ANNUAL REPORT 2019

GROUP

ANNUAL REPORT 2019

Safilo GROUP


Polaroid
polaroideyewear.com
See Beyond See Beyond S

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PORTFOLIO OF BRANDS

CARRERA EYEWEAR SINCE 1956	Polaroid	SMITH
BLENDERS EYEWEAR *	SAFILO MADE IN ITALY DAL 1934	PRIVÉ REVAUX EYEWEAR *

DIOR	GIVENCHY PARIS	FENDI
DIOR HOMME	THE MARC JACOBS	BOSS HUGO BOSS
MaxMara	kate spade NEW YORK	ELIE SAAB
MOSCHINO	rag & bone NEW YORK	TOMMY HILFIGER
LOVE MOSCHINO	JIMMY CHOO	Saks Fifth Avenue
REBECCA MINKOFF	HUGO HUGO BOSS	havaianas
pierre cardin PARIS	Juicy Couture	FOSSIL
Levi's *	EYEWEAR by DAVID BECKHAM *	M MISSONI *
UNDER ARMOUR *	TOMMY JEANS *	MISSONI *
swatch the eyes	LIZ claiborne	BANANA REPUBLIC

(*) From 2020 (Under Armour from 2021)

GROUP PROFILE

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

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

Distribution takes place through sales to multiple channels, including opticians, retail chains and specialist shops.

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

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

The key factors of success which provide Safilo Group with a distinctive identity in the world's eyewear industry are represented by its diverse brand portfolio with prestigious brands in the fashion luxury segment and strong brands in Lifestyle, Sport and the "Mass/Cool" segment, its excellence in design, innovation and quality of its products, its coverage of the marketplace by way of a worldwide sales, distribution and customer service network, and the diverse nature of its offer in terms of clientele and target markets.

SAFILO BUSINESS MODEL

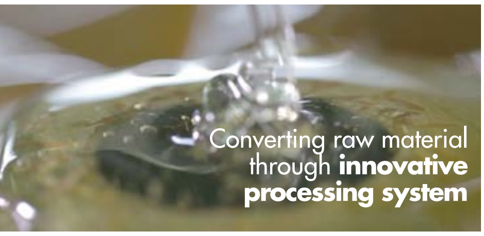
DESIGN, INNOVATION & PRODUCT CREATION

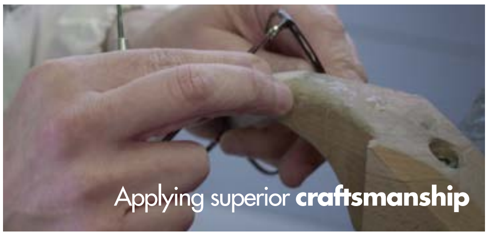
GLOBAL PRODUCT SUPPLY & DISTRIBUTION

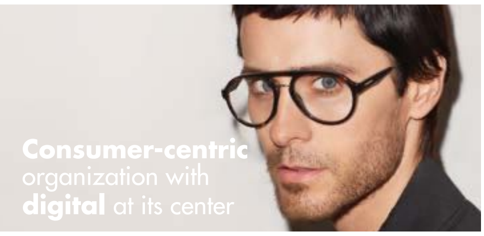
GLOBAL BRAND BUILDING & MARKETING

GO TO MARKET

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







BRANDS

CARRERA
EYEWEAR SINCE 1956

Polaroid

SAFILO

SMITH

BLENDERS
EYEWEAR

PRIVÉ REVAUX
EYEWEAR

BANANA REPUBLIC

BOSS
HUGO BOSS

HUGO
HUGO BOSS

DIOR

DIOR HOMME

EYEWEAR by DAVID BECKHAM

GIVENCHY
PARIS

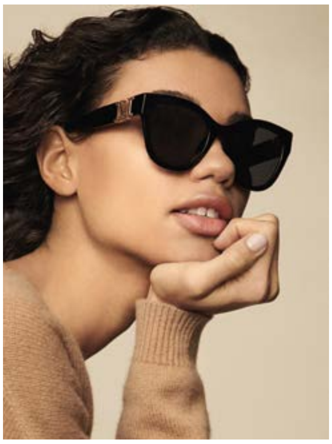
havaianas®

JIMMY CHOO

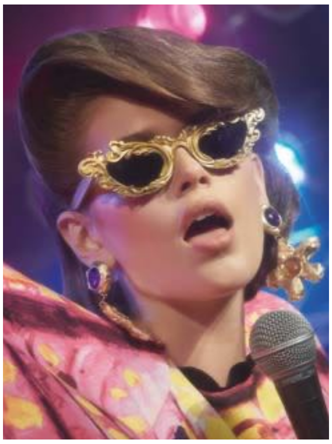
Juicy Couture

kate spade
NEW YORK

LEVI'S®

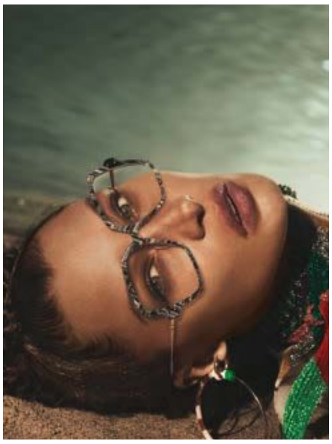


MOSCHINO



LOVE MOSCHINO

MISSONI



MISSONI

pierre cardin
PARIS

rag & bone
NEW YORK

REBECCA MINKOFF

Saks Fifth Avenue

TOMMY HILFIGER


TOMMY JEANS


I ALWAYS WANT more looks
swatch
the eyes

SAFILO IN THE WORLD

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

COMMERCIAL NETWORK

THE AMERICAS

Brasil
Canada
Mexico
Usa

EUROPE

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

ASIA PACIFIC

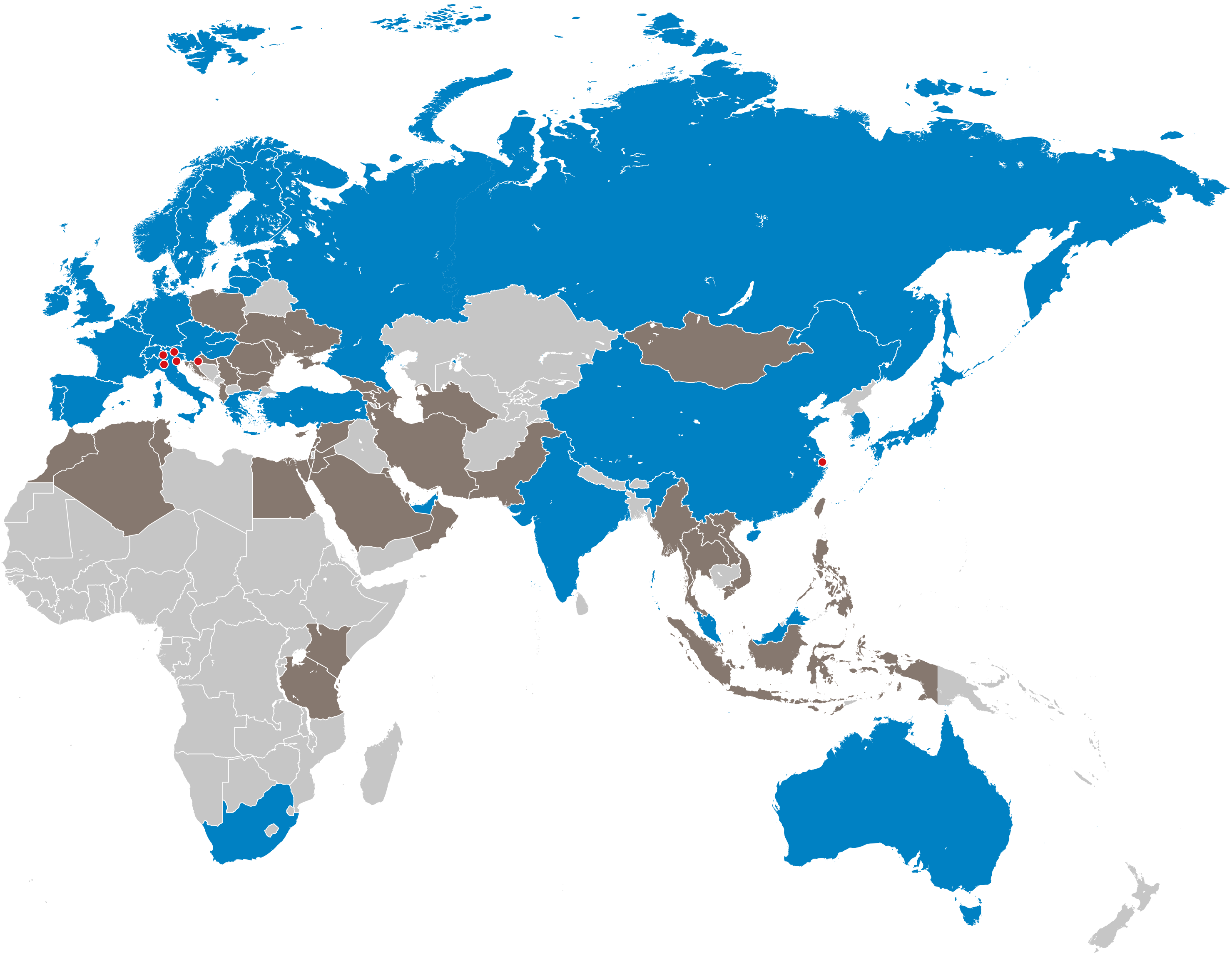
Australia
China
Hong Kong
India
Japan
Malaysia
Singapore
South Korea

REST OF THE WORLD

South Africa
United Arab Emirates

MANUFACTURING FACILITIES

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



INDEPENDENT DISTRIBUTOR PARTNERS

THE AMERICAS

Aruba
Bolivia
Caribbean
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
Guatemala
Paraguay
Peru
Uruguay
Venezuela

EUROPE

Albania
Armenia
Azerbaijam
Bulgaria
Croatia
Georgia
Kosovo
Moldova
Poland
Romania
Serbia
Ukraina

ASIA PACIFIC

Indonesia
Mongolia
Myanmar
Philippines
Taiwan
Thailand
Vietnam

REST OF THE WORLD

Algeria
Saudi Arabia
Cyprus
Gulf Cooperation Council
Egypt
Iran
Israel
Jordan
Kenya
Lebanon
Morocco
Pakistan
Syria
Tanzania
Tunisia
Turkmenistan

HISTORY OF THE GROUP

Safilo was founded in 1934

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

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

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

The industrial development plan was implemented in 1989 when the production facility in Longarone (Belluno) was built, and is still the largest Italian unit in the Group. In 2001, the automated distribution centre was inaugurated in the Padua headquarters.

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

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

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

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

Delisting and leveraged buy-out (2001 -2002)

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

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

In 2005 Safilo Group was back on the Stock Exchange

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

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

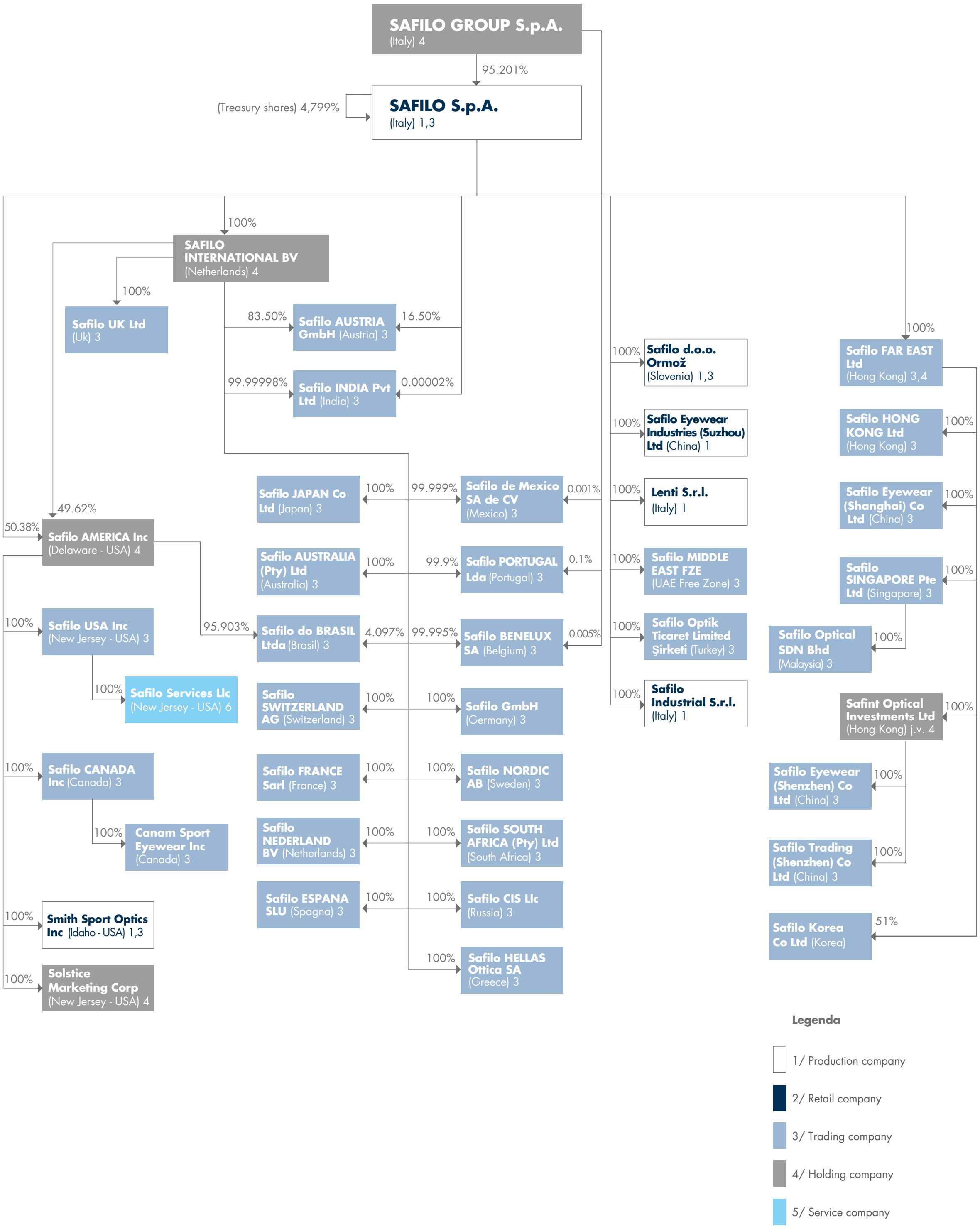
In March 2010, a capital increase of the parent company was concluded, and led to the entry of HAL Holding N.V., an international investment company, as the new reference shareholder.

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

The acquisition of the Polaroid Eyewear business

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

GROUP STRUCTURE



CRITICAL FACTORS FOR THE GROUP'S SUCCESS

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

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

- design excellence, innovation and product quality: the Group's products are highly appreciated by eyewear resellers and by the consumer due to their superior quality and their innovation in both materials and design. The Group sees quality to be key to success in the market and in effectively managing its brand portfolio;

- a prestigious brand portfolio across market segments: the Group manages a portfolio of brand names focusing on long-term brand partnerships as a licensee to leading fashion houses;

- production flexibility: for a number of years, the Group has been engaged in rationalising its organisation and production processes in order to increase efficiency and productivity and to reduce total production times. The use of outsourcing also provides the necessary flexibility in production in order to manage peaks and troughs in demand;

- global distribution platform and territorial coverage: the Group's logistics platform represents a key competitive advantage in supporting the business model thanks, above all, to the high level of coverage of all of the world's main markets. This plays a significant role both in supporting development strategies worldwide for fashion's leading labels and in enhancing the brand portfolio in local markets, and the distribution system is designed to reach nearly 100,000 select points of sale in 130 nations. The Group ensures its market presence through a mixed distribution model comprising direct management and indirect management, through exclusive agreements with independent distributors;

- excellence in customer service: the Group features: (i) a large, expert sales force able to cover the entire market; (ii) a team of key account managers dedicated to assisting the main distribution chains; and (iii) modern, multi-language call centres to manage orders and customer service, using specialised software, which enables creating precise customer profiles to personalise the services even further;

- diversification in revenues: diversification in the portfolio of proprietary and licensed brands and in the target markets and consumer segments concerned enables the Group both to mitigate the risks related to potential slowdowns in the performance of specific markets and the general risk of changes in customer buying habits, as well as to take advantage of opportunities in emerging markets and customer segments.

PRIMARY GROUP PROCESSES AND ACTIVITIES

Manufacturing and distribution chain

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

Research, development and design

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

Research and development mainly focuses on two types of activities:

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

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

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

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

Planning, programming and purchases

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

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

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

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

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

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

Manufacturing and quality control

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

Quality

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

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

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

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

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

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

Safilo's Quality System is ISO 9001:2008 certified.

Marketing and communications

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

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

- ensuring the right positioning for all the brands in the portfolio by deeply understanding each brand's unique DNA and bringing that to life through a combination of unexpected creativity and high level of operational discipline;
- ensuring the development of Safilo's brands, through an effective marketing mix and adequate investments in communications and trade marketing;

- to communicate the desired brand equities as well as the distinctive features in terms of design and technology of products in the different categories (prescription, sunglasses, sports products).

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

The Group develops a specific marketing plan for each brand in its portfolio, adopting different strategies and actions in order to ensure the best position for each one. For licensed brands, the Group develops the strategy in close partnership with its licensors.

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

Consumer-oriented activities account for roughly 60% of the Group's marketing and advertising investment, and the main outlets used are print media, out of home and digital media, sponsorships, and public relations with journalists and opinion leaders in the fashion, entertainment and sports industries. Digital marketing has become an increasingly important communication vehicle and will continue to be due to its efficient targeting capabilities and the changing media consumption habits of our consumers.

Trade marketing actions focus on the main customers' points of sale and account for about 40% of the Group's advertising and promotion costs; they are of fundamental importance to guide the end customer's choice and to build up customer loyalty.

Corporate communication

The main objective of Safilo's corporate communication is to further develop and protect the Group's goals, branding and reputation, raising the profile and shaping the perception of its identity among Safilo's multiple stakeholders, and supporting its commercial ability to operate successfully in the markets.

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

Sales and Distribution

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

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

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

The wholesale distribution network is structured in regions

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

Below is a brief description of the regional divisions:

EUROPE

Europe. The main centre is in Padua in Italy. The Group's European clientele is very varied: in Italy, the majority of customers are independent opticians, in the UK they are mainly chain stores, while in Germany the main customers are buying groups and distribution chains. The Group directly distributes its products to 28 European countries. In those countries where the Group has no sales branches, long-standing relationships have been established with local distributors.

ASIA - PACIFIC

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

NORTH AMERICA

North America covering the USA and Canada, headquartered in New Jersey, USA. Marketing and distribution in the USA is implemented through three main distribution channels: *(i)* opticians, ophthalmologists and optometrists; *(ii)* department stores and chains; *(iii)* sports stores.

REST OF WORLD

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

The Group's own and licensed brands

The Group's portfolio contains both Safilo and licensed brands

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

Safilo's brand portfolio management is consistent with the Group's strategy to diversify across all the different and strategic segments of the eyewear industry. The Group's product/brand offer includes the highest price points and brand positioning of the Atelier segment (Elie Saab Couture), the licensed brands active in the Fashion Luxury (Dior, Fendi and Jimmy Choo) and Premium Fashion segments (e.g. Missoni, Moschino and Hugo Boss), the Contemporary Fashion and Lifestyle segment (e.g. Carrera, Tommy Hilfiger, Kate Spade), and the Sport and Outdoor inspired segment (Smith).
Over recent years Safilo has also been increasing its presence and relevance in the fast growing, lower price point branded Mass Cool segment, with its own core brand Polaroid, and havaianas and Swatch.

2019 renewal and new licensing agreements for the Group

2019 was another year in which the Group continued to sign new strategic agreements as well as confirming key partnerships.

In January, Safilo announced a new licensing agreement for the design, manufacturing and distribution of the Levi's eyewear collections, which will be launched in January 2020. The agreement will run for five years through November 2024, renewable for an additional five years, up to 2029.

In May, Safilo announced a new licensing agreement for the design, manufacturing and distribution of the David Beckham eyewear collections, which will be launched in January 2020. The agreement will run for ten years.

In December, Safilo announced a new licensing agreement for the design, manufacturing and distribution of the Under Armour eyewear collections, which will be launched in 2021.

In March, Safilo announced the anticipated renewal until June 2026 of its agreement for the design, manufacturing and distribution of the Kate Spade eyewear collections.

In August, Safilo renewed until December 2025 its agreement for the design, manufacturing and distribution of the Boss and Hugo eyewear collections.

In December, Safilo announced the early renewal until December 2026 of its agreement for the design, manufacturing and distribution of the Marc Jacobs eyewear collections, extending the positioning of the brand in the luxury segment with the launch of the Marc Jacob's Runway eyewear collection, which will hit the market in January 2021.

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

Own Core Brands

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

CARRERA EYEWEAR SINCE 1956

Since its foundation in 1956 by Wilhelm Anger, Carrera has been delivering unique eyewear collections while introducing revolutionary innovations over time, such as interchangeable lenses, folding glasses and the patent for the Optyl material.

With its great heritage, Carrera continues to draw inspiration from its history and looks to the future by reinterpreting vintage styles through a modern use of colours and original shapes. The brand perfectly expresses its *zeitgeist* whilst remaining authentic, original and innovative.

Italian designs, lightweight materials and an artisanal care for detail define the excellence of Carrera's collections: beautifully crafted and perfectly balanced between fit and style, these styles are designed to make one stand out from the crowd.

Polaroid

Polaroid Eyewear is the iconic brand acquired by Safilo Group in 2012. Polaroid pioneered polarized lens technology with Edwin Land, the visionary scientist who founded Polaroid Inc., inventing the first synthetic light-polarizing material in 1929.

After more than 80 years dedicated to research, innovation and style, Polaroid is today a leading eyewear brand for people looking for quality of vision, cool designs and value for money.

All Polaroid sunglasses are fitted with Polaroid UltraSight™ polarized lenses, synonymous with perfect vision, high UV protection and comfort.

After a global re-launch of Polaroid within the Safilo Group and the full integration into the Group's global capabilities and network, the brand continues to evolve with increasing success thanks to its new collections and an international expansion.

SAFILO
OCCHIALI DAL 1934

Safilo has been synonymous with quality eyewear since the 30s. The SAFILO brand benefits from the prestigious signature of the Company's name and its continuous technical research, offering a wide and complete collection of high-quality optical frames that target those who are looking for technical, refined and distinctive products. Design, stylistic details and quality of manufacturing and materials are key aspects for those who choose SAFILO frames.

SAFILO continues to enhance its collection with a wider choice of new Made in Italy models, paying great attention to details and enriching the styles with exclusive hinges, in line with the tradition of the brand's iconic hinge, the Elasta, most famous for its quality and durability. In the past, SAFILO has also partnered with world-class designers such as Marc Newson and Marcel Wanders for exciting eyewear collaborations.

The Seventh Street collection targets a younger age group (school kids and teens) with a range of colourful and fresh products.

Kids by Safilo is Safilo's line of prescription frames specifically designed to meet to the specific needs of children, thereby improving children's quality of vision and their healthy development. Conceived in collaboration with SIOP (Italian Society of Paediatric Ophthalmologists), and in accordance with guidelines set out by WSPOS (World Society of Paediatric Ophthalmology and Strabismus), this collection delivers safe and durable styles, created with bio-based materials and able to ensure the best fit.

SMITH

Smith was founded in 1965 when Doctor Bob Smith invented the first thermal sealed ski goggles with double lenses to eliminate fogging and to allow skiers to have more fun outdoors. More than 50 years later, Smith is one of the leading manufacturers of ski goggles, sunglasses and ski/bike helmets. Since its acquisition by Safilo in 1996, Smith has continued to grow both in the US and in the rest of the world, especially in the sunglasses sector. Designed for active sports enthusiasts, e.g. snowboarding, freestyle or off-track skiing, surf and mountain/road biking, the

Smith products target a very precise consumer who seeks a winning combination of performance and style.

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

Licensed brands

A very prestigious brand portfolio

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

DIOR
DIOR HOMME
GIVENCHY PARIS
DB* EYEWEAR by DAVID BECKHAM
REBECCA MINKOFF
MaxMara
JIMMY CHOO
FENDI
ELIE SAAB
kate spade NEW YORK
FOSSIL
TOMMY HILFIGER
MISSONI*
Levi's*
swatch the eyes**
BOSS HUGO BOSS
THE MARC JACOBS
MOSCHINO
LOVE MOSCHINO
M MISSONI*
TOMMY JEANS*
pierre cardin PARIS
havaianas
BANANA REPUBLIC
rag & bone NEW YORK
UNDER ARMOUR*
Juicy Couture
LIZ claiborne
Saks Fifth Avenue
HUGO HUGO BOSS

(*) From 2020 (Under Armour from 2021).

(**) Swatch the Eyes is a collaboration agreement.

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

Banana Republic. Banana Republic is a global brand of accessible luxury offering the best of urban style. With high design content and luxury processing, Banana Republic lifestyle collections include clothing, shoes, bags, jewellery and perfume. Since its launch in 2008, the eyewear collection has enjoyed great success. This is also the merit of Made in Italy materials and items, sophisticated colours, and special treatments of temples and components that highlight the brand, to create a collection with timeless appeal.

BOSS – HUGO. This brand embodies class and elegance, attention to detail and to high-quality materials. The BOSS collection offers business, casual and athleisure looks for an impeccable modern wardrobe. While with the HUGO brand, trendsetters and style individualists can make confident statements with cool and progressive looks, choosing sharp tailoring and casual pieces infused with fashion-forward attitude.

David Beckham. Launched in January 2020, DB Eyewear by David Beckham is the first eyewear collection from David Beckham and Safilo: positioned in the premium segment and leveraging on the extraordinary power of David's social audiences, this new line of sunglasses and optical frames combines an authentic British style with a vintage and timeless spirit, while keeping a sharp focus on detail and functionality. Featuring lightweight materials and special mineral, polar or photochromic lenses, the new DB eyewear is both practical and functional, the perfect accessory to be worn anytime, from morning till night.

Dior. "Maison de Couture", a fabulous laboratory of ideas and a trend setter and leader in the luxury sector. Dior products have the right balance between creativity, aesthetics, comfort and quality. Dior is an aspirational brand thanks to its unique heritage from which it draws inspiration for inventing new and advanced concepts. Dior eyewear seduces thanks to the sophisticated shapes which are inspired by vintage concepts and the exceptional world of Haute Couture inherent to the brand's DNA. Dedicated and elegant colours, sophisticated materials and quality craftsmanship make Dior eyewear unique and distinctive. The collection is mainly aimed at a sophisticated female consumer, a fashion trend setter, but always elegant and attentive to detail.

Dior Homme. Combines elegance with a natural look and reshuffles the masculine codes by mixing day and evening, smart and casual, tradition and avant-garde, masculinity and vulnerability. A new classicism for the Dior Homme eyewear collection, identified and diversified collections: tailoring, couture, comfort, savoir-faire, elegance, design, luxurious materials, rigorous cuts, graphic colours, avant-gardism. High attention to details, enduring quality and finishings. The target consumer is male, aged 20 years and above, trend setter and trendy but elegant and with high attention to details.

Elie Saab. Elie Saab stands for the utmost sophistication, lightness, intricate details, precious materials, sheer beauty and savoir-faire – the dream of true Parisian luxury evocative of unique Beirut roots. The designer experiments with the central themes of femininity and romanticism, creating clothing that is cut-to-the-curve, with soft edges and exquisite detail including hand embroidery, beading and the use of luxurious fabrics such as mousseline and silk. Positioned in the Atelier segment, the eyewear collection reflects this exquisite personality of the brand, being developed with the highest sophistication in terms of product design, materials and craftsmanship.

Fendi. The savoir-faire, craftsmanship and innovation which have always distinguished Fendi are highlighted and fully transferred to the eyewear collection, created for a sophisticated, feminine and elegant woman, with a strong personality. Precious materials, refined details, daring colour combinations for a distinctive look, feminine and versatile.

Fossil. Fossil is inspired by the typical designs of the mid 1920s mixed with the desires of modern consumers. This “modern vintage” philosophy alludes to both classical and contemporary aesthetics. The collection targets consumers looking for fashionable sunglasses with clean and coloured shapes.

Givenchy. Givenchy, founded in 1952 by Hubert de Givenchy, is an international luxury house known for its Haute Couture, ready-to-wear and accessories' collections for men and women. The house of Givenchy has just begun a new chapter in its history as British designer Clare Waight Keller unveiled her first foray into haute couture with a show which sought to celebrate the subversive side of fairytale fashion. Givenchy's distinct and modern creativity inspires unique eyewear creations of high quality and distinctiveness.

havaianas. Havaianas embodies the fun, vibrant and spontaneous way of Brazilian life. As the original flip-flops created in 1962, havaianas have been bringing the Brazilian spirit all around the world with high quality rubber and bright, joyful designs. The unique vibrant Brazilian personality of havaianas with its iconic creative simplicity has inspired innovative and cool eyewear collection with broad appeal for the world.

Jimmy Choo. An icon of luxury and quality accessories, positioned in the high-end sector with glamorous and sophisticated collections of sunglasses and ophthalmic frames. The innovative design emphasizes the fresh and distinctive Jimmy Choo style, with original colours and luxury trimmings, that recall the must-haves of the brand. An elegant and timeless brand, which represents a status symbol.

Juicy Couture. Juicy Couture is known throughout the world for the style of its tracksuits and soon became one of the fastest growing fashion brands in the world. The collections combine classical forms with the unmistakable details of the Juicy world and style, with logos and slogans recognisable to fans of the brand.

kate spade new york. Inspired by a timeless chic style, the Kate Spade collection recalls the 60s and their influence is seen in both the design and the colours. The ophthalmic sunglass lenses contain many of the fine and distinctive details of the bags and accessories from this brand, with audacious yet sophisticated collections as well as very attractive and easy to wear shapes and typically feminine colours.

LEVI'S® Levi Strauss & Co. is one of the world's largest brand-name apparel companies and a global leader in jeanswear. Designed with the fashion-forward in mind and targeting the younger generations of Millennials and GenZ, the new LEVI'S® collection of sunglasses and optical frames features a wide range of functional but stylish designs to choose from, evoking the effortless appeal of the Californian lifestyle, reinterpreted with a contemporary design.

Liz Claiborne. The Liz Claiborne collections of prescription frames and Rx-able sunglasses, like the women's clothing collections, target women who want a modern, top quality style where fit means design ranging from classic to modern.

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

Max Mara. Max Mara is an expression of Italian femininity and truly timeless elegance. It is marked by the high quality of its materials, its modern design and its tailored style. Max Mara products combine modernity and tradition, elegance and simplicity. The Max Mara brand targets modern women, aged 30 to 50, financially independent, looking for elegant and sophisticated eyewear with classical and unostentatious details.

Missoni. Missoni is an Italian brand at the forefront of international fashion since 1953, the year in which founders Ottavio and Rosita Missoni started creating their revolutionary knitwear fashions. The essence of Missoni - embodied in the premium quality of the materials, in the distinctive colour combinations and in the modern reinterpretation of iconic textures - comes to life in sunglasses and optical frames, and is enriched by sophisticated designs and superior craftsmanship, reflecting the pure and subtle femininity of the brand.

M Missoni. Margherita Maccapani Missoni, scion of the knitwear dynasty and new creative director of the M Missoni brand, looked deep into the family company's archives to deliver a distinctive, contemporary line up, refreshed through its signature colourful graphic designs. The joyful and laid-back mood of the collection is translated into the contemporary designs and unexpected colour palette of the new sunglasses and optical frames: easy-to-wear shapes where the iconic ZIG-ZAG graphic, a signature element of the collection, is interpreted in multiple versions, either as a cut-out detail on the lenses, or as a pattern on temples.

Moschino. Moschino is one of the most creative and desecrating luxury brand of the world, characterized by its high-quality garments and accessories. Moschino's provocative surrealist wit inspired the development of our eyewear collections that embody the vivid creativity of Moschino, always enriched by an irony touch, now so powerfully interpreted in Jeremy Scott's vision. The iconic design that well translates the subversive and pop spirit of the brand add a distinctive momentum to our premium offer within our brand portfolio.

Love Moschino. Love Moschino is aimed at a young, fashion conscious clientele looking for timeless and easy to wear shapes, enhanced by daring colour association and smart details recalling the brand world. The casual taste is merged with a contemporary urban style for a fashion offer able to underline a creative and individual attitude. The eyewear collection, mainly focused on optical, is distributed through the major optical chains worldwide.

Pierre Cardin. Pierre Cardin products are typically refined, confirming a style that characterises successful products. Classical yet always current, they are also adorned with precious and classy details. This is a very well-known brand, with a contemporary design; its eyewear lines are sold at very affordable prices. The eyewear collections goes beyond tradition, exploring new routes in style: some models take inspiration from a futuristic design, according to the elegance typical of this brand.

rag&bone. Founded in New York in 2002, rag&bone takes its origins from a desire to create beautifully constructed clothing with directional modern design. Marcus Wainwright and David Neville's brand instantaneously acquired cult status by combining their British heritage with an inherent downtown New York aesthetic. Today, rag&bone offers a full range of men's and women's ready to wear, accessories and footwear collections, and is a well-recognized success in the international fashion world. rag&bone eyewear collections will cover both optical and sunglass ranges and will be distributed in all rag & bone directly operated stores, rag-bone.com, boutiques, department stores and the best optical stores worldwide.

Rebecca Minkoff. With a vision of building a lifestyle brand for women like herself — whimsical, clever and passionate — Rebecca Minkoff has found a unique niche among fashion-forward, modern women around the world. Today, the Rebecca Minkoff brand spans ready-to-wear, bags, footwear, jewellery, eyewear and tech accessories. Her unique vision for the brand is singularly focused on her ideal millennial girl, who experiences all of life's exciting moments, with her confident, go-anywhere, do-anything attitude.

Saks Fifth Avenue. The Saks Fifth Avenue collection address smart, stylish, practical women who love fashion. The collections of prescription frames and sunglasses are refined and classic with beautiful details that capture the attention of women between 25 and 55 years of age.

Swatch. Creative, playful and lifestyle-oriented, the eyewear collection *Swatch The Eyes* complements Safilo's portfolio in the vast and fast growing mass-cool consumer segment with a unique proposition that leverages the smart, playful, innovative DNA of Swatch.

Tommy Hilfiger is one of the most famous names in the fashion design sector. The Group creates and sells high-quality collections with men's, women's, children's and denim clothing lines. The eyewear collection epitomizes the brand's "preppy" image, the icon of the American cool spirit. The collections are characterized by a young style, combining coloured materials with unexpected details, creating a complete range of prescription frames and sunglasses, from the smart casual to the businessman. The collection embodies the Tommy Hilfiger brand essence, merging both vintage and modern styles.


SMITH

SAFILO GROUP S.p.A. CONSOLIDATED FINANCIAL STATEMENTS AT 31ST DECEMBER 2019

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

in 2019 we continued the work started in 2018, consolidating the business foundations to develop our medium-term strategies and ambitions. Our efforts and projects focused on strengthening the customers' trust in Safilo, strenuously improving customer care and service levels, while reshaping the commercial organization around relevant eyewear competences and strong local accountability.

Our economic results for the year were supportive, in line with the targets we had given ourselves and shared with the market, thanks to a strong execution plan to recover top line growth in our wholesale business and restore a mid-single digit adjusted EBITDA margin through a strict cost optimization plan.

In 2019, our wholesale revenues grew by 2.8% at constant exchange rates, also thanks to the positive contribution of all our core own brands Carrera, Polaroid and Smith, together posting a sales growth of 5.7% at constant exchange rates. This result is for us particularly encouraging and supportive of the strategic choice to sharpen commercial execution, focusing skills and investments in fewer, more brand-relevant markets.

2019 was a meaningful year also for our licensed portfolio, a year rich of important renewals, from Tommy Hilfiger and Kate Spade, to Hugo Boss and Marc Jacobs, and the signing of four exciting new partnerships, namely Missoni, Levis, David Beckham and Under Armour. We consider all what we achieved last year a significant statement and confirmation of Safilo's relevance in the eyewear licensing business, where we remain strongly committed to playing a leading role.

At the profit level, we landed where we wanted to be, with an adjusted EBITDA margin of our Continuing Operations at 5.5% thanks to the savings in the costs of goods sold and to our actions to reduce overhead expenses. Our balance sheet remained strong as we closed 2019 with a net debt position of Euro 27.8 million at the end of December and an adjusted financial leverage of 0.5 times.

2019 can be considered a transformational year for Safilo, in which we decided to exit the retail business, selling the Solstice chain in US on July 1, 2019, a year in which we were confronted with the LVMH decision to internalize its eyewear business, and in which we took the decision to pursue more decisively a digital transformation strategy, initiating the acquisition of new, relevant brands and capabilities.

December 2019 was a turning point for our Group, when we announced the acquisition of Blenders, a fast-growing digitally native California brand, which will become part of our own core brand portfolio and the most important building block to support the development of our Direct-to Consumer capabilities and business.

The latter is a key pillar of the new Group Business Plan 2020-2024 we presented in the same month of December, which also had to give a new course to our manufacturing footprint, rescaling its Italian capacity to the future production needs of the Company, safeguarding our competitiveness and financial solidity for the long term.

2020 has started under the banner of our new strategic direction, with the acquisition in February of a new brand, Privé Revaux, another enrichment of our proprietary brand portfolio and a strong fit with our millennial-focused digital strategy aimed at strengthening a marketing model strongly focused on the consumer.

After a very promising start to the new year for all our own core brands and key licenses, we are now facing the challenges posed by the outbreak and spread of coronavirus, the impacts of which we are closely monitoring while planning for mitigation actions.

