



SEE THE WORLD AT ITS BEST

ANNUAL REPORT 2023

SAFILO GROUP S.p.A.

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GROUP PROFILE

Established in 1934 in Italy's Veneto region, Safilo Group is one of the eyewear industry's key players in the design, manufacturing and distribution of optical frames, sunglasses, sports eyewear, goggles and helmets. The Group designs and manufactures its collections by blending stylistic, technical and industrial innovation with quality and skilful craftsmanship. Research and development and design have always been the Group's cornerstones: thanks to its constant experimentation with new materials and shapes, and to its specific skills and savoir-faire, Safilo sets the latest eyewear fashion trends worldwide and plays a key role in the global eyewear industry.

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

Distribution takes place through sales to multiple channels, including opticians, retail chains, specialist shops and a fast growing direct to consumer (D2C) platform.

With an extensive global presence, Safilo's business model enables it to monitor its entire production and distribution chain, from research and development in five prestigious design studios, located in Padua, Milan, New York, Hong Kong and Portland, to its company-owned production facilities and network of qualified manufacturing partners, to planning, programming and purchasing, quality control, marketing and communications, Safilo ensures that every product offers the perfect fit and meets the highest quality standards.

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 Group.

The key factors of success which provide Safilo with a distinctive identity in the world's eyewear industry are represented by its diverse brand portfolio with strong brands in all relevant market segments, its excellence in design, innovation and quality of its products, its coverage of the marketplace by way of a worldwide sales, distribution and customer service network, and the diverse nature of its offer in terms of clientele and target markets.

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. 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 Safilo acquired a business unit of Carrera GmbH, a specialised manufacturer of sports eyewear. The acquisition in the same year of the American company Smith Sport Optics Inc. added a range of sports goggles to the Group collections.

Delisting and leveraged buy-out (2001 -2002)

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

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

In 2005 Safilo Group was back on the Stock Exchange

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

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

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

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

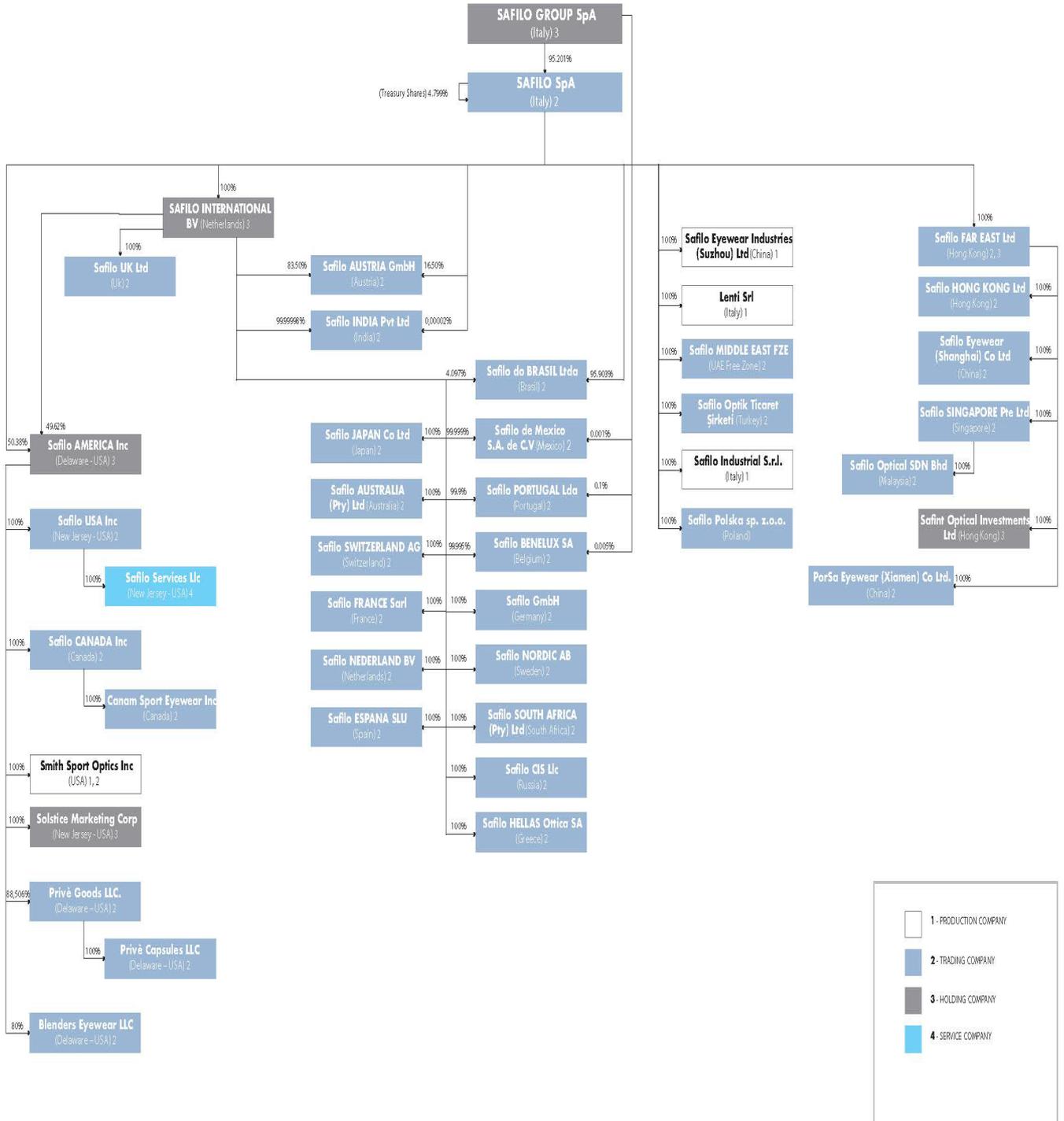
The acquisition of the Polaroid Eyewear business

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

The acquisition of the Privé Revaux business and of the digital e-commerce Blenders Eyewear business

On 10 February 2020, the Group completed the acquisition of the 61,34% stake in the Miami based Company Privé Goods LLC. Privé Revaux was built on a shared passion for style and quality with the goal of disrupting the eyewear industry and making premium, quality eyewear products accessible to everyone. On 1 June 2020, the Group completed the acquisition of the 70% stake in the California company Blenders Eyewear LLC. Blenders Eyewear has an advanced e-commerce platform with unique direct-to-consumer skills, that will foster and accelerate the Group's e-commerce and omni-channel strategy.

GROUP STRUCTURE



CRITICAL FACTORS FOR THE GROUP'S SUCCESS

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

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

- design excellence, innovation and product quality: the Group's products are highly appreciated by eyewear resellers and by the consumer due to their superior quality and their innovation in both materials and design. The Group sees quality to be key to success in the market and in effectively managing its brand portfolio;
- a prestigious brand portfolio across market segments: the Group manages a portfolio of brand names focusing on long-term brand partnerships;
- 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. With an extensive wholly owned network of subsidiaries in 40 countries and more than 50 distribution partners in 70 countries, Safilo's well-established traditional wholesale distribution model is able to reach approximately 100,000 selected points of sale all over the world. 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

Research and development mainly focuses on two types of activities:

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

- 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 its factories in Italy, China and the USA

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

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

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

In order to ensure the quality of raw materials, semi-finished and finished goods, the Group carefully selects suppliers and evaluates them on an ongoing basis

based on their delivery times and their ability to ensure certain quality standards, as well as on their available production capacity and cost competitiveness.

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

Manufacturing and quality control

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

Quality

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

Quality for Safilo Group has always taken an approach which goes beyond the very “tangible” aspect and beyond the objective compliance of the product, through the increasingly intensive interpretation of the “perceived” aspect as a key element for the customer’s absolute satisfaction.

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

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

The respect of any international regulation is considered a “given”. Safilo Group leverages quality as a competitive lever by constantly challenging the “status quo” in terms of performance, durability, reliability and perceived quality. This is true both for products manufactured in-house and those created at suppliers, whether they supply components, semi-finished goods or finished products.

Safilo’s Quality System is ISO 9001:2015 certified, the last certification renewal was issued in December 2021 and is valid until December 2024.

Marketing and Communication

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

Marketing and Communication campaigns to support Safilo’s brand portfolio are one of the key factors to the Group’s success.

The main objectives of the Group marketing strategies include:

- ensuring the right positioning of all brands in portfolio by deeply understanding each brand’s unique DNA and bringing that to life through communication campaigns with unexpected creativity and clear

objectives of awareness, consideration and conversion to cover the different consumer targets;

- ensuring the development of Safilo's proprietary brands, through an effective marketing-mix and appropriate investments in product, communication and trade marketing activities through its proprietary direct-to-consumer e-commerce platforms;
- to communicate the distinctive brand equity of each brand in terms of design and product technology in the different categories (prescription glasses, sunglasses, sports products).

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

The Group develops specific marketing plans for each brand in its portfolio, adopting different strategies and actions in order to ensure the best positioning for each one. For licensed brands, the Group works in close synergy with its licensors.

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

Consumer-oriented activities account for the major part of the Group's marketing and advertising investment, and the main outlets are digital and social media, out of home, influencer marketing, sponsorships, and public relations with journalists and opinion leaders in the fashion, entertainment and sports industries. Digital marketing has become an increasingly important communication tool and will continue to be so thanks to its enhanced targeting capabilities, also in consideration of the changing media consumption habits of our consumers.

Trade marketing actions focus on the main chains' and customers' points of sale and are of fundamental importance to guide the final customer's choice and to build up customer loyalty. To this purpose, Safilo recently launched its new B2B platform "You & Safilo" dedicated to opticians. Furthermore, Safilo developed specific trade and communication initiatives to support online customers and internet pure players.

Corporate communication

The main objective of Safilo's corporate communication is to develop communication plans to build and strengthen the Group's identity and reputation for increased visibility among Safilo's internal and external stakeholders.

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

Sales and Distribution

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

Safilo Group sells its products with an extensive subsidiary network in around 40 countries in North and Latin America, Europe, Middle East and Africa, Asia Pacific and China and a network of more than 50 independent distribution partners

covering the other countries. Safilo reaches nearly 100,000 points of sale all over the world including opticians, optometrists, ophthalmologists, distribution chains, department stores, specialised retailers, licensors' own stores, duty free shops and sports shops.

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

The distribution network

Safilo's distribution network is present in 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 26 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 Group covers 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. The Group covers the USA and Canada, headquartered in New Jersey, USA. Marketing and distribution in the USA is implemented through the following four main distribution channels: (i) opticians, ophthalmologists and optometrists; (ii) department stores and chains; (iii) sports stores and (iv) a fast growing D2C platform for some specific brands.

REST OF WORLD

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

The Group's own and licensed brands

The proprietary portfolio includes both Safilo and licensed brands

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

With more than 30 brands, Safilo's portfolio covers all consumer segments: from Fashion Luxury –with Boss, Carolina Herrera, Isabel Marant, Missoni, PORTS, Moschino and Etro – to Lifestyle – with Carrera, Dsquared2, Eyewear by David Beckham, Marc Jacobs, Levi's, Tommy Hilfiger, Tommy Jeans, Kate Spade New York, Banana Republic, Fossil, HUGO, Juicy Couture, Liz Claiborne, Love Moschino, M Missoni, Pierre Cardin, rag&bone and Stuart Weitzman – and Sports & Outdoor – with Smith and Under Armour – to the fast-growing Mass Cool segment – with Blenders, havaianas, Polaroid, Privé Revaux and Seventh Street.

New Licensing agreements and early renewals for the Group

In 2023 the Group added new strategic licensing agreements and confirmed key partnerships with brands already in portfolio. During 2023, Safilo announced the following new license agreements and anticipated renewals.

In term of new licenses the Group signed the following two agreements:

- in June a global and exclusive licensing agreement for the design, manufacturing, and distribution of Etro Italian luxury brand with a historical heritage of excellence and quality. The first collection, both sunglasses and optical, will be presented for the Spring-Summer 2024 season;
- in September a new agreement for the design, manufacturing and distribution of Stuart Weitzman branded sunglasses and optical eyewear collections. The first eyewear collection, which includes both sunglasses and optical, will be presented in North America for the Fall/Winter 2024 season.

In term of anticipated renewals the Group signed the following five agreements:

- In June there were two early renewals one related to Kate Spade New York eyewear licensing agreement for the exclusive design, manufacturing and distribution of optical frames, readers and sunglasses for women as well as optical frames for girls and the second one related to the global licensing agreement with Tommy Hilfiger for the design, manufacturing and distribution of sunglasses and optical eyewear collections;
- in July there were two other early renewals one related to the global eyewear licensing agreement that include design, manufacturing and distribution of Fossil optical frames and sunglasses for men and women and the second one related to the licensing agreement for the design,

manufacturing and distribution of havaianas branded optical frames and sunglasses;

- in September there was the renewal of a global licensing agreement for the design, manufacturing and distribution of Juicy Couture branded optical frames and sunglasses for women and optical frames for girls and teens.

Today, the Group's brand portfolio counts more than 30 brands (own and licensed brands).

Own Core Brands

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



Synonymous with pioneering design and outstanding quality Carrera is a statement brand since 1956 for people who live by their own rules, continuously defying themselves and proudly approaching life standing out from the crowd. Carrera Collection is composed by three main product families: CARRERA FLAG, the boldest expression of Carrera inspired by the archives with an eye on fashion and always one step ahead, CARRERA SIGNATURE, the brand's evolution combining classic shapes with a dash of urban lifestyle and CARRERA ACTIVE, a line that reinterprets the brand's roots in sports with a streetstyle attitude.



Polaroid Eyewear is a worldwide leader in eyecare and optics and a pioneering international eyewear brand that owes its name to the invention that changed the world of technology and optics: polarized lenses. Polaroid, since it was established by Edwin Land in 1937, has strengthened its reputation as a leading brand in polarized lenses. Today, Polaroid produces and distributes its polarized sunglasses, optical frames, clip-ons and suncovers™ worldwide through its owner subsidiaries and its network of exclusive distributors.



Seventh Street is an optical specialist brand. Its collection offers a wide range of easy-to-wear, well designed frames with high value for money and optimal comfort and fit, guaranteed by Safilo's quality and know-how. Its offer is varied and complete in terms of materials, shapes, constructions, colors and sizes and is designed for men, women and teenagers looking for a functional and qualitative but also good-looking frame.



Originating from Sun Valley, Idaho, Smith was founded in 1965 with the invention of the first snow goggle featuring a sealed thermal lens and breathable vent foam. With more than 50 years of innovation and design experience, Smith is widely known today as an industry leader that pioneers advanced eyewear and helmets that incorporate dynamic technologies, optimized performance and clean styling to fuel fun beyond walls. Smith seeks to power thrilling experiences in snow, surf, bike, fish and peak performance outdoor adventures with a

comprehensive collection that exudes modern style and vibrant personality. To Smith, the experience is everything.



Blenders Eyewear was founded in 2012 by Chase Fisher in San Diego. Blenders produces a wide range of men's and women's sunglasses, blue light glasses and snow goggles. Driven by a company-wide motto of "life in forward motion," its products are predicated upon a bold aesthetic that emphasizes progressive colorways aimed at an active lifestyle demographic. Now a talented team of spunky and spirited designers, photographers, and communicators, Blenders is one of America's fastest-growing eyewear brands.



Privé Revaux Eyewear was built on a shared passion for style and quality with the goal of making it accessible in ways never seen until now. Serial entrepreneur David Schottenstein took aim at disrupting the eyewear market, and he enlisted an elite team around him to ensure the brand's success. With the help of celebrity visionaries Jamie Foxx, Hailee Steinfeld, Ashley Benson and Jeremy Piven, as well as VP of Celebrity Relations Dave Osokow and Creative Directors Rob Zangardi and Mariel Haenn, they've done just that. Privé Revaux is the only company to deliver the unique combination of celebrity-inspired style and durability at an unprecedented price point, giving people freedom of expression through hundreds of design options. They're a one-stop-shop for all eyewear needs, from sunglasses to corrective lenses to accessories.

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

Licensed brands

A very prestigious brand portfolio

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



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

BANANA REPUBLIC

Banana Republic. Modern, covetable style for professional men and women. Dedicated to helping customers achieve professionally and personally, Banana Republic offers versatile work wear that can be styled for any occasion – from desk to dinner. Collections include clothing, accessories and eyewear designs at accessible prices. Banana Republic inspires living everyday life with style. The eyewear collection offers optical frames and sunglasses for women and men, a modern and fresh style with a noticeable quality and characteristic details. Eyewear designs are trend right and effortlessly stylish at an accessible price point.

BOSS

BOSS. BOSS is for those who lead a self-determined life with style, passion, and purpose. The collections offer dynamic, modern designs to form a complete wardrobe for the inspirational BOSS of today.

CAROLINA HERRERA

Carolina Herrera. Carolina Herrera is well known in the world of fashion for luxury and sophistication founded on elegance and modernity. Since starting

in New York in 1981, thanks to a global approach, Herrera has generated an international following and experienced many memorable moments in the world of fashion, dressing incredible women worldwide: royalty, first ladies, global celebrities, award-winning actresses. For over 40 years, continually exceeding the limits of style with her mixture of modern and classic, she has demonstrated that sensuality and femininity are the perfect combination, along with a contemporary touch.



EYEWEAR by DAVID BECKHAM

David Beckham. David Beckham, global icon recognized for his style, curates Eyewear by David Beckham, a collection of timeless frames made from the very finest materials, combining an effortless, British style and attitude with a vintage spirit. His exacting taste and eye for detail have brought together an exceptional contemporary aesthetic with traditional craftsmanship. The brand reflects David's vision, with a constant dedication to design and utmost quality. "My own style journey has taught me the power of simplicity and the importance of detail and craftsmanship." – David Beckham

DSQUARED2

DSQUARED2. Individual, daring and creative, Dsquared2's approach to fashion is a distinct mix of heritage Canadian iconography, modern Italian tailoring and playful sensuality. Founded by brothers Dean and Dan Caten in 1995, the brand's collections are a seamless melding of contrasts: sporty and glamorous, laidback and extravagant, and masculine and feminine. The Dsquared2 ready to wear collections are produced in Italy, giving rise to the brand's motto of "Born in Canada, Made in Italy".



Etro. Founded in 1968 in Milan by Gerolamo Etro, today Etro is a lifestyle luxury brand whose heritage of excellence and quality is reflected in a complete and transversal range of Ready-to-Wear men and women, Accessories, Home, Fragrance and Etro Kids, announced in May 2023. Etro is a luxury brand that owns a rich history in reinterpreting beauty standards and it is recognized for its iconic patterns.

FOSSIL
EST. USA

Fossil. Fossil takes inspiration from the typical mid-1920's design, combining it with the desires of the modern customer. This "modern vintage" philosophy hints at classical, but at the same time contemporary, aesthetics. The collection targets customers who are searching for trendy glasses with neat and colored shapes. Sunglasses are young, sporty and easy to wear, with polarized lenses and flexible hinges. On the other hand, prescription frames offer a wide range of styles, both for men and women, in materials such as metal and acetate.

havaianas®

havaianas. Havaianas has been spreading the Brazilian spirit all around the world since 1962, with its iconic rubber sole and infamous bright and joyful, summer-infused designs. The brand is now sold in over 100 countries worldwide with over 400 new models and designs each year, and continues to be made in its birthplace Brazil. Today, the 'original' flip-flop brand is known globally for comfort, Brazilian summer, freedom and its exciting partnerships.

HUGO

HUGO. The HUGO collection is created for the rule-breakers who go their own way, offering contemporary pieces like denim, jersey, dresses, and outerwear, with individuality and attitude.

**ISABEL
MARANT**

Isabel Marant. More than twenty-five years after the brand's creation, its fundamentals are still the same: Isabel Marant remains the most unruly of the great French fashion houses. In the lockstep world of Parisian fashion, this designer stands out as a veritable troublemaker. With a love for materials that live and travel, she draws inspiration from across the world to irreverently refresh urban clothing. While some dream of iconic women in glossy magazines, Isabel dresses women for their real lives – walking down the street or zipping off on a scooter. Not a single item leaves her workshop without first being tried on. A happy mixture of unbridled creativity, selfless seduction and a tireless pursuit of pleasure, Isabel Marant's Maison is an ode to the sublime chaos of life. Know-how driven, Isabel has always promoted handmade work.

Juicy Couture®

Juicy Couture. From the streets of New York, London and Seoul to the beaches of Malibu, the Juicy girl celebrates life and lives every day with a touch of irreverence. Her bold spirit, coveted style and vibrant attitude brings a shine to the world. Embracing its Los Angeles heritage, Juicy discovers the couture in the every day, and delivers an element of surprise in all its designs from the iconic track athleisure apparel, fragrance, accessories, footwear and of course on trend optical and sun eyewear for women, teens and girls.


kate spade
NEW YORK

kate Spade New York. Founded in New York in 1993, Kate Spade is a brand that is strongly rooted in optimistic femininity, joy, and style. Kate Spade appeals to empowered women across generations and time zones who want to live their lives to the fullest. The eyewear collection reflects these values through the use of playful colors, prints, and patterns which are applied to easily wearable modern shapes and beautiful styles. Signature branding is thoughtfully integrated throughout all designs for a delightful surprise.


Levi's®

LEVI'S® The Levi's® brand epitomizes classic American style and effortless cool. Since their invention by Levi Strauss & Co. in 1873, Levi's jeans have become one of the most recognizable garments of clothing in the world—capturing the imagination and loyalty of people for generations. Today, the Levi's brand portfolio continues to evolve through a relentless pioneering and innovative spirit that is unparalleled in the apparel industry. Their range of leading jeanswear and accessories are available in more than 110 countries. Designed with the fashion forward consumer in mind, Levi's® eyewear is a perfect lifestyle complement to apparel, allowing consumers to express their authentic self.

LIZ CLAIBORNE

Liz Claiborne. Liz Claiborne was founded on a big aspiration to make fashion accessible to all. The brand is the original style authority for strong, spirited women at work and in life. The Liz Claiborne woman is modern, vivacious, strong, graceful, and she truly aspires to be a better version of herself. She loves clothes but doesn't have the time or inclination to chase fashion. The eyewear collection offers optical frames and sunglasses that are classic and

functional with feminine details, color and a signature sense of style. Affordable quality, effortless style and versatility.

MARC JACOBS

Marc Jacobs. For over 30 years, Marc Jacobs has invigorated the fashion world by challenging convention and creating things we love to wear. The brand continues its legacy as rebellious, irreverent, and original while maintaining a distinct authenticity that's rooted in the philosophy of merging the everyday and the extraordinary. Explore the world of Marc Jacobs today.

MISSONI

Missoni. Tied to the aesthetic innovation and technical invention that have always changed the identity of knitwear, Missoni is one of the best known, loved and recognized fashion and design brands in the world. Missoni style is the result of a partnership between two people. In 1953 Ottavio and Rosita decided to set up a knitwear business and were soon at the cutting edge of Italian fashion. Missoni inaugurated and affirmed an unmistakable way of dressing and living: with a colourful "put-together" of zigzag motifs, stripes, waves and slub yarns in a patchwork of geometric and floral jacquard. Under the creative direction of Angela Missoni since 1997, Missoni is now one of the best representatives of Italian fashion and design excellence around the world and continues to influence the contemporary lifestyle with its pioneering multi-coloured aesthetic vision.



M Missoni. Margherita Maccapani Missoni, scion of the knitwear dynasty and creative director of the M Missoni brand since 2018, looked deep into the family company's archives to deliver a distinctive, contemporary line up, refreshed through its signature colourful graphic designs. The M Missoni mission is to remix, re-use and respect, taking the codes of something special and iconic and playing with it to create a new aesthetic. Margherita has taken the hidden gems, the forgotten stories, the unsung lyrics, the scraps from the cutting room floor and rewoven them into a new story. M Missoni presents an alternative voice in the Missoni world. A voice for the free spirited, a voice for the irreverent, a voice for the playful. It takes the Missoni codes and fabrics and repurposes them. Scarves become dresses, home fabrics become coats, vintage logos become new badges of honour.

MOSCHINO
LOVE
MOSCHINO

Moschino and Love Moschino. Italian luxury brand Moschino was founded in 1983 by Franco Moschino and rose to the forefront of the international fashion scene through his ironic, tongue-in-cheek designs. In 2013, Jeremy Scott was appointed Creative Director and the brand hit a new high with his unexpected original designs that paid homage to Franco Moschino's original concepts but were infused with Scott's unique vision and sartorial wit. The sexy, surprising, and at times irreverent style, typical of Jeremy Scott's genius characterizes all its high-quality and premium garments and accessories.

pierre cardin
paris

Pierre Cardin. "The clothing I prefer is the one I create for a life that does not yet exist, the world of tomorrow." Pierre Cardin has been not only a stylist, but one of the greatest visionaries of the history: a designer, a man of art, a diplomat, a businessman. Established in 1950, Pierre Cardin's world is made

from multiple things, it is protean as well as avant-gardist. Fashion, accessories, jewellery, fragrances, furniture, theatre costumes, tableware, and even Maxim's restaurants. Geometric shapes related to the blending of traditional and new synthetic fabrics to create unique and inimitable lines, recognized all around the world. Each of his collections is an evidence of a fierce appetite for experimentation.

PORTS
EYEWEAR

PORTS. PORTS was founded in Toronto, Canada in 1961 by visionary entrepreneur, Luke Tanabe. One of the first to adopt the revolutionary jet set lifestyle, PORTS appealed to those who understood it was possible to travel, dream and work all at once: breakfast in the Sahara then dinner in New York. With this inner essence of "Global Soul, Urban Spirit," PORTS soon became synonymous with cutting-edge fashion, design excellence and a free nomadic spirit. In 1993, PORTS and became the first high-end fashion brand to land in China. With its international image, PORTS rapidly become the first choice for many elite women in China. In 1999, PORTS also introduced the eyewear category: the simple and elegant eyewear collections are widely renowned and respected in the Chinese fashion glasses industry.

rag & bone
NEW YORK

rag&bone. Established in 2002, rag & bone was born out of a desire to create masterfully constructed clothing. Rooted in British heritage and imbued with a New York edge, the brand is known for innovative yet wearable clothing that redefines effortless, urban style. Quality guaranteed rag & bone is dedicated to craftsmanship, innovation, and timeless style. Each collection is designed in New York and produced by some of the oldest and most supremely skilled manufacturers around the world. Since the brand's inception, the focus has been, and always remains, on creating the highest quality goods. British, Americana, Military, Sport. These are the four major codes of our brand. As constants throughout all of our collections, rag & bone will contrast and explore these motivations as we build a brand language recognized and respected by our customers and the marketplace.

STUART WEITZMAN

Stuart Weitzman. Since 1986, Stuart Weitzman has been inspired by women who are confident, sexy, bold — and, above all, strong. The New York City-based global luxury footwear brand combines its artisanal Spanish craftsmanship and its precisely engineered fit to create shoes that empower every woman to stand strong. Stuart Weitzman is part of the Tapestry portfolio — a global house of brands committed to stretching what's possible. Stuart Weitzman is known for creating stylish, comfortable, high-quality shoes that inspire confidence and just like footwear, eyewear is an emotional, everyday accessory. Its goal is to infuse our signature values into eyewear and create accessories that help our consumers look and feel their best.

TOMMY HILFIGER

TOMMY
JEANS

Tommy Hilfiger. With a brand portfolio that includes TOMMY HILFIGER and TOMMY JEANS, Tommy Hilfiger is one of the world's most recognized premium designer lifestyle groups. Its focus is designing and marketing high-quality men's tailored clothing and sportswear, women's collection apparel and sportswear, kidswear, denim collections, underwear (including robes, sleepwear and loungewear), footwear and

accessories. Through select licensees, Tommy Hilfiger offers complementary lifestyle products such as eyewear, watches, fragrance, swimwear, socks, small leather goods, home goods and luggage. The TOMMY JEANS product line consists of jeanswear and footwear for men and women, accessories, and fragrance. Merchandise under the TOMMY HILFIGER and TOMMY JEANS brands is available to consumers worldwide through an extensive network of TOMMY HILFIGER and TOMMY JEANS retail stores, leading specialty and department stores, select online retailers, and at tommy.com.

 **UNDER ARMOUR**

Under Armour. Under Armour, Inc., headquartered in Baltimore, Maryland and founded in 1996, is a leading inventor, marketer and distributor of branded athletic performance apparel, footwear and accessories. Powered by one of the world's largest digitally connected fitness and wellness communities, Under Armour's innovative products and experiences are designed to help advance human performance, making all athletes better. Under Armour's vision is to inspire you with performance solutions you never knew you needed and can't imagine living without. Under Armour is about energy and passion. An obsession with being better, stronger, and more focused on your goals than anyone else out there. It's about an athlete's relentless will to succeed. Under Armour has a star-studded lineup of sponsored brand ambassadors including Dwayne "The Rock" Johnson, Steph Curry, Tom Brady, Bryce Harper and Jordan Spieth.



**REPORT ON OPERATIONS
AND
CONSOLIDATED FINANCIAL STATEMENTS**

AS OF 31 DECEMBER 2023

BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

Board of Directors ⁽¹⁾

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

Board of Statutory Auditors ⁽²⁾

<i>Chairman</i>	Maria Francesca Talamonti
<i>Standing Statutory Auditor</i>	Roberto Padova
<i>Standing Statutory Auditor</i>	Bettina Solimando
<i>Alternate Statutory Auditor</i>	Tina Marcella Amata
<i>Alternate Statutory Auditor</i>	Marco Michielon

Supervisory Committee ⁽³⁾

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

Control and Risk Committee ⁽³⁾

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

Sustainability Committee ⁽³⁾

<i>Chairman</i>	Eugenio Razelli
	Angelo Trocchia
	Katia Buja
	Vladimiro Baldin
	Andrea Grassin ⁽⁵⁾
	Marco Cella
	Alberto Macciani

Remuneration and Nomination Committee ⁽³⁾

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

Transactions with Related Parties Committee ⁽³⁾

<i>Chairman</i>	Ines Mazzilli
	Matthieu Brisset
	Cinzia Morelli Verhoog

Independent Auditors ⁽⁴⁾

PricewaterhouseCoopers S.p.A.

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

(2) Appointed by the Shareholders' Meeting held on April 27, 2023.

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

(4) Appointed by the Shareholders' Meeting held on April 27, 2023 for the financial years from 2023 to 2031.

(5) Appointed by the Board of Directors' Meeting held on December 13, 2023.

CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

in a complex year like 2023, in which a tense and unstable geopolitical and macroeconomic environment added to our direct challenges, it was particularly important for us to achieve a level of revenue very close to the strong performance recorded in 2022, when growth, compared to pre-pandemic 2019, was +12%.

North America, continued to be affected by the prudent attitude of the main eyewear distribution channels and by an unfavourable sun season, while in Europe, the incredible job of our teams allowed us to overcome the decline of the business in the former GrandVision chains further demonstrating the resilience of our Group and the value of a strategy that sees our customers as the focus of the entire company.

In 2023 we had to take another look at our industrial footprint in light of a brand portfolio that was no longer aligned with the know-how present in the historic Longarone plant. The project was complex, but we managed to reach the conditions for the best possible outcome, with the disposal of the plant and the full employment of all the workers, also allowing for the preservation of the sector's existing know-how.

In the year we achieved a long series of early renewals which involved both the core brands, from Kate Spade and Tommy Hilfiger, to the early renewal of BOSS and HUGO in January this year, and many other important partnerships. We also signed two new agreements, with Etro and Stuart Weitzman, adding to what is today a rich and complementary license portfolio, with unprecedented visibility, of around 6 years.

This was a very important achievement for us, which sits alongside the solid and long-lasting growth of our home brands, an almost unique portfolio in the industry, which, in 2023, at approximately 44% of our sales, progressed on our mid-term target of reaching over 50% by 2027.

From an economic standpoint, our performance was characterized by the significant improvement of the adjusted gross margin, close to the Group's historical highs, which we decided to reinvest in those projects instrumental to the growth of the company in the long term. Notwithstanding the inflationary pressures and an unfavourable operating leverage, we progressed with the investments envisaged in our business plan, closing the year with an adjusted EBITDA margin not far from the 2022 level, the best in the last seven years. The adjusted net profit, on the other hand, contracted mainly due to the revaluation of the options on minority interests.

The past year was above all one in which we returned to a positive cash generation, the first after many years.

In 2023, our sustainability strategy also reached another accomplishment through the presentation of our medium-term objectives, an official commitment also for our scope 1, 2 and 3 greenhouse gas reduction targets, which we decided to validate with the Science Based Target initiative, receiving a positive response this February.

We look to 2024, We look to the year with confidence, hoping that both our challenges and the opportunities arising from the continuous growth of our portfolio of home brands and core licenses will find their place in a more stable international scenario.

We therefore continue to work, focused on our main objective: the growth and sustainability of our business in the long term.

Angelo Trocchia

Chief Executive Officer

SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

Economic data (Euro million)	2023		2022	
		%		%
Net sales	1,024.7	100.0	1,076.7	100.0
Cost of sales	(439.0)	(42.8)	(479.3)	(44.5)
Gross profit	585.7	57.2	597.4	55.5
Ebitda	62.9	6.1	96.8	9.0
Ebitda pre non-recurring items	92.0	9.0	101.2	9.4
Operating profit	7.7	0.7	48.5	4.5
Operating profit pre non-recurring items	49.6	4.8	53.5	5.0
Group profit/(loss) before taxes	(19.5)	(1.9)	64.1	6.0
Profit/(Loss) attributable to the Group	(24.6)	(2.4)	54.2	5.0
Profit/(Loss) attributable to the Group pre non-recurring items	14.0	1.4	58.3	5.4

Economic data (Euro million)	Fourth quarter 2023		Fourth quarter 2022	
		%		%
Net sales	239.6	100.0	245.4	100.0
Gross profit	134.8	56.2	139.1	56.7
Ebitda	4.9	2.0	13.3	5.4
Ebitda pre non-recurring items	16.5	6.9	15.9	6.5

Balance sheet data (Euro million)	December 31, 2023		December 31, 2022	
		%		%
Total assets	855.5	100.0	960.3	100.0
Total non-current assets	307.8	36.0	361.6	37.7
Net invested capital	478.5	55.9	552.3	57.5
Net working capital	260.0	30.4	292.3	30.4
Net financial position	(82.7)	(9.7)	(113.4)	(11.8)
Net financial position pre IFRS 16	(43.7)	(5.1)	(69.6)	(7.3)
Group Shareholders' equity	379.2	44.3	409.9	42.7

Financial data (Euro million)	2023	2022
Cash flow from operating activities	47.7	9.2
Cash flow from investing activities	(8.6)	(15.7)
Cash flow from financing activities	(40.5)	(16.8)
Closing net financial indebtedness (short-term)	74.9	77.7
Free cash flow	29.1	(16.5)
Capital expenditure	13.3	16.0

Earnings/(Losses) per share (in Euro)	2023	2022
Earnings/(Losses) per share - basic	(0.060)	0.131
Earnings/(Losses) per share - diluted	(0.059)	0.130
Group Shareholders' equity per share	0.917	0.991

Group personnel	December 31, 2023	December 31, 2022
Punctual at period end	3,828	4,442
Average	4,168	4,435

Share and market data (in Euro)	December 31, 2023	December 31, 2022
Share price at the end of the financial year	0.91	1.52
Maximum share price of the financial year	1.63	1.66
Minimum share price of the financial year	0.71	1.14
No. shares in share capital at 31 December	413,745,466	413,687,781
Stock Market value at the end of the financial year	378,163,356	629,632,803

Adjusted performance indicators

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

Adjusted indicators exclude the following non-recurring items:

- in 2023, the adjusted economic results exclude non-recurring costs for Euro 41.9 million at the EBIT (operating profit) level, Euro 29.1 million at the EBITDA level and Euro 16.0 million at the gross profit level, mainly related to the disposal of the Longarone plant, to some other restructuring costs, and in the fourth quarter, also to the termination of activities related to exiting licensed brands and to a partial write-down of some intangible assets related to a previous acquisition;
- in 2022, the adjusted economic results excluded net non-recurring costs for Euro 5.0 million (Euro 4.4 million at the EBITDA level), due to some special projects costs and restructuring expenses, partially offset by the release of a restructuring provision. In fourth quarter 2022, the adjusted EBITDA excluded non-recurring cost for Euro 2.7 million.

