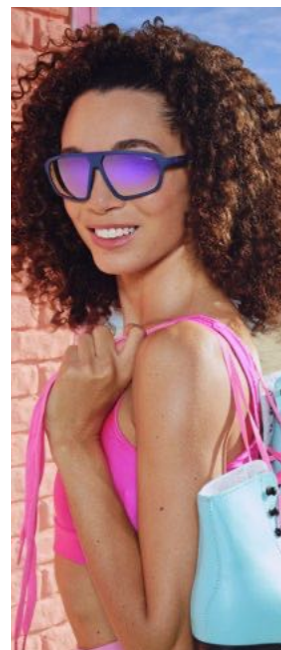


# ANNUAL REPORT 2022





# ANNUAL REPORT 2022



SEE THE WORLD AT ITS BEST





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### 4. SAFILO GROUP S.P.A. - STATUTORY FINANCIAL STATEMENTS AT 31<sup>ST</sup> DECEMBER 2022

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# PORTFOLIO OF BRANDS

**CARRERA**  
EYEWEAR SINCE 1959

SMITH

**Polaroid**  
The Original Polarized since 1957

SEVENTH STREET  
by *Safilo*

  
**BLENDERS**  
E Y E W E A R

**PRIVÉ REVAUX**  
EYEWEAR

BANANA REPUBLIC

**BOSS**

CAROLINA HERRERA

  
CHIARA FERRAGNI

  
EYEWEAR by DAVID BECKHAM

**DSQUARED2**

**FOSSIL**

**havaianas®**

**HUGO**

**ISABEL  
MARANT**

JIMMY CHOO

*Juicy Couture*

kate spade  
NEW YORK



LIZ claiborne

LOVE  
MOSCHINO

MARC JACOBS

**MISSONI**

  
MISSONI

**MOSCHINO**

pierre cardin  
PARIS

PORTS  
EYEWEAR

rag & bone  
NEW YORK

TOMMY  HILFIGER

**TOMMY**  
 JEANS

  
UNDER ARMOUR

# 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.

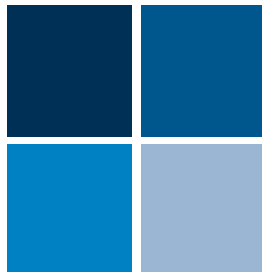
Distribution takes place through sales to multiple channels, including opticians, retail chains, specialist shops and a fast growing direct to consumer (D2C) platform.

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.

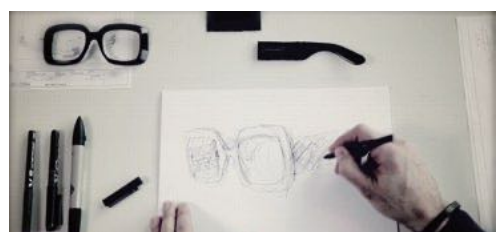
Safilo has core strengths in product development and design, this activity is conducted by a significant organization of designers able to ensure the continual stylistic and technical innovation which has always been a distinguishing feature of the Group.

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.

