	<i>2.9</i>	35,832		32,861	
Deferred tax assets	<i>2.10</i>	38,168		37,441	
Derivative financial instruments	<i>2.4</i>	-		-	
Other non-current assets	<i>2.11</i>	9,099		9,070	
Total non-current assets		376,538		373,563	
Non-current assets held for sale	<i>2.6</i>	2,320		2,320	
TOTAL ASSETS		999,631		937,771	

(Euro/000)	Notes	June 30, 2022	of which related parties	December 31, 2021	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Borrowings	2.12	34,549		20,000	
Lease liabilities	2.12	8,410		8,247	
Trade payables	2.13	201,971	17	193,082	23
Tax payables	2.14	28,845		17,420	
Derivative financial instruments	2.4	59		545	
Other current liabilities	2.15	55,524	-	55,562	-
Provisions	2.16	8,087		15,776	
Total current liabilities		337,446		310,632	
Non-current liabilities					
Borrowings	2.12	107,611	-	131,798	-
Lease liabilities	2.12	33,672		32,917	
Employee benefit obligations	2.17	18,001		18,995	
Provisions	2.16	14,521		15,144	
Deferred tax liabilities	2.10	13,031		13,031	
Derivative financial instruments	2.4	-		-	
Liabilities for options on non-controlling interests	2.18	42,501		47,406	
Other non-current liabilities	2.19	1,855		1,760	
Total non-current liabilities		231,192		261,052	
TOTAL LIABILITIES		568,638		571,684	
Shareholders' equity					
Share capital	2.20	384,824		384,820	
Share premium reserve	2.21	692,467		692,458	
Retained earnings and other reserves	2.22	(710,599)		(771,812)	
Cash flow hedge reserve	2.23	-		-	
Income/(Loss) attributable to the Group		32,717		21,275	
Total shareholders' equity attributable to the Group		399,410		326,741	
Non-controlling interests		31,582		39,346	
TOTAL SHAREHOLDERS' EQUITY		430,992		366,087	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		999,631		937,771	

Interim condensed consolidated income statement

(Euro/000)	Notes	First semester 2022	of which related parties	First semester 2021	of which related parties
Net sales	3.1	570,882	618	510,724	31,887
Cost of sales	3.2	(252,572)		(248,487)	
Gross profit		318,310		262,236	
Selling and marketing expenses	3.3	(219,015)	(17)	(188,080)	(1,327)
General and administrative expenses	3.4	(62,520)	-	(59,050)	-
Other operating income/(expenses)	3.5	1,236		7,235	
Operating profit		38,011		22,342	
Gains/(losses) on liabilities for options on non-controlling interests	3.6	8,731		(673)	
Financial charges, net	3.7	(2,701)	-	(11,605)	(3,384)
Profit before taxation		44,041		10,064	
Income taxes	3.8	(11,699)		(7,584)	
Profit of the period		32,342		2,480	
Profit/(Loss) attributable to:					
Owners of the parent		32,717		1,960	
Non-controlling interests		(375)		520	
Earnings per share - basic (Euro)	3.9	0.079		0.007	
Earnings per share - diluted (Euro)	3.9	0.078		0.007	

Interim condensed consolidated statement of comprehensive income

<i>(Euro/000)</i>	<i>Notes</i>	First semester 2022	First semester 2021
Net profit for the period (A)		32,342	2,480
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		-	499
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		-	499
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	<i>2.23</i>	-	26
- Gains/(Losses) on exchange differences on translating foreign operations	<i>2.22</i>	32,818	12,572
Total gains/(losses) that will be reclassified subsequently to profit or loss:		32,818	12,598
Other comprehensive income/(loss), net of tax (B)		32,818	13,097
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		65,160	15,577
Attributable to:			
Owners of the parent		62,916	13,730
Non-controlling interests		2,244	1,847
TOTAL COMPREHENSIVE INCOME/(LOSS)		65,160	15,577

Interim condensed consolidated cash flow statement

(Euro/000)	Notes	First semester 2022	First semester 2021
A - Opening net cash and cash equivalents (net financial indebtedness - short term)			
	2.1	99,002	85,966
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		32,342	2,480
Depreciation and amortization	2.6 - 2.8	19,221	23,817
Right of Use depreciation IFRS 16	2.7	4,822	4,882
Non-monetary changes related to liabilities for options on non-controlling interests		(8,731)	673
Other items		(11,230)	(20,362)
Interest expenses, net	3.7	2,070	6,515
Interest expenses on lease liabilities IFRS 16	3.7	781	788
Income tax expenses	3.8	11,699	7,584
Flow from operating activities prior to movements in working capital		50,974	26,377
(Increase) Decrease in trade receivables		(57,885)	(43,783)
(Increase) Decrease in inventory, net		(4,833)	6,730
Increase (Decrease) in trade payables		3,840	31,556
(Increase) Decrease in other receivables		4,443	(7,191)
Increase (Decrease) in other payables		(1,152)	3,303
Interest expenses paid		(1,678)	(3,121)
Interest expenses paid on lease liabilities IFRS 16		(781)	(788)
Income taxes paid		3,462	(2,968)
Total (B)		(3,609)	10,115
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(4,702)	(5,725)
Net disposals of property, plant and equipment and assets held for sale		62	598
(Purchase)/Disposal of subsidiary (net of cash acquired/disposed)		-	-
Purchase of intangible assets, net of disposals		(1,597)	(4,715)
Total (C)		(6,237)	(9,842)
D - Cash flow from (for) financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings	2.12	(10,000)	(10,457)
Repayment of principal portion of lease liabilities IFRS 16		(4,688)	(5,111)
Increase in share capital, net of transaction costs		13	-
Dividends paid		(589)	(1,121)
Total (D)		(15,263)	(16,688)
E - Cash flow for the period (B+C+D)		(25,109)	(16,415)
Translation exchange differences		4,781	1,678
Total (F)		4,781	1,678
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)			
	2.1	78,674	71,229

Interim condensed consolidated statement of changes in equity

(Euro/000)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2022	384,820	692,458	92,193	-	(842,730)	326,741	39,346	366,087
Profit/(Loss) for the period	-	-	-	-	32,717	32,717	(375)	32,342
Other comprehensive income (loss) for the period	-	-	30,199	-	-	30,199	2,619	32,818
Total comprehensive income (loss) for the period	-	-	30,199	-	32,717	62,916	2,244	65,160
Increase in share capital, net of transaction costs	4	10	-	-	-	14	-	14
Dividends distribution	-	-	-	-	-	-	(589)	(589)
Changes of non-controlling interests of subsidiaries acquired	-	-	-	-	9,419	9,419	(9,419)	-
Net increase in the Reserve for share-based payments	-	-	-	-	320	320	-	320
Changes in other reserves	-	-	-	-	-	-	-	-
Consolidated net equity at June 30, 2022	384,824	692,467	122,393	-	(800,274)	399,410	31,582	430,992

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

NOTES

1. Basis of preparation

1.1 General information

These interim condensed consolidated financial statements refer to the financial period from 1 January 2022 to 30 June 2022. Economic and financial information is provided with reference to the first six months of 2022 and 2021 whilst balance sheet information is provided with reference to 30 June 2022 and 31 December 2021.