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

(Euro million)	2023				2022		
	Gross profit	Ebitda	Operating profit	Profit/(Loss) attributable to the Group	Ebitda	Operating profit	Profit/(Loss) attributable to the Group
Economic indicators	585.7	62.9	7.7	(24.6)	96.8	48.5	54.2
Restructuring costs and other non recurring costs	16.0	29.1	41.9	41.9	4.4	5.0	5.0
Tax effect on non recurring items				(3.2)			(0.9)
Economic indicators pre non recurring items	601.8	92.0	49.6	14.0	101.2	53.5	58.3

[Alternative performance indicators definition](#)

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

- "EBITDA" stands for Earnings Before Interest, Taxes, Depreciation and Amortisation and is also stated before impairment losses to intangible assets such as goodwill;
- "EBIT" stands for Earnings Before Interest and Taxes and is also stated as "Operating profit/(Loss)";
- "Capital expenditure" refers to purchases of tangible and intangible fixed assets;
- "Net invested capital" refers to the sum of shareholders' equity of the Group and minority interests and the "Net financial position" (see below);
- "Free Cash Flow" means the sum of cash flow from/(for) operating activities, the cash flow from/(for) investing activities and the cash payments for the principal portion of IFRS 16 lease liabilities;
- "Net working capital" means the sum of inventories, trade receivables and trade payables;
- "Net financial position" means the sum of bank borrowings, short, medium and long-term borrowings, net of cash held on hand and at bank. This indicator does not include the valuation of derivative financial instruments and the liability for options on non-controlling interests;
- "Financial leverage" is the ratio between "Net financial position" and "EBITDA".

It should be noted that:

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

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

REPORT ON OPERATIONS

GROUP ECONOMIC PERFORMANCE

Consolidated income statement					
(Euro million)	2023	%	2022	%	Change %
Net sales	1,024.7	100.0	1,076.7	100.0	-4.8%
Cost of sales	(439.0)	(42.8)	(479.3)	(44.5)	8.4%
Gross profit	585.7	57.2	597.4	55.5	-2.0%
Selling and marketing expenses	(428.8)	(41.8)	(420.5)	(39.1)	-2.0%
General and administrative expenses	(138.1)	(13.5)	(128.4)	(11.9)	-7.5%
Other operating income/(expenses)	(11.2)	(1.1)	(0.1)	(0.0)	n.s.
Operating profit	7.7	0.7	48.5	4.5	-84.2%
Gains/(losses) on liabilities for options on non-controlling interests	(7.9)	(0.8)	31.2	2.9	-125.3%
Financial charges, net	(19.2)	(1.9)	(15.5)	(1.4)	-23.9%
Profit/(Loss) before taxation	(19.5)	(1.9)	64.1	6.0	-130.3%
Income taxes	(6.6)	(0.6)	(11.8)	(1.1)	43.7%
Net profit/(loss)	(26.1)	(2.5)	52.3	4.9	-149.8%
Net profit/(loss) attributable to minority interests	(1.4)	(0.1)	(1.8)	(0.2)	20.5%
Net profit/(loss) attributable to the Group	(24.6)	(2.4)	54.2	5.0	-145.5%
EBITDA	62.9	6.1	96.8	9.0	-35.1%
Amortization and depreciation	55.2		48.4		
NON RECURRING ITEMS ON EBITDA	(29.1)		(4.4)		

Economic indicators pre non-recurring items					
	2023	%	2022	%	Change %
Gross profit adjusted pre non-recurring items	601.8	58.7	597.6	55.5	0.7%
EBIT adjusted pre non-recurring items	49.6	4.8	53.5	5.0	-7.4%
EBITDA adjusted pre non-recurring items	92.0	9.0	101.2	9.4	-9.1%
Net profit/(loss) attributable to the Group adjusted pre non-recurring items	14.0	1.4	58.3	5.4	-76.0%

Throughout the entire 2023, Safilo's operating performance was characterized by two very distinct dynamics.

On one hand, the significant improvement, in all quarters, of the gross margin, an important result achieved thanks to an effective pricing policy, a more favourable channel mix, the higher efficiency of some procurement activities and to the decline of transport costs which had most impacted the Group in 2022.

On the other, below gross margin, the operating leverage continued to have a negative impact, influenced by higher personnel costs due to salary inflation, as well as by the investments in marketing and IT and digital projects, which management implemented in line with the medium-term Group Business Plan, with the aim of progressively strengthening home brands and the company's IT and digital infrastructure.

2023 closed for Safilo with net sales of Euro 1,024.7 million, down 2.3% at constant exchange rates and 4.8% at current exchange rates compared to Euro 1,076.7 million recorded in 2022.

In the year, organic¹ sales, which represent the most significant indicator of the underlying business performance, recorded a deviation of 1.3%, further approaching the level of revenues recorded in the previous year, despite the headwinds represented by the continuing weakness of the North American market, and the over 60% drop in revenues recorded in the former GrandVision chains. Net of the latter effect, the Group's organic performance was up 1.7%, thanks to the good performance of home brands, in particular Carrera and Polaroid, which grew well for the second consecutive year, and Blenders, back to growth after the post-pandemic sales normalization in online channels. 2023 also continued to highlight Smith's excellent development in the direct-to-consumer (DTC) channel, which allowed the brand to return to growth in the second half of a year which, for the sports sector, was influenced by a business slowdown in physical stores.

The above-described dynamics allowed Safilo to increase both the weight of its home brands portfolio, which came to represent 44% of sales (excluding the business attributable to the production supply contract with Kering Eyewear) from 42% in the previous year, and that of the business in online channels, which rose to 16% of revenue from 15% in 2022.

On the licensed brands front, 2023 further confirmed BOSS and Tommy Hilfiger's collections as key points of reference in the eyewear landscape, while among the most recent partnerships, Carolina Herrera, which joined Safilo's portfolio in 2022, and David Beckham, a brand launched for the very first time in eyewear in 2020 and already one of the Group's core brands, stood out for their double-digit performances.

In 2023, the **Group's operating performance** was significantly impacted by non-recurring costs mainly related to the disposal of the Longarone plant, and, in the fourth quarter, also to the termination of activities related to existing licensed brands and to a partial write-down of some intangible assets related to a previous acquisition. The impact of such costs stood at Euro 16.0 million at the gross profit level, Euro 29.1 and 41.9 million at the EBITDA and EBIT level respectively. The adjusted results exclude non-recurring items.

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

The adjusted gross profit equalled Euro 601.8 million, slightly up, by 0.7% compared to 2022, while the adjusted gross margin improved by 320 basis points, from 55.5% to 58.7%.

Selling, general and administrative expenses increased by 1.7%, with a significant increase of their incidence on sales mainly due to higher personnel cost and to the marketing and IT investments.

The adjusted EBITDA equalled Euro 92.0 million and a margin on sales of 9.0%, down respectively 9.1% and 40 basis points compared to 2022.

The adjusted EBIT equalled Euro 49.6 million and a margin on sales of 4.8%, down respectively 7.4% and 20 basis points compared to 2022.

The Group's adjusted net result, equal to Euro 14.0 million, was down 76.0% compared to 2022, particularly affected by the revaluation, already accounted for in the first half of the year, of the liability for options on the interests in Blenders, in relation to the extension of the second and third tranche of the related put and call options. In the year, the overall impact of the valuations of the liability for options on minority interests amounted to a loss of Euro 7.9 million, which compared with the profit of Euro 31.2 million recorded in 2022. Net financial charges also increased during the year, from Euro 15.5 million to Euro 19.2 million, mainly due to the increase in interest rates.

Consolidated income statement (Euro million)	Fourth quarter 2023	%	Fourth quarter 2022	%	Change %
Net sales	239.6	100.0	245.4	100.0	-2.4%
Gross profit	134.8	56.2	139.1	56.7	-3.1%
EBITDA	4.9	2.0	13.3	5.4	-63.3%

Economic indicators pre non-recurring items	Fourth quarter 2023	%	Fourth quarter 2022	%	Change %
Gross Profit adjusted pre non-recurring items	142.6	59.5	139.2	56.7	2.4%
EBITDA adjusted pre non-recurring items	16.5	6.9	15.9	6.5	3.8%

In fourth quarter 2023, Safilo's net sales stood at Euro 239.6 million, marking the best performance at constant exchange rates of the year, equal to a growth of 2.0% (-2.4% at current exchange rates), while the improvement, also net of sales in the former GrandVision chains, stood at +3.6%.

In fourth quarter 2023, Safilo's **adjusted gross margin** continued to improve year-on-year, going from 56.7% to 59.5%, thanks above all to a particularly favourable

channel mix, due to the excellent progress in the quarter of the direct-to-consumer (DTC) channel. The adjusted gross profit amounted to Euro 142.6 million, up 2.4% compared to fourth quarter 2022.

The adjusted EBITDA was equal to Euro 16.5 million and a margin on sales of 6.9%, up respectively by 3.8% and 40 basis points compared to fourth quarter 2022.

[Net sales by geographical area](#)

(Euro million)	Full year				Change at current forex %	Change at constant forex %
	2023	%	2022	%		
North America	452.9	44.2	497.7	46.2	-9.0%	-6.4%
Europe	411.8	40.2	424.9	39.5	-3.1%	-0.6%
Asia Pacific	59.9	5.8	57.7	5.4	3.9%	9.1%
Rest of the world	100.1	9.8	96.4	8.9	3.8%	3.9%
Total	1,024.7	100.0	1,076.7	100.0	-4.8%	-2.3%

In 2023, sales trends by geographical area were characterized for Safilo by the aforementioned weakness of the North American market, which, after a subdued 2022 closing and a prudent start to the new year by the traditional eyewear channels, highlighted the greatest difficulties during the second and third quarters. To suffer the most were, in particular, the contemporary segment, where the Group's offering is more concentrated, and the sunglass product category, due to a not favourable summer season. During the year, after the significant growth during the pandemic years, Smith's sports business was instead penalized by the continuous destocking by physical stores, especially of products dedicated to the bike segment. In the United States, 2023 saw the growth of DTC sales, both for Blenders, following the success of the exclusive collaboration launched in the last quarter of the year with the American football icon nicknamed "Coach Prime", and for Smith, which today generates in the channel almost 40% of its North American business.

In 2023, Safilo's sales in North America amounted to Euro 452.9 million, down 6.4% at constant exchange rates (-9.0% at current exchange rates) compared to Euro 497.7 million recorded in 2022 (-3.7% at organic level).

In Europe, Safilo almost completely recovered the sharp decline in business in the former GrandVision chains following their integration in EssilorLuxottica's network, thus closing the year substantially stable compared to the strong growth sales of 2022.

In the year, Europe's organic performance, also excluding the GrandVision effect, amounted to a growth of approximately 7%, reflecting the good progress recorded by the main markets of the area, in particular Italy and France, where the Group continued

to strengthen its commercial partnerships through the development of its You&Safilo digital platform.

The year was also characterized by the excellent growth of Turkey, Hungary and Poland, markets in which Safilo has invested in recent years through the creation of direct commercial operations.

In 2023, Safilo's sales in Europe stood at Euro 411.8 million, recording a performance of -0.6% at constant exchange rates and -3.1% at current exchange rates compared to Euro 424.9 million recorded in 2022 (-1.3% at organic level).

In the year, Asia and Pacific and Rest of the World's emerging markets grew to 15.6% of the Group's total turnover, from the 14.3% in the previous year, thanks to the good progress of the business in both regions, in line with the development plans by geographical area envisaged in the Group's medium-term objectives.

In 2023, Safilo's sales in Asia and Pacific reached Euro 59.9 million, up 9.1% at constant exchange rates and 3.9% at current exchange rates, compared to Euro 57.7 million recorded in 2022, while in the Rest of the World the year closed at Euro 100.1 million, up 3.9% at constant exchange rates and 3.8% at current exchange rates, compared to Euro 96.4 million recorded in 2022.

Key drivers of the positive performance were, in particular, BOSS, Ports and Polaroid in China and Hong Kong, and the strong development of Smith in both Australia and Japan, while Carrera and Tommy Hilfiger were the undisputed drivers of the double-digit growth recorded in the year by India and the Middle East.

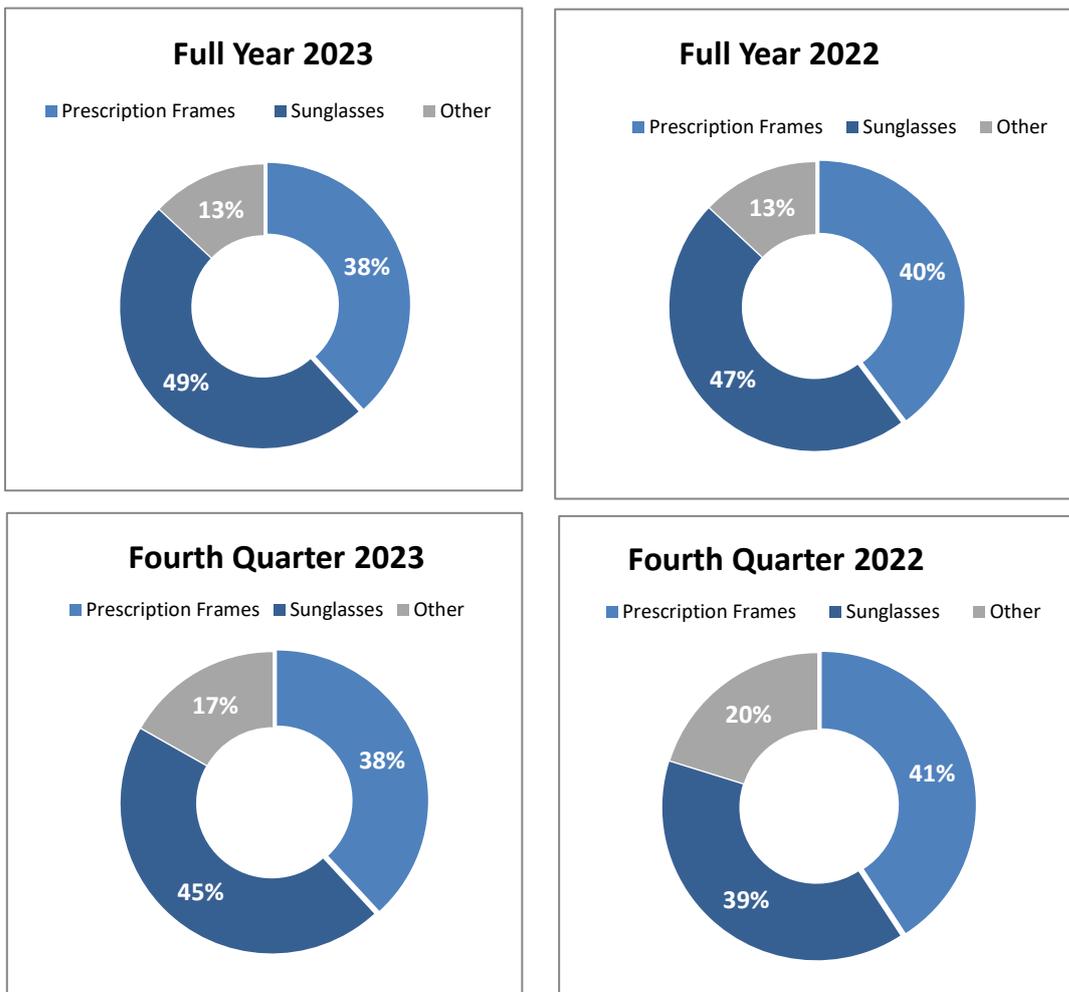
(Euro million)	Fourth quarter				Change at current forex %	Change at constant forex %
	2023	%	2022	%		
North America	111.9	46.7	114.3	46.6	-2.2%	3.0%
Europe	90.7	37.9	92.2	37.6	-1.7%	2.5%
Asia Pacific	16.2	6.8	16.4	6.7	-0.9%	4.5%
Rest of the world	20.8	8.7	22.5	9.2	-7.5%	-6.6%
Total	239.6	100.0	245.4	100.0	-2.4%	2.0%

The fourth quarter was characterized by improved trends in the North American market, where sales stood at Euro 111.9 million, up 3.0% at constant exchange rates (-2.2% at current exchange rates), mainly thanks to the aforementioned growth of Blenders and Smith in their DTC channels. In the traditional channels of independent opticians and chains, the eyewear business was more stable than in the previous quarters of the year thanks to an easier comparison base, while Smith's sales in physical sports shops were affected by a slow start to the winter season.

In Europe, fourth quarter sales, equal to Euro 90.7 million, were back to a positive performance, up 2.5% at constant exchange rates compared to the same quarter of 2022 (-1.7% at current exchange rates), while the progress, net of the business in the former GrandVision chains, accelerated from +1% in third quarter to around +6% in fourth quarter.

On the emerging markets front, in fourth quarter the Group's sales recorded progress again in Asia and Pacific, reaching Euro 16.2 million and a growth of 4.5% at constant exchange rates (-0.9% at current exchange rates), while revenues in the Rest of the World, equal to Euro 20.8 million, recorded a decline of 6.6% at constant exchange rates (-7.5% at current exchange rates), entirely due to a challenging comparison base for the Brazilian market. On the other hand, the main markets in the Middle East continued to grow in the quarter.

The charts below summarize the breakdown of net sales by product category for the full year and for the fourth quarter 2023 compared to the previous year:



CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31 December 2023 compared with those of 31 December 2022:

Balance sheet (Euro million)	December 31, 2023	December 31, 2022	Change
Trade receivables	203.1	214.0	(11.0)
Inventory, net	229.0	259.0	(30.0)
Trade payables	(172.1)	(180.7)	8.6
Net working capital	260.0	292.3	(32.4)
Tangible assets	88.7	109.1	(20.3)
Right of Use assets	34.0	39.0	(5.0)
Intangible assets	108.1	133.0	(24.9)
Goodwill	33.7	34.9	(1.2)
Net assets/(liabilities) held for sale	-	2.3	(2.3)
Net fixed assets	264.5	318.3	(53.8)
Employee benefit liability	(9.7)	(14.0)	4.2
Other assets / (liabilities), net	(15.5)	(24.8)	9.3
Liability for options on non-controlling interests	(20.8)	(19.5)	(1.2)
NET INVESTED CAPITAL	478.5	552.3	(73.8)
Cash in hand and at bank	74.9	77.7	(2.8)
Short term borrowings	(30.3)	(30.0)	(0.3)
Short-term Lease liabilities	(9.6)	(9.1)	(0.6)
Long term borrowings	(88.3)	(117.3)	29.0
Long-term Lease liabilities	(29.4)	(34.7)	5.4
NET FINANCIAL POSITION	(82.7)	(113.4)	30.7
Group Shareholders' equity	(379.2)	(409.9)	30.7
Non-controlling interests	(16.6)	(29.0)	12.4
TOTAL SHAREHOLDERS' EQUITY	(395.8)	(438.9)	43.1

[Net working capital](#) Net working capital at 31 December 2023 amounts to Euro 260.0 million compared with Euro 292.3 million of the previous year.

Net working capital (Euro million)	December 31, 2023	December 31, 2022	Change	Of which	
				Translation exchange difference	Change excluding translation exchange difference
Trade receivables, net	203.1	214.0	(11.0)	(4.6)	(6.3)
Inventories	229.0	259.0	(30.0)	(7.3)	(22.7)
Trade payables	(172.1)	(180.7)	8.6	2.8	5.8
Net working capital	260.0	292.3	(32.4)	(9.1)	(23.2)
<i>% on net sales</i>	<i>25.4%</i>	<i>27.1%</i>			

In the year, the cash flow from operating activities benefitted of cash generation of Euro 23.2 million (excluding the translation difference effect) at the net working capital level.

The key driver of the decrease in the net working capital dynamic was the decrease in trade receivables which in particular benefitted from the good cash collection, which was in turn supported by the excellent performance of the direct-to-consumer (DTC) business in the fourth quarter.

The working capital of the year was furthermore characterized by a decrease in inventories and in trade payables.

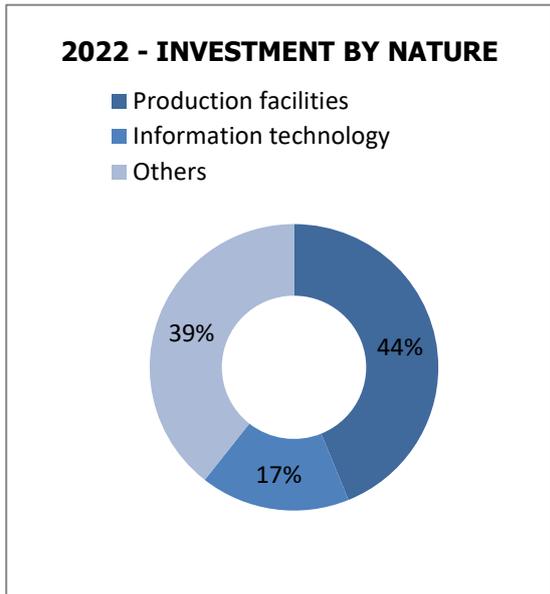
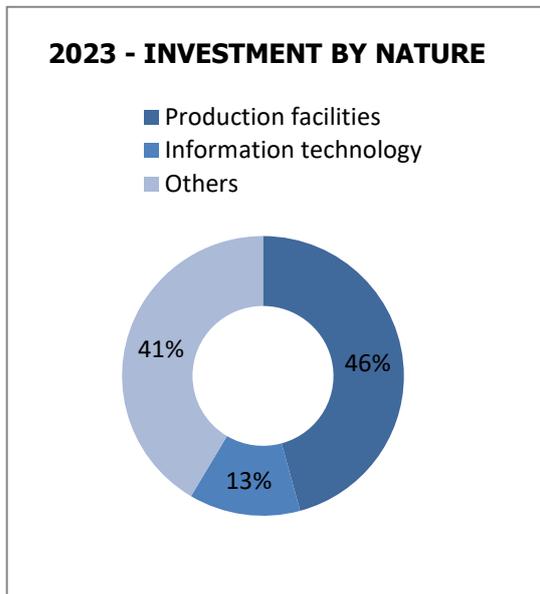
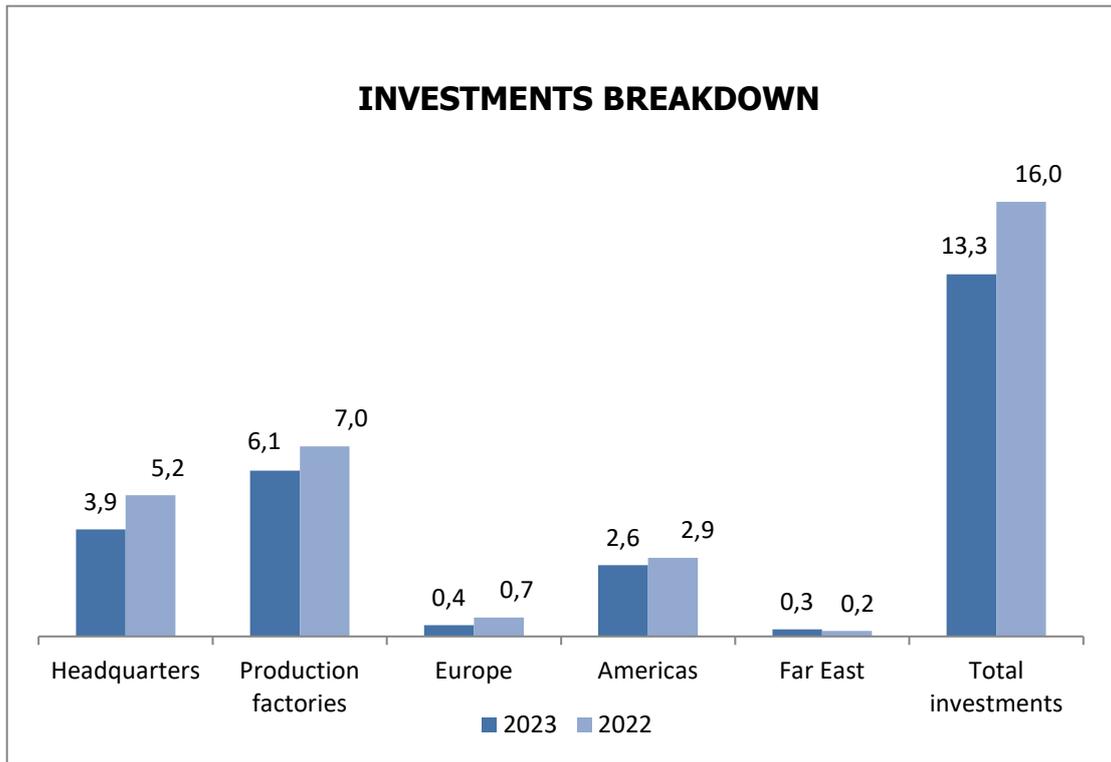
[Fixed assets and investments in tangible and intangible fixed assets](#)

Net fixed assets total Euro 264.5 million at the end of 2023 compared to Euro 318.3 million in 2022.

The decrease of net fixed assets equal to 53.8 million Euro is mainly due to the depreciation of the tangible and intangible assets equal to 55.2 million Euro, to capital expenditure of 13.3 million Euro and to divestments, mainly related to the disposal of the Longarone plant, of 10.5 million Euro.

The Group's operating investments of the year equal to Euro 13.3 million (Euro 16 million in 2022), were focused on the maintenance of its product supply and logistics network and on the Group IT and Digital Transformation projects.

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



FINANCIAL SITUATION

The main items of the net financial position at 31 December 2023 as well as free cash flow figures are reported below in comparison with the previous year.

Net financial position

Net financial debt (Euro million)	December 31, 2023	December 31, 2022	Change
Current portion of long-term borrowings	(30.3)	(30.0)	(0.3)
Short-term lease liability IFRS 16	(9.6)	(9.1)	(0.6)
Cash and cash equivalents	74.9	77.7	(2.8)
Short-term net financial position	35.0	38.7	(3.7)
Long-term borrowings	(88.3)	(117.3)	29.0
Long-term financial lease liability IFRS 16	(29.4)	(34.7)	5.4
Long-term net financial position	(117.7)	(152.1)	34.4
TOTAL NET FINANCIAL POSITION	(82.7)	(113.4)	30.7
TOTAL NET FINANCIAL POSITION PRE IFRS 16	(43.7)	(69.6)	25.9

Group net debt

As at 31 December 2023, the Group's net debt decreased to Euro 82.7 million (Euro 43.7 million pre-IFRS 16, corresponding to a financial leverage, also pre IFRIC SaaS, of 0.48x), from Euro 113.4 million (Euro 69.9 million pre-IFRS 16) reported at the end of December 2022.

The key components of the Group's net debt at the end of December 2023 were the following:

- a long-term debt position of Euro 117.7 million, made of bank loans for Euro 88.3 million, related to the Credit Facility signed in September 2022, and an IFRS-16 effect for Euro 29.4 million;
- a short-term debt position of Euro 39.9 million, made of bank loans for Euro 30.3 million, related to the Credit Facility, and an IFRS-16 effect for Euro 9.6 million;
- a cash position of Euro 74.9 million.

The above loans are subject to operating and financial covenants which the Group complied with as at December 2023.

The Group net financial position reported in the above table does not include the valuation of derivative financial instruments and the option liability on the non-controlling interests.

Free cash flow

Free cash flow	2023	2022	Change
(Euro million)			
Cash flow from operating activities	47.7	9.2	38.6
Cash flow from investing activities	(2.7)	(15.7)	13.0
Cash flow from repayment principal portion of IFRS 16 lease liabilities	(10.0)	(10.0)	0.1
Free cash flow before acquisitions/disposals	35.1	(16.5)	51.6
Cash flow for acquisitions minority interests	(5.9)	-	(5.9)
Free cash flow	29.1	(16.5)	51.6

Thanks to a positive cash generation also in the fourth quarter, equal to Euro 13.3 million, Safilo closed 2023 with a Free Cash Flow of Euro 29.1 million compared to the cash absorption of Euro 16, 5 million recorded in 2022.

In the year, the cash flow from operating activities grew to Euro 47.7 million, thanks to a cash generation of Euro 21.5 million at the working capital level. The latter in particular benefitted from the decrease in inventory and the good cash collection, which was in turn supported by the excellent performance of the direct-to-consumer (DTC) business in the fourth quarter.

In 2023, the cash flow for investment activities was characterized, on the one hand, by a capital expenditure of Euro 13.3 million, while, on the other, by the sales consideration for the disposal of the Longarone plant, equal to around Euro 11 million, which partially counterbalanced the total cash-out of around Euro 16 million connected to the deal, mainly accounted for in the cash flow from operating activities before the change in working capital.

2023 Free Cash Flow included the payment of Euro 5.9 million made in the third quarter to exercise the first option on an additional 10% of Blenders non-controlling interests, increasing its controlling stake from 70.0% to 80.0%. Before this acquisition, Free Cash Flow for the year amounted to Euro 35.1 million.

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).

Pandemic operating risks

The spread of the Covid 19 pandemic in 2020, led to a focus on the risk related to the business impacts coming from such pandemic and the redefinition of the scope of some risks already identified.

After the spread of the Covid 19 pandemic the Group has implemented a set of procedure and action plans primarily focused on the health and safety of all its employees, based on the implementation of the safety and prevention regulations provided by government protocols. Equally important for Safilo has been to implement an action plan to guarantee the business continuity, ensuring production and service levels and implementing smart working solutions for office staff. Safilo thanks to this set of procedure and action plans can face and guarantee the business continuity in case of any future pandemic scenario in term of new upsurge of Covid-19 variants.

Cyber security

The main risks related to cyber security refer to possible cases of fraud and cyberattacks, which are generally conducted against companies with increasing frequency and complexity. The protection of the integrity, availability and confidentiality of data and information is a primary objective of the Group ICT function and digital strategy.

In the last years, Safilo has accelerated the adoption of new technologies and services that allowed users to work remotely with ease, and new digital services and general enhancements at both the infrastructure and application levels.

In addition, Safilo continues the transformation plan of the Group core systems towards the adoption of SAP S/4 HANA as cloud-based, unified and distributed ERP with the disposal of legacy systems in different European subsidiaries.

The Group continued the work undertaken to ensure the best protection of ICT systems and data, to monitor risks associated with cyber threats and to increase security through initiatives involving technology, systems, processes and human resources.

In particular, in 2023 the Group has updated the Security Roadmap of technological and countermeasures information aimed to guarantee an efficient organizational setup and protecting and responding capabilities to digital threats in the near future. The new activities mainly consist on the following strategic points:

- Convergence to a single uniform and centralized technological layout for all entities of the group. Regardless of the geography or company to which they belong, all entities in the group will have the same shared services, technology and capabilities, interconnected together. Starting from the introduction of the new next gen Firewalls, the Group is also working to converge to unique identity, detection and response layers.
- Convergence of Incident Response Teams: the objective is to change the current setup that see two different outsourced Incident Response Team services active 24/7 that support the identification and resolution of security incidents. During 2024, the two IRTs serving the geographical areas of the Americas and Europe + Asia, will be unified into a single global team, making incident resolution management more efficient and reducing the response time.
- Increase the awareness program dedicated to Safilo users which involves the execution of simulated "phishing" campaigns aimed at raising awareness among users, and the periodic sending of "safety pills" to provide them with advice, suggestions, recommendations and reminders on security threats, the correct use of company devices, and good practices for the use and management of company data.
- Continue the execution of Attack & Response exercises, aimed to simulate malicious activities and to proactively identifying system vulnerabilities and related mitigation actions ("Vulnerability Assessment & Penetration Test"), or at reducing the risk of possible fraud when using services online.
- Identify new AI-based technologies aimed at protecting new capabilities that have emerged over the last few years and which will become widely used in our operations.

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, could reduce demand for and constrain supply of the Group's products;
- the diffusion of alternative products and solutions to correct eyesight, other than glasses, for example, laser surgery.

Climate Change

Safilo considers the relevance of the climate change in its management system and monitors the related risks.

Climate Change is declined by Safilo in the management system and risks identified with respect to environmental topics. The governance of climate change topics, as well as environmental matters, is entrusted to the Board of Directors with the consultative support of the Sustainability Committee in defining the related guidelines, as well as the Control and Risks Committee with reference to the management of related risks.

As regards the risks related to climate change, in the short to medium term, there are no significant risks related to the production processes or markets in which the Group operates. The Group is focused on the risks related to climate change with regards to the potential impacts in the medium-long term. The climate change risks identified by the Group are related to the improper management of energy and emission sources, to risks related to regulation changes associated with the fight against climate change and physical risks, such as risks arising from the progressive change of climate conditions related to long-term variations (chronic risks) and from extreme weather events (acute risks) that expose the Group to damage or destruction of "tangible capital" as industrial buildings, plants machineries and infrastructures, potential interruptions of essential supplies, and potential reduction of production capacity. With reference to physical risks, the Group's plants, located in different countries (Italy, China, and the USA), together with the extensive supplier network, guarantee an excess capacity to mitigate, if necessary, the production volumes of other sites impacted by extreme weather events or natural catastrophes, mitigating the climate change risks and related financial implications.

Regarding environmental responsibility risks and the transitory risks related to regulation changes associated with the fight against climate change, the Group monitors these risks and implement the necessary actions to mitigate them. In term of actions to mitigate environmental risks, the Group obtained sustainability and energy management system certifications, implemented initiatives aimed at improving the energy efficiency of Italian production plants and headquarters, and started the transition to a sustainable mobility of the company car fleet, with

benefits in terms of lower energy consumption and the consequent costs and emissions reduction. In 2022 Safilo has signed, for the Italian Legal Entities, an agreement of energy supplied will be 100% coming from renewable sources, certified, as account of up-to-date consumption, through the cancellation of the GO guarantees of origin. Furthermore, during 2022, Safilo has continued to renew its effort in ascertaining climate change risks by promoting an initial screening of the impact generated by indirect emissions that occur in an organisation's value chain – so activities that they do not own or control.

Impacts of Russia's invasion of Ukraine

During the second half of February 2022 conflict broke out in the Ukraine. The world continues to focus on the Ukraine conflict and the devastating impact they have had on the people in that region, their safety and well being continues to be the primary concern of all of us.

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

The outcome of the risk assessment performed has substantially confirmed the limited exposure to financial and business impacts for the Group related to this specific risk.

Safilo has continued to operate in full control of its local subsidiary, in term of business continuity there is no risk considering that the Group manufacturing and logistics infrastructures are not located in the area involved in the conflict. As eyewear products are assimilated to medical devices Safilo commercial business with local customers has not been affected by the limitation imposed by the sanctions against Russia and Belarus.