# SAFILO BUSINESS MODEL



DESIGN,  
INNOVATION  
& PRODUCT CREATION



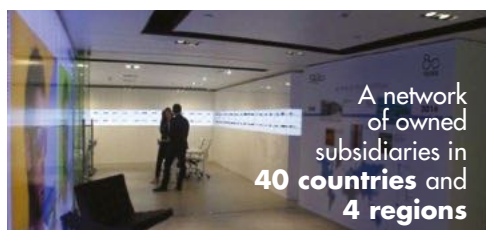
GLOBAL PRODUCT  
SUPPLY & DISTRIBUTION



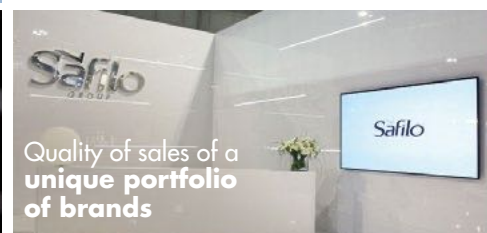
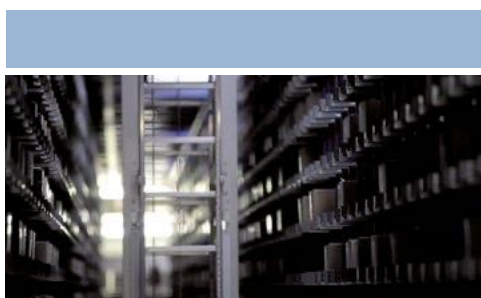
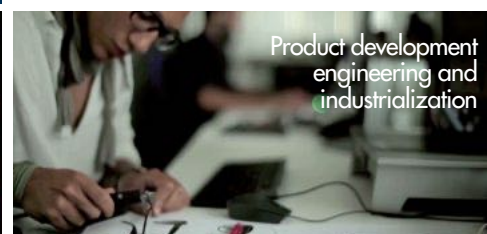
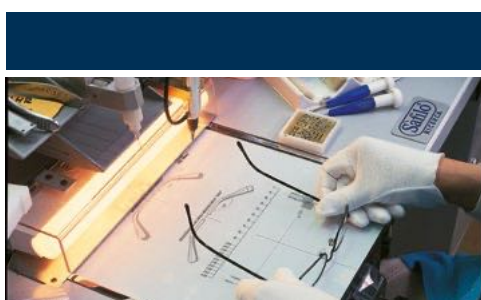
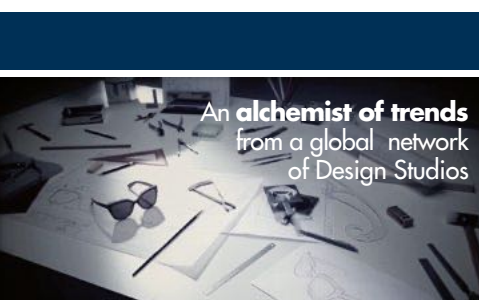
GLOBAL BRAND  
BUILDING  
& MARKETING