The interim consolidated financial report of Safilo Group at 30 June 2022, including condensed consolidated financial statements and interim management report is prepared in accordance with provisions of art. 154 ter of Legislative Decree No. c.2 58/98 - T.U.F. - and subsequent amendments and additions. This interim financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB). The notes, in accordance with IAS 34, are presented in summary form and do not include all information requested in the annual financial statements. They refer only to those components that, in amount, composition or variations, are essential for understanding the economic situation and financial position of the Group. Therefore, this interim financial report should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2021.

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

These financial statements were approved by the Board of Directors on 3 August 2022.

The interim condensed consolidated financial statements have been prepared based on the going concern assumption. In its assessments, management believes that there are no significant uncertainties with reference to the going concern assumption for the near future.

1.2 Accounting standards, amendments and interpretations and impact of changes in accounting policies applied from 1 January 2022

Except for what is described below about those accounting policies which changed due to new accounting standards, in preparing these interim consolidated financial reports the same accounting principles and criteria of the consolidated balance sheet as at 31 December 2021 have been applied.

At the date of this interim report there are the following amendments that have been endorsed by the European Union applicable to the Group and effective for annual periods beginning on or after 1 January 2022:

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

The Group has complied with these new amendments in preparing this report, their application had no impact on the Group consolidated financial statements.

Software as a service ('SaaS') arrangements

Following the IFRIC's agenda decision published in 2021 related to the capitalization of costs of configuring or customizing software applications under 'Software as a Service' ('SaaS') arrangements, the Group starting from

the 2021 Annual Report the Group changed its accounting policy related to the capitalization of these costs. The change led to the following impacts on the 2021 financial statements: a reduction of 6,176 thousand Euro of the intangible assets (Software) and a decrease of the operating profit of 2,106 thousand Euro.

In the present interim report, the comparative period related to the first semester 2021 has not been restated to include the effects of the application of such 'Saas' IFRIC Agenda considering the estimated limited impact of such application on the operating result deriving from the application of such accounting policy.

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

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

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

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

[Accounting standards, amendments and interpretations not yet completed and endorsed by the European Union](#)

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

- on 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other short or long-term liabilities. The changes come into effect from January 1, 2023;
- on 7 May 2021, the IASB published the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The changes come into effect from January 1, 2023.

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

1.3 Consolidation method and consolidation area

During the first six months of 2022, the Group's consolidation area changed as follows:

- on 14 January 2022 David Schottenstein, Board member and CEO of Privé Goods LLC (Privé Revaux) resigned and left the Company. Following this event and pursuant to the contractual terms of the acquisition the Group has exercised its put and call option on the non-controlling interests held by David Schottenstein increasing its controlling stake in Privé Revaux from 64.2% to 81.9% in exchange for a nominal amount. During the semester some other Company equity holders and employees have resigned increasing the Group controlling stake to 82.8%.

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

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Padua	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	100.0
Safilo Industrial S.r.l. - Padua	EUR	41,634,703	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,896,370	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Moscow (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	100.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	100.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzhen Limited- Shenzhen (RC) (in liquidation)	CNY	2,481,000	100.0
Safilo Korea Co. Ltd. - Seoul (K)	KRW	50,000,000	51.0
Safilo Eyewear (Shenzhen) Company Limited - (RC)	CNY	46,546,505	100.0
Safilo Eyewear (Shanghai) Co Ltd - (RC)	CNY	1,000,000	100.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129,704,740	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	100.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Safilo d.o.o. Ormož - Ormož (SLO) (in liquidation)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197,135,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo Polska sp. z.o.o. - Warsaw (PL)	PLN	50,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo UK Ltd. - London (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	100,000	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199,975	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	100.0
Privè Goods LLC. - Delaware (USA)	USD	19,919,335	82.8
Privè Capsules LLC - Delaware (USA)	USD	-	82.8
Blenders Eyewear LLC - Delaware (USA)	USD	1,000	70.0
PorSa Eyewear (Xiamen) Co Ltd.- (RC)	CNY	1,000,000	100.0

1.4 Translation of financial statement in currencies other than Euro

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

Currency	Code	As of		(Appreciation) /Depreciation	Average for		(Appreciation)/ Depreciation
		June 30, 2022	December 31, 2021	%	June 30, 2022	June 30, 2021	%
US Dollar	USD	1.0387	1.1326	-8.3%	1.0934	1.2054	-9.3%
Hong-Kong Dollar	HKD	8.1493	8.8333	-7.7%	8.5559	9.3551	-8.5%
Swiss Franc	CHF	0.9960	1.0331	-3.6%	1.0319	1.0946	-5.7%
Canadian Dollar	CAD	1.3425	1.4393	-6.7%	1.3901	1.5030	-7.5%
Japanese Yen	YEN	141.5400	130.3800	8.6%	134.3071	129.8681	3.4%
British Pound	GBP	0.8582	0.8403	2.1%	0.8424	0.8680	-3.0%
Swedish Krown	SEK	10.7300	10.2503	4.7%	10.4796	10.1308	3.4%
Australian Dollar	AUD	1.5099	1.5615	-3.3%	1.5204	1.5627	-2.7%
South-African Rand	ZAR	17.0143	18.0625	-5.8%	16.8485	17.5244	-3.9%
Russian Rouble	RUB	56.4046	85.3004	-33.9%	84.7589	89.5502	-5.4%
Brasilian Real	BRL	5.4229	6.3101	-14.1%	5.5565	6.4902	-14.4%
Indian Rupee	INR	82.1130	84.2292	-2.5%	83.3179	88.4126	-5.8%
Singapore Dollar	SGD	1.4483	1.5279	-5.2%	1.4921	1.6059	-7.1%
Malaysian Ringgit	MYR	4.5781	4.7184	-3.0%	4.6694	4.9387	-5.5%
Chinese Renminbi	CNY	6.9624	7.1947	-3.2%	7.0823	7.7960	-9.2%
Korean Won	KRW	1,351.600 0	1,346.3800	0.4%	1,347.8363	1,347.5387	0.0%
Mexican Peso	MXN	20.9641	23.1438	-9.4%	22.1653	24.3270	-8.9%
Turkish Lira	TRY	17.3220	15.2335	13.7%	16.2579	9.5226	70.7%
Dirham UAE	AED	3.8146	4.1595	-8.3%	4.0155	4.4266	-9.3%
Polish Zloty	PLN	4.6904	4.5969	2.0%	4.6354	n.a.	n.a.