Macroeconomic environment

The macroeconomic environment, resulting from a combination of remaining pandemic-related effects and geopolitical risks consequents to Russia's invasion and to Israel and Hamas conflict, represented an extraordinary circumstance that had direct and indirect repercussions on economic activity and has created a general environment of uncertainties regarding future developments, with significant challenges in terms of foreseen risks.

The Group has implemented all the measures deemed to be appropriate to contrast such uncertainties that may affect both internal and external risks such as business risks but also financial risks, credit risks, market risks, liquidity risks

that as explained here follow are duly mitigated by the Group enterprise risk management approach.

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.

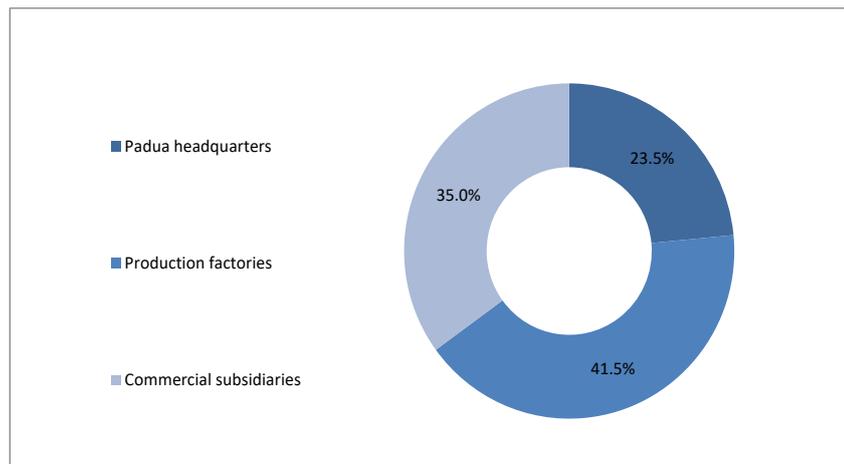
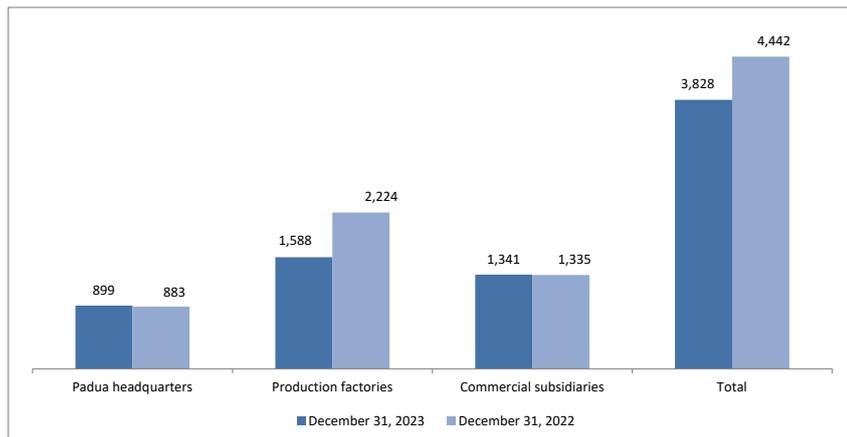
HUMAN RESOURCES AND THE ENVIRONMENT

Human Resources

The Group's workforce At the end of 2023, the Group had 3,828 employees compared with 4,442 at the end of 2022, with a decrease of 614 employees.

The decrease is mainly driven by the reduction of the workforce in the production factories, following the disposal of the Longarone plant finalised on 31 October 2023 with the signing of the deeds for the transfer of the industrial assets of the Longarone plant to Thelios S.p.A., a player in the eyewear sector and part of the LVMH Group, and Innovatek S.r.l., an Italian eyewear contractor manufacturer. The agreement has guaranteed the full employment of all the workers, allowing for the preservation of the sector's existing know-how thanks to the effective support of the local public institutions and the trade unions, to reach the conditions for the best possible outcome.

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



Learning & Development – a key focus area for Safilo

Safilo invests in talent management, including learning and training. 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 its strategic plan, Safilo's talent acquisition programs focus on attracting leaders and individuals with the right skills and values. Safilo believe that diversity is a source of wealth and creativity and promote an inclusive working environment where differences are welcomed, creating value, and where everyone's talent and merit are rewarded and valued.

Ethics and Integrity

These important values are formalized in Safilo's Worldwide Business Conduct Manual – "The Safilo Way". The Group aim is to establish corporate policies to help people to act with integrity, accountability and transparency in line with the Group's principles.

Safety at work

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

Safilo is committed to safeguarding the health and safety of its employees, external collaborators, visitors, customers and communities. Health and safety procedures are designed to allow employees to work safely in any corporate environment, office, factory or warehouse.

In 2011 the Group undertook the certification process of its "health and safety" management system according to the international standard OHSAS 18001: 2007 in all production sites and at the group headquarters. The certifications obtained with leading accredited bodies (DNV GL Business Assurance) were, after passing the controls / audits required by the legislation, successfully renewed in 2017/2018.

With the publication of the new international standard ISO 45001: 2018 which replaces and integrates BS OHSAS 18001: 2007, in 2020 the Group activated the complex procedure of transition to the new legislation, which has been successfully completed for all offices and plants of Safilo S.p.A. and Safilo Industrial S.r.l., Lenti S.r.l. and Safilo Eyewear Industries Ltd.

The certification testifies to the correct and careful application of the provisions of the Organization, Management and Control Model adopted pursuant to Legislative Decree 231/01, with specific regard to Special Part "C" - Crimes relating to health and safety in the places of work.

In line with the requirements of the international standard, "Occupational health and safety management systems - ISO 45001: 2018, Safilo has an ongoing commitment to conducting initiatives aimed at safeguarding the health and safety of its employees, reducing workplace risks and ensuring a prompt and effective response in the event of an emergency.

Social and environmental responsibility

Safilo Group is aware of its social and environmental responsibility

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

The SA8000 Certification has been successively obtained also for the Italian production plants of Safilo Industrial S.r.l. and Lenti S.r.l..

All the Italian production plants of the Group, 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 labour, health and safety in the workplace, transparency).

In 2018 all the sites started a new certification cycle valid until 2021, with the planning of periodic surveillance audits as required by the standard.

In October 2020, the renewal of the SA8000 certification was successfully completed for the Italian plants of Safilo Industrial S.r.l. and Lenti S.r.l., and for the Milan showroom and Padua headquarters. The new certificate will expire in January 2024.

ICT – Information Systems

During 2023, both the consolidation and new development activities of the ERP systems continued, through the continuation of the internalization of maintenance processes and monitoring.

The SAP roll-out projects in EMEA continued with an important one-off implementation of the new SAP S4 for Fashion infrastructure. Safilo selected the Cloud version on RISE – AWS. The market chosen for the start-up had been Safilo Middle East, which gave the opportunity to verify the operating functions, reducing to a minimum risks of Business Disruption.

The implementation of SAP continued in North America, too. As for EMEA by adoption of SAP S4 – RISE Edition. Safilo is therefore the first company in the EyeWear Industry to run ERP processes on Cloud. The live processes had been managed from January 2023 on Safilo Canada, and subsequently between April and October 2023 on Safilo USA. A new significant phase confirmed in terms of modernization of business applications.

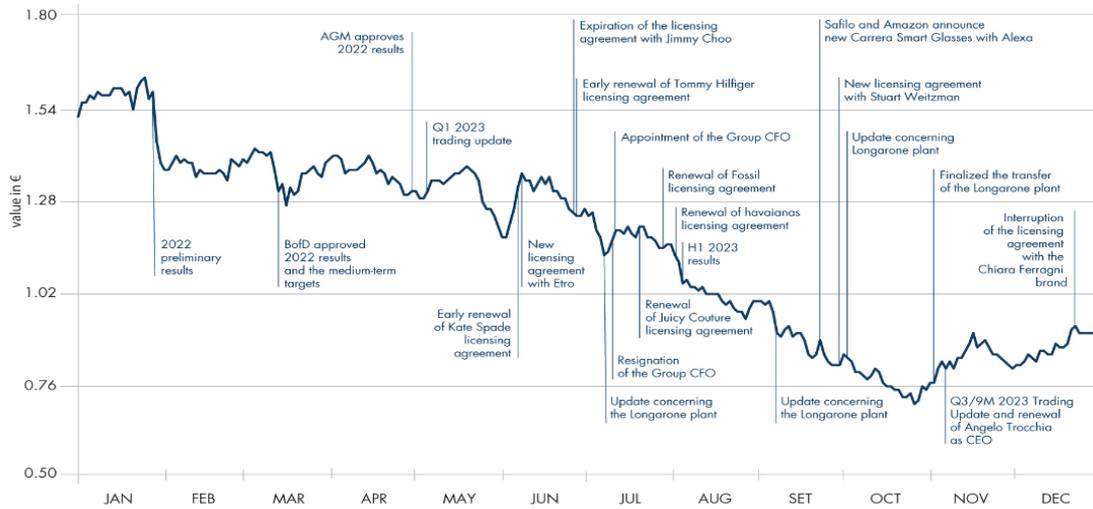
The Digital Transformation of sales platforms through Salesforce continued through the migration of the platform from the CloudCraze version to Lightning. Also new releases and new Product Increments had been deployed on all channels: B2B (You&Safilo), CRM and Salesforce Automation (COMPASS). As part of the continuous improvement of customer service, new support platforms for the commercial network had been developed and released.

Continuous improvements have been made on the Business Intelligence and Data Analytics platforms both through the enrichment of the available databases and development and adoption of new Dashboards (Tableau). Development continued both on the Vertical Business Services and, above all, on the Cross-Departmental contents.

In continuity with what was started in previous years, the modernization of individual productivity tools continued in 2023 through the purchase, setting and distribution of new Personal Computers equipped with modern security technologies, improving collaboration and efficiency. In Padua headquarter and other offices/plants, the communication and storage technologies of data and documents had been improved, to allow increasingly effective work.

Strong acceleration regarding CyberSecurity area by adoption of Multi Factor authentication systems, End Point Protection and important investments in new generation Firewalls.

SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS



Safilo in the stock exchange

Global stock markets closed 2023 with significant annual gains, mainly driven by a shift in interest rate expectations following data showing inflation falling faster than expected in western economies. The MSCI World index increased by around 22% in 2023, while Europe's continent-wide Stoxx 600 index gained almost 13%, the FTSE MIB +28%, the CAC 40 +16.5% and the DAX around 20%.

On the contrary, 2023 was a difficult year for Safilo in the stock exchange, which followed the +119% surge posted by the share in 2021 and the slight decline recorded in 2022 (-3%), when it outperformed the heavy drops recorded by the FTSE mid-cap index and by fashion-luxury stocks.

After reaching the high of the year on 24 January, at Euro 1.626, Safilo stock dropped by around 9% on the day after the release of the Group's preliminary results falling short of expectations due to a weakening US market in Q4, and the announcement of the mandate to explore alternative solutions for the Longarone plant.

Safilo presented the Group's medium-term targets in March 2023, a month which was eventually dominated by fears that the confirmed failure of the US Silicon Valley Bank could spread to the global financial system. The business plan targets did not entail significant changes to Safilo's equity story, as the expected improvement in margins was substantially in line with the key brokers' medium-term assumptions, while short-term uncertainties remained the key topics driving the stock performance.

Main areas of focus during the second quarter were the Group's Q1 trading update, with results in line with market consensus, but growing macro concerns on the sustainability of consumption in Europe and on the low visibility in the US weighing, in particular, on small and mid-cap stocks. These topics overshadowed the Group's positive news flow related to the early renewals of two of Safilo's most important licenses, Kate Spade and Tommy Hilfiger, and the signing of a new partnership with Etro, while the announcement of the exit of Jimmy Choo at the end of the year did not trigger significant reactions.

In the end, Safilo's shares closed the first half of the year at a price of Euro 1.24, down around 18% compared to the end of 2022.

The month of July was rich in announcements for the Company, from the advanced state of negotiations in place for the sale of the Longarone plant, to the resignation of the CFO and his immediate replacement with an internal appointment, to three additional license renewals (Juicy Couture, Fossil and havaianas) and the release, at the very beginning of August, of H1 results. The latter were highlighted by the market as mixed: weaker than expected in terms of sales, due to poor North America market conditions, but solid on operating profitability and free cash flow and with the expectation of H2 to become more supportive. H1 net profit was also spotted as below market assumptions, due to higher financial charges and tax, along with a realignment of minorities.

Safilo's share dropped sharply during the third quarter, down almost 32% versus the end of June, amid the group's exit from the mid-cap index and the significant investment outflows recorded in September by the Italian PIRs (Individual Savings Plans mainly composed of small/mid caps).

Sell-side analysts and shareholders alike were prone to explain the sharp correction suffered by the stock with the specific pinch suffered by small/mid caps due to an uncertain economic situation, within the spectrum of an economic slowdown.

In Q4, Safilo's news flow centred around the finalization of the transfer of the Longarone plant, the confirmation of the CEO for another 3-year mandate and the release in November of the Q3 trading update, which showed a gradual improvement, expected to amplify in Q4.

Safilo's shares closed the year at a price of Euro 0.914, recovering around 8% compared to the end of September, ultimately down 40% compared to December 2022.

At the end of the year, the sell-side coverage of Safilo's equity story was enriched by the initiation, with a Hold rating and a Euro 0.99 target price, by Stifel, a U.S. headquartered investment banking powerhouse focused on mid-market companies. At the end of December, there were 3 BUY and 3 HOLD recommendations on Safilo's stock, with an average target price of Euro 1.2.

Investor relations

In 2023, Safilo's investor engagement was, on one side, stimulated by the presentation, in March, of the Group's new medium-term targets, while, on the other, partially constrained by the announced project to disinvest from the Longarone plant, which somewhat limited communication activities during the most critical negotiation phases.

The Capital Market Day (CMD) organized in person in the Group's Milan offices was a key event for the Company to further strengthen its relationship with its existing and potential shareholders, who also had the opportunity to meet a part of Safilo's leadership team directly involved in presenting their specific areas of responsibility. This also responded to one of the financial community's desiderata, as direct interactions with Groups' key managers are always suggested and highly appreciated. The CMD was soon followed by a Company roadshow in the Group's key financial markets of Milan, Paris and London, where the majority of Safilo's shareholders are also based. The Group also had the opportunity to more proactively open the dialogue with US investors, feeding their interest in Safilo's equity story through the organization of a day in New York supported by a new local broker.

Furthermore, in 2023, Safilo strengthened its dialogue with proxy advisors and some of its most important shareholders on the front of the Group's compensation practices, in order to gather and analyse areas of concern which had emerged and to start addressing the suggested improvements.

Finally, on the ESG front, in order to meet the request of some of the Group's stockholders, Safilo, for the very first time, responded to the Carbon Disclosure Project (CDP) 2023 climate change questionnaire. CDP is the gold standard for corporate environmental reporting, fully aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Reporting the Group's environmental data through CDP should enable it to protect and improve its reputation, uncover risks and opportunities, and track and benchmark progress.

Financial calendar

Board of Directors' meetings for 2024:

30 January	Preliminary sales for the Fourth quarter and full year 2023
14 March	Draft Financial Statements for 2023
24 April	Shareholders' Meeting for the approval of the Financial Statements 2023
7 May	Trading update on the First quarter 2024 KPIs
1 August	Interim Report on Operations for the Second quarter and First half 2024
7 November	Trading update on the Third quarter and first Nine months 2024 KPIs

CORPORATE GOVERNANCE

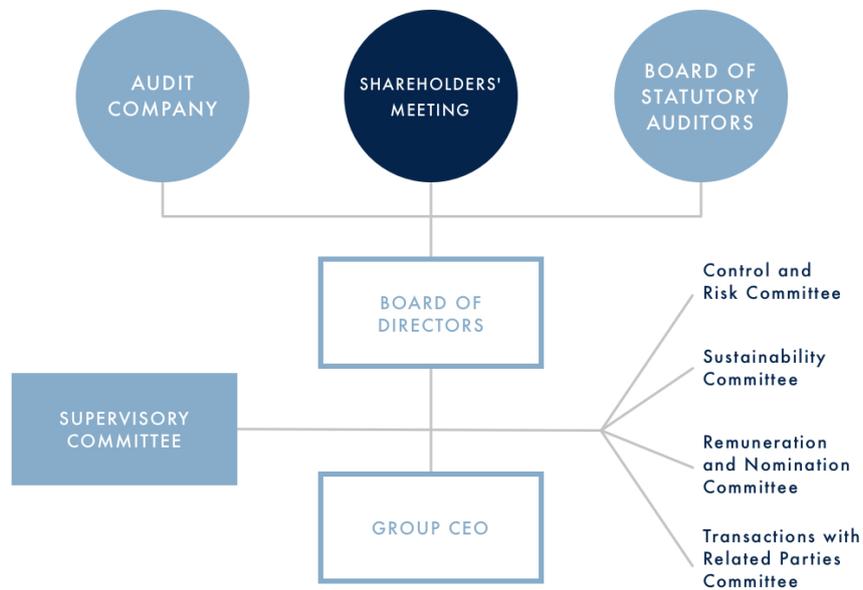
Corporate bodies and officers

Safilo Group S.p.A. adopt the traditional governance system

The Corporate Governance model adopted by Safilo aims to ensure transparent and responsible business operations, significantly contributing to medium and long-term value creation, in compliance with the principles of the Corporate Governance Code for Listed Companies issued by the Corporate Governance Committee. Safilo adopted the traditional governance system which includes:

- the Shareholders' Meeting: a corporate body that expresses the wishes of shareholders through resolutions;
- the Board of Directors: responsible for strategic management in pursuit of the corporate goals and for supervising the implementation of the strategic guidelines;
- the Board of Statutory Auditors: responsible for ensuring compliance with the applicable laws and regulations and the articles of association as well as management control;

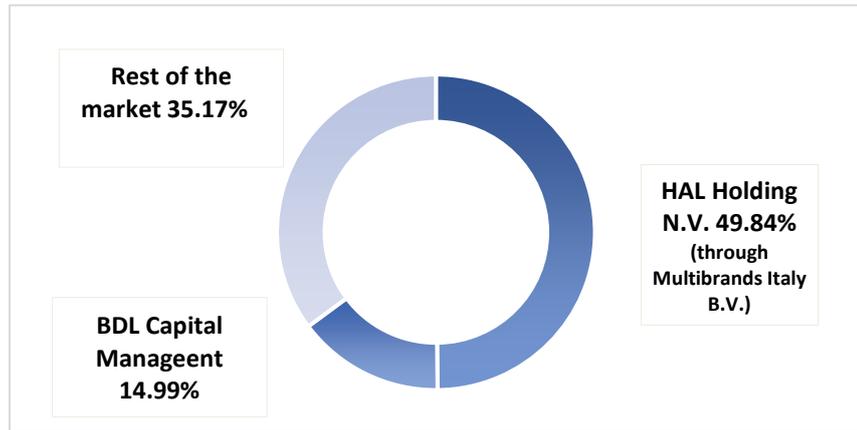
Safilo also engaged an Independent Audit Company to perform the statutory and legal auditing tasks.



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 5% of share capital as at 31 December 2023.



Management and coordination activities

In accordance with IFRS 10 HAL Holding N.V. (through Multibrands Italy B.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 1 January 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 and Risk Committee and the external auditing firm), is required to reach his own assessments and form an opinion on any accounting/financial matters relating to the Company which should be taken into account in the consolidation process. This activity of the financial expert (which is not to be deemed as an audit or review of the accounts of the Company) will allow HAL Holding N.V. to comply with IFRS in consolidating its ownership interest in the Company while preserving, at the same time, the current risk management and internal control systems of the Company from any external influence (thus rebutting also any presumption of direction and coordination of HAL Holding N.V. over the Company).

Share transfer restrictions

As at 31 December 2023 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

The Company does not have knowledge of any shareholders' agreements pursuant to Article 122 of the CFA.

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

Company's own shares

As at 31 December 2023 the Company does not possess own shares.

The ordinary shareholders' meeting of the subsidiary Safilo S.p.A., held on 27 April 2023, unanimously resolved to authorize the purchase and disposal of ordinary shares of the parent company Safilo Group S.p.A., inter alia to service the Stock Option Plan 2023-2025, of Safilo Group S.p.A. and Safilo S.p.A., proposed by the Board of Directors held on March 9, 2023, for a maximum number of 16,000,000 shares equal to approximately 3.9% of the shares currently issued by Safilo Group S.p.A.. The authorisation for the purchase of the parent company's shares is granted for the maximum duration allowed by law, provided for by article 2359-bis, paragraph 2 and by article 2357, paragraph 2, of the Italian Civil Code for a period of eighteen months, starting from the approval of the resolution. The shareholders' meeting of the subsidiary Safilo S.p.A. also gave the mandate to the Sole Director to identify, for the purpose of the purchase, the amount of shares to be purchased prior to the commencement of each purchase programme as well as the unit price, which may not, in any case, be 10% lower in minimum and 10% higher in maximum with respect to the official price recorded by Safilo Group's share on the Euronext Milan market organised and managed by Borsa Italiana S.p.A. on the trading day prior to that on which the purchase transaction will be carried out.

The Board of Directors

The Board of Directors plays an essential role in corporate governance. It is vested with power over the strategic and control guidelines. In addition to the powers granted to it by law and the Articles of Association, the Board holds exclusive authority over the most important decisions from an economic and strategic point of view, as well as in terms of their structural influence on management.

The Board of Directors which currently holds office has been appointed by the Shareholders' Meeting held on 29 April 2021 and will remain in office until the date of the Shareholders' Meeting called for the approval of the financial statements at 31 December 2023.

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

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 from 2013 to 2018. 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, including the sale of Findus Group to a private equity fund and the management of the whole transition process. Before that, he served as General Manager

Jeffrey A. Cole

(Non-Executive 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 \$1 billion. 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

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 and, since June 2022, he is a Board Member of ART Spa. He is also President and Board Member of Motor Valley Accelerator. In July 2020 he became a Board Member of the start-up Easyrain i.S.p.A. and in December 2019 he was appointed Vice-President of Texa S.p.A.. In addition, in July 2023 he was appointed as a Board Member of Tatuus Racing. 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 ANCM (National Association for the Bicycle, Motorcycle and Accessory Industry), ANFIA and UNACOMA (Italian Farm Machinery Manufacturers Association).

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.

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 served as a member of the Grandvision B.V. Supervisory Board, a leading eyewear retailer, from 1996 until August 2021, when the company was sold to Essilux. He is a board member of RĒVO and he is a Director of Europa Eyewear and Eyebobs, US based optical and reading glass companies. He is a trustee of the Cole Eye Institute of the Cleveland Clinic one of the top ranked eye research and treatment centers in the USA. He has been the founder and principal shareholder of numerous companies in the USA and has served on the Board of Directors at various times of 12 publicly traded companies in the USA.

Melchert Frans Groot

(Non-Executive 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 Royal Vopak N.V. (non-executive), member of the Supervisory Board of Anthony Veder N.V. (non-executive) and Chairman of the Board of Directors of Chile Holding Optico S.A. the holding company of Rotter y Krauss Lta. (non-executive). In the past, he 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), Supervisory Board member of GrandVision N.V. (2010- 2021) and Chairman of the Supervisory Board of Audionova B.V. (2011-2014).

Robert Polet

(Non-Executive Director)

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

Cinzia Morelli-Verhoog

(Non-executive Independent Director)

Born in Premosello, Italy on January 28, 1960. 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). Since 2022, she is independent non-executive director of NeoDecorTech.

Ines Mazzilli

(Non-executive Independent Director)

Born in Milan on May 5, 1962, she graduated in Business Administration, major in Finance, from Bocconi University in Milan, attended a Management Course at the INSEAD University in France and attended the Director's Program Enhancing the Skills of Corporate and Financial Governance from SDA Bocconi School of Management in Milan. In 2019-2022 she served 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. In 2022 she served as member of its Remuneration and Appointments Committee.

In 2018-2021 she served 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.

Katia Buja

(Non-executive Director)

Born in Padua, Italy on January 20, 1966, she graduated in Law from the University of Padua and is qualified to practice the profession of lawyer. She has spent her entire professional career in the Safilo Group with increasing responsibilities until becoming Group General Counsel in 2005, dealing with the legal and corporate aspects of the listed parent company and the Italian and foreign subsidiaries, leading a team of internal lawyers.

Previously she worked for some law firms and notaries.

Irene Boni

(Non-Executive Independent Director)

Born in Sassuolo (Modena), Italy, on February 9, 1981. She graduated in Economics in 2004 from the Alma Mater Studiorum University of Bologna, Italy, and has a Master in Business Administration from Columbia University in New York, USA. She is the Chief Executive Officer of Talent Garden, a European leading player focusing on Digital Education. Irene is also a Senior Advisor, Digital Transformation and E-commerce with an international background and strong experience in digital. She supports executives, entrepreneurs and investors to identify and unleash the growth potential of companies, exploiting technological and process innovation. After starting her career with Procter & Gamble and McKinsey & Co., from 2010 to 2019 she worked at YOOX Group, then YOOX NET-A-PORTER Group covering roles of increasing responsibility (Corporate Development, Operations, Technology, Organization and Human Resources). She was a member of the Innovation Advisory Board of Vodafone Italia and of the Altagamma Luxury Consumer Advisory Board. Currently she is the Chief Executive Officer of Talent Garden, a member of Angels4Women and independent director of Edizione Holding, Laminam, Fondazione AGO Modena Fabbriche Culturali E.T.S. and Hype, and non-independent director of Hyper Island.

Matthieu Brisset

(Non-Executive Independent Director)

Born in Paris, France, on March 2, 1972. He graduated in 1995 from Ecole Polytechnique in France. He is an experienced executive in the luxury sector, with strong financial experience and strong proven experience in B2B and B2C luxury brand management. From 2008 to 2020 he held various roles at LVMH Louis Vuitton Moët Hennessy, where he notably served as Chief Executive Officer of Loro Piana and, most recently, Senior Vice President Strategy & Development, Moët Hennessy. Previously, from 1995 to 2008 he held various roles at JPMorgan Investment Banking. He is the Founder and President of Bespoke Advisory Partners, a consulting firm and a Senior Advisor of the Boston Consulting Group. He is currently non-executive member of the Board of Directors of EXA MP S.r.l. He was previously Vice President of the Board of Directors of MonteNapoleone District and, among others, a member of the Board of Directors of Editions Assouline and of the Supervisory Board of Royal van Lent.

Corporate committees

The Board of Directors has set three internal Committees and one mixed-composition Committee (including management and directors) having the duty to support the Board in the evaluations and the decisions relating to, respectively:

- the internal control and risk management system and the approval of the periodical financial and non-financial reports (Control and Risk Committee);
- the pursuit of the Group's sustainable success (Sustainability Committee, including members of the Board of Directors and managers of the Group);
- both the remuneration and nomination themes (Remuneration and Nomination Committee);
- the approval of Transactions with Related Parties (Transactions with Related Parties Committee).

The Board of Directors has also appointed a Supervisory Committee pursuant to Legislative Decree No. 231/2001 which: i) supervises 231 Model operations and compliance with provisions therein; ii) evaluates the necessity to update the 231 Model; iii) carries out controls with access to all documentation needed.

Below is the composition of the Corporate Committees of Safilo Group S.p.A. as appointed by the Board of Directors meeting held on 29 April 2021:

Supervisory Committee

Chairman

Bettina Solimando
Ines Mazzilli
Giorgia Canova

Control and Risk Committee

Chairman

Ines Mazzilli
Melchert Frans Groot
Matthieu Brisset

Sustainability Committee

Chairman

Eugenio Razelli
Angelo Trocchia
Katia Buja
Vladimiro Baldin
Andrea Grassini
Marco Cella
Alberto Macciani

Remuneration and Nomination Committee

Chairman

Cinzia Morelli-Verhoog
Jeffrey A. Cole
Irene Boni

Transactions with Related Parties Committee

Chairman

Ines Mazzilli
Matthieu Brisset
Cinzia Morelli Verhoog

The Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with laws, regulations and Articles of Association, with principles of good management and, especially, the adequacy of the administrative, organizational and accounting structure adopted as well as its actual operations and the adequacy and efficiency of the risk management and control system.

The Board of Statutory Auditors currently in office has been appointed by the Shareholders' Meeting held on 27 April 2023 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 2025.

**Maria Francesca
Talamonti**

(Chairman)

Born in Rome in 1978, she is a graduate in Economics and Commerce of L.U.I.S.S. University in Rome. She has been registered with the Rome Chartered Accountants' Register since 2006 and with the Legal Auditors Register since 2007. She is a statutory auditor for various Companies in the sector of energy, investments and digital technologies.

Roberto Padova

(Standing Statutory Auditor)

Born in Rome in 1956, he is a graduate in Law of Roma University. He has been a member of the Bar Association of Rome since 1985. He is a statutory auditor and member of the Supervisory Committee (Lgs. Decree 231/2001) for companies operating in the industrial, energy and medical devices sector.

Bettina Solimando

(Standing Statutory Auditor)

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

Corporate Governance Report

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

The Board of Directors has aligned the corporate governance system of the Company and of the Group to the principles and recommendations of 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 Corporate Governance section of the site www.safilogroup.com

The complete version of the report on corporate governance 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.

An 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 Governance/Governance System/Articles of Association and corporate documents, 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.

Appointing auditors

The Board of Statutory 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 Governance/Governance System/Articles of Association and corporate documents, and should be referred to for details.

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

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

As established by the Legislative Decree 39/2010, as amended by Legislative Decree no. 135 of 17 July 2016, the Board of Statutory auditors, serving as the Internal Control and Audit Committee as required by that legislation, 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

PricewaterhouseCoopers
appointed until 2031

The Audit Company is the external supervisory body appointed by the Shareholders' Meeting with the mandate of auditing the Safilo Group S.p.A. separate and consolidated financial statements.

The Shareholders' Meeting held on 27 April 2023, upon proposal of the Board of Statutory Auditors, appointed PricewaterhouseCoopers S.p.A. as external Audit Company for the financial years from 2023 to 2031. The Partner responsible for the mandate is Mr. Filippo Zagagnin.

Appointment of the
financial reporting
manager

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.

For the assessment of the adequacy of the administrative and accounting procedures the Company has opted for applying a theoretic reference model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) that is universally recognised and is the most accredited.

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

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

On 9 July 2023, following the resignation of Mr. Gerd Graehsler, Group Chief Financial Officer and Manager Responsible for the preparation of the company's financial documents, the Board of Directors appointed as new Manager Responsible (hereinafter "Financial Reporting Manager") Michele Melotti, new Group Chief Financial Officer, 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.