Angelo Trocchia
Chief Executive Officer

BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

BOARD OF DIRECTORS (1)	*Chairman*	Eugenio Razelli
	Chief Executive Officer	Angelo Trocchia
	Non-executive Director	Jeffrey A. Cole
	Non-executive Director	Melchert Frans Groot
	Non-executive Director	Robert Polet
	Non-executive, Independent Director	Ines Mazzilli
	Non-executive, Independent Director	Guido Guzzetti
	Non-executive, Independent Director	Catherine Gèrardin-Vautrin
	Non-executive, Independent Director	Cinzia Morelli-Verhoog
BOARD OF STATUTORY AUDITORS (2)	*Chairman*	Carmen Pezzuto
	Regular Auditor	Franco Corgnati
	Regular Auditor	Bettina Solimando
	Alternate Auditor	Marzia Reginato
	Alternate Auditor	Gianfranco Gaudioso
SUPERVISORY COMMITTE (3)	*Chairman*	Franco Corgnati
		Ines Mazzilli
		Carlotta Boccadoro
CONTROL RISK AND SUSTAINABILITY COMMITTEE (3)	*Chairman*	Ines Mazzilli
		Melchert Frans Groot
		Guido Guzzetti
REMUNERATION AND NOMINATION COMMITTE (4)	*Chairman*	Catherine Gèrardin-Vautrin
		Jeffrey A. Cole
		Cinzia Morelli-Verhoog
TRANSACTIONS WITH RELATED PARTIES COMMITTEE (3)	*Chairman*	Ines Mazzilli
		Guido Guzzetti
		Catherine Gèrardin-Vautrin
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.	

(1) Appointed by the Shareholders' Meeting held on April 24, 2018.
(2) Appointed by the Shareholders' Meeting held on April 26, 2017.
(3) Appointed by the Board of Directors' Meeting held on April 24, 2018.
(4) Appointed by the Board of Directors' Meeting held on April 24, 2018 and subsequently amended in its composition on March 13, 2019.

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

Following the completion of the divestiture of its US retail chain Solstice as of 1 July 2019, the Group's financial statements and key performance indicators are shown both on a basis of the total Group, and its continuing operations (i.e. total Group excluding US retail business).

Economic data Total Operations (Euro million)	**2019**	**%**	**2018**	**%**
Net sales	964.7	100.0	962.9	100.0
Cost of sales	(477.4)	(49.5)	(481.3)	(50.0)
Gross profit	487.3	50.5	481.5	50.0
Ebitda	23.0	2.4	41.7	4.3
Ebitda pre non-recurring items	63.7	6.6	47.5	4.9
Ebitda pre non-recurring items and IFRS 16	44.3	4.6	47.5	4.9
Operating profit/(loss)	(294.5)	(30.5)	(5.9)	(0.6)
Operating profit/(loss) pre non-recurring items	(4.1)	(0.4)	-	-
Group profit/(loss) before taxes	(303.9)	(31.5)	(23.2)	(2.4)
Profit/(Loss) attributable to the Group	(328.3)	(34.0)	(32.4)	(3.4)
Profit/(Loss) attributable to the Group pre non-recurring items	(13.7)	(1.4)	(26.7)	(2.8)
Profit/(Loss) attributable to the Group pre non-recurring items and IFRS 16	(11.4)	(1.2)	(26.7)	(2.8)

Economic data Total Operations (Euro million)	**Fourth quarter 2019**	**%**	**Fourth quarter 2018**	**%**
Net sales	230.4	100.0	249.1	100.0
Gross profit	101.8	44.2	115.0	46.2
Ebitda	(17.7)	(7.7)	9.0	3.6
Ebitda pre non-recurring items	11.3	4.9	10.3	4.1
Ebitda pre non-recurring items and IFRS 16	8.1	3.5	10.3	4.1

Economic data Continuing Operations (Euro million)	**2019**	**%**	**2018**	**%**
Net sales	939.0	100.0	910.7	100.0
Cost of sales	(462.1)	(49.2)	(457.5)	(50.2)
Gross profit	476.9	50.8	453.2	49.8
Ebitda	26.1	2.8	51.5	5.7
Ebitda pre non-recurring items	65.4	7.0	57.3	6.3
Ebitda pre non-recurring items and IFRS 16	51.8	5.5	57.3	6.3
Operating profit/(loss)	(271.7)	(28.9)	7.6	0.8
Operating profit/(loss) pre non-recurring items	3.7	0.4	13.5	1.5
Group profit/(loss) before taxes	(279.0)	(29.7)	(6.2)	(0.7)
Profit/(Loss) attributable to the Group	(301.9)	(32.2)	(19.8)	(2.2)
Profit/(Loss) attributable to the Group pre non-recurring items	(6.0)	(0.6)	(14.0)	(1.5)
Profit/(Loss) attributable to the Group pre non-recurring items and IFRS 16	(4.0)	(0.4)	(14.0)	(1.5)

Economic data Continuing Operations (Euro million)	**Fourth quarter 2019**	**%**	**Fourth quarter 2018**	**%**
Net sales	230.4	100.0	236.9	100.0
Gross profit	101.8	44.2	108.3	45.7
Ebitda	(17.9)	(7.8)	12.0	5.1
Ebitda pre non-recurring items	11.1	4.8	13.3	5.6
Ebitda pre non-recurring items and IFRS 16	7.9	3.4	13.3	5.6

Balance sheet data of Total Operations (Euro million)	**December 31, 2019**	**%**	**December 31, 2018**	**%**
Total assets	829.3	100.0	1,189.7	100.0
Total non-current assets	292.2	35.2	536.4	45.1
Capital expenditure	31.8	3.8	30.7	2.6
Net invested capital	416.8	50.3	679.2	57.1
Net working capital	250.8	30.2	251.3	21.1
Net financial position	(74.8)	(9.0)	(32.9)	(2.8)
Net financial position pre IFRS 16	(27.8)	(3.4)	(32.9)	(2.8)
Group Shareholders' equity	342.1	41.2	646.3	54.3
Group Shareholders' equity pre IFRS 16	344.1	41.5	646.3	54.3

Financial data of Total Operations (Euro million)	**2019**	**2019 pre IFRS 16**	**2018**
Cash flow from operating activities	26.5	9.6	2.7
Cash flow from investing activities	(41.0)	(23.4)	(28.3)
Cash flow from financing activities	(108.0)	(108.7)	178.6
Closing net financial indebtedness (short-term)	53.9	53.9	175.0
Free cash flow	(14.5)	(13.8)	(25.6)

Earnings/(Losses) per share (in Euro)	**2019**	**2018**
Earnings/(Losses) per share - basic	(1.191)	(0.300)
Earnings/(Losses) per share - diluted	(1.190)	(0.300)
Group Shareholders' equity per share	1.24	2.58

Group personnel	**December 31, 2019**	**December 31, 2018**
Punctual at period end	5,754	6,594
Average	5,885	6,047

Share and market data (in Euro)	**2019**	**2018**
Share price at the end of the financial year	1.11	0.70
Maximum share price of the financial year	1.60	3.27
Minimum share price of the financial year	0.71	0.70
No. shares in share capital at 31 December	275,703,846	250,510,509
Stock Market value at the end of the financial year	307,134,084	175,357,356

Adjusted performance indicators

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

Adjusted indicators exclude the following non-recurring items:

- in 2019, the adjusted economic results of the Continuing Operations exclude: (i) the impairment of the entire goodwill allocated to the Group's cash generating units of Euro 227.1 million, (ii) the write-down of deferred tax assets of Euro 22.4 million, (iii) the write-down of fixed assets of Euro 9.0 million for the restructuring plan in Italy, announced on December 10, 2019, (iv) non-recurring costs of 39,4 million, related to the above-mentioned restructuring plan in Italy for Euro 21 million, to the cost saving program undertaken by the Group during the year, and to activities linked to acquisitions and divestitures. At the net result level, there was a positive tax effect on the non-recurring costs themselves of Euro 1,9 million. In fourth quarter 2019, the adjusted EBITDA excludes non-recurring costs for Euro 29.0 million, the corresponding part of the above indicated Euro 39.4 million. In 2019, the adjusted economic results of the Total Operations also exclude non-recurring items related to the retail discontinued operations: (i) Euro 17.3 million for the loss on disposal and (ii) non-recurring costs for Euro 1.3 million.

- in 2018, the non-recurring items refer to non-recurring costs for Euro 5.8 million, mainly related to the CEO succession plan and reorganization costs in North America and Europe. In fourth quarter 2018, the adjusted EBITDA excludes non-recurring costs for Euro 1.3 million.

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

(Euro million)	2019 Ebitda	2019 Operating profit/ (Loss)	2019 Profit/(Loss) attributable to the Group	2018 Ebitda	2018 Operating profit/ (Loss)	2018 Profit/(Loss) attributable to the Group
Economic indicators total operations	**23.0**	**(294.5)**	**(328.3)**	**41.7**	**(5.9)**	**(32.4)**
Restructuring costs and other non recurring costs	40.7	49.7	49.7	5.8	5.9	5.9
Impairment of goodwill	-	227.1	227.1	-	-	-
Loss on disposal of retail business	-	13.6	13.6	-	-	-
Write Down of Deferred Tax Assets	-	-	26.0	-	-	-
Tax effect on non- recurring items	-	-	(1.9)	-	-	(0.2)
Economic indicators total operations pre non-recurring items	**63.7**	**(4.1)**	**(13.7)**	**47.5**	**-**	**(26.7)**
IFRS 16 impacts	(19.4)	0.2	2.3	-	-	-
Economic indicators total operations pre non-recurring items and IFRS 16	**44.3**	**(3.9)**	**(11.4)**	**47.5**	**-**	**(26.7)**

(Euro million)	2019 Ebitda	2019 Operating profit/ (Loss)	2019 Profit/(Loss) attributable to the Group	2018 Ebitda	2018 Operating profit/ (Loss)	2018 Profit/(Loss) attributable to the Group
Economic indicators continuing operations	**26.1**	**(271.7)**	**(301.9)**	**51.5**	**7.6**	**(19.8)**
Restructuring costs and other non recurring costs	39.4	48.4	48.4	5.8	5.9	5.9
Impairment of goodwill	-	227.1	227.1	-	-	-
Write Down of Deferred Tax Assets	-	-	22.4	-	-	-
Tax effect on non recurring items	-	-	(1.9)	-	-	(0.2)
Economic indicators pre non-recurring items	**65.4**	**3.7**	**(6.0)**	**57.3**	**13.5**	**(14.0)**
IFRS 16 impacts	(13.6)	0.5	2.0	-	-	-
Economic indicators continuing operations pre-non recurring items and IFRS 16	**51.8**	**4.2**	**(4.0)**	**57.3**	**13.5**	**(14.0)**

Alternative performance indicators definition

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

- "EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;
- "Capital expenditure" refers to purchases of tangible and intangible fixed assets;
- "Net invested capital" refers to the sum of shareholders' equity of the Group and minority interests and the "Net financial position" (see below);
- "Free Cash Flow" means the sum of cash flow from/(for) operating activities and the cash flow from/(for) investing activities;
- "Net working capital" means the sum of inventories, trade receivables and trade payables;
- "Net financial position" means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held in hand and at bank. Such indicator does not include the valuation at the reporting date of derivative financial instruments;
- "Financial leverage" is the ratio between "Net financial position" and "EBITDA";

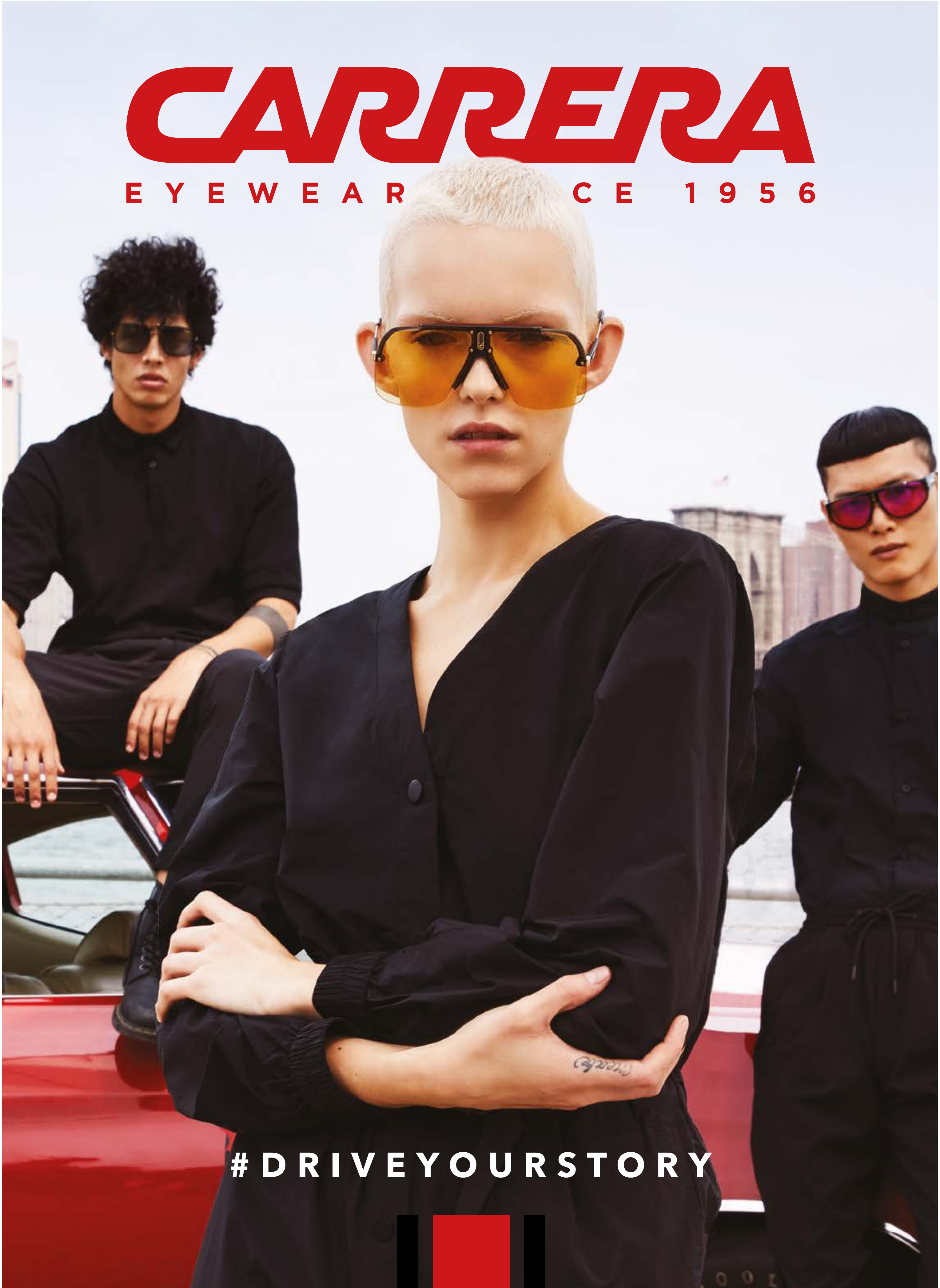
It should be noted that:

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

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

Disclaimer

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



CARRERA **1031/S**

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DIRECTORS OPERATIONS REPORT

REPORT ON OPERATIONS
INFORMATION ON THE OPERATIONS

2019 has been characterized by some important events that are reflected in Group economic performance:

Sale of Solstice retail operations

On 1 July 2019 Safilo communicated the closing of the transaction to sell Solstice retail business for a cash consideration of USD 9.0 million. Such discontinued operations generated a total loss of Euro 26.1 million, of which Euro 17.3 related to the assets disposal and Euro 8.8 million to the net result of the chain in the period.

Non-cash goodwill impairment and write-down of assets

The Group has performed an impairment test for the purpose of its annual financial statements, which has not required further non-cash write down compared to those already performed at the time of its semi-annual results of the entire goodwill on the Balance Sheet, equalling a charge of Euro 227.1 million, while updating the non-cash write down of deferred tax assets from 22.3 million at the end of June 2019 to 22.4 million at the end of December 2019. Following the announcement, on December 10, 2019, of a restructuring plan in Italy, the Group proceeded with a non-cash write-down of fixed assets of Euro 9.0 million.

First adoption of IFRS 16

The Group elected to implement IFRS 16, applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized at its relevant effective date on January 1, 2019 without the restatement of 2018 comparative information. IFRS 16 had a significant impact on the Group's consolidated balance sheet side due to the right of use assets and lease liabilities that are now recognized for contracts in which the Group is a lessee. In the consolidated statement of income, the majority of the current operating rental costs is now presented as depreciation of right of use assets and interest expenses on the lease liabilities, with a material positive impact in terms of EBITDA and a minor effect on EBIT and net income. 2019 Group's results are commented on a pre IFRS 16 basis in order to support the transition and to allow proper comparison with the previous period.

Non-recurring costs

2019 economic results include non-recurring costs for a total of Euro 39.4 million, related to the restructuring plan in Italy for Euro 21 million, to the cost saving program undertaken by the Group during the year, and to activities linked to acquisitions and divestitures. At the net result level, also includes a positive tax effect on the non-recurring costs themselves of Euro 1.9 million.

GROUP TOTAL OPERATIONS ECONOMIC PERFORMANCE

The Group following the execution of the sales agreement of the Solstice retail business, effective 1 July 2019, has reported the retail business as discontinued operations. The following table provide an overview of the total Group operations economic performance including the contribution of both wholesale business as continuing operations and retail business as discontinued one.

Consolidated income statement (Euro million)	**2019**	**%**	**2019 pre IFRS 16**	**%**	**2018**	**%**	**Change pre IFRS 16**	**Change %**
Net sales	964.7	100.0	964.7	100.0	962.9	100.0	1.8	0.2%
Cost of sales	(477.4)	(49.5)	(477.0)	(49.4)	(481.3)	(50.0)	4.3	-0.9%
Gross profit	**487.3**	**50.5**	**487.7**	**50.6**	**481.5**	**50.0**	**6.1**	**1.3%**
Selling and marketing expenses	(382.0)	(39.6)	(381.6)	(39.6)	(386.3)	(40.1)	4.7	-1.2%
General and administrative expenses	(124.1)	(12.9)	(124.6)	(12.9)	(135.5)	(14.1)	10.9	-8.0%
Other operating income/ (expenses)	(35.1)	(3.6)	(35.1)	(3.6)	34.4	3.6	(69.5)	n.s.
Operating profit/ (loss) before impairment loss on goodwill and loss on disposal of retail business	**(53.8)**	**(5.6)**	**(53.7)**	**(5.6)**	**(5.9)**	**(0.6)**	**(47.8)**	**n.s.**
Loss on disposal of retail business	(13.6)	(1.4)	(13.6)	(1.4)	-	-	(13.6)	n.s.
Impairment loss on goodwill	(227.1)	(23.5)	(227.1)	(23.5)	-	-	(227.1)	n.s.
Operating profit/ (loss)	**(294.5)**	**(30.5)**	**(294.3)**	**(30.5)**	**(5.9)**	**(0.6)**	**(288.4)**	**n.s.**
Financial charges, net	(9.4)	(1.0)	(7.2)	(0.7)	(17.3)	(1.8)	10.1	-58.3%
Profit/(Loss) before taxation	**(303.9)**	**(31.5)**	**(301.5)**	**(31.3)**	**(23.2)**	**(2.4)**	**(278.3)**	**n.s.**
Income taxes	(24.4)	(2.5)	(24.4)	(2.5)	(9.2)	(1.0)	(15.2)	n.s.
Net profit/(loss)	**(328.3)**	**(34.0)**	**(326.0)**	**(33.8)**	**(32.4)**	**(3.4)**	**(293.5)**	**n.s.**
Net profit attributable to minority interests	(0.1)	(0.0)	(0.1)	(0.0)	-	-	(0.1)	n.s.
Net profit/(loss) attributable to the Group	**(328.3)**	**(34.0)**	**(325.9)**	**(33.8)**	**(32.4)**	**(3.4)**	**(295.8)**	**n.s.**
EBITDA	**23.0**	**2.4**	**3.6**	**0.4**	**41.7**	**4.3**	**(38.2)**	**-91.5%**

Economic indicators pre non-recurring items	2019	%	2019 pre IFRS 16	%	2018	%	Change pre IFRS 16	Change %
EBIT pre non-recurring items	**(4.1)**	**(0.4)**	**(3.9)**	**(0.4)**	**-**	**-**	**(3.9)**	**n.s.**
EBITDA pre non-recurring items	**63.7**	**6.6**	**44.3**	**4.6**	**47.5**	**4.9**	**(3.2)**	**-6.8%**
Net profit/(loss) attributable to the Group pre non-recurring items	**(13.7)**	**(1.4)**	**(11.4)**	**(1.2)**	**(26.7)**	**(2.8)**	**15.4**	**57.5%**

The following table provides the contribution of the continuing and discontinued operations to each item of the Group income statement. 2019 figures are reported and commented on a pre-IFRS 16 basis in order to allow a proper comparison with the 2018 comparative period.

On July 1, 2019 Safilo communicated the closing of the transaction to sell the Solstice retail business. Such discontinued operations generated a total loss pre-IFRS 16 of Euro 26.1 million, of which Euro 17.3 million related to the assets disposal and Euro 8.8 million to the net result of the chain in the period.

Consolidated income statement (Euro million)	2019 pre IFRS 16	Of which Con-tinuing	Of which Discon-tinued	2018	Of which Con-tinuing	Of which Discon-tinued	Change pre IFRS 16	Change %
Net sales	964.7	939.0	25.7	962.9	910.7	52.1	1.8	0.2%
Cost of sales	(477.0)	(461.8)	(15.2)	(481.3)	(457.5)	(23.8)	4.3	-0.9%
Gross profit	**487.7**	**477.2**	**10.4**	**481.5**	**453.2**	**28.3**	**6.1**	**1.3%**
Selling and marketing expenses	(381.6)	(366.3)	(15.3)	(386.3)	(353.2)	(33.1)	4.7	-1.2%
General and administrative expenses	(124.6)	(121.2)	(3.4)	(135.5)	(127.0)	(8.5)	10.9	-8.0%
Other operating income/(expenses)	(35.1)	(33.9)	(1.3)	34.4	34.5	(0.2)	(69.5)	n.s.
Operating profit/(loss) before impairment loss on goodwill and loss on disposal of retail business	**(53.7)**	**(44.1)**	**(9.5)**	**(5.9)**	**7.6**	**(13.5)**	**(47.8)**	**n.s.**
Loss on disposal of retail business	(13.6)	-	(13.6)	-	-	-	(13.6)	n.s.
Impairment loss on goodwill	(227.1)	(227.1)	-	-	-	-	(227.1)	n.s.
Operating profit/(loss)	**(294.3)**	**(271.2)**	**(23.1)**	**(5.9)**	**7.6**	**(13.5)**	**(288.4)**	**n.s.**
Financial charges, net	(7.2)	(5.8)	(1.5)	(17.3)	(13.8)	(3.5)	10.1	-58.3%
Profit/(Loss) before taxation	**(301.5)**	**(277.0)**	**(24.6)**	**(23.2)**	**(6.2)**	**(17.0)**	**(278.3)**	**n.s.**
Income taxes	(24.4)	(22.9)	(1.5)	(9.2)	(13.5)	4.3	(15.2)	n.s.
Net profit/(loss)	**(326.0)**	**(299.9)**	**(26.1)**	**(32.4)**	**(19.8)**	**(12.7)**	**(293.5)**	**n.s.**
Net profit attributable to minority interests	(0.1)	(0.1)	-	-	-	-	(0.1)	n.s.
Net profit/(loss) attributable to the Group	**(325.9)**	**(299.8)**	**(26.1)**	**(32.4)**	**(19.8)**	**(12.7)**	**(295.8)**	**n.s.**
EBITDA	**3.6**	**12.4**	**(8.9)**	**41.7**	**51.5**	**(9.8)**	**(38.2)**	**-91.5%**

Economic indicators pre non-recurring items	2019 pre IFRS 16	Of which Con-tinuing	Of which Discon-tinued	2018	Of which Con-tinuing	Of which Discon-tinued	Change pre IFRS 16	Change %
EBIT pre non-recurring items	(3.9)	4.2	(8.2)	-	13.5	(13.5)	(3.9)	n.s.
EBITDA pre non-recurring items	44.3	51.8	(7.5)	47.5	57.3	(9.8)	(3.2)	-6.8%
Net profit/(loss) attributable to the Group pre non-recurring items	(11.4)	(4.0)	(7.4)	(26.7)	(14.0)	(12.7)	15.4	57.5%

In the following paragraph of this Report 2019 results and comments are provided on the Group's Continuing Operations related to the wholesale business, which exclude the retail discontinued operations results above mentioned.

GROUP CONTINUING OPERATIONS ECONOMIC PERFORMANCE

The following table provide the Group Continuing Operations economic performance related the wholesale business, 2019 figures are reported and commented on a pre-IFRS 16 basis in order to allow a proper comparison with the 2018 comparative period.

Consolidated income statement (Euro million)	**2019**	**%**	**2019 pre IFRS 16**	**%**	**2018**	**%**	**Change pre IFRS 16%**
Net sales (*)	939.0	100.0	939.0	100.0	910.7	100.0	3.1%
Cost of sales	(462.1)	(49.2)	(461.8)	(49.2)	(457.5)	(50.2)	0.9%
Gross profit	**476.9**	**50.8**	**477.2**	**50.8**	**453.2**	**49.8**	**5.3%**
Selling and marketing expenses	(367.0)	(39.1)	(366.3)	(39.0)	(353.2)	(38.8)	3.7%
General and administrative expenses	(120.7)	(12.9)	(121.2)	(12.9)	(127.0)	(13.9)	-4.6%
Other operating income/ (expenses) (**)	(33.8)	(3.6)	(33.9)	(3.6)	34.5	3.8	n.s.
Impairment loss on goodwill	(227.1)	(24.2)	(227.1)	(24.2)	-	-	n.s
Operating profit/(loss)	**(271.7)**	**(28.9)**	**(271.2)**	**(28.9)**	**7.6**	**0.8**	**n.s.**
Financial charges, net	(7.3)	(0.8)	(5.8)	(0.6)	(13.8)	(1.5)	-58.3%
Profit/(Loss) before taxation	**(279.0)**	**(29.7)**	**(277.0)**	**(29.5)**	**(6.2)**	**(0.7)**	**n.s.**
Income taxes	(22.9)	(2.4)	(22.9)	(2.4)	(13.5)	(1.5)	69.8%
Profit/(Loss) of the period from continuing operations	**(302.0)**	**(32.2)**	**(299.9)**	**(31.9)**	**(19.8)**	**(2.2)**	**n.s.**
Net profit/(loss) attributable to minority interests	(0.1)	(0.0)	(0.1)	(0.0)	-	-	n.s.
Profit/(Loss) of the period from continuing operations attributable to the Group	**(301.9)**	**(32.2)**	**(299.8)**	**(31.9)**	**(19.8)**	**(2.2)**	**n.s.**
EBITDA from continuing operations	**26.1**	**2.8**	**12.4**	**1.3**	**51.5**	**5.7**	**-75.8%**

(*) At constant exchange rates, 2019 continuing operations net sales increased by 0.9% compared to 2018, amounting to Euro 918.8 million.
(**) The item includes operating non-recurring expenses for a total amount of Euro 39.4 million (Euro 5.8 million in 2018).

Economic indicators pre non-recurring items	2019	%	2019 pre IFRS 16	%	2018	%	Change pre IFRS 16%
EBIT continuing operations pre non-recurring items	**3.7**	**0.4**	**4.2**	**0.5**	**13.5**	**1.5**	**-68.6%**
EBITDA continuing operations pre non-recurring items	**65.4**	**7.0**	**51.8**	**5.5**	**57.3**	**6.3**	**-9.6%**
Net profit/(loss) attributable to the Group continuing operations pre non-recurring items	**(6.0)**	**(0.6)**	**(4.0)**	**(0.4)**	**(14.0)**	**(1.5)**	**71.8%**

Safilo closed 2019 with the net sales at Euro 939.0 million, up 3.1% at current exchange rates and 0.9% at constant exchange rates compared to Euro 910.7 million in 2018.

In the second half of the year, the performance of net sales in Europe was influenced by the expected decline of the supply business related to the agreement with Kering, a contraction which mainly materialized in the fourth quarter.

2019 **Gross profit** grew by 5.3% to Euro 477.2 million compared to Euro 453.2 million in 2018, with the margin on sales increasing to 50.8% from 49.8% in the previous year.

It is to be highlighted that 2019 gross profit included a write-down of fixed assets, for an amount of Euro 6.6 million, booked in the fourth quarter in relation to the announced restructuring plan in Italy. Excluding this non-recurring item, 2019 gross profit increased by 6.8%, while the margin improved by 170 basis points compared to 2018. The underlying performance reflected the cost savings achieved mainly in procurement activities, lower obsolescence costs and a more favorable sales mix effect.

2019 adjusted EBITDA reached Euro 51.8 million and a margin on net sales of 5.5%, recording a decline of 9.6% compared to the Euro 57.3 million booked in 2018 (6.3% on sales).

2019 adjusted Operating result (EBIT) equaled Euro 4.2 million and a margin on net sales of 0.5%, recording a decline of 68.6% compared to Euro 13.5 million booked in 2018 (1.5% on sales).

Net financial charges totaled Euro 5.8 million compared to Euro 13.8 million in 2018, thanks to the lower average net debt and a neutral impact from exchange rates differences.

2019 adjusted Group Net result equaled a loss of Euro 4.0 million and a margin on sales of -0.4%, recording an improvement of 71.8% compared to a loss of Euro 14.0 million booked in 2018 (-1.5% on sales).

When comparing 2019 results to 2018, it is important to recall that 2018 results included an income of Euro 39.0 million for the early termination of the Gucci license. Excluding such income from the comparative period, 2019 results marked a significant recovery of the Group's economic performance with 2019 adjusted EBITDA, Operating and Net results improving exponentially compared to 2018, with the margins increasing respectively by 350, 330 and 540 basis points.

Consolidated income statement (Euro million)	**Fourth quarter 2019**	**%**	**Fourth quarter 2019 pre IFRS 16**	**%**	**Fourth quarter 2018**	**%**	**Change pre IFRS 16%**
Net sales (*)	230.4	100.0	230.4	100.0	236.9	100.0	-2.8%
Gross profit	**101.8**	**44.2**	**102.1**	**44.3**	**108.3**	**45.7**	**-5.8%**
EBITDA from continuing operations	**(17.9)**	**(7.8)**	**(21.1)**	**(9.2)**	**12.0**	**5.1**	**n.s.**
EBITDA continuing operations pre non-recurring items	**11.1**	**4.8**	**7.9**	**3.4**	**13.3**	**5.6**	**-40.9%**

(*) At constant exchange rates, 2019 fourth quarter net sales decreased by 4.3% compared to the fourth quarter 2018, amounting to Euro 226.7 million.

In the fourth quarter of 2019, Safilo's net sales equaled Euro 230.4 million, down 2.8% at current exchange rates and 4.3% at constant exchange rates due to the above mentioned, expected decline of the business related to the supply agreement with Kering (renewed until the end of 2023).

Fourth quarter 2019 Gross profit included a write-down of fixed assets, for an amount of Euro 6.6 million, in relation to the announced restructuring plan in Italy, which explains the 5.8% decline recorded in the period. Excluding this non-recurring item, Q4 2019 gross profit slightly increased, by 0.3%, compared to the same quarter of 2018, with the gross margin improving by 140 basis points.

Fourth quarter adjusted EBITDA equalled Euro 7.9 million, with the margin on sales at 3.4%. This result compared to Euro 13.3 million reported in the fourth quarter of 2018, which however included the income of Euro 9.8 million for the early termination of the Gucci license. Excluding such income from the comparative period, fourth quarter 2019 adjusted EBITDA margin improved by 190 basis points compared to the fourth quarter 2018.

Net sales by geographical area

Net sales by geographical area (Euro million)	**Full year 2019**	**%**	**Full year 2018**	**%**	**Change %**	**Change % (*)**
Europe	448.8	47.8	452.0	49.6	-0.7%	-0.7%
North America	334.0	35.6	319.1	35.0	4.6%	-0.6%
Asia Pacific	78.0	8.3	63.3	7.0	23.1%	19.2%
Rest of the world	78.3	8.3	76.3	8.4	2.7%	1.1%
Total	**939.0**	**100.0**	**910.7**	**100.0**	**3.1%**	**0.9%**

Net sales by geographical area (Euro million)	**Fourth quarter 2019**	**%**	**Fourth quarter 2018**	**%**	**Change %**	**Change % (*)**
Europe	106.9	46.4	120.4	50.8	-11.2%	-11.8%
North America	84.7	36.8	78.7	33.2	7.6%	4.2%
Asia Pacific	17.0	7.4	15.4	6.5	10.1%	8.9%
Rest of the world	21.8	9.5	22.4	9.5	-2.7%	-3.4%
Total	**230.4**	**100**	**236.9**	**100**	**-2.8%**	**-4.3%**

(*) Sales performance at constant exchange rates.

Safilo closed 2019 with the net sales at Euro 939.0 million, up 3.1% at current exchange rates and 0.9% at constant exchange rates compared to Euro 910.7 million in 2018. In the second half of the year, the performance of net sales in Europe was influenced by the expected decline of the supply business related to the agreement with Kering, a contraction which mainly materialized in the fourth quarter.

In 2019, the wholesale revenues (excluding the business of the supply agreement with Kering) increased by 5.2% at current exchange rates and by 2.8% at constant exchange rates, with the latter performance driven by the positive trends recorded in Europe, up 3.2% while North America remained slightly negative, by 0.6%, despite the business recovery achieved in the fourth quarter.

The year marked significant business progress in Asia, up 19.2% at constant exchange rates, while sales in the Rest of the World recorded an improvement of 1.1%, driven by a mid-single digit growth in Latin America.

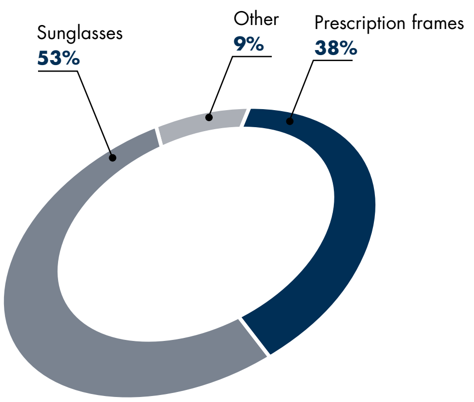
In 2019 wholesale performance was driven by the good results achieved by the Group's own core brands Carrera, Polaroid and Smith, overall growing by 5.7% at constant exchange rates, and by the positive performance of the main licensed brands.

In the fourth quarter of 2019, Safilo's net sales equalled Euro 230.4 million, down 2.8% at current exchange rates and 4.3% at constant exchange rates due to the above mentioned, expected decline of the business related to the supply agreement with Kering (renewed until the end of 2023).

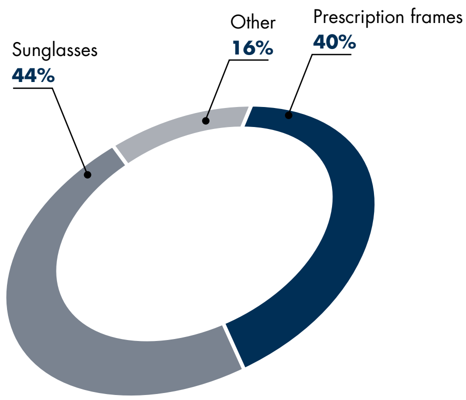
In the quarter, the wholesale revenues were up 1.8% at current exchange rates and +0.1% at constant exchange rates, reflecting on one side the recovery of the North American business, up 4.2% at constant exchange rates, and the ongoing strength of Asia-Pacific, up 8.9%, on the other a decrease of 4.0% in Europe, mainly due to the strong sales recovery posted in the region in the comparative quarter of 2018. Sales in the Rest of World declined by 3.4% at constant exchange rates, driven by some business deceleration in Mexico after the strong performance posted in the first nine months of the year.

The charts below summarize the breakdown of net sales by product category for the full year and for the fourth quarter 2019:

FULL YEAR 2019



FOURTH QUARTER 2019



CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31 December 2019 compared with those of 31 December 2018:

Balance sheet (Euro million)	**December 31, 2019**	**December 31, 2019 pre IFRS 16**	**December 31, 2018**	**Change**	**Change pre IFRS 16**
Trade receivables	188.2	188.2	184.4	3.8	3.8
Inventory, net	235.8	235.8	237.7	(1.9)	(1.9)
Trade payables	(173.1)	(173.1)	(170.8)	(2.4)	(2.4)
Net working capital	**250.8**	**250.8**	**251.3**	**(0.5)**	**(0.5)**
Tangible and Right of Use assets	191.6	149.4	176.9	14.7	(27.5)
Intangible assets	49.0	49.0	58.5	(9.5)	(9.5)
Goodwill	-	-	226.3	(226.3)	(226.3)
Non-current assets held for sale	5.5	5.5	-	5.5	5.5
Net fixed assets	**246.1**	**203.9**	**461.6**	**(215.5)**	**(257.8)**
Employee benefit liability	(27.1)	(27.1)	(26.2)	(0.8)	(0.8)
Other assets / (liabilities), net	(53.1)	(55.8)	(7.5)	(45.6)	(48.3)
NET INVESTED CAPITAL	**416.8**	**371.8**	**679.2**	**(262.4)**	**(307.4)**
Cash in hand and at bank	64.2	64.2	178.2	(114.0)	(114.0)
Short term borrowings and Lease liability	(28.9)	(19.2)	(211.1)	182.3	192.0
Long term borrowings and Lease liability	(110.2)	(72.9)	-	(110.2)	(72.9)
NET FINANCIAL POSITION	**(74.8)**	**(27.8)**	**(32.9)**	**(42.0)**	**5.1**
Group Shareholders' equity	(342.1)	(344.1)	(646.3)	304.3	302.2
Non-controlling interests	0.1	0.1	-	0.1	0.1
TOTAL SHAREHOLDERS' EQUITY	**(342.0)**	**(344.1)**	**(646.3)**	**304.3**	**302.3**

Net working capital

Net working capital at 31 December 2019 amounts to Euro 250.8 million compared with Euro 251.3 million of the previous year.