The foreign exchange rates apply by the Group are the ones published by the European Central Bank the last working days of the relevant reporting period. Starting from 2 March 2022 the European Central Bank decided to suspend the publication of a Euro reference rate for the Russian rouble until further notice. The Group has updated the EUR/RUB exchange rate using the reference rate published by Bloomberg, a primary financial data provider.

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

1.5 Use of estimates

The preparation of the interim condensed consolidated financial statements requires the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions which are from time to time considered reasonable and realistic according to the prevailing circumstances. The application of these estimates and assumptions impact the amounts reported in the financial statements such as the balance sheet, the income

statement and the cash flow statement and the disclosures in the notes to the accounts. Actual results may differ from previous estimates and assumptions due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

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

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

- *Write-down of goodwill and fixed assets:* in accordance with the accounting standards adopted for the preparation of the financial statements, the company tests goodwill and net invested capital (including fixed assets) at least once a year in order to ascertain the existence of any loss in value to be recorded in the income statement. In particular, the test results in the determination of the fair value allocated to the cash-generating units. This value is determined according to their current value in use the determination of which requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is deemed that there may be a potential loss in value, the Group determines this using the most appropriate technical valuation methods available. Proper identification of the indicators of contingent impairment as well as the estimates used to determine them depend on factors which may vary over time, influencing the Directors’ measurements and estimates.
- *Allowance for bad or doubtful debts:* the allowance for bad or doubtful debts reflects the management’s best estimate regarding losses concerning the credit portfolio towards the final client. This estimate is based on the losses expected by the Group, determined on the basis of past experience for similar credits, current and historic overdue, careful monitoring of credit quality and projections regarding the economic and market conditions. management in its estimate considered also the economic conditions present in the various markets in which the Group operates and the consequent possible future losses on debts originated by contingent situations in those markets.
- *Allowance for inventory obsolescence:* the Group produces and sells goods subject to changes in market trends and consumer demand, consequently a significant level of judgment is required in determining the appropriate write-down of inventories based on sales forecasts. The inventory of finished products which are obsolete or slow moving are regularly subjected to specific assessment tests, which take into consideration past experience, historic results and the probability of sale under normal market conditions. If the need to reduce the value of the stock should arise following these analyses, management proceeds with the appropriate write-downs.
- *(Contingent) liabilities:* the Group is subject to legal and tax actions regarding different types of problems; due to uncertainties relating to proceedings and the complexity of such proceedings, the management consults its lawyers, and other legal and fiscal experts, and when expenditure is considered probable and the amount can be reasonably estimated, adequate funds are allocated.
- *Deferred taxes:* deferred tax assets are accounted for on the basis of the expectations of future taxable income. The assessment of the recoverability of deferred tax assets derives from specific assumptions about the probability that taxable income will be realized in future years and that these are sufficient to allow the recovery of deferred tax assets. These valuations are based on assumptions

that may not even be realized, or are realized to an insufficient extent compared to what is necessary to fully recover the deferred tax assets recorded in the financial statements, and therefore their variation could have significant effects on the valuation of deferred tax assets.

- *Options on minority interests:* The contractual purchase terms of some investments in subsidiaries also include reciprocal put and call options on the non-controlling interests, for which the Group has recognized a liability whose valuation is highly dependent on the expectations of management regarding the future performance of the acquired companies.

2. Notes to the condensed consolidated balance sheet

2.1 Cash and cash equivalents

At 30 June 2022 this account totals Euro 78,674 thousand, compared to Euro 99,002 thousand at 31 December 2021 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

At 30 June 2022 more than 87% of the Group's cash balance was located in the Italian, other European and US entities of the Group, management has the ability to readily access to the cash balances located all over the Group if needed.

2.2 Trade receivables

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Gross value trade receivables	254,547	190,309
Allowance for doubtful accounts (-)	(13,438)	(16,762)
Net value	241,108	173,548

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

The significant increase in the gross amount of trade receivables is due to the seasonality of the business and the positive sales performance.

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

(Euro/000)	January 1, 2022	Addition	Use/Release (-)	Transl. diff.	June 30, 2022
Allowance for doubtful accounts (-)	16,762	531	(4,566)	712	13,438

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

The decrease of the period equal to Euro 4,566 thousand is mainly related to the use of the allowance to cover the impact of the write-off of the already impaired accounts receivables considered as definitively not recoverable.

As required by IFRS 7, paragraph 36, the table below analyses the age of gross receivables as of 30 June 2022 and 31 December 2021:

Ageing of trade receivables (Euro/000)	June 30, 2022	December 31, 2021	Change
Overdue and impaired	12,391	15,779	(3,388)
up to 1 month	17,839	11,207	6,632
from 1 to 3 months	11,282	8,237	3,046
3 to 6 months	2,679	6,000	(3,321)
6 to 9 months	727	1,044	(317)
from 9 to 12 months	151	722	(571)
from 12 to 24 months	248	518	(270)
over 24 months	51	53	(2)
Overdue and not impaired	32,977	27,780	5,197
Neither overdue nor impaired	209,179	146,751	62,428
Grand total	254,547	190,309	64,237

At 30 June 2022 overdue receivables not impaired, amounted to 32,977 thousand Euro (compared to 27,780 thousand Euro at 31 December 2021). Of these, receivables that were more than 9 months past due amounted to 450 thousand Euro (compared to 1,293 thousand Euro at 31 December 2021) accounted for 0.18% of the Group's total trade receivable compared to 0.68% at 31 December 2021.

In compliance to the applicable standards, the Group has assessed the existing trade receivables for impairment based on the model of expected losses, as at 30 June 2022 the provision for doubtful accounts include a credit loss allowance of 1.0 million Euro that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not past due.

2.3 Inventory

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Raw materials	81,819	70,819
Work in progress	6,017	6,854
Finished goods	236,970	224,884
Gross inventories	324,805	302,556
Provision for obsolete inventories (-)	(72,078)	(68,127)
Total	252,728	234,430

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

The movements in the period are shown below:

<i>(Euro/000)</i>	January 1, 2022	Posted to income statement	Transl. diff.	June 30, 2022
Inventory gross value	302,556	7,001	15,249	324,805
Provision for obsolete inventories (-)	(68,127)	(2,167)	(1,784)	(72,078)
Total net	234,430	4,833	13,465	252,728

2.4 Derivative financial instruments

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

<i>(Euro/000)</i>	June 30, 2022	December 31, 2021
Current assets:		
- Foreign currency contracts - Fair value through P&L	1,898	1,503
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	59	545
Total Net	1,839	958

The market value of the forward hedge contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had outstanding contracts for the hedging against exchange rate fluctuations for a positive net market value of Euro 1,839 thousand.