OTHER INFORMATION

Atypical and/or unusual transactions	No atypical and/or unusual transactions, as defined by Consob Communication 6064293 dated 28 July 2006, were undertaken during 2023.
Related party transactions	<p>In compliance with applicable legislative and regulatory requirements, the Board of Directors of 5 November 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.</p> <p>For further details regarding the related party transactions, please refer to note 6 to the Consolidated Financial Statements.</p>
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

<i>(Euro million)</i>	Equity as of December 31, 2023	Net profit/(loss) of the year 2023	Equity as of December 31, 2022	Net profit/(loss) of the year 2022
Balances as per Safilo Group S.p.A.'s statutory financial statements	408.0	(7.5)	415.2	(11.9)
Contribution of consolidated companies	1,050.3	(2.0)	1,105.3	3.1
Elimination of the book value of consolidated subsidiaries	(1,034.1)	(0.1)	(1,044.8)	44.3
Goodwill	32.6	0.0	33.8	0.0
Liability for options on non-controlling interests	(20.8)	(7.9)	(19.5)	31.2
Elimination of dividends paid within the Group	-	(16.7)	-	(13.4)
Elimination of intercompany gains within the Group	(1.3)	0.8	(2.2)	0.2
Elimination of intercompany profits included in inventory	(36.2)	9.1	(47.3)	(2.5)
Other consolidated entries	(2.7)	(1.9)	(1.6)	1.3
Total	395.8	(26.1)	438.9	52.3
Equity attributable to minority interests	16.6	(1.4)	29.0	(1.8)
Total attributable to the Group	379.2	(24.6)	409.9	54.2

SIGNIFICANT EVENTS AFTER THE YEAR-END

Subsequent to 31 December 2023 through the approval date of this report, no significant events occurred which would have impacted the financial and economic results shown pursuant to IAS 10 Events after the reporting period.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia



SEE THE WORLD AT ITS BEST

**FINANCIAL STATEMENTS AND NOTES TO
THE CONSOLIDATED FINANCIAL STATEMENTS
as of 31 December 2023**

Consolidated financial statements

Consolidated balance sheet

<i>(Euro/000)</i>	<i>Notes</i>	December 31, 2023	of which related parties	December 31, 2022	of which related parties
ASSETS					
Current assets					
Cash and cash equivalents	4.1	74,898		77,710	
Trade receivables	4.2	203,075	382	214,034	328
Inventory	4.3	228,991		258,980	
Derivative financial instruments	4.4	585		698	
Other current assets	4.5	40,119		44,878	
Total current assets		547,667		596,300	
Non-current assets					
Tangible assets	4.6	88,750		109,088	
Right of Use assets	4.7	33,988		38,997	
Intangible assets	4.8	108,117		132,993	
Goodwill	4.9	33,682		34,895	
Deferred tax assets	4.10	35,320		36,274	
Derivative financial instruments	4.4	271		780	
Other non-current assets	4.11	7,668		8,623	
Total non-current assets		307,795		361,649	
Non-current assets held for sale	4.6	-		2,320	
TOTAL ASSETS		855,462		960,268	

(Euro/000)	Notes	December 31, 2023	of which related parties	December 31, 2022	of which related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Borrowings	4.12	30,250		30,000	
Lease liabilities	4.12	9,643		9,051	
Trade payables	4.13	172,107	33	180,701	83
Tax payables	4.14	23,382		22,492	
Derivative financial instruments	4.4	3,909		7,656	
Liability for options on non-controlling interests	4.18	-		6,195	
Other current liabilities	4.15	40,772		47,291	
Provisions	4.16	9,017		9,166	
Total current liabilities		289,081		312,552	
Non-current liabilities					
Borrowings	4.12	88,345		117,329	
Lease liabilities	4.12	29,359		34,727	
Employee benefit obligations	4.17	9,734		13,975	
Provisions	4.16	9,443		14,512	
Deferred tax liabilities	4.10	10,291		12,863	
Derivative financial instruments	4.4	-		-	
Liability for options on non-controlling interests	4.18	20,770		13,349	
Other non-current liabilities	4.19	2,653		2,041	
Total non-current liabilities		170,596		208,796	
TOTAL LIABILITIES		459,676		521,348	
Shareholders' equity					
Share capital	4.20	384,858		384,846	
Share premium reserve	4.21	27,388		692,521	
Retained earnings and other reserves	4.22	(8,668)		(722,392)	
Cash flow hedge reserve	4.23	271		780	
Income/(Loss) attributable to the Group		(24,649)		54,160	
Total shareholders' equity attributable to the Group		379,200		409,915	
Non-controlling interests		16,586		29,005	
TOTAL SHAREHOLDERS' EQUITY		395,786		438,920	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		855,462		960,268	

Consolidated income statement

<i>(Euro/000)</i>	<i>Notes</i>	2023	of which related parties	2022	of which related parties
Net sales	5.1	1,024,732	1,287	1,076,745	1,204
Cost of sales	5.2	(438,997)		(479,296)	
Gross profit		585,735		597,450	
Selling and marketing expenses	5.3	(428,780)	(52)	(420,488)	(74)
General and administrative expenses	5.4	(138,080)	(50)	(128,426)	(30)
Other operating income/(expenses)	5.5	(11,214)		(78)	
Operating profit		7,661		48,458	
Gains/(losses) on liabilities for options on non-controlling interests	5.6	(7,895)		31,191	
Financial charges, net	5.7	(19,223)		(15,512)	
Profit/(Loss) before taxation		(19,456)		64,136	
Income taxes	5.8	(6,633)		(11,788)	
Profit/(Loss) of the period		(26,089)		52,349	
Profit/(Loss) attributable to:					
Owners of the parent		(24,649)		54,160	
Non-controlling interests		(1,440)		(1,811)	
Earnings/(Losses) per share - basic (Euro)	5.9	(0.060)		0.131	
Earnings/(Losses) per share - diluted (Euro)	5.9	(0.059)		0.130	

Consolidated statement of comprehensive income

<i>(Euro/000)</i>	<i>Notes</i>	2023	2022
Net profit (loss) for the period (A)		(26,089)	52,349
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		(330)	2,750
Total gains/(Losses) that will not be reclassified subsequently to profit or loss:		(330)	2,750
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	4.23	(510)	780
- Gains/(Losses) on exchange differences on translating foreign operations	4.22	(16,832)	17,023
Total gains/(losses) that will be reclassified subsequently to profit or loss:		(17,342)	17,803
Other comprehensive income/(loss), net of tax (B)		(17,671)	20,553
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		(43,760)	72,903
Attributable to:			
Owners of the parent		(41,709)	72,918
Non-controlling interests		(2,051)	(16)
TOTAL COMPREHENSIVE INCOME/(LOSS)		(43,760)	72,903

Consolidated statement of cash flows

(Euro/000)	Notes	2023	2022
A - Opening net cash and cash equivalents			
	4.1	77,710	99,002
B - Cash flow from (for) operating activities			
Net profit/(loss) for the period (including minority interests)		(26,089)	52,349
Depreciation and amortization	4.6 - 4.8	44,877	38,064
Right of Use depreciation IFRS 16	4.7	10,345	10,326
Non-monetary changes related to liabilities for options on non-controlling interests		7,895	(31,191)
Other items		(9,662)	(9,067)
Interest expenses, net	5.7	8,974	5,912
Interest expenses on lease liabilities IFRS 16	5.7	1,745	1,862
Income tax expenses	5.8	6,633	11,788
Flow from operating activities prior to movements in working capital		44,718	80,043
(Increase) Decrease in trade receivables		6,335	(36,222)
(Increase) Decrease in inventory, net		22,652	(17,618)
Increase (Decrease) in trade payables		(5,751)	(14,842)
(Increase) Decrease in other receivables		7,702	8,467
Increase (Decrease) in other payables		(9,432)	(2,138)
Interest expenses paid		(8,050)	(4,266)
Interest expenses paid on lease liabilities IFRS 16		(1,745)	(1,862)
Income taxes (paid)/received		(8,717)	(2,405)
Total (B)		47,712	9,156
C - Cash flow from (for) investing activities			
Investments in property, plant and equipment		(10,527)	(12,733)
Net disposals of property, plant and equipment and assets held for sale		10,513	196
Acquisition of minorities (in subsidiaries)		(5,948)	-
Purchase of intangible assets, net of disposals		(2,686)	(3,131)
Total (C)		(8,648)	(15,669)
D - Cash flow from (for) financing activities			
Proceeds from borrowings		-	147,001
Repayment of borrowings	4.12	(30,000)	(153,000)
Repayment of principal portion of lease liabilities IFRS 16		(9,956)	(10,026)
Increase in share capital, net of transaction costs		39	89
Dividends paid		(552)	(875)
Total (D)		(40,469)	(16,811)
E - Cash flow for the period (B+C+D)		(1,405)	(23,324)
F - Translation exchange differences		(1,407)	2,032
Total (F)		(1,407)	2,032
G - Closing net cash and cash equivalents (A+E+F)			
	4.1	74,898	77,710

Consolidated statement of changes in equity

<i>(Euro/000)</i>	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
Consolidated net equity at January 1, 2023	384,846	692,521	107,421	780	(775,653)	409,915	29,005	438,920
Profit/(Loss) for the period	-	-	-	-	(24,649)	(24,649)	(1,440)	(26,089)
Other comprehensive income (loss) for the period	-	-	(16,221)	(510)	(330)	(17,060)	(611)	(17,671)
Total comprehensive income (loss) for the period	-	-	(16,221)	(510)	(24,979)	(41,709)	(2,051)	(43,760)
Cover previous years losses carried forward	-	(665,160)	-	-	665,160	-	-	-
Increase in share capital, net of transaction costs	12	27	-	-	-	39	-	39
Dividends distribution	-	-	-	-	-	-	(552)	(552)
Changes of non-controlling interests of subsidiaries acquired	-	-	-	-	9,282	9,282	(9,282)	-
Net increase in the Reserve for share-based payments	-	-	-	-	459	459	-	459
Changes in other reserves	-	-	-	-	1,213	1,213	(533)	680
Consolidated net equity at December 31, 2023	384,858	27,388	91,200	271	(124,517)	379,200	16,586	395,786
<i>(Euro/000)</i>								
Consolidated net equity at January 1, 2022	384,820	692,458	92,193	-	(842,730)	326,741	39,346	366,087
Profit/(Loss) for the period	-	-	-	-	54,160	54,160	(1,811)	52,349
Other comprehensive income (loss) for the period	-	-	15,228	780	2,750	18,758	1,796	20,553
Total comprehensive income (loss) for the period	-	-	15,228	780	56,910	72,918	(16)	72,903
Increase in share capital, net of transaction costs	26	63	-	-	-	89	-	89
Dividends distribution	-	-	-	-	-	-	(876)	(876)
Changes of non-controlling interests of subsidiaries acquired	-	-	-	-	9,419	9,419	(9,419)	-
Net increase in the Reserve for share-based payments	-	-	-	-	748	748	-	748
Changes in other reserves	-	-	-	-	-	-	(31)	(31)
Consolidated net equity at December 31, 2022	384,846	692,521	107,421	780	(775,653)	409,915	29,005	438,920

1. General information

1.1 General information

Established in 1934 in Italy's Veneto region, Safilo Group is one of the eyewear industry's principal players in the design, manufacturing and distribution of optical frames, sunglasses, sports eyewear, goggles and helmets.

The holding company, Safilo Group S.p.A., is a joint stock company established in Italy on 14 October 2002 registered with the Business and Trade registry of Vicenza and with the head office in Padua, Settima Strada 15, Italy.

Safilo Group S.p.A. is listed on the Euronext Milan of the Italian Stock Exchange organized and managed by Borsa Italiana S.p.A., (code SFL IT0004604762).

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

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

These consolidated financial statements are reported in thousands of Euro. The consolidated financial information relates to the period from 1 January 2023 to 31 December 2023 and also presents comparative data related to the financial period from 1 January 2022 to 31 December 2022.

These financial statements were approved by the Board of Directors on 14 March 2024.

The English version of the consolidated financial statements of Safilo Group S.p.A. constitute a non-official version that has been translated from the Italian original solely for the convenience of international readers. The Italian version shall always prevail in case of any discrepancy or inconsistency between Italian version and its English translation. Even if this English version, for the convenience of international readers, contains also the ESEF information as specified in the ESEF regulatory technical standards (Delegated Regulation (EU) 2019/815), the legally required ESEF-format is published and filed in Italian language in accordance to the Law.

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 for the preparation of the present report and comply with those adopted for the financial report as of 31 December 2022. The new amendments and accounting standards, described below, have not had any significant impacts on this report. The consolidated financial statements are based on the going concern assumption, despite a context still characterized by considerable uncertainty, the Group, taking into account its financial solidity, the actions undertaken to mitigate risks and its

business model, believes that there are no elements that may rise any uncertainty on the going concern assumption, in accordance with paragraph 25 of IAS 1.

The consolidated financial statements for the year ended 31 December 2023 and 31 December 2022 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 Committee ("IFRIC"), previously called Standing Interpretations Committee ("SIC").

The consolidated financial statements were prepared in accordance with "cost" criteria with the exception of 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 2.23 "Use of estimates".

Accounting standards, amendments and interpretations effective as of 1 January 2023

Except for what is described below about those accounting policies which changed due to new accounting standards and new IFRIC interpretations, in preparing these consolidated financial statements the same accounting principles and criteria of the consolidated financial statements as at 31 December 2022 have been applied.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2023:

- on 18 May 2017 and 25 June 2020 , the IASB published respectively the IFRS 17 Insurance Contracts and its Amendments;
- on 9 December 2021, the IASB published the amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- on 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- on 7 May 2021, the IASB published the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- on 23 May 2023, the IASB published the amendments to IAS 12 Income taxes International Tax Reform – Pillar Two Model Rules.

With reference to the Pillar Two Model Rules, effective from 1 January 2024 Safilo Group, as Multinational Group of enterprises that – together with its indirect reference shareholder HAL Holding N.V. – meets the 750 million euro annual consolidated revenue threshold in at least two of the four preceding years, falls within the application of the Pillar Two income taxes provided for by the Council Directive (EU) 2022/2523 enacted in Italy by Legislative Decree 209/2023, aimed at ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union.

In accordance with paragraph 4.A of IAS 12 that provides for a temporary exception to such Principle in relation to the accounting and disclosure of information on deferred tax assets and liabilities arising from the jurisdictional

implementation of the Pillar Two Model Rules, in the current financial statements no information are communicated and no deferred assets and liabilities are recorded in relation to the income taxes deriving from the implementation of the Pillar Two Model Rules.

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

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

At the date of this report the following amendments have been endorsed by the European Union applicable to the Group and effective for annual periods beginning on or after 1 January 2024 that have not been early adopted by the Group in preparing this report:

- on 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". On 31 October 2022 the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents aim to clarify how to classify debts and other short or long-term liabilities. The changes come into effect from 1 January 2024;
- on 22 September 2022, the IASB published the amendment to IFRS 16 Lease Liability in a Sale and Leaseback. The document aims to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes come into effect from 1 January 2024.

The Group will comply with these new standards and amendments based on their relevant effective dates, and their application is not expected to have any material impact on the Group consolidated financial statements.

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

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

- on 25 May 2023 the IASB published amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements. The changes will come into effect from 1 January 2024;
- on 15 August 2023 the IASB published amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

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 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 model 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 60 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.

In compliance with paragraph 85 of IAS 1 some dedicated items have been introduced on the face of the balance sheet and on the income statement to separately disclose the balances related to the financial liability for the options on non-controlling interests of some investments and its related fair value changes to profit and loss:

- "Liabilities for options on non-controlling interests" in the sections "Current and Non current liabilities" of the statement of the financial position;
- "Gains/(losses) on liabilities for options on non-controlling interests" in the section related to the "Financial income/(charges)" of the income statement;
- "Non-monetary changes related to liabilities for options on non-controlling interests" in the statement of cash flows.

2.3 Consolidation method and consolidation area

The Group's consolidated financial statements as of 31 December 2023 include the parent company, Safilo Group S.p.A., and 43 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights. During 2023 the Group's consolidation area changed as follows:

- on 6 April 2023 the liquidation of the company Safilo Trading (Shenzhen) Co. Ltd. (PRC) has been completed and the company has been de-registered;
- on 30 June 2023 pursuant to the contractual terms of the acquisition the Group has exercised the first tranche of its put and call option on 5.7% of non-controlling interests increasing its controlling stake in Privé Revaux from 82.8% to 88.5%;
- on 1 August 2023 pursuant to the contractual terms of the acquisition the Group has exercised the first tranche of its put and call option on 10% of non-controlling interests increasing its controlling stake in Blenders LLC from 70.0% to 80.0%;
- on August 2023 the liquidation of the company Safilo Eyewear (Shenzhen) Co. Ltd. (PRC) has been completed and the company has been de-registered;
- on 24 November 2023 the liquidation of the company Safilo d.o.o. (Ormož) has been completed and the company has been de-registered.

At 31 December 2023 the direct and indirect holdings included in the scope of consolidation under the line-by-line method, in addition to the parent company Safilo Group S.p.A., were the following:

	Currency	Share capital	% interest held
ITALIAN COMPANIES			
Safilo S.p.A. – Padua	EUR	66.176.000	100,0
Lenti S.r.l. – Bergamo	EUR	500.000	100,0
Safilo Industrial S.r.l. - Padua	EUR	41.634.703	100,0
FOREIGN COMPANIES			
Safilo International B.V. - Amsterdam (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 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 Japan Co Ltd - Tokyo (J)	JPY	100.000.000	100,0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197.135.000	100,0
Safilo Portugal Lda – Lisbon (P)	EUR	500.000	100,0
Safilo Switzerland AG – Zurich (CH)	CHF	1.000.000	100,0
Safilo Polska sp. z.o.o. - Warsaw (PL)	PLN	50.000	100,0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42.000.000	100,0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3.000.000	100,0
Safilo UK Ltd. - London (GB)	GBP	250	100,0
Safilo America Inc. - Delaware (USA)	USD	8.419	100,0
Safilo USA Inc. - New Jersey (USA)	USD	23.289	100,0
Safilo Services LLC - New Jersey (USA)	USD	-	100,0
Smith Sport Optics Inc. - Idaho (USA)	USD	12.087	100,0
Solstice Marketing Corp. – Delaware (USA)	USD	1.000	100,0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10.035.575	100,0
Safilo Canada Inc. - Montreal (CAN)	CAD	100.000	100,0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199.975	100,0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1.516.000	100,0
Safilo Middle East FZE - Dubai (UAE)	AED	3.570.000	100,0
Privè Goods LLC. - Delaware (USA)	USD	19.919.335	88,5
Privè Capsules LLC - Delaware (USA)	USD	-	88,5
Blenders Eyewear LLC - Delaware (USA)	USD	1.000	80,0
PorSa Eyewear (Xiamen) Co Ltd.- (RC)	CNY	1.000.000	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 attributable 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.

2.4 Segment information

Information according to business sector and geographic area is given pursuant to IFRS 8 – Operating Segments.

The criteria applied for identifying the operating sector are inspired by the methods through which management, at the highest decision-making level, manages the Group and reviews the operating results for the purposes of adopting decisions regarding the resources to be allocated and evaluating of the results themselves. Following the sale of the Group's residual retail business during 2019, information by business sector is provided at the level of the Group as a whole.

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

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

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

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

- assets and liabilities are converted using the exchange rates prevailing on the balance sheet date;
- costs, revenues, income and charges are converted at the average exchange rate of the period;
- the "translation difference reserve" includes foreign exchange differences generated from the conversion of the opening shareholders' equity and the movements during the year at a rate different from that at the end of the year;
- the goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the end of the period.

The exchange rates applied in the conversion of financial statements prepared in currencies other than Euro at 31 December 2023 and 31 December 2022 are detailed 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		(Apprec.)/ Deprec.	Average for		(Apprec.)/ Deprec.
		December 31, 2023	December 31, 2022	%	2023	2022	%
US Dollar	USD	1.1050	1.0666	3.6%	1.0813	1.0531	2.7%
Hong-Kong Dollar	HKD	8.6314	8.3163	3.8%	8.4650	8.2451	2.7%
Swiss Franc	CHF	0.9260	0.9847	-6.0%	0.9718	1.0047	-3.3%
Canadian Dollar	CAD	1.4642	1.4440	1.4%	1.4595	1.3695	6.6%
Japanese Yen	YEN	156.3300	140.6600	11.1%	151.9903	138.0274	10.1%
British Pound	GBP	0.8691	0.8869	-2.0%	0.8698	0.8528	2.0%
Swedish Krown	SEK	11.0960	11.1218	-0.2%	11.4788	10.6296	8.0%
Australian Dollar	AUD	1.6263	1.5693	3.6%	1.6288	1.5167	7.4%
South-African Rand	ZAR	20.3477	18.0986	12.4%	19.9551	17.2086	16.0%
Russian Ruble	RUB	99.9723	78.4308	27.5%	92.4381	73.5002	25.8%
Brasilian Real	BRL	5.3618	5.6386	-4.9%	5.4010	5.4399	-0.7%
Indian Rupee	INR	91.9045	88.1710	4.2%	89.3001	82.6864	8.0%
Singapore Dollar	SGD	1.4591	1.4300	2.0%	1.4523	1.4512	0.1%
Malaysian Ringgit	MYR	5.0775	4.6984	8.1%	4.9320	4.6279	6.6%
Chinese Renminbi	CNY	7.8509	7.3582	6.7%	7.6600	7.0788	8.2%
Korean Won	KRW	1,433.660	1,344.090	6.7%	1,412.880	1,358.0734	4.0%
Mexican Peso	MXN	18.7231	20.8560	-10.2%	19.1830	21.1869	-9.5%
Turkish Lira	TRY	32.6531	19.9649	63.6%	25.7597	17.4088	48.0%
Dirham UAE	AED	4.0581	3.9171	3.6%	3.9710	3.8673	2.7%
Polish Zloty	PLN	4.3395	4.6808	-7.3%	4.5420	4.6861	-3.1%

2.6 Tangible assets

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 of tangible assets 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.

2.7 Right of Use

Assets held through lease contracts (both finance and operating) are recognized according to the IFRS 16 standard, which provide a definition of leases based on the control (right of use) of an asset 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.

Management considered the clarifications included in the “IFRIC Agenda Decision” of November 2019 relating to the determination of the lease term. In particular, it was considered that:

- the buildings in which the manufacturing plants are located are all owned by the Group;
- the contracts for the properties in which the main office locations and logistic centers are located were recently signed and have a residual duration which is still significant;
- the contracts relating to the properties in which the office locations of lesser importance are located have characteristics for which their abandonment would not entail a “more than insignificant penalty”.

These considerations led to the confirmation of the lease terms previously identified on the basis of the remaining contractual durations.

2.8 Intangible assets

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

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

Goodwill

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

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

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

Trademarks and licenses

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 generally between 15 and 20 years, determined on the basis of independent analyzes and market benchmarks. The useful life and residual value are reviewed at each end of the period. If necessary, the occurrence of changes in the useful life or residual value is recognized prospectively as a change in accounting estimates.

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 (between 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.

Software as a service ('SaaS') arrangements

Following the IFRIC's agenda decision guidance published in April 2021 related to the capitalization of costs of configuring or customizing software applications under 'Software as a Service' ('SaaS') arrangements, the Group, starting from the 2021 Annual Report, has changed its accounting policy related to the capitalization of these costs. For those software as a service arrangements (SaaS) where the Group does not have control of the developed software, the costs of configuring or customizing software applications under SaaS are not capitalized as intangible assets but posted to income statement in the operating expenses.

2.9 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 in use of an asset cannot be established individually, the recoverable value of the unit that generates cash flows (so-called "cash generating unit" or CGU) to which the asset belongs must be established. Assets are grouped at the level of the cash generating units (CGU) 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 for 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.

2.10 Financial instruments

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

Specifically:

- Debt instruments held in the context of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows, and which have cash flows represented solely by capital payments and interest on the principal amount to be returned, are subsequently valued at amortized cost;
- Debt instruments held in the context of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets, and which have cash flows represented solely by capital payments and interest on amount of the capital to be repaid, are subsequently measured at fair value with changes recorded in the other components of the comprehensive income statement (FVTOCI);
- All other debt instruments, including the liability for options on non-controlling interests, and investments in equity instruments are subsequently measured at fair value, with changes recognized in profit (loss) for the year (FVTPL).

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

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

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

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

IFRS 9 introduced the classification and measurement of financial liabilities with reference to the recognition of fair value changes attributable to changes in the credit risk of the issuer, for financial liabilities designated by the Group as FVTPL. In particular, IFRS 9 requires that changes in the fair value of financial liabilities that are attributable to changes in the credit risk of these liabilities are presented in the other components of the comprehensive income statement, unless the recognition in the other components of the comprehensive income statement 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 de-recognized.

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

loans is recalculated to reflect the expected change in the cash flow. The value of the loans is recalculated on the basis of the discounted value of the new expected cash flow and the internal rate of return.

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

Derivative instruments

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

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 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.

2.11 Inventory

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

The net realizable value is determined on the basis of the estimated selling price under normal market conditions, net of direct sales costs. Allowances for obsolete and slow-moving goods are calculated for raw materials and semi-finished products on the base of their future use in the production process and for finished goods on the base of their future recoverability through the sale, taking into account market trends, consumer demand, past experience, historical results achieved and the recoverability of the goods value in ordinary market conditions. Against the value of stock as determined above, provisions are made in order to take account of obsolete or slow-moving stock.

2.12 Trade receivables and trade payables

Trade receivables are initially classified on the financial statements at their current value and subsequently recalculated with the "amortized 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 may not succeed in collecting the original amount due. The provisions allocated for doubtful accounts are recorded in the income statement. Trade receivables are reviewed and assessed for impairment based on the model of expected losses using reasonable and supportable available information 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 accrues an additional credit loss allowance that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not overdue.

The Group from time to time also transfers some 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.

Trade payables are initially classified on the financial statements at their current value and subsequently recalculated with the "amortized cost" method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

2.13 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. Bank overdrafts are posted under current liabilities.

2.14 Employee benefits

Pension plans

The Group 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 Group recognises all the actuarial gains and losses in equity, via the consolidated statement of comprehensive income, in the year in which these arise.

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

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

For an analysis of the accounting effects deriving from this decision, see paragraph 4.17 "Employees benefits".

Remuneration plans under the form of share capital participation

The Group recognizes 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.

2.15 Provisions for risks

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.

The item includes also the product warranty provision to cover the estimated cost of product warranties. Management establishes the amount of this provision on the basis of past trends relating to the frequency and average cost of under-warranty repairs and replacement in accordance with the law. These warranties are standard warranties on quality defectives in accordance with the law.

2.16 Liabilities for options on non-controlling interests

Pursuant to the contractual terms, the non-controlling interests held by the minority equity holders of the subsidiaries Privé Goods LLC and Blenders Eyewear LLC are subject to customary reciprocal put and call options. More specifically, the put and call options for:

- Privé Goods LLC may be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining portion, at a price calculated as a function of a specific multiple applicable to the value of the EBITDA of the company achieved in the fiscal year preceding that of exercise of the relative option and adjusted to take into account the net financial position of the Company. On 30 June 2023, the Group exercised the first tranche of the option;
- Blenders Eyewear LLC the put and call options originally may be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining portion, at a price calculated as a function of a specific multiple applicable to the value of the arithmetic average of the EBITDA of the company achieved over the last two consecutive fiscal years preceding that of exercise of the relative option and adjusted to take into account the net financial position of the company. In March 2023, the Group agreed an extension of the second and third tranche of the put and call options on the non-controlling interest in Blenders, from 2024 and 2025 to 2026 and 2027 respectively. On 1 August 2023, the Group exercised the first tranche of the option on 10% of the minority shareholdings.

These options generated liabilities for options on non-controlling interest in the Group consolidated financial statements at the acquisition date valued at their fair value using a discounted cash-flow approach based on the business plans underlying the acquisitions. The value of the liabilities is regularly updated on the basis of updated business plans, any liability fair value change is reported in the financial item "Gains/(losses) for options on non-controlling interests" in the income statement.

2.17 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, for certain brands in its portfolio

the Group sells its eyewear products directly to its customers through its online sales channel, mainly in the North America market.

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

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

Based on historical experience and specific knowledge of customers, the Group estimates the amount of returns expected to be received on the entire portfolio using the expected value method. Warranty terms coincide with regulatory requirements and warranties cannot be sold or extended separately, as such, they are not capable of generating separate revenues. There are no services associated to the sale of goods to customers.

The contracts with customers may recognize to the customer the right to incentives for the marketing and advertising activity performed by them on behalf of Safilo. The Group concluded that, according to IFRS 15 criteria, these are 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 which have been classified as a reduction of the respective cost item.

2.18 Public contributions

The Group recognizes 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.

2.19 Royalty expenses

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

2.20 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.

2.21 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 recorded within 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.

2.22 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.

2.23 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 macroeconomic environment, resulting from a combination of geopolitical risks consequents to the still ongoing Ukraine - Russian invasion and to the Israel and Hamas conflict represented an extraordinary circumstance that had direct and indirect repercussions on economic activity and has created a general environment of uncertainty. Also environmental responsibility risks and the transitory risks related to the regulation changes associated with the

fight against the “climate change” may have an impact in term of future uncertainty. Financial statements assumptions and estimates have taken into consideration the uncertainties deriving from the above circumstances. For more details see also the Report on Operations on the paragraph related to the “Main critical risk factors for the Group”.

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.

- *Goodwill:* in accordance with the accounting standards adopted for the preparation of the financial statements, the Group tests goodwill at least once a year in order to ascertain the existence of any loss in value to be recorded in the income statement. In particular, the test results in the determination of the fair value allocated to the cash-generating units. This value is determined according to their current value in use. The assessment process of the impairment test is complex and is based on assumptions concerning, among other things, the forecast of expected cash flows of the CGU, 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. Consistent with the indications of the main regulators, to meet the difficulties of making accurate estimates of future flows, the Directors performed their estimate considering independent sources and analysts’ projections and carried out the test performing some sensitivity analyses relating to the main inputs of the calculation. In addition, it is considered also the identified potential impact of the climate change on the estimated cash flows. As suggested by regulators and standard setters, the uncertainties have been reflected in the estimate of cash flows, rather than adding a risk premium to the discount rate.
- *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.
- *Allowance for bad or doubtful debts:* the allowance for bad or doubtful debts reflects management’s best estimate regarding losses concerning the credit portfolio towards the final client. This estimate is based on the losses expected by the Group, determined on the basis of past experience for similar credits, current and historic overdue, careful monitoring of credit quality and projections regarding the economic and market conditions. Management in its estimate considered also the economic conditions present in the various markets in which the Group operates and the consequent possible future losses on debts originated by contingent situations in those markets.
- *Allowance for inventory obsolescence:* the Group produces and sells goods subject to changes in market trends and consumer demand, consequently a significant level of judgment is required in determining the appropriate write-down of inventories based on sales forecasts. The inventory of finished products which are obsolete or slow moving are regularly subjected to specific assessment tests, which take into consideration past experience, historic results and the probability of sale under normal market conditions.

If the need to reduce the value of the stock should arise following these analyses, management proceeds with the appropriate write-downs.

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

2.24 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 and models that are widely used in financial sectors and in particular:

- the fair value of interest rate swaps is calculated on the basis of the current value of future cash flows;

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

3. Risk management

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

- credit risks, related to normal business relations with clients and to financial assets in the financial statements;
- market risks (mainly interest and exchange rate risks), since the Group operates internationally and uses financial instruments that generate interest;
- liquidity risks, concerning 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 least, limiting the negative effects deriving from the risks in question. The assessment of financial risks has been influenced by the macroeconomic environment, resulting from a combination of remaining pandemic-related effects and geopolitical risks consequent to Russia's invasion in Ukraine and to the Israel and Hamas conflict.

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

Credit risks

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

The markets economic and financial conditions have accentuated the risk of potential insolvency, in a differentiated way according to the categories of customers and geographical areas such as emerging markets. In reaction to this changed context, the Group strengthened the policies described and maintained constant monitoring of the individual credit positions.

Positions of a significant amount for which the Group recognizes that total or partial recovery will be effectively impossible, also taking into account any guarantees obtained, as well as the charges and expenses that will have to be sustained for the attempted credit recovery, are subject to individual write-down. In compliance with IFRS 9, management has also considered potential risks associated with specific categories of customers or certain geographic areas.

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

As required by IFRS 7, paragraph 36, the table below analyses the age of receivables as of 31 December 2023 and 31 December 2022:

(Euro/000)	December 31, 2023			December 31, 2022		
	Nominal value	Allowance	Net value	Nominal value	Allowance	Net value
Ageing of trade receivables						
Overdue and impaired						
up to 3 months	497	(497)	-	933	(933)	-
3 to 6 months	1,042	(1,042)	-	1,001	(1,001)	-
6 to 9 months	1,358	(1,358)	-	2,327	(2,327)	-
from 9 to 12 months	676	(676)	-	424	(424)	-
from 12 to 24 months	2,252	(2,252)	-	1,522	(1,522)	-
over 24 months	3,920	(3,920)	-	4,602	(4,602)	-
Grand total	9,744	(9,744)	-	10,809	(10,809)	-
Overdue and not impaired						
up to 1 month	12,063		12,063	16,789		16,789
from 1 to 3 months	5,502		5,502	6,871		6,871
3 to 6 months	6,533		6,533	4,511		4,511
6 to 9 months	1,796		1,796	2,262		2,262
from 9 to 12 months	582		582	970		970
from 12 to 24 months	1,071	(410)	660	2,374	(429)	1,945
over 24 months	310	(310)	-	95	(95)	-
Grand total	27,856	(720)	27,136	33,872	(524)	33,348
Neither overdue nor impaired	175,994	(55)	175,939	181,078	(392)	180,685
Grand total	213,594	(10,519)	203,075	225,758	(11,725)	214,033

At 31 December 2023 past due receivables for which no allowance for bad debts was considered, as the Group considered them fully collectible, amounted to 27,856 thousand Euro (compared to 33,872 thousand Euro at 31 December 2022). Of these, receivables that were more than 12 months past due amounted to 1,381 thousand Euro (compared to 2,468 thousand Euro at 31 December 2022) but accounted for 0.7% of the Group's total trade receivable compared to 1.1% in the previous year.

In accordance with the requirements of IFRS 9, the Group has assessed the existing trade receivables for impairment based on the model of expected losses, as at 31 December 2023 the provision for doubtful accounts includes a credit loss allowance of 0.8 million Euro (0.9 million Euro at 31 December 2022) that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not past due.

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 2023, fluctuations in the exchange rates of the main currencies have been less relevant than in the previous year, when they were significantly affected by the general macroeconomic context.

The Group tries to reduce the effects deriving from currency fluctuations by means of a “natural hedging” between revenues and costs denominated in the same foreign currency (mainly in US dollar). The remaining exposure can be hedged with currency forward contracts (“plain vanilla”) always expiring in less than 12 months.

As far as sensitivity analysis is concerned, an increase or decrease of 10% of Euro against the US Dollar and the Hong Kong Dollar would result respectively in a decrease or an increase of the 2023 net sales of around 42,033 thousand Euro (around 45,815 thousand Euro in 2022) and in a not material impact on the net result of the Group (around 3,399 thousand Euro in 2022). While an increase or decrease of 10% of Euro against currencies that showed a relevant variation (Brazilian Real, Turkish Lira, Russian Ruble and South Africa Rand) would result overall in a decrease or an increase of the 2023 net sales of around 4,991 thousand Euro (5,176 thousand Euro in 2022) and in a decrease or an increase of the net profit of the Group of around 814 thousand Euro (1,057 thousand Euro in 2022).

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 2023 and 31 December 2022:

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
USD	272,869	289,995
HKD	76,287	77,609
CNY	76,491	77,486
GBP	1,157	4,995
CAD	22,538	21,238
CHF	1,797	1,572
BRL	20,330	14,249
EUR	(87,106)	(59,224)
Other currencies	11,423	11,000
Total	395,786	438,920

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 43,899 thousand Euro (about 45,286 thousand Euro in 2022), of which about 2,106 thousand Euro related to currencies that showed a relevant variation (Brazilian Real, Turkish Lira, Russian Ruble and South Africa Rand).

The table below summarizes the financial assets and liabilities of the Group per currency at 31 December 2023 and 31 December 2022:

(Euro/000)	December 31, 2023			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	16,421	34,194	24,284	74,899
Trade receivables, net	65,269	75,547	62,258	203,074
Derivative financial instruments	585	-	-	585
Other current assets	13,078	14,870	12,171	40,119
Total current financial assets	95,353	124,611	98,713	318,677
Derivative financial instruments	271	-	-	271
Other non-current assets	5,623	344	1,702	7,668
Total non-current financial assets	5,894	344	1,702	7,939
Trade payables	73,817	81,368	16,922	172,106
Short-term borrowings	30,250	-	-	30,250
Lease liabilities	2,803	4,660	2,180	9,643
Derivative financial instruments	3,909	-	-	3,909
Liabilities for options on non-controlling interests	-	-	-	-
Tax payables and other current liabilities	26,146	20,063	17,946	64,155
Total current financial liabilities	136,925	106,091	37,047	280,063
Long-term borrowings	88,345	-	-	88,345
Lease liabilities	3,591	24,096	1,671	29,359
Derivative financial instruments	-	-	-	-
Liabilities for options on non-controlling interests	-	20,770	-	20,770
Other non-current liabilities	2,379	246	28	2,653
Total non-current financial liabilities	94,316	45,113	1,699	141,127

(Euro/000)	December 31, 2022			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	28,049	26,304	23,357	77,710
Trade receivables, net	70,038	83,974	60,020	214,032
Derivative financial instruments	698	-	-	698
Other current assets	15,606	15,955	13,317	44,878
Total current financial assets	114,392	126,233	96,694	337,318
Derivative financial instruments	780	-	-	780
Other non-current assets	5,314	492	2,817	8,623
Total non-current financial assets	6,094	492	2,817	9,403
Trade payables	73,140	88,592	18,969	180,700
Short-term borrowings	30,000	-	-	30,000
Lease liabilities	2,371	4,328	2,351	9,051
Derivative financial instruments	7,656	-	-	7,656
Liabilities for options on non-controlling interests	-	6,195	-	6,195
Tax payables and other current liabilities	30,133	19,618	20,032	69,783
Total current financial liabilities	143,300	118,734	41,351	303,385
Long-term borrowings	117,330	-	-	117,330
Lease liabilities	3,522	28,457	2,748	34,727
Derivative financial instruments	-	-	-	-
Liabilities for options on non-controlling interests	-	13,349	-	13,349
Other non-current liabilities	1,170	679	192	2,041
Total non-current financial liabilities	122,021	42,486	2,940	167,447

Changes in fair value risk

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

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

Interest rate risk

Borrowing exposes the Group to the risk of variations in interest rates. In particular, floating-rate borrowings are subject to a cash flow risk.

The Group constantly monitors its exposure to changes in interest rates, and manages 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. At 31 December 2023 the floating interest-bearing loans of the Group's total borrowings were hedged by interest rate swap contracts for an amount of 64,000 thousand Euro (52% of outstanding borrowings), at the 31 December 2022 the floating interest-bearing loans were hedged for 80,000 thousand Euro (54% of outstanding borrowings)

The table below summarizes the breakdown by maturity date of the nominal value (gross of 3,405 thousand Euro of transaction costs) for the floating and fixed interest-bearing loans, as at 31 December 2023 and 31 December 2022:

December 31, 2023			
<i>(Euro/000)</i>	Floating	Fixed	Total
within 1 year	30,250	-	30,250
between 1 and 2 years	30,500	-	30,500
between 3 and 5 years	61,250	-	61,250
beyond 5 years	-	-	-
Total	122,000	-	122,000

December 31, 2022			
<i>(Euro/000)</i>	Floating	Fixed	Total
within 1 year	30,000	-	30,000
between 1 and 2 years	30,000	-	30,000
between 3 and 5 years	92,000	-	92,000
beyond 5 years	-	-	-
Total	152,000	-	152,000

The following table summarizes the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31 December 2023 and 31 December 2022:

December 31, 2023 (Euro/000)	Currency	Nominal interest rate	Nominal value	Book value	Expiry
Term Loan Facility	<i>Euro</i>	Euribor	120,000	116,595	30 June 2027
Capex Facility line	<i>Euro</i>	Euribor	2,000	2,000	30 June 2027

December 31, 2022 (Euro/000)	Currency	Nominal interest rate	Nominal value	Book value	Expiry
Term Loan Facility	<i>Euro</i>	Euribor	150,000	145,329	30 June 2027
Capex Facility line	<i>Euro</i>	Euribor	2,000	2,000	30 June 2027

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 unhedged portion of the floating-rate borrowings would have had an impact in term of greater (lower) 2023 annual financial charges, on a pre-tax basis, of 339 thousand Euro (231 thousand Euro impact at 31 December 2022).