Net working capital (Euro million)	**December 31, 2019**	**December 31, 2018**	**Change**
Trade receivables, net	188.2	184.4	3.8
Inventories	235.8	237.7	(1.9)
Trade payables	(173.1)	(170.8)	(2.4)
Net working capital	**250.8**	**251.3**	**(0.5)**
% on net sales	*26.7%*	*26.1%*	

Fixed assets and investments in tangible and intangible fixed assets

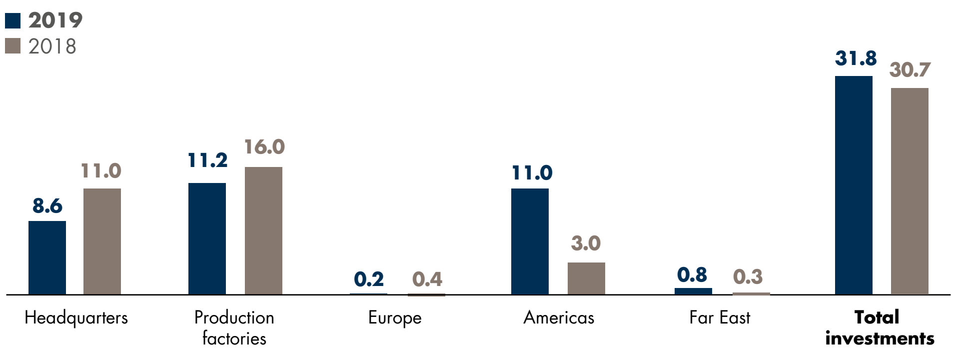
Non-current assets total Euro 246.1 million at the end of 2019 compared to Euro 461.6 million in 2018.

The decrease of non-current assets is mainly due to the full impairment of the goodwill carrying amount for Euro 227.1 million, according to the Impairment test of this asset performed for the interim June 2019 reporting. The decrease is also due to the ordinary depreciation of the tangible and intangible assets and to the additional write down of assets performed in view of the announced Italian Restructuring Plan.

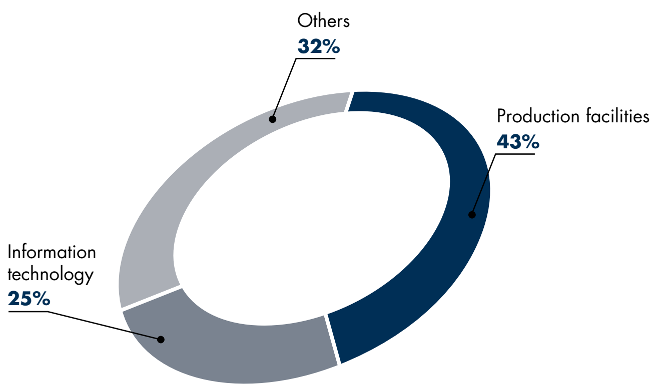
The Group's operating net investments of the year total Euro 30.6 million (Euro 30.7 million in 2018). The investments were focused on the continued modernization of its product supply and logistics network and in the roll out of its IT systems overhaul EyeWay.

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

INVESTMENTS BREAKDOWN



INVESTMENTS BY NATURE



FINANCIAL SITUATION

The main items of the net financial position at 31 December 2019 as well as free cash flow figures are reported below in comparison with the previous year.

Net financial position

Net financial position (Euro million)	**December 31, 2019**	**December 31, 2018**	**Change**
Current portion of long-term borrowings	-	(207.8)	207.8
Bank overdrafts and short-term bank borrowings	(10.3)	(3.3)	(7.0)
Other short-term borrowings	(8.8)	-	(8.8)
Short-term lease liability IFRS 16	(9.7)	-	(9.7)
Cash and cash equivalents	64.2	178.2	(114.0)
Short-term net financial position	**35.4**	**(32.9)**	**68.2**
Bonds	-	-	-
Long-term borrowings	(72.9)	-	(72.9)
Long-term lease liability IFRS 16	(37.3)	-	(37.3)
Long-term net financial position	**(110.2)**	**-**	**(110.2)**
TOTAL NET FINANCIAL POSITION	**(74.8)**	**(32.9)**	**(42.0)**
TOTAL NET FINANCIAL POSITION PRE-IFRS 16	**(27.8)**	**(32.9)**	**5.1**

Group net debt

Group net debt at the end of December 2019, stood at Euro 27.8 million compared to Euro 32.9 million at the end of December 2018, and Euro 24.3 million at the end of September 2019. The position reflected the Free Cash Flow dynamics as well as the remaining proceeds, received on January 2, 2019 and equal to Euro 17.7 million, from the share capital increase executed in 2018.

At the end of December 2019, the adjusted financial leverage stood at 0.5 times compared to 0.7 times at the end of December 2018.

Including the IFRS 16 Lease liability, 2019 Group net debt stood at Euro 74.8 million.

Free cash flow

Free cash flow (Euro million)	2019	2019 pre IFRS 16	2018	Change	Change pre IFRS 16
Cash flow operating activities	26.5	9.6	2.7	23.8	6.9
Cash flow investing activities	(41.0)	(23.4)	(28.3)	(12.7)	4.9
Free cash flow	**(14.5)**	**(13.8)**	**(25.6)**	**11.2**	**11.9**

In 2019 Safilo's Free Cash Flow equaled an absorption of Euro 13.8 million compared to the negative flow of Euro 25.6 million recorded in 2018.

In the period, the Cash Flow from operating activities was positive for Euro 9.6 million, benefitting from a significant improvement of the underlying operating performance and more favorable trends in net working capital compared to 2018.

Cash flow for investment activities totaled Euro 23.4 million in 2019, reflecting a total net capital expenditure of Euro 30.6 million, mainly related to investments in product supply, logistics and new IT systems, partially counterbalanced by the proceeds from the disposal of the retail business.

MAIN CRITICAL RISK FACTORS FOR THE GROUP

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

Internal risks

Strategic risks

The Group could be unable:

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

Operating risks

The Group business is subject to:

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

External risks

Business risks

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

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

Climate Change

Climate Change is declined by Safilo in the management system and risks identified with respect to environmental topics. In the next years, the Group will integrate its analyses and disclosures with respect to the impact generated and suffered by the Company in the context of Climate Change, considering also the evolution of the relevant legislation.

Financial risks

The Group pays constant attention to financial risk management

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

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

Credit risks

The Group minimizes risk through instruments to control customer insolvency

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

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

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

Market risks

Market risks can be divided into the following categories:

Exchange rate risk

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

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

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

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

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

Changes in fair value risk

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

Interest rate risk

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

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

Liquidity risk

The Group constantly monitors its cash flows

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

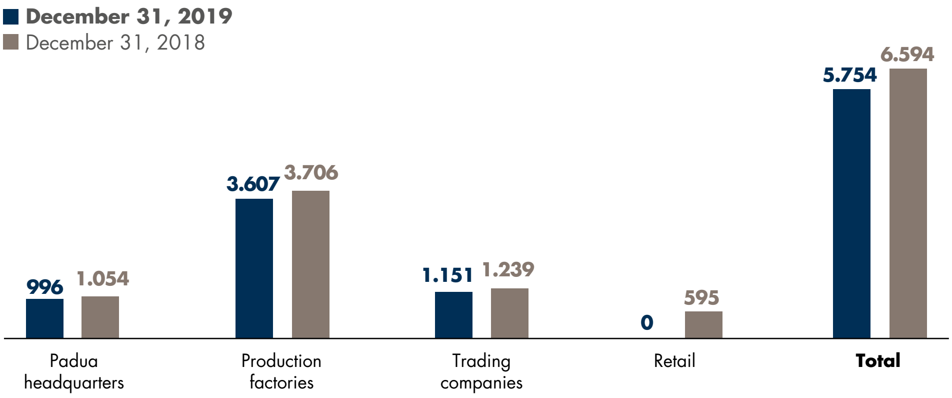
HUMAN RESOURCES AND THE ENVIRONMENT

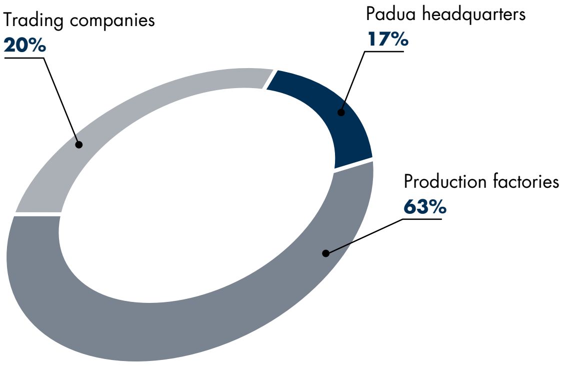
Human Resources

The Group's workforce

At the end of 2019, the Group had 5,754 employees compared with 6,594 at the end of 2018, with a decrease of 840 employees mainly driven by the disposal of Solstice retail business.

DISTRIBUTION OF EMPLOYEES BY BUSINESS AREA





Learning & Development – a key focus area for Safilo

Safilo believes that people play a key role in long-term success. Learning & development initiatives designed to foster the personal and professional growth of individuals are important elements of Safilo's focus in this area, rooted in product and customer centricity, teamwork, entrepreneurialism and accountability for results.

Talent Acquisition

To ensure the right capabilities are on board to deliver the strategic plan, Safilo's talent acquisition programs focus on attracting leaders and individuals with the right skills and values, in line with the Group's Purposes, Values, Principles and Competencies (PVPC). The activities reach across different geographies, markets and functional areas.

Safety at work

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

On January 19, 2012 Safilo S.p.A. obtained the certification of its occupational health and safety management system from the certification body DNV GL Business Assurance, in compliance with the international OHSAS 18001:2007 standard, and in 2018 the company took and passed the renewal of the certification surveillance audit for the period 2018-2021.

The same certification has been renewed in 2018 (for the period 2018-2021) also for the legal entities Safilo Industrial S.r.l., Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd, while Lenti S.r.l. has renewed the certification in 2017 for the period 2017-2020.

The certification is a proof of the company's goals to properly implement the provisions of the Organizational, Management and Control Model adopted in accordance with Legislative Decree 231/01, with specific regard to the Special Part "C" – Occupational health and safety offences, in line with the requirements of the international standard, Occupational Health and Safety Assessment Series 18001:2007.

In line with the requirements of the international standard, Occupational Health and Safety Assessment Series 18001:2007, Safilo has an ongoing commitment to conducting initiatives aimed at safeguarding the health and safety of its employees, reducing workplace risks and ensuring a prompt and effective response in the event of an emergency.

Social and environmental responsibility

Safilo Group is aware of its social and environmental responsibility

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

The SA8000 Certification has been obtained also for the productions plants of Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd in 2015, while for Lenti S.r.l. in 2018.

All the production plants of the Group, except the one located in Clearfield, have a system in line with the SA8000 Social Accountability Management System Standard, which certifies that Safilo's business system complies with the principles of social responsibility (freedom of association, human rights, ban on forced labor, health and safety in the workplace, transparency). During 2018 all the sites started a new certification cycle valid until 2021, with the planning of periodic surveillance audits as required by the standard.

As part of Safilo's new Group Business Plan 2020-2024, in December 2019 the Group started the restructuring process of its Italian manufacturing footprint and Padua headoffices, affecting approximately 700 redundancies. In managing this process, the Group is working closely with the trade unions and workers' representatives in order to activate the best possible and most responsible social solutions for the affected people.

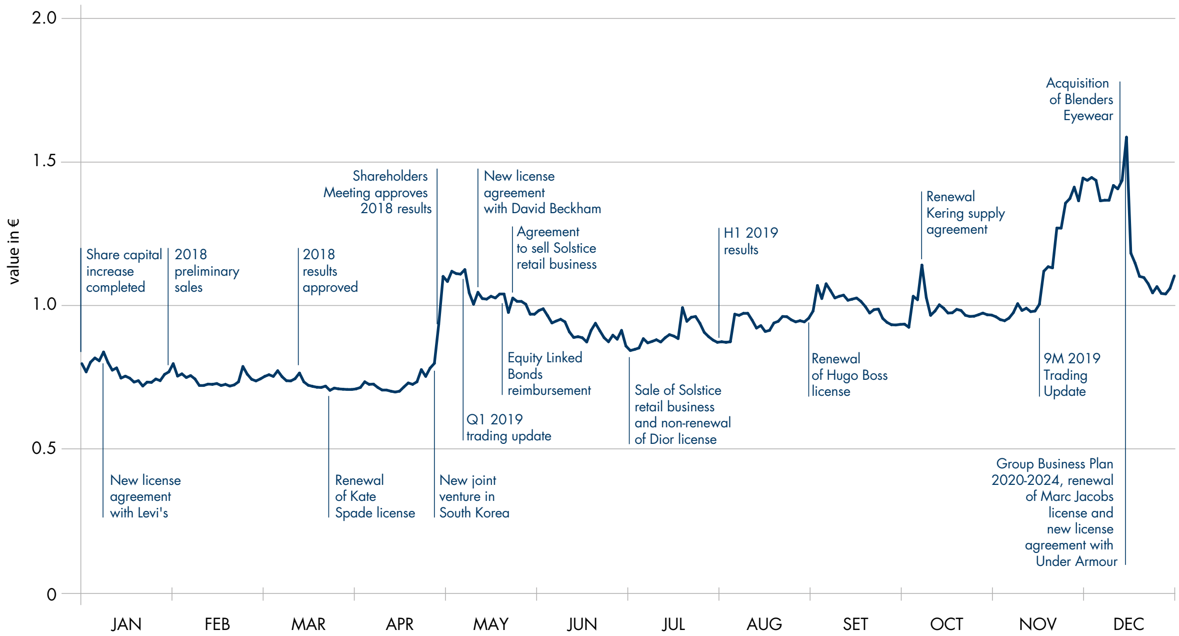
ICT – Information Systems

During 2015 the first major steps of the 5-year systemic roll-out plan of the Group information system transformation program, Eyeway, were taken by going live with SAP in human resource management, procurement, and finance & controlling in our operating company Safilo S.p.A.. In 2016, we added Product life cycle management, sales planning and demand planning. In 2017, we had our most complex transition for Order to Cash, of all global Sales, Logistics, and Warehouse management out of our global Padua distribution center.

In 2018 Eyeway program continue by moving the companies Smith US and Safilo USA on SAP covering Procure to Pay process and after that integrating in 2019 the Order to Cash for Outlook Business. Eyeway program was then extended starting Ecommerce B2C for Polaroid and Carrera in some European countries.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS

Safilo in the stock exchange



In the first days of 2019, the capital increase launched by the Group at the end of 2018 was completed, with the composition of Safilo share capital moving from 62,659,965 to 275,703,846 shares. In the first three months of the year, the Safilo stock price remained relatively stable compared to its 2018 closing, averaging Euro 0.75 on daily volumes of 1.2 million shares.

After the release of its full year results in March and of the renewal of the Kate Spade license in the same month, Safilo news flow and stock activity centred around a number of meaningful events, such as the signing and following completion of the sale of the retail business Solstice, the decision by LVMH not to renew the Dior license at the end of 2020 and the renewal of the Hugo Boss license. The year closed with the announcement in December 2019 of the acquisition of Blenders Eyewear and the presentation of the new Group Business Plan 2020-2024.

Safilo share price reached one of its peaks of the year, at Euro 1.136, in the day of its Q1 2019 trading update on May 9. Few days later, the Group announced a new license agreement to develop David Beckham eyewear. Between June and September, the share price resettled around Euro 0.95, surging by over 20% at the beginning of October, following some press rumours of a possible Kering interest in Safilo, a speculation which was soon denied by the two Groups, which on the other hand announced the three year renewal of their product supply agreement.

On November 12, Safilo announced its Q3 and 9M 2019, which initiated another strong rally for the share price which reached its high of the year, at Euro 1.6, on December 10, the day at the end of which Safilo's Group Business Plan 2020-2024 was released.

Eventually, Safilo's shares closed 2019 at a price of Euro 1.114, posting an increase of 59% compared to the 2018 closing, and with a market capitalization of around Euro 307 million. 2019 average daily volumes were around 1.8 million shares.

Equity stock markets finished 2019 at record highs, with the S&P 500 up +29% over the year, its strongest annual performance since 2013, while in Europe the STOXX 600 was up +23%, its best year since 2009. In Italy, the Milan FTSE MIB index gained 28%, while the FTSE Italia Mid and Small Cap indexes, ended up 17% and 27% respectively.

Investor relations

In 2019, the Group maintained an open dialogue with the financial community, mainly through the organization of conference calls, and one-on-one and group meetings at the Group's Headquarters.

In the first half of the year, management attended the Italian equity day in Paris organized by Kepler Cheuvreux and Borsa Italiana and the Italian Investment Conference organized by Unicredit and Kepler Cheuvreux in Milan, while the second semester of 2019 was mainly dedicated to the preparation and release of the Group Business Plan 2020-2024.

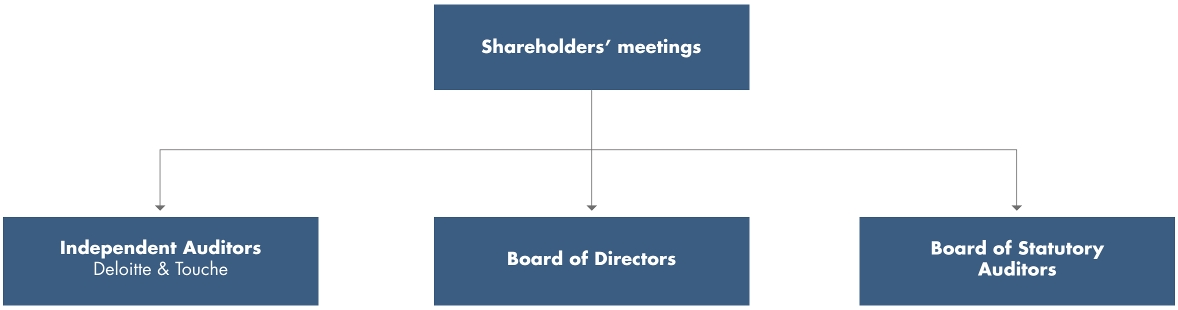
Financial calendar

Board of Directors' meetings planned for 2020:

29 January	Preliminary sales for the Fourth quarter and full year 2019
11 March	Draft Financial Statements for 2019
28 April	Shareholders' Meeting for the approval of the Financial Statements 2019
6 May	Trading update on the First quarter 2020 financial KPIs
31 July	Interim Report on Operations for the Second quarter and First half 2020
3 November	Trading update on the Third quarter and first Nine months 2020 financial KPIs

CORPORATE GOVERNANCE

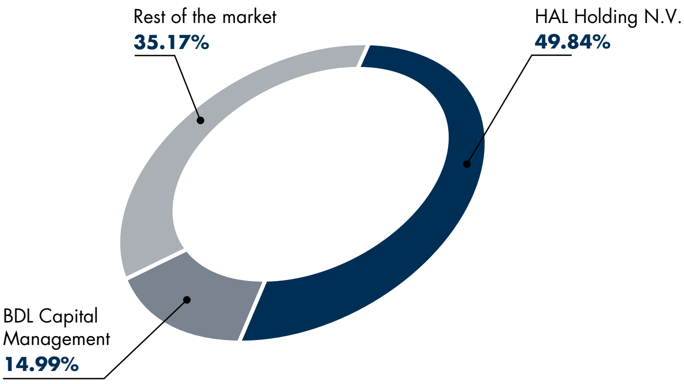
Corporate bodies and officers



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

Shareholding structure of Safilo Group S.p.A.

The following chart shows owners of Safilo Group S.p.A. ordinary shares with shareholdings exceeding 3% of share capital as at 31 December 2019.



Management and coordination activities

In accordance with IFRS no. 10 HAL Holding N.V. is deemed to have control over Safilo Group S.p.A. and, accordingly, is required to consolidate the Company in its consolidated financial statements as from January 1, 2014 (even though the ownership interest of HAL Holding N.V. in Safilo Group S.p.A. is below 50%). However, Safilo Group S.p.A. is still deemed not to be subject to the direction and coordination activity (as such activity is defined under Articles 2497 et seq. of the Civil Code) by other entities, including HAL Holding N.V., since there are not the presumptions that typically have been considered relevant by the doctrine and practice.

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

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

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

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

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

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

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

Share transfer restrictions

As at 31 December 2019 there were no restrictions of share transfer.

Restrictions on the right to vote and special rights

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

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

On 9th May, 2017, Multibrands Italy B.V., owning, at the time of the execution of the shareholders' agreement, no. 26,073,783[1] ordinary shares, and Eugenio Razelli, Italian citizen, member and current Chairman of the Board of Directors of the Company, entered into a shareholders' agreement concerning, inter alia, the inclusion of Eugenio Razelli as candidate of the list for the appointment of the Board of Directors of Safilo Group S.p.A. to be submitted on the occasion of the renewal of the administrative body, the exercise of the voting rights relating to the ordinary Shareholders' Meeting of Safilo Group S.p.A., as well as the appointment of Eugenio Razelli as Chairman. The agreement will expire upon appointment of the Board of Directors of Safilo Group, following the approval of the 2018 financial statements.

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

The ordinary Shareholders' Meeting of the Company held on 30th April, 2019, subject to revocation of the authorization granted by the ordinary Shareholders' meeting of 24th April 2018, has authorized the purchase and disposal of treasury shares pursuant to Article 2357 and following Articles of the Italian Civil Code as well as to Article 132 of Legislative Decree 58/1998 and related implementing provisions, for a period of 18 months from the date of Shareholders' meeting resolution, up to a maximum of no. 10,000,000 shares, taking into account the ordinary shares of Safilo Group at any time held in portfolio by the Company and by its subsidiaries. As at 31 December 2019 the Company does not possess own shares.

(1) It is hereby pointed out that the current number of shares held by Multibrands Italy B.V., notified pursuant to Article No 120 of Legislative Decree No. 58/98 on 14th January 2019 is 137,417,972.

The Board of Directors

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

Eugenio Razelli
(Chairman)

Born in Genova, on June 18, 1950. He graduated in Electrical Engineering from Genova University. He began his career in Fiat Auto and Zanussi and became CEO of Gilardini Industriale in 1983. Subsequently, he held positions of growing responsibility with Comind (General Manager of Stars and Politecna) and Magneti Marelli. In particular, in the Components Sector of the Fiat Group he held the positions of General Manager of the Electronic Components Division, of Executive Vice President Manufacturing of the Electromechanical Components Group and, later on, of General Manager of this same Group. In 1991 he was appointed President of the Engine Control Systems. He moved to Pirelli Cavi in 1993 as Vice President Manufacturing and was later appointed President & CEO of Pirelli Cable North America. Upon his return to Italy in 1997 he continued to work at Pirelli Cavi first serving as Senior Executive Vice President, Telecom Division and then as Senior Executive Vice President, Energy Division. From 2001 to 2003 he held the position of President & CEO of Fiamm, a leading company in the market of batteries. From May 2003 to March 2005 he was Senior Vice President for Business Development of Fiat S.p.A. in charge of Mergers and Acquisitions, Innovation and ICT strategies. From April 2005 to June 2015 he was President and Chief Executive Officer of Magneti Marelli. Today he is Industrial Advisor of FSI as well as member of the BoD of Adler Group (until January 2020), Varroc Lighting and FASTER. Since December 2019 he is also the vice-President of Texa S.p.A.. He is also a member of the Supervisory Board of Adler Plezer. From 2005 to 2011 he was President of the Italian Association of the Automotive Industry (ANFIA) that has been representing since 1912 the whole automotive sector in Italy; and from 2006 to 2011 Member of the Board of CONFINDUSTRIA (General Confederation of the Italian Industry). Since 2009 he has been Vice President of OICA (International Organization of Motor Vehicle Manufacturers) and from 2009 to 2011 President of FEDERVEICOLI, the Federation of the Italian Motor Vehicles and Components Associations of the transport sector, established after an agreement among ANCMA (National Association for the Bicycle, Motorcycle and Accessory Industry), ANFIA and UNACOMA (Italian Farm Machinery Manufacturers Association).

Angelo Trocchia
(Chief Executive Officer)

Born in Formia (Latina) on April 27, 1963. Angelo Trocchia was formerly Chairman and Chief Executive Officer of Unilever Italia. After an MBA at the STOA'/ MIT in Naples and a PHD in aeronautical engineering at the University La Sapienza in Rome, he began, in 1991, an international career in Unilever, where he held various roles of increasing responsibility in supply chain and sales. Until February 2013 he was the Chief Executive Officer of the Unilever Business in Israel, where he delivered two important acquisitions in the Ice Cream and Salty Snack Fields, as well as significant growth in the Personal Care business. He also played a key role in leading the local company towards a brand-new organizational set-up. Previous roles in Unilever include the General Management of the Frozen Foods business, which he led until its acquisition by the Findus Group, managing the whole transition process. Before that, he served as General Manager of the Unilever Ice Cream business in the Czech Republic and he also led the Italian Ice Cream business, which accounts for more than 40% of the total Italian business turnover.

Jeffrey A. Cole
(Independent Director)

Born in Cleveland, Ohio - USA, on May 20, 1941. He graduated from Harvard College and Harvard Business School. He was Chairman and CEO, from 1983 to 2003, of Cole National Corporation, a leading optical retailer in North America and a leading provider of managed vision care service, as well as owning the gift store chain "Things Remembered", with sales, including franchisees, of over $1billion. Major brands included Pearle Vision, Sears Optical, Target Optical, Cole Managed Vision Care and Things Remembered. Cole National also owned a minority interest in optical retailer, Pearle Europe B.V., now GrandVision B.V.. He built the strategic platform of Cole National through acquisitions and internal growth including the start-up of Pearle Europe B.V. in late 1996 in partnership with HAL INVESTMENTS of Rotterdam, the Netherlands. Cole National was acquired in October 2004 by Luxottica, an eyewear company based in Milan, Italy. He has served as a Supervisory Board Member, since 1996, at GrandVision B.V. and its predecessor, a leading international optical retailer with over 7,000 locations in 45 countries. He is a trustee of the Cole Eye Institute of the Cleveland Clinic one of the top ranked eye research and treatment centers in the USA. He has been the founder and principal shareholder of numerous companies in the USA and has served on the Board of Directors at various times of 10 publicly traded companies in the USA.

Melchert Frans Groot
(Director)

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

Guido Guzzetti
(Independent Director)

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

Cinzia Morelli-Verhoog
(Independent Director)

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

Ines Mazzilli
(Independent Director)

Born in Milan on May 5, 1962, she graduated in Business Administration, major in Finance, from Bocconi University in Milan and she attended a Management Course at the INSEAD University in France. Since 2019 she has been serving as non-executive independent Director of the Board of Directors of Assicurazioni Generali S.p.A. and member of its Risk and Control Committee and Related Party Transactions Committee.
Since 2018 she has been serving as non-executive independent Director of the Board of Directors of Saipem S.p.A. and has been the President of its Audit and Risk Committee. Since 2016 she is member of the Advisory Council and Senior Advisor (external) for GENPACT. She has more than 30 years of experience in a variety of senior finance management positions. She previously worked for 23 years in HEINEKEN. In 1993, she joined the Italian Operating Company as Planning & Control Manager and she was Finance Director 2001-2005.
In 2006-2010, she was Senior Finance Director of the Western Europe Region. In 2010-2015, she has been Senior Finance Director of the Global Business Services, responsible for Business Partnering to Global Business Services, HEINEKEN Global Shared Services in Kraków, Global Process and Control Improvement and Global Finance Business Process Management.
In 2015-2016, she has been Senior Director Global Finance Processes & Internal Control, responsible for HEINEKEN Global Shared Services, Global Process and Control Improvement and Global Finance Business Process Management. Prior to joining HEINEKEN, she spent the early part of her career, from 1987 to 1993, in senior finance jobs in Elizabeth Arden, being part of Eli Lilly first, and Unilever after. She started her career in banking. She is active in a variety of roundtables with multinationals and since 2014 member of the Advisory Board of Corso di Laurea Magistrale in Economia e Legislazione d'impresa, University of Pavia, Italy.

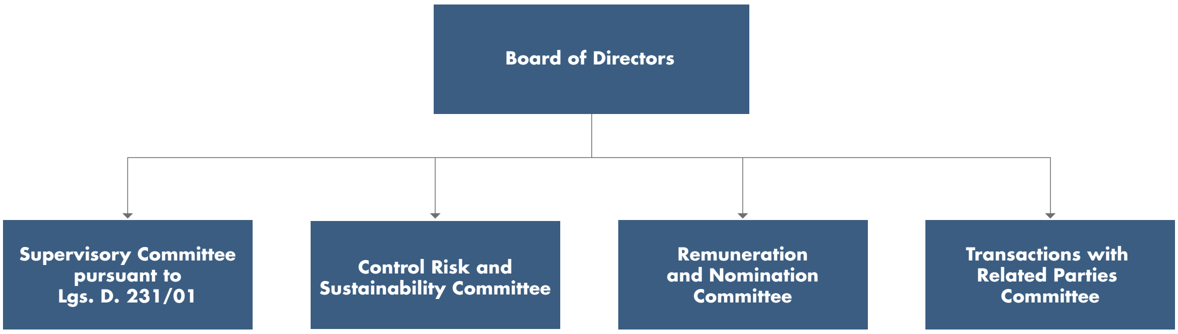
Catherine Gèrardin-Vautrin
(Independent Director)

Born in Versailles, France, on November 18, 1959. She is a recognized manager in the fashion world and is currently a non-executive member of the Board of Directors of Autogrill and Campari. She holds a master's degree in English and French Law (Sorbonne/Paris – King's College/ London) and is a graduate of HEC business school in France. Since 2019 she is consultant in the Fashion industry. From February 2017 to September 2018 she has been CEO of Paule Ka, a Parisian fashion house of women's ready to wear, leading a rejuvenation of the brand's heritage as well as strengthening and developing its international business base. She was previously Chief Executive Officer of Cerruti where from 2011 to 2014 she implemented a significant repositioning of the brand, in particular in overhauling its image and design. Prior to this she was Chief Executive Officer of Emilio Pucci, a long-established brand that had become a niche, where she was responsible for its relaunch and international expansion. She started her career at Louis Vuitton Malletier, where she was successively head of global store image and then Director of men's and women's ready-to-wear.

Robert Polet
(Director)

Born in Kuala Lumpur, Malaysia, on July 25, 1955. He was, from 2004 to 2011, Chairman and Chief Executive Officer of the Management Board of the Gucci Group contributing to the successful consolidation and growth of the Group and its brands. He previously spent 26 years in the Unilever Group where he was President of Unilever's Worldwide Ice Cream and Frozen Foods division, a $ 7.8 billion business consisting of over 40 operating companies. Prior to that position, he worked in a variety of executive roles within Unilever, including Chairman of Unilever Malaysia, Chairman of Van den Bergh's and Executive Vice President of Unilever's European Home and Personal Care division. He is also a non-executive Director of Philip Morris International Inc. and SFMS B.V. and non-executive Chairman of Rituals B.V. and Arica Holding B.V.. He is also a senior independent director of William Grant & Sons and the non-executive Chairman of the Advisory Board of Suitsupply.

Below is the structure of the Corporate Bodies and Committees of Safilo Group S.p.A.:



Supervisory Committee (1)

Chairman	Franco Corgnati
	Ines Mazzilli
	Carlotta Boccadoro

Control Risk and Sustainability Committee (1)

Chairman	Ines Mazzilli
	Guido Guzzetti
	Melchert Frans Groot

Remuneration and Nomination Committee (2)

Chairman	Catherine Gèrardin-Vautrin
	Jeffrey A. Cole
	Cinzia Morelli-Verhoog

Transactions with Related Parties Committee (1)

Chairman	Ines Mazzilli
	Catherine Gèrardin-Vautrin
	Guido Guzzetti

(1) Appointed by the Board of Directors' Meeting held on April 24, 2018.
(2) Appointed by the Board of Directors' Meeting held on April 24, 2018; its composition has been subsequently amended on March 13, 2019.

The Board of Statutory Auditors

The Board of Statutory Auditors currently in office has been appointed by the Shareholders' Meeting held on April 26th, 2017 and will remain in office for three years until the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2019.

Carmen Pezzuto
(Chairman)

Born in Sacile (PN) in 1967, she is a graduate in Economics and Commerce of Cà Foscari University in Venice. She has been registered with the Padova Charted Accountants' and Auditors' Register since 1993. She is a standing statutory auditor for industrial, commercial and service companies.

Franco Corgnati
(Standing Statutory Auditor)

Born in Milan in 1942, he is a graduate in Economics and Commerce of Padua University. He was registered with the Vicenza Chartered Accountants' Register in 1970 and since then has worked exclusively as a chartered accountant. He was officially appointed Statutory Auditor in 1976 and he has been registered with the Legal Auditors Register since 1995.
He was and still is a statutory auditor for industrial, commercial, financial and para-banking companies in addition to collective trust companies and municipal companies.

Bettina Solimando
(Standing Statutory Auditor)

Born in San Severo (FG) in 1974, she is a graduate in Economics and Commerce of Verona University. She has been registered with the Verona Chartered Accountants' and Auditors' Register since 2002.
She is a statutory auditor for industrial and commercial companies.

Corporate Governance Report

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

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

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

The complete version of the report on corporate governance related to the financial year 2019, which is highlighted in just the main points below, is available on the Company website (www safilogroup com), as well as in a printed version at the Company headquarters.

The Company adopts a traditional governance method in that:

- the Company's management body is the Board of Directors,
- the supervisory body which ensures compliance with the law, the Articles of Association and correct administration principles is the Board of Statutory Auditors;
- the independent audit company performs the legal auditing tasks.

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

The Board of Directors

Appointing Board of Directors

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

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

(i) that minority shareholders are represented by one member on the Board of Directors; and
(ii) the balanced representation of genders (masculine or feminine) in compliance with applicable law.

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

The Board of Statutory Auditors

Appointing auditors

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

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

In compliance with the Italian Civil Code and Principle 8.P.1. of the Code, Auditors act autonomously and independently (also with respect to the shareholders who appointed them) and therefore are not representatives of the majority or minority that proposed or elected them.

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

In compliance with Application Criteria 8.C.4. of the Code, the Board of Auditors, and (ii) can ask the internal audit office to carry out controls on certain operations areas or on Company operations.

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

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

The Audit Company

Deloitte & Touche appointed until 2022

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

Financial reporting manager

Appointment of the financial reporting manager

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

- are adequate taking into account the characteristics of the company;
- have been effectively applied during the period relative to the annual financial statement, the consolidated financial statement and any other financial communication or document.

Given that article 154-bis of the Consolidated Financial Act does not recall a specific model for assessing the adequacy of the administration and accounts procedures, to satisfy the needs for applying the regulations, the Company has opted for applying a theoretic reference model that is universally recognised and is the most accredited: the CoSO Report – Internal Control Integrated Framework.

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

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

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

Article 15 CONSOB Regulation 20249/2017

Article 15 CONSOB Regulations 20249/2017

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

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

Stock option plans

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

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

OTHER INFORMATION

Atypical and/or unusual transactions

No atypical and/or unusual transactions, as defined by Consob Communication 6064293 dated July 28th, 2006, were undertaken during 2019.

Related party transactions

In compliance with applicable legislative and regulatory requirements, the Board of Directors of November 5th, 2010 approved the "Regulations for the transactions with related parties", to govern transactions of major strategic, economic, capital or financial significance for the Company, including those undertaken with related parties, to assure their transparency and material and procedural correctness. Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Group. Transactions with related parties, are on an arm's length basis, according to the nature of the transaction, sale of products or provision of services. For further details regarding the related party transactions, please refer to note 6 to the Consolidated Financial Statements as of December 31st, 2019.

Research and development

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

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

(Euro million)	Equity as of December 31, 2019	Net profit/ (loss) of the year 2019	Equity as of December 31, 2018	Net profit/ (loss) of the year 2018
Balances as per Safilo Group S.p.A.'s statutory financial statements	429.3	(242.1)	653.7	(10.5)
Contribution of consolidated companies	986.8	(239.5)	1,218.4	(1.0)
Write-off of the book value of consolidated subsidiaries	(1,014.8)	342.9	(1,355.3)	0.3
Goodwill	-	(184.9)	182.2	-
Elimination of dividends paid within the Group	-	(0.3)	-	(18.3)
Elimination of intercompany gains within the Group	(2.8)	(0.4)	(2.5)	-
Elimination of intercompany profits included in inventory	(54.7)	(4.4)	(49.5)	(3.2)
Other consolidated entries	(1.8)	0.3	(0.7)	0.3
Total	**342.0**	**(328.4)**	**646.3**	**(32.4)**
Equity attributable to minority interests	(0.1)	(0.1)	-	-
Total attributable to the Group	**342.1**	**(328.3)**	**646.3**	**(32.4)**

SIGNIFICANT EVENTS AFTER THE YEAR-END AND OUTLOOK

Events after the year end

On 10 February 2020, the Group announced the acquisition of a 61.34% equity interest in the Miami-based company Prive Goods, LLC through a simultaneous signing and closing.

Founded in 2017, Privé Revaux was built on a shared passion for style and quality with the goal of disrupting the eyewear industry and making premium, quality eyewear products accessible to everyone. Gaining instant traction with consumers, the fast-growing US eyewear brand is fueled by a strategic celebrity ecosystem, merged in high caliber social media engagement and strong digital marketing capabilities. In 2019 the Company recorded net sales of approximately USD 20 million, up around 90% compared to the previous year, and plans to continue strongly growing them in 2020.

The overall consideration for the 61.34% controlling interest in the Company is USD 67.5 million (corresponding to Euro 61.6 million at the exchange rate on the announcement date).

The equity interests held by the other minority equity holders are subject to customary reciprocal put and call options which can be exercised starting from 2023.

The acquisition has been financed partially through a loan provided by Safilo's reference shareholder, Multibrands Italy B.V., controlled by HAL Holding N.V., and for the remaining portion through available resources. With respect to the Group communication on 9 December 2019, the financing contract approved by Safilo's Board of Directors on 1 December 2019 has been replaced by a new single financing contract 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 single loan agreement is aimed at financing in part, for Euro 30 million, the acquisition of Privé Revaux, and at fully financing the acquisition of Blenders Eyewear LLC, as communicated to the market on 9 December 2019, upon its closing date. The loan is subordinated to Safilo Group's existing financing signed in October 2018 with its lending banks.

The loan executed with Multibrands Italy B.V. represents a "transaction with a related party of greater importance" as the Equivalent-value relevance ratio is above the threshold of 5%. As such, the execution of the loan agreement has been approved by the Board of Directors on 6 February 2020 upon the favourable opinion of the Related Parties Committee dated 4 February 2020, on the interest of the Group in entering the loan and on the convenience and substantial fairness of the relevant terms and conditions.

As is known, from the beginning of January 2020, the national and international context has been characterized by the spread of Covid-19 (Coronavirus) and the subsequent measures to contain it put in place by the public authorities in the affected countries. In particular, Italy and some European countries have disposed, with variable level of severity, restrictions to people's mobility and decided to close all the commercial activities which are not of primary necessity for the populations. It is not possible to forecast what the developments will be in the other countries, both in terms of contagion and of the actions taken by each government.