2.5 Other current assets

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2022	December 31, 2021
VAT receivable	11,851	11,815
Income tax receivables	15,748	19,023
Prepayments and accrued income	12,691	11,999
Other receivables	6,075	10,569
Total	46,365	53,406

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

Prepayments and accrued income amounted to 12,691 thousand Euro (11,999 thousand Euro at December 31, 2021) mainly relate to royalties and advertising expenses, prepaid insurance and other prepaid expenses.

Other current receivables amounted to 6,075 thousand Euro, compared to 10,569 thousand Euro of December 2021. The balance mainly includes deposit payments due within 12 months and other receivables related to the ordinary business.

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

2.6 Tangible assets

Changes in tangible assets in the first six months of 2022 are shown below:

(Euro/000)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	June 30, 2022
Gross value						
Land and buildings	118,911	921	(82)	(83)	1,750	121,417
Plant and machinery	175,998	510	(551)	-	1,244	177,201
Equipment and other assets	136,213	3,192	(401)	83	4,568	143,655
Advance payments	43	78	(43)	-	-	78
Total	431,164	4,702	(1,077)	-	7,562	442,351
Accumulated depreciation						
Land and buildings	57,670	1,668	(59)	108	853	60,241
Plant and machinery	146,267	2,863	(502)	-	882	149,510
Equipment and other assets	111,613	5,470	(454)	(108)	3,412	119,933
Total	315,551	10,001	(1,015)	-	5,147	329,684
Net value	115,613	(5,299)	(62)	-	2,415	112,667

Investments in tangible assets in the first six months amount to 4,702 thousand Euro (5,725 thousand Euro in the previous period), and refer to:

- Euro 1,955 thousand in production facilities, mainly for the upgrade of plants and for the purchase and production of equipment for new models;
- Euro 2,306 thousand for the U.S. companies, mainly for production of equipment for new Smith models and the other logistic and commercial investments;
- Euro 281 thousand mainly for the upgrade of logistic equipment in the Italian Headquarter and the distribution centre;
- the remaining part in other companies of the Group.

Non-current assets held for sale

The balance related to the reclassification to "Non-current assets held for sale" refers to the reclassification of real estate subject to a plan of disposal.

At 30 June 2022 the item "Non-current assets held for sale", presented in a separate line item in the balance sheet, includes an industrial real estate location near the Longarone production site, which had been downsized in 2020. It is measured at fair value determined on the basis of third-party independent appraisal.

2.7 Right of Use assets

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

(Euro/000)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	June 30, 2022
Gross value						
Buildings Right of Use	49,449	1,605	(149)	-	3,849	54,753
Other assets Right of Use	8,664	1,087	(1,449)	-	146	8,447
Total	58,112	2,691	(1,597)	-	3,994	63,200
Accumulated depreciation						
Buildings Right of Use	16,964	3,700	(155)	-	1,306	21,815
Other assets Right of Use	4,230	1,122	(1,392)	-	88	4,048
Total	21,194	4,822	(1,546)	-	1,394	25,864
Net value	36,918	(2,131)	(51)	-	2,600	37,337

The increase in the Investments in Right of Use in the financial period amounts to 2,691 thousand Euro and is mainly related to the ordinary renewal of some locations of the commercial subsidiaries and of the operating lease contracts for company cars.

2.8 Intangible assets

Changes in intangible assets in the first six months of 2022 are shown below:

(Euro/000)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	June 30, 2022
Gross value						
Software	97,304	1,423	(59)	-	1,181	99,850
Trademarks and licenses	148,933	94	-	-	8,399	157,426
Other intangible assets	30,656	181	(153)	1,482	2,396	34,561
Total	276,892	1,698	(211)	1,482	11,976	291,837
Accumulated amortization						
Software	81,342	3,207	3	-	912	85,464
Trademarks and licenses	43,675	3,504	-	-	861	48,041
Other intangible assets	10,216	2,509	(113)	1,482	802	14,895
Total	135,233	9,220	(110)	1,482	2,576	148,400
Net value	141,659	(7,522)	(101)	-	9,400	143,437

Investments in intangible fixed assets made during the six months amount to 1,698 thousand Euro (4,715 thousand Euro in the previous period). The reduction of investments compared to previous year, mainly related to "software", is due to the application of the IFRIC's agenda decision published in April 2021 and related to the capitalization of costs of configuring or customizing software application under 'Software as a Service'

(‘SaaS’) arrangements. The Group following its application, starting from the annual report as at 31 December 2021, has changed its accounting policy related to the capitalization of these arrangements where the Group does not have control over the developed software. This change mainly affected certain investments in software for the digitalization of the sales channels (B2B and B2C platform and CRM technology). In the first semester of 2022 an amount of 3,704 thousand Euro has been fully expensed in the EDP service costs in the general & administrative expenses that previously to IFRIC agenda adoption were considered as intangible capex.

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

<i>(Euro/000)</i>	<i>Notes</i>	First semester 2022	First semester 2021
Cost of sales	<i>3.2</i>	6,249	10,787
Selling and marketing expenses	<i>3.3</i>	1,482	1,479
General and administrative expenses	<i>3.4</i>	11,490	11,552
Amortization and depreciation		19,221	23,817
Cost of sales - Right of Use depreciation	<i>3.2</i>	588	575
Selling and marketing expenses - Right of Use depreciation	<i>3.3</i>	2,117	2,092
General and administrative expenses - Right of Use depreciation	<i>3.4</i>	2,118	2,214
Depreciation Right of Use - IFRS 16		4,822	4,882
Total		24,043	28,699

The amortization and depreciation equal 24,043 thousand Euro (28,699 thousand Euro in the previous period).

The decrease for 4,656 thousand Euro mainly affected the “cost of sales” and is due to the reshaping of the Group’s industrial capacity according to the restructuring plan of the Group’s manufacturing footprint. In the previous period the item was affected by non-recurring tangible assets write-downs, mainly related to the closure of the Slovenian plant in Ormož at the end of June 2021 and to the termination of activities related to the exiting licensed brands, equal to 3,697 thousand Euro.

The item general and administrative expenses includes amortization of 4,628 thousand Euro (4,198 thousand Euro in the previous period) related to the intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the two acquisitions Privé Revaux and Blenders Eyewear, executed in 2020.

The Right of Use depreciations are equal to 4,822 thousand Euro (4,882 thousand Euro in the previous period).

2.9 Goodwill

The item refers to goodwill which arose from the acquisitions in 2020 of Privé Revaux and Blenders. A single CGU has been identified, representing the whole Group, to which the entire amount of goodwill has been allocated: this allocation is consistent with the strategy underlying the acquisitions, that, beyond the acquisition of two fast growing brands, the two acquisitions will enable the whole Group to compete more effectively in markets impacted by digitalization. The allocation to a single CGU is consistent with the approach adopted for the preparation of the December 31, 2021 financial statements, which was designed to appropriately reflect the Group's strategy and business model. The single CGU structure appropriately reflects the high level of interdependence of the functions of the Group. Specifically strategy, goal setting, operations management, as well as reporting and incentive systems are managed at a corporate level, leaving to the local units deployment and tailoring to the specific market.