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, utilizations and net available amounts:

December 31, 2023 (Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	17,631	-	17,631
Credit lines on long-term bank loans	270,000	122,000	148,000
Total	287,631	122,000	165,631

December 31, 2022 (Euro/000)	Credit lines granted	Uses	Credit lines available
Credit lines on bank accounts and short-term bank loans	17,611	-	17,611
Credit lines on long-term loans	300,000	152,000	148,000
Total	317,611	152,000	165,611

The credit lines on loans are related to the committed, unsubordinated and unsecured new financing agreement with maturity September 2027 consisting of a Term Loan Facility of 120,000 thousand Euro, a Revolving Credit Facility of 75,000 thousand Euro and a Capex Facility line of 75,000 thousand Euro, for a total amount equal to 270,000 thousand Euro (used for 122,000 thousand Euro at 31 December 2023).

The table below summarizes the financial assets and liabilities of the Group by maturity, undiscounted and inclusive of the interest payments, at 31 December 2023 and 31 December 2022:

(Euro/000)	December 31, 2023				
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	74,898	-	-	-	74,898
Trade receivables, net	203,074	-	-	-	203,074
Derivative financial instruments	585	271	-	-	856
Other current assets	40,119	-	-	-	40,119
Other non-current assets	-	7,358	249	61	7,668
Total financial assets	318,676	7,629	249	61	326,615
Trade payables	172,106	-	-	-	172,106
Tax payables	23,382	-	-	-	23,382
Borrowings	30,250	29,365	58,980	-	118,595
Interest payments	8,142	6,107	6,107	-	20,355
Lease liability	9,643	7,415	15,903	6,041	39,002
Derivative financial instruments	3,909	-	-	-	3,909
Other current liabilities	40,773	-	-	-	40,773
Liabilities for options on non-controlling interests	-	-	20,770	-	20,770
Other non-current liabilities	-	2,520	27	107	2,653
Total financial liabilities	288,205	45,406	101,787	6,147	441,545

(Euro/000)	December 31, 2022				
	within 1 year	between 1 and 3 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	77,710	-	-	-	77,710
Trade receivables, net	214,034	-	-	-	214,034
Derivative financial instruments	698	-	780	-	1,478
Other current assets	44,878	-	-	-	44,878
Other non-current assets	-	4,795	3,700	128	8,623
Total financial assets	337,320	4,795	4,480	128	346,723
Trade payables	180,701	-	-	-	180,701
Tax payables	22,492	-	-	-	22,492
Borrowings	30,000	27,600	89,730	-	147,330
Interest payments	8,186	6,462	8,798	-	23,446
Lease liability	9,051	8,047	16,029	10,652	43,778
Derivative financial instruments	7,656	-	-	-	7,656
Other current liabilities	47,291	-	-	-	47,291
Liabilities for options on non-controlling interests	6,195	6,675	6,675	-	19,545
Other non-current liabilities	-	1,444	283	314	2,041
Total financial liabilities	311,572	50,227	121,514	10,966	494,279

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 (Euro/000)	Financial instruments at fair value through		Financial instruments at amortised cost	Current value at Dec. 31, 2023	Fair value at Dec. 31, 2023
	Income Statement	Other comprehensive income (OCI)			
ASSETS					
Cash in hand and at bank	-	-	74,898	74,898	74,898
Trade receivables, net	-	-	203,075	203,075	203,075
Derivative financial instruments	585	271	-	855	855
Other current assets	-	-	40,119	40,119	40,119
Other non-current assets	-	-	7,668	7,668	7,668
Total assets	585	271	325,760	326,615	326,615
LIABILITIES					
Borrowings	-	-	118,595	118,595	118,595
Lease liability	-	-	39,002	39,002	39,002
Derivative financial instruments	3,909	-	-	3,909	3,909
Other current liabilities	-	-	40,772	40,772	40,772
Liability for options on non-controlling interests	20,770	-	-	20,770	20,770
Other non-current liabilities	-	-	2,653	2,653	2,653
Total liabilities	24,680	-	201,023	225,702	225,702

Financial instruments (Euro/000)	Financial instruments at fair value through		Financial instruments at amortised cost	Current value at Dec. 31, 2022	Fair value at Dec. 31, 2022
	Income Statement	Other comprehensive income (OCI)			
ASSETS					
Cash in hand and at bank	-	-	77,710	77,710	77,710
Trade receivables, net	-	-	214,034	214,034	214,034
Derivative financial instruments	698	780	-	1,478	1,478
Other current assets	-	-	44,878	44,878	44,878
Other non-current assets	-	-	8,623	8,623	8,623
Total assets	698	780	345,244	346,722	346,722
LIABILITIES					
Borrowings	-	-	147,329	147,329	147,329
Lease liability	-	-	43,778	43,778	43,778
Derivative financial instruments	7,656	-	-	7,656	7,656
Other current liabilities	-	-	47,291	47,291	47,291
Liability for options on non-controlling interests	19,545	-	-	19,545	19,545
Other non-current liabilities	-	-	2,041	2,041	2,041
Total liabilities	27,200	-	240,439	267,639	267,639

[Hierarchical levels of the fair value measurement](#)

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

- Level 1 – if the instrument is quoted in an active market;
- Level 2 - if the fair value is measured based on valuation techniques for which all significant inputs are based on observable market data, other than quotations of the financial instrument;
- Level 3 – if the fair value is calculated based on valuation techniques for which any significant input is not based on observable market data.

The following table shows the liabilities and assets valued at their fair value at 31 December 2023, split by hierarchical level of the fair value.

<i>(Euro/000)</i>	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	855	-	855
Total assets	-	855	-	855
Derivative financial instruments	-	(3,909)	-	(3,909)
Liability for options on non-controlling interests	-	-	(20,770)	(20,770)
Total liabilities	-	(3,909)	(20,770)	(24,680)

In 2023 there have been no transfers from level 1 to level 2 and from level 2 to level 3 and vice versa.

4. Notes to the consolidated balance sheet

4.1 Cash and cash equivalents

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Cash and cash equivalents	74,898	77,710

This account totals 74,898 thousand Euro compared to 77,710 thousand Euro at 31 December 2022 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

As of 31 December 2023, about 26% of the cash balance resided in the Italian companies, about 34% in the North America entities, 19% in the European entities, while the remaining 21% was attributable to several other Group entities.

Management has established policies to make existing cash readily available for any need of the Group.

4.2 Trade receivables

This item breaks down as follows:

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Gross value trade receivables	213,594	225,758
Allowance for doubtful accounts (-)	(10,519)	(11,725)
Net value	203,075	214,034

The allowance for doubtful accounts includes the provision for insolvency posted on the income statement under the item "general and administrative expenses" (note 5.4).

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

<i>(Euro/000)</i>	January 1, 2023	Addition	Use/Release (-)	Transl. diff.	December 31, 2023
Allowance for doubtful accounts (-)	11,725	2,048	(3,053)	(200)	10,519

(Euro/000)	January 1, 2022	Addition	Use/Release (-)	Transl. diff.	December 31, 2022
Allowance for doubtful accounts (-)	16,762	1,550	(6,975)	388	11,725

In accordance with the requirements of IFRS 9, the Group has reviewed and assessed the overdue trade receivables for impairment and, according to the analysis performed, has accrued an allowance for doubtful accounts equal to 2,048 thousand Euro, also in consideration of the current and prospective risk on the global markets under the ongoing macro economic scenario. The decrease of the period equal to Euro 3,053 thousand is mainly related to the use of the allowance to cover the impact of the write-off of the already impaired accounts receivables considered as definitively not recoverable.

In accordance with the requirements of IFRS 9, the Group has assessed the existing trade receivables for impairment based on the model of expected losses, as at 31 December 2023 the provision for doubtful accounts includes a credit loss allowance of 0.8 million Euro (0.9 million Euro at 31 December 2022) that covers the potential additional credit risk expected on the amount overdue and not impaired and on the amount not past due.

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

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

4.3 Inventories

This item breaks down as follows:

(Euro/000)	December 31, 2023	December 31, 2022
Raw materials	51,588	74,277
Work in progress	3,335	5,212
Finished goods	228,158	238,766
Gross inventories	283,081	318,255
Provision for obsolete inventories (-)	(54,090)	(59,274)
Total	228,991	258,980

In order to deal with obsolete or slow-moving stock, a specific provision has been allocated, calculated for raw materials and semi-finished products on the base of their future use in the production process and for finished goods on the base of their future recoverability through the sale, taking into account market trends, consumer demand, past experience, historical results achieved and the recoverability of the goods value in ordinary market conditions. The effects of the termination of some licenses were also considered. This item is charged in the income statement in "cost of sales" (note 5.2).

The movements in the period are shown below:

(Euro/000)	January 1, 2023	Posted to income statement	Transl. diff.	December 31, 2023
Inventory gross value	318,255	(26,632)	(8,542)	283,081
Provision for obsolete inventories (-)	(59,274)	3,980	1,205	(54,090)
Total net	258,980	(22,652)	(7,338)	228,991

(Euro/000)	January 1, 2022	Posted to income statement	Transl. diff.	December 31, 2022
Inventory gross value	302,556	8,500	7,199	318,255
Provision for obsolete inventories (-)	(68,127)	9,118	(266)	(59,274)
Total net	234,430	17,618	6,933	258,980

4.4 Derivative financial instruments

The following table summarizes the amounts of financial instruments:

(Euro/000)	December 31, 2023	December 31, 2022
Current assets:		
- Foreign currency contracts - Fair value through P&L	585	698
Non-current assets:		
- Interest rate swaps - cash flow hedge	271	780
Current liabilities:		
- Foreign currency contracts - Fair value through P&L	(3,909)	(7,656)
Total Net	(3,054)	(6,177)

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 3,324 thousand Euro (negative for 6,958 thousand Euro at 31 December 2022).

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

December 31, 2023			Fair value	
(Euro/000)	Maturity	Notional amount	Assets	Liabilities
Fair value hedge	within 1 year	189,530	585	(3,909)
Total forward contracts		189,530	585	(3,909)

December 31, 2022			Fair value	
(Euro/000)	Maturity	Notional amount	Assets	Liabilities
Fair value hedge	within 1 year	198,947	698	(7,656)
Total forward contracts		198,947	698	(7,656)

The net market value of interest rate swap (IRS) contracts was positive for 271 thousand Euro. The Group's policies for managing interest rate risk are designated to hedge of the exposure to variability in future interest cash flows given this, the related hedging effect must be suspended in the cash flow reserve and recognized in profit or loss in subsequent years when the expected flows actually emerge.

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

December 31, 2023			Fair value	
(Euro/000)	Maturity	Notional amount	Assets	Liabilities
Cash flow hedge	2025	64,000	271	-
Total IRS contracts		64,000	271	-

December 31, 2022			Fair value	
(Euro/000)	Maturity	Notional amount	Assets	Liabilities
Cash flow hedge	2025	80,000	780	-
Total IRS contracts		80,000	780	-

4.5 Other current assets

This item breaks down as follows:

(Euro/000)	December 31, 2023	December 31, 2022
VAT receivable	7,670	9,772
Income tax receivables	19,307	17,169
Prepayments and accrued income	6,452	9,398
Other receivables	6,689	8,539
Total	40,119	44,878

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 payables.

Prepayments and accrued income amounted to 6,452 thousand Euro compared to 9,398 thousand Euro at 31 December 2022, and mainly relate to royalties and advertising expenses, prepaid insurance and other prepaid expenses.

Other current receivables amounted to 6,689 thousand Euro, compared to 8,539 thousand Euro of 31 December 2022. The balance mainly includes deposit payments due within 12 months and other receivables related to the ordinary business.

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

4.6 Tangible assets

The table below summarises the changes in the tangible assets:

<i>(Euro/000)</i>	January 1, 2023	Increase	Decrease	Reclass.	Reclass. assets held for sale	Transl. diff.	December 31, 2023
Gross value							
Land and buildings	121,200	2,305	(14)	(845)	(13,162)	(1,815)	107,669
Plant and machinery	176,106	1,385	(2,910)	418	(39,756)	(1,668)	133,574
Equipment and other assets	122,299	6,838	(628)	474	(4,356)	(3,325)	121,301
Advance payments	65	-	(18)	(47)	-	-	-
Total	419,670	10,527	(3,571)	-	(57,274)	(6,808)	362,545
Accumulated depreciation							
Land and buildings	61,078	5,102	(3)	17	(9,072)	(781)	56,341
Plant and machinery	149,674	5,506	(2,405)	-	(35,824)	(1,227)	115,724
Equipment and other assets	99,830	9,936	(591)	(17)	(4,756)	(2,672)	101,730
Total	310,582	20,544	(2,999)	-	(49,652)	(4,680)	273,795
Net value	109,088	(10,017)	(572)	-	(7,622)	(2,128)	88,750
2022							
<i>(Euro/000)</i>	January 1, 2022	Increase	Decrease	Reclass.		Transl. diff.	December 31, 2022
Gross value							
Land and buildings	118,911	2,816	(465)	(135)		74	121,200
Plant and machinery	175,998	2,337	(1,951)	-		(277)	176,106
Equipment and other assets	136,213	7,559	(23,051)	135		1,443	122,299
Advance payments	43	22	-	-		-	65
Total	431,164	12,733	(25,467)	-		1,239	419,670
Accumulated depreciation							
Land and buildings	57,670	3,519	(618)	376		130	61,078
Plant and machinery	146,267	5,347	(1,738)	-		(202)	149,674
Equipment and other assets	111,613	10,638	(22,911)	(376)		865	99,830
Total	315,551	19,504	(25,267)	-		794	310,582
Net value	115,613	(6,771)	(200)	-		446	109,088

Tangible assets in the financial period record an increase for new investments equal to 10,527 thousand Euro, a decrease for depreciation and write-down equal to 20,544 thousand Euro, a net decrease for disposal equal to 572 thousand Euro and for the reclassification to assets held for sale equal to 7,622 thousand Euro.

Investments in tangible assets in the financial period equal to 10,527 thousand Euro (12,733 thousand Euro in the previous year), are related to:

- Euro 6,069 thousand in the production facilities, mainly for the purchase and production of equipment for new models;
- Euro 2,619 thousand in the U.S. companies, mainly for fixtures in retail stores of Blenders and logistic equipment in the Denver distribution centre;
- Euro 1,265 thousand in the Italian distribution centre mainly for the upgrade of logistic equipment;
- the remaining part in the other companies of the Group.

On the base of the analyses performed, management believes that for the tangible assets on hand as at 31 December 2023 there are no indicators of loss of value.

Non-current assets held for sale

The balance related to the reclassification to "Assets held for sale" refers to the assets of the Italian production plant sited in Longarone.

As at 31 December 2022 the item was equal to 2,320 thousand Euro and was related to the real estate of one of the two industrial units of the Longarone production site, which had been downsized in 2020.

In 2023 the Group in consideration of the product portfolio evolution and of the persistent production overcapacity has announced the intention to dispose the entire Longarone production site and the advanced negotiations with Thelios S.p.A., a player in the eyewear sector and part of the LVMH Group, and with Innovatek S.r.l., an Italian eyewear contractor manufacturer.

In line with IFRS 5 all fixed assets of the Longarone production site that were subject to these two negotiations have been reclassified as "assets held for sale", for a total net book value of 7,622 thousand Euro.

On 31 October 2023 the Group announced the signing of the deeds for the transfer of the industrial assets of the Longarone plant to Thélíos S.p.A. and Innovatek S.r.l..

The operation has been finalised for a sale consideration of 10.7 million Euro, against which the Group sold fixed assets for a total net book value of 9.9 million Euro after having recognized write-downs of fixed assets equal to approximately 3.2 million Euro. The operation also involved the transfer of liabilities relating to personnel, for defined benefit plan liabilities and payroll accruals, equal to approximately 5.8 million Euro and non-recurring costs connected to the deal equal to approximately 10 million Euro.

Despite the complex situation, the agreement has guaranteed the full employment of all the workers, allowing for the preservation of the sector's existing know-how thanks to the effective support of the local public institutions and the trade unions, to reach the conditions for the best possible outcome.

Following the completion of the disposal plan of Longarone site at 31 December 2023 the Group doesn't report any residual amount in the item "assets held for sale".

4.7 Right of Use assets

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

(Euro/000)	January 1, 2023	Increase	Decrease	Transl. diff.	December 31, 2023
Gross value					
Buildings Right of Use	58,742	3,748	(4,908)	(1,552)	56,031
Other assets Right of Use	8,127	2,869	(2,351)	(77)	8,568
Total	66,869	6,617	(7,258)	(1,629)	64,599
Accumulated depreciation					
Buildings Right of Use	24,074	8,120	(4,836)	(620)	26,738
Other assets Right of Use	3,798	2,225	(2,100)	(50)	3,874
Total	27,872	10,345	(6,936)	(670)	30,611
Net value	38,997	(3,728)	(322)	(959)	33,988

(Euro/000)	January 1, 2022	Increase	Decrease	Transl. diff.	December 31, 2022
Gross value					
Buildings Right of Use	49,449	8,556	(1,600)	2,337	58,742
Other assets Right of Use	8,664	2,322	(2,865)	7	8,127
Total	58,112	10,877	(4,465)	2,345	66,869
Accumulated depreciation					
Buildings Right of Use	16,964	8,097	(1,606)	619	24,074
Other assets Right of Use	4,230	2,229	(2,664)	3	3,798
Total	21,194	10,326	(4,270)	622	27,872
Net value	36,918	551	(195)	1,723	38,997

Investments in Right of Use in the financial period amount to 6,617 thousand Euro (10,877 thousand Euro in the previous year) related for the building to the opening of one new Blenders retail store, by the ordinary renewal of some locations of the commercial subsidiaries and for the other assets to the renewal of the expired operating lease contracts for company cars.

4.8 Intangible assets

The following table shows changes in intangible assets:

(Euro/000)	January 1, 2023	Increase	Decrease	Reclass.	Reclass. assets held for sale	Transl. diff.	December 31, 2023
Gross value							
Software	100,520	1,705	(87)	(9)	(217)	(638)	101,275
Trademarks and licenses	154,909	772	-	-	-	(3,424)	152,257
Other intangible assets	32,387	343	(233)	-	-	(1,004)	31,493
Total	287,817	2,820	(319)	(9)	(217)	(5,066)	285,026
Accumulated amortization							
Software	87,839	5,495	24	(9)	(193)	(598)	92,558
Trademarks and licenses	51,332	7,933	-	-	-	(591)	58,674
Other intangible assets	15,653	10,904	(233)	-	-	(648)	25,677
Total	154,824	24,332	(209)	(9)	(193)	(1,836)	176,909
Net value	132,993	(21,513)	(110)	-	(24)	(3,229)	108,117

(Euro/000)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2022
Gross value						
Software	97,304	2,685	(149)	11	670	100,520
Trademarks and licenses	148,933	241	-	-	5,736	154,909
Other intangible assets	30,656	382	(156)	-	1,504	32,387
Total	276,892	3,308	(305)	11	7,910	287,817
Accumulated amortization						
Software	81,342	6,092	(16)	11	410	87,839
Trademarks and licenses	43,675	7,229	-	-	427	51,332
Other intangible assets	10,216	5,239	(115)	-	313	15,653
Total	135,233	18,560	(130)	11	1,150	154,824
Net value	141,659	(15,252)	(175)	-	6,761	132,993

Intangible assets in the financial period record an increase for new investments equal to 2,820 thousand Euro, a decrease for depreciation and write-down equal to 24,332 thousand Euro, a net decrease for disposal equal to 110 thousand Euro and for reclassification to assets held for sale equal to 24 thousand Euro.

The item trademarks and licenses mainly includes the value of proprietary brands acquired from third parties during business combinations and valued in the purchase price allocation of such transactions. These brands have a finite useful life and are amortized over a useful life between 15 and 20 years, determined on the basis of independent analyzes and market benchmarks. On the base of the analyses performed, management believes that for the intangible assets on hand as at 31 December 2023 there are no indicators of loss of value.

Investments in intangible assets made during the year amount to 2,820 thousand Euro (3,308 thousand Euro in the previous year). The investments mainly relate to the continuing implementation of the integrated information system (ERP) in the Group's subsidiaries and to the digital transformation projects.

Investments of 11,740 thousand Euro (9,703 thousand Euro in the previous year) relating the implementation of cloud-based software-as-a-service (SaaS) agreements, have been expensed as EDP service costs, in line with the accounting policy introduced by the Group in 2021 to comply with the guidelines of the IFRIC agenda on SaaS arrangements published in April 2021.

Depreciation and Amortization

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

<i>(Euro/000)</i>	<i>Notes</i>	2023	2022	Var.
Cost of sales	5.2	13,737	12,536	1,201
Selling and marketing expenses	5.3	3,756	3,220	536
General and administrative expenses	5.4	27,384	22,308	5,076
Amortization and depreciation		44,877	38,064	6,813
Cost of sales - Right of Use depreciation	5.2	1,221	1,197	25
Selling and marketing expenses - Right of Use depreciation	5.3	4,677	4,813	(136)
General and administrative expenses - Right of Use depreciation	5.4	4,447	4,317	130
Depreciation Right of Use - IFRS 16		10,345	10,326	19
Total		55,222	48,390	6,832

Amortization and depreciation equal 44,877 thousand Euro (38,064 thousand Euro in the previous period). The increase for 6,813 thousand Euro is mainly due to non-recurring tangible assets write-downs equal to 12,812 thousand Euro that have affected the item "cost of sales" for 4,147 thousand Euro mainly related to the write-down of the Longarone plant assets at their recoverable value through the sale, in the context of the transaction described in the Note 4.6 paragraph "Non-current assets held for sale", and the item "general and administrative" for 8,665 thousand Euro related to the partial write-down of some intangible assets identified in the purchase price allocation of a previous business combination. These non-recurring write-downs were partially offset by a reduction in the ordinary amortization and depreciation.

The Right of Use depreciations in 2023 are equal to 10,345 thousand Euro (10,326 thousand Euro in the previous year).

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

During the year the Group incurred costs for research and development equal to 14,000 thousand Euro (14,420 thousand Euro in the previous year).

4.9 Goodwill

The item refers to goodwill which arose from the acquisitions in 2020 of Privé Revaux and Blenders. A single CGU has been identified, representing the whole Group, to which the entire amount of goodwill has been allocated: this allocation is consistent with the strategy underlying the acquisitions, that, beyond the acquisition of two new brands, will enable the whole Group to compete more effectively in the fast-growing digital sales and communication channels. The identification of a single CGU is consistent with the strategic vision that the directors have of the Group and reflects the way in which management monitors operations and makes decisions on the maintenance or sale of assets and with the high level of interdependence of the cash in flows of the Group. Strategy, goal setting, operations management, as well as reporting and incentive systems are managed at a corporate level, leaving to the local units deployment and tailoring to the specific market. The allocation to a single CGU is consistent with the approach adopted for the preparation of the previous year financial statements.

The following table shows changes in Goodwill:

(Euro/000)	January 1, 2023	Increase	Decrease	Transl. diff.	December 31, 2023
Goodwill	34,895	-	-	(1,213)	33,682

(Euro/000)	January 1, 2022	Increase	Decrease	Transl. diff.	December 31, 2022
Goodwill	32,861	-	-	2,033	34,895

In 2023 the item recorded a decrease of 1,213 thousand Euro due to foreign currency translation.

Impairment test

The approach followed and the assumptions made to perform the impairment test are described below.

For the unique identified CGU of the Group, the recoverable amount is based on its value in use determined based on estimated future cash flow projections.

On 14 March 2024 the Board of Directors has approved the 2024-2028 Financial Projections that confirms the main goals and strategies defined in the Group Business Plan presented to the markets on 10 March 2023. For the purposes of the impairment test, these financial projections take the requirements of IAS 36 into consideration, specifically those that require that the estimate of future cash flows excludes those cash flows that are expected to arise from improving or enhancing asset performance. Accordingly, potential new acquisitions effect included in the Financial projection 2024-2028, have not been considered for the purposes of the impairment test.

In estimating the growth in the plan period, the Group has taken into consideration both its own internal expectations as well as indications obtained from independent external sources.

The main objectives and strategies underlying Safilo's 2024-2028 business plan are:

- Sales growth, which maximizes customer service and meets the needs of the different consumer segments;
- Margin expansion and a more flexible operating cost structure;

- Positive cash flow generation that feeds and supports the Group's organic and external growth.

The Group's strategies will continue to leverage two main enablers:

- the end-to-end Digitalization of its business model, with the aim of transversally enhancing data analytics, optimizing processes, operations and time to market;
- a Sustainability roadmap in support of the Group's business targets, driven through an agenda of clear and shared objectives.

The impairment test methodology used for the execution of the impairment test at the date of 31 December 2023 is consistent with the criteria used for the 2022 financial statements and considers 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 (including lease liabilities), debt/equity structure. As recommended by regulators, the WACC has not been adjusted for the macroeconomic environment with uncertainties instead being reflected in the cash flows;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country in which the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2028.

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

The following table summarizes the WACC and "g" rates used by the Group for the impairment test:

Key assumptions	"WACC" discount rate		Growth rate "g"	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Safilo Group	8.55%	10.12%	2.13%	2.07%

The impairment test carried out did not highlight any loss in value.

Management has performed sensitivities to test the cover of Net Invested Capital based on different scenarios where key parameters like WACC and Free Cash Flows have been progressively modelled. With reference to the break-even level: to obtain an enterprise value equal to the net invested capital as of 31 December 2023, including goodwill, EBITDA and related cash flows could be reduced by 55% or WACC could be increased by +6.5%.

After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2023.

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, which is higher than the Group's net equity. The stock market valuation in general 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.

Management believe that the assumptions incorporated in the Financial Projections 2024-2028 underlying the impairment test are reasonable and that the Group has the necessary skills and resources to meet planned goals.

4.10 Deferred tax assets and deferred tax liabilities

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

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Deferred tax assets	199,207	191,262
Valuation Allowance (-)	<u>(163,887)</u>	<u>(154,989)</u>
Net deferred tax assets	35,320	36,273
Deferred tax liabilities	(10,291)	(12,863)
Total net	25,029	23,410

The deferred tax assets, net of deferred tax liabilities, have been reviewed and reduced by a valuation allowance in relation to some Group companies to the extent it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. The valuation allowance for deferred tax assets as of 31 December 2023 amounts to 163,887 thousand Euro (154,989 thousand Euro at 31 December 2022). This valuation allowance can be reversed in future years to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and tax losses can be utilized.

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

Deferred tax assets

<i>(Euro/000)</i>	Posted to				December 31, 2023
	January 1, 2023	Income Statement	Equity	Transl. diff.	
- Tax losses carried forward	119,426	13,039	-	(311)	132,154
- Inventories	23,947	(2,907)	-	(297)	20,743
- Taxed provisions	7,258	472	(145)	(7)	7,578
- Intangible assets	2,779	31	-	(3)	2,807
- Tangible assets	4,556	(819)	-	37	3,774
- Taxed financial interests	16,424	2,039	-	(4)	18,459
- Other temporary differences	16,872	(2,772)	(42)	(367)	13,692
- Total deferred tax assets	191,262	9,084	(187)	(952)	199,207
- Valuation allowance of deferred tax assets on tax losses	(111,599)	(14,271)	-	171	(125,699)
- Valuation allowance of deferred tax assets on other temporary differences	(43,389)	5,164	144	(105)	(38,187)
- Total allowance on deferred tax assets	(154,989)	(9,108)	144	66	(163,887)
Total net	36,273	(24)	(43)	(886)	35,320

Deferred tax liabilities

(Euro/000)	Posted to				December 31, 2023
	January 1, 2023	Income Statement	Equity	Transl. diff.	
- Depreciation differences	8,144	(2,883)	-	(188)	5,073
- Goodwill	2,513	556	-	(99)	2,970
- Inventories	167	(54)	-	12	125
- Receivables and payables	384	(42)	-	(8)	334
- Other temporary differences	1,655	183	-	(49)	1,789
Total	12,863	(2,240)	-	(332)	10,291

The table below shows the Group's total unused tax losses available for carry-forward by expiration date, the related deferred tax assets and the valuation allowance amounts. The deferred tax assets calculated on the tax losses available for carry-forward of some Group companies amount to a total of 132,154 thousand Euro. These deferred tax assets have been written down by a valuation allowance of 125,699 thousand Euro, since at present their recovery via the generation of future taxable profit is not considered probable.

Expiration date (Euro/000)	Tax losses	Tax benefit
2025	4,145	1,360
2026	3,549	1,169
2027	1,047	328
2029	28	9
2030	781	257
2031	467	147
2032	8	3
Unlimited	514,091	124,773
Other tax losses relating local taxes: Various		4,109
Total	524,116	132,154
Valuation Allowance (-)		(125,699)
Total deferred tax assets on losses carried forward		6,455

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.

(Euro/000)	December 31, 2023	December 31, 2022
Deferred tax assets		
- recoverable within one year	23,367	20,074
- recoverable beyond one year	11,952	16,199
Total	35,320	36,273
Deferred tax liabilities		
- recoverable within one year	(462)	(555)
- recoverable beyond one year	(9,829)	(12,308)
Total	(10,291)	(12,863)
Total net	25,029	23,410

4.11 Other non-current assets

The table below shows details of non-current assets:

(Euro/000)	December 31, 2023	December 31, 2022
Long-term guarantee deposits	1,183	2,199
Other long-term receivables	5,388	4,172
Long-term tax receivables	1,097	2,251
Total	7,668	8,623

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

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

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

4.12 Borrowings and Lease liabilities

This item breaks down as follows:

(Euro/000)	December 31, 2023	December 31, 2022
Short-term portion of long-term bank loans	30,250	30,000
Short-term borrowings	30,250	30,000
Long-term bank loans	88,345	117,329
Long-term borrowings	88,345	117,329
Short-term portion of financial lease liability IFRS 16	9,643	9,051
Long-term portion of financial lease liability IFRS 16	29,359	34,727
Financial lease liability IFRS 16	39,002	43,778
Total	157,597	191,107

Borrowings

At 31 December 2023 the Group has bank loans for a total amount of 118,595 thousand Euro of which 30,250 thousand Euro classified as short-term and 88,345 thousand Euro as long-term (147,329 thousand Euro as at 31 December 2022 of which 30,000 thousand Euro classified as short-term and 117,329 thousand Euro as long-term).

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

- 120,000 thousand Euro related to the Term Loan Facility and 2,000 thousand Euro related to the partial drawn of the Capex Facility Line. Both facilities are carried at amortized cost, meaning that the total outstanding transaction costs are amortized along the duration of the facility and reported as reduction of the par values. This reduces the amount of the two facilities by 3,405 thousand Euro, bringing their combined net value to 118,595 thousand Euro (147,329 thousand Euro as at 31 December 2022);
- The Group's Revolving Credit Facility (75,000 thousand Euro) has not been drawn as at 31 December 2023 (no amount drawn also as at 31 December 2022).

The above facilities are part of the financing agreement signed by the Group on 29 September 2022 for a total outstanding amount at 31 December 2023 of Euro 270,000,000, maturing in September 2027 and consisting of a Term Loan Facility of Euro 120,000,000, a Revolving Credit Facility of Euro 75,000,000 and a Capex Facility Line of Euro 75,000,000.

These committed, unsubordinated and unsecured facility agreements are subject to customary operating and financial covenants, based on the ratio net debt/EBITDA adjusted. At 31 December 2023 the Group complies with all the outstanding covenants.

In 2023 total interest expenses on borrowings are 10,037 thousand Euro (6,509 thousand Euro in 2022) of which figurative interest, calculated according to amortized cost method, are 1,266 thousand Euro (1,531 thousand in 2022).

The Term Loan Facility, matures in September 2027, with a repayment profile in ten semi-annual instalments starting from June 2023. Here below we report the maturity analysis of the nominal value of the long-term bank loans, gross of 3,405 thousand Euro of transaction costs (4,671 thousand Euro in 2022):

(Euro/000)	December 31, 2023	December 31, 2022
From 1 to 2 years	30,500	30,000
From 2 to 3 years	30,500	30,000
From 3 to 4 years	30,750	30,000
From 4 to 5 years	-	32,000
Beyond 5 years	-	-
Total	91,750	122,000

The Group, as at 31 December 2023, 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 to risk management (see note 3).

Financial Lease liability

The IFRS 16 financial lease liability, as at 31 December 2023, amounts to 39,002 thousand Euro of which 9,643 thousand Euro as short term, and 29,359 thousand Euro as long term.

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

(Euro/000)	December 31, 2023	December 31, 2022
From 1 to 2 years	7,415	8,047
From 2 to 3 years	6,221	6,160
From 3 to 4 years	5,218	5,139
From 4 to 5 years	4,465	4,730
Beyond 5 years	6,041	10,652
Total	29,359	34,727

Net Financial Position

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

Net financial debt (Euro/000)	December 31, 2023	December 31, 2022	Change
A Cash	74,898	77,710	(2,811)
B Cash equivalents	-	-	-
C Other current financial assets	-	-	-
D Liquidity (A + B + C)	74,898	77,710	(2,811)
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-	-	-
F Current portion of non-current financial debt	(39,893)	(39,051)	(843)
G Current financial indebtedness (E + F)	(39,893)	(39,051)	(843)
H Net current financial indebtedness (G - D)	35,005	38,659	(3,654)
I Non-current financial debt (excluding current portion and debt instruments)	(117,704)	(152,057)	34,353
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
L Non-current financial indebtedness (I + J + K)	(117,704)	(152,057)	34,353
M Total financial indebtedness (H + L)	(82,699)	(113,398)	30,699

The Group Net financial debt reported in the above table does not include the valuation of derivative financial instruments (negative for 3.054 thousand Euro as at 31 December 2023) and the liabilities for options on non-controlling interests described respectively in note 4.4 and 4.18 of this report.

In compliance with the ESMA communication 32-382-1138 of 4 March 2021 and the Consob attention notice 5/21 of 29 April 2021, it is specified that at 31 December 2023 the indirect or contingent indebtedness of the Group, includes "liabilities for options on non-controlling interests" equal to 20,770 thousand of Euro as disclosed in note 4.18.

In compliance with the same communication, it is specified that the balance sheet also presents a liability for "employee benefit obligations" equal to 9,734 thousand Euro as disclosed in note 4.17, and "provisions for risks" for a total of 18,460 thousand Euro as disclosed in note 4.16.