As of today, Safilo Group was not significantly impacted on the supply side: sufficient stock levels at the end of 2019 granted the Group the flexibility to face the temporary shutdown of its Chinese plant in Suzhou and the difficulties encountered by some Chinese suppliers. As of today the Chinese plant reopened and it is working at almost full capacity, while most of the key Chinese suppliers have also picked up at their activity at a normal level.

On the demand side, the available information on the first two months of 2020 shows an increase in sales. Nevertheless, the outbreak of Covid-19 caused, in the beginning of 2020, a significant downfall of the sellout in China, while the Group is recently experiencing a severe drop in the orders intake in Italy which may worsen significantly in the second half of March. Initial slowdowns are experienced also in Europe and USA. Reference is made to the dedicated sections of this report on operation for the geographical breakdown of the Group's sales.

These extraordinary circumstances have direct and indirect repercussions on economic activity and have created a general environment of uncertainty, the evolution and impact of which is not predictable. The potential effects of this phenomenon are as of today not determinable and they will be subject to constant monitoring going forward. Management's assumptions that may mostly be affected are, but not limited to, the ones requiring a high level of judgement, and are described in the Note to the consolidated financial statements n. 2.21 "Use of estimates", they relate mainly to:

- Impairment of tangible and intangible assets;
- Valuation of inventory;
- Allowance for expected credit losses;
- Identification of potentially onerous contracts;
- Provisions.

Group Management has designed a mitigating action plan, focusing on minimizing discretionary expenditure, adjusting marketing plans to the new consumption scenario and an effective working capital management.

Even in the uncertain scenario described above, Management remains committed to continue pursuing the strategic plan approved on 10 December 2019, and keeps looking for new business opportunities.

The company has adopted measures to protect staff health and business continuity in this situation, including measures related to hygiene in all its facilities, remote working solutions for office staff and is actively working on continuity of supply chain operations.

In the period following 31 December 2019, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

Outlook

On December 10, 2019, in the context of the release of its Group Business Plan 2020-2024, Safilo communicated its forecasts for 2020: net revenues of Euro 960 to 1,000 million, adjusted EBITDA margin (before the impact of IFRS 16) at around 6% of sales and a financial leverage of 1-1.5x.

The Group's estimates include the acquisition of Blenders, signed and communicated on December 8, 2019 and still to be closed at the present date, while they do not include the acquisition of Privè Revaux, signed and simultaneously closed on 10 February 2020.

2020 estimates furthermore do not include any potential impact deriving from the current COVID-19 (coronavirus) outbreak and spread. This latter situation, extraordinary in nature and extent, has direct and indirect repercussions on economic activities and has created a context of general uncertainty, whose evolution and related effects are not currently foreseeable. The Group is actively working to address the current challenges, and is closely monitoring potential impacts, while implementing mitigation actions.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia

2 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(thousands of Euro)	Notes	December 31, 2019	of which related parties	December 31, 2018	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	4.1	64,233		178,247	
Trade receivables	4.2	188,163	5,675	184,356	5,795
Inventory	4.3	235,801		237,710	
Derivative financial instruments	4.4	118		389	
Other current assets	4.5	43,281		52,582	
Total current assets		**531,597**		**653,284**	
Non-current assets					
Tangible assets	4.6	149,387		176,891	
Right of Use assets	4.6	42,219		-	
Intangible assets	4.7	48,976		58,486	
Goodwill	4.8	-		226,267	
Deferred tax assets	4.9	41,723		63,248	
Derivative financial instruments	4.4	-		-	
Other non-current assets	4.10	9,906		11,552	
Total non-current assets		**292,210**		**536,444**	
Non-current assets held for sale	4.6	**5,531**		**-**	
TOTAL ASSETS		**829,338**		**1,189,728**	

(thousands of Euro)	Notes	December 31, 2019	of which related parties	December 31, 2018	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Borrowings	4.11	19,159		211,129	
Lease liabilities	4.11	9,720	2,707	-	4,998
Trade payables	4.12	173,122		170,772	
Tax payables	4.13	18,771		23,173	
Derivative financial instruments	4.4	1,121		408	
Other current liabilities	4.14	54,024		52,020	
Provisions	4.15	22,824		26,736	
Total current liabilities		**298,742**		**484,238**	
Non-current liabilities					
Borrowings	4.11	72,864		-	
Lease liabilities	4.11	37,327		-	
Employee benefit obligations	4.16	27,064		26,226	
Provisions	4.15	39,264		13,748	
Deferred tax liabilities	4.9	10,852		13,455	
Derivative financial instruments	4.4	-		-	
Other non-current liabilities	4.17	1,232		5,737	
Total non-current liabilities		**188,604**		**59,166**	
TOTAL LIABILITIES		**487,346**		**543,404**	
Shareholders' equity					
Share capital	4.18	349,943		345,610	
Share premium reserve	4.19	594,277		581,121	
Retained earnings and other reserves	4.20	(273,901)		(247,961)	
Cash flow hedge reserve	4.21	-		-	
Income/(Loss) attributable to the Group		(328,260)		(32,446)	
Total shareholders' equity attributable to the Group		**342,059**		**646,324**	
Non-controlling interests		**(67)**		**-**	
TOTAL SHAREHOLDERS' EQUITY		**341,992**		**646,324**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**829,338**		**1,189,728**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euro)	Notes	2019	of which related parties	2018 Restated (*)	of which related parties
Net sales	5.1	939,038	55,200	910,742	52,356
Cost of sales	5.2	(462,149)		(457,527)	
Gross profit		**476,890**		**453,215**	
Selling and marketing expenses	5.3	(367,024)	(2,866)	(353,158)	(2,652)
General and administrative expenses	5.4	(120,699)		(126,999)	
Other operating income/(expenses)	5.5	(33,847)		34,535	
Impairment loss on goodwill	4.8 - 5.6	(227,062)		-	
Operating profit/(loss)		**(271,742)**		**7,593**	
Financial charges, net	5.7	(7,304)		(13,833)	
Profit/(Loss) before taxation		**(279,046)**		**(6,240)**	
Income taxes	5.8	(22,941)		(13,512)	
Profit/(Loss) of the period from continuing operations		**(301,987)**		**(19,752)**	
Profit/(Loss) of the period from discontinued operations	5.9	**(26,358)**		**(12,694)**	
Profit/(Loss) of the period		**(328,345)**		**(32,446)**	
Profit/(Loss) attributable to:					
Owners of the parent		(328,260)		(32,446)	
Non-controlling interests		(85)		-	
Earnings/(Losses) per share - basic (Euro)	5.10	**(1.191)**		**(0.300)**	
Earnings/(Losses) per share - basic from continuing operations (Euro)	5.10	**(1.096)**		**(0.183)**	
Earnings/(Losses) per share - diluted (Euro)	5.10	**(1.190)**		**(0.300)**	
Earnings/(Losses) per share - diluted from continuing operations (Euro)	5.10	**(1.094)**		**(0.183)**	

(*) The Group has reported in the current period the Solstice retail business as discontinued operations. The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss, and has analyzed that single amount into revenue, expenses and the pre-tax profit or loss in Note 5.9. The comparative consolidated income statement has been "restated" to show the contribution of the retail discontinued operation separately allowing a proper comparison with the current period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	2019	2018
Net profit (loss) for the period (A)		**(328,345)**	**(32,446)**
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		(2,007)	708
- Other gains/(losses)		-	-
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		**(2,007)**	**708**
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	4.21	-	35
- Gains/(Losses) on exchange differences on translating foreign operations	4.20	8,917	17,095
Total gains/(losses) that will be reclassified subsequently to profit or loss:		**8,917**	**17,130**
Other comprehensive income/(loss), net of tax (B)		**6,910**	**17,838**
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		**(321,435)**	**(14,608)**
Attributable to:			
Owners of the parent		(321,350)	(14,608)
Non-controlling interests		(85)	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(321,435)**	**(14,608)**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Euro)	Notes	2019	2018
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	4.1	**174,967**	**20,842**
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(328,345)	(32,447)
Depreciation and amortization	4.6 - 4.7	57,219	47,630
Right of Use depreciation IFRS 16	4.6 - 4.7	19,588	-
Impairment loss on goodwill	4.8 - 5.6	227,062	-
(Gain)/Loss from disposal of subsidiary	5.9	13,587	-
Other non-monetary items		22,742	(6,568)
Interest expenses, net	5.7	5,583	11,312
Interest expenses on lease liability IFRS 16	5.7	2,207	-
Income tax expenses	5.8	24,430	9,213
Flow from operating activities prior to movements in working capital		**44,073**	**29,141**
(Increase) Decrease in trade receivables		(1,595)	2,157
(Increase) Decrease in inventory, net		(13,702)	24,051
Increase (Decrease) in trade payables		2,145	(43,180)
(Increase) Decrease in other receivables		4,573	38,882
Increase (Decrease) in other payables		(1,631)	(46,990)
Interest expenses paid		(3,267)	(6,053)
Interest expenses paid on lease liability IFRS 16		(2,207)	-
Income taxes paid		(1,844)	4,705
Total (B)		**26,546**	**2,712**
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(23,242)	(22,797)
Increase Right of Use - IFRS 16		(19,696)	-
Net disposals of property, plant and equipment and assets held for sale		1,117	2,324
Net disposals of Right of Use - IFRS 16		2,085	-
Disposal of subsidiary (net of cash disposed)		7,239	-
Purchase of intangible assets, net of disposals		(8,513)	(7,876)
Total (C)		**(41,010)**	**(28,348)**
D - Cash flow from (for) financing activities			
Proceeds from borrowings		83,790	60,000
Increase lease liability IFRS 16		19,483	-
Repayment of borrowings		(210,000)	(10,000)
Repayment lease liability IFRS 16		(18,804)	-
Increase in share capital, net of transaction costs		17,490	128,570
Dividends paid		-	-
Total (D)		**(108,042)**	**178,570**
E - Cash flow for the period (B+C+D)		**(122,507)**	**152,933**
Translation exchange differences		1,454	1,192
Total (F)		**1,454**	**1,192**
G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)	4.1	**53,915**	**174,967**

The Group has reported in the current period the Solstice retail business as discontinued operations. The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total, including both continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

(thousands of Euro)	Share capital	Share premium reserve	Transl. diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2018	**313,300**	**484,862**	**61,110**	**(35)**	**(326,031)**	**533,205**	**-**	**533,205**
Change in accounting policy (*)	-	-	-	-	(600)	(600)		**(600)**
Consolidated net equity at January 1, 2018 restated	**313,300**	**484,862**	**61,110**	**(35)**	**(326,631)**	**532,605**	**-**	**532,605**
Profit/(Loss) for the period	-	-	-	-	(32,446)	(32,446)	-	**(32,446)**
Other comprehensive income (loss) for the period	-	-	17,095	35	708	17,838	-	**17,838**
Total comprehensive income (loss) for the period	**-**	**-**	**17,095**	**35**	**(31,738)**	**(14,608)**	**-**	**(14,608)**
Increase in share capital, net of transaction costs	32,310	96,259	-	-	-	128,570	-	**128,570**
Dividends distribution	-	-	-	-	-	-	-	**-**
Net increase in the Reserve for share-based payments	-	-	-	-	(243)	(243)	-	**(243)**
Changes in other reserves	-	-	-	-	-	-	-	**-**
Consolidated net equity at December 31, 2018	**345,610**	**581,121**	**78,205**	**-**	**(358,612)**	**646,324**	**-**	**646,324**

(*) As at 1 January 2019 restatement refers to the change in accounting policy related to the new IFRIC 23 "Uncertainty over Income Tax Treatments". In the previous year as at 1 January 2018 restatement was referred to the change in accounting policy related to the new IFRS 9 trade receivables impairment model (see paragraph 2.1 for further details).

EYEWEAR by DAVID BECKHAM

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 General information

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

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

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

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

These consolidated financial statements are reported in thousands of Euro. The consolidated financial information relates to the period from 1st January 2019 to 31st December 2019 and also presents comparative data related to the financial period from 1st January 2018 to 31st December 2018.

These financial statements were approved by the Board of Directors on 11th March 2020.

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

2. SUMMARY OF ACCOUNTING PRINCIPLES ADOPTED

2.1 Accounting policies

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

The consolidated financial statements for the year ended 31st December 2019 and 31st December 2018 were prepared in accordance with IFRSs issued by the International Accounting Standard Board ("IASB") and endorsed by the European Commission, as well as with the measures enacted to implement article 9 of Legislative Decree no. 38/2005. IFRSs include also all the interpretations of the International Financial Reporting Interpretations Commitee ("IFRIC"), previously called Standing Interpretations Commitee ("SIC").

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

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

Accounting standards, amendments and interpretations effective as of 1st January 2019

Except for what is described below about those accounting policies which changed due to new accounting standards, in preparing these consolidated financial statements the same accounting principles and criteria of the consolidated balance sheet as at 31 December 2018 have been applied.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2019.

On 13 January 2016, the IASB issued the new standard IFRS 16 "Leases" to replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives, SIC 27 Evaluating the substance of transactions involving the legal form of a lease. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification of the asset, right to replace it, right to obtain all economic benefits and the right to manage the use of the asset. The standard establishes a model to recognize and measure lease contracts for the lessee through the posting of the asset (also in operating leases) offset by a financial debt, providing also the opportunity to not recognize as lease contracts "low-value assets" and leases with expiry date equal to or less than 12 months. The standard does not include significant changes to the lessors. The new standard is applicable to periods beginning on or after 1 January 2019, the early adoption is allowed only for companies that apply the early adoption also for IFRS 15 Revenue from contracts with customers.

The Group has decided not to apply an early adoption of IFRS 16 and comply with this new standard from its relevant effective date on 1 January 2019. The Group elected to implement IFRS 16 applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, without restatement of comparative information.

In the valuation phase of the lease liabilities, the Group discounted the payments due for the leases using the hypothetical incremental borrowing rate at 1 January 2019. The average rate applied was around 3.3% and it was determined taking into account the term of the lease contracts, the currency in which they are denominated, the characteristics of the country and the economic environment in which the contract was stipulated and the credit adjustment applicable to the Group.

The Group has elected to apply the exemptions stated by the Standard that allow to keep leases off balance if they have an initial contractual duration of less than or equal to 12 months (IFRS16.5-a) or if they refer to a low-value asset (IFRS16.5-b). For contracts that provide for a renewal option at the end of the period that cannot be cancelled, the Group determined the lease term on a general "no renewal" assumption based on the turnaround situation in which the Group is now operating, during which there could be a possibility that any site is relocated to more efficient and convenient location. The lease term is therefore determined based on the non-cancellable period included in the lease contracts, the exercise of the renewal options has been considered probable and applicable in a limited number of cases, based on current business plans.

Impact of the adoption of IFRS 16:

The table below shows the impact, detailed by segment, of the initial application of the new standard as at 1 January 2019, that confirms the expected impact disclosed in the 2018 Annual Report, with minor differences due to the revision of some assumptions based on the latest information available.

(thousands of Euro)	Continuing Operations	Discontinued Operations (Solstice retail business)	Total
Balance sheet impact as at 1 January 2019			
Right of Use	38,755	41,442	80,197
Lease liability	(41,234)	(43,480)	(84,714)
Equity impact	-	-	-
Reclass with or gross up of other BS account	2,474	2,044	4,517

The table below shows the impact, detailed by segment, of the new standard on 2019 consolidated statement of income and the consolidated statement of financial position as at December 31, 2019.

(thousands of Euro)	Continuing Operations	Discontinued Operations (Solstice retail business)	Total
Income statement impact			
Reduction of operating rental expenses (additional EBITDA)	13,625	5,761	19,386
Increase in depreciation expenses	(14,187)	(5,401)	(19,588)
Gains/(Losses) on early termination of contracts	19	16	35
Increase in operating profit	**(543)**	**376**	**(166)**
Increase in interest expenses	(1,539)	(668)	(2,207)
Reduction of profit before tax	**(2,081)**	**(292)**	**(2,373)**
Balance Sheet impact			
Financial lease liability	(47,047)	-	(47,047)
Tangible Assets for Right of Use	42,219	-	42,219
Other Liabilities	2,761	-	2,761
Impact on Equity	**(2,067)**	**-**	**(2,067)**

As reflected in the table above, IFRS 16 has a significant impact on the Group's main financial performance indicators and on the related disclosures relevant for the consolidated financial statements. On the consolidated balance sheet side there has been a significant increase of both assets and liabilities due to the items rights of use and lease liabilities that are recognized for contracts in which the Group is a lessee. In the consolidated statement of income the majority of the current operating rental costs has been presented as depreciation of right to use assets and interest expenses on the lease liabilities, with a significant impact in terms of EBITDA and a minor effect on the net income.

The increase of the IFRS 16 actual impact on profit before tax compared to the expected one disclosed in the 2018 Annual Report is mainly due to the additional one off write down of some Right of Use assets for Euro 1,422 thousand.

On June 7th 2017 the IASB published the interpretative document IFRIC 23 "Uncertainty over Income Tax Treatments". The document clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over the tax treatment adopted in the area of income tax and on recognition and measurement of tax assets and liabilities.
The document provides that an entity should reflect the effect of uncertainty in the financial statements for current and deferred tax when the entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment (and thus, it is probable that the entity will receive or pay amounts relating to the uncertain tax treatment); in such a case the entity shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency applying paragraph 88 of IAS 12.
In addition, the document does not contain any new disclosure requirements, but highlights that the entity will have to determine whether it is necessary to provide with information on management's considerations about the inherent uncertainty in the accounting for taxes, in compliance with IAS 1.
The new interpretation is applicable from January 1, 2019.

Impact of the adoption of IFRIC 23:

The Group has performed an assessment on the uncertain tax treatments applied within the Group, in order to identify potential risk in case it was unclear whether that treatment is to be accepted by the tax authorities. For the tax treatments for which the assessment concluded that it is not probable that the tax position taken will be accepted by tax authorities, the Group has reflected that uncertainty using on a case by case approach the most appropriate method to predict the probable outcome of the resolution of the uncertainty.

The Group has applied the IFRIC 23 retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings on the date of initial application as at January 1, 2019 without the restatement of the comparatives.

According to the analysis performed, in consideration of the Group's business characteristics and the evaluation of the limited uncertain tax treatments identified, a tax related contingency of Euro 0.6 million as at 1 January 2019 has been recognised against retained earnings, adopting a modified retrospective approach. The amount of this tax liability has increased by Euro 0.2 million during the year to December 31, 2019. The tax liability accrued has been reported in the item "Other non current liabilities".

On December 12th 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs) which incorporates the amendments to certain principles as part of the annual improvement process. The new improvements have been applied since 1 January 2019. The adoption of this amendment had no effect on the Group consolidated financial statements.

On 7 February 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19). The document clarifies how an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after this event occurs, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event. The adoption of this amendment had no effect on the consolidated financial statements of the Group.

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

The following new standards and amendments to standards and interpretations are applicable to the Group and are effective for annual periods beginning on or after 1 January 2020. These have not been early adopted by the Group in preparing these report:

- Amendments to references to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued on 26 September 2019);
- Amendments to references to the Conceptual Framework in IFRS Standards (issued on 29 March 2018);
- Amendment to IAS 1 and IAS 8: definition of Material (issued on 31 October 2018).

The Group will comply with these new standards and amendments at the moment they become effective, the Group doesn't expect any significant impact from their application.

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

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

Amendment to IFRS 3 Business Combinations: The amendments to IFRS 3 on the definition of a business were issued on 22 October 2018. The amendments clarify whether an acquired set of activities and assets is a business or not, which is a key consideration in determining whether a transaction is accounted for as a business combination or an asset acquisition. The amendments apply for accounting periods beginning on or after 1 January 2020.

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

2.2 Format of financial statements

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

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

2.3 Scope of consolidation and methodology

The Group's consolidated financial statements as of 31 December 2019 include the parent company, Safilo Group S.p.A, and 42 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights.

In 2019, the Group's consolidation area changed as follows:

- on 13 May 2019 Safilo Korea Co. Ltd. was incorporated as a new trading company owned at 51% by Safilo Far East Ltd;
- on 1 July 2019 the disposal of the US retail chain company Solstice Marketing Concepts LLC to Fairway LLC, a US limited liability company, was executed;
- on 22 October 2019 Safilo Eyewear (Shanghai) Co Ltd was incorporated as a new trading company fully owned by Safilo Far East Ltd.

On 9 December 2019, Safilo announced the acquisition of a 70% stake in the equity of the California company Blenders Eyewear LLC. The closing of the transaction was subject to conditions precedent including some related to the activities of the company that has not been yet finalized as at 31 December 2019, for this reason the company has not been included in the Group's consolidation area.

At 31 December 2019 the direct and indirect holdings included in the scope of consolidation under the line-by-line method, in addition to the parent company Safilo Group S.p.A., were the following:

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Padua	EUR	66,176,000	100.0
Lenti S.r.l. – Bergamo	EUR	500,000	100.0
Safilo Industrial S.r.l. - Padua	EUR	70,000,000	100.0
FOREIGN COMPANIES			
Safilo International B.V. - Rotterdam (NL)	EUR	24,165,700	100.0
Safilo Benelux S.A. - Zaventem (B)	EUR	560,000	100.0
Safilo Espana S.L. - Madrid (E)	EUR	3,896,370	100.0
Safilo France S.a.r.l. - Paris (F)	EUR	960,000	100.0
Safilo Gmbh - Cologne (D)	EUR	511,300	100.0
Safilo Nordic AB - Taby (S)	SEK	500,000	100.0
Safilo CIS - LLC - Moscow (Russia)	RUB	10,000,000	100.0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49,700,000	100.0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10,000	100.0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100,000	100.0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400,000	100.0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100,000	100.0
Safilo Trading Shenzen Limited- Shenzen (RC)	CNY	2,481,000	100.0
Safilo Korea Co. Ltd. - Seoul (K)	KRW	50,000,000	51.0
Safilo Eyewear (Shenzen) Company Limited - (RC)	CNY	46,546,505	100.0
Safilo Eyewear (Shanghai) Co Ltd - (RC)	CNY	1,000,000	100.0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129,704,740	100.0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489,990	100.0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18,200	100.0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3,583	100.0
Safilo Austria Gmbh -Traun (A)	EUR	217,582	100.0
Safilo d.o.o. Ormož - Ormož (SLO)	EUR	563,767	100.0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100,000,000	100.0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197,135,000	100.0
Safilo Portugal Lda – Lisbon (P)	EUR	500,000	100.0
Safilo Switzerland AG – Zurich (CH)	CHF	1,000,000	100.0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42,000,000	100.0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3,000,000	100.0
Safilo UK Ltd. - London (GB)	GBP	250	100.0
Safilo America Inc. - Delaware (USA)	USD	8,430	100.0
Safilo USA Inc. - New Jersey (USA)	USD	23,289	100.0
Safilo Services LLC - New Jersey (USA)	USD	-	100.0
Smith Sport Optics Inc. - Idaho (USA)	USD	12,087	100.0
Solstice Marketing Corp. – Delaware (USA)	USD	1,000	100.0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10,035,575	100.0
Safilo Canada Inc. - Montreal (CAN)	CAD	100,000	100.0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199,975	100.0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1,516,000	100.0
Safilo Middle East FZE - Dubai (UAE)	AED	3,570,000	100.0

Investments in subsidiaries

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

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

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

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

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

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

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

Investments in associated companies

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

Investments in other companies

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

2.4 Segment information

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

Management prepares information according to the Group's operating segments, i.e. *"Wholesale and Retail"*. The criteria applied for the identification of the segments depend on how management organizes the Group and attributes managerial responsibilities. Considering the divestiture of the Group's remaining retail operations in 2019, business sector information going from 2019 going forward is provided solely for the Wholesale sector.

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

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

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

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

- assets and liabilities are converted using the exchange rates prevailing on the balance sheet date;
- costs, revenues, income and charges are converted at the average exchange rate of the period;
- the "translation difference reserve" includes foreign exchange differences generated from the conversion of the opening shareholders' equity and the movements during the year at a rate different from that at the end of the year;

- the goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the end of the period.

The exchange rates applied in the conversion of financial statements prepared in currencies other than Euro at 31st December 2019 and 31st December 2018 are depicted in the following table; appreciation (figures with a minus sign in the table below) indicates an increase in the value of the currency against the Euro.

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		December 31, 2019	December 31, 2018	%	2019	2018	%
US Dollar	USD	1.1234	1.1450	-1.9%	1.1195	1.1810	-5.2%
Hong-Kong Dollar	HKD	8.7473	8.9675	-2.5%	8.7715	9.2559	-5.2%
Swiss Franc	CHF	1.0854	1.1269	-3.7%	1.1125	1.1550	-3.7%
Canadian Dollar	CAD	1.4598	1.5605	-6.5%	1.4855	1.5294	-2.9%
Japanese Yen	YEN	121.9400	125.8500	-3.1%	122.0058	130.3959	-6.4%
British Pound	GBP	0.8508	0.8945	-4.9%	0.8778	0.8847	-0.8%
Swedish Krown	SEK	10.4468	10.2548	1.9%	10.5891	10.2583	3.2%
Australian Dollar	AUD	1.5995	1.6220	-1.4%	1.6109	1.5797	2.0%
South-African Rand	ZAR	15.7773	16.4594	-4.1%	16.1757	15.6186	3.6%
Russian Ruble	RUB	69.9563	79.7153	-12.2%	72.4553	74.0416	-2.1%
Brasilian Real	BRL	4.5157	4.4440	1.6%	4.4134	4.3085	2.4%
Indian Rupee	INR	80.1870	79.7298	0.6%	78.8361	80.7332	-2.3%
Singapore Dollar	SGD	1.5111	1.5591	-3.1%	1.5273	1.5926	-4.1%
Malaysian Ringgit	MYR	4.5953	4.7317	-2.9%	4.6374	4.7634	-2.6%
Chinese Renminbi	CNY	7.8205	7.8751	-0.7%	7.7355	7.8081	-0.9%
Korean Won	KRW	1,296.2800	1,277.9300	1.4%	1,305.3173	1,299.0713	0.5%
Mexican Peso	MXN	21.2202	22.4921	-5.7%	21.5565	22.7054	-5.1%
Turkish Lira	TRY	6.6843	6.0588	10.3%	6.3578	5.7077	11.4%
Dirham UAE	AED	4.1257	4.2050	-1.9%	4.1113	4.3371	-5.2%

2.6 Tangible assets and Right of Use

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

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

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

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

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

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

Land is not depreciated.

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

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

Right of Use assets

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

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

2.7 Intangible assets

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

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

Goodwill

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

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

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

Brands

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

Software

All software licenses purchased are capitalized on the basis of the costs incurred for their acquisition and in bringing them to their current condition. Amortization is calculated on a straight-line basis over their estimated useful lifetime (from 3 to 5 years).

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

2.8 Impairment of non-financial assets

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

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

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

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

2.9 Financial instruments

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

Specifically:

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

flows represented solely by capital payments and interest on amount of the capital to be repaid, are subsequently measured at fair value with changes recorded in the other components of the comprehensive income statement (FVTOCI);
- All other debt instruments and investments in equity instruments are subsequently measured at fair value, with changes recognized in profit (loss) for the year (FVTPL).

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

- The Group may make an irrevocable choice to present subsequent changes in the fair value of an investment in equity instruments that are neither held for trading nor a potential consideration recognized by a purchaser in a business combination transaction in the other components of the comprehensive income statement;
- The Group may irrevocably designate an investment in debt instruments that meets the amortized cost or FVTOCI criteria as measured at fair value, with changes recognized in profit (loss) for the year (FVTPL) if this eliminates or reduces significantly an accounting asymmetry.

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

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

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

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

Convertible bonds are accounted for as a compound financial instrument made of two components, which are treated separately only if relevant: a liability and a conversion option. The liability is the present value of the future cash flows, based on the market interest rate at the time of issue for an equivalent non-convertible bond. The amount of the option is defined as the difference between the net proceeds and the amount of the liability component and included in equity. The value of the conversion option is not changed in subsequent periods. The conversion features of the equity-linked bond issued during 2014 do not meet equity classification. Upon exercise of a conversion right the company is entitled to deliver shares, or pay an amount of money or deliver a combination of shares and cash. Therefore, the option is accounted for as an embedded derivative liability, measured at fair value through profit or loss, while the debt host loan is carried at amortized cost as stated above.

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

Derivative instruments

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

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

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

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

In accordance with the transitional provisions of IFRS 9 for the accounting of hedging transactions, the Group has applied the requirements of IFRS 9 in relation to hedge accounting prospectively from the date of first application to 1 January 2018. The Group's hedging relationships outstanding at January 1, 2018, which meet the eligibility criteria, also qualify for hedge accounting based on IFRS 9 and have therefore been considered as continuous hedging relationships. No rebalancing of any hedging relationship was necessary on 1 January 2018. As the basic elements of the hedging instruments correspond to those of the corresponding hedged items, all hedging relationships continue to be effective on the basis of the valuation criteria of the hedging instruments effectiveness of IFRS 9. The Group has also not designated any hedging relationship based on IFRS 9 that would not have met the qualification criteria for hedge accounting pursuant to IAS 39.

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

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

When option contracts are used to hedge highly probable scheduled transactions, the group only designates the intrinsic value of the options as a hedging instrument. Based on IAS 39, changes in the fair value of the time value of the option (the non-designated party) were immediately recognized in profit (loss) for the year. Based on IFRS 9, changes in the time value of options relating to the hedged item are recognized in the other elements of the comprehensive income statement and are accumulated in the equity reserve. The amounts accumulated in equity are either reclassified to profit or loss for the period when the hedged item influences the profit (loss) for the period or removed directly from equity and included in the carrying amount of the non-financial item. IFRS 9 requires that the accounting treatment related to the unspecified time value of an option be applied retrospectively.

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

2.10 Inventory

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

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

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

2.11 Trade receivables

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

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

2.12 Cash in hand and at bank

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

2.13 Employee benefits

Pension plans

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

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

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

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

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

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

Remuneration plans under the form of share capital participation

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

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

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

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

2.14 Provisions for risks and charges

The Group records provisions for risks and charges when:

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

2.15 Revenue recognition

The Group's primary revenue segment is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners. Moreover, the Group had been selling its eyewear products through the network of Solstice retail stores the Group to North America retail customers, until its divestiture in July 2019.

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

According to the standard contractual conditions applied by the Group, customers may have a right of return. If the sale includes the right for the client to return unsold goods, at the time of sale, a liability is recognized and a corresponding adjustment of revenues for the goods whose return is estimated. The Group recognised expected returns from sales of products by reducing revenue and recognised the cost relating to these returns by reducing cost of sales. In accordance with IFRS 15, the Group recognises the amount corresponding to the sales value of expected returns in the item Trade Payables and the amount corresponding to the cost of the products in the item Inventory.

Based on historical experience and specific knowledge of customers, the Group estimates the amount of returns expected to be received on the entire portfolio using the expected value method. This treatment does not differ from what was done under the previous accounting standard.

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

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

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

2.16 Public contributions

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

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

2.17 Royalties

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

2.18 Dividends

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

2.19 Income taxes

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

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

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

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

2.20 Earnings per share

Basic

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

Diluted

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

2.21 Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts posted in the financial statements, such as the balance sheet, the income statement, the cash flow statement and the notes thereto. Actual results of the balances on the financial statements, resulting from the above-mentioned estimates and assumptions, may differ from those reported on the financial statements due to the uncertainty which characterizes the assumptions and the conditions on which the estimates are based. The accounting standards that are more subject to the directors' estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements of the Group are described briefly below. Even if qualified as a non-adjusting subsequent event, and therefore not affecting the estimates operated in preparing the December 31, 2019 financial statements, the outbreak of Covid-19 (Coronavirus) at the beginning of 2020, described in Note 9 "subsequent events", represents an extraordinary circumstance that may have direct and indirect repercussions on economic activity and has created a general environment of uncertainty, the evolution and impact of which is not predictable. The potential effects of this phenomenon on the estimates used by Management are also commented below.

- *Goodwill*: in accordance with the accounting standards adopted for the preparation of the financial statements, the company tests goodwill at least once a year in order to ascertain the existence of any loss in value to be recorded in the income statement. In particular, the test results in the determination of the fair value allocated to the cash-generating units. This value is determined according to their current value in use. The assessment process of the impairment test is complex and is based on assumptions concerning, among other things, the forecast of expected cash flows of the CGUs, the determination of appropriate discounting rates (WACC) and long-term growth (g -rate). These estimates depend on factors that may change over time with consequent effects, which may be significant, compared to the Directors' assessments. Goodwill has been completely impaired in 2019, so no impact can be caused by Covid-19.

- *Write-down of fixed assets*: in accordance with the accounting standards applied by the Group, the fixed assets are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulty in recovering the relative net book value through use. The verification of the existence of such difficulty requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is deemed that there may be a potential loss in value, the Group determines this using the most appropriate technical valuation methods available. Proper identification of the indicators of contingent impairment as well as the estimates used to determine them depend on factors which may vary over time, influencing the Directors' measurements and estimates. The outbreak of Covid-19 may mainly affect the forecast of expected cash flows, the determination of the discount rates and the long term growth.

- *Allowance for bad or doubtful debts*: the allowance for bad or doubtful debts reflects the management's best estimate regarding losses concerning the credit portfolio towards the final client. This estimate is based on the losses expected by the Group, determined on the basis of past experience for similar credits, current and historic overdue, careful monitoring of credit quality and projections regarding the economic and market conditions. Covid-19 may mainly affect Management's estimate of the credit quality and of market conditions, and therefore of future expected losses.

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

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

- *(Contingent) liabilities*: the Group is subject to legal and tax actions regarding different types of problems; due to uncertainties relating to proceedings and the complexity of such proceedings, the management consults its lawyers, and other legal and fiscal experts, and when expenditure is considered probable and the amount can be reasonably estimated, adequate funds are allocated. The outbreak of Covid-19 may mainly generate contingent liabilities arising from onerous contracts, and may affect the probability assigned to certain facts and circumstances when estimating the value of contingent liabilities.

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

- *Deferred taxes*: deferred tax assets are accounted for on the basis of the expectations of future taxable income. The assessment of the recoverability of deferred tax assets derives from specific assumptions about the probability that taxable income will be realized in future years and that these are sufficient to allow the recovery of deferred tax assets. These valuations are based on assumptions that may not even be realized, or are realized to an insufficient extent compared to what is necessary to fully recover the deferred tax assets recorded in the financial statements, and therefore their variation could have significant effects on the valuation of deferred tax assets. The ability of the entities of the Group to generate future taxable income, and therefore to recover its deferred tax assets, may be significantly affected by the uncertainties posed by the diffusion of Covid-19, with variable intensity depending on the geographical area.

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

2.22 Fair value estimates

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

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

3. RISK MANAGEMENT

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

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

The Group constantly monitors the financial risks to which it is exposed, in order to assess potentially negative effects in advance and to take appropriate corrective measures with the aim of eliminating or, at the least, limiting the negative effects deriving from the risks in question.

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

Credit risks

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

Positions of a significant amount for which the Group recognizes that total or partial recovery will be effectively impossible, also taking into account any guarantees obtained, as well as the charges and expenses that will have to be sustained for the attempted credit recovery, are subject to individual write-down.

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

As required by IFRS 7, paragraph 36, the table below analyses the age of receivables as of 31st December 2019 and 31st December 2018:

(thousands of Euro)	December 31, 2019			December 31, 2018		
Ageing of trade receivables	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Net value value trade receivables**	**Nominal value trade receivables**	**Allowance for bad and doubtful debts**	**Net value value trade receivables**
Overdue and impaired						
up to 3 months	1,165	(996)	169	1,847	(1,531)	316
3 to 6 months	884	(800)	84	1,039	(996)	43
6 to 9 months	826	(826)	-	617	(615)	1
from 9 to 12 months	1,810	(1,810)	-	1,112	(1,095)	17
from 12 to 24 months	2,569	(2,569)	-	2,796	(2,796)	-
over 24 months	5,119	(5,119)	-	6,376	(6,376)	-
Grand total	**12,375**	**(12,120)**	**254**	**13,786**	**(13,409)**	**377**
Overdue and not impaired						
up to 1 month	13,494		13,494	11,205		11,205
2 to 3 months	6,767		6,767	7,524		7,524
3 to 6 months	1,286		1,286	4,074		4,074
6 to 9 months	662		662	446		446
from 9 to 12 months	436		436	391		391
from 12 to 24 months	373		373	333		333
over 24 months	56		56	160		160
Grand total	**23,073**	**(288)**	**22,785**	**24,133**	**(288)**	**23,845**
Neither overdue nor impaired	165,435	(312)	165,123	160,446	(312)	160,134
Grand total	**200,883**	**(12,720)**	**188,163**	**198,365**	**(14,009)**	**184,356**

At 31st December 2019 past due receivables for which no allowance for bad debts was made, as the Group considered them fully collectible, amounted to 23,073 thousand Euro (compared to 24,133 thousand Euro at 31 December 2018). Of these, receivables that were more than 12 months past due amounted to 429 thousand Euro (compared to 493 thousand at 31 December 2018) but accounted for 0.21% of the Group’s total trade receivable compared to 0.25% in the previous year.

The Group has reviewed and assessed the existing trade receivables for impairment based on the model of expected losses using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized. According to the analysis performed, in consideration of the Group's business characteristics and the evaluation of the trading policies currently in use, the Group has accrued, starting from 1 January 2018, an additional credit loss allowance of Euro 0.6 million that cover the potential additional credit risk expected on the amount overdue and not impaired and on the amount not overdue, this provision has remained unchanged as at 31 December 2019.

Market risks

Market risks can be divided into the following categories:

Exchange rate risk

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

In particular, the Group is exposed to risks regarding the exchange rate between the Euro and the US Dollar, since some of the companies of the Group usually sell goods on the North American market and on other markets where the US dollar is the main currency used for business.

The Group tries to reduce the effects deriving from fluctuations in the US currency by getting its supplies from local suppliers in areas where purchases are made in American dollars and thus implementing a sort of "natural hedging". The remaining exposure can be hedged with currency forward contracts ("plain vanilla") always expiring in less than 12 months.

As far as sensitivity analysis is concerned, an increase or decrease of 10% of Euro against the US Dollar and the Hong Kong Dollar would result respectively in a decrease or an increase of the 2019 net sales of around 32,263 thousand Euro (around 35,650 thousand Euro in 2018) and in a decrease or an increase of the net profit of the Group of around 163 thousand Euro (around 340 thousand Euro in 2018).