The following table shows changes in Goodwill:

<i>(Euro/000)</i>	January 1, 2022	Increase	Decrease	Transl. diff.	June 30, 2022
Goodwill	32,861	-	-	2,971	35,832

During the current period, the item recorded an increase of 2,971 thousand Euro due to the foreign currency translation.

In consideration of the Group's economic and financial performance in the first half of 2022, described in the report on operations and in line with the budget and medium-term forecasts reflected in the Financial Projections for the period 2022 – 2026 and of the 2021 impairment test's high level of cover in case of increases to the WACC, the directors have concluded that there are no indicators of potential impairment of the value of the Group assets. As a consequence, there has been no need to perform an impairment test on 30 June 2022.

2.10 Deferred tax assets and deferred tax liabilities

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

<i>(Euro/000)</i>	June 30, 2022	December 31, 2021
Net deferred tax assets	38,168	37,441
Deferred tax liabilities	(13,031)	(13,031)
Total net	25,136	24,410

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

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

2.11 Other non-current assets

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Long-term guarantee deposits	1,841	1,682
Other long-term receivables	4,078	4,128
Long-term tax receivables	3,180	3,260
Total	9,099	9,070

Long-term guarantee deposits mainly refer to security deposits for leasing contracts related to buildings used by some of the Group's companies.

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

Long-term tax receivables mainly refer to VAT and other income tax receivables of some Group companies. The book value of the other non-current assets is considered approximately equal to their fair value.

2.12 Bank loans and borrowings

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Short-term bank loans	-	-
Short-term portion of long-term bank loans	34,549	20,000
Short-term borrowings	34,549	20,000
Long-term bank loans	107,611	131,798
Long-term borrowings	107,611	131,798
Short-term portion of financial lease liability IFRS 16	8,410	8,247
Long-term portion of financial lease liability IFRS 16	33,672	32,917
Financial lease liability IFRS 16	42,083	41,164
Total	184,243	192,962

Borrowings

At 30 June 2022 the Group has bank loans for a total amount of 142,160 thousand Euro of which 34,549 thousand Euro classified as short-term and 107,611 thousand Euro as long-term (151,798 thousand Euro as at 31 December 2021 of which 20,000 thousand Euro classified as short-term and 131,798 thousand Euro as long-term).

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

- 35,000 thousand Euro as to the “2018 TL&RCF”, fully related to the Term Loan Facility and 108,000 thousand Euro as to the Term Loan Facility 90% guaranteed by SACE (the “SACE TLF”). Both facilities are carried at amortized cost, meaning that the total outstanding transaction costs are amortized along the duration of the facility and reported as reduction of the par values. This reduces the amount of the two facilities by 840 thousand Euro (1,202 thousand Euro as at 31 December 2021), bringing their combined net value to 142,160 thousand Euro (151,798 thousand Euro as at 31 December 2021);
- the Group’s Revolving Credit Facility (65,000 thousand Euro) has not been drawn as at 30 June 2022 (not drawn as at 31 December 2021).

The committed, unsubordinated and unsecured facility agreements (2018 TL&RCF and SACE TLF) are subject to customary operating and financial covenants. At 30 June 2022 the Group complies with all the outstanding covenants.

Here below we report the maturity analysis of the nominal value of the long-term bank loans, gross of 389 thousand Euro of transaction costs (1,202 thousand Euro as at 31 December 2021):

<i>(Euro/000)</i>	June 30, 2022	December 31, 2021
From 1 to 2 years	36,000	43,000
From 2 to 3 years	36,000	36,000
From 3 to 4 years	36,000	36,000
From 4 to 5 years	-	18,000
Beyond 5 years	-	-
Total	108,000	133,000

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

June 30, 2022 <i>(Euro/000)</i>	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts	17,740	-	17,740
Credit lines on loans	208,000	143,000	65,000
Total	225,740	143,000	82,740

The credit lines on loans are related to the committed, unsubordinated and unsecured “2018 TL&RCF” for a total amount equal to 100,000 thousand Euro (used for 35,000 thousand Euro at 30 June 2022) with maturity June 2023 and to the SACE Term Loan Facility (under the framework of the Italian Liquidity Decree) for 108,000 thousand Euro with maturity June 2026.

The Group, as at 30 June 2022, has no financial borrowings in currencies other than Euro.

Financial Lease liability

The IFRS 16 financial lease liability, as at 30 June 2022, amounts to 42,083 thousand Euro of which 8,410 thousand Euro as short term, and 33,672 thousand Euro as long term.

Net Financial Debt

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

Net financial debt (Euro/000)	June 30, 2022	December 31, 2021	Change
A Cash	78,674	99,002	(20,328)
B Cash equivalents	-	-	-
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	78,674	99,002	(20,328)
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-	-	-
F Current portion of non-current financial debt	(42,960)	(28,247)	(14,713)
G Current financial indebtedness (E + F)	(42,960)	(28,247)	(14,713)
H Net current financial indebtedness (G - D)	35,714	70,755	(35,041)
I Non-current financial debt (excluding current portion and debt instruments)	(141,283)	(164,715)	23,432
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	(141,283)	(164,715)	23,432
M Total financial indebtedness (H + L)	(105,569)	(93,960)	(11,609)

The Group Net financial debt reported in the above table does not include the valuation of derivative financial instruments and the Put&Call option liability on minority interests described respectively in note 2.4 and 2.18 of this report.

In compliance with the ESMA communication 32-382-1138 of 4 March 2021 and the CONSOB attention notice 5/21 of 29 April 2021, it is specified that at 30 June 2022 the indirect or contingent indebtedness of the Group, includes "liabilities for options on non-controlling interests" equal to 42,501 thousand of Euro as disclosed in note 2.18.

In compliance with the same communication, it is specified that the balance sheet also presents a liability for "employee benefit obligations" equal to 18,001 thousand of Euro as disclosed in note 2.17, and "provisions for risks" for a total of 22,609 thousand of Euro as disclosed in note 2.16.