4.13 Trade payables

This item breaks down as follows:

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Trade payables for:		
Purchase of raw materials	25,055	25,383
Purchase of finished goods	63,007	64,066
Supplies from subcontractors	3,682	3,322
Tangible and intangible assets	1,895	2,816
Commissions	2,333	4,443
Royalties	12,333	10,776
Advertising and marketing costs	13,336	11,351
Services	43,113	49,251
Sales returns liabilities (Refund Liability)	7,353	9,295
Total	172,107	180,701

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 trade terms, might be returned. This sum is charged to the income statement and is deducted directly from sales. The refund liability refers to well identified items and customers and management has elements to estimate the liability with a high level of reliability.

4.14 Tax payables

This item breaks down as follows:

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Income tax payables	14,120	12,964
VAT payables	4,463	3,820
Other taxes payables	4,799	5,709
Total	23,382	22,492

At 31 December 2023 tax payables amounted to Euro 23,382 thousand (compared to Euro 22,492 thousand at 31 December 2022). Of this sum Euro 14,120 thousand referred to income tax for the period, Euro 4,463 thousand to VAT payables and Euro 4,799 thousand 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.

4.15 Other current liabilities

This item breaks down as follows:

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Payables to personnel and social security institutions	26,039	31,918
Agent fee payables	200	173
Payables to pension funds	1,109	1,370
Accrued advertising and sponsorship costs	743	781
Accrued interests on long-term loans	89	53
Other accruals and deferred income	8,563	9,422
Other current liabilities	4,030	3,574
Total	40,772	47,291

Payables to personnel and social security institutions mainly refer to salaries and wages for December and for holidays accrued but not taken at the reporting date.

4.16 Provisions

This item breaks down as follows:

<i>(Euro/000)</i>	January 1, 2023	Increase	Decrease	Reclass	Transl. diff.	December 31, 2023
Product warranty provision	5,706	366	(2,677)	-	(58)	3,337
Agents' severance indemnity	2,396	243	(647)	-	-	1,992
Other provisions for risks and charges	6,410	1,762	(1,812)	(2,250)	5	4,114
Provisions for risks - long term	14,512	2,370	(5,136)	(2,250)	(53)	9,443
Product warranty provision	2,167	2	(113)	-	(67)	1,989
Provision for corporate restructuring	1,296	9,062	(9,760)	-	-	597
Other provisions for risks and charges	5,704	219	(1,740)	2,250	(1)	6,431
Provisions for risks - short term	9,166	9,282	(11,613)	2,250	(68)	9,017
Total	23,678	11,653	(16,749)	-	(121)	18,460

<i>(Euro/000)</i>	January 1, 2022	Increase	Decrease	Transl. diff.	December 31, 2022
Product warranty provision	5,764	561	(707)	89	5,706
Agents' severance indemnity	2,736	230	(571)	1	2,396
Other provisions for risks and charges	6,645	2,143	(2,437)	59	6,410
Provisions for risks - long term	15,144	2,934	(3,715)	149	14,512
Product warranty provision	1,978	124	(22)	87	2,167
Provision for corporate restructuring	7,795	1,296	(7,795)	-	1,296
Other provisions for risks and charges	6,004	728	(1,035)	8	5,704
Provisions for risks - short term	15,776	2,147	(8,852)	95	9,166
Total	30,921	5,081	(12,567)	244	23,678

The product warranty provision was recorded against the costs to be incurred for the replacement of products sold before the balance sheet date, estimated on the base of historical information and of some statistical data regarding the nature, frequency and average cost of the warranty substitutions.

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. The balance was mainly related to the Italian companies restructuring plan, the increase of the period equal to Euro 9,062 thousand refers to the disposal plan of the entire Longarone production site announced in March 2023, this amount has been reported as a non-recurring expense in the item "other operating expenses". With the finalization of the deal in October 2023 the provision has been fully utilized, the residual balance as at 31 December 2023 is related to some minor restructuring projects still in place.

Provisions for other risks and charges refer to the best estimate made by management of the liabilities to be recognized in relation to proceedings arisen against suppliers, tax authorities and other counterparts.

The 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 adequate to cover the existing risks.

4.17 Employee benefit obligations

This item breaks down as follows:

<i>(Euro/000)</i>	December 31, 2023	December 31, 2022
Defined contribution plan	12	15
Defined benefit plan	9,722	13,959
Total	9,734	13,975

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

<i>(Euro/000)</i>	January 1, 2023	Addition	Actuarial (gains)/losses	Uses	Reclass. liabilities held for sale	Transl. diff.	December 31, 2023
Defined benefit plan	13,959	976	287	(901)	(4,579)	(20)	9,722

(Euro/000)	January 1, 2022	Addition	Actuarial (gains)/losses	Uses	Transl. diff.	December 31, 2022
Defined benefit plan	18,979	644	(2,850)	(2,813)	(1)	13,959

The reclassification to 'Liabilities held for sale' refers to the employee benefit liability of the Longarone production site, which was disposed during the year. The decrease of 901 thousand Euros during the period is attributed to the uses for the ordinary termination.

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 the balance related the defined benefit plan, 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 27 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 considered that the portion of the employee benefit liability accrued from 1 January 2007, whether transferred to selected pension funds or transferred to the treasury account established with INPS, is classified as a "defined contribution plan" while the portion of the employee benefit liability accrued as of 31 December 2006 is classified as a "defined benefit plan" requiring actuarial valuations that exclude future increases in salaries. The employee severance fund of Italian companies ("TFR") has no plan assets at its service.

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

The principal assumptions used for the purpose of the actuarial valuations as at 31 December 2023 and 31 December 2022 are summarized here follow:

	2023	2022
Discount rate	3.08%	3.63%
Inflation rate	2.00%	2.30%
Rate of benefit increase	3.00%	3.23%

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

(Eur/000) Assumption	Change	Increase	Decrease
Inflation	1,00%	363	(347)
Discount rate	1,00%	(530)	591
Life expectancy	1 year	(18)	18

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

(Euro/000)	2023	2022
Service cost	(552)	(531)
Interest cost	(424)	(113)
Actuarial gain/(loss)	(287)	2,850
Total	(1,262)	2,206

4.18 Liabilities for options on non-controlling interests

(Euro/000)	January 1, 2023	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2023
Short term - liabilities for options on non-controlling interests	6,195	-	(5,948)	(248)	-	-
Long term - liabilities for options on non-controlling interests	13,349	7,895	-	248	(721)	20,770
	19,545	7,895	(5,948)	-	(721)	20,770

The amount equal to 20,770 thousand Euro of long-term liability refers to the put and call options liability on the non-controlling interests of the business combinations finalised in 2020 in Privé Goods LLC and Blenders Eyewear LLC.

Pursuant to the contractual terms the non-controlling interests held by the minority equity holders of these two investments are subject to customary reciprocal put and call options. More specifically, the put and call options were to be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining portions.

In the first half of 2023 the Group has already finalised the exercise of the first option on Privé Revaux non-controlling interests, following this event pursuant to the contractual terms the Group has increased its controlling stake in Privé Revaux from 82.8% to 88.5% in exchange for a nominal amount. On Blenders non-controlling interests, the exercise of the first option on an additional 10% of the interests, that has increased the Group controlling stake from 70% to 80%, has been finalised in the third quarter of 2023 in exchange for an amount of 5,948 thousand Euro.

In March 2023, the Group has also agreed an extension of the second and third tranche of the put and call options on the non-controlling interest in Blenders, from 2024 and 2025 to 2026 and 2027 respectively.

Following the above extension, the option fair value liability recorded an increase equal to 7,895 thousand Euro reported as financial loss in the item "Gains/(losses) for options on non-controlling interests" in the income statement. Furthermore, the value of the liability was adjusted for a translation difference due to the Euro/US exchange rate fluctuation and for the accretion consequent to the financial discounting of the long-term debt.

4.19 Other non-current liabilities

Movements in the item were as follows:

<i>(Euro/000)</i>	January 1, 2023	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2023
Other non current liabilities	2,041	634	-	-	(23)	2,653
	2,041	634	-	-	(23)	2,653

The "other non-current liabilities" include the estimate of the tax liability equal to 2,215 thousand Euro (compared to 960 thousand Euro as at 31 December 2022) accrued according to the IFRIC 23, on the basis of the assessment of the limited uncertain tax treatment identified within the Group.

SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). On 31 December 2023, Group shareholders' equity totaled 379,200 thousand Euro versus Euro 409,915 thousand Euro on 31 December 2022.

4.20 Share capital

At 31 December 2023 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 384,857,848 consisting of no. 413,745,466 ordinary shares with no par value (413,687,781 ordinary shares as at 31 December 2022). In 2023 new ordinary shares equal to a number of 57,685 were issued, resulting from the execution of a share capital increase to the service of the stock option plan named "Stock Option Plan 2017 – 2020".

4.21 Share premium reserve

At 31 December 2023, the share premium reserve of the parent company, Safilo Group S.p.A. totaled Euro 27,388,371 (compared to Euro 692,520,684 at the end of the previous year). The decrease equal to Euro 665,132,313 is due to its utilization to integrally cover the losses carried-forward resolved with the shareholders' approval of the 2022 statutory report, net of the increase for the above new shares issued.

4.22 Retained earnings and other reserves

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

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

- an decrease of 16,832 thousand Euro due to the translation differences coming from the translation of the subsidiaries' financial statements into Euro;
- an increase of 459 thousand Euro related to the cost of the period of the stock option plans in place;
- a decrease of 330 thousand Euro due to the actuarial valuation, net of the tax effect, of the employee termination indemnities of defined benefit plans;
- an increase of 680 thousand Euro mainly related to transactions with minority interests.

The Group has distributed dividends to the minority interests of the subsidiary Blenders Eyewear LLC equal to 552 thousand Euro, this amount has reduced the equity related to the non-controlling interests.

4.23 Cash flow hedge reserve

The cash flow hedge reserve equal to 271 thousand Euro refers to the current value of derivative instruments related to interest rate swap contracts that cover the variable interest rate risk on future financial interest payments.

4.24 Stock option plans

As at 31 December 2023 the Group has in place the following Stock Option Plans: 2017-2020, 2020-2022 and the

new 2023-2025 Plan.

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

The 2020-2022 Plan was deliberated by the Ordinary Shareholders' Meeting held on 28 April 2020, in which the Shareholders approved the issue up to 7,000,000 new ordinary shares to be offered to directors and/or employees of the Company and its subsidiaries.

On 27 April 2023 the Ordinary Shareholders' Meeting approved the Stock Option Plan 2023-2025 which provides for the assignment of a maximum of 22,000,000 options (corresponding to a maximum number of 22,000,000 ordinary shares of the Company) in favour of executive directors who are also employees and other employees of the Company and/or other companies within the Group.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2023 are shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2017-2020				
Third tranche	30 April 2019	643,413	0.18	31 May 2027
Stock Option Plan 2020-2022				
First tranche	31 July 2020	2,895,376	0.18	30 June 2028
Second tranche	11 March 2021	3,106,148	0.27	30 June 2029
Stock Option Plan 2023-2025				
First tranche	11 September 2023	7,640,000	0.28	30 June 2031

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	Free risk rate
Stock Option Plan 2017-2020				
Third tranche	0.81	0.68	36.20%	0.087%
Stock Option Plan 2020-2022				
First tranche	0.63	0.63	47.78%	-0.392%
Second tranche	0.93	0.87	45.67%	-0.290%
Stock Option Plan 2023-2025				
First tranche	0.93	0.97	38.20%	3.010%

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

	No. of options	Average exercise price in Euro
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	773,205	0.68
Granted	-	-
Forfeited	-	-
Exercised	(57,686)	0.68
Expired	(72,107)	0.68
Outstanding at period-end	643,413	0.68
Stock Option Plan 2020-2022		
Outstanding at the beginning of the period	7,343,823	0.76
Granted	-	-
Forfeited	(709,976)	0.87
Exercised	-	-
Expired	(632,322)	0.63
Outstanding at period-end	6,001,524	0.76
Stock Option Plan 2023-2025		
Outstanding at the beginning of the period	-	-
Granted	7,940,000	0.97
Forfeited	(300,000)	0.97
Exercised	-	-
Expired	-	-
Outstanding at period-end	7,640,000	0.97

During the year, a total of 704,429 options expired, of which 72,107 from the third tranche of the Plan 2017-2020 and 632,322 of the Plan 2020-2022 and 57,686 options of the Plan 2017-2020 were exercised. Additionally, 1,009,976 options were forfeited of which 709,976 of the Plan 2020-2022 and 300,000 of the Plan 2023-2025, in the period 7,940,000 options of the Plan 2023-2025 were granted.

The options outstanding of the third tranche of the Plan 2017-2020, equal to 643,413 options, are exercisable until 31 May 2027, the first and the second tranche of the Plan 2020-2022, equal respectively to 2,895,376 and to 3,106,148 options, are exercisable until 30 June 2028 and 30 June 2029 respectively, the first tranche of the Plan 2023-2025 equal to 7,640,000 is exercisable until 30 June 2031.

At the date of the approval of these financial statements the options vested and exercisable still outstanding are the one related to the Plan 2017-2020 equal to 643,413.

The exercise price for the options of the third tranche of the Plan 2017-2020 is equal to 0.68 Euro with a remaining contract life of 3.4 years, for the first and the second tranche of the Plan 2020-2022 the exercise prices are equal to respectively 0.63 and 0.87 Euro with a remaining contract life of 4.5 and 5.5 years respectively, while for the first tranche of the Plan 2023-2025 the exercise prices is equal to 0.97 Euro with a remaining contract life of 7.5.

The adoption of these plans has affected the income statement for the period for a cost of 459 thousand Euro (748 thousand Euro in 2022).

No changes or cancellations have been occurred on the above described Plans.

5. Notes to the consolidated income statement

5.1 Net sales

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

2023 Group sales amounted to 1,024,732 thousand Euro, showing a decrease of 4.8% compared to the previous year (1,076,745 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 of the Group's economic results.

5.2 Cost of sales

This item breaks down as follows:

<i>(Euro/000)</i>	2023	2022
Purchase of raw materials and finished goods	311,125	375,240
Capitalisation of costs for increase in tangible assets (-)	(3,001)	(2,955)
Change in inventories	22,652	(17,618)
Wages and social security contributions	73,511	80,826
Subcontracting costs	9,357	13,201
Amortization and depreciation	13,737	12,536
Depreciation Right of Use - IFRS 16	1,221	1,197
Rental and operating leases	1,387	1,574
Offset Rental and operating leases - IFRS 16	(1,288)	(1,276)
Utilities, security and cleaning	5,940	9,699
Other industrial costs	4,355	6,871
Total	438,997	479,296

Cost of sales decreased by Euro 40,299 thousand (or 8.4%), from Euro 479,296 thousand in 2022, to Euro 438,997 thousand in 2023. Wages and social security contributions decreased by Euro 7,315 thousand (or 9.1%) from Euro 80,826 thousand to Euro 73,511 thousand in 2023, benefitting from the savings provided by the reshaping of the industrial capacity according to the Group manufacturing footprint. Amortization and depreciation increased by Euro 1,201 thousand (or 9.6%) from Euro 12,536 thousand in 2022 to Euro 13,737 thousand in 2023. The item was affected by non-recurring tangible assets write-downs equal to 4,147 thousand Euro mainly related to the write-down of the Longarone plant assets.

Changes in inventories can be broken down as follows:

<i>(Euro/000)</i>	2023	2022
Finished products	8,259	(13,331)
Work-in-progress	1,682	1,594
Raw materials	12,711	(5,882)
Total	22,652	(17,618)

5.3 Selling and marketing expenses

This item breaks down as follows:

<i>(Euro/000)</i>	2023	2022
Payroll and social security contributions	116,217	108,220
Sales commissions	43,749	49,821
Royalty expenses	61,178	60,225
Advertising and promotional costs	132,476	134,574
Amortization and depreciation	3,756	3,220
Depreciation Right of Use - IFRS 16	4,677	4,813
Logistic costs	37,647	34,203
Consultants fees	1,552	1,504
Rental and operating leases	7,995	8,111
Offset Rental and operating leases - IFRS 16	(5,515)	(5,570)
Utilities, security and cleaning	1,425	1,126
Provision for risks	1,423	358
Other sales and marketing expenses	22,199	19,884
Total	428,780	420,488

Selling and marketing expenses increased by Euro 8,292 thousand (or 2.0%), from Euro 420,488 thousand in 2022 to Euro 428,780 thousand in 2023. This was due to the increase of payroll and social security contributions by Euro 7,998 thousand (or 7.4%), logistic costs by Euro 3,444 thousand (or 10.1%) and other sales and marketing expenses by 2,315 thousand Euro (or 11.6%), partially offset by a decrease of the sales commissions by Euro 6,071 thousand (or -12.2%), and advertising and promotional costs by Euro 2,099 thousand (or -1.6%).

5.4 General and administrative expenses

This item breaks down as follows:

<i>(Euro/000)</i>	2023	2022
Payroll and social security contributions	49,327	48,896
Allowance and write-off of doubtful accounts	504	(898)
Amortization and depreciation	27,384	22,308
Depreciation Right of Use - IFRS 16	4,447	4,317
Professional services	15,051	15,073
Rental and operating leases	6,083	5,651
Offset Rental and operating leases - IFRS 16	(5,036)	(4,972)
EDP costs	28,964	25,482
Insurance costs	1,951	2,187
Utilities, security and cleaning	3,412	4,059
Taxes (other than on income)	1,035	1,489
Other general and administrative expenses	4,959	4,835
Total	138,080	128,426

General and administrative expenses increased by Euro 9,654 thousand (or 7.5%), from Euro 128,426 thousand in 2022 to Euro 138,080 thousand in 2023. This was mainly due to an increase of EDP expenses by Euro 3,482 thousand (or 13.7%), from Euro 25,482 thousand in 2022 to Euro 28,964 thousand in 2023.

The increase of the EDP expenses is mainly related to the cost incurred for the implementation of the latest generation integrated information system (ERP) which are cloud-based and hence structured as a software as-a-service (SaaS) agreement. Safilo has therefore fully expensed the related amount of 11,740 thousand Euro (9,703 thousand Euro in the previous year) as EDP service costs, in line with the accounting policy introduced by the Group in 2021 to comply with the guidelines of the IFRIC agenda on SaaS arrangements published in April 2021. Depreciation and amortization increased by 5,076 thousand Euro, from 22,308 thousand in 2022 to Euro 27,384 thousand in 2023. This was mainly due to the non-recurring amortization of 8,665 thousand Euro related to the partial write-down of some intangible assets identified in the purchase price allocation of a previous business combination.

Average number of employees

The average number of employees by rank is shown below:

	2023	2022
Executives	85	93
Clerks and middle management	2,054	2,152
Factory workers	2,029	2,190
Total	4,168	4,435

The reduction of the average number of employees by 267 is mainly due to the restructuring of the Group's

manufacturing footprint with the disposal of the Longarone production site at the end of October 2023.

5.5 Other operating income (expenses)

This item breaks down as follows:

(Euro/000)	2023	2022
Losses on disposal of assets	(403)	(31)
Other operating expenses	(16,842)	(11,079)
Gains on disposal of assets	988	268
Other operating income	5,043	10,764
Total	(11,214)	(78)

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

The item "other operating expenses" is mainly related to the non-recurring costs (excluding the inventory obsolescence accruals and the write-down of the fixed assets) incurred for the disposal of Longarone plant to third parties, the termination of some exiting licensed brands and some other restructuring expenses.

During the previous period under "other operating expenses" non-recurring costs of Euro 7,969 thousand were accounted for mainly related to some special projects and restructuring expenses, "Other operating income" includes a non-recurring income of Euro 3,600 thousand due to the release of an excess restructuring provision in relation to the completion of the restructuring plan announced in 2019.

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

The item refers to the gain or loss deriving from the changes in the fair value of the liability related the the put and call options on the non-controlling interests of the two business combinations finalized in the first half of 2020 (for more details see the note 4.18).

As at 31 December 2023 the fair value of the liability following the extension of the second and third tranche of the put and call options on the non-controlling interest in Blenders, from 2024 and 2025 to 2026 and 2027 respectively, recorded an increase equal to 7,895 thousand Euro reported as financial loss in this item of the income statement (a gain of 31,191 thousand Euro in the previous period).

5.7 Financial charges, net

This item breaks down as follows:

<i>(Euro/000)</i>	2023	2022
Nominal interest expenses on loans	(8,771)	(4,978)
Figurative interest expenses on loans	(1,266)	(1,531)
Interest expenses on operating leases - IFRS 16	(1,745)	(1,862)
Bank commissions	(7,379)	(7,271)
Other financial charges	(1,425)	(937)
Total financial charges	(20,586)	(16,578)
Interest income	1,063	596
Other financial income	2,737	2,402
Total financial income	3,800	2,998
Positive exchange rate differences	19,971	46,700
Negative exchange rate differences	(22,407)	(48,632)
Total exchange rate differences, net	(2,437)	(1,933)
Total financial charges, net	(19,223)	(15,512)

Total net financial charges increased by Euro 3,710 thousand from Euro 15,512 thousand in 2022 to Euro 19,223 thousand in 2023. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 1,745 thousand, interest on loans increased by Euro 3,529 thousand, from Euro 6,509 thousand in 2022 to Euro 10,037 thousand in 2023. Net exchange rate differences are equal to a loss of Euro 2,437 thousand in 2023 (a loss of Euro 1,933 thousand in 2022).

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

5.8 Income taxes

This item breaks down as follows:

<i>(Euro/000)</i>	2023	2022
Current tax	(8,849)	(9,764)
Deferred tax	2,216	(2,023)
Total	(6,633)	(11,788)

Income taxes decreased by 5,155 thousand Euro from an expense of 11,788 thousand Euro in 2022 to an expense of 6,633 thousand Euro in 2023.

The taxes for the year can be reconciled with the theoretical taxes that would be expected at consolidated level as follows:

(Euro/000)	%	2023	%	2022
Profit before taxation	100%	(19,456)	100%	64,136
Income tax benefit (expense) at statutory rate	-24.0%	4,669	-24.0%	(15,393)
Taxes relating to prior years	-6.6%	1,286	0.3%	184
Foreign tax rate differential	-5.7%	1,104	-2.8%	(1,801)
Non taxable income	2.4%	(469)	13.6%	8,716
Non deductible costs	15.2%	(2,957)	-4.6%	(2,973)
Non-recognition of new DTAs and write-off of existing DTAs	101.4%	(19,720)	-16.2%	(10,403)
Benefit arising from unrecognized DTA of prior years	-52.7%	10,250	15.1%	9,686
Deferred tax expense for changes in tax rate	-0.6%	112	-0.1%	(35)
Tax Credit and tax relief	-0.1%	19	0.0%	0
Other differences	4.8%	(926)	0.4%	231
Total	34.1%	(6,633)	-18.4%	(11,788)

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's effective tax rate was primarily affected by the write down of deferred tax assets mainly related to the Italian legal entities with a further increase of the deferred tax assets valuation allowance.

Potential exposure to Pillar Two Model Rules impact

The exposure to the Pillar Two income taxes of the Global Minimum Tax derives from the level of effective taxation realized in each jurisdiction in which the entities of the Multinational Group (and any joint ventures) are present; such level of effective taxation depends on numerous factors, also interconnected between them, such as in particular the profit there generated, the nominal tax rate level, the tax rules for the calculation of the taxable income, the existence, form and benefiting of incentives or other tax benefits applicable in the specific jurisdiction.

Considering the novelty and complexities in calculating the effective taxation level, for the first years of implementation (that is for periods starting before December 31, 2026 and ending not after than June 30, 2028) the Pillar Two rules provide for the possibility of applying a simplified regime mainly based on accounting information available for each relevant jurisdiction (so called transitional regime, with safe harbors predominantly based on Country-by-Country Report (CbCR) data, hereinafter also referred to as "transitional CbCR safe harbors") and based on which the reduction of the implementation costs and the reduction to nil of the Pillar Two taxes in case of meeting of one of the three provided tests.

Taking into account the known or reasonably estimable information at the reporting date, even if such information do not currently reflect all specific regulations of the Pillar Two Model Rules connected to the localization and operations of all the entities of the Safilo Group in all the single jurisdictions in which the same operates, and considering that at the reporting date there is information that is not known or reasonably estimable, the Safilo Group exposure in the jurisdictions in which it operates to Pillar Two income taxes arising from such legislation at the reporting date, also based on the transitional CbCR safe harbors, is valued as not material.

In particular, based on information known or reasonably estimable:

- with reference to the majority of the entities of the Safilo Group, that are located in jurisdictions that meet at least one of the three tests provided for by the transitional CbCR safe harbors, the conditions for the non-application of the Pillar Two income taxes are met, and
- for the remaining entities of the Safilo Group, that are located in jurisdictions that do not meet any of the three tests provided for by the transitional CbCR safe harbors, the exposure is not material, since the level of the effective taxation in such jurisdictions proxies the minimum rate of 15% or the potential estimated impact on the profits in such jurisdictions (in particular in the United Arab Emirates) is not material in relation to the total profits of the Safilo Group.

The Safilo Group, with the support of external consultants, is getting organized and prepared for the compliance fulfilments connected to the Pillar Two Model Rules, also with the objective of managing the exposure in the future years, by the setting up of adequate systems and procedures aimed at:

- the identification, localization and characterization, also ongoing, of all entities of the Safilo Group relevant for the Pillar Two model rules purposes, and
- computing the simplified tests (so called transitional CbCR safe harbors) for each of the relevant jurisdictions, with the aim of benefiting of the relevant advantages in terms of reduction of the fulfilments costs and of the reduction to nil of the Pillar Two taxes, and
- performing the complete and detailed calculations of the amounts relevant as requested by the Pillar Two for any jurisdictions that might not meet any of the above mentioned tests.

Since the Pillar Two Model Rules are not effective at the financial year reporting date, no current tax expense related to the Pillar Two income taxes are recorded.

5.9 Earnings per share

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

Basic

	2023	2022
Profit/(Loss) for ordinary shares (in Euro/000)	(24,649)	54,160
Average number of ordinary shares (in thousands)	413,733	413,599
Earnings/(Losses) per share - basic (in Euro)	(0.060)	0.131

Diluted

	2023	2022
Profit/(Loss) for ordinary shares (in Euro/000)	(24,649)	54,160
Average number of ordinary shares (in thousands)	413,733	413,599
<i>Dilution effects:</i>		
- stock option (in thousands)	3,553	3,831
Total	417,286	417,430
Earnings/(Losses) per share - diluted (in Euro)	(0.059)	0.130

5.10 Dividends

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

5.11 Segment information

Following the divestiture of the Group's retail operations in 2019, the Group considers a sole operating 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 such identified 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

(Euro/000)	Revenue from external customers		Non-current assets	
	2023	2022	December 31, 2023	December 31, 2022
Italy ⁽¹⁾	213,610	220,641	83,274	105,296
Europe ⁽²⁾	240,643	242,305	6,081	2,830
America ⁽³⁾	517,078	564,020	157,462	183,960
Asia ⁽⁴⁾	53,400	49,780	25,388	30,033
Total	1,024,732	1,076,745	272,204	322,120

(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 23 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 12 March 2010, as amended by Resolution No. 17389 of 23 June 2010, the Board of Directors of 5 November 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 2023 and 31 December 2022.

Related parties transactions (Euro/000)	Relationship	December 31 2023	December 31 2022
<i>Receivables</i>			
Companies controlled by HAL Holding N.V.	(a)	382	328
Total		382	328
<i>Payables</i>			
Companies controlled by HAL Holding N.V.	(a)	23	53
HAL Investments B.V.	(a)	10	30
Total		33	83

Related parties transactions (Euro/000)	Relationship	2023	2022
<i>Revenues</i>			
Companies controlled by HAL Holding N.V.	(a)	1,287	1,204
Total		1,287	1,204
<i>Operating expenses</i>			
Companies controlled by HAL Holding N.V.	(a)	52	74
HAL Investments B.V.	(a)	50	30
Total		102	104

(a) Companies controlled by Group's reference Shareholder

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

With regards to the table above, the companies controlled by HAL Holding N.V. refers to transaction with a minor retail chain belonging the Group's reference shareholder.

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

<i>(Euro/000)</i>	2023	2022
<u>Directors</u>		
- Salaries and short term compensations	3,165	3,769
- Non monetary benefits	35	28
- Other compensations	88	87
- Indemnity for end of position or cessation of employment relationship	-	-
- Fair value of equity compensations	204	252
<u>Statutory auditors</u>		
- Fixed compensations and compensations for participation in committees	243	303
<u>Managers with strategic responsibilities</u>		
- Salaries ad short term compensations	446	719
- Non monetary benefits	14	11
- Other compensations	-	3
- Indemnity for end of position or cessation of employment relationship	-	-
- Fair value of equity compensations	25	52
<hr/>		
Total	4,221	5,224

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 generally establish minimum guaranteed for royalties and advertising expenses.

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

Licensing commitments <i>(Euro/000)</i>	December 31, 2023	December 31, 2022
within 1 year	75,682	89,045
between 1 and 3 years	147,502	162,074
between 3 and 5 years	128,418	42,147
beyond 5 years	156,059	12,913
Total	507,661	306,180

The increase of the commitments amounts compared to 31 December 2022, mainly in the maturities beyond 3 years is due to the renewal of some license agreements signed in the period.

9. Subsequent events

Subsequent to 31 December 2023 through the approval date of this report, no significant events occurred which would have impacted the financial and economic results shown pursuant to IAS 10 - Events after the reporting period.

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 28 July 2006.

11. Transactions resulting from unusual and/or abnormal operations

Pursuant to Consob Communication of 28 July 2006, in 2023 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-DUODECIIES 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 2023 and 2022 relating to the audit and other audit related services rendered by the same Audit company.

The Shareholders' Meeting held on 27 April 2023, upon proposal of the Board of Statutory Auditors, appointed PricewaterhouseCoopers S.p.A. as external Audit Company for the financial years from 2023 to 2031. The 2022 fees, shown in the table, referred to the auditing firm Deloitte & Touche whose assignment ended with the approval of the financial statements for the 2022 financial year.

(Eur/000)	Audit Company (*)	Safilo Group's company which received services	2023	2022
Audit	PricewaterhouseCoopers S.p.A.	Holding Company - Safilo Group S.p.A.	170	61
	PricewaterhouseCoopers S.p.A.	Subsidiaries	119	146
	Network PricewaterhouseCoopers S.p.A.	Subsidiaries	1,096	1,050
Attestation	PricewaterhouseCoopers S.p.A.	Holding Company - Safilo Group S.p.A.	26	60
	PricewaterhouseCoopers S.p.A.	Subsidiaries	19	19
	Network PricewaterhouseCoopers S.p.A.	Subsidiaries	-	-
Other services	PricewaterhouseCoopers S.p.A.	Holding Company - Safilo Group S.p.A.	-	-
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-	-
	Network PricewaterhouseCoopers S.p.A.	Subsidiaries	-	3
Total			1,430	1,339

(*) in 2022 the entity that provided the audit services was Deloitte & Touche S.p.A and its network.

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 Michele Melotti, 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 24 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 2023 fiscal year.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2023 was based on a process defined in accordance with the theoretical reference model CoSO Report – Internal Control Integrated Framework, an internationally generally accepted reference framework.

3. The undersigned also attest that:

3.1 the consolidated financial statements for the year ended on 31 December 2023:

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 19 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.

14 March 2024

The Chief Executive Officer

Angelo Trocchia

The manager responsible for preparing the company's financial statements

Michele Melotti

REPORT OF INDEPENDENT AUDITORS



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Safilo Group SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Safilo Group (the Group), which comprise the consolidated balance sheet as of 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of 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 this report. We are independent of Safilo Group SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 judgement, 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.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverability of the value of goodwill

Note 4.9 to the consolidated financial statements

The consolidated financial statements of Safilo Group SpA include goodwill amounting to Euro 33.7 million. The Group tests the recoverability of the value of goodwill for impairment at least annually.

For the purposes of impairment testing, goodwill was allocated to the cash-generating unit (CGU) identified by management.

To estimate the recoverable amount of the CGU, management calculated value in use using the discounted cash flow method: value in use was determined as the sum of the present value of the cash flows for the years of explicit forecast horizon (2024-2028) and a terminal value obtained applying a long-term growth rate to the last year of the business plan. The recoverable value thus obtained was compared with the carrying amount.

As part of our audit of the consolidated financial statements as of 31 December 2023, we focused on this item in consideration of the fact that the recoverability of these values is verified by management based on assumptions that are sometimes complex and that by nature involve the use of management's judgement, specifically with reference to the estimation of the future cash flows and the determination of the long-term growth rates and discount rates applied.

As part of our audit of the consolidated financial statements as of 31 December 2023, we performed the procedures illustrated below.

We obtained the exercise prepared by management to determine the recoverable amount of the cash generating unit, approved by the board of directors on 14 March 2024. Our audit approach was based on the analysis of the method used by management to prepare the impairment test and included the following procedures:

- we understood and evaluated the Group's internal control over the process of testing the recoverability of goodwill;
- we analysed the reasonableness of the considerations made by management regarding the level at which goodwill is tested for impairment;
- we analysed the reasonableness of the assumptions underlying the forecasts in terms of estimated future cash flows, in light of past results and comparing the growth rates used by management with external sources.

With the support of valuation experts from the PwC network, we verified that the methodologies used for the impairment test were consistent with international financial reporting standards as adopted by the European Union ("EU IFRS") and with prevailing valuation practice. Moreover, the key valuation parameters adopted were analysed in terms of reasonableness. With specific reference to the methods of calculation of discount rates and medium/long-term growth rates, we verified their consistency with the provisions of EU

Key Audit Matters

Auditing procedures performed in response to key audit matters

IFRS, with prevailing practice and with available market data. Moreover, we analysed the sensitivity analyses prepared by management.

We verified the mathematical accuracy of the calculation of the impairment test and the accuracy of the carrying amount of the CGU, in accordance with IAS 36, as of 31 December 2023 that was used for comparison with value in use.

Finally, our procedures included an analysis of the explanatory notes to the consolidated financial statements to assess the adequacy and completeness of disclosures.

Recoverability of the value of inventories

Note 4.3 to the consolidated financial statements

The consolidated financial statements of Safilo Group SpA include inventories for Euro 229 million, net of an obsolescence provision amounting to Euro 54 million.

To estimate the provision, management considers market trends and consumer demand and formulates the consequent sales forecasts, also considering the effects of the end of some licenses.

The inventories of obsolete or slow moving finished products are periodically subjected to specific valuation tests, taking into account 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 posts the appropriate write-downs.

We considered the determination of the obsolescence provision a key audit matter as it is an estimate characterised by complexity and uncertainty, which requires a high degree of judgment on the part of management.

As part of our audit activity of the consolidated financial statements as of 31 December 2023, we performed the procedures illustrated below.

- we have examined the principles and criteria applied by the Group for the write-down of inventories, which mainly consider commercial policies, sales forecasts and historical trends in inventory consumption;
 - we understood and evaluated the Group's internal control over the inventory write-down process, including the related IT environment;
 - we analysed the reasonableness of the main assumptions adopted by the Group to classify the items on the basis of the commercial strategies and the respective sales forecasts, as well as the algorithms and criteria applied for the calculation of the obsolescence provision. In this context, the historical trend of the use of stocks was also analysed;
-

Key Audit Matters

Auditing procedures performed in response to key audit matters

- we verified the mathematical accuracy of the calculation of the obsolescence provision based on the Group's policies;
- we analysed the additions to the provision resulting from specific phenomena (e.g. conclusion of licensing agreements);
- we analysed the movement of the provision, examining the main dynamics that determined it and obtaining, where necessary, adequate supporting documentation.