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

The table below summarizes the net financial assets of the Group per currency at 31 December 2019 and 31 December 2018:

(thousands of Euro)	December 31, 2019	December 31, 2018
USD	225,790	370,817
HKD	79,770	75,381
CNY	64,722	61,838
GBP	1,968	1,440
CAD	19,275	17,315
CHF	11,055	11,145
BRL	7,523	10,310
EUR	(81,557)	87,513
Other currencies	13,445	10,566
Total	**341,992**	**646,324**

In terms of translation risk related to the conversion of the equity of the companies in foreign currencies other than the Euro, the sensitivity analysis shows that a possible revaluation or devaluation of 10% of Euro against those currencies, would respectively cause a decrease or increase in Group net equity of about 38,504 thousand Euro (about 46,300 thousand Euro in 2018).

The table below summarizes the financial assets and liabilities of the Group per currency at 31 December 2019 and 31 December 2018:

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

(thousands of Euro)	December 31, 2018			
	Euro	**US Dollar**	**Other currencies**	**Total**
Cash in hand and at bank	102,310	50,250	25,687	178,247
Trade receivables, net	71,373	57,718	55,265	184,356
Derivative financial instruments	-	-	389	389
Other current assets	21,515	16,866	14,201	52,582
Total current financial assets	**195,198**	**124,834**	**95,542**	**415,574**
Derivative financial instruments	-	-	-	-
Other non-current assets	3,467	1,028	7,058	11,552
Total non-current financial assets	**3,467**	**1,028**	**7,058**	**11,552**
Trade payables	132,170	19,373	19,229	170,772
Short-term borrowings	211,128	-	1	211,129
Derivative financial instruments	407	-	-	408
Tax payables and other current liabilities	42,773	18,255	14,165	75,193
Total current financial liabilities	**386,478**	**37,628**	**33,395**	**457,502**
Long-term borrowings	-	-	-	-
Derivative financial instruments	-	-	-	-
Other non-current liabilities	786	4,596	355	5,737
Total non-current financial liabilities	**786**	**4,596**	**355**	**5,737**

Changes in fair value risk

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

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

Interest rate risk

Borrowing from banks exposes the Group to the risk of variations in the interest rates. In particular, floating-rate borrowings are subject to a cash flow risk. At 31 December 2019 the floating-rate portion of the Group's total borrowings not subject to hedging instruments amounted to the entire borrowings balance equal to 92,023 thousand Euro (accounting for 100.00% of total debt) compared to 63,279 thousand Euro in the previous year (accounting for 29.97% of total debt).

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

The table below summarizes the breakdown by maturity date for the floating and fixed interest-bearing loans, as at 31 December 2019 and 31 December 2018:

December 31, 2019

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

December 31, 2018

(thousands of Euro)	Floating	Fixed	Total
within 1 year	63,279	147,849	211,129
between 1 and 2 years	-	-	-
Total	**63,279**	**147,849**	**211,129**

The floating interest-bearing loans as at 31 December 2019 are not hedged by interest rate swap contracts.

The following table summarizes the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31 December 2019 and 31 December 2018:

December 31, 2019

(thousands of Euro)	Currency	Nominal interest rate	Internal interest rate	Internal interest rate	Nominal value	Expiry
Term loan facility	*EURO*	Euribor	-	75,000	73,956	30 June 2023
Revolving facility	*EURO*	Euribor	-	10,000	8,908	30 June 2023

December 31, 2018

(thousands of Euro)	Currency	Nominal interest rate	Internal interest rate	Internal interest rate	Nominal value	Expiry
Convertible Bonds	*EURO*	1,25%	5.101%	150,000	147,849	22 May 2019
Revolving facility	*EURO*	Euribor	-	60,000	60,000	January 2019

As far as sensitivity analysis is concerned, a positive (negative) variation of 50 bps in the level of the short-term interest rates applied to the variable rate financial liabilities not subject to hedging instrument would have represented a greater (lower) annual financial charge, on a pre-tax basis, of around 114 thousand Euro (689 thousand Euro at 31 December 2018).

Liquidity risk

This risk could affect the inability to find the necessary financial resources to support the operating activities at favorable market terms within the necessary timeframe. The Group companies' cash flows, borrowing requirements and liquidity are constantly monitored at central level by the Group's Treasury in order to ensure an effective and efficient use of the available cash. The following table details the credit lines granted to the Group, the uses and the net available amounts, net of factoring and leasing transactions:

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

December 31, 2018 (thousands of Euro)	**Credit lines granted**	**Uses**	**Credit lines available**
Credit lines on bank accounts and short-term bank loans	17,499	3,279	14,220
Credit lines on long-term loans	60,000	60,000	-
Total	**77,499**	**63,279**	**14,220**

The credit lines on long-term loans are related to a committed, unsubordinated and unsecured Term and Revolving Credit Facility for a total amount equal to Euro 150,000,000, including a Term loan facility of Euro 75,000,000 and a Revolving Credit Facility of equal amount, both maturing on 30 June 2023.

The table below summarizes the financial assets and liabilities of the Group by maturity, undiscounted and inclusive of the interest payments, at 31st December 2019 and 31st December 2018:

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

(thousands of Euro)	December 31, 2018				
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	178,247	-	-	-	178,247
Trade receivables, net	184,356	-	-	-	184,356
Derivative financial instruments	389	-	-	-	389
of which Interest Rate Swaps	-	-	-	-	-
Other current assets	52,582	-	-	-	52,582
Other non-current assets	-	4,938	5,944	670	11,552
Total financial assets	**415,574**	**4,938**	**5,944**	**670**	**427,126**
Trade payables	170,772	-	-	-	170,772
Tax payables	23,173	-	-	-	23,173
Borrowings	211,129	-	-	-	211,129
Interest payments	938	-	-	-	938
Derivative financial instruments	408	-	-	-	408
of which Interest Rate Swaps	-	-	-	-	-
Other current liabilities	52,020	-	-	-	52,020
Other non-current liabilities	-	3,661	579	1,497	5,737
Total financial liabilities	**458,440**	**3,661**	**579**	**1,497**	**464,177**

The table below summarizes the gross derivative financial instruments outflow and inflow by maturity, relating to forward agreements to purchase foreign currencies at 31st December 2019 and 31st December 2018:

December 31, 2019 (thousands of Euro)	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years
Gross derivative financial instruments outflow	(177,750)	-	-	-
Gross derivative financial instruments inflow	176,452	-	-	-
Total undiscounted gross settled derivatives	**(1,298)**	**-**	**-**	**-**

December 31, 2018 (thousands of Euro)	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years
Gross derivative financial instruments outflow	(149,255)	-	-	-
Gross derivative financial instruments inflow	149,271	-	-	-
Total undiscounted gross settled derivatives	**15**	**-**	**-**	**-**

Classification of financial assets and liabilities

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

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

Financial instruments (thousands of Euro)	**Financial instruments at fair value through** **Income Statement**	 **Other comprehensive income (OCI)**	**Financial instruments at amortised cost**	**Investments and non-listed financial assets at cost**	**Current value at December 31, 2018**	**Fair value at December 31, 2018**
ASSETS						
Cash in hand and at bank	-	-	178,247	-	178,247	178,247
Trade receivables, net	-	-	184,356	-	184,356	184,356
Derivative financial instruments	389	-	-	-	389	389
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	52,582	-	52,582	52,582
Other non-current assets	-	-	11,552	-	11,552	11,552
Total assets	**389**	**-**	**426,737**	**-**	**427,126**	**427,126**
LIABILITIES						
Short-term and long-term borrowings	-	-	211,129	-	211,129	206,475
Derivative financial instruments	408	-	-	-	408	408
Other current liabilities	-	-	52,020	-	52,020	52,020
Other non-current liabilities	-	-	5,737	-	5,737	5,737
Total liabilities	**408**	**-**	**268,886**	**-**	**269,294**	**264,639**

The technique used to measure the fair value of the "short term and long term borrowings" provides that the contractual cash flows are discounted at a risk-adjusted discount rate that takes into account the market conditions observed at the measurement date. This technique is within level 2 of the fair value hierarchy.

Hierarchical levels of the fair value measurement

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

- Level 1 – if the instrument is quoted in an active market;

- Level 2 - if the fair value is measured based on valuation techniques for which all significant inputs are based on observable market data, other than quotations of the financial instrument;

- Level 3 – if the fair value is calculated based on valuation techniques for which any significant input is not based on observable market data.

The following table shows the liabilities and assets valued at their fair value at 31st December 2019, split by hierarchical level of the fair value.

(thousands of Euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	118	-	118
Total assets	**-**	**118**	**-**	**118**
Derivative financial instruments	-	(1,121)	-	(1,121)
Total liabilities	**-**	**(1,121)**	**-**	**(1,121)**

In 2019 there have been no transfers from level 1 to level 2 and from level 2 to level 3 and vice versa.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

The Group has reported the Solstice retail business as discontinued operations in the current period. The Solstice retail business segment was not previously classified as a discontinued operation, the comparative balance sheet information for the prior year has not been restated. The assets and liabilities related to the retail business discontinued operations disposed in 2019 are reported in the tables of the Notes in the item "Changes in the scope of consolidation", their detail is disclosed in Note 5.9.

4.1 Cash and cash equivalents

This account totals 64,233 thousand Euro, compared to 178,247 thousand Euro at 31 December 2018 and represents the momentary availability of cash invested at market rates. The decrease in the cash balance is mainly due to the reimbursement of the equity linked bond in May 2019. The book value of the available liquidity is aligned with its fair value at the reporting date and the related credit risk is very limited as the counterparts are primary banks.

The following table shows the reconciliation of the item "Cash and cash equivalents" with the cash balance presented in the statement of cash flows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Cash and cash equivalents	64,233	178,247
Bank overdrafts	(319)	(278)
Current bank borrowings	(10,000)	(3,001)
Net cash and cash equivalents	**53,915**	**174,967**

4.2 Trade receivables

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Gross value trade receivables	200,883	198,365
Allowance for doubtful accounts	(12,720)	(14,009)
Net value	**188,163**	**184,356**

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

The allowance for doubtful accounts refers to the provisions for doubtful accounts charged to the income statement under "General and administrative expenses" (note 5.4).

The following table shows changes in the above mentioned allowance:

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

(thousands of Euro)	Balance at January 1, 2018	Addition	Use	Changes in accounting principles	Transl. Diff.	Balance at December 31, 2018
Allowance for doubtful accounts	14,931	2,955	(4,176)	600	(300)	14,009

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

4.3 Inventories

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Raw materials	75,837	75,892
Work in progress	6,883	7,235
Finished goods	233,745	246,398
Gross	**316,465**	**329,525**
Provision for obsolete inventory (-)	(80,663)	(91,815)
Total	**235,801**	**237,710**

In order to deal with obsolete or slow-moving stock, a specific provision has been allocated, calculated on the basis of the possibility for future sale of finished goods and use of raw materials and semi-finished products. This item is charged in the income statement in "cost of sales" (note 5.2).

The movements in the aforementioned provision are shown below:

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

(thousands of Euro)	Balance at January 1, 2018	Posted to income statement	Transl. Diff.	Balance at December 31, 2018
Inventory gross value	354,546	(29,226)	4,205	329,525
Provision for obsolete inventory	(96,828)	5,218	(204)	(91,815)
Total net	**257,717**	**(24,008)**	**4,001**	**237,710**

The balance of "Changes in the scope of consolidation" is related to the discontinued Retail business disposed in July 2019 (for more details see the note 5.9).

4.4 Derivative financial instruments

The following table summarizes the amount of financial instruments:

(thousands of Euro)	December 31, 2019	December 31, 2018
Current assets:		
Foreign currency contracts - Fair value through P&L	118	389
Total assets	**118**	**389**
Current liabilities:		
Foreign currency contracts - Fair value through P&L	1,121	408
Total liabilities	**1,121**	**408**
Total Net	**(1,003)**	**(19)**

The market value of the forward contracts is calculated using the present value of the differences between the contractual forward exchange rate and the market forward exchange rate. At the reporting date, the Group had contracts for hedging against exchange rate fluctuations for a negative net market value of 1,003 thousand Euro (negative for 19 thousand Euro at 31 December 2018).

The impact of the mark-to-market changes of the forward contracts at fair value through profit or loss, amount to a loss of 984 thousand Euro (a gain of 1,841 thousand Euro in 2018), this amount is charged in the income statement in “financial charges” in the item “Exchange rate differences”.

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

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

December 31, 2018			**Fair value**	
(thousands of Euro)	**Maturity**	**Notional amount**	**Assets**	**Liabilities**
Fair value hedge	within 1 year	179,675	389	408
Cash flow hedge	within 1 year	-	-	-
Total forward contracts		**179,675**	**389**	**408**

4.5 Other current assets

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
VAT receivables	9,019	13,314
Income tax receivables	14,069	19,455
Prepayments and accrued income	10,801	11,286
Other receivables	9,393	8,526
Total	**43,281**	**52,582**

VAT receivables amounted to 9,019 thousand Euro (13,314 thousand Euro at 31 December 2018), the reduction mainly driven by the Group's effort to recover VAT credit positions. Income tax receivables are mainly related to tax credits and advance payments made during the financial year which will be offset against the related tax payable.

Prepayments and accrued income amounted to 10,801 thousand Euro (11,286 thousand Euro at 31 December 2018) and mainly consisted of prepaid royalties for 6,137 thousand Euro, prepaid insurance for 494 thousand Euro, prepaid rent and operating lease costs related to contracts outside the scope of IFRS 16 for 254 thousand Euro, and prepaid advertising expenses for 181 thousand Euro.

Other current receivables amounted to 9,393 thousand Euro compared to 8,526 thousand Euro in 2018. The item includes the remaining cash consideration for the discontinued Retail business disposed in July 2019, equal to 3,983 thousand Euro that will be cashed in 2020.

The Other current receivables balance includes also the receivables reported by the subsidiary Safilo S.p.A. for 1,184 thousand Euro, referring mainly to receivables due from insolvent customers for the amount of credit relating to VAT which, pursuant to Italian tax legislation, can only be recovered when the recovery procedure is unsuccessfully closed; receivables from agents for 157 thousand Euro mainly deriving from the sale of samples and deposit payments due within 12 months for 244 thousand Euro.

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

4.6 Tangible assets and Right of Use assets

Tangible assets

The table below summarises the changes in the tangible assets:

(thousands of Euro)	Balance at January 1, 2019	Increase	Decrease	Reclass.	Changes in the scope of consoli-dation	Reclass. assets held for sale	Transl. diff.	Balance at December 31, 2019
Gross value								
Land and buildings	145,898	741	(4,311)	1,088	-	(11,230)	398	132,584
Plant and machinery	209,067	576	(6,088)	3,828	-	-	195	207,579
Equipment and other assets	162,177	1,506	(18,386)	16,214	(20,727)	-	1,201	141,985
Assets under construction	5,606	20,419	(90)	(21,130)	-	-	22	4,827
Total	**522,748**	**23,242**	**(28,875)**	**-**	**(20,727)**	**(11,230)**	**1,817**	**486,975**
Accumulated depreciation								
Land and buildings	62,259	6,733	(3,865)	-	-	(5,699)	190	59,618
Plant and machinery	156,083	14,642	(5,781)	-	-	-	106	165,051
Equipment and other assets	127,515	18,592	(18,112)	-	(16,015)	-	941	112,920
Total	**345,857**	**39,967**	**(27,758)**	**-**	**(16,015)**	**(5,699)**	**1,237**	**337,589**
Net value	**176,891**	**(16,724)**	**(1,117)**	**-**	**(4,711)**	**(5,531)**	**580**	**149,387**

(thousands of Euro)	Balance at January 1, 2018	Increase	Decrease	Reclass.	Transl. diff.	Balance at December 31, 2018
Gross value						
Land and buildings	141,738	285	(161)	3,433	603	145,898
Plant and machinery	210,284	(48)	(7,787)	6,610	7	209,067
Equipment and other assets	205,324	1,844	(57,706)	10,303	2,413	162,177
Assets under construction	5,335	20,715	(163)	(20,346)	65	5,606
Total	**562,681**	**22,797**	**(65,817)**	**-**	**3,087**	**522,748**
Accumulated depreciation						
Land and buildings	55,874	4,284	70	1,634	397	62,259
Plant and machinery	153,410	9,846	(7,230)	-	57	156,083
Equipment and other assets	165,095	19,556	(57,399)	(1,634)	1,898	127,515
Total	**374,379**	**33,686**	**(64,559)**	**-**	**2,352**	**345,857**
Net value	**188,302**	**(10,890)**	**(1,258)**	**-**	**736**	**176,891**

Investments in tangible assets in the financial period amount to 23,242 thousand Euro (22,797 thousand Euro during 2018), and refer to:

- Euro 10,892 thousand in production facilities, mainly for the upgrade of plants and for the purchase and production of equipment for new models;
- Euro 9,169 thousand for the U.S. companies, mainly related to the consolidation of the North American logistic operations in a new distribution centre in Denver;
- Euro 2,207 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.

The balance of "Changes in the scope of consolidation" is related to the discontinued Retail business disposed in July 2019 (for more details see the note 5.9).

Following the publication of the new Group Business Plan 2020-2024, Safilo identified certain assets related to plants destined to be closed or downsized, mainly concerning the Martignacco and Longarone plants. Based on IAS 36, Management assessed the existence of impairment indicators for those assets and, after a one by one analysis, decided to write them down for 8.877 thousand Euro. This write-down is included in the increase of the accumulated depreciation in the table presented above.

The balance related to the reclassification to "Non-current assets held for sale" refers to the real estate of the manufacturing plant in Martignacco and an office location in Padua, that according to the restructuring plan will be subject to a plan of disposal. They are presented in a separate line item on the face of the balance sheet and are measured at their fair value, equal to 5,531 thousand Euro, determined on the basis of third party independent appraisals.

Right of Use assets

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

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

The balance related to the column "First adoption IFRS 16" refers to the impact at the transition date 1 January 2019 in terms of recognition of the new Right of Use assets.

Investments in Right of Use in the financial period amount to 19,696 thousand Euro and mainly refer to the lease contract of the new distribution centre in Denver for the consolidation of the North American logistic operations.

The increase of the accumulated depreciation includes additional write down of Right of Use assets related to the Italian plants subject to restructuring and to some other lease contracts for 1,422 thousand Euro.

The balance of "Changes in the scope of consolidation" is related to the discontinued Retail business disposed in July 2019 (for more details see the note 5.9).

4.7 Intangible assets

The following table shows changes in intangible assets:

(thousands of Euro)	Balance at January 1, 2019	Increase	Decrease	Reclass.	Changes in the scope of consoli-dation	Transl. diff.	Balance at December 31, 2019
Gross value							
Software	81,884	146	(2,439)	10,299	(2,659)	260	87,490
Trademarks and licenses	56,117	-	-	209	(478)	22	55,870
Other intangible assets	7,413	35	(3,627)	665	-	73	4,558
Intangible assets in progress	5,504	8,397	(64)	(11,173)	-	(12)	2,652
Total	**150,917**	**8,578**	**(6,131)**	**-**	**(3,137)**	**343**	**150,570**
Accumulated depreciation							
Software	58,309	14,226	(2,439)	-	(1,857)	223	68,462
Trademarks and licenses	29,253	2,364	-	-	(478)	22	31,161
Other intangible assets	4,869	662	(3,627)	-	-	66	1,970
Total	**92,431**	**17,253**	**(6,066)**	**-**	**(2,335)**	**311**	**101,594**
Net value	**58,486**	**(8,675)**	**(64)**	**-**	**(803)**	**32**	**48,976**

(thousands of Euro)	Balance at January 1, 2018	Increase	Decrease	Reclass.	Transl. diff.	Balance at December 31, 2018
Gross value						
Software	74,430	280	(144)	6,861	457	81,884
Trademarks and licenses	55,558	-	(6)	552	13	56,117
Other intangible assets	6,817	19	-	496	80	7,413
Intangible assets in progress	5,910	7,584	(7)	(7,909)	(73)	5,504
Total	**142,714**	**7,883**	**(158)**	**-**	**477**	**150,917**
Accumulated amortization						
Software	46,961	11,100	(144)	2	390	58,309
Trademarks and licenses	26,928	2,320	(6)	(2)	13	29,253
Other intangible assets	4,257	525	-	-	88	4,869
Total	**78,146**	**13,944**	**(150)**	**-**	**491**	**92,431**
Net value	**64,569**	**(6,061)**	**(8)**	**-**	**(14)**	**58,486**

Investments in intangible fixed assets made during the year amount to 8,578 thousand Euro (7,883 thousand Euro in the previous year). The increase in investments reported under "construction in progress" is mainly due to the continuing investments to implement the new integrated information system (ERP) of the Group.

The reclassification from intangible assets in progress to software is mainly referred to the portion of investments related to the modules of the new integrated information system (ERP) that have been completed and went live during the year.

The decrease of the items "Software" and "Other intangible assets" respectively for 2,439 thousand Euro and 3,627 thousand Euro in both the gross and the accumulated depreciation value, is related to the accounting offset and write-off of assets already fully depreciated and no longer in use booked mainly in the Italian and US companies.

The balance of "Changes in the scope of consolidation" is related to the discontinued Retail business disposed in July 2019 (for more details see the note 5.9).

Depreciation and Amortization

Depreciation and amortization for tangible and intangible assets, related to both continuing and discontinued operations, are allocated over the following income statement items:

(thousands of Euro)	**Notes**	**2019**	**2018**
Continuing Operations			
Cost of sales	5.2	30,160	22,492
Selling and marketing expenses	5.3	2,841	2,662
General and administrative expenses	5.4	23,573	18,753
Total amortization and depreciation		**56,574**	**43,906**
Cost of sales - Right of Use depreciation	5.2	1,860	-
Selling and marketing expenses - Right of Use depreciation	5.3	6,004	-
General and administrative expenses - Right of Use depreciation	5.4	6,323	-
Total depreciation Right of Use - IFRS 16		**14,187**	**-**
Discontinued Operations	5.9	**6,046**	**3,724**
Total		**76,807**	**47,630**

The increase in the amortization and depreciation of the continuing operations equal to 12,668 thousand Euro is mainly due to non-recurring tangible assets write-downs related to the Group's restructuring plan, announced with the new Group Business Plan 2020-2024, for 8,877 thousand Euro, of which 6,635 thousand Eur related to Cost of sales and 2,242 thousand Euro to General and administrative expenses.

The increase in the amortization and depreciation is also affected by the impact of the additional depreciation on the Right of Use assets, recognised starting from 1 January 2019 according to IFRS 16. The Right of Use depreciation in 2019 is equal to 19,588 thousand Euro (of which 14,187 thousand Euro for the continuing operations and 5,401 thousand Euro for the discontinued operations).

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

During the year the Group incurred and charged to income, costs for research and development amounting to 16,258 thousand Euro (16,489 thousand Euro in the previous year).

4.8 Goodwill

The item mainly refers to goodwill which arose in July 2001 following the public takeover bid (OPA) through a special purpose vehicle subsequently merged into the parent company. This goodwill upon the listing of 2005 and the transition to International Accounting Standards was then allocated to the various Group companies identified as Cash Generating Units (CGU) and then aggregated at the level of the Business Units of the Group, and therefore CGUs took the current configuration. This asset is therefore expressed in the functional currency of each individual company to which it was allocated.

The following table shows changes in goodwill:

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

(thousands of Euro)	Balance at January 1, 2018	Increase	Decrease	Transl. diff.	Balance at December 31, 2018
Goodwill	220,416	-	-	5,851	226,267

The table below provides a breakdown of goodwill, allocated to the CGUs, by geographical area.

(thousands of Euro)	EMEA	Americas	Total
December 31, 2019	-	-	-
December 31, 2018	97,039	129,228	226,267

During the current period, the item recorded an increase of 795 thousand Euro due to the translation difference for the goodwill denominated in currencies other than the Euro and a decrease for an impairment loss equal to its total balance of 227,062 thousand Euro.

Impairment test

Following the developments in the Group's license portfolio, effective from summer 2019, management prepared a new business plan to updated the projections for the period beyond 2020.

As a consequence, in the preparation of the half year report as of 30 June, 2019, management assessed the existence of impairment indicators, based on IAS 36, which required performing an impairment test at the date of the interim half year financial statements.

To determine the cash flow projections used in the half year impairment test, the Board of Directors has approved on 30 July 2019 a five-year first financial projection for the period 2019 – 2023 (First Financial Projections). This First Financial Projections included certain preliminary key assumptions regarding sales and cost reduction initiatives. In the elaboration of these assumptions and projections, management has used its best estimates based on available information at that time about the most recent developments concerning the Group's brand portfolio, market context and competitive landscape.

The First Financial Projections have been prepared adopting a pre-IFRS 16 approach.

The impairment test methodology used for the execution of the impairment test at the interim date of 30 June 2019 was consistent with the criteria used for the 2018 financial statements and was in line with the following factors:

- Management used the most recent information available to calculate the WACC (weighted average cost of capital), in particular: risk free rate, market risk premium, beta, specific risk premium for Safilo, cost of debt, debt / equity structure;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country in which the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2023.

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

The following table summarizes the WACC (after tax) and "g" rates used by the Group for the interim impairment test:

Key assumptions	**June 2019**	
Business units	**Discount rate "WACC"**	**Growth rate "g"**
EMEA	9.4%	1.7%
Americas	10.1%	2.3%

The execution of the interim impairment test, substantially confirmed that the entire amount of goodwill at that time, Euro 227,062 thousand, was impaired, and therefore it was determined to write its value down for its total amount.

On December 10, 2019 the Board of Directors approved a new Group Business Plan 2020-2024, which was communicated to the market on 11 December 2019. The assumptions and the overall outcome of the new business plan were substantially similar to the First Financial Projections.

The new Group Business Plan incorporates the effects of the Group's most recent business developments, and in particular:

- the sale of the Solstice retail business, which took place on 1 July 2019;
- the exit of the brand Dior from 1 January 2021; the exit of the brand Fendi from 1 July, 2021;
- the renewal of the Tommy Hilfiger, Hugo Boss, Kate Spade and Marc Jacobs licenses;
- the renewal of the supply agreement with Kering Eyewear;
- the new licenses signed during 2019, namely Missoni and M Missoni, Levi's, David Beckham, and Under Armour;
- the acquisition of Blenders, which will enrich the Group's proprietary brand portfolio business.

The objectives and strategies of the Group Business Plan 2020-2024 are:

- to develop a modern and successful customer-centric and consumer-oriented business model, powered by a new 360° digital transformation strategy;

- to deliver Sales Growth, by placing customers and consumers at the heart of the strategy, and accelerating initiatives to digitally transform the Company's business model. Over the coming 5 years, starting from 2020 in Europe, Safilo intends to strengthen and enlarge its client base by pursuing a customer-centric strategy, redesigning its Customer Experience, Engagement and Customer Care activities through the adoption of the latest technologies in the B2B, CRM (Customer Relationship Management) and salesforce automation fields.

  The Group will continue developing a multi-segment and multi-channel portfolio strategy by also accelerating projects to build an ever-closer connection with end consumers. Safilo is pursuing this strategic choice through a more decisive digital shift of its mix of capabilities and investments, from digital and social marketing to Direct-to-Consumer distribution, a channel in significant growth in which Safilo wants to accelerate both through strategic commercial partnerships and through the acquisition of new important capabilities;

- to deliver Margin Expansion, through an efficient cost structure, which responds to the requirement to realign the Group's current industrial capacity to the future production needs and to achieve further costs of goods sold and overheads efficiencies, guaranteeing the Group's economic and financial solidity and the pursuit, during the Plan's timeline, of a recovery of the levels of profitability to which Safilo aspires.

  The exit of the LVMH luxury licenses makes it necessary for Safilo to initiate an industrial reorganization and restructuring plan, promptly responding to the new production scenario that the Company will be facing, by realigning its manufacturing footprint. The plan, which is drawn up to safeguard the Group's competitiveness in favour of the workers who will remain in force, identified a total of approximately 700 redundancies in 2020 in Italy. In December 2019, Safilo has opened a negotiation table with the trade unions and the workers' representatives in order to identify all the available social security tools to manage the impact on the people involved in the best possible way.

Even if, after the write-off of the total amount of goodwill as of 30 June 2019, no assets with an indefinite useful life exist at year-end, management determined that the approval of a new business plan triggered the need to perform a new impairment test as of 31 December 2019, to test the Group's net invested capital for possbile impairment losses.

Following the divestiture of the Retail business by July 2019, and the Group Business Plan 2020-2024 publication, Safilo has decided to update its cash generating unit model. On the one side, the divestiture of Retail rationalizes Safilo's business units and refocuses Safilo on the wholesale business. On the other side, the Group Business Plan 2020-2024 finalizes current Safilo's organization structure and current business model. In order to appropriately reflect the new strategy and business model in its impairment test methodology, Safilo has modified the previous 5-CGU structure into a new one single CGU structure. This new one 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. Management has conducted the impairment test under both structures which have both resulted in adequate and substantially similar levels of coverage over net invested capital. Management's underlying decision process has been analyzed with the support of an external consultant who has expressed its favorable opinion to the change, and approved by Safilo's board of directors.

The simulation performed with the previous CGU structure provides a similar level of coverage. In particular, the execution of the impairment test using the same CGU structure as in the previous years highlight the following results:

- CGU EMEA: coverage of Euro 26 million;
- CGU Far East : coverage of Euro 8 million;
- CGU Americas: coverage of Euro 23 million;
- CGU Sport : coverage of Euro 31 million;
- CGU Corporate : coverage of Euro 11 million.

The Group Business Plan 2020-2024 has been used to develop the cash flow estimates for the year-end impairment test. It has to be noted that the cash flows have been determined in a post-IFRS 16 scenario, while, as a consistency check, the Company developed for this transition year also a pre-IFRS 16 scenario. The impairment test under both scenarios confirms the original results and provides sufficient cover for the remaining net invested capital at the balance sheet date.

Overall, the impairment test methodology used for the 2019 financial statements is consistent with the criteria used for the 2018 financial statements and is in line with the following factors:

- Management used the most recent information available to calculate the WACC (weighted average cost of capital), in particular: risk free rate, market risk premium, beta, specific risk premium for Safilo, cost of debt, debt / equity structure;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed and have been adapted to the rate of inflation expected by analysts for 2024.

To calculate the present value, the future cash flows thus obtained were discounted to their present value at a discount rate (WACC) as at the test's date of reference.

The cash flows generated after the horizon considered were determined on the basis of perpetual growth rates considered adequate with reference to the economic conditions of the country of reference.

The following table summarizes the WACC (after tax) and "g" rates used by the Group for the analyses performed when preparing the financial statements:

Key assumptions	**Discount rate "WACC"**		**Growth rate "g"**	
	2019	**2018**	**2019**	**2018**
SAFILO GROUP	8.1%	9.7%	2.0%	2.2%

The impairment test under the new single CGU structure results in a coverage of the net invested capital of the Group as of December 31, 2019 for Euro 99 million.

Management developed also certain sensitivity scenarios concerning some of the key assumptions underlying the business plan, each showing a sufficient coverage of the net invested capital of the Group.

As a consequence, management did not modify the value of the Group's assets for impairment losses.

Management has used the most reliable information available at this moment. In monitoring the goodwill value, management has taken into consideration also exogenous factors, such as the stock market capitalization. The stock market valuation in general, and considering Safilo's situation, may be subject to different expectations and various fluctuations and hence in practice different valuation methods exist, such as those based on expected cash flows. In the case of Safilo, the value determined by current stock market prices is significantly different than the one obtainable with other methods. The Directors however believe that the assumptions incorporated in the business plan projections underlying the impairment test are reasonable, and that the Group has the necessary skills and resources to meet planned goals considering that an appropriate execution risk of the plan has been embedded in the WACC used for the test. Therefore, the Group's economic value has been consistently considered in the impairment test.

4.9 Deferred tax assets and deferred tax liabilities

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

(thousands of Euro)	December 31, 2019	December 31, 2018
Deferred tax assets	178,818	156,817
Valuation Allowance (-)	(137,095)	(93,569)
Net deferred tax assets	**41,723**	**63,248**
Deferred tax liabilities	(10,852)	(13,455)
Total net	**30,871**	**49,793**

The deferred tax assets, net of deferred tax liabilities, have been reviewed and reduced by a valuation allowance to the extent it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized. The valuation allowance for deferred tax asset as of December 31, 2019 amounts to 137,095 thousand Euro and has increased by 43,526 thousand Euro compared to 2018 in order to take into account any potential deferred tax assets, that might not be recovered by the forecasted future taxable profit in relation to some Group companies as per the new Group Business Plan 2020-2024, for which reference is made to the previous note 4.8.

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

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

Deferred tax assets

(thousands of Euro)	Balance at January 1, 2019	Posted to: Income statement	Posted to: Equity	Transl. diff.	Balance at December 31, 2019
Tax losses carried forward	76,656	19,486	-	50	96,192
Inventories	38,648	(8,014)	-	270	30,904
Taxed allowances for doubtful accounts	4,684	820	-	44	5,548
Taxed provisions	4,502	4,674	-	19	9,195
Employees benefit liabilities	1,112	389	(23)	4	1,482
Intangible assets	1,640	482	-	1	2,123
Tangible assets	10,125	5,060	-	37	15,222
Fair value of derivative instruments	-	-	-	-	-
Other payables	222	531	-	13	766
Taxed financial interests	13,054	(1,198)	-	5	11,861
Other temporary differences	6,174	(694)	-	45	5,525
Total deferred tax assets	**156,817**	**21,536**	**(23)**	**488**	**178,818**
Valuation allowance of deferred tax assets on tax losses	(71,864)	(14,505)	-	(43)	(86,412)
Valuation allowance of deferred tax assets on other temporary differences	(21,705)	(29,004)	-	26	(50,683)
Total valuation allowance on deferred tax assets	**(93,569)**	**(43,509)**	**-**	**(17)**	**(137,095)**
TOTAL	**63,248**	**(21,973)**	**(23)**	**471**	**41,723**

Deferred tax liabilities

(thousands of Euro)	Balance at January 1, 2019	Posted to: Income statement	Posted to: Equity	Transl. diff.	Balance at December 31, 2019
Depreciation differences	4,778	(1,593)	-	89	3,274
Goodwill	7,922	(7,960)	-	39	-
Inventories	236	84	-	10	330
Receivables and payables	250	(238)	-	1	13
Other temporary differences	269	6,974	(4)	(4)	7,235
Total	**13,455**	**(2,734)**	**(4)**	**134**	**10,852**

The table below shows the Group's total carryforward for unused tax losses by expiration date, the related deferred tax assets and the amount of valuation allowance. The deferred tax assets calculated on the tax losses available for carry forward of some Group companies amount to total 96,192 thousand Euro. The deferred tax assets calculated have been written down by a valuation allowance of total 86,412 thousand Euro, corresponding to tax losses carry forwards of 343,787 thousand Euro, because at present, their recovery via the generation of future taxable profit is not considered probable.

Expiration date (thousands of Euro)	**Tax losses**	**Tax benefit**
2020	1,400	350
2021	8,421	2,032
2022	14,732	3,683
2023	8,453	2,113
2024	2,964	741
2025	5,555	1,838
2026	4,550	1,528
2027	2,606	693
Unlimited	336,725	82,073
Other tax losses relating local taxes:		
Various		1,140
Total	**385,405**	**96,192**
Valuation Allowance (-)		(86,412)
TOTAL DEFERRED TAX ASSETS ON LOSSES CARRIED FORWARD		**9,780**

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

(thousands of Euro)	**December 31, 2019**	**December 31, 2018**
Deferred tax assets		
- recoverable within one year	17,181	44,013
- recoverable beyond one year	24,542	19,234
Total	**41,723**	**63,248**
Deferred tax liabilities		
- recoverable within one year	345	377
- recoverable beyond one year	10,507	13,077
Total	**10,852**	**13,455**
TOTAL NET	**30,871**	**49,793**

4.10 Other non-current assets

The table below shows details of non-current assets:

(thousands of Euro)	December 31, 2019	December 31, 2018
Long-term guarantee deposits	1,990	2,432
Other long-term receivables	169	553
Long-term tax receivables	7,746	8,568
Total	**9,906**	**11,552**

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

Long-term tax receivables mainly refer to VAT and other income tax receivables of some Group companies.

It is considered that the book value of the other non-current assets approximately equals their fair value.

4.11 Borrowings and Lease liability

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Bank overdrafts	319	278
Short-term bank loans	10,000	3,001
Short-term portion of long-term bank loans	-	60,000
Convertible Bonds	-	147,849
Debt to the factoring company	8,840	-
Short-term borrowings	**19,159**	**211,128**
Long-term loans	72,864	-
Long-term borrowings	**72,864**	-
Short-term portion of financial lease liability IFRS 16	9,720	-
Long-term portion of financial lease liability IFRS 16	37,327	-
Financial lease liability IFRS 16	**47,047**	**-**
Total	**139,070**	**211,128**

Borrowings

In 2019 the Group has accomplished the expected reimbursement of the remaining 60,000,000 Euro loan under the Revolving Credit Facility Agreement signed in 2014 and expired on 31 January 2019 (the "2014 RCF") and 150,000,000 Euro Equity Linked Bonds 2014-2019 issued by the Parent company Safilo Group S.p.A. and expired on 22 May 2019.

This final step completed the refinancing plan carried out by the Group during 2018, for a total amount of 300,000,000 Euro split between a share capital increase and a new credit agreement expiring in 2023. In particular, the new committed, unsubordinated and unsecured Term and Revolving Credit Facility Agreement for a total amount equal to 150,000,000 Euro (the "2018 T&RCF"), including a Term loan facility of 75,000,000 Euro and a Revolving Credit Facility of equal amount, both maturing on 30 June 2023, has been provided to the subsidiary Safilo S.p.A. by a pool of banks formed by Banca IMI S.p.A., BNP Paribas Italian Branch and Unicredit S.p.A. as arrangers and BNP Paribas Italian Branch, Intesa Sanpaolo S.p.A., ING Italian Branch and Unicredit S.p.A. as lenders. It can be partially syndicated and increased up to a maximum amount of 200,000,000 Euro. Following repayment and cancellation of the "2014 RCF", the "2018 T&RCF" has become effectively available upon the above mentioned redemption at maturity of the 150,000,000 Euro Equity Linked Bonds 2019.