2.13 Trade payables

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Trade payables for:		
Purchase of raw materials	22,442	26,309
Purchase of finished goods	72,495	77,072
Supplies from subcontractors	4,193	5,118
Tangible and intangible assets	2,262	2,812
Commissions	5,312	3,508
Royalties	14,087	10,193
Advertising and marketing costs	11,469	9,371
Services	58,305	48,809
Sales returns liabilities (Refund Liability)	11,405	9,891
Total	201,971	193,082

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

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

2.14 Tax payables

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Income tax payables	17,663	8,051
VAT payables	6,730	3,325
Other taxes payables	4,452	6,044
Total	28,845	17,420

At 30 June 2022 tax payables amounted to Euro 28,845 thousand (compared to Euro 17,420 thousand at 31 December 2021). Of this sum Euro 17,663 thousand referred to income tax for the period, Euro 6,730 thousand to VAT payable and Euro 4,452 thousand to taxes withheld, current and local taxes.

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

2.15 Other current liabilities

This item breaks down as follows:

(Euro/000)	June 30, 2022	December 31, 2021
Payables to personnel and social security institutions	35,404	37,239
Agent fee payables	157	97
Payables to pension funds	962	1,282
Accrued advertising and sponsorship costs	3,453	1,451
Accrued interests on long-term loans	18	14
Other accruals and deferred income	12,633	11,325
Other current liabilities	2,898	4,153
Total	55,524	55,562

“Payables to personnel and social security institutions” mainly refer to salaries and wages, which are paid during the following month, and to holidays accrued but not taken at the reporting date.

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

2.16 Provision for risks and charges

This item breaks down as follows:

(Euro/000)	January 1, 2022	Increase	Decrease	Reclass	Transl. diff.	June 30, 2022
Product warranty provision	5,764	-	-	-	177	5,941
Agents' severance indemnity	2,736	83	(100)	-	1	2,719
Other provisions for risks and charges	6,645	513	(1,362)	-	65	5,861
Provisions for risks - long term	15,144	595	(1,462)	-	244	14,521
Product warranty provision	1,978	-	-	-	169	2,147
Provision for corporate restructuring	7,795	-	(7,303)	-	-	491
Other provisions for risks and charges	6,004	-	(570)	-	15	5,449
Provisions for risks - short term	15,776	-	(7,873)	-	184	8,087
Total	30,921	595	(9,335)	-	428	22,609

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

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

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way, the balance was mainly related to the Italian companies restructuring plan communicated in 2019 with the new Group Business Plan 2020-2024. The decrease of the period equal to Euro 7,303 thousand refers

to the utilization for the completion of the restructuring process of the Longarone plant. The decrease of the period includes also the release of the residual excess provision equal to Euro 3,600 thousand that has been reported as a non-recurring income in the item “other operating income”.

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

The estimate of the above-mentioned allowances takes into account, where applicable, the opinion of legal consultants and other experts, past company experience and others’ in similar situations, as well as the intention of the company to take further actions in each case. The provision in the consolidated financial statements is the sum of the individual accruals made by each company of the Group.

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

2.17 Employees benefits liability

This item breaks down as follows:

<i>(Euro/000)</i>	June 30, 2022	December 31, 2021
Defined contribution plan	187	16
Defined benefit plan	17,814	18,979
Total	18,001	18,995

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

The table below shows the movement in the item “defined benefit plan” during the period:

<i>(Euro/000)</i>	January 1, 2022	Addition	Uses	Transl. diff.	June 30, 2022
Defined benefit plan	18,979	2,789	(3,961)	7	17,814

The decrease of the period equal to 3,961 thousand Euro is mainly related to the completion of the restructuring process of the Italian plant in Longarone.

2.18 Liabilities for options on non-controlling interests

Movements in the item were as follows:

<i>(Euro/000)</i>	January 1, 2022	Increase	Decrease	Transl. diff.	June 30, 2022
Liabilities for options on non-controlling interests	47,406	-	(8,731)	3,826	42,501
	47,406	-	(8,731)	3,826	42,501

The amount equal to 42,501 thousand Euro (47,406 thousand Euro as at 31 December 2021) and refers to the put and call options liability on the non-controlling interests of the two US business combinations finalised in 2020 related respectively the acquisition of the 61.34% and the 70% equity interest of the Miami (FL)-based eyewear company Privé Goods LLC and of the San Diego (CA)-based eyewear company Blenders Eyewear LLC.

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

These options were valued at their fair value at the acquisition date, using a discounted cash-flow approach based on the business plans underlying the two acquisitions and recorded as a non-current liability.

During the period the Group has early exercised the put and call option on Privé Revaux non-controlling interests held by David Schottenstein (Board member and CEO of the Company) and by some other minor employees that have resigned in the period. Following this event pursuant to the contractual terms the Group has exercised its put and call option on their non-controlling interests increasing its controlling stake in Privé Revaux from 64.2% to 82.8% in exchange for a nominal amount.

Following the above partial early exercise on Privé Revaux put and call option and for the effect of the 2022 forecast revision of the two investments, the fair value liability recorded a reduction equal to 8,731 thousand Euro reported as financial gain in the item "Gains/(losses) for options on non-controlling interests" in the income statement.

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

2.19 Other non-current liabilities

Movements in the item were as follows:

(Euro/000)	January 1, 2022	Increase	Decrease	Transl. diff.	June 30, 2022
Other non current liabilities	1,760	10	-	85	1,855
	1,760	10	-	85	1,855

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

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). At 30 June 2022, shareholders' equity amounted to Euro 399,410 thousand, compared to Euro 326,741 thousand at 31 December 2021.

2.20 Share capital

At 30 June 2022 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 384,823,903 consisting of no. 413,575,737 ordinary shares with no par value (413,555,769 ordinary shares as at 31 December 2021). On 13 June 2022 a number of 19,968 new ordinary shares were issued, resulting from the execution of a share capital increase to the service of the stock option plan named "Stock Option Plan 2017 – 2020".

2.21 Share premium reserve

At 30 June 2022 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 692,467,351.

2.22 Retained earnings and other reserves

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

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

- an increase of 30,199 thousand Euro due to the positive translation differences coming from the translation of the subsidiaries' financial statements into Euro;
- an increase of 320 thousand Euro related to the cost of the period of the stock option plans in place.

During the first semester, the Group has distributed dividends to the minority interests of the subsidiary Blenders Eyewear LLC equal to 589 thousand Euro, this amount as reduced the equity related to the non controlling interests.

2.23 Cash flow hedge reserve

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

2.24 Stock options plans

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

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

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

These Plans, designed to incentivise and retain directors and/or employees, is carried out through the grant, in different tranches, of options entitling the beneficiary to subscribe to one of the foregoing ordinary Company shares, issued for cash and without any all-or-none clause, excluding all pre-emptive rights pursuant to article 2441, paragraph four, second sentence of the Italian Civil Code.

The options attributed by those plans will mature when both the following vesting conditions are met: the continuation of the individual's employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT, for the new 2020-2022 Plan this second economic performance vesting condition is not applicable.

The adoption of these plans has affected the income statement for the period for Euro 320 thousand (Euro 298 thousand at 30 June 2021).