Finally, our procedures included an analysis of the explanatory notes to the consolidated financial statements to assess the adequacy and completeness of disclosures.

Other Matters

The consolidated financial statements of Safilo Group for the year ended 31 December 2022 have been audited by other auditors who, on 15 March 2023, expressed an unqualified opinion on the consolidated financial statements.

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, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Safilo Group SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed 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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' 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;
- we evaluated 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;
- we obtained 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 on the consolidated financial statements.

We communicated 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 identified during our audit.



We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 27 April 2023, the shareholders of Safilo Group SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2023 to 31 December 2031.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory 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 capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) No. 2019/815

The directors of Safilo Group SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be



reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Safilo Group SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Safilo Group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Safilo Group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Safilo Group as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Safilo Group SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Padua, 22 March 2024

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

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



STATUTORY FINANCIAL STATEMENTS
Safilo Group S.p.A

at 31 DECEMBER 2023

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SEE THE WORLD AT ITS BEST

REPORT ON OPERATIONS
Safilo Group S.p.A
at 31 DECEMBER 2023

DIRECTORS OPERATIONS REPORT

Introduction

Safilo Group S.p.A. was incorporated on 14th October 2002. It is the holding company of Safilo Group and performs planning and coordination activities, as defined in article 2497 et seq. of the Italian Civil Code, for the following member companies:

- Safilo S.p.A., directly controlled;
- Lenti S.r.l., 100% of the share capital indirectly controlled through Safilo S.p.A.;
- Safilo Industrial S.r.l., 100% of the share capital indirectly controlled through Safilo S.p.A.

As allowed by article 40.2/bis of Legislative Decree 127 of 9th April 1991, the annual Financial Statements and Directors' Report are submitted together with the consolidated Financial Statements and the Directors' Report on the consolidated Financial Statements; the information required by article 2428 of the Civil Code is therefore contained in the Directors' Report on the consolidated Financial Statements.

Subsidiaries

Safilo Group S.p.A. owns 95.201% of the share capital of subsidiary Safilo S.p.A.. The remainder is owned by Safilo S.p.A. in own shares.

The subsidiary Safilo S.p.A. is a wholesaler of prescription frames, sunglasses and sports articles sold under its own brands and licensed brands of international prestige.

Dealings with subsidiaries

The Company joined the tax consolidation programme in the capacity of parent company, while Safilo S.p.A., Lenti S.r.l. and Safilo Industrial S.r.l. joined in the capacity of subsidiaries. Moreover, Safilo Group S.p.A., acting in the capacity of parent company, Safilo S.p.A. and Safilo Industrial S.r.l., acting in the capacity of subsidiaries, subscribed to the VAT offsetting procedure laid down by the Ministerial Decree of 13th December 1979 (known as "Group VAT mechanism").

Dealings with the other companies in the Group are carried out at arm's length principle, and no atypical and/or unusual operations with them took place during the year.

Financial year 2023

Financial year 2023 (Thousand of Euro)	Receivables	Payables	Income/ Recharges	Costs
Safilo S.p.A.	696	(29,958)	660	(259)
Subsidiaries held by Safilo S.p.A.				
Lenti S.r.l.	756	-	27	-
Safilo Industrial S.r.l.	20,953	-	241	-
Safilo USA Inc.	11	-	11	-
Other Subsidiaries held by Safilo S.p.A.	94	-	94	-
Total	22,509	(29,958)	1,033	(259)

The receivable from the subsidiary Safilo S.p.A. mainly refers to recharges made for legal and tax services performed by the company and regulated by a service contract.

Payables to the subsidiary Safilo S.p.A. refer:

- for Euro 27,650 thousand to the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT Liquidation mechanism.
- for Euro 2,308 thousand to payables to the subsidiary for services rendered.

The revenues from the subsidiary Safilo S.p.A. mainly refer to charges made for legal and tax services and the chargeback of some insurance and consultancy costs.

The costs charged by the subsidiary Safilo S.p.A. mainly refer to services performed on behalf of the parent company.

The receivables from the subsidiary Lenti S.r.l. refer to the transfer of tax and withholding taxes, as part of the tax consolidation programme.

The receivables from the subsidiary Safilo Industrial S.r.l. refer to the transfer of VAT debit, as a result of the Group VAT Liquidation mechanism.

The receivables/payables and the related income/costs from other subsidiaries held by Safilo S.p.A. relate to the chargeback of some insurance and consultancy costs.

Financial year 2022

Financial year 2022 (Thousand of Euro)	Receivables	Payables	Income/ Recharges	Costs
Safilo S.p.A.	647	(25,235)	611	(239)
<i>Subsidiaries held by Safilo S.p.A</i>				
Lenti S.r.l.	1,563	-	42	-
Safilo Industrial S.r.l.	23,258	-	246	-
Safilo USA Inc.	12	-	13	-
Other Subsidiaries held by Safilo S.p.A.	90	(59)	82	-
Total	25,570	(25,294)	994	(239)

The receivable from the subsidiary Safilo S.p.A. mainly refers to recharges made for legal and tax services performed by the company and regulated by a service contract.

Payables to the subsidiary Safilo S.p.A. refer:

- for Euro 22,880 thousand to the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT Liquidation mechanism.
- for Euro 2,355 thousand to payables to the subsidiary for services rendered.

The revenues from the subsidiary Safilo S.p.A. mainly refer to charges made for legal and tax services and the chargeback of some insurance and consultancy costs.

The costs charged by the subsidiary Safilo S.p.A. mainly refer to services performed on behalf of the parent company.

The receivables from the subsidiary Lenti S.r.l. refer to the transfer of tax and withholding taxes, as part of the tax consolidation programme.

The receivables from the subsidiary Safilo Industrial S.r.l. refer to the transfer of VAT debit, as a result of the Group VAT Liquidation mechanism.

The receivables/payables and the related income/costs from other subsidiaries held by Safilo S.p.A. relate to the chargeback of some insurance and consultancy costs.

Significant events after the year-end

Subsequent to 31 December 2023 through the approval date of this report, no significant events occurred which would have impacted the financial and economic results shown pursuant to IAS 10 Events after the reporting period.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia



**FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
at 31 DECEMBER 2023**

Statutory Financial Statements

Balance Sheet

(Euro)	Note	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4.1	852,292	865,512
Trade receivables	4.2	1,343,208	1,008,563
Other current assets	4.3	26,484,223	29,190,402
Total current assets		28,679,723	31,064,477
Non-current assets			
Right of Use	4.4	226,532	313,380
Investment in subsidiaries	4.5	414,473,273	414,415,074
Deferred tax assets	4.6	-	-
Other non-current assets	4.7	737,880	1,529,539
Total non-current assets		415,437,685	416,257,993
TOTAL ASSETS		444,117,408	447,322,470
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables	4.8	4,196,545	3,916,220
Tax payables	4.9	304,818	299,821
Other current liabilities	4.10	28,984,609	25,416,735
Provisions	4.13	2,250,000	-
Lease liabilities	4.11	106,494	116,887
Total current liabilities		35,842,466	29,749,663
Non-current liabilities			
Lease liabilities	4.11	131,963	208,762
Employee benefit obligations	4.12	150,308	149,047
Provisions	4.13	-	2,000,000
Total non-current liabilities		282,271	2,357,809
TOTAL LIABILITIES		36,124,737	32,107,472
Shareholders' equity			
Share Capital	4.14	384,857,848	384,846,311
Share premium reserve	4.15	27,388,371	692,520,684
Retained earnings/(losses) and other reserves	4.16	3,259,596	(650,305,943)
Net (loss) for the year		(7,513,144)	(11,846,054)
TOTAL SHAREHOLDERS' EQUITY		407,992,671	415,214,998
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		444,117,408	447,322,470

Income Statement

<i>(Euro)</i>	<i>Notes</i>	2023	2022
Net sales	<i>5.1</i>	996,457	956,134
Gross profit		996,457	956,134
General and administrative expenses	<i>5.2</i>	(9,212,192)	(10,382,685)
Other operating income/(expenses)		(13,428)	(2,700,806)
Operating profit (loss)		(8,229,163)	(12,127,357)
Financial charges, net	<i>5.3</i>	(12,861)	(78,668)
Profit (loss) before tax		(8,242,024)	(12,206,025)
Income taxes	<i>5.4</i>	728,880	359,971
Net (loss) for the year		(7,513,144)	(11,846,054)

Statement of comprehensive Income

<i>(Euro)</i>	2023	2022
Net (loss) for the year	(7,513,144)	(11,846,054)
Actuarial gains (loss)	251,821	31,588
Total comprehensive (loss)	(7,261,323)	(11,814,466)

Statement of cash flows

(Euro)	2023	2022
A - Opening net cash and cash equivalents	865,512	1,363,709
B - Cash flow from (for) operating activities		
Net profit/(loss) for the period	(7,513,144)	(11,846,054)
Depreciation and amortization IFRS16	121,125	131,659
Stock Options figurative cost	185,580	303,309
Net changes in provision for risks	1,000,000	1,000,000
Other non monetary P&L items	66,241	46,992
Interest expenses on lease liability IFRS 16	11,634	12,956
Income tax expenses	(728,879)	(359,972)
Income (loss) from (for) operating activities prior to movements in working capital	(6,857,444)	(10,711,110)
(Increase) Decrease in trade receivables	(334,645)	134,818
(Increase) Decrease in other receivables	4,134,242	5,451,932
Increase (Decrease) in trade payables	280,325	(24,044)
Increase (Decrease) in other payables	2,858,410	4,696,406
Interests expenses paid	(11,634)	(12,956)
Total (B)	69,254	(464,954)
C - Cash flow from (for) investing activities		
(Investments) disinvestments in subsidiaries	-	-
Total (C)	-	-
D - Cash flow from (for) financing activities		
Repayment lease liability IFRS 16	(121,470)	(122,483)
Increase in share capital, net of transaction costs	38,996	89,240
Total (D)	(82,474)	(33,243)
E - Cash flow for the period (B+C+D)	(13,220)	(498,197)
F - Closing net cash and cash equivalents (A+E)	852,292	865,512

Statement of Changes in Equity

(Euro)	Share Capital	Share premium reserve	Legal reserve	Other reserves and retained earnings	Result for the period	Total shareholders' equity
Shareholders' equity as at January 01, 2022	384,819,910	692,457,846	3,007,774	(642,728,211)	(11,209,586)	426,347,733
Previous year's loss allocation	-	-	-	(11,209,586)	11,209,586	-
Capital increase, net of transaction costs	-	-	-	-	-	-
Net increase in the Reserve for share-based payments	26,402	62,838	-	592,493	-	681,733
Total comprehensive (loss) for the period	-	-	-	31,588	(11,846,054)	(11,814,466)
Shareholders' equity as at December 31, 2022	384,846,312	692,520,684	3,007,774	(653,313,716)	(11,846,054)	415,215,000
Previous year's loss allocation	-	(10,404,769)	-	(1,441,285)	11,846,054	-
Resolution regarding the covered of losses from previous year	-	(654,755,002)	-	654,755,002	-	-
Net increase in the Reserve for share-based payments	11,536	27,458	-	-	-	38,994
Total comprehensive (loss) for the period	-	-	-	251,821	(7,513,144)	(7,261,323)
Shareholders' equity as at December 31, 2023	384,857,848	27,388,371	3,007,774	251,822	(7,513,144)	407,992,671

1. General information

1.1 General information

The holding company, Safilo Group S.p.A., is a joint stock company established in Italy on 14 October 2002 registered with the Business and Trade registry of Vicenza and with the head office in Padua, Settima Strada 15, Italy.

Safilo Group S.p.A. is listed on Euronext Milan of the Italian Stock Exchange organized and managed by Borsa Italiana S.p.A., (code SFL IT0004604762).

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

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

These financial statements are reported in Euro. The financial information relates to the period from 1 January 2023 to 31 December 2023 and also presents comparative data related to the financial period from 1 January 2022 to 31 December 2022.

Safilo Group S.p.A. 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 14 March 2024.

The financial statements of Safilo Group S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815.

2. Summary of accounting principles adopted

2.1 Accounting policies

The accounting policies described here below have been applied for the preparation of the present report and comply with those adopted for the financial report as of 31 December 2022. The new amendments and accounting standards, described below, have not had any significant impacts on this report. The financial statements are based on the going concern assumption, despite a context still characterized by considerable uncertainty, the company, taking into account its financial solidity, the actions undertaken to mitigate risks and its business model, believes that there are no elements that may rise any uncertainty on the going concern assumption, in accordance with paragraph 25 of IAS 1.

The financial statements for the year ended 31 December 2023 and 31 December 2022 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 Committee ("IFRIC"), previously called Standing Interpretations Committee ("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 1 January 2023

Except for what is described below about those accounting policies which changed due to new accounting standards and new IFRIC interpretations, in preparing these consolidated financial statements the same accounting principles and criteria of the consolidated financial statements as at 31 December 2022 have been applied.

Furthermore, the company has adopted the following new standards and amendments, effective from 1 January 2023:

- on 18 May 2017 and 25 June 2020 , the IASB published respectively the IFRS 17 Insurance Contracts and its Amendments;
- on 9 December 2021, the IASB published the amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021);
- on 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- on 7 May 2021, the IASB published the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- on 23 May 2023, the IASB published the amendments to IAS 12 Income taxes International Tax Reform – Pillar Two Model Rules.

With reference to the Pillar Two Model Rules, effective from 1 January 2024 Safilo Group, as Multinational Group of enterprises that – together with its indirect reference shareholder HAL Holding NV – meets the 750 million euro annual consolidated revenue threshold in at least two of the four preceding years, falls within the application of the Pillar Two income taxes provided for by the Council Directive (EU) 2022/2523 enacted in Italy by Legislative Decree 209/2023, aimed at ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union.

In accordance with paragraph 4.A of IAS 12 that provides for a temporary exception to such Principle in relation to the accounting and disclosure of information on deferred tax assets and liabilities arising from the jurisdictional implementation of the Pillar Two Model Rules, in the current financial statements no deferred assets and liabilities are recorded in relation to the income taxes deriving from the implementation of the Pillar Two Model Rules.

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

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

At the date of this report the following amendments have been endorsed by the European Union applicable to the Group and effective for annual periods beginning on or after 1 January 2024 that have not been early adopted by the Group in preparing this report:

- on 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". On 31 October 2022 the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents aim to clarify how to classify debts and other short or long-term liabilities. The changes come into effect from 1 January 2024;
- on 22 September 2022, the IASB published the amendment to IFRS 16 Lease Liability in a Sale and Leaseback. The document aims to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes come into effect from 1 January 2024.

The company will comply with these new standards and amendments based on their relevant effective dates, and their application is not expected to have any material impact on the financial statements.

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

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

- on 25 May 2023 the IASB published amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements. The changes will come into effect from 1 January 2024;
- on 15 August 2023 the IASB published amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

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

2.2 Format of financial statements

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

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

2.3 Right of Use

Assets held through lease contracts (both finance and operating) are recognized according to the IFRS 16 standard, which provide a definition of leases based on the control (right of use) of an asset 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 company 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 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), 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.

2.4 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.

2.5 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.

2.6 Investments in associates (financial assets)

As required by IAS 36, the equity investment in the subsidiary Safilo S.p.A. is tested for impairment when internal or external factors exist that could represent impairment indicators.

2.7 Provisions for risks

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.

2.8 Employees benefits

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 4.12 "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.

2.9 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.

2.10 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.

2.11 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.

2.12 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 macroeconomic environment, resulting from a combination of geopolitical risks consequents to the still ongoing Ukraine - Russian invasion and the Israel-Gaza crisis represented an extraordinary circumstance that had direct and indirect repercussions on economic activity and has created a general environment of uncertainty. Also environmental responsibility risks and the transitory risks related to the regulation changes associated with the fight against the "climate change" may have an impact in term of future uncertainty. Financial statements assumptions and estimates have taken into consideration the uncertainties deriving from the above circumstances. For more details see also the consolidation Report on Operations on the paragraph related to the "Main critical risk factors for the Group". 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 statement are described briefly below.

Equity investments: in accordance with the accounting standards adopted for the preparation of the financial statements, the company tests the equity investments for potential impairment when internal or external factors exist that represent impairment indicators. Any loss in value resulting from the test is recorded in the income statement. In particular, the test is derived by properly adjusting the outcome of the impairment test executed at consolidated level. The assessment process of the impairment test is complex and is based on assumptions concerning, among other things, the forecast of expected cash flows, the determination of appropriate discounting rates (WACC) and long-term growth (g-rate). These estimates depend on factors that may change over time with consequent effects, which may be significant, compared to the Directors' assessments. Consistent with the indications of the main regulators, to meet the difficulties of making accurate estimates of future flows, the Directors performed their estimate considering independent sources and analysts' projections and carried out the test performing some sensitivity analyses relating to the main inputs of the calculation. In addition, it is considered also the identified potential impact of the climate change on the estimated cash flows. As suggested by regulators and standard setters, the uncertainties have been reflected in the estimate of cash flows, rather than adding a risk premium to the discount rate.

4. Notes to the balance sheet

4.1 Cash and cash equivalents

This item totals Euro 852,292 (compared to Euro 865,512 of previous year) and represents the momentary availability of cash. The book value of the available liquidity is aligned with its fair value at the reporting date and the related credit risk is very limited as the counterparts are primary banks.

4.2 Trade receivables

Trade receivables totals Euro 1,343,208 (against Euro 1,008,563 of previous year). They refer to amounts charged by Safilo Group S.p.A. to its subsidiaries (mainly Safilo S.p.A. and Safilo Industrial S.r.l. for legal and tax services). The book value of the trade receivables is kept approximately equal to the fair value and payment terms are aligned with the market benchmarks.

<i>(Euro)</i>	December 31, 2023	December 31, 2022
Trade receivables	5,050	-
Trade receivables from subsidiaries		
- Safilo S.p.A.	660,384	611,362
- Safilo Industrial S.r.l.	546,367	252,416
- Lenses Srl	26,826	42,178
- Safilo Benelux	4,200	4,200
- Safilo GmbH	5,700	5,700
- Safilo France	6,200	6,200
- Safilo Nordic	8,900	10,284
- Safilo Hellas	500	-
- Safilo UK	6,700	4,193
- Safilo Nederland	4,700	4,200
- Safilo Austria	4,200	4,200
- Safilo Portugal	4,700	4,200
- Safilo Switzerland	6,233	4,207
- Safilo Espana	5,700	5,700
- Safilo Optical Trade	6,173	4,189
- Safilo USA Inc.	11,000	12,461
- Smith Usa	7,000	6,480
- Safilo Canada	5,200	5,715
- Safilo Polska	5,078	-
- Prive Goods LLC	500	1,062
- Blenders Eyewear LLCs	3,000	2,991
- Safilo Far East	497	8,410
- Safilo Australia	4,200	3,992
- Safilo South Africa	4,200	4,223
Total	1,343,208	1,008,563

4.3 Other current assets

This item breaks down as follows:

<i>(Euro)</i>	December 31, 2023	December 31, 2022
VAT receivables	5,913,991	6,028,155
Tax receivables and advance payments	72,631	65,937
Prepayments and accrued income	33,617	38,030
Other receivables from subsidiaries - Safilo S.p.A.	35,475	35,475
Other receivables from subsidiaries - Safilo Industrial S.r.l.	20,406,519	23,005,881
Other receivables	21,989	16,924
Total	26,484,223	29,190,402

The VAT credit refers to the amount of VAT arising from Group VAT calculation. During year 2023 Safilo Group S.p.A. received a VAT reimbursement of Eur 4,000,000 from the Tax Authority.

The item receivables from Safilo Industrial S.r.l. mainly refer to the VAT debt position transferred by the subsidiary itself according to the Group VAT settlement procedure mentioned.

4.4 Right of Use assets

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

<i>(Euro)</i>	Balance at January 1, 2023	Increase	Decrease	Balance at December 31, 2023
Gross value				
Buildings Rights of Use	135,201	-	-	135,201
Other assets Rights of Use	360,324	34,277	(91,733)	302,868
Total	495,525	34,277	(91,733)	438,069
Accumulated depreciation				
Buildings Rights of Use	19,816	33,800	-	53,616
Other assets Rights of Use	162,329	87,325	(91,733)	157,921
Total	182,145	121,125	(91,733)	211,537
Net book value	313,380	(86,848)	-	226,532

4.5 Investments in subsidiaries

This item amounts to Euro 414,473,273 (compared to Euro 414,415,074 of previous year).

The following tables show the movements that occurred during the 2023 and during the previous financial year:

(Euro)	% of share capital	Balance at January 1, 2023	Increase (Decrease)	Impairment	Balance at December 31, 2023
Safilo S.p.A.	95.201	410,427,044	-	-	410,427,044
Contribution for stock options to subsidiaries		3,986,863	58,198	-	4,045,062
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005	146	-	-	146
Total		414,415,074	58,198	-	414,473,273

(Euro)	% of share capital	Balance at January 1, 2022	Increase (Decrease)	Impairment	Balance at December 31, 2022
Safilo S.p.A.	95.201	410,427,044	-	-	410,427,044
Contribution for stock options to subsidiaries		3,698,270	288,592	-	3,986,863
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005	146	-	-	146
Total		414,126,481	288,592	-	414,415,074

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 31 st December 2023	Euro 66,176,000 i.v.
Shareholders' equity at 31 st December 2023	Euro 201,597,397
Net loss for the financial year 2023	Euro (39,302,588)

In consideration of the difference between the value of the investment in Safilo S.p.A and the contribution to the consolidated financial statements of its net assets, the management subjected the book value of the investment to an impairment test.

Impairment test

The approach followed and the assumptions made to perform the impairment test are described below.

Since Safilo S.p.A. operationally heads the entire Safilo Group, the impairment test of this investment was derived from the one performed for the purposes of the consolidated financial statements.

For the unique identified CGU of the Group, the recoverable amount is based on its value in use determined based on estimated future cash flow projections.

On 14 March 2024 the Board of Directors has approved the 2024-2028 Financial Projections that confirms the main goals and strategies defined in the Group Business Plan presented to the markets on 10 March 2023. For the purposes of the impairment test, these financial projections take the requirements of IAS 36 into consideration, specifically those that require that the estimate of future cash flows excludes those cash flows that are expected to arise from improving or enhancing asset performance. Accordingly, potential new acquisitions effect included in the Financial projection 2024-2028, have not been considered for the purposes of the impairment test.

In estimating the growth in the plan period, the Group has taken into consideration both its own internal expectations as well as indications obtained from independent external sources.

The main objectives and strategies underlying Safilo's 2024-2028 business plan are:

- Sales growth which maximizes customer service and meets the needs of the different consumer segments;
- Margin expansion and a more flexible operating cost structure;
- Positive cash flow generation that feeds and supports the Group's organic and external growth.

The Group's strategies will continue to leverage two main enablers:

- the end-to-end Digitalization of its business model, with the aim of transversally enhancing data analytics, optimizing processes, operations and time to market;
- a Sustainability roadmap in support of the Group's business targets, driven through an agenda of clear and shared objectives.

The impairment test methodology used for the execution of the impairment test at the date of 31 December 2023 is consistent with the criteria used for the 2022 financial statements and considers 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 (including lease liabilities), debt/equity structure. As recommended by regulators, the WACC has not been adjusted for the macroeconomic environment with uncertainties instead being reflected in the cash flows;
- the growth rates for the years following the plan's horizon ("g" rate) have been analytically reviewed for each single country in which the Group operates in, and have been adapted to the rate of inflation expected by analysts for 2028.

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

The following table summarizes the WACC and "g" rates used by the Group for the impairment test:

Key assumptions	"WACC" discount rate		Growth rate "g"	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Safilo Group	8.55%	10.12%	2.13%	2.07%

The execution of the impairment test resulted in a cover compared to the net invested capital including goodwill as of 31 December 2023.

Management has performed sensitivities to test the cover of Net Invested Capital based on different scenarios where key parameters like WACC and Free Cash Flows have been progressively modelled. With reference to the break-even level: to obtain an enterprise value equal to the net invested capital as of 31 December 2023, including goodwill, EBITDA and related cash flows could be reduced by 55% or WACC could be increased by +6.5%.

After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2023.

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 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.

Management believe that the assumptions incorporated in the Financial Projections 2024-2028 underlying the impairment test are reasonable and that the Group has the necessary skills and resources to meet planned goals.

1. 4.6 Deferred tax assets

Deferred tax assets refer to the taxes calculated on tax losses that may be recovered in future financial years and temporary differences between the carrying value of assets and liabilities and their tax value. Deferred tax assets on tax losses are booked only if there is a reasonable likelihood that they may be recovered through future taxable income.

Starting from 1st January 2006 the Company joined the tax consolidation programme in the capacity of parent company. The subsidiaries participating in the program are Safilo S.p.A., Safilo Industrial S.r.l. and Lenti S.r.l. (both 100% owned by Safilo S.p.A). The effect of this option allows calculation of a single Group taxable income, corresponding to the algebraic sum of the taxable income of the participating entities.

As of 31 December 2023, Deferred Tax Assets, amounted to Euro 113,326,512, results fully written down, based on the same considerations performed by the management in the previous fiscal year, which are still valid.

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 31 December 2023:

(Euro)	Impact to			Receivables/ Payables due to tax consolidation	Balance at December, 31 2023
	Balance at January, 1 2023	Income Statement	Equity		
Tax losses Safilo Group S.p.A.	19,906,562	-	-	1,626,662	21,533,224
Tax losses from Safilo S.p.A.	64,704,473	-	-	9,332,079	74,036,552
Tax losses from Lenti S.r.l.	23,140	-	-	-	23,140
Tax losses from Safilo industrial S.r.l.	13,288,256	-	-	3,608,102	16,896,357
Tax losses before the tax consolidation	192,629	-	-	-	192,629
Interest expenses not deducted carryforward	320,365	(320,365)	-	-	-
Other temporary differences	269,236	(161,118)	-	-	108,118
Provision for Risks	480,000	60,000	-	-	540,000
Other temporary differences	(4,121)	612	-	-	(3,508)
Total deferred tax assets	99,180,540	(420,871)	-	14,566,843	113,326,512
Valuation allowance of deferred tax assets	(99,180,540)	420,871	-	(14,566,843)	(113,326,512)
Total deferred tax assets, net	-	-	-	-	-

The following table shows the tax losses carried forward deriving from the Group national tax consolidation:

Financial Year	Tax losses	Tax benefit
Before 2014	91,351,812	21,924,435
2015	27,352,290	6,564,550
2016	8,642,688	2,074,245
2017	34,213,659	8,211,278
2018	26,884,736	6,452,337
2019	55,513,664	13,323,279
2020	82,017,679	19,684,243
2021	59,378,384	14,250,812
2022	21,698,117	5,207,548
2023	61,652,280	14,796,547
Total	468,705,308	112,489,274

In accordance with Art. 84 of TUIR, all tax losses can be carried forward without time limitation, in order to offset future taxable income to an extent not greater than 80% of the taxable income for each single fiscal year.

4.7 Other non-current assets

This item totals Euro 737,880 (compared to Euro 1,529,539 of previous year) and mainly refers to withholding taxes from the subsidiary Lenti S.r.l. arising from the tax consolidation programme.

4.8 Trade payables

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

(Euro)	December 31, 2023	December 31, 2022
Trade payables for services	1,902,402	1,511,288
Trade payables to subsidiaries:		
Safilo S.p.A.	2,294,143	2,346,409
Safilo Far East Ltd	-	58,523
Total	4,196,545	3,916,220

The item payables to service providers mainly refers to consultancies for *business development* operations.

The item payable to Safilo S.p.A. mainly refers to accounting and administrative services provided by the subsidiary to the parent company.

4.9 Tax payables

As of 31 December 2023, this item amounted to Euro 304,818 (compared to Euro 299,821 of previous year) and referred to IRPEF withholdings on wages and salaries and independent contractors' compensation withholdings for the month of December, that were paid in January 2024.

4.10 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2023	December 31, 2022
Payables to personnel and social security institutions	1,294,445	2,514,091
Payables to pension provisions	10,332	5,753
Other current liabilities	15,628	7,880
Accrued expenses	36	42
Other payables to subsidiaries - Safilo S.p.A.	27,664,168	22,888,969
Total	28,984,609	25,416,735

The item other payable to subsidiary Safilo S.p.A. mainly refers to the transfer of the VAT credit within the Group VAT settlement procedure.

4.11 Lease liabilities

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

(Euro)	Balance at January 1, 2023	Increase	Decrease	Balance at December 31, 2023
Lease liabilities IFRS 16	325,648	34,279	(121,470)	238,457
Of which:				
Short term liability	208,762			106,494
Long term liability	116,887			131,963

4.12 Employee benefits obligations

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

(Euro)	Balance at January 1, 2023	Changes during the year				Balance at December 31, 2023
		Transfer	Posted to income statement	Actuarial gains/(losses)	Provision transfer	
Employee Benefits	149,047	683	8,619	(8,041)	-	150,308
Defined contribution plans	-	-	235,886	-	(235,886)	-
Total	149,047	683	244,505	(8,041)	(235,886)	150,308

(Euro)	Balance at January 1, 2022	Changes during the year				Balance at December 31, 2022
		Transfer	Posted to income statement	Actuarial gains/(losses)	Provision transfer	
Employee Benefits	134,976	35,430	10,229	(31,588)	-	149,047
Defined contribution plans	-	80,968	231,354	-	(312,322)	-
Total	134,976	116,398	241,583	(31,588)	(312,322)	149,047

Following the spin-off of 1 January 2017 which implied the transfer of some employees from Safilo S.p.A, the company Safilo Group S.p.A is also subject to the changes made to the regulations governing the employment severance fund introduced by Law no. 296 of 27th December 2006 ("Financial Law 2007") and subsequent Decrees and Regulations issued in the first months of 2007. Safilo Group S.p.A, 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 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.

4.13 Risks Provisions and charges

As of 31 December 2023, this item amounts to Euro 2,250,000 (compared to Euro 2,000,000 of previous year) and refers to the estimated liability for a long-term incentive for top management.

SHAREHOLDERS' EQUITY

The shareholders' equity is both the value contributed by the shareholders of Safilo Group S.p.A. (share capital and share premium reserve) plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves).

On 31 December 2023, shareholders' equity amounts to Euro 407,992,671, against Euro 415,214,998 of previous year.

4.14 Share capital

At 31 December 2023 the share capital of Safilo Group S.p.A. amounts to Euro 384,857,848 (compared to Euro 384,846,311 at the end of the previous year) consisting of no. 413,745,466 ordinary shares with no par value (413,687,780 ordinary shares as at 31 December 2022).

In 2023 new ordinary shares were issued, resulting from the execution of a share capital increase to the service of the stock option plan named "Stock Option Plan 2017 – 2020".

The increase for the period, due to the capital increase resulting from the execution of a share capital increase to the service of the stock option plan named "Stock Option Plan 2017 – 2020" amounts to Euro 11,536.

4.15 Share premium reserve

At 31 December 2023 the share premium reserve of Safilo Group S.p.A. amounts to Euro 27,338,371 (compared to Euro 692,520,684 at the end of the previous year).

The movement of the period is due to the coverage of previous losses for Euro 654,755,002 and the exercise of the right of stock option by some directors, according to the stock option plan called Stock Option Plan 2017 - 2020", is equal to Euro 27,458

4.16 Retained earnings and other reserves

This account breaks down as follows:

<i>(Euro)</i>	December 31, 2023	December 31, 2022
Legal reserve	3,007,774	3,007,774
Stock option reserve	106,379	1,439,907
Reserve for actuarial gain (losses) of defined benefit plan	8,043	1,378
Losses carried forward	137,400	(654,755,002)
Total	3,259,596	(650,305,943)

Equity accounts - possible use and distribution

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

(Euro)	Amount	Possible use
Share Capital	384,857,848	
Share premium reserve	27,388,371	A - B - C (*)
Legal reserve	3,007,774	B
Stock option reserve	106,379	
Reserve for actuarial gain (losses) of defined benefit plan	8,043	
Losses carried forward	137,400	
Net (loss) for the year	(7,513,144)	
Total	407,992,671	

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 2023 the Group has in place the following Stock Option Plans: 2017-2020, 2020-2022 and the new 2023-2025 Plan.

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

The 2020-2022 Plan was deliberated by the Ordinary Shareholders' Meeting held on 28 April 2020, in which the Shareholders approved the issue up to 7,000,000 new ordinary shares to be offered to directors and/or employees of the Company and its subsidiaries.

On 27 April 2023 the Ordinary Shareholders' Meeting approved the Stock Option Plan 2023-2025 which provides for the assignment of a maximum of 22,000,000 options (corresponding to a maximum number of 22,000,000 ordinary shares of the Company) in favour of executive directors who are also employees and other employees of the Company and/or other companies within the Group.

Information relating to the tranches of the Stock Options Plans granted on 31 December 2023 are shown below.

	Grant date	No. of options	Fair value in Euro	Maturity
Stock Option Plan 2017-2020				
Third tranche	30 April 2019	643,413	0.18	31 May 2027
Stock Option Plan 2020-2022				
First tranche	31 July 2020	2,895,376	0.18	30 June 2028
Second tranche	11 March 2021	3,106,148	0.27	30 June 2029
Stock Option Plan 2023-2025				
First tranche	11 September 2023	7,640,000	0.28	30 June 2031

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	Free risk rate
Stock Option Plan 2017-2020				
Third tranche	0.81	0.68	36.20%	0.087%
Stock Option Plan 2020-2022				
First tranche	0.63	0.63	47.78%	-0.392%
Second tranche	0.93	0.87	45.67%	-0.290%
Stock Option Plan 2023-2025				
First tranche	0.93	0.97	38.20%	3.010%

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

	No. of options	Average exercise price in Euro
Stock Option Plan 2017-2020		
Outstanding at the beginning of the period	773,205	0.68
Granted	-	-
Forfeited	-	-
Exercised	(57,686)	0.68
Expired	(72,107)	0.68
Outstanding at period-end	643,413	0.68
Stock Option Plan 2020-2022		
Outstanding at the beginning of the period	7,343,823	0.76
Granted	-	-
Forfeited	(709,976)	0.87
Exercised	-	-
Expired	(632,322)	0.63
Outstanding at period-end	6,001,524	0.76
Stock Option Plan 2023-2025		
Outstanding at the beginning of the period	-	-
Granted	7,940,000	0.97
Forfeited	(300,000)	0.97
Exercised	-	-
Expired	-	-
Outstanding at period-end	7,640,000	0.97

During the year, a total of 704,429 options expired, of which 72,107 from the third tranche of the Plan 2017-2020 and 632,322 of the Plan 2020-2022 and 57,686 options of the Plan 2017-2020 were exercised. Additionally, 1,009,976 options were forfeited of which 709,976 of the Plan 2020-2022 and 300,000 of the Plan 2023-2025, in the period 7,940,000 options of the Plan 2023-2025 were granted.

The options outstanding of the third tranche of the Plan 2017-2020, equal to 643,413 options, are exercisable until 31 May 2027, the first and the second tranche of the Plan 2020-2022, equal respectively to 2,895,376 and to

3,106,148 options, are exercisable until 30 June 2028 and 30 June 2029 respectively, the first tranche of the Plan 2023-2025 equal to 7,640,000 are exercisable until 30 June 2031.

At the date of the approval of these financial statements the options vested and exercisable still outstanding are the one related to the Plan 2017-2020 equal to 643,413.