Excluding the impact of the IFRS 16 new financial lease liability, recognised starting from the transition date 1 January 2019 and representing the financial commitment deriving from the lease contracts under which the Group is a lessee, on 31 December 2019 the Group exhibits short-term borrowings for a total amount of 19,159 thousands Euro and long-term borrowings for 72,864 thousand Euro related to the new "2018 T&RCF", and specifically to the Term loan facility for 65,000 thousand Euro and to the Revolving Credit Facility for 10,000 thousand Euro.

The new Term and Revolving Facility is carried at amortized cost, the outstanding transaction costs amortized along the duration of the facility and reported as its reduction amount to 2,136 thousand Euro.

This new committed, unsubordinated and unsecured Term and Revolving Facility Agreement is subject to operating and financial commitments, standard for similar transactions. At 31 December 2019 the Group complies with all the outstanding covenants.

The short-term factoring facility has been utilized at 31 December 2019 by the subsidiary Safilo S.p.A. (it has not been utilized at 31 December 2018).

The Group, as at 31 December 2019, has no financial borrowings in currencies other than Euro, details on the Group's exposure to interest rate and liquidity risks arising from borrowings are set out in the paragraphs relating the risk management (see note 3).

Here below we report the maturity analysis of the nominal long term borrowings, gross of 2,136 thousand Euro of transaction costs:

Maturity Borrowings (thousands of Euro)	**December 31, 2019**	**December 31, 2018**
From 1 to 2 years	20,000	-
From 2 to 3 years	20,000	-
From 3 to 4 years	35,000	-
From 4 to 5 years	-	-
Beyond 5 years	-	-
Total	**75,000**	**-**

Financial Lease liability

The IFRS 16 financial lease liability, as at 31 December 2019, amounts to 47,047 thousand Euro of which 9,720 thousand Euro as short term, and 37,327 thousand Euro as long term.

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

Maturity Lease liability (thousands of Euro)	**December 31, 2019**
From 1 to 2 years	8,930
From 2 to 3 years	5,325
From 3 to 4 years	3,938
From 4 to 5 years	3,357
Beyond 5 years	15,777
Total	**37,327**

Net Financial Position

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

	Net financial position (thousands of Euro)	**December 31, 2019**	**December 31, 2018**	**Change**
A	Cash and cash equivalents	64,233	178,247	(114,013)
B	Cash and cash equivalents included as Assets held for sale	-	-	-
C	Current securities (securities held for trading)	-	-	-
D	**Liquidity (A+B+C)**	**64,233**	**178,247**	**(114,013)**
E	**Receivables from financing activities**	**-**	**-**	**-**
F	Bank overdrafts and short-term bank borrowings	(10,319)	(3,279)	(7,039)
G	Current portion of long-term borrowings	-	(207,849)	207,849
G	Current portion of long-term lease liability IFRS 16	(9,720)	-	(9,720)
H	Other short-term borrowings	(8,840)	-	(8,840)
I	**Debts and other current financial liabilities (F+G+H)**	**(28,879)**	**(211,129)**	**182,250**
J	**Current financial position, net (D)+(E)+(I)**	**35,355**	**(32,882)**	**68,236**
K	Long-term bank borrowings	(72,864)	-	(72,864)
L	Bonds	-	-	-
M	Other long-term borrowings	-	-	-
M	Long-term lease liability IFRS 16	(37,327)	-	(37,327)
N	**Debts and other non current financial liabilities (K+L+M)**	**(110,191)**	**-**	**(110,191)**
I	**Net financial position (J)+(N)**	**(74,836)**	**(32,882)**	**(41,955)**
I	**Net financial position pre-IFRS 16**	**(27,789)**	**(32,882)**	**5,092**

The Group net financial position as at 31 December 2019 benefitted from the proceeds deriving from the share capital increase resolved by the Extraordinary Shareholders' meeting held on 29 October 2018 and completed on 2 January 2019 with the collection of the remaining 17,736 thousand Euro (see paragraph 4.18).

The above table does not include the valuation of derivative financial instruments described in note 4.4 of this report.

4.12 Trade payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Trade payables for:		
Purchase of raw materials	37,665	35,920
Purchase of finished goods	46,388	40,082
Suppliers from subcontractors	4,649	4,870
Tangible and intangible assets	5,137	4,537
Commissions	3,378	3,719
Royalties	13,451	14,146
Advertising and marketing costs	9,125	11,415
Services	43,822	46,633
Sales returns liabilities (Refund liability)	9,507	9,451
Total	**173,122**	**170,772**

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 well identified items and customers and management has elements to estimate the liability with a high reliability level.

4.13 Tax payables

At 31 December 2019 tax payables amounted to 18,771 thousand Euro (compared to 23,173 thousand Euro in 2018). Of this sum 9,742 thousand Euro referred to income tax for the period, 2,646 thousand Euro to VAT payable and 6,384 thousand Euro to taxes withheld, current and local taxes.

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

4.14 Other current liabilities

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Payables to personnel and social security institutions	35,714	33,045
Agent fee payables	143	114
Payables to pension funds	1,590	1,539
Accrued advertising and sponsorship costs	2,149	1,375
Accrued interests on long-term loans	31	422
Other accruals and deferred income	10,535	14,143
Other current liabilities	3,862	1,382
Total	**54,024**	**52,020**

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

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

4.15 Provisions

This item breaks down as follows:

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

(thousands of Euro)	Balance at January 1, 2018	Increase	Decrease	Transl. diff.	Balance at December 31, 2018
Product warranty provision	5,156	1,130	(490)	2	5,799
Agents' severance indemnity	2,676	103	(251)	-	2,528
Other provisions for risks and charges	8,948	1,273	(4,799)	-	5,422
Provisions for risks - long term	**16,780**	**2,507**	**(5,540)**	**2**	**13,748**
Product warranty provision	2,189	(41)	(965)	(5)	1,178
Provision for corporate restructuring	2,863	207	(3,033)	7	44
Other provisions for risks and charges	30,363	797	(5,726)	80	25,514
Provisions for risks - short term	**35,415**	**963**	**(9,724)**	**83**	**26,736**
TOTAL	**52,194**	**3,469**	**(15,264)**	**84**	**40,484**

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

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

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way, in particular the accrual for 20,831 thousand Euro of the long term provision is related to the Italian companies restructuring plan communicated with the new Group Business Plan 2020-2024, while the accrual and decrease of the short term provision are related to the reorganization projects already completed during the current year in the Italian companies. As required by IAS 37, the provision for the restructuring has been accounted based on the existence of a detailed formal plan and on the communication of the plan to those affected by it. The amount has been estimated using Management's best knowledge and available information about the applicable laws and the customary negotiation terms already finalised for the Italian plant of Martignacco and Longarone, including Safilo's past experience.

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 short term portion of the "Other provision for risks and charges" includes the provision of 17,000 thousand Euro related to the proceedings before the French Competition Authority (''FCA'') accrued in 2015. Safilo's French subsidiary (Safilo France S.A.R.L.) together with other major competitors and a number of leading retailers in the French eyewear industry, has been the subject of an investigation conducted by the FCA relating to pricing and sales practices in the industry. In May 2015, Safilo France S.A.R.L. and Safilo S.p.A. in its capacity of parent-company received a Statement of Objections from the FCA. On 2 February 2016, Safilo reached an agreement with the FCA's Investigation Services limiting the Group's liability at 17,000 thousand Euro. Consequently, a provision was booked by the Group as the best estimate for the expected liability. On 24 February 2017, the FCA's Body decided to refer the entire case back for further investigation to the FCA's Investigation Services, without imposing any sanction on all the companies currently under investigation. On 19 April 2019, Safilo France S.A.R.L., Safilo S.p.A and, in its capacity of parent company, Safilo Group S.p.A received a new statement objections (the "Supplementary SO"), which supplements the Initial SO (the charges raised in the Initial SO being maintained). In July 2019, Safilo filed a brief in response to both the Initial SO and the Supplementary SO, in which it contested all the charges raised against it by the investigation services. The Group expects to receive the final investigation report in 2020.

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

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

4.16 Employee benefit obligations

This item breaks down as follows:

(thousands of Euro)	December 31, 2019	December 31, 2018
Defined contribution plan	10	21
Defined benefit plan	27,055	26,205
Total	**27,064**	**26,226**

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

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

(thousands of Euro)	Balance at January 1, 2018	Addition	Actuarial (gains)/ losses	Uses	Transl. diff.	Balance at December 31, 2018
Defined benefit plan	28,396	618	(766)	(2,062)	19	26,205

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

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

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

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

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

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

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

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

The principal assumptions used for the purpose of the actuarial valuations as at 31 December 2019 and 31 December 2018 are summarized here follow:

	2019	2018
Discount rate	0.77%	1.57%
Inflation rate	1.50%	1.50%
Rate of benefit increase	2.63%	2.63%

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

Assumption (thousands of Euro)	**Change**	**Increase**	**Decrease**
Inflation	1.00%	1,423	(1,321)
Salary increase	0.25%	212	(204)
Discount rate	1.00%	(2,362)	2,723
Life expectancy	1 Year	188	(177)

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

(thousands of Euro)	2019	2018
Service cost	(751)	(270)
Interest cost	(402)	(348)
Actuarial gain/(loss)	(1,987)	766
Total	**(3,139)**	**148**

4.17 Other non-current liabilities

Movements in other non-current liabilities were as follows:

(thousands of Euro)	Balance at January 1, 2019	In-crease	De-crease	First appli-cation IFRS 16	Changes in ac-counting principle	Changes in the scope of consolida-tion	Transl. diff.	Balance at December 31, 2019
Other non current liabilities	5,737	-	(556)	(4,517)	810	(331)	90	1,232

The “other non current liabilities” balance was mainly related to the long-term deferred rent liability accrued for the normalization of the escalating rent contracts of the stores of the Retail discontinued operations, and some locations of other Group companies.

The balance has significantly decreased as a consequence of the first adoption of the IFRS 16. According to the new accounting standard this deferred rent lease liability has been fully reclassified as reduction of the Right of Use assets.

The amount equal to 810 thousand Euro reported in the item “Changes in accounting principle” refers to the estimate of the additional tax liability accrued according to the new IFRIC 23, effective from 1 January 2019, on the basis of the assessment of the limited uncertain tax treatment identified within the Group.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). On 31st December 2019, shareholders' equity totaled 342,059 thousand Euro versus Euro 646,324 thousand Euro on 31st December 2018.

In managing its capital, the Group's aim is to create value for its shareholders, developing its business and thus securing the company's continuity.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. As at 31st December 2019, the ratio stood at 8% (5% at 31st December 2018).

4.18 Share capital

On 2 January 2019, the reference shareholder Multibrands Italy B.V., a subsidiary of HAL Holding N.V., in compliance with the commitment undertaken on 26 September 2018, subscribed for and paid-in all the 25,193,337 ordinary shares remained unsubscribed at the end of the rights auction, which ended on 28 December 2018, for a total consideration of Euro 17,736,109.25. Following this subscription the share capital increase resolved by the Extraordinary Shareholders' meeting held on 29 October 2018 was fully subscribed for a total number of 213,043,881 newly issued shares and for a total consideration of Euro 149,982,892.22.

The total consideration collected for the subscription of the newly issued shares has been allocated to share capital for 4,333,254 Euro and to share premium reserve for 13,402,855 Euro.

At 31 December 2019 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 349,943,373 (Euro 345,610,119 as at 31 December 2018) consisting of no. 275,703,846 ordinary shares with no par value.

4.19 Share premium reserve

At 31 December 2019 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 594,277,350 (581,121,027 as at 31 December 2018).

The increase of the period is due to the share capital increase allocated to the share premium reserve equal to Euro 13,156,323 Euro net of capital increase transaction costs of Euro 246,532.

4.20 Retained earnings and other reserves

Retained earnings and other reserves include both the reserves of the subsidiaries generated after their inclusion in the scope of consolidation and the translation differences deriving from the translation into Euro of the financial statements of consolidated companies denominated in other currencies.
During the year, the movements of the item "retained earnings and other reserve" mainly refer to:

- an increase of 8,917 thousand Euro due to the positive translation differences coming from the translation of the subsidiaries' financial statements into Euro;
- an increase of 194 thousand Euro related to the cost of the period of the *stock option* plan;
- a decrease of 2,007 thousand Euro due to the actuarial valuation, net of tax effect, of the employee termination indemnities of defined benefit plans.

4.21 Cash flow hedge reserve

The cash flow hedge reserve mainly refers to the current value of derivative instruments *currency forward contracts* that cover the currency exchange rate risk on future highly probable transactions. As at December 31, 2019 the Group has no currency forward contract in place subject to cash flow hedging accounting.

4.22 Stock option plans

As at 31 December 2019 the Group has in place two Stock Option Plans: 2014-2016 and 2017-2020 Plans.

These two Plans were deliberated by the Extraordinary Meetings respectively held on 15 April 2014 and 26 April 2017, in which the Shareholders approved the issue of respectively up to 1,500,000 and 2,500,000 (adjusted after the 2018 capital increase to 2,891,425) new ordinary shares to be offered to directors and/or employees of the Company and its subsidiaries.

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

The options attributed by those plans will mature when both the following vesting conditions are met: the continuation of the individual's employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2019 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2014-2016				
First tranche	29/04/14	234,384	1.65	31/05/22
Stock Option Plan 2017-2020				
Second tranche	10/12/18	1,733,948	0.13	31/05/26
Third tranche	30/04/19	1,099,000	0.20	31/05/27

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

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

	Share price at grant date	Exercise price in Euro	Expected volatility	Risk free rate
Stock Option Plan 2014-2016				
First tranche	9.71	9.31	30.00%	1.044%
Stock Option Plan 2017-2020				
Second tranche	0.81	0.89	36.80%	0.253%
Third tranche	0.90	0.75	36.20%	0.087%

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

	No. of options	Average exercise price in Euro
Stock Option Plan 2010-2013		
Outstanding at the beginning of the period	**351,577**	**5.76**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(351,577)	(5.76)
Outstanding at period-end	**-**	
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**234,384**	**9.31**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at period-end	**234,384**	**9.31**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**1,938,096**	**0.89**
Granted	1,107,000	0.75
Forfeited	(212,148)	0.88
Exercised	-	-
Expired	-	-
Outstanding at period-end	**2,832,948**	**0.84**

During the year, 1,107,000 options have been granted related to the third tranche of the new Plan 2017-2020, in the same period 212,148 options of the same Plan has been forfeited.

Among the options outstanding at the end of the period, the fourth tranche of the Plan 2010-2013, exercisable until the end of the exercise period set for 31 May 2019, has been expired. As far as the Plan 2014-2016 is concerned the first tranche, equal to a total of 234,384, is exercisable from the date of the approval of 2016 financial statements until the expiry of the exercise period set for 31 May 2022, while the two tranches of the Plan 2017-2020, equal to 2,832,948 options, are exercisable respectively until 31 May 2026 and 31 May 2027.

At the date of the approval of these financial statements the options exercisable still outstanding are the one related to the Plan 2014-2016 equal to 234,384.

The average exercise price for options of the Plan 2014-2016 is equal to 9.31 Euro with an average remaining contract life of 2.4 years, while for the two tranches of the Plan 2017-2020 is equal to 0.84 Euro with an average remaining contract life of respectively 6.4 and 7.4 years.

The adoption of these plans has affected the income statement for the period for a cost of 194 thousand Euro (an income of 243 thousand Euro due to the reversal of the cost related to the forfeited options at 31 December 2018).

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The Group has reported in the current period the Solstice retail business as discontinued operation disclosing the contribution in term of after tax result in a single item of the consolidated income statement. An analysis of this single amount is reported in the Note 5.9. The following tables refer only to the income statement of the continuing operations related to the wholesale business. The retail business segment was not previously classified as a discontinued operation, the comparative consolidated income statement has been restated to show the contribution of the discontinued operation separately to allow a proper comparison with the previous period.

5.1 Net sales

The Group's primary revenue segment is the selling of eyewear products in the wholesale channel through its subsidiary network and a network of independent distribution partners.

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.

2019 Group continued operations sales amounted to 939,038 thousand Euro, showing a 3.1% increase compared to the previous year (910,742 thousand Euro).

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

5.2 Cost of sales

This item breaks down as follows:

(thousands of Euro)	2019	2018
Purchase of raw materials and finished goods	313,207	276,492
Capitalisation of costs for increase in tangible assets (-)	(7,566)	(8,675)
Change in inventories	(18,530)	26,667
Wages and social security contributions	112,423	111,064
Subcontracting costs	14,131	14,101
Amortization and depreciation	30,160	22,492
Depreciation Right of Use - IFRS 16	1,860	-
Rental and operating leases	1,893	1,614
Offset Rental and operating leases - IFRS 16	(1,535)	-
Utilities, security and cleaning	8,116	7,519
Other industrial costs	7,990	6,253
Total	**462,149**	**457,527**

Cost of sales increased by 4,622 thousand Euro (or 1.0%) from 457,527 thousand Euro in 2018, to 462,149 thousand Euro in 2019.

Amortization and depreciation increased by 7,668 thousand Euro from 22,492 thousand Euro in 2018 to 30,160 thousand Euro in 2019, mainly due to non-recurring write down of manufacturing assets recorded in connection with the Italian plant restructuring announced with the new Group Business Plan 2020-2024.

IFRS 16 application has affected the item for net additional costs of 325 thousand Euro of which additional depreciation on Right of Use for 1,860 thousand Euro partially compensated by the offset of rental and operating leases expenses for 1,535 thousand Euro.

Purchase of raw materials and finished goods increased by 36,715 thousand Euro (or 13.3%) more than offset by a positive impact of Change in inventories for 45,197 thousand Euro. Payroll and social security contributions increased by 1,359 thousand Euro (or 1.2%) from 111,064 thousand Euro in 2018 to 112,423 thousand Euro in 2019.

Changes in inventories can be broken down as follows:

(thousands of Euro)	2019	2018
Finished products	(19,658)	27,463
Work-in-progress	383	(1,957)
Raw materials	745	1,160
Total	**(18,530)**	**26,667**

5.3 Selling and marketing expenses

This item breaks down as follows:

(thousands of Euro)	2019	2018
Payroll and social security contributions	100,483	95,605
Sales commissions	47,964	47,309
Royalty expenses	67,261	66,630
Advertising and promotional costs	101,391	94,757
Amortization and depreciation	2,841	2,662
Depreciation Right of Use - IFRS 16	6,004	-
Logistic costs	19,827	22,268
Consultants fees	2,107	1,834
Rental and operating leases	7,216	5,267
Offset Rental and operating leases - IFRS 16	(5,288)	-
Utilities, security and cleaning	1,710	1,614
Provision for risks	(105)	989
Other sales and marketing expenses	15,613	14,223
Total	**367,024**	**353,158**

Selling and marketing expenses increased by 13,866 thousand Euro (or 3.9%), from 353,158 thousand Euro in 2018 to 367,024 thousand Euro in 2019. This was mainly due to an increase in Payroll and social security contribution by 4,878 thousand Euro (or 5.1%), from 95.605 thousand Euro in 2018 to 100,483 thousand Euro in 2019, and to the increase in the Advertising and promotional costs by 6,634 thousand Euro (or 7.0%) from 94,757 thousand Euro in 2018 to 101,391 thousand Euro in 2019, remaining substantially in line in term of incidence with the previous period.

IFRS 16 application has affected the item for net additional costs of 716 thousand Euro of which additional depreciation on Right of Use for 6,004 thousand Euro partially compensated by the offset of rental and operating leases expenses for 5,288 thousand Euro.

5.4 General and administrative expenses

This item breaks down as follows:

(thousands of Euro)	2019	2018
Payroll and social security contributions	50,473	55,196
Allowance and write off of doubtful accounts	2,557	3,199
Amortization and depreciation	23,573	18,753
Depreciation Right of Use - IFRS 16	6,323	-
Professional services	11,660	14,884
Rental and operating leases	7,530	7,583
Offset Rental and operating leases - IFRS 16	(6,803)	-
EDP costs	13,030	12,583
Insurance costs	1,892	2,239
Utilities, security and cleaning	3,557	3,876
Taxes (other than on income)	1,904	3,594
Other general and administrative expenses	5,002	5,092
Total	**120,699**	**126,999**

General and administrative expenses decreased by 6,300 thousand Euro (or 5.0%) from 126,999 thousand Euro in 2018 to 120,699 thousand Euro in 2019. This was mainly due to a decrease in Payroll and social security contributions by 4,723 thousand Euro (or 8.6%), from 55,196 thousand Euro in 2018 to 50,473 thousand Euro in 2019, a decrease in the Professional services by 3,224 thousand Euro (or 21.7%), from 14,884 thousand Euro in 2018 to 11,660 thousand Euro in 2019, both the items benefitting also of the Group’s overhead productivity program as part of the fixed cost reduction initiative.

Amortization and depreciation increased by 4,820 thousand Euro (or 25.7%) from 18,753 thousand Euro in 2018 to 23,573 thousand Euro in 2019, mainly due to the roll out of the Group's information systems under its "Eyeway" roadmap with ERP module go-lives in 2019, and to write down of some IT systems not in use anymore.

IFRS 16 application has affected the item for a net reduction of costs of 479 thousand Euro of which additional depreciation on Right of Use for 6,323 thousand Euro more than compensated by the offset of rental and operating leases expenses for 6,803 thousand Euro.

Average number of employees

The average number of employees by rank is shown below:

	2019	2018
Executives	115	121
Clerks and middle management	2,374	2,523
Factory workers	3,396	3,403
Total	**5,885**	**6,047**

The above figures refers only to the continuing operations, the comparative ones have been "restated" to exclude the Solstice retail discontinued operation allowing a proper comparison.

5.5 Other operating income (expenses)

This item breaks down as follows:

(thousands of Euro)	2019	2018
Losses on disposal of assets	(346)	(604)
Other operating expenses	(41,164)	(7,883)
Gains on disposal of assets	192	169
Other operating incomes	7,471	49,853
Total	**(33,847)**	**34,535**

Other operating income and expenses include cost and revenue components either not related to the Group's ordinary operations or that are of a non-recurring nature. This item does not include transportation costs charged to customers who have been classified as a reduction of the respective cost item.

During the year under "other operating expenses" non-recurring costs of 39,355 thousand Euro were accounted for mainly related to the Group restructuring expenses and to other non-recurring costs. This items includes the restructuring plan in Italy for Euro 21 million, costs linked to the cost saving program undertaken by the Group during the year, and to activities linked to acquisitions and divestitures. In the same period of the last year non-recurring costs of 5,895 thousand Euro were accounted for mainly related to the completion of the CEO succession plan and to reorganization costs in North America and Europe.

"Other operating incomes" decrease significantly returning to include residual other operating income, in the same period of the last year the item included 39,000 thousand Euro as pro-rata portion of the accounting compensation for the early termination of the Gucci license.

5.6 Impairment loss on goodwill

As reported in note 4.8 "Goodwill", the Group has performed the impairment test of goodwill. The execution of the test, substantially confirmed that the entire amount of goodwill was impaired, and therefore it was determined to write its value down for the total balance of 227,062 thousand Euro.

5.7 Financial charges, net

This item breaks down as follows:

(thousands of Euro)	2019	2018
Nominal interest expenses on loans	2,786	4,431
Figurative interest expenses on loans	450	226
Nominal interest expenses on Bond	735	1,875
Figurative interest expenses on Bond	2,151	5,358
Interest expenses on operating leases - IFRS 16	1,539	-
Bank commissions	4,747	4,980
Negative exchange rate differences	22,276	38,133
Other financial charges	919	1,120
Total financial charges	**35,603**	**56,123**
Interest income	1,483	3,060
Positive exchange rate differences	22,314	34,639
Other financial income	4,502	4,591
Total financial income	**28,299**	**42,290**
TOTAL FINANCIAL CHARGES, NET	**7,304**	**13,833**

Total net financial charges decreased by 6,529 thousand Euro (or 47.2%) from 13,833 thousand Euro in 2018 to 7,304 thousand Euro in 2019. Interest expenses on loans and Bond decreased by 2,784 thousand Euro, from 6,306 thousand Euro in 2018 to 3,522 thousand Euro in 2019, as a consequence of the lower average financial debt in the period.

IFRS 16 application has affected the item for additional interest expenses equal to 1,539 thousand Euro.

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

The items exchange rate differences includes the effect in term of gain and losses on the financial instruments related to the forward contracts at fair value through profit or loss.

5.8 Income taxes

This item breaks down as follows:

(thousands of Euro)	2019	2018
Current tax	(7,426)	(7,668)
Deferred tax	(15,515)	(5,843)
Total	**(22,941)**	**(13,512)**

Income taxes increased by 9,429 thousand Euro from 13,512 thousand Euro of 2018 to 22,941 thousand Euro of 2019.

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

(thousands of Euro)	%	2019	%	2018
Profit/(Loss) before taxation	**100%**	**(279,046)**	**100%**	**(6,240)**
Income tax benefit (expense) at statutory rate	-24.0%	66,971	-24.0%	1,498
IRAP and other local taxes	0.2%	(577)	4.5%	(283)
Taxes relating to prior years	0.1%	(267)	2.6%	(161)
Foreign tax rate differential	0.3%	(901)	-10.8%	677
Non taxable income	-0.5%	1,326	-29.7%	1,855
Non deductible costs	0.8%	(2,282)	36.9%	(2,302)
Impairment of goodwill not deductible	17.3%	(48,359)	0.0%	-
Non-recognition of new DTAs and write-down of existing DTAs	15.1%	(42,173)	305.1%	(19,040)
Benefit arising from unrecognized DTA of prior years	-0.3%	791	-77.6%	4,845
Deferred tax expense for changes in tax rate	0.0%	(108)	-8.3%	517
Tax Credit and tax relief	-0.2%	589	-13.7%	857
Other differences	-0.7%	2,049	31.6%	(1,975)
Total	**8.2%**	**(22,941)**	**216.5%**	**(13,512)**

Theoretical income taxes are calculated at 24.0 % on the consolidated result before tax. This percentage represents the statutory corporate income tax rate (IRES) applicable at the Italian holding company level. The Group effective tax rate is primarily affected by the significant non-recurring items not tax deductible that have affected the profit before tax of the period and the non-recognition and write-down of deferred tax assets mainly related to the Italian legal entities for which the realization of sufficient future taxable profits were not considered probable enough to support the recognition of the related deferred tax assets. The increase of the deferred tax assets valuation allowance is mainly due to the approval of the new Group Business Plan 2020-2024, that has affected the recoverability valuation of the deferred tax assets with an additional write down in the period quantified in around 22.4 million Euro.

5.9 Discontinued operations

In May 2019 the Group announced the agreement to sell the US retail chain Solstice to Fairway LLC, a US limited liability company, formed by a group of investors active in the US and in the European eyewear retail business. The sale of the Solstice retail business confirmed the Group's efforts to focus on its core wholesale business, and thereby marked a further key step in Safilo's strategy of recovering a sustainable economic profile.

The closing of the transaction was executed on 1 July 2019 for a cash consideration of 9 million USD on a cash and debt free basis, subject to the customary price adjustment mechanisms.

The consideration has been partially settled for the amount of 3 million USD at signing before the end of June, the remaining USD 6 million are guaranteed by a Buyer Secured Note that shall be payable in four equal quarterly installments with the first payment due on October 31 already cashed. The price adjustments stated by the agreement have been calculated and already agreed at the reporting date, only minor changes have been incurred compared to the amount initially agreed, the final consideration being equal to USD 8,943 thousand.

Following this agreement starting from 30 June 2019, the Group has reported the Solstice retail business as discontinued operations.

Financial information relating to the discontinued operation for the period is set out below.

Discontinued Operations Income Statement

Discontinued operation generated a total loss of Euro 26,358 thousand, of which Euro 17,312 thousand related to the disposal loss, including Euro 3,725 thousand for the write down of deferred tax assets no longer recoverable after the disposal, and Euro 9,047 thousand to the net loss of the retail business in the period.

(thousands of Euro)	2019	2018
Net sales	25,665	52,119
Cost of sales	(15,218)	(23,814)
Selling and marketing expenses	(14,984)	(33,095)
General and administrative expenses	(3,499)	(8,694)
Other operating income/(expenses)	(1,120)	-
Financial charges, net	(2,126)	(3,509)
Loss before taxation	**(11,281)**	**(16,993)**
Income taxes	2,235	4,298
Loss before loss on disposal	**(9,047)**	**(12,694)**
Loss on disposal retail business	(13,587)	-
Write down of deferred tax assets for disposal	(3,725)	-
Loss on disposal of discontinued operations	**(17,312)**	**-**
Loss of the period discontinued operations	**(26,358)**	**(12,694)**

Discontinued Operations Net Assets Disposed

The following assets and liabilities have been disposed in relation to the discontinued operations as at 1 July 2019, disposal effective date.

(thousands of Euro)	Net assets disposed as at 1 July 2019
Cash and cash equivalents	676
Inventory	18,175
Other current assets	1,445
Tangible Assets - Right of Use IFRS 16	35,976
Tangible Assets - Leasehold improvements	4,712
Intangible assets - Software	803
Other non-current assets	219
TOTAL ASSETS	**62,006**
Trade payables	529
Tax payables	585
Other current liabilities	751
Financial Lease Liability IFRS 16	38,307
Other non-current liabilities	331
TOTAL LIABILITIES	**40,503**
TOTAL RETAIL NET ASSETS DISPOSED	**21,503**

At the closing of the transaction on 1 July 2019, the Group has disposed total net assets of Euro 21,503 thousand. The difference between the consideration for the transaction equal to Euro 7,915 thousand (8,943 thousand USD), including the contractual price adjustment, and the total net assets disposed equal to Euro 21,503 thousand, has been booked as loss on disposal for a total amount of Euro 13,587 thousand.

Details on the calculation of the loss booked are set out below.

(thousands of Euro)

Cash consideration received and receivable	7,915
Carrying amount of net assets sold	(21,503)
LOSS ON DISPOSAL RETAIL BUSINESS	**(13,587)**

5.10 Earnings per share

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

Basic	**2019**	**2018**
Profit/(Loss) for ordinary shares (in thousands of Euro)	(328,260)	(32,446)
Profit/(Loss) for ordinary shares from continuing operations (in thousands of Euro)	(301,987)	(19,752)
Average number of ordinary shares (in thousands)	275,635	107,998
Earnings/(Losses) per share - basic (in Euro)	**(1.191)**	**(0.300)**
Earnings/(Losses) per share - basic from continuing operations (in Euro)	**(1.096)**	**(0.183)**

Diluted	**2019**	**2018**
Profit/(Loss) for ordinary shares (in thousands of Euro)	(328,260)	(32,446)
Profit/(Loss) for ordinary shares from continuing operations (in thousands of Euro)	(301,987)	(19,752)
Average number of ordinary shares (in thousands)	275,635	107,998
Dilution effects: - stock option (in thousands)	308	-
Total	**275,942**	**107,998**
Earnings/(Losses) per share - diluted (in Euro)	**(1.190)**	**(0.300)**
Earnings/(Losses) per share - diluted from continuing operations (in Euro)	**(1.094)**	**(0.183)**

5.11 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2019.

5.12 Segment information

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

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

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

Breakdown of revenues and non-current assets by geographic area

(thousands of Euro)	Revenue from external customers		Non-current assets	
	2019	**2018**	**December 31, 2019**	**December 31, 2018**
Italy [(1)]	256,094	260,964	142,974	170,569
Europe [(2)]	227,258	223,122	12,712	111,484
America [(3)]	383,999	364,159	59,222	156,509
Asia [(4)]	71,686	62,497	35,579	34,625
Total	**939,038**	**910,742**	**250,487**	**473,187**

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

6. TRANSACTIONS WITH RELATED PARTIES

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

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

The tables below shows the operating and financial figures determined by related party transactions as of 31 December 2019 and 31 December 2018.

Related parties transactions (thousands of Euro)	**Relationship**	**December 31, 2019**	**December 31, 2018**
Receivables			
Companies controlled by HAL Holding N.V.	(a)	5,649	5,795
HAL Investments B.V.	(a)	26	-
Total		**5,675**	**5,795**
Payables			
Companies controlled by HAL Holding N.V.	(a)	2,697	961
HAL Investments B.V.	(a)	10	1,465
Total		**2,707**	**2,426**

Related parties transactions (thousands of Euro)	**Relationship**	**2019**	**2018**
Revenues			
Companies controlled by HAL Holding N.V.	(a)	55,200	52,356
Total		**55,200**	**52,356**
Operating expenses			
Companies controlled by HAL Holding N.V.	(a)	2,864	6,652
HAL Investments B.V.	(a)	20	-
Total		**2,866**	**2,652**

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

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

With regards to the table illustrated above, note that the companies of HAL Holding N.V., primary shareholder of Safilo Group, mainly refer to the retail companies belonging to the GrandVision Group, with which Safilo carries out commercial transactions in line with market conditions.

The balance reported on 31 December 2018 with HAL Investments B.V. referred to the payable for the underwriting fee on the share capital increase issue in December 2018 due to Multibrands Italy B.V., according to the subscription agreement signed in September 2018, and then assigned in favour of HAL Investment B.V..

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

(thousands of Euro)	2019	2018
Directors		
Salaries ad short term compensations	2,133	1,938
Non monetary benefits	18	66
Other compensations	385	1,093
Indemnity for end of position or cessation of employment relationship	-	1,091
Fair value of equity compensations	24	1
Statutory auditors		
Fixed compensations and compensations for participation in committees	303	303
Managers with strategic responsabilities		
Salaries ad short term compensations	645	448
Non monetary benefits	14	12
Other compensations	213	3
Fair value of equity compensations	13	-
Indemnity for end of position or cessation of employment relationship	-	-
Total	**3,747**	**4,956**

7. CONTINGENT LIABILITIES

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

8. COMMITMENTS

Licensing agreements

At the balance sheet date, the Group had contracts in force with licensors for the production and sale of sunglasses and frames bearing their trademark. The contracts not only establish minimum guarantees, but also a commitment for advertising expenses.

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

Licensing commitments (thousands of Euro)	**December 31, 2019**	**December 31, 2018**
within 1 year	115,581	114,823
between 1 and 3 years	175,763	168,362
between 3 and 5 years	155,100	66,857
beyond 5 years	86,962	12,078
Total	**533,406**	**362,119**

The increase of the commitments amounts compared to 31 December 2018, mainly in the maturities beyond 3 years is due to the renewal of some license agreements and to the new ones signed in the period.

9. SUBSEQUENT EVENTS

In the period following 31 December 2019, as disclosed in the paragraph “Significant events after the year-end and outlook” included in the Report on operatios, the following events has incurred that might have an impact on the data contained in this document.

On 10 February 2020, the Group announced the acquisition of a 61.34% equity interest in the Miami-based company Prive Goods, LLC through a simultaneous signing and closing.

Founded in 2017, Privé Revaux was built on a shared passion for style and quality with the goal of disrupting the eyewear industry and making premium, quality eyewear products accessible to everyone. Gaining instant traction with consumers, the fast-growing US eyewear brand is fueled by a strategic celebrity ecosystem, merged in high caliber social media engagement and strong digital marketing capabilities. In 2019 the Company recorded net sales of approximately USD 20 million, up around 90% compared to the previous year, and plans to continue strongly growing them in 2020.

The overall consideration for the 61.34% controlling interest in the Company is USD 67.5 million (corresponding to Euro 61.6 million at the exchange rate on the announcement date).

The equity interests held by the other minority equity holders are subject to customary reciprocal put and call options which can be exercised starting from 2023.

The acquisition has been financed partially through a loan provided by Safilo’s reference shareholder, Multibrands Italy B.V., controlled by HAL Holding N.V., and for the remaining portion through available resources. With respect to the Group communication on 9 December 2019, the financing contract approved by Safilo’s Board of Directors on 1 December 2019 has been replaced by a new single financing contract 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 single loan agreement is aimed at financing in part, for Euro 30 million, the acquisition of Privé Revaux, and at fully financing the acquisition of Blenders Eyewear LLC, as communicated to the market on 9 December 2019, upon its closing date. The loan is subordinated to Safilo Group’s existing financing signed in October 2018 with its lending banks.

The loan executed with Multibrands Italy B.V. represents a “transaction with a related party of greater importance” as the Equivalent-value relevance ratio is above the threshold of 5%. As such, the execution of the loan agreement has been approved by the Board of Directors on 6 February 2020 upon the favourable opinion of the Related Parties Committee dated 4 February 2020, on the interest of the Group in entering the loan and on the convenience and substantial fairness of the relevant terms and conditions.

As is known, from the beginning of January 2020, the national and international context has been characterized by the spread of Covid-19 (Coronavirus) and the subsequent measures to contain it put in place by the public authorities in the affected countries. In particular, Italy and some European countries have disposed, with variable level of severity, restrictions to people's mobility and decided to close all the commercial activities which are not of primary necessity for the populations. It is not possible to forecast what the developments will be in the other countries, both in terms of contagion and of the actions taken by each government.

As of today, Safilo Group was not significantly impacted on the supply side: sufficient stock levels at the end of 2019 granted the Group the flexibility to face the temporary shutdown of its Chinese plant in Suzhou and the difficulties encountered by some Chinese suppliers. As of today the Chinese plant reopened and it is working at almost full capacity, while most of the key Chinese suppliers have also picked up at their activity at a normal level.

On the demand side, the available information on the first two months of 2020 shows an increase in sales. Nevertheless, the outbreak of Covid-19 caused, in the beginning of 2020, a significant downfall of the sellout in China, while the Group is recently experiencing a severe drop in the orders intake in Italy which may worsen significantly in the second half of March. Initial slowdowns are experienced also in Europe and USA. Reference is made to the dedicated sections of this report on operation for the geographical breakdown of the Group's sales.

These extraordinary circumstances have direct and indirect repercussions on economic activity and have created a general environment of uncertainty, the evolution and impact of which is not predictable. The potential effects of this phenomenon are as of today not determinable and they will be subject to constant monitoring going forward. Management's assumptions that may mostly be affected are, but not limited to, the ones requiring a high level of judgement, and are described in the Note to the consolidated financial statements n. 2.21 "Use of estimates", they relate mainly to:

- Impairment of tangible and intangible assets;
- Valuation of inventory;
- Allowance for expected credit losses;
- Identification of potentially onerous contracts;
- Provisions.

Group Management has designed a mitigating action plan, focusing on minimizing discretionary expenditure, adjusting marketing plans to the new consumption scenario and an effective working capital management.