3. Notes on the consolidated income statement

3.1 Net sales

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

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

In 2022 first semester sales amounted to 570,882 thousand Euro, showing a +11.8% increase compared to the previous period (510,724 thousand Euro).

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

3.2 Cost of sales

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2022	First semester 2021
Purchase of raw materials and finished goods	194,932	167,867
Capitalisation of costs for increase in tangible assets (-)	(1,317)	(1,987)
Change in inventories	(4,833)	6,729
Wages and social security contributions	41,509	48,309
Subcontracting costs	7,576	8,253
Amortization and depreciation	6,249	10,787
Depreciation Right of Use - IFRS 16	588	575
Rental and operating leases	764	749
Offset Rental and operating leases - IFRS 16	(616)	(613)
Utilities, security and cleaning	4,532	3,277
Other industrial costs	3,189	4,543
Total	252,572	248,487

Cost of sales increased by Euro 4,085 thousand (or 1.6%), from Euro 248,487 thousand for the six months ended 30 June 2021, to Euro 252,572 thousand for the six months ended 30 June 2022.

Wages and social security contributions decrease by Euro 6,800 thousand (or 14.1%) from Euro 48,309 thousand to Euro 41,509 thousand for the six months ended 30 June 2022, benefitting from the savings provided by the reshaping of the Group's industrial capacity according to the restructuring plan of the Group's manufacturing footprint, with the closure of the Slovenian plant in Ormož effective from 1 July 2021, aiming to its realignment to the current production needs.

Amortization and depreciation decreased by Euro 4,538 thousand from Euro 10,787 thousand in 2021 to Euro 6,249 thousand in 2022. In the previous period the item was affected by non-recurring tangible assets write-downs, mainly related to the closure of the Slovenian plant in Ormož at the end of June 2021 and to the termination of activities related to the exiting licensed brands, equal to 3,697 thousand Euro.

The change in inventories can be broken down as follows:

<i>(Euro/000)</i>	First semester 2022	First semester 2021
Finished products	427	(975)
Work-in-progress	986	2,886
Raw materials	(6,246)	4,819
Total	(4,833)	6,729

The average number of Group employees in the first six months of 2022 and 2021 can be summarised as follows:

	First semester 2022	First semester 2021
Executives	93	103
Clerks and middle management	2,138	2,262
Factory workers	2,226	2,753
Total	4,457	5,118

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

3.3 Selling and marketing expenses

This item breaks down as follows:

(Euro/000)	First semester 2022	First semester 2021
Payroll and social security contributions	54,232	50,267
Sales commissions	25,796	22,757
Royalty expenses	32,737	31,390
Advertising and promotional costs	74,387	59,087
Amortization and depreciation	1,482	1,479
Depreciation Right of Use - IFRS 16	2,117	2,092
Logistic costs	17,079	13,947
Consultants fees	743	351
Rental and operating leases	3,513	3,536
Offset Rental and operating leases - IFRS 16	(2,393)	(2,660)
Utilities, security and cleaning	545	548
Provision for risks	(173)	(492)
Other sales and marketing expenses	8,949	5,778
Total	219,015	188,080

Selling and marketing expenses increased by Euro 30,936 thousand (or 16.4%), from Euro 188,080 thousand for the six months ended 30 June 2021 to Euro 219,015 thousand for the six months ended 30 June 2022. This was due to the return to the sales activity pre-pandemic with the consequent increase of payroll and social security contributions by Euro 3,965 thousand (or 7.9%), sales commissions by Euro 3,039 thousand (or 13.4%), royalty expenses and advertising and promotional costs by respectively Euro 1,347 thousand (or 4.3%) and Euro 15.300 thousand (or 25.9%), logistic cost by Euro 3,132 thousand Euro (or 22.5%).

3.4 General and administrative expenses

This item breaks down as follows:

(Euro/000)	First semester 2022	First semester 2021
Payroll and social security contributions	25,183	24,078
Allowance and write-off of doubtful accounts	(93)	1,392
Amortization and depreciation	11,490	11,552
Depreciation Right of Use - IFRS 16	2,118	2,214
Professional services	6,293	6,844
Rental and operating leases	2,916	2,641
Offset Rental and operating leases - IFRS 16	(2,467)	(2,444)
EDP costs	10,889	7,356
Insurance costs	1,245	1,122
Utilities, security and cleaning	1,950	1,605
Taxes (other than on income)	949	761
Other general and administrative expenses	2,046	1,929
Total	62,520	59,050

General and administrative expenses increased by Euro 3,470 thousand (or 5.9%), from Euro 59,050 thousand for the six months ended June 30, 2021 to Euro 62,520 thousand for the six months ended 30 June 2022. This was mainly due to an increase EDP expenses by Euro 3,534 thousand (or 48.0%), from Euro 7,356 thousand for the six months ended 30 June 2021 to Euro 10,889 thousand for the six months ended 30 June 2022. The increase of the EDP expenses is mainly related to the application of the IFRIC's agenda decision related to the capitalization of costs of configuring or customizing software application under 'Software as a Service' ('SaaS') arrangements, not applied in the first semester 2021. The Group following its application, starting from the annual report as at 31 December 2021, has changed its accounting policy related to the capitalization of these arrangements where the Group does not have control over the developed software. This change mainly affected certain investments in software for the digitalization of the sales channels (B2B and B2C platform and CRM technology) and has led to a reduction of software capitalization in the first semester of 2022 equal to 3,704 thousand Euro, an amount which has been fully expensed in the operating expenses.

3.5 Other operating income (expenses)

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2022	First semester 2021
Losses on disposal of assets	(3)	(114)
Other operating expenses	(5,035)	(11,811)
Gains on disposal of assets	26	181
Other operating income	6,248	18,979
Total	1,236	7,235

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

During the first six months of 2022 under "other operating expenses" non-recurring costs of Euro 4,170 thousand were accounted for mainly related to some special projects and restructuring expenses, "Other operating income" includes a non-recurring income of Euro 3,600 thousand due to the release of an excess restructuring provision in relation to the completion of the restructuring plan related to the Italian plant in Longarone.

During the first six months of the previous period under "other operating expenses" non-recurring costs of Euro 10,942 thousand were accounted for mainly related to the announced closure, starting from the end of June 2021, of the Ormož production plant in Slovenia, "other operating income" included a non-recurring income of Euro 17,000 thousand due to the release of a provision for risks and charges booked in 2015 in relation to an investigation by the French Competition Authority. The release was motivated by the positive outcome, without sanctions, of this investigation.

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

The item refers to the gain or loss deriving from the changes in the fair value of the liability related the put and call options on the non-controlling interests of the two business combinations finalised in the first half of 2020 (for more details see the note 2.18).

As at 30 June 2022 the fair value of the liability following the partial early exercise on Privé Revaux put and call option and for the effect of the 2022 forecast revision of the two investments, recorded a reduction equal to 8,731 thousand Euro reported as financial gain in this item of the income statement (an expense of 673 thousand Euro in the previous period).