The exercise price for the options of the third tranche of the Plan 2017-2020 is equal to 0.68 Euro with a remaining contract life of 3.4 years, for the first and the second tranche of the Plan 2020-2022 the exercise prices are equal to respectively 0.63 and 0.87 Euro with a remaining contract life of 4.5 and 5.5 years respectively, while for the first tranche of the Plan 2023-2025 the exercise prices is equal to 0.97 Euro with a remaining contract life of 7.5.

The adoption of these plans has affected the income statement for the period for a cost of 185 thousand Euro (304 thousand Euro of previous year).

There have been no changes or cancellations to the above plans.

5. Notes to the income statement

5.1 Service revenues

The company, as Group's financial holding company, does not have revenues from the sale of goods, but only revenues for administrative, legal and tax services provided to the subsidiaries during the year, which amount to Euro 996,457.

5.2 General and administrative expenses

This item breaks down as follows:

<i>(Euro)</i>	2023	2022
Payroll and social security contributions	4,084,150	4,645,693
Corporate compliance costs	391,464	331,417
Remuneration to directors and statutory auditors	1,862,943	2,525,376
Consultancies and professional services	1,151,849	1,180,296
Cost of services provided by Safilo S.p.A.	247,555	224,486
Other administrative and general expenses	353,115	343,758
Provisions (Long Term Incentive)	1,000,000	1,000,000
Depreciation	121,116	131,659
Total	9,212,192	10,382,685

The following table illustrates the average and punctual number of employees:

	2023	2022
Punctual at 31 December	21	20
Annual average	20	19

5.3 Financial charges

This item breaks down as follows:

(Euro)	2023	2022
Interest expense	(11,634)	(12,956)
Bank charges and commissions	(1,200)	(1,307)
Other financial charges	(5,268)	(672)
Total financial charges	(18,102)	(14,935)
Interest income	6,462	274
Dividends	26	-
Total financial income (charges), Net	6,488	274
Negative exchange rate differences	(1,247)	(67,116)
Positive exchange rate differences	-	(3,109)
Total exchange rate differences, net	(1,247)	(64,007)
Total financial charges, net	(12,861)	(78,668)

5.4 Income taxes

This item breaks down as follows:

(Euro)	2023	2022
Current taxes	728,880	359,971
Deferred taxes	-	-
Total	728,880	359,971

Current taxes, negative for Euro 728,880, 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. There is no effect on profit and loss deriving from deferred taxes considering that the whole amount of deferred tax assets is still fully written down.

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

(Euro)	%	2023	%	2022
Profit (loss) before taxation	100%	(8,242,024)	100%	(12,206,025)
Theoretical Taxes	-24.0%	1,978,086	-24.0%	2,929,446
Not deductible costs	0.5%	(43,208)	0.2%	(27,751)
Income from tax fiscal unity	-8.8%	726,168	-2.9%	359,971
Non-recognition of new DTAs and write-off of existing DTAs	23.5%	(1,934,877)	23.8%	(2,909,033)
Other differences	-0.03%	2,712	-0.1%	7,337
Total	-8.84%	728,880	-2.95%	359,971

Potential exposure to Pillar Two Model Rules impact

The exposure to the Pillar Two income taxes of the Global Minimum Tax derives from the level of effective taxation realized in each jurisdiction in which the entities of the Multinational Group (and any joint ventures) are present; such level of effective taxation depends on numerous factors, also interconnected between them, such as in particular the profit there generated, the nominal tax rate level, the tax rules for the calculation of the taxable income, the existence, form and benefiting of incentives or other tax benefits applicable in the specific jurisdiction.

Considering the novelty and complexities in calculating the effective taxation level, for the first years of implementation (that is for periods starting before December 31, 2026 and ending not after than June 30, 2028) the Pillar Two rules provide for the possibility of applying a simplified regime mainly based on accounting information available for each relevant jurisdiction (so called transitional regime, with safe harbors predominantly based on Country-by-Country Report (CbCR) data, hereinafter also referred to as "transitional CbCR safe harbors") and based on which the reduction of the implementation costs and the reduction to nil of the Pillar Two taxes in case of meeting of one of the three provided tests.

Taking into account the known or reasonably estimable information at the reporting date, even if such information do not currently reflect all specific regulations of the Pillar Two Model Rules connected to the localization and operations of all the entities of the Safilo Group in all the single jurisdictions in which the same operates, and considering that at the reporting date there is information that is not known or reasonably estimable, the Safilo Group exposure in the jurisdictions in which it operates to Pillar Two income taxes arising from such legislation at the reporting date, also based on the transitional CbCR safe harbors, is valued as not material.

In particular, based on information known or reasonably estimable:

- with reference to the majority of the entities of the Safilo Group, that are located in jurisdictions that meet at least one of the three tests provided for by the transitional CbCR safe harbors, the conditions for the non-application of the Pillar Two income taxes are met, and
- for the remaining entities of the Safilo Group, that are located in jurisdictions that do not meet any of the three tests provided for by the transitional CbCR safe harbors, the exposure is not material, since the level of the effective taxation in such jurisdictions proxies the minimum rate of 15% or the potential estimated impact on the profits in such jurisdictions (in particular in the United Arab Emirates) is not material in relation to the total profits of the Safilo Group.

The Safilo Group, with the support of external consultants, is getting organized and prepared for the compliance fulfilments connected to the Pillar Two Model Rules, also with the objective of managing the exposure in the future years, by the setting up of adequate systems and procedures aimed at:

- the identification, localization and characterization, also ongoing, of all entities of the Safilo Group relevant for the Pillar Two model rules purposes, and
- computing the simplified tests (so called transitional CbCR safe harbors) for each of the relevant jurisdictions, with the aim of benefiting of the relevant advantages in terms of reduction of the fulfilments costs and of the reduction to nil of the Pillar Two taxes, and
- performing the complete and detailed calculations of the amounts relevant as requested by the Pillar Two for any jurisdictions that might not meet any of the above mentioned tests.

Since the Pillar Two Model Rules are not effective at the financial year reporting date, no current tax expense related to the Pillar Two income taxes are recorded.

5.5 Earnings (losses) per share

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

Base		
(Euro)	2023	2022
Profit (loss) on ordinary shares	(7,513,144)	(11,846,054)
Average number of ordinary shares	413,733,388	413,598,538
Earnings (loss) per basic share (in Euro)	(0.02)	(0.03)
Diluted		
(Euro)	2023	2022
Profit (loss) on ordinary shares	(7,513,144)	(11,846,054)
Portion reserved for preferred shares	-	-
Profit (loss) in the income statement	(7,513,144)	(11,846,054)
Average number of ordinary shares	413,733,388	413,598,538
Dilution effects:		
- stock option	3,552,807	3,831,321
Total	417,286,195	417,429,859
Earnings (loss) per share diluted (in Euro)	(0.02)	(0.03)

6. Commitments

The Company had no purchase commitments at the reporting date.

7. Subsequent events

Subsequent to 31 December 2023 through the approval date of this report, no significant events occurred which would have impacted the financial and economic results shown pursuant to IAS 10 Events after the reporting period.

8. Significant non-recurring events and transactions

During 2023 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 2023 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

<i>(Euro)</i>	2023	2022
<u>Directors</u>		
- Salaries ad short term compensations	3,107,183	3,711,480
- Non monetary benefits	35,369	27,617
- Other compensations	88,424	86,804
- Fair value of equity compensations	204,343	252,392
<u>Statutory auditors</u>		
- Fixed compensations and compensations for participation in committees	143,000	143,000
<u>Managers with strategic responsibilities</u>		
- Salaries ad short term compensations	446,244	718,613
- Non monetary benefits	13,674	11,481
- Other compensations	-	3,174
- Fair value of equity compensations	24,866	51,509
Total	4,063,103	5,006,070

Resolution regarding the result for the year

We submit for your approval the financial statements for the financial year ending on December 31st, 2023, drafted according to the IFRS International Accounting Standards, and recommend that the loss of the year, amounting to 7,513,144 Euro be carried forward.

For the Board of Directors
Chief Executive Officer
Angelo Trocchia

APPENDIX

Information requested by art. 149-duodecies of the Regulation on Issuers issued by Consob

The following table, prepared in accordance with Art. 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2023 relating to the audit and other audit related services rendered by the same Audit firm.

The Shareholders' Meeting held on 27 April 2023, upon proposal of the Board of Statutory Auditors, appointed PricewaterhouseCoopers S.p.A. as external Audit Company for the financial years from 2023 to 2031.

<i>(Euro)</i>	2023
Audit	169,800
Other services	26,000
Total	195,800

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 Michele Melotti, 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 2023 financial year.

It is also certified that the annual report at 31st December 2023:

- 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.

14 March 2024

The Chief Executive Officer

Angelo Trocchia

The manager responsible for preparing the
company's financial statements

Michele Melotti

REPORT OF THE BOARD OF STATUTORY AUDITORS

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE
SHAREHOLDERS' MEETING OF SAFILO GROUP S.P.A.
(Pursuant to Article 153 of Legislative Decree No. 58/1998)**

Dear Shareholders,

the Board of Statutory Auditors of Safilo Group S.p.A. (hereinafter also "Safilo" or the "Company"), pursuant to Article 153 of Legislative Decree No. 58/1998 (hereinafter also "TUF") is required to report to the Shareholders' Meeting convened to approve the financial statements on the supervisory activity carried out during the year, on any omissions and censurable facts that may have been detected and on the results of the Company's financial year.

The Board of Statutory Auditors is also called upon to make any proposals regarding the budget and its approval, as well as matters within its competence.

This report reports on the activities of Safilo's Board of Statutory Auditors during the year ended December 31, 2023.

1. BACKGROUND

The Board of Statutory Auditors in office as of the date of this report consists of Maria Francesca Talamonti (chair), Roberto Padova (standing member) and Bettina Solimando (standing member), appointed by the shareholders' meeting of April 27, 2023; Tina Marcella Amata and Marco Michielon are alternate auditors.

During the fiscal year ended December 31, 2023, the Board of Statutory Auditors carried out the supervisory activities required by law (and in particular, by Article 149 of the TUF and Article 19 of Legislative Decree No. 39/2010), taking into account the principles of conduct recommended by the National Council of Certified Public Accountants and Accounting Experts, Consob provisions on corporate controls, and the indications contained in the *Corporate Governance Code* of listed companies promoted by Borsa Italiana, to which the Company has declared to adhere.

Supervisory activities were carried out at the 9 meetings of the Board of Statutory Auditors held in 2023, attending 9 meetings of the Board of Directors, also participating in the shareholders' meeting held on April 27, 2023, 5 meetings of the Audit and Risk Committee, 5 meetings of the Compensation Committee, 4 meetings of the Sustainability Committee, 3 meetings of the Related Party Transactions Committee, and 3 meetings of the Supervisory Board.

On this point, it should be noted that in order to ensure greater effectiveness of supervisory activities, the Board has adopted, as an operational practice, that of active participation of the entire supervisory body in all meetings of endo-committees.

The Board of Statutory Auditors has met periodically with the auditing firm, and from the meetings held, there have been no significant reportable facts concerning the auditing activities, nor have there been any decisive deficiencies concerning the integrity of the internal control system with regard to the financial reporting process.

In this regard, it should be noted that, by a resolution passed by the shareholders' meeting on April 27, 2023, the independent auditors PricewaterhouseCoopers SpA (hereinafter also "PwC") were appointed to audit the statutory and consolidated financial statements for the period 2023- 2031.

It should also be noted that in the course of the supervisory activities carried out and on the basis of the information also obtained from the auditing company, no omissions, censurable facts or irregularities or otherwise significant facts were detected that would require reporting to the supervisory bodies.

2. SUPERVISORY ACTIVITIES UNDER ARTICLE 149 OF THE TUF.

Pursuant to Article 149 of the TUF, the Board of Statutory Auditors supervises:

- on compliance with the law and statutes;
- on adherence to the principles of proper administration;
- on the adequacy of the company's organizational structure for the aspects under its responsibility, the internal control system and the administrative-accounting system, as well as the reliability of the latter in correctly representing operating events;
- on how to concretely implement the corporate governance rules set forth in codes of conduct drawn up by regulated market management companies or trade associations, which the company, by means of public disclosures, declares that it complies with;
- on the adequacy of the provisions issued by the company to its subsidiaries pursuant to Article 114(2) of the TUF.

■ *Activities to supervise compliance with the law and statutes*

The Board of Statutory Auditors acquired the information instrumental to the performance of the supervisory duties assigned to it through participation in the meetings of the Board of Directors and endo-consiliar committees, hearings of the *management of the Company and the Group*, meetings with the auditing firm, analysis of the information flows acquired from the corresponding supervisory bodies of the Group companies and the relevant corporate structures, and further control activities.

In particular, the Board of Statutory Auditors:

- pursuant to Article 150, paragraph 1 of the TUF, has obtained from the directors, at least quarterly, information on the activities carried out and on the most significant economic, financial, and equity transactions carried out by the Company, as well as on the Group's strategic guidelines. The Board of Statutory Auditors can reasonably assure that the transactions resolved and implemented comply with the law and the bylaws and are not manifestly imprudent or risky, or in conflict with resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the Company's assets. There are also no atypical or unusual transactions;

- pursuant to Article 150, paragraph 3 of the TUF, held periodic meetings with representatives of the auditing firm in order to be able to exchange with it consolidated data and information relevant to the performance of its duties. In this regard, it is noted that no relevant data and information emerged that should be reported in this report;
- pursuant to Article 151 paragraph 1 and 2 of the TUF, had exchanges of information with the Boards of Statutory Auditors of the subsidiaries regarding the activities carried out during 2023: in particular, the Board points out that the two standing members of Safilo's Board of Statutory Auditors are also members of the Boards of Statutory Auditors of the two main subsidiaries, Safilo S.p.A. and Safilo Industrial S.r.l., which made it easier and more immediate to exchange information;
- received information from the Supervisory Board about its activities, from which there were no anomalies or significant reprehensible facts;
- Supervised compliance with the *privacy* provisions of the EU Regulation No. 2016/679 (so-called GDPR);
- has not received any complaints *under* Article 2408 of the Civil Code, nor have any complaints of any kind been filed;
- has not made any reports to Consob *under* Article 149(3) of the TUF;
- Issued the following opinions:
 - pursuant to Article 13 of Legislative Decree No. 39/2010, on the appointment of PwC as statutory auditor;
 - pursuant to art. 154-bis, para. 1, TUF, on the appointment of Michele Melotti as manager in charge of drafting corporate accounting documents;
- in accordance with the *Corporate Governance Code*, expressed its opinion (i) on the approval of the work plan prepared by the head of the *internal audit* function and (ii) on the assessment of the results set forth by the independent auditors in the supplementary report addressed to the supervisory board;
- supervised the fulfillment of requirements related to the "*Market abuse*" and "Protection of savings" regulations on corporate disclosure and *internal dealing*, with particular reference to the handling of inside information and the procedure for the dissemination of announcements and information to the public.

Further, the Board of Statutory Auditors, as to corporate bodies and functions, reports that in financial year 2023:

- the Board of Directors met 9 times;
- the Audit and Risk Committee met 5 times;
- the Remuneration Committee met 5 times;
- the Sustainability Committee met 4 times;
- the Related Party Transactions Committee met 3 times;
- the Supervisory Board met 3 times.

- *Supervisory activities on compliance with the principles of proper administration and the adequacy of the organizational structure*

The Board of Auditors:

- acquired knowledge of and supervised, to the extent of its competence, the adequacy of the Company's organizational structure and compliance with the principles of proper administration through direct observation, collection of information from the heads of corporate functions, and meetings with the auditing firm for the purpose of mutual exchange of relevant data and information, and in this regard has no particular observations to report, considering the Company's organizational structure to be substantially adequate to its needs and suitable for ensuring compliance with the principles of proper administration;
- assessed and supervised the adequacy of the administrative-accounting system, as well as the reliability of the latter to correctly represent operating events, by obtaining information from the heads of the respective functions, examining company documents, and analyzing the results of the work performed by the independent auditors, and in this regard has no particular observations to report;
- did not find any facts and circumstances involving the unsuitability of the administrative and accounting system of the non-EU subsidiaries to regularly provide the management and auditor of the parent company with the income statement, balance sheet and financial data necessary for the preparation of the consolidated financial statements, as required by Article 15(1)(c)(ii) of the Market Regulations.

The Board of Statutory Auditors found that adequate documentation supporting the topics discussed at board meetings is made available to directors and auditors well in advance, in accordance with the *Corporate Governance Code*.

On the basis of the information acquired, the Board of Statutory Auditors acknowledges that management decisions are based on the principle of fair information and reasonableness, and that the directors have been made aware of the riskiness and effects of the transactions made.

The Board of Statutory Auditors found no significant atypical and/or unusual transactions, including intragroup transactions or transactions with intragroup and non-intergroup related parties.

The Board also assessed the adequacy of the information made within the management report about the non-existence of significant atypical and/or unusual transactions.

■ *Supervisory activities on how corporate governance rules are actually implemented*

In relation to the provisions of Article 149, paragraph 1, letter *c-bis*, of the TUF regarding the supervision by the Board of Statutory Auditors "on the procedures for the concrete implementation of the corporate governance rules laid down in codes of conduct drawn up by management companies of regulated markets or by trade associations, which the company, by means of public disclosures, declares that it complies with," the Board of Statutory Auditors reports that:

- monitored how the corporate governance rules set forth in codes of conduct to which the Company, by means of public disclosure and on the basis of the "comply or explain" principle, declares to comply, expressing - from time to time - its recommendations;
- noted that the *Report on Corporate Governance and Ownership Structure* for 2023, approved on March 14, 2024, in fulfillment of relevant legal and regulatory obligations, contains information on the ownership structure, adherence to codes of conduct and compliance with consequent commitments, highlighting the choices the Company has made in applying the self-regulatory principles.

The Board of Statutory Auditors further acknowledges:

- that it has ascertained that all of its regular members meet the requirements of independence, professionalism, honorability and limits to the accumulation of offices provided for by law, the bylaws and the *Corporate Governance Code*, as well as the proper and effective functioning of the body as a whole, formalizing in a report the results of the self-assessment process carried out and informing the Board of Directors, which has given notice of them in the *Report on Corporate Governance and Ownership Structure*;
- that it has ascertained the proper application of the criteria and procedures adopted by the Board of Directors to assess annually the independence of its independent directors. In this regard, the Board of Auditors notes that declarations have been received from the directors, in connection with the periodic assessment to be carried out pursuant to the *Corporate Governance Code*, regarding their possession of the independence requirements set forth in Article 148, paragraph 3, of the TUF (referred to in Article 147-ter, paragraph 4, of the TUF).

■ *Supervisory activities on the adequacy of the arrangements made by the company to its subsidiaries*

Pursuant to Article 114(2) of the TUF: (i) listed issuers shall issue the necessary instructions for subsidiaries to provide all the news necessary to fulfill the disclosure obligations required by law; (ii) subsidiaries shall promptly transmit the required news.

The Board of Statutory Auditors monitored the adequacy of the instructions given to the subsidiaries, having ascertained that the Company is able to promptly and regularly fulfill the reporting obligations required by law; this was also done by collecting information from the heads of organizational functions, for the purpose of mutual

exchange of relevant data and information. In this regard, there are no particular comments to report.

■ *Intercompany or related party transactions*

Pursuant to Article 2391-bis of the Italian Civil Code and Consob Resolution No. 17221 of March 12, 2010 on Related Party Transaction Regulations (hereinafter also the "Regulations"), Safilo on November 5, 2010 adopted *Regulations governing related party transactions*, most recently updated on July 1, 2021.

The procedure currently in force (hereinafter also referred to as the "Procedure") (i) is consistent with the principles contained in the Regulations in effect as of the date of this report and (ii) is published on the Company's *website*.

During fiscal year 2023, based on the information received, a number of transactions with related parties, both intercompany and third parties, have been entered into; these transactions, to the best of our knowledge:

- were carried out in substantial adherence to the Procedure and Regulations;
- appear to have been carried out in the interest of the Company, of an ordinary nature and concluded on terms equivalent to market or *standard* terms;
- do not include atypical or unusual transactions.

Transactions with related parties are adequately described in the annual and consolidated financial statements, in which the main income statement and balance sheet balances arising from transactions with related parties are also reported, including-when present-those relating to directors, auditors, and key management personnel.

Detailed information on the compensation payable for the year 2023 to members of the management and control bodies and key management personnel is provided in the *Remuneration Report 2023* prepared in accordance with Article 123-ter of the TUF.

3. SUPERVISORY ACTIVITIES PURSUANT TO LEGISLATIVE DECREE NO. 39/2010

Pursuant to Legislative Decree No. 39/2010 as amended by Legislative Decree 135/2016 (hereinafter also

"Decree") the Board of Statutory Auditors, identified by the Decree as the Audit Committee, is responsible for:

- inform the administrative body of the audited entity of the outcome of the statutory audit and transmit to this body the additional report referred to in Article 11 of EU Reg. No. 537/2014 (hereinafter also "European Regulation"), together with any comments;
- monitor the financial reporting process and make recommendations or proposals to ensure its integrity;
- monitor the effectiveness of the firm's internal quality control and risk management systems and, if applicable, internal audit, with respect to the audited entity's financial reporting, without violating its independence;

- monitor the statutory audit of the annual financial statements and consolidated financial statements, including taking into account any findings and conclusions of quality audits conducted by Consob pursuant to Article 26(6) of the European Regulation, where available;
- verify and monitor the independence of statutory auditors or auditing firms in accordance with Articles 10, *10-bis*, *10-ter*, *10-quater* and 17 of the Decree and Article 6 of the European Regulations, particularly with regard to the appropriateness of the provision of non-audit services to the audited entity, in accordance with Article 5 of those Regulations;
- be responsible for the procedure to select statutory auditors or statutory audit firms and recommend statutory auditors or statutory audit firms to be appointed pursuant to Article 16 of the European Regulation.

With reference to the activities under the Decree, the following should be noted.

- *Disclosure to the board of directors on the outcome of the statutory audit and the additional report referred to in Article 11 of the European Regulation*

The Board of Statutory Auditors represents that on March 22, 2024, the auditing firm PwC issued the supplementary report *pursuant to* Article 11 of the European Regulations (hereinafter also "Supplementary Report"), which represents the results of the statutory audit carried out and includes the declaration on independence referred to in Article 6(2)(a) of the Regulations, as well as the disclosures required by Article 11 of the Regulations, without identifying any significant deficiencies.

The Board of Statutory Auditors will inform the Company's Board of Directors about the results of the statutory audit by forwarding the Additional Report to the Chairman of the Board of Directors in accordance with Article 19 of the Decree.

- *Supervisory activities on the financial reporting process*

The Board of Statutory Auditors has verified the existence of rules and procedures to guard the process of formation and dissemination of financial information; in this regard, the *Annual Report on Corporate Governance and Ownership Structure* defines the reference guidelines for the establishment and management of the system of administrative and accounting procedures.

The Board of Statutory Auditors reviewed the procedures related to the preparing of the Company's statutory and consolidated financial statements, as well as any other financial communications.

Certifications on the consolidated and the statutory financial statements were issued by the Chief Executive Officer, the Chairman of the Board of Directors, and the manager responsible for preparing the Company's financial statements pursuant to Article *154-bis* of the TUF.

Therefore, the Board of Statutory Auditors expresses an assessment of the adequacy of the financial reporting process and believes there are no issues to be submitted to the Shareholders' Meeting.

- *Supervisory activities on the effectiveness of internal control, internal audit and risk management systems*

The Board of Statutory Auditors supervised the adequacy and effectiveness of the system of internal control and risk management ("SCIGR").

The Board of Statutory Auditors met periodically with the Head of *Internal Audit*, being informed in relation to (i) the results of *audit* interventions (aimed at verifying the adequacy and operation of the internal control system, compliance with the law, procedures and business processes, (ii) the activity of implementing related improvement plans, and (iii) the activity of identifying, assessing, managing and monitoring the risks identified within the company's *business model*.

The Board has received the plan of *audit* activities for the year 2023, and has been periodically updated on the progress of the plan; it has also received the report of the Head of *Internal Audit* for the year 2023 on the evaluation of the internal control system, which shows an opinion on the reliability and suitability of the Group's SCIGR.

In addition, the Board has always attended all meetings of the Audit and Risk Committee, in the course of which no indicators have emerged to suggest that the Company's SCIGR is inadequate.

Regarding the proper compliance with the regulations contained in Legislative Decree 231/2001, the Board of Statutory Auditors noted that, during 2023, Safilo's Supervisory Board reported jointly to the Audit and Risk Committee and the Board of Directors on its activities. The Board of Statutory Auditors has reviewed the reports of the Supervisory Board on its activities during 2023, which show that during 2023, no reprehensible facts or violations of the organizational model were found.

The Board reports that PwC's Additional Report does not reveal any deficiencies in the internal control system in relation to the financial reporting process such that they should be reported to the supervisory body.

In light of all of the above, the Board of Statutory Auditors believes that there is no evidence that the internal control system as a whole is not substantially adequate and effective; likewise, the Board of Statutory Auditors believes that there are no issues to be submitted to the Shareholders' Meeting.

- *Supervisory activities on the statutory audit of the annual financial statements and consolidated financial statements*

The accounts have been subjected to the checks required by the regulations by the auditing firm, which, in the course of its periodic meetings with the Board of Statutory Auditors, has not pointed out any issues in this regard.

The Board of Auditors analyzed the work carried out by the auditing firm and, in particular, the methodological framework, the audit approach used for the different significant areas of the financial statements, and the planning of the audit work.

The Board of Statutory Auditors also shared issues related to business risks with the auditing firm, thus being able to appreciate the adequacy of the response planned by the

auditor in terms of the audit approach with the profiles, structural and risk, of the Company and the Group.

PwC issued, on March 22, 2024, the Additional Report *under* Article 11 of the European Regulations, the report on the audit of the annual financial statements and the report on the audit of the consolidated financial statements.

As for the last two reports, it is represented that:

- both reports contain: (i) an opinion on the true and fair representation of the financial position of Safilo and the Group as of December 31, 2023, the results of operations and cash flows for the year then ended in accordance with the *International Financial Reporting Standards* adopted by the European Union, as well as the measures issued in implementation of Article 9 of the D. Lgs. 38/05; (ii) the description of any key aspects of the audit and the audit procedures in response to the key aspects; (iii) the opinion on the consistency of the Directors' Report with the statutory and consolidated financial statements as of December 31, 2023 and its compliance with the law; (iv) the opinion on the consistency of certain specific information in the *Report on Corporate Governance and Ownership Structure* with the statutory and consolidated financial statements as of December 31, 2023; (v) confirmation that the opinion on the statutory financial statements and the opinion on the consolidated financial statements expressed in the respective reports are in line with what is indicated in the Additional Report addressed to the undersigned Board of Statutory Auditors, in its capacity as the Audit Committee, prepared pursuant to Art. 11 of the European Regulations;
 - the aforementioned reports do not contain any remarks or calls for disclosure;
 - in its report on the audit of the consolidated financial statements, PwC acknowledges that it has verified the directors' approval of the non-financial statement.
- *Audit firm independence oversight activities, particularly with regard to the provision of non-audit services*

The Board of Statutory Auditors supervised, also with reference to the provisions of Article 19 of the D. Legislative Decree 39/2010, on the independence of the auditing firm: in this regard, it should be noted that during the 2023 financial year PwC provided the parent company and subsidiaries with services other than auditing in the amount of 45.0 thousand euros. These assignments were approved in advance by the Board of Statutory Auditors and, based on the checks carried out, the Board of Statutory Auditors did not consider that there were any critical issues regarding the independence of the auditing firm.

The fees paid by Safilo Group to the auditing firm PwC and companies belonging to the PwC network are as follows (amounts in Euro/000):

Company and reporting period	Auditing		Attestation services	Other services	Total
	PwC	Network			
Safilo Group S.p.A. 2023	170	-	26	-	196
Subsidiaries 2023	119	1.096	19	-	1.234
Total	289	1.096	45	-	1.430

The Board of Auditors considers that the aforementioned fees are appropriate for the size, complexity and characteristics of the work performed.

The Board also considers the independence requirement of the auditing firm to be met, which provided, as part of the Additional Report *under* Article 11 of the European Regulations issued on March 22, 2024, annual confirmation of independence in accordance with Article 6(2)(a) of the European Regulations.

4. CONSOLIDATED NON-FINANCIAL STATEMENT (DNF)

Safilo, as a public interest entity (PIE) and a large Group, is required to disclose non-financial information by submitting, in accordance with the provisions of Legislative Decree 254/2016, a consolidated non-financial statement ("DNF").

In compliance with the aforementioned regulations, Safilo Group's DNF has been prepared to the extent necessary to ensure an understanding of the Group's *business*, its performance, results, and impact produced by it, and includes data from the parent company and its subsidiaries consolidated on a line-by-line basis as of December 31, 2023, and covers the issues deemed relevant and provided for in Article 3 of Legislative Decree 254/2016.

The DNF was prepared in accordance with the Global Reporting *Initiative Sustainability Reporting Standards* defined in 2021 by the *Global Reporting Initiative (GRI)*, according to the "in accordance" option, as well as the ESMA recommendations and guidelines published on October 25, 2023.

For 2023, Safilo confirmed the materiality analysis developed in 2019 through formal approval by the Board of Directors: there were no changes in the organization's sectors, value chain, and other *business* relationships since the previous reporting period.

In this regard, the Board of Statutory Auditors monitored compliance with the provisions set forth in the D. Lgs. 254/2016, within the scope of the powers attributed to it by the system; in this regard, it is represented that:

- the Board of Statutory Auditors obtained periodic updates regarding the performance of activities preparatory to the preparation of the DNF;
- pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016 and Article 5 of the Consob Regulations No. 20267, the Company commissioned PwC to conduct the limited review of Safilo Group's DNF;

- PwC issued a report on March 22, 2024, expressing, on the basis of the procedures carried out, an opinion of DNF's compliance with the requirements of the Decree and the GRI *Sustainability Reporting Standards*.

The Board of Statutory Auditors has not become aware of any violations of the relevant regulatory provisions and, therefore, expresses an assessment of the adequacy of the nonfinancial disclosure formation process and believes there are no issues to be submitted to the Shareholders' Meeting.

5. STATUTORY FINANCIAL STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Safilo's financial statements, approved by resolution of the Company's Board of Directors on March 14, 2024, have been prepared in accordance with IAS-IFRS issued by the *International Accounting Standards Board* (IASB) and endorsed by the European Union.

With specific regard to the examination of the statutory financial statements for the year ended December 31, 2023, the consolidated financial statements, and the management report, the Board of Statutory Auditors reports the following:

- the financial statements were delivered to the Board of Auditors in time to be filed at the Company's registered office accompanied by this report;
- the Company's financial statements and consolidated financial statements are prepared in accordance with the structure and formats required by current regulations;
- the financial statements are accompanied by the directors' report on operations, which summarizes the main risks and uncertainties and gives an account of the foreseeable development of operations; it complies with current regulations and is consistent with the resolutions of the administrative body and the results of the financial statements. It also contains adequate information on the year's activities and intercompany transactions. The section containing information on related party transactions has been included, in accordance with IFRS, in the notes to the financial statements;
- the *Report on Corporate Governance and Ownership Structure* and, pursuant to Article 123-*bis* of the TUF, the *Report on Remuneration* were also prepared;
- the Board of Auditors has verified the correspondence of the financial statements to the facts and information of which it has become aware as a result of the performance of its duties, having, therefore, no observations in this regard;
- to the best of the Board of Statutory Auditors' knowledge, the directors, in preparing the financial statements, have not departed from the provisions of the law pursuant to Article 2423 of the Civil Code.

6. PROPOSAL TO THE ASSEMBLY

The Board of Statutory Auditors is in favor of approving the financial statements as of December 31, 2023, and has no objections to the proposed resolution submitted by the Board of Directors to carry forward the loss for the year.

7. FINAL CONSIDERATIONS

The Board of Statutory Auditors has no findings to report with regard to the information obtained and the supervisory activities carried out; it did not find any omissions, censurable facts or irregularities or circumstances that would require reporting in this report or to the Supervisory Authority.

* * *

Pursuant to Article *144-quinquiesdecies* of the Issuers' Regulations, approved by Consob Resolution 11971/99, as amended and supplemented, the list of positions held by members of the Board of Statutory Auditors at companies under Book V, Title V, Chapters V, VI and VII of the Civil Code is published by Consob on its *website* (www.consob.it).

Padua, March 22, 2024

For the Board of Statutory Auditors.

Maria Francesca Talamonti (Chairman)

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

REPORT OF INDEPENDENT AUDITORS



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Safilo Group SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Safilo Group SpA (the Company), which comprise the balance sheet as of 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of 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 this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 judgement, 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.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverability of the value of investments in subsidiaries

Note 4.5 to the financial statements

The financial statements of Safilo Group SpA include the value of the investment in the subsidiary Safilo SpA for Euro 414 million, accounting for 93% of total assets. In consideration of the difference between the value of the investment in Safilo SpA and the contribution of its net assets to the consolidated financial statements, management tested the investment for impairment.

The entire Safilo Group is operationally controlled by the subsidiary Safilo SpA, therefore the impairment test was derived from the one prepared for the purposes of the consolidated financial statements, carried out on the basis of the financial projections relating to the period 2024-2028, approved by the board of directors on 14 March 2024.

As part of the audit of the financial statements as of 31 December 2023, we focused on this area of the financial statements in consideration of the materiality of the amount recorded, also relative to total assets, and the elements of estimation inherent in the assessment of the recoverability of the book value of the investment.

As part of our audit of the financial statements as of 31 December 2023, we performed the procedures illustrated below.

We obtained the exercise prepared by management for verifying the recoverable value of the equity investment. Our audit approach was based on the analysis of the method used by management to prepare the impairment test and included the following procedures:

- we understood and evaluated the Company's internal control over the process of verifying the recoverability of the equity investment;
- we analysed the reasonableness of the assumptions underlying the forecasts in terms of the estimated future cash flows, in light of past results and comparing the growth rates used by management with external sources.

With the support of PwC network valuation experts, we verified that the methodologies used for the impairment test were consistent with international financial reporting standards as adopted by the European Union ("EU IFRS") and with prevailing valuation practice.

Moreover, the key valuation parameters adopted were analysed in terms of reasonableness. With specific reference to the methods of calculation of discount rates and medium/long-term growth rates, we verified their consistency with the provisions of EU IFRS, with prevailing practice and with available market data.

We verified the mathematical accuracy of the calculation of the impairment test.



Key Audit Matters

Auditing procedures performed in response to key audit matters

Finally, our procedures included an analysis of the explanatory notes to the financial statements to assess the adequacy and completeness of disclosures.

Other Matters

The financial statements of Safilo Group for the year ended 31 December 2022 have been audited by other auditors who, on 15 March 2023, expressed an unqualified opinion on the financial statements.

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, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' 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;
- we evaluated 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 communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.



From the matters communicated with those charged with governance, we determined 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 27 April 2023, the shareholders of Safilo Group SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2023 to 31 December 2031.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory 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 capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) No. 2019/815

The directors of Safilo Group SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2023 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.



Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Safilo Group SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Safilo Group SpA as of 31 December 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Safilo Group SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Safilo Group SpA as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Padua, 22 March 2024

PricewaterhouseCoopers SpA

Signed by

Filippo Zagagnin
(Partner)

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

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