Even in the uncertain scenario described above, Management remains committed to continue pursuing the strategic plan approved on 10 December 2019, and keeps looking for new business opportunities.

The company has adopted measures to protect staff health and business continuity in this situation, including measures related to hygiene in all its facilities, remote working solutions for office staff and is actively working on continuity of supply chain operations.

In the period following 31 December 2019, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

10. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

11. TRANSACTIONS RESULTING FROM UNUSUAL AND/OR ABNORMAL OPERATIONS

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

APPENDIX

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

The following table, prepared in accordance with Art. 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2019 and 2018 relating to the audit and other audit related services rendered by the same Audit company.

(thousands of Euro)	**Audit Company**	**Safilo Group's company which received services**	**2019**	**2018**
Audit (*)	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	66	60
	Deloitte & Touche S.p.A.	Subsidaries	134	137
	Network Deloitte & Touche S.p.A.	Subsidaries	683	783
Attestation	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	63	368
	Deloitte & Touche S.p.A.	Subsidaries	34	109
	Network Deloitte & Touche S.p.A.	Subsidaries	17	67
Other services	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	10	-
	Deloitte & Touche S.p.A.	Subsidaries	-	-
	Network Deloitte & Touche S.p.A.	Subsidaries	4	11
Total			**1,011**	**1,534**

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

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Angelo Trocchia, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing SAFILO GROUP S.p.A.'s financial statements, hereby attest, having also taken into consideration the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24th February 1998:

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

of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2019 fiscal year.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the statutory financial statements at 31st December 2019 was based on a process defined in accordance with the theorical reference model CoSO Report – Internal Control Integrated Framework, an internationally generally accepted reference framework.

3. The undersigned also attest that:

3.1 the consolidated financial statements for the year ended on 31st December 2019:

a. have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19th July 2002;
b. correspond to the amounts shown in the Company's accounts, books and records;
c. provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 The report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

11th March 2020

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

REPORT OF INDEPENDENT AUDITORS

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Safilo Group S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

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Inventory provisioning	
Description of the key audit matter	As disclosed in Note 4.3, the Group has inventories for Euro 236 million, net of an obsolescence reserve of Euro 81 million. The Group manufactures and sells goods which are subject to changes in market trends and in customers' demand: as a consequence a significant level of Management's judgement is required to determine the appropriate inventory provisioning, on the basis of sales forecasts. We considered the relevance of the obsolescence reserve, even in terms of the economic impact, and the proportion compared to the gross inventory amount which, as of December 31, 2019, represents about 28% of consolidated assets; we also considered the subjectivity of the estimates and we assessed that the determination of the obsolescence reserve represents a key audit matter for the audit of Safilo Group's consolidated financial statements.
Audit procedures	We preliminarily analyzed the principles and criteria applied by the Group to determine the obsolescence provision which mainly include considerations about commercial policies, sales forecasts and the historical usage of stock. We performed, among others, the following audit procedures, supported by the information technology experts belonging to our network: • understanding of the relevant controls designed and implemented by Safilo Group in the process of determining the inventory provisioning; • analysis of the reasonableness of the main assumptions adopted by the Group to classify the products on the basis of commercial strategies and their permanence in the production cycle, the related sales forecasts, and analysis of the algorithms and criteria applied in the calculation. In this context we also analyzed the historical usage of stock and performed a retrospective review of the estimate; • test of the correct execution of the calculation of the provision based on the algorithms adopted by Group Management; • analysis of integration of provision deriving from specific events (e.g. interruption of licences); • review of the variations of the obsolescence reserve through analysis of main dynamics affecting them, by obtaining, where necessary, adequate supporting documentation.

Impairment test	
Description of the key audit matter	As disclosed in Note 4.8, as of 31 December 2018 Safilo Group presented a goodwill of Euro 226 million, allocated to two different Cash Generating Units (CGU), named Emea and Americas referred to the geographical areas. As required by IAS 36 "Impairment of assets", that goodwill was not amortized but it was subject to an impairment test, performed at least on an annual basis, which compared the recoverable value of the CGUs – based on the value in use methodology – and the carrying value which included goodwill and other

Deloitte.

tangible and intangible assets allocated to the CGUs. Following the developments in the Group's license portfolio during 2019, which is affected by the missed renewal of some relevant licenses, Management assessed the existence of the conditions to perform an impairment test as of 30 June 2019: as a result, the existing goodwill at that date, equal to Euro 227 million, has been totally impaired. As of 31 December 2019, even if assets with an indefinite useful life no longer existed in the Group's consolidated balance sheet, the Directors, also based on the lasting negative difference between market capitalization and consolidated equity, decided to perform a new impairment test, considering the approval of a new Business Plan (the "Business Plan") on 10 December 2019.

Note 4.8 explains that the impairment test as of 31 December 2019 is based on the mentioned Business Plan, which covers the 5 years' period 2020 – 2024, which confirms the main assumptions used by the Directors to perform the impairment test as of 30 June 2019. These assumptions relate to the sales level and cost reduction initiatives and they are explained in Note 4.8 as well. The same Note also explains the reasons why, for the purposes of the impairment test as of 31 December 2019, the Directors deemed to be appropriate to identify a single CGU, which represents the Group as a whole, consistent with its actual organization. As a result of the impairment test, the Directors did not identify further impairments compared to the ones already recognized as of 30 June 2019. The Directors have taken into consideration the most reliable information currently available and have considered alternative scenarios to perform sensitivity analyses. Finally, Note 4.8 discloses the Directors' considerations on the negative difference between the market capitalization of the Group as at the financial statements date and the equity value resulting from the consolidated financial statements.
The process of performing the impairment test is complex and is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). Those estimates depend on factors which may change in time, with possible effects which may be significant on Management's assessment.

We considered the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test; we also took into account the negative results obtained by the Group and the evolution of its business environment. As a result we assessed that the impairment test represents a key audit matter for the audit of Safilo Group's consolidated financial statements.

Audit procedures

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

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

- detection and understanding of the relevant controls designed and implemented by Safilo Group in the process of performing the impairment test;
- analysis of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data with reference to the trend of

sales and marginality, and obtaining information from Group Management;
- analysis of the actual results obtained by the Group compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process;
- analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate);
- test of the clerical accuracy of the model used to calculate the value in use for the CGU;
- test of the accuracy of the determination of the carrying value of the CGU and comparison with the recoverable value resulting from the impairment test;
- analysis of the alternative scenarios prepared by Management and of the related sensitivity analysis;
- analysis of the Management's considerations about the difference between the market capitalization of the Group and the equity value.

Moreover, we analyzed the reasonableness of the Directors' evaluations which are the basis of the change in the CGU configuration.

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

Recoverability of deferred tax assets

Description of the key audit matter	As disclosed in Note 4.9, the consolidated financial statements as of 31 December 2019 present deferred tax assets for Euro 42 million, mainly related to timing differences resulting from allowances and to a part of the losses carried forward. The amount of deferred tax assets is presented net of a provision of Euro 137 million for potential tax benefits considered not recoverable based on the expected profitability as provided by the Business Plan. As disclosed in the Notes to the financial statements, the valuation about the recoverability of deferred tax assets derives from specific assumption regarding the probability to obtain future taxable income and that they will be sufficient to allow the recoverability of the deferred tax assets. Those assumptions are based on hypotheses related to sales and cost reductions which may not be realized, or realized in an insufficient amount compared to what is needed to entirely recover the deferred tax assets. We considered the relevance of the amount of the deferred tax assets. We also considered the subjectivity of estimates together with the negative economic trend of the Group. As a result we assessed that the recoverability of deferred tax assets represents a key audit matter for the audit of Safilo Group's consolidated financial statements.
Audit procedures	*We performed, among others, the following audit procedures,:* • detection and understanding of the relevant controls designed and implemented by Safilo Group in the process of evaluating the recoverability of deferred tax assets; • test and recalculation, supported by the Tax experts belonging to our network**,** of the timing differences and losses carried forward which caused the recognition of deferred tax assets;

- analysis of the criteria applied to determine the tax rate that will be effective in the countries and at the time in which the main timing differences will reverse, based on laws and regulation enforced at the closing date;
- analysis of of the reasonableness of the main assumptions used to prepare the expectations of future taxable income and evaluation of the probability that this taxable income will be sufficient to absorb the reversal of the deferred tax assets;
- analysis directed to assess the reliability of the planning process.

Finally we verified the appropriateness and the compliance of the disclosure on the recoverability of deferred tax assets provided by the Group to the requirements of IAS 12.

Restructuring Provision	
Description of the key audit matter	The Group launched a strategic reorganization plan, which includes several footprint restructuring initiatives, mainly concentrated on the Italian entities of the Group. As of 31 December 2019, the consolidated financial statements include a provision of Euro 21 million based on the estimated number of employees involved in this process, of the indemnity that is expected to be granted to them and of the timing of the execution, as explained in Note 4.15. We considered this estimate a key audit matter for the audit of Safilo Group's consolidated financial statements as of 31 December 2019, due to the significance of the impacts of the reorganization plan on the entities of the Group, to the complexity of the applicable laws and the judgmental component which is in the nature of this provision.
Audit procedures	We preliminary verified the existence of IAS 37 "*Provisions, contingent liabilities and contingent assets*" requirements to recognize the described provision in the consolidated financial statements. We performed, among others, the following audit procedures: • analysis of the documentation evidencing the respect of the above mentioned requirements to recognize the provision, and specifically the existence at year-end of a detailed formal plan for the restructuring and the announcement of its main features to those affected by it; • analysis of the reasonableness of the assumptions underlying the provision recognized in the consolidated financial statements and clerical accuracy of its calculation; • verification of the appropriateness of the disclosure provided in the notes to the consolidated financial statements and its compliance with the requirement of IAS 37.

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Safilo Group as at 31 December 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Safilo Group as at 31 December 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Safilo Group as at 31 December 2019 and are prepared in accordance with the law.

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padova, Italy
March 18, 2020

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


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SAFILO GROUP S.p.A. STATUTORY FINANCIAL STATEMENTS AT DECEMBER 31ST 2019


SAFILO MADE IN ITALY

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DIRECTORS OPERATIONS REPORT

Introduction

Safilo Group S.p.A. was incorporated on 14th October 2002. It is the holding company of Safilo Group and performs planning and coordination activities, as defined in article 2497 et seq. of the Italian Civil Code, for the following member companies:

- Safilo S.p.A., directly controlled;
- Lenti S.r.l., 100% of the share capital indirectly controlled through Safilo S.p.A;
- Safilo Industrial S.r.l., 100% of the share capital indirectly controlled through Safilo S.p.A.

As required by article 40.2/bis of Legislative Decree 127 of 9th April 1991, the annual Financial Statements and Directors' Report are submitted together with the consolidated Financial Statements and the Directors' Report on the consolidated Financial Statements; the information required by article 2428 of the Civil Code is therefore contained in the Directors' Report on the consolidated Financial Statements.

Subsidiaries

Safilo Group S.p.A. owns 95.201% of the share capital of subsidiary Safilo S.p.A.. The remainder is owned by Safilo S.p.A. in own shares.

The subsidiary Safilo S.p.A. is a wholesaler of prescription frames, sunglasses and sports articles sold under its own brands and licensed brands of international prestige.

Dealings with subsidiaries

The Company joined the tax consolidation programme in the capacity of parent company, while Safilo S.p.A., Lenti S.r.l. and Safilo Industrial S.r.l joined in the capacity of subsidiaries. Moreover Safilo Group S.p.A., acting in the capacity of parent company, Safilo S.p.A. and Safilo Industrial S.r.l., acting in the capacity of subsidiaries, subscribed to the VAT offsetting procedure laid down by the Ministerial Decree of 13th December 1979 (known as "Group VAT mechanism").

Dealings with the other companies in the Group are carried out at arm's length principle, and no atypical and/or unusual operations with them took place during the year.

Financial year 2019

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

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

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

- Euro 1,422 thousand for the debt payable to the subsidiary for services rendered;
- Euro 2,479 thousand payable to Safilo S.p.A. for advances received;
- Euro 28,156 thousand for the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism.

The income from the subsidiary Safilo S.p.A. mainly refer to the charges made for the legal and tax services and the chargeback of some insurance and consultancy costs.

The costs payable from subsidiary Safilo S.p.A. related to the charge made by Safilo S.p.A. for services performed on behalf of the parent company.

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

The receivables from subsidiary Lenti S.r.l. relate to the transfer of tax and to the receivables for withholding tax assigned to the consolidation programme.

The receivables from subsidiary Safilo Industrial S.r.l. relate to the transfer of debit VAT, as a result of the Group VAT mechanism.

The receivables/payables and the related income/ costs from other subsidiary Safilo relate to the recharge of the costs for the seconded staff and the chargeback of some insurance and consultancy costs.

Financial year 2018

(thousand of Euro)	Receivables	Payables	Loans	Income Recharge	Costs
Safilo S.p.A.	4,993	(50,346)	62,000	587	(312)
Held by Safilo S.p.A					
Lenti S.r.l.	3,247	-		-	-
Safilo Industrial S.r.l.	32,320	-		170	-
Safilo D.O.O. Ormoz Proizvodnja Ocal	11	-		11	-
Safilo Far East Ltd.		(69)		-	-
Safilo USA Inc.	235	(122)		235	-
Safilo International BV	-	(1)		-	-
Safilo Hellas	4			4	-
Safilo Nordic	-	(178)		-	(178)
Safilo Australia	6			6	-
Total	**40,816**	**(50,716)**	**62,000**	**1,013**	**(490)**

The receivables from the subsidiary Safilo S.p.A. were as follows:

- Euro 4,289 thousand for dividends resolved on by Safilo S.p.A. but not yet collected at the prior year Financial Statements date. Over 2018 fiscal year a total of Euro 3,500 thousand were received in dividends;
- Euro 1,260 thousand for sums charged to the subsidiary for legal and tax services performed on its behalf and offset for Euro 556 thousand to the transfer from Safilo S.p.A. of benefits deriving from the assignment of tax losses and withholding tax resulting from its income tax return after joining the national tax consolidation scheme.

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

- Euro 2,379 thousand payable to Safilo S.p.A. for advances received;
- Euro 1,073 thousand for the debt payable to the subsidiary for services rendered;
- Euro 46,894 thousand for the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT mechanism.

The item of Euro 62,000,000 relates to a loan granted on December 14, 2018 to the subsidiary Safilo S.p.A. Full refund is expected by May 2019.

The income from Safilo S.p.A. related to charges made for administrative, legal, accounting and tax services performed on its behalf.

The costs payable from subsidiary Safilo S.p.A. related to the charge made by Safilo S.p.A. for services performed on behalf of the parent company.

The receivables from subsidiary Lenti S.r.l. relate to the transfer of tax and to the receivables for withholding tax assigned to the consolidation programme.

The receivables from subsidiary Safilo Industrial S.r.l. relate to the transfer of debit VAT, as a result of the Group VAT mechanism.

The receivables/payables and the related income/ costs from other subsidiary Safilo relate to the recharge of the costs for the seconded staff and consultancy.

Data protection obligations

As done in the past, also in 2019 activities for the analysis and monitoring of procedures and documentation regarding the mapping of security checks and measures regarding security obligations provided by the current legislation on personal data protection were carried out, leading to a detailed data protection assessment supplied by dedicated third parties.

The new General Data Protection Regulation (GDPR), which entered into force on 24 May 2016, will apply to every state of the European Union as of May 2018, and will involve the abrogation of the Privacy Code as per legislative decree n. 196/2003. The action plan of all the activities to be put in place in compliance with and in the provided terms by the above-mentioned regulation has already been drafted based on the data protection assessment and is currently in progress.

It is known that the law decree n.1/2012, the so-called “Simplification Decree”, had already eliminated any legal requirements to provide programmatic security documents – which according to the previous regime were to be prepared every year within March 31 – in favor of a simple check-list system. This will also be replaced, as of 25 May, by a self-assessment on the adequacy of the measures, consistent with the risk profile of the various treatment.

Significant events after year-end

On 10 February 2020, the Group announced the acquisition of a 61.34% equity interest in the Miami-based company Prive Goods, LLC through a simultaneous signing and closing.

Founded in 2017, Privé Revaux was built on a shared passion for style and quality with the goal of disrupting the eyewear industry and making premium, quality eyewear products accessible to everyone. Gaining instant traction with consumers, the fast-growing US eyewear brand is fueled by a strategic celebrity ecosystem, merged in high caliber social media engagement and strong digital marketing capabilities. In 2019 the Company recorded net sales of approximately USD 20 million, up around 90% compared to the previous year, and plans to continue strongly growing them in 2020.

The overall consideration for the 61.34% controlling interest in the Company is USD 67.5 million (corresponding to Euro 61.6 million at the exchange rate on the announcement date).

The equity interests held by the other minority equity holders are subject to customary reciprocal put and call options which can be exercised starting from 2023.

The acquisition has been financed partially through a loan provided by Safilo's reference shareholder, Multibrands Italy B.V., controlled by HAL Holding N.V., and for the remaining portion through available resources. With respect to the Group communication on 9 December 2019, the financing contract approved by Safilo's Board of Directors on 1 December 2019 has been replaced by a new single financing contract 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 single loan agreement is aimed at financing in part, for Euro 30 million, the acquisition of Privé Revaux, and at fully financing the acquisition of Blenders Eyewear LLC, as communicated to the market on 9 December 2019, upon its closing date. The loan is subordinated to Safilo Group's existing financing signed in October 2018 with its lending banks.

The loan executed with Multibrands Italy B.V. represents a "transaction with a related party of greater importance" as the Equivalent-value relevance ratio is above the threshold of 5%. As such, the execution of the loan agreement has been approved by the Board of Directors on 6 February 2020 upon the favourable opinion of the Related Parties Committee dated 4 February 2020, on the interest of the Group in entering the loan and on the convenience and substantial fairness of the relevant terms and conditions.

As is known, from the beginning of January 2020, the national and international context has been characterized by the spread of Covid-19 (Coronavirus) and the subsequent measures to contain it put in place by the public authorities in the affected countries.

In particular, Italy and some European countries have disposed, with variable level of severity, restrictions to people's mobility and decided to close all the commercial activities which are not of

primary necessity for the populations. It is not possible to forecast what the developments will be in the other countries, both in terms of contagion and of the actions taken by each government. As of today, Safilo Group was not significantly impacted on the supply side: sufficient stock levels at the end of 2019 granted the Group the flexibility to face the temporary shutdown of its Chinese plant in Suzhou and the difficulties encountered by some Chinese suppliers. As of today the Chinese plant reopened and it is working at almost full capacity, while most of the key Chinese suppliers have also picked up at their activity at a normal level. On the demand side, the available information on the first two months of 2020 shows an increase in sales. Nevertheless, the outbreak of Covid-19 caused, in the beginning of 2020, a significant downfall of the sellout in China, while the Group is recently experiencing a severe drop in the orders intake in Italy which may worsen significantly in the second half of March.
Initial slowdowns are experienced also in Europe and USA. Reference is made to the dedicated sections of this report on operation for the geographical breakdown of the Group's sales.

These extraordinary circumstances have direct and indirect repercussions on economic activity and have created a general environment of uncertainty, the evolution and impact of which is not predictable. The potential effects of this phenomenon on the financial statements are as of today not determinable and they will be subject to constant monitoring going forward.

Management's assumptions that may mostly be affected are, but not limited to, the ones requiring a high level of judgement, and are described in the Note to the financial statements n. 3 "Use of estimates": they relate mainly to:

- Impairment of tangible and intangible assets;
- Identification of potentially onerous contracts;
- Provisions.

Group Management has designed a mitigating action plan, focusing on minimizing discretionary expenditure, adjusting marketing plans to the new consumption scenario and an effective working capital management. Even in the uncertain scenario described above, Management remains committed to continue pursuing the strategic plan approved on 10 December 2019 and keeps looking for new business opportunities.
The company has adopted measures to protect staff health and business continuity in this situation, including measures related to hygiene in all its facilities, remote working solutions for office staff and is actively working on continuity of supply chain operations.

In the period following 31 December 2019, there were no further events in addition to those reported above that might affect to a significant extent the data contained in this document.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia

STATUTORY FINANCIAL STATEMENTS

Balance Sheet

(Euro)	Notes	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	4.1	1,163,436	75,969,317
Trade receivables	4.2	1,936,570	1,235,723
Short term loans	4.3	-	62,000,000
Other current assets	4.4	21,811,009	42,682,578
Total current assets		**24,911,015**	**181,887,618**
Non-current assets			
Right of Use assets	4.5	260,244	-
Investments in subsidiaries	4.6	440,048,024	669,121,830
Deferred tax assets	4.7	1,971,229	5,168,064
Other non-current assets	4.8	988,779	3,264,779
Total non-current assets		**443,268,276**	**677,554,673**
TOTAL ASSETS		**468,179,291**	**859,442,291**

(Euro)	Notes	December 31, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables	4.9	4,777,192	5,567,533
Tax payables	4.10	295,866	393,370
Other current liabilities	4.11	32,469,992	50,833,443
Long-term borrowings	4.12	-	147,849,193
Lease liabilities	4.13	125,258	-
Total current liabilities		**37,668,308**	**204,643,539**
Non-current liabilities			
Lease liabilities	4.13	140,849	-
Employee benefit liability	4.14	169,940	152,402
Provisions	4.15	916,015	916,015
Total non-current liabilities		**1,226,804**	**1,068,417**
Total liabilities		**38,895,112**	**205,711,956**
Shareholders' equity			
Share capital	4.16	349,943,373	345,610,119
Share premium reserve	4.17	594,277,350	581,121,027
Retained earnings (losses) and other reserves	4.18	(272,816,734)	(262,549,632)
Net profit (loss) of the year		(242,119,810)	(10,451,179)
Total shareholders' equity		**429,284,179**	**653,730,335**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**468,179,291**	**859,442,291**

Income Statement

(Euro)	Notes	2019	2018
Net sales	5.1	915,531	785,659
Gross profit		**915,531**	**785,659**
General and administrative expenses	5.2	(7,236,255)	(6,891,494)
Other operating income/(expenses)	*5.3*	(2,439,031)	(3,288,086)
Operating profit/(loss)		**(8,759,755)**	**(9,393,921)**
Write-down of investments in subsidiaries	5.4	(229,224,726)	-
Financial charges, net	5.5	(2,219,463)	(7,231,279)
Profit/(loss) before taxation		**(240,203,944)**	**(16,625,200)**
Income taxes	5.6	(1,915,866)	6,174,021
Net profit/(loss) for the year		**(242,119,810)**	**(10,451,179)**

Statement of comprehensive Income

(Euro)	2019	2018
Net profit (loss) for the period	(242,119,810)	(10,451,179)
Actuarial gain/(loss)	(9,965)	(4,132)
Total comprehensive income	**(242,129,775)**	**(10,455,311)**

Statement of Cash Flows

(Euro)	2019	2018
A - Opening net cash and cash equivalents (net financial indebtedness - short term)	**75,969,317**	**175,305**
B - Cash flow from (for) operating activities		
Net profit/(loss) for the period	(242,119,810)	(10,451,179)
Depreciation IFRS 16	130,183	-
Stock Options figurative cost	43,123	(243,610)
Net changes in employees benefits liability	17,538	29,648
Net changes in provision for risks	-	916,015
Other non-monetary P&L items	229,224,726	-
Interest expenses on lease liability IFRS 16	9,612	-
Interest expenses, net	2,198,319	7,233,026
Income tax expenses	1,915,866	(6,174,021)
Income (loss) from (for) operating activities prior to movements in working capital	**(8,580,443)**	**(8,690,121)**
(Increase) Decrease in trade receivables	(700,633)	337
(Increase) Decrease in other receivables	20,138,623	(8,774,585)
Increase (Decrease) in trade payables	(790,341)	3,682,982
Increase (Decrease) in other payables	(18,470,916)	21,185,083
Interests expenses paid	(57,125)	(1,875,000)
Total (B)	**(8,460,835)**	**5,528,696**
C - Cash flow from (for) investing activities		
(Investments) disinvestments in subsidiaries	-	195,559
(Investments) disinvestments Right of Use - IFRS16	(390,427)	-
Total (C)	**(390,427)**	**195,559**
D - Cash flow from (for) financing activities		
Repayment of borrowings	(150,000,000)	-
Loan to subsidiaries	-	(62,000,000)
Collection loan to subsidiaries	62,000,000	-
Increase lease liability IFRS 16	390,425	-
Repayment lease liability IFRS 16	(124,318)	-
Increase in share capital, net of transaction costs	17,489,577	128,569,757
Dividends received	4,289,697	3,500,000
Total (D)	**(65,954,619)**	**70,069,757**
E - Cash flow for the period (B+C+D)	**(74,805,881)**	**75,794,012**
F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)	**1,163,436**	**75,969,317**

Statement of Changes in Equity

(Euro)	Share capital	Share premium reserve	Legal reserve	Other reserves and retained earnings	Net profit (loss)	Total equity
Equity at January 1, 2018	**313,299,825**	**484,861,564**	**3,007,774**	**(17,823,822)**	**(247,480,014)**	**535,865,327**
Previous year's profit allocation	-	-	-	(247,480,014)	247,480,014	-
Increase in share capital, net of transaction costs	32,310,294	96,259,463	-	-	-	128,569,757
Increase in the Reserve for share-based payments	-	-	-	(243,610)	-	(243,610)
Total comprehensive income (loss) for the period	-	-	-	(9,960)	(10,451,179)	(10,461,139)
Equity at December 31, 2018	**345,610,119**	**581,121,027**	**3,007,774**	**(265,557,406)**	**(10,451,179)**	**653,730,335**
Previous year's profit allocation	-	-	-	(10,451,179)	10,451,179	-
Increase in share capital, net of transaction costs	4,333,254	13,156,323	-	-	-	17,489,577
Increase in the Reserve for share-based payments	-	-	-	194,043	-	194,043
Total comprehensive income (loss) for the period	-	-	-	(9,965)	(242,119,810)	(242,129,775)
Equity at December 31, 2019	**349,943,373**	**594,277,350**	**3,007,774**	**(275,824,507)**	**(242,119,810)**	**429,284,179**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. General information

1.1 General information

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

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

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

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

These financial statements are reported in Euro. The financial information relates to the period from 1st January 2019 to 31st December 2019 and also presents comparative data related to the financial period from 1st January 2018 to 31st December 2018.

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

These financial statements were approved by the Board of Directors on 11th March 2020.

2. Summary of accounting principles adopted

2.1 Accounting policies

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

The financial statements for the year ended 31st December 2019 and 31st December 2018 were prepared in accordance with IFRSs issued by the International Accounting Standard Board ("IASB") and endorsed by the European Commission, as well as with the measures enacted to implement article 9 of Legislative Decree no. 38/2005. IFRSs include also all the interpretations of the International Financial Reporting Interpretations Commitee ("IFRIC"), previously called Standing Interpretations Commitee ("SIC").

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

Preparation of the annual report in accordance with IFRSs requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and explanatory notes. Actual results may differ from these estimates. The areas of the financial statements that are most affected by such estimates and assumptions are listed in section 3 "Use of estimates".

Accounting standards, amendments and interpretations effective as of 1st January 2019

Except for what is described below about those accounting policies which changed due to new accounting standards, in preparing these financial statements the same accounting principles and criteria of the balance sheet as at 31 December 2018 have been applied.

Furthermore, the company has adopted the following new standards and amendments, effective from 1 January 2019.

On 13 January 2016, the IASB issued the new standard IFRS 16 "Leases" to replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives, SIC 27 Evaluating the substance of transactions involving the legal form of a lease. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to separate lease contracts from service contracts, considering: identification of the asset, right to replace it, right to obtain all economic benefits and the right to manage the use of the asset. The standard establishes a model to recognize and measure lease contracts for the lessee through the posting of the asset (also in operating leases) offset by a financial debt, providing also the opportunity to not recognize as lease contracts "low-value assets" and leases with expiry date equal to or less than 12 months. The standard does not include significant changes to the lessors. The new standard is applicable to periods beginning on or after 1 January 2019, the early adoption is allowed only for companies that apply the early adoption also for IFRS 15 Revenue from contracts with customers.

The Company has decided not to apply an early adoption of IFRS 16 and comply with this new standard from its relevant effective date on 1 January 2019. The company elected to implement IFRS 16 applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, without restatement of comparative information.

In the valuation phase of the lease liabilities, the company discounted the payments due for the leases using the hypothetical incremental borrowing rate at 1 January 2019. The average rate applied was around 3.3% and it was determined taking into account the term of the lease contracts, the currency in which they are denominated, the characteristics of the country and the economic environment in which the contract was stipulated and the credit adjustment applicable to the Company.

The Company has elected to apply the exemptions stated by the Standard that allow to keep leases off balance if they have an initial contractual duration of less than or equal to 12 months (IFRS16.5-a) or if they refer to a low-value asset (IFRS16.5-b). For contracts that provide for a renewal option at the end of the period that cannot be cancelled, the company determined the lease term on a general "no renewal" assumption based on the turnaround situation in which the company is now operating, based on which there is the possibility that any site is relocated to more efficient and convenient location. The lease term is therefore determined based on the non-cancellable period included in the lease contracts, the exercise of the renewal options has been considered probable and applicable in a limited number of cases, based on the current business development plans.

Impact of the adoption of IFRS 16:

The new standard IFRS 16 has not significant impact on the Company.

On June 7th 2017 the IASB published the interpretative document IFRIC 23 "Uncertainty over Income Tax Treatments". The document clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over the tax treatment adopted in the area of income tax and on recognition and measurement of tax assets and liabilities.

The document provides that an entity should reflect the effect of uncertainty in the financial statements for current and deferred tax when the entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment (and thus, it is probable that the entity will receive or pay amounts relating to the uncertain tax treatment); in such a case the entity shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency applying paragraph 88 of IAS 12.

In addition, the document does not contain any new disclosure requirements, but highlights that the entity will have to determine whether it is necessary to provide with information on management's considerations about the inherent uncertainty in the accounting for taxes, in compliance with IAS 1. The new interpretation is applicable from January 1, 2019.

Impact of the adoption of IFRIC 23:

No effect on the financial statements of the Company.

On December 12th 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs) which incorporates the amendments to certain principles as part of the annual improvement process. The new improvements have been applied since 1 January 2019. The adoption of this amendment had no effect on the financial statements.

On 7 February 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19). The document clarifies how an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset arising from the plan. The amendments clarify that after this event occurs, an entity uses updated hypotheses to measure the current service cost and the interests for the rest of the reference period following the event.

The adoption of this amendment had no effect on the financial statements of the Company.

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

The following new standards and amendments to standards and interpretations are applicable to the Company and are effective for annual periods beginning on or after 1 January 2020. These have not been early adopted by the Group in preparing these reports:

- Amendments to references to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued on 26 September 2019);
- Amendments to references to the Conceptual Framework in IFRS Standards (issued on 29 March 2018);
- Amendment to IAS 1 and IAS 8: definition of Material (issued on 31 October 2018).

The Company will comply with these new standards and amendments at the moment they become effective, the Company doesn't expect any significant impact from their application.

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

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

Amendment to IFRS 3 Business Combinations: The amendments to IFRS 3 on the definition of a business were issued on 22 October 2018. The amendments clarify whether an acquired set of activities and assets is a business or not, which is a key consideration in determining whether a transaction is accounted for as a business combination or an asset acquisition. The amendments apply for accounting periods beginning on or after 1 January 2020.

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

2.2 Format of financial statements

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

In regard to the statement of financial position, the distinction of assets and liabilities as current and non-current has been adopted in accordance with paragraphs 51 of IAS 1. The indirect method has been used for the statement of cash flow and the presentation of cash flows.

2.3 Cash in hand and at bank

Cash and cash equivalents include cash, bank demand deposits and other highly liquid short-term investments that can be unwound within three months after purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognised in income. Bank overdrafts are posted under current liabilities.

2.4 Trade receivables and other receivables

Trade receivables are initially recognised on the statement of financial position at their current value and subsequently recalculated according to the amortised cost method, net of any impairments.

A provision for doubtful accounts is accrued when there is evidence that the Company will not succeed in collecting the original amount due. The provisions accrued for doubtful accounts are recognised in profit or loss.

2.5 Investments in associates (financial assets)

The equity investment in the subsidiary Safilo S.p.A. has been recognised at the grant value resulting from the specific appraisal prepared by an external consultant. The positive difference resulting from the grant value and the portion of shareholders’ equity at current values of the subsidiary is included in the carrying value of the equity investment. The equity investment in the subsidiary Safilo S.p.A. is tested for impairment every year.

2.6 Employees benefits

Pension plans

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

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

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

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

For an analysis of the accounting effects deriving from this decision, see paragraph 4.14 "Employees benefits".

Remuneration plans under the form of share capital participation

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

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

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

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

2.7 Revenue recognition

Revenues include the fair value of the sale of services, net of VAT and any discounts. The company recognises revenues for billed services in the financial year in which the service is provided.

2.8 Dividends

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

2.9 Income taxes

Income taxes are recognised on the income statement, with the exception of those relating to accounts that are directly credited or debited to equity, in which case the tax effect is recognised directly in equity.

Deferred taxes are calculated on tax losses and all the temporary differences between the tax basis of an asset or liability and their book value. Deferred tax assets are recognised only for those amounts where it is likely there will be future taxable income allowing for recovery of the amounts.

Current and deferred tax assets and liabilities are offset when the income tax is applied by the same tax authority and when there is a legal right to offsetting.

2.10 Earnings per share

Basic

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

Diluted

Diluted earnings per share are calculated by dividing the profit or loss of the Company by the weighted average number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the weighted average number of shares outstanding is adjusted in respect of the dilutive potential ordinary share (stock options and convertible bonds), while the profit or loss of the Company is adjusted to take into account the effects, net of income taxes, of the conversion.

2.11 Translation of balances in foreign currency

Foreign currency transactions are translated into Euro using the exchange rates in effect at the date of the transaction. Foreign exchange gains and losses resulting from the close of such transactions and from translation of the monetary assets and liabilities in foreign currencies at the exchange rates at end of the year are recognised in profit or loss.

3. Use of estimates

The preparation of the consolidated financial statements requires the Directors to apply accounting standards and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on past experience and assumptions which are from time to time considered reasonable and realistic according to the relative circumstances. The application of these estimates and assumptions affects the amounts posted in the financial statements, such as the balance sheet, the income statement, the cash flow statement and the notes thereto. Actual results of the balances on the financial statements, resulting from the above-mentioned estimates and assumptions, may differ from those reported on the financial statements due to the uncertainty which characterizes the assumptions and the conditions on which the estimates are based. The accounting standards that are more subject to the directors' estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the consolidated financial statements of the Group are described briefly below. Even if qualified as a non-adjusting subsequent event, and therefore not affecting the estimates operated in preparing the December 31, 2019 financial statements, the outbreak of Covid-19 (Coronavirus) at the beginning of 2020, described in Note 7 "subsequent events", represents an extraordinary circumstance that may have direct and indirect repercussions on economic activity and has created a general environment of uncertainty, the evolution and impact of which is not predictable. The potential effects of this phenomenon on the estimates used by Management are also commented below.

- *Write-down of fixed assets*: in accordance with the accounting standards applied by the Group, the fixed assets are verified to ascertain if there has been a loss in value which is recorded by means of a write-down, when it is considered there will be difficulty in recovering the relative net book value through use. The verification of the existence of such difficulty requires the Directors to make valuations based on the information available within the Group and from the market, as well as historical experience. In addition, when it is deemed that there may be a potential loss in value, the Group determines this using the most appropriate technical valuation methods available. Proper identification of the indicators of contingent impairment as well as the estimates used to determine them depend on factors which may vary over time, influencing the Directors' measurements and estimates. The outbreak of Covid-19 may mainly affect the forecast of expected cash flows, the determination of the discount rates and the long term growth.

- *(Contingent) liabilities*: the Group is subject to legal and tax actions regarding different types of problems; due to uncertainties relating to proceedings and the complexity of such proceedings, the management consults its lawyers, and other legal and fiscal experts, and when expenditure is considered probable and the amount can be reasonably estimated, adequate funds are allocated. The outbreak of Covid-19 may mainly generate contingent liabilities arising from onerous contracts, and may affect the probability assigned to certain facts and circumstances when estimating the value of contingent liabilities.

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

- *Deferred taxes*: deferred tax assets are accounted for on the basis of the expectations of future taxable income. The assessment of the recoverability of deferred tax assets derives from specific assumptions about the probability that taxable income will be realized in future years and that these are sufficient to allow the recovery of deferred tax assets. These valuations are based on assumptions that may not even be realized, or are realized to an insufficient extent compared to what is necessary to fully recover the deferred tax assets recorded in the financial statements, and therefore their variation could have significant effects on the valuation of deferred tax assets. The ability of the entities of the Group to generate future taxable income, and therefore to recover its deferred tax assets, may be significantly affected by the uncertainties posed by the diffusion of Covid-19, with variable intensity depending on the geographical area.

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

- *Fair value*: the fair value of financial instruments that are not traded on an active market is determined by means of valuation methods. Various valuation methods are used, and the associated assumptions are based on market conditions at the reporting date. In particular:

  - the fair value of trade receivables and payables and for other current assets and other current liabilities is deemed to coincide with their par value minus any impairment in receivables;
  - the fair value of floating rate loans not listed on an active market is deemed to approximate their face value.

4. Notes to the balance sheet

4.1 Cash and cash equivalents

This account totals Euro 1,163,436 (compared with Euro 75,969,317 in the previous year) 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 and the related credit risk is very limited as the counterparts are primary banks.

4.2 Trade receivables

The trade receivables total Euro 1,936,570 against Euro 1,235,723 in 2018 and they come from the amounts charged by the Company to its subsidiary Safilo S.p.A. and Industrial S.r.l. for legal and administrative services, also charged to its subsidiary for costs of staff in secondment. The book value of the trade receivables is maintained as being approximately the same as the fair value, market payment terms are applied to the credits presented.