3.7 Interest expenses and other financial charges, net

This item breaks down as follows:

(Euro/000)	First semester 2022	First semester 2021
Nominal interest expenses on loans	2,044	2,802
Nominal Interest expenses on shareholder loan	-	3,384
Figurative interest expenses on loans	363	413
Interest expenses on operating leases - IFRS 16	781	788
Bank commissions	3,489	3,318
Negative exchange rate differences	25,950	16,414
Other financial charges	535	267
Total financial charges	33,161	27,385
Interest income	337	84
Positive exchange rate differences	29,340	15,558
Other financial income	784	139
Total financial income	30,460	15,780
Total financial charges, net	2,701	11,605

Total net financial charges decrease from Euro 11,605 thousand for the six months ended 30 June 2021 to Euro 2,701 thousand for the six months ended 30 June 2022. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 781 thousand, net financial interests decreased by Euro 4,446 thousand, benefitting of the shareholder loan reimbursed at the end of October 2021, thanks to the proceeds of the share capital increase finalised in 2021.

Net exchange rate differences are equal to a gain of Euro 3,390 thousand in the first six months ended 30 June 2022 (a loss of Euro 856 thousand in the first six months of 2021) benefitting mainly from the appreciation of the Russian rouble.

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

3.8 Income tax expenses

This item breaks down as follows:

<i>(Euro/000)</i>	First semester 2022	First semester 2021
Current tax	(10,629)	(4,606)
Deferred tax	(1,071)	(2,978)
Total	(11,699)	(7,584)

Income taxes record an expense for the six months ended 30 June 2022 of 11,699 thousand Euro, mainly impacted by income taxes of the European and US entities and by the non-recognition of deferred tax assets for the Italian and other Group entities.

3.9 Earnings (Losses) per Share

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

Basic

	First semester 2022	First semester 2021
Profit/(Loss) for ordinary shares (in Euro/000)	32,717	1,960
Average number of ordinary shares (in thousands)	413,558	275,704
Earnings/(Losses) per share - basic (in Euro)	0.079	0.007

Diluted

	First semester 2022	First semester 2021
Profit/(Loss) for ordinary shares (in Euro/000)	32,717	1,960
Average number of ordinary shares (in thousands)	413,558	275,704
<i>Dilution effects:</i>		
- stock option (in thousands)	4,051	2,239
Total	417,609	277,943
Earnings/(Losses) per share - diluted (in Euro)	0.078	0.007

3.10 Seasonality

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

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

In the first six months of 2022, the Group did not engage in significant non-recurring transactions or atypical and/or unusual operations pursuant to the CONSOB communication of July 28th 2006.

3.12 Dividends

In the first six months of 2022, the parent company Safilo Group S.p.A. did not pay any dividends to its shareholders.

3.13 Segment reporting

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

RELATED PARTIES TRANSACTIONS

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

Related parties transactions <i>(Euro/000)</i>	Relationship	June 30 2022	December 31 2021
<i>Receivables</i>			
Companies controlled by HAL Holding N.V.	(a)	253	321
Total		253	321
<i>Payables</i>			
Companies controlled by HAL Holding N.V.	(a)	17	23
Total		17	23

Related parties transactions <i>(Euro/000)</i>	Relationship	First semester 2022	First semester 2021
<i>Revenues</i>			
Companies controlled by HAL Holding N.V.	(a)	618	31,887
Total		618	31,887
<i>Operating expenses</i>			
Companies controlled by HAL Holding N.V.	(a)	17	1,327
<i>Financial expenses</i>			
Multibrands Italy B.V.	(a)	-	3,384
Total		17	4,712

(a) Companies controlled by Group's reference Shareholder

Transactions with related parties, including intercompany transactions, involve the purchase and sale of products and provision of services on an arm's length basis, similarly to what is done in transactions with third parties.

With regards to the table above, note that the companies of HAL Holding N.V., primary shareholder of Safilo Group, in the 2021 comparative period mainly referred to the retail companies belonging to the GrandVision Group, with which Safilo carried out commercial transactions in line with market conditions. The significant decrease in 2022 of the transaction with such related parties is due to the fact that on 1 July 2021, HAL Holding N.V., completed the sale of its 76.72% ownership interest in GrandVision N.V. to EssilorLuxottica S.A.. Following

this event, the retail companies belonging to the GrandVision Group starting from 1 July 2021 ceased to be a related party. The amount reported as transactions with related parties in 2022 refers to transaction with a minor retail chain not having been included in the GrandVision transaction perimeter and thus still belonging to HAL Holding N.V..

The balance reported with Multibrands Italy B.V. in 2021 comparative period refers to the interest accrued on the shareholder loan, entered into between Safilo S.p.A. and Multibrands Italy B.V. on 6 February 2020 for a total amount of Euro 90 million. This loan has been fully reimbursed at the end of October 2021, ahead of the contractual maturity date of 31 December 2026, thanks to the proceeds of the share capital increase finalised in 2021.

CONTINGENT LIABILITIES

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

COMMITMENTS

At the balance sheet date, the Group had no significant purchase commitments. At the balance sheet date, however, the Group had contracts in force with licensors for the production and sale of sunglasses and frames bearing their trademarks. The contracts not only establish minimum guarantees, but also a commitment for advertising investments.

SUBSEQUENT EVENTS

On July 21, 2022, Safilo announced that it has joined The Fashion Pact, a global coalition of companies in the fashion and textile industry (ready-to-wear, sport, lifestyle and luxury) including their suppliers and distributors, all committed to a common core of key environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans.

In the period following 30 June 2022, there were no events that could have a material impact on the results published in this report.

Padua, 3 August 2022

For the Board of Directors
The Chief Executive Officer
Angelo Trocchia

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

The undersigned Angelo Trocchia, as the Chief Executive Officer, and Gerd Graehsler, as the officer responsible for the preparation of Safilo Group S.p.A. financial statements, hereby attest, pursuant to the provisions of Article 154-bis, clauses 3 and 4, of Legislative Decree February 24th 1998, no, 58, the adequacy of the administrative and accounting procedures with respect to the Company structure and their effective application in the preparation of the 2022 half-year condensed financial statements.

Administrative and accounting procedures used for the preparation of the condensed financial statements as of June 30th, 2022 were based and the evaluation of their adequacy has been made on a process defined by Safilo Group S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

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

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

Padua, 3 August 2022

Angelo Trocchia
Chief Executive Officer

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

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

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Safilo Group S.p.A. and subsidiaries (the “Safilo Group”), which comprise the balance sheet as of June 30th, 2022 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Safilo Group as at June 30th, 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Pergolari
Partner

Padova, Italy
August 5th, 2022

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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