(Euro)	December 31, 2019	December 31, 2018
Trade receivables	28,245	-
Trade receivables from subsidiaries:		
- Safilo S.p.A.	847,344	586,702
- Safilo Industrial S.r.l.	685,540	392,220
- Safilo USA Inc.	319,826	235,111
- Safilo D.O.O. Ormoz	11,439	11,440
- Safilo Benelux S.A.	4,200	-
- Safilo Gmbh	2,100	-
- Safilo France S.a.r.l.	4,200	-
- Safilo Nordic AB	2,099	-
- Safilo UK Ltd.	2,100	-
- Safilo Nederland B.V.	4,200	-
- Safilo Austria Gmbh	2,100	-
- Safilo Portugal Lda	4,797	-
- Safilo Switzerland AG	2,103	-
- Safilo Optik Ticaret Limited	2,091	-
- Safilo Hellas Ottica S.a.	-	4,000
- Safilo Australia Pty Ltd.	3,753	6,250
- Smith Sport Optics Inc.	3,671	-
- Safilo Far East Ltd.	4,661	-
- Safilo South Africa Pty Ltd.	2,100	-
Total	**1,936,570**	**1,235,723**

4.3 Short term loans

The change for the period refers to the collection of Euro 62,000,000 in May 2019 of the loan granted on December 14, 2018 to the subsidiary Safilo S.p.A..

4.4 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2019	December 31, 2018
VAT receivables	5,500,373	6,027,651
Tax credits and payments on account	36,635	179
Prepayments and accrued income	36,166	13,934
Other receivables from subsidiaries - Safilo S.p.A.	132,131	4,406,082
Other receivables from subsidiaries - Safilo Industrial S.r.l.	15,511,694	31,927,950
Other receivables	594,009	306,568
Other receivables from related parties	-	214
Total	**21,811,009**	**42,682,578**

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

4.5 Right of Use assets

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

(Euro)	Balance at January 1, 2019	First adoption IFRS 16	Increase	Decrease	Balance at December 31, 2019
Gross value					
Buildings Right of Use	-	119,170	-	-	119,170
Other assets Right of Use	-	203,171	68,084	-	271,255
Total	**-**	**322,341**	**68,084**	**-**	**390,425**
Accumulated depreciation					
Buildings Right of Use	-	-	34,881	-	34,881
Other assets Right of Use	-	-	95,300	-	95,300
Total	**-**	-	**130,181**	**-**	**130,181**
Net value	**-**	**322,341**	**(62,097)**	**-**	**260,244**

4.6 Investments in subsidiaries

This item totalled Euro 440,048,024 versus Euro 669,317,389 in the previous year.

In the financial statements, also following the changed market conditions and the losses reported during the year by the subsidiary Safilo S.p.A., the Directors tested the investment in the aforementioned subsidiary for impairment when preparing the Annual Report. In particular the test was derived from the one performed for the purpose of assessing the net investment capital recorded in the consolidated financial statements.

Therefore, it was carried out on the basis of the 2020-2024 Business Plan approved by the Board of Directors on 10 December 2019.

The impairment test is influenced by the fact that the Group is at a turnaround time and that the underlying assumptions take into account the fact that there are some uncertainties in achieving the objectives. Management has used the most reliable information available at this time and, to deal with these uncertainties, has developed sensitivity analyses based on various hypothetical future scenarios which have sometimes highlighted the possibility of limiting further losses in value in the presence of significant changes in the hypothesis. The Directors, believing the baseline scenario to be the most probable, confirmed the write-down emerging from the impairment test.

The following tables show the movements that occurred during the 2019 and during the previous financial year:

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

(Euro)	% of share capital	Balance at January 1, 2018	Increase / (Decrease)	Impairment	Balance at December 31, 2018
Safilo S.p.A.	95.201	665,975,189	-	-	665,975,189
Contribution for Stock Options to subsidiaries		3,341,179	(195,705)		3,145,474
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005		146	-	146
Total		**669,317,389**	**(195,559)**	**-**	**669,121,830**

The key information for the subsidiary Safilo S.p.A. is summarised as follows:

Name	Safilo S.p.A. – Società Azionaria Fabbrica Italiana Lavorazione Occhiali
Registered office	Z.I. Settima Strada, 15 (Padova)
Share capital at 31st December 2018	Euro 66,176,000 i.v
Shareholders' equity at 31st December 2018	Euro 440,934,158
Net loss for the financial year 2018	Euro (14,503,230)

4.7 Deferred tax assets

Deferred tax assets refer to the taxes calculated on tax losses that may be recovered in future financial years and temporary differences between the carrying value of assets and liabilities and their tax value. Deferred tax assets on tax losses are booked only if there is a reasonable likelihood that they may be recovered through future taxable income.

Starting from 1st January 2006 the Company joined the tax consolidation programme in the capacity of parent company. The subsidiaries participating in the program are Safilo S.p.A. Safilo Industrial S.r.l. and Lenti S.r.l. (both 100% owned by Safilo S.p.A). The effect of this option allows calculation of a single Group taxable income, corresponding to the algebraic sum of the taxable income of the participating entities.

The following table illustrates the breakdown of accounts on which the tax prepayments and adjustment reserve with reversal of the associated deferred tax assets at 31st December 2019:

(Euro)	Balance at January 1, 2019	Impact to Income statement	Impact to Equity	Receivables/ Payables due to tax consolidation	Balance at December 31, 2019
Tax losses Safilo Group S.p.A.	10,453,375	-	-	2,798,439	13,251,814
Tax losses from Safilo S.p.A.	29,754,064	-	-	9,722,134	39,476,198
Tax losses from Lenti S.r.l.	23,990	-	-	-	23,990
Tax losses from Safilo Industrial S.r.l.	6,209,866	-	-	(395,625)	5,814,241
Tax losses before fiscal consolidation	192,629	-	-	-	192,629
Interest expenses not deducted carryforward	3,216,310	(1,242,801)	-	-	1,973,509
Other temporary differences	152,816	63,722	-	-	216,538
Provision for risks	219,844	-	-	-	219,844
Dividend for competency	(51,476)	51,476	-	-	-
Other temporary differences	(4,752)	408	-	-	(4,344)
Total deferred tax assets	**50,166,666**	**(1,127,195)**	**-**	**12,124,948**	**61,164,419**
Valuation allowance of deferred tax assets	(44,998,601)	(2,069,641)	-	(12,124,948)	(59,193,190)
Total deferred tax assets, net	**5,168,066**	**(3,196,836)**	**-**	**-**	**1,971,230**

Following the recent developments in the company's license portfolio, the Management approved the new Group Business Plan 2020-2024 on 10 December 2019.

On the basis of the new Plan, the test was prepared to assess the recoverability of the Company's prepaid taxes both individually and within the national consolidation.

This analysis highlighted the need of a further non-monetary write-down of deferred tax assets of Euro 2.0 million and, in addition, the Deferred tax Assets which have not been activated and related to tax losses of the Company and of the other legal entities of the Fiscal Unit, for a total amount of Euro 14.2 million.

The following table shows the tax losses carried forward deriving from the Group national tax consolidation:

Financial year (Euro)	**Tax losses**	**Tax benefit**
before 2014	92,043,617	22,090,468
2015	27,985,238	6,716,457
2016	8,642,688	2,074,245
2017	34,213,659	8,211,278
2018	26,884,736	6,452,337
2019	54,256,078	13,021,459
Total	**244,026,016**	**58,566,244**

Following the changes introduced in 2011 to the art. 84 of TUIR regarding the recoverability of tax losses, starting from 2012 all tax losses can be carried forward without time limitation, in order to offset future taxable income to an extent not greater than 80% of the taxable income for each single fiscal year.

4.8 Other non-current assets

The item totals Euro 988,779 (compared to Euro 3,264,779 in the previous year) and refers to withholding from Lenti S.r.l. tax transferred to the national tax consolidation.

4.9 Trade payables

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

(Euro)	**December 31, 2019**	**December 31, 2018**
Trade Payable for service	3,214,489	4,125,481
Trade Payable to subsdiaries:		
Safilo S.p.A.	1,422,224	1,073,797
Safilo Far East Ltd	70,244	68,918
Safilo Nordic AB	-	177,593
Safilo USA Inc.	70,235	121,744
Total	**4,777,192**	**5,567,533**

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

4.10 Tax payables

This account totaled Euro 295,866 at 31st December 2019, compared to Euro 393,370 in the previous year, and refers to withholding taxes related to IRPEF (personal income tax) on wages, salaries and independent contractor compensation in the month of December that were paid in January 2020.

4.11 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2019	December 31, 2018
Payables to personnel and social security institutions	1,823,576	1,349,920
Payables to pension funds	6,602	5,030
Other current liabilities	3,445	3,243
Accrued expenses	49	202,050
Other payables to subsidiaries - Safilo S.p.A.	30,636,320	49,273,200
Total	**32,469,992**	**50,833,443**

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

4.12 Borrowings

This item breaks down as follows:

(Euro)	December 31, 2019	December 31, 2018
Convertible Bonds	-	147,849,193
	-	**147,849,193**

The change in the period refers to the repayment made on May 22, 2019 of the bond loan "Unsecured and unsubordinated equity-linked" for a nominal amount of Euro 150 million.

4.13 Lease liabilities

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

(Euro)	Balance at January 1, 2019	First adoption IFRS 16	Increase	Decrease	Balance at December 31, 2019
Lease Liability	-	322,341	68,083	(124,317)	266,107
Of which:					
Short term portion					125,258
Long term portion					140,849

4.14 Employee benefits obligations

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

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

		Changes during the year				
(Euro)	Balance at January 1, 2018	Posted to income statement	Actuarial gains/ (losses)	Uses/ Payments	Transfer	Balance at December 31, 2018
Defined benefit plan	115,523	1,466	9,960	(5,334)	-	121,615
Defined contribution plan	(2,729)	186,849	-	(82,437)	(70,896)	30,787
Total	**112,794**	**188,315**	**9,960**	**(87,771)**	**(70,896)**	**152,402**

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

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

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

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

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

4.15 Provisions

The provision for risks and charges refers to the estimated liability related to a long term incentive plan issued in favour of key managers.

SHAREHOLDERS' EQUITY

The shareholders' equity is both the value contributed by the shareholders of Safilo Group SpA (share capital and share premium reserve) and the value generated by the subsidiaries in terms of results achieved from the operations (retained earnings and other reserves).

As at 31st December 2019, shareholders' equity amounts to Euro 429,284,179 compared to Euro 653,730,335 at 31st December 2018.

4.16 Share capital

On 2 January 2019, the reference shareholder Multibrands Italy B.V., a subsidiary of HAL Holding N.V., in compliance with the commitment undertaken on 26 September 2018, subscribed for and paid-in all the 25,193,337 ordinary shares remained unsubscribed at the end of the rights auction, which ended on 28 December 2018, for a total consideration of Euro 17,736,109.25. Following this subscription, the share capital increase resolved by the Extraordinary Shareholders' meeting held on 29 October 2018 was fully subscribed for a total number of 213,043,881 newly issued shares and for a total consideration of Euro 149,982,892.22.

The total consideration collected for the subscription of the newly issued shares has been allocated to share capital for 4,333,254 Euro and to share premium reserve for 13,402,855 Euro.

At 31 December 2019 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 349,943,373 (Euro 345,610,119 as at 31 December 2018) consisting of no. 275,703,846 ordinary shares.

4.17 Share premium reserve

At 31 December 2019 the share premium reserve of the Parent Company, Safilo Group S.p.A., amounts to Euro 594,277,350 (581,121,027 as at 31 December 2018).

The increase of the period is due to the share capital increase allocated to the share premium reserve equal to Euro 13,156,323 Euro net of capital increase transaction costs of Euro 246,532.

4.18 Retained earnings and other reserves

This account breaks down as follows:

(Euro)	December 31, 2019	December 31, 2018
Legal reserve	3,007,774	3,007,774
Stock Option reserve	583,981	652,739
Reserve for actuarial gain (losses) of defined benefit plan	(28,431)	(18,465)
Retained losses/Income	(276,380,058)	(266,191,680)
Total	**(272,816,734)**	**(262,549,632)**

Equity accounts - possible use and distribution

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

(Euro)	Amount	Possible use
Share capital	349,943,373	
Share premium reserve	594,277,350	A-B-C (*)
Legal reserve	3,007,774	B
Stock Option reserve	583,981	
Reserve for actuarial gain (losses) of defined benefit plan	(24,431)	
Retained (losses) income	(276,380,058)	
Loss for the period	(242,119,810)	
Total	**429,284,179**	

A = for capital increase.
B = to hedge against losses.
C = for distribution to shareholders.
(*) Fully available for capital increases and to hedge against losses. For other uses, it is necessary to adjust (also through transfer from the share premium reserve) the legal reserve to 20% of the share capital.

Stock option plans

As at 31 December 2019 the Group has in place two Stock Option Plans: 2014-2016 and 2017-2020 Plans.

These two Plans were deliberated by the Extraordinary Meetings respectively held on 15 April 2014 and 26 April 2017, in which the Shareholders approved the issue of respectively up to 1,500,000 and 2,500,000 (adjusted after the 2018 capital increase to 2,891,425) new ordinary shares to be offered to directors and/or employees of the Company and its subsidiaries.

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

The options attributed by those plans will mature when both the following vesting conditions are met: the continuation of the individual's employment relationship on the options' vesting date, and the achievement of differentiated performance objectives for the period of each tranche commensurate with consolidated EBIT.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2019 is shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2014-2016				
First tranche	29/04/14	234,384	1.65	31/05/22
Stock Option Plan 2017-2020				
Second tranche	10/12/18	1,733, 948	0.13	31/05/26
Third tranche	30/04/19	1,099, 000	0.20	31/05/27

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

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

	Share price at grant date	Exercise price in Euro	Expected volatility	Risk free rate
Stock Option Plan 2014-2016				
First tranche	9.71	9.31	30.00%	1.044%
Stock Option Plan 2017-2020				
Second tranche	0.81	0.89	36.80%	0.253%
Third tranche	0.90	0.75	36.20%	0.087%

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

	No. of options	Average exercise price in Euro
Stock Option Plan 2010-2013		
Outstanding at the beginning of the period	**351,577**	**5.76**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(351,577)	(5.76)
Outstanding at period-end	**-**	**-**
Stock Option Plan 2014-2016		
Outstanding at the beginning of the period	**234,384**	**9.31**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at period-end	**234,384**	**9.31**
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	**1,938,096**	**0.89**
Granted	1,107,000	0.75
Forfeited	(212,148)	0.88
Exercised	-	-
Expired	-	-
Outstanding at period-end	**2,832,948**	**0.84**

During the year, 1,107,000 options have been granted related to the third tranche of the new Plan 2017-2020, in the same period 212,148 options of the same Plan has been forfeited.

Among the options outstanding at the end of the period, the fourth tranche of the Plan 2010-2013, exercisable until the end of the exercise period set for 31 May 2019, has been expired. As far as the Plan 2014-2016 is concerned the first tranche, equal to a total of 234,384, is exercisable from the date of the approval of 2016 financial statements until the expiry of the exercise period set for 31 May 2022, while the two tranches of the Plan 2017-2020, equal to 2,832,948 options, are exercisable respectively until 31 May 2026 and 31 May 2027.

At the date of the approval of these financial statements the options exercisable still outstanding are the one related to the Plan 2014-2016 equal to 234,384.

The average exercise price for options of the Plan 2014-2016 is equal to 9.31 Euro with an average remaining contract life of 2.4 years, while for the two tranches of the Plan 2017-2020 is equal to 0.84 Euro with an average remaining contract life of respectively 6.4 and 7.4 years.

The adoption of these plans has affected the income statement for the period for a cost of 43 thousand Euro.

5. Notes to the income statement

5.1 Service revenues

In its capacity as holding company of the Group, the Company does not have revenues from the sale of merchandise, but only revenues of Euro 915,531 for the provision of services billed to the subsidiary for administrative, legal, accounting and tax services performed on its behalf during the year.

5.2 General and administrative expenses

(Euro)	2019	2018
Payroll and social security contributions	3,418,927	3,021,636
Corporate compliance costs	247,396	260,878
Remunerations to directors and statutory auditors	2,297,895	1,938,471
Consultancies	530,266	790,877
Cost of services rendered by Safilo S.p.A.	220,076	422,848
Other general and administrative expenses	391,513	444,684
Provision for risks	-	12,100
Depreciation IFRS 16	130,183	-
Total	**7,236,255**	**6,891,494**

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

	December 31, 2019	December 31, 2018
Executives	7	7
Clerks and middle management	13	11
Total	**20**	**18**

5.3 Other operating income/(expenses)

The Other operating expenses amount to Euro 2,439,031 and refer mainly to the non-recurring cost for some business development projects.

5.4 Write-down of investments in subsidiaries

At 31 December 2019 in response to changed market conditions and the losses reported during the year by the subsidiary Safilo S.p.A., the Directors tested the investment in the aforementioned subsidiary for impairment when preparing the Annual Report. This test resulted in impairment for a total amount of Euro 229,224,726.

5.5 Financial charges, net

This item breaks down as follows:

(Euro)	2019	2018
Interest expenses and charges on Bond	(2,886,304)	(7,233,026)
Interest expenses IFRS 16	(9,612)	-
Bank commissions	(2,629)	(2,053)
Negative exchange rate differences	(12,627)	(22,867)
Other financial charges	(12,573)	(5,203)
Total financial charges	**(2,923,745)**	**(7,263,149)**
Interests income	687,984	2,310
Positive exchange rate differences	16,298	27,717
Fair value gains on the Equity-linked Bond incorporated derivative	-	1,768
Other financial income	-	75
Total financial income	**704,282**	**31,870**
TOTAL FINANCIAL (CHARGES) INCOME, NET	**(2,219,463)**	**(7,231,279)**

The item Interest expense it's mainly related to nominal interest expense accrued on the bond "Equity Linked" and the remaining part refer to the impact related to the figurative interests calculated once isolated the convertible component in order to calculate the effective interest rate to be applied for the calculation of the liability according to the amortised costs. The loan was repaid in May 2019.

5.6 Income taxes

This item breaks down as follows:

(Euro)	2019	2018
Current tax	1,280,981	909,409
Deferred tax	(3,196,834)	5,264,612
Total	**(1,915,853)**	**6,174,021**

Current taxes, positive for 1,280,981 Euro, mainly refer to the income from tax consolidation that the company has made with reference to the use of its losses against the taxable income of the subsidiary Lenti S.r.l. and, to a lesser extent, to adjustments made in the determination of the taxable income of previous years; while the negative amount of 3,196,834 Euro is attributable to the movement of deferred taxes on the temporary differences of the company and the related devaluation.

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

(Euro)	%	2019	%	2018
Profit/(Loss) before taxation	**100%**	**(240,203,944)**	**100%**	**(16,625,198)**
Income tax benefit (expense) at statutory rate	-24.0%	57,648,947	-24.0%	3,990,048
Not deductible costs	22.9%	(54,994,687)	0.1%	(11,295)
Costs booked to equity reduction and fully deducted	0.0%	59,168	-5.2%	868,008
Income from tax fiscal unity	-0.5%	1,280,981	-3.8%	627,189
Non-recognition of new DTAs and write-off of existing DTAs	2.5%	(5,910,260)	-2.5%	411,316
Other differences	0.0%	-	-1.7%	288,756
Total	**0.8%**	**(1,915,852)**	**-37.1%**	**6,174,021**

The non-deductible costs of € 54,994,687 are almost entirely attributable to the effect of the write-down of the investment in Safilo S.p.A., which is irrelevant for tax purposes and for which a broad description has already been provided in point 4.6 above, as well as the net effect of other tax recoveries for smaller amounts.

5.7 Earnings (losses) per share

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

Basic	**2019**	**2018**
Profit/(loss) for ordinary shares	(242,119,810)	(10,451,179)
Average number of ordinary shares	275,634,823	107,998,460
Earnings (losses) per share - basic (in Euro)	**(0.878)**	**(0.097)**

Diluted	**2019**	**2018**
Profit/(loss) for ordinary shares	(242,119,810)	(10,451,179)
Profit for preferred shares	-	-
Profit/(loss) in income statement	**(242,119,810)**	**(10,451,179)**
Average number of ordinary shares	275,634,823	107,998,460
Dilution effects:		
- Stock Option	307,589	-
Total	**275,942,412**	**107,998,460**
Earnings (losses) per share - diluted (in Euro)	**(0.877)**	**(0.097)**

5.8 Dividends

The Company did not distribute dividends to shareholders neither in financial year 2019.

5.9 Segment information

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

6. Commitments

The Company had no purchase commitments at the reporting date.

7. Subsequent events

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

8. Significant non-recurring events and transactions

During 2019 the company did not engage in significant non-recurring transactions pursuant to the CONSOB Communication of 28th July 2006.

9. Transactions resulting from unusual and/or abnormal operations

Pursuant to CONSOB Communication of 28th July 2006, in 2019 the Company did not put in place any unusual and/or atypical operations, as defined in this Communication.

10. Transactions with related parties

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

(Euro)	2019	2018
Directors		
- Salaries ad short term compensations	2,113,000	1,893,235
- Non monetary benefits	18,009	66,467
- Other compensations	384,905	1,092,620
- Indemnity for end of position or cessation of employment relationship	-	1,090,909
- Fair value of equity compensations	24,362	587
Statutory auditors		
- Fixed compensations and compensations for participation in committees	143,000	143,000
Managers with strategic responsibilities		
- Salaries ad short term compensations	645,453	448,000
- Non monetary benefits	13,538	12,478
- Other compensations	212,593	3,311
- Fair value of equity compensations	12,507	399
Total	**3,567,367**	**4,751,006**

11. Resolution regarding the result for the year

We submit for your approval the financial statements for the financial year ending on 31st December 2019, drafted according to the IFRS International Accounting Standards, and recommend that the loss for the year, amounting to Euro 242,119,810 be carried forward.

for the Board of Directors
Chief Executive Officer
Angelo Trocchia

APPENDIX

Information requested by art. 149-duodecies of the Regulation on Issuers issued by Consob

The following table, prepared in accordance with Art. 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2019 relating to the audit and other audit related services rendered by the same Audit company.

(Euro)	2019
Audit	65,990
Attestation	63,000
Other Service	9,500
Total	**138,490**

Certification of the Annual Report pursuant to article 81-ter of CONSOB Regulation 11971 of 14th May 1999 as amended

The undersigned Angelo Trocchia, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing Safilo Group S.p.A.'s financial statements, hereby certify, having also taken into consideration the provisions of article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24th February 1998:

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

of the administrative and accounting procedures for preparation of the annual report during the 2019 financial year.

It is also certified that the annual report at 31st December 2019:

a. corresponds to the results documented in the books, accounting and other records;
b. have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of article 9 of Legislative Decree 38/2005 and, based on their knowledge, fairly and correctly present the financial position, results of operations and cash flows of the issuer.

11th March 2020

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

REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Shareholders' Meeting of Safilo Group S.p.A. on the financial year 2019 pursuant to art. 153 T.U.F. and art. 2429 co. 2, C.C.

Dear Shareholders,

during the financial year ended 31 December 2019, the Board of Statutory Auditors of Safilo Group S.p.A. carried out the supervision activity required by law, in accordance with the requirements of the Civil Code, articles 148 and following of T.U.F., the Legislative Decree no.39 of January 27, 2010 as modified from the Legislative Decree July 17, 2016 no.135 and the Legislative Decree 254/2016, considering also the recommendations included in Consob's Communications on company controls and the activities of the Board of Statutory Auditors, as well as principles of conduct of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Italian national council of graduate accountants and accounting experts).
In the introduction, it should be noted that the Board of Statutory Auditors of Safilo Group S.p.A. has been appointed by the Shareholders' Meeting of 26 April 2017, in charge until the approval of the financial statements as at December 31, 2019.
As regards the methods employed by the Board of Statutory Auditors to carry out its institutional activities, it confirms the following:

- it monitored compliance with the law and by laws;
- it attended the Shareholders' Meeting and all the meetings of the Board of Directors held during this year, and obtained from the Directors quarterly reports on activities carried out and significant operations executed by the company or its subsidiaries and verified that the aforesaid operations were coherent with the assumed deliberations and in respect for the principles of correct management;
- it monitored, within our area of responsibility, the organisational adequacy of the company, its respect for the principles of correct management and the organisational evolution of the Group;
- it monitored the operation of the administrative and accounting system, in order to assess its adequacy for management requirements and its reliability for the reporting of business operations. During this activity, it relied on the information supplied by the executive Director in charge of the internal control system, on information obtained as part of the regular participation to the activities of the Control Risk and Sustainability Committee, on examination of reports prepared by the Head of the Internal Audit function on the adequacy of administrative and accounting procedures pursuant to Law 262/05 and on the outcome of related tests carried out, together with the information obtained during periodic meetings with the auditing firm Deloitte & Touche S.p.A. which reported on the outcome of systematic checks and on the proper keeping of accounting records. We have no particular comments to make in this respect;

- not having been appointed to perform an analytical inspection of the content of the financial statements, we verified the general structure of the financial statements and consolidated financial statements, drawn up in compliance with IAS/IFRS international accounting principles, and of the respective management reports through direct checks and using specific information supplied by the auditing company;
- it verified that the impairment test had been carried out for items subject to evaluation in the consolidated financial statements, and in the statutory financial statements.

The Board reports that:
- to the best of our knowledge, the Directors did not infringe the provisions of article 2423 paragraph 4 of the Civil Code in the Notes to the Financial Statements;
- it verified that, following adoption of its own "Internal Dealing Code", the Company has set up specific operational and management procedures for any communications from "relevant" parties;
- it verified that, pursuant to the provisions of Legislative Decree No. 231 of 8/6/2001, your company has equipped itself with an Organisation, Management and Control Model that complies with the *Confindustria* Guidelines and fulfils the requirements of the aforementioned legislative decree, disseminated the Code of Ethics and established a Supervisory Committee that reported to the Control and Risk Committee and the Board of Directors on its activities. The necessary actions and measures have been taken to ensure that the organisational model remains appropriate and up-to-date for the purpose of fulfilling its functions and complying with new regulatory requirements;
- we have verified that the company has complied with the provisions of law 15/11/2017 n. 179 concerning Whistleblowing, adopting its Worldwide Business Conduct Manual (WBCM) and related reporting system of alleged violations to the same.

In accordance with the aforementioned Consob communications, the Board hereby provides the following information:

1. Events incurred during the year: on 9 December 2019, Safilo announced the acquisition of a 70% stake in the equity of the California company Blenders Eyewear LLC, for a consideration based on the company's Enterprise Value of 90 million dollars. The closing of the transaction, subject to conditions precedent, has not been yet finalized on the date of this report.
2. Events after the year end: in the period after 31 December 2019 the Group announced the acquisition of a 61.34% equity interest in the Miami-based company Prive Goods, LLC with an overall consideration of 67.5 million dollars. The acquisition has been financed partially from the Safilo's reference shareholder, Multibrands Italy B.V., and for the remaining portion through available resources.

   In particular, on 6 February 2020 a financing contract has been agreed between Safilo S.p.A. and Multibrands Italy B.V for a total amount of Euro 90 million. This loan agreement, subordinated to Safilo Group's existing financing signed with its lending banks, is aimed at financing in part, for Euro 30 million, the acquisition of Privé Revaux, and at fully financing the acquisition of Blenders

Eyewear LLC, upon its closing date. The loan executed with Multibrands Italy B.V. represented a "transaction with a related party of greater importance" and as such, the execution of the loan agreement has been approved following the resolution CONSOB 17721 of 12 March 2010 and subsequent amendments and additions.

Among the subsequent events, the notes of the financial statements adequately report the references to the Covid-19 (Coronavirus) emergency, certifying the non-determinability of the related effects on the date of the financial statements' approval, and highlighting the constant monitoring and planning of possible mitigation actions.

3. The significant economic, financial and capital operations carried out by the company and its subsidiaries were executed in accordance with the law and company bylaws. Based on the information acquired, the Board was able to ascertain that they were not manifestly imprudent or risky, that they did not result in a conflict of interest and did not compromise the integrity of the company's assets.
4. It has been ascertained that no atypical and/or unusual operations, as defined by Consob communication DEM/6064293 of 28 July 2006, were carried out within the group or with related or third parties, having found confirmation of this in the information supplied by the Board of Directors and the Auditing Firm.

   Furthermore, the Board ascertained that the standard operating procedures in force within the Group guarantee that all commercial operations with related parties take place according to market conditions.
5. The Board of Statutory Auditors verified the effective implementation and concrete functioning of the Related Party Transactions Procedure adopted by the Company.
6. The Board believes that the information presented by the Directors in their report on operations and explanatory notes in respect of the operations mentioned in paragraphs 1, 2 and 3 are adequate.
7. The reports prepared by the audit firm Deloitte & Touche S.p.A., issued on 18 March 2020, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31 December 2019 do not contain significant findings and/or disclosure requests. The auditing firm issued its assessment of the consistency of the Management Report with the relevant financial statements without any observations and/or objections.

   On 18 March 2020, the auditing company also issued its additional report for the Internal Control and Audit Committee, pursuant to art. 11 of EU Regulation 537/2014.
8. During 2019, no reports were made to the Board of Statutory Auditors under article 2408 of the Civil Code, and no complaints were submitted by shareholders.
9. During 2019, Safilo Group S.p.A. has appointed to Deloitte & Touche S.p.A. engagement other than to perform the legal audit of the statutory and consolidated financial statements. In the appendix to the consolidated financial statement is reported, in accordance with the principle 149-Duodecies of the Issuers' Regulations, the statement of the fees recognized for the year to Deloitte & Touche S.p.A. and its network for statutory audit and other services provided by the same Independent Auditor to the company and to the Group. In accordance with the article 17, ninth paragraph, of the Legislative Decree 39/2010, the Independent Auditor has regularly communicated to the

Board of Statutory Auditors additional engagements to those of auditing the accounts, obtaining the relative authorization from the Board after assessment of possible risks for the independence of the Auditor.

10. During the 2019 financial year, the Board of Statutory Auditors expressed its opinion when required by current laws and verified that its members fulfilled the integrity and independence requirements.
11. The Board of Statutory Auditors verified the accuracy of the criteria and assessment procedures employed by the Board of Directors to assert the independence of its members.
12. The Board of Statutory Auditors has verified the possession of the requirements of integrity and independence of its members; to the Report on Corporate Governance and Ownership Structure for the financial year 2019, approved by the Board of Directors on 18 March 2020, is attached a list on supervision activities that outlines the tasks performed, as of the date of issue of the Report, by the members of the Board of Statutory Auditors, drawn up according to sample 4, appendix 5-bis of the Issuers' Regulations.
13. During 2019, the Board of Directors held twenty meetings and the Board of Statutory Auditors held nine meetings. Additionally, the Control Risk and Sustainability Committee met seven times with the constant participation of the Board of Statutory Auditors, while the Remuneration and Nomination Committee met four times and the Related Parties Transactions Committee met five times, always with the participation of the Board of Statutory Auditors.
14. On the basis of the information gathered from the company's departmental managers, from the Internal Audit function, and during periodic meetings with the Auditing Firm, the Board believes that the principles of correct management were constantly observed.
15. The Board gathered information about and monitored the company's organisational structure to the extent of our responsibilities.
16. Based on the analyses performed and the information obtained during meetings with the Director in charge of the internal control system, with the Internal Control Manager, with the Manager in charge of preparing the accounting documentation and during meetings of the Control Risk and Sustainability Committee and the Supervisory Board, the Board verified the adequacy and reliability of the internal control system and risks management.
17. The Board verified the adequacy of the administrative and accounting system and the reliability of the same in correctly representing business operations.
18. The Board verified the adequacy of the manner in which the parent company hands down instructions to its main subsidiaries.
19. During systematic meetings between the Board of Statutory Auditors and the Auditing Firm under art. 150, paragraph 2, Legislative Decree 58/1998, no significant findings emerged.
20. The Remuneration Report is prepared pursuant to art. 84 quarter of the Issuers' Regulations and to Consob resolution No. 11971/1999 and subsequent amendments.
21. The 2019 Report on Corporate Governance and Ownership Structure prepared by the Board of Directors contains a description of the governance of the Company and the Group that appears to be in line with the principles of the Self-Regulation Code and the Issuers' Regulations. This Report also presents information on the ownership structure pursuant to art. 123 bis of the TUF

(consolidated finance act). The Board of Statutory Auditors monitored implementation of the corporate governance rules, which appear to be in line with the model adopted by the company.

22. The Chief Executive Officer and the Manager responsible for preparing the company's financial statements provided the statements required by article 154-bis, paragraph 5, regarding the financial statements and consolidated financial statements in accordance with the model provided in appendix 3c-ter of the Issuers' Regulations.
23. The evaluation of the goodwill in the consolidated financial statement, based on impairment test results, led to an impairment loss equal to the total balance of 227,062 thousand Euro, already booked in the half year report as of 30 June 2019 based on a five-year first financial projection for the period 2019 – 2023 (First Financial Projections), approved by the Board of Directors on 30 July 2019. In the elaboration of these assumptions and projections, management has used its best estimates based on available information at that time about the most recent developments concerning the Group's brand portfolio, market context and competitive landscape.
    On 10 December 2019 the Board of Directors approved a new Group Business Plan 2020-2024, which was communicated to the market on 11 December 2019. The assumptions and the overall outcome of the new business plan were substantially similar to the "First Financial Projections".
    Following the approval of the new business plan, despite the write-off of the total amount of goodwill as of 30 June 2019, management performed a new impairment test as of 31 December 2019 to test the Group's net invested capital for possible impairment losses.
    Furthermore, as disclosed in the Notes to the Consolidated Financial Statements, following the divestiture of the Retail business by July 2019, and the Group Business Plan 2020-2024 publication, Safilo has decided to update its cash generating unit model, from the previous 5-CGU structure into a new one single CGU structure. Management has conducted the impairment test under this new structure which did not highlight any further impairment needed.
    In the Notes to the Consolidated Financial Statements, note 4.8, has been widely described objectives and strategies of the Group Business Plan 2020-2024, the complex evaluation process, as well as the assumptions on which the impairment test is based. The value of the Company that can be deduced from the Stock Market's prices is still lower than the evaluation of the Equity Value for the impairment test, obtained with the application of the DCF (Discounted Cash Flow) method, however, as commented in the Notes to the Consolidated Financial Statements, the Board of Directors considers that the assumptions included into the Business Plan approved for the impairment test are reasonable, also taking into account all the other elements considered in the test's execution.
24. The Board also took note about the topics described in the "Key Audit Matters" paragraph included in the report of Independent Auditor.
25. <u>Consolidated Non-Financial Information Statement</u>: the Board verified the compliance with the provisions pursuant to the Legislative Decree 30 December 2016 no.254, regarding the consolidated non-financial information statement of Safilo Group S.p.A. and its subsidiaries (hereinafter NFD). The Board of Statutory Auditors finds that the Company has prepared, in its capacity as Parent Company and following the provisions of the Legislative Decree 30 December 2016 no. 254

("Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups" – hereinafter "Decree"), the 2019 Consolidated Non-Financial Information Statement of the Safilo Group, as required by Articles 3 and 4 of the Decree and by the "Global Reporting Initiative Sustainability Reporting Standards" (hereinafter "GRI Standards"), defined in 2016 by the GRI - Global Reporting Initiative – adopted by the directors as reporting standards. The Board of Statutory Auditors supervised about the compliance with the provisions established by the Decree in the preparation of the NFD, verifying that it allows the understanding of the business, its performance, its results and its impacts produced, and that reports about the relevant topics such as environmental, social, people, respect of human rights and anticorruption, taking into account the business and characteristics of the Company, in compliance with the provisions of the Article 3 of the Decree. The Board of Statutory Auditors also noted that, pursuant to the Article 3 paragraph 10, the company Deloitte & Touche S.p.A., in charge of auditing the Group's financial statements, issued on 18 March 2020 a specific Report on the Consolidated Non-Financial Information Statement, attesting the compliance of the information provided in this Document with Articles 3 and 4 of the Decree and the GRI Standards.
26. The Board confirms that no omissions, irregularities or wrongful actions emerged from our supervisory activities that would need to be reported to the Supervisory Bodies or Shareholders.

To conclude, the Board expresses its approval, to the extent of its responsibilities, of the 2019 financial statements as presented by the Board of Directors in the Management Report, and of Directors' proposal to carry forward the loss of the period.

Padua, 24 March 2020

THE BOARD OF STATUTORY AUDITORS

Signed by

Carmen Pezzuto	Chairman
Franco Corgnati	Regular auditor
Bettina Solimando	Regular auditor

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Safilo Group S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

Impairment of the equity investment in Safilo S.p.A.	
Description of the key audit matter	As disclosed in Note 4.6, the assets as of 31 December 2019 of Safilo Group S.p.A. include for Euro 437 million the equity investment in Safilo S.p.A. In order to confirm the evaluation of the equity investment as December 31, 2019, the Directors have submitted the equity investment to impairment test. Since Safilo S.p.A. is the operating company of the Safilo Group, the impairment test has been derived from the one performed for the purposes of evaluating the goodwill recognized in the consolidated financial statements, and as a consequence it is based on the business plan for the 5 years' period 2020 -2024 approved by the Board of Directors on 10 December 2019. In the Note, the Directors disclosed that the impairment test has been influenced by the turnaround moment concerning Safilo Group and, as a consequence, the below mentioned assumptions take into consideration the possible uncertainties in achieving the objectives. In addition, the process of performing the impairment test is complex and is based on assumptions related, among others, to the expectations in term of cash flows for each CGU, the determination of appropriate discount rates (WACC) and long-term growth (g-rate). Those estimates depend on factors which may change in time, with possible effects which may be significant on Management's assessment. We considered the relevance of the value of the investment, which represents about 93% of the Company's assets as of 31 December 2019, we considered the subjectivity of the estimates underlying the determination of the key variables of the impairment test; we also took into account the negative results obtained by the Group in the last two years and the evolution of the business environment and corporate governance. As a result we assessed that the impairment of the equity investment in Safilo S.p.A. represents a key audit matter for the audit of Safilo Group's financial statements.
Audit procedures	We preliminarily analyzed the methodology and assumptions used by Management to perform the impairment test. We performed the following audit procedures, supported by the experts belonging to our network: • detection and understanding of the relevant controls designed by Safilo Group in the process of performing the impairment test; • analysis of the reasonableness of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data with reference to the trend of sales and marginality, and obtaining information from Management; • analysis of the actual results obtained compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process; • analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate); • test of the accuracy of the determination of the carrying value and

comparison with the recoverable value resulting from the impairment test;
- analysis of the alternative scenarios prepared by Management and of the related sensitivity analysis.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Safilo Group S.p.A. as at 31 December 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Safilo Group S.p.A. as at 31 December 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

Deloitte.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Safilo Group S.p.A. as at 31 December 2019 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padova, Italy
March 18, 2020

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

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