GO TO MARKET



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





# SAFILO BRANDS

**CARRERA**  
EYEWEAR SINCE 1956



**Polaroid**  
The Original Polarized since 1937



SEVENTH STREET  
by *Safilo*



SMITH



  
**B L E N D E R S**  
E Y E W E A R



**PRIVÉ REVAUX**  
EYEWEAR





# LICENSED BRANDS

BANANA REPUBLIC



**BOSS**



CAROLINA HERRERA





**DSQUARED2**



**FOSSIL**



**havaianas®**



**HUGO**



**ISABEL  
MARANT**



JIMMY CHOO



*Juicy Couture*



kate spade  
NEW YORK



LIZ claiborne



**MARC JACOBS**



**MOSCHINO**



**LOVE  
MOSCHINO**



**MISSONI**



**pierre cardin**  
PARIS





**PORTS**  
EYEWEAR



rag & bone  
NEW YORK



TOMMY  HILFIGER





**TOMMY**  
 **JEANS**



  
**UNDER ARMOUR**



# SAFILO IN THE WORLD



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

## COMMERCIAL NETWORK

### THE AMERICAS

Brasil  
Canada  
Messico  
**Usa**

### EUROPE

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

### ASIA PACIFIC

Australia  
China  
**Hong Kong**  
India  
Japan  
Malaysia  
Singapore

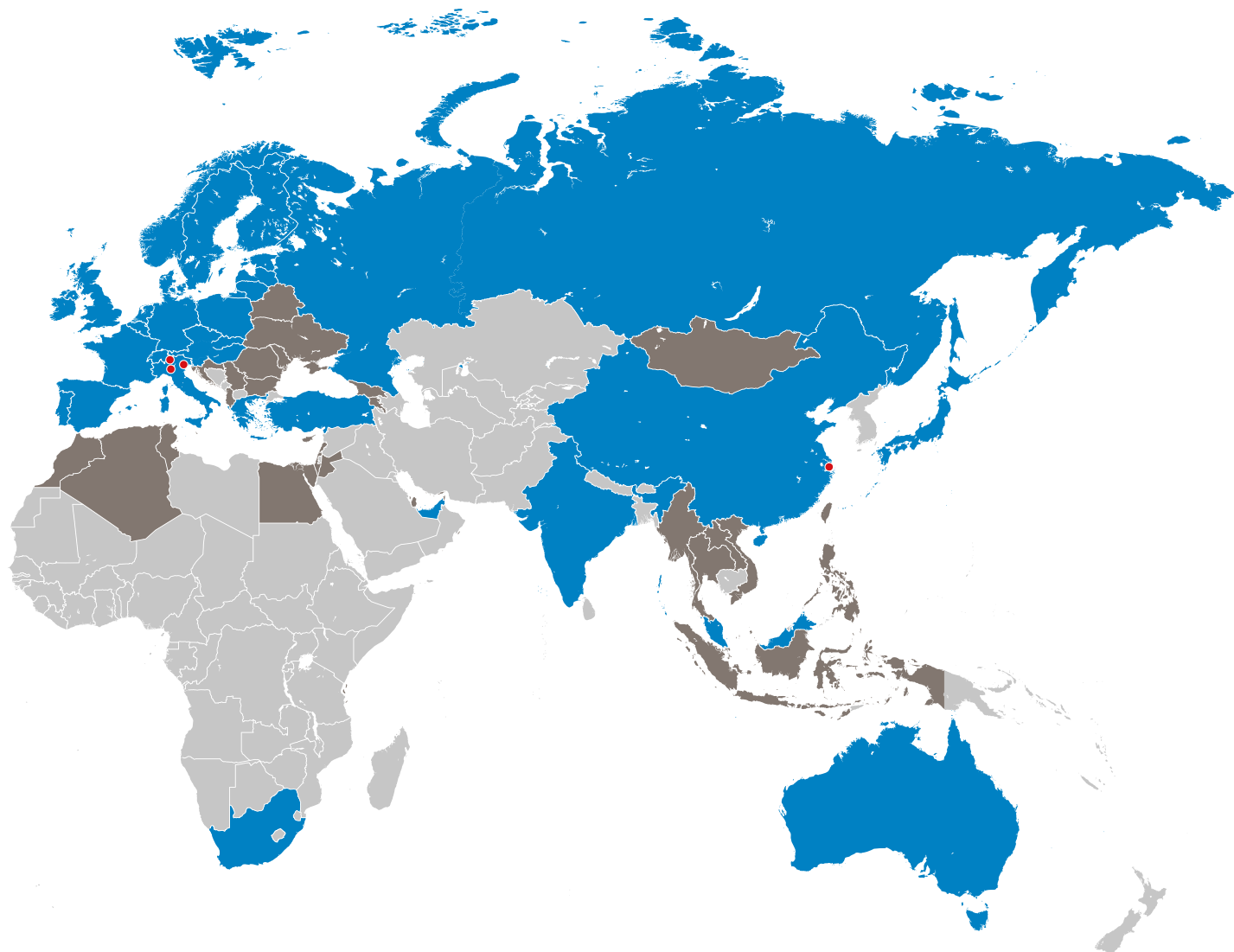
### REST OF THE WORLD

South Africa  
United Arab Emirates



### MANUFACTURING FACILITIES

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



## INDEPENDENT DISTRIBUTOR PARTNERS

### THE AMERICAS

Bolivia  
Caribbean Dist  
Chile  
Colombia  
Costa Rica  
Dominican Republic  
Ecuador  
Guatemala  
Honduras  
Nicaragua  
Panama  
Paraguay  
Perù  
Uruguay

### EUROPE

Albania  
Armenia  
Belarus  
Bulgaria  
Croatia  
Georgia  
Kosovo  
Malta  
Moldava  
Romania  
Serbia  
Ukraine

### ASIA PACIFIC

Indonesia  
Mongolia  
Myanmar  
Philippines  
Taiwan  
Thailand  
Vietnam

### REST OF THE WORLD

Algeria  
Azerbaijan  
Cyprus  
Egypt  
Israel  
Jordan  
Lebanon  
Morocco  
Qatar  
Tunisia

# 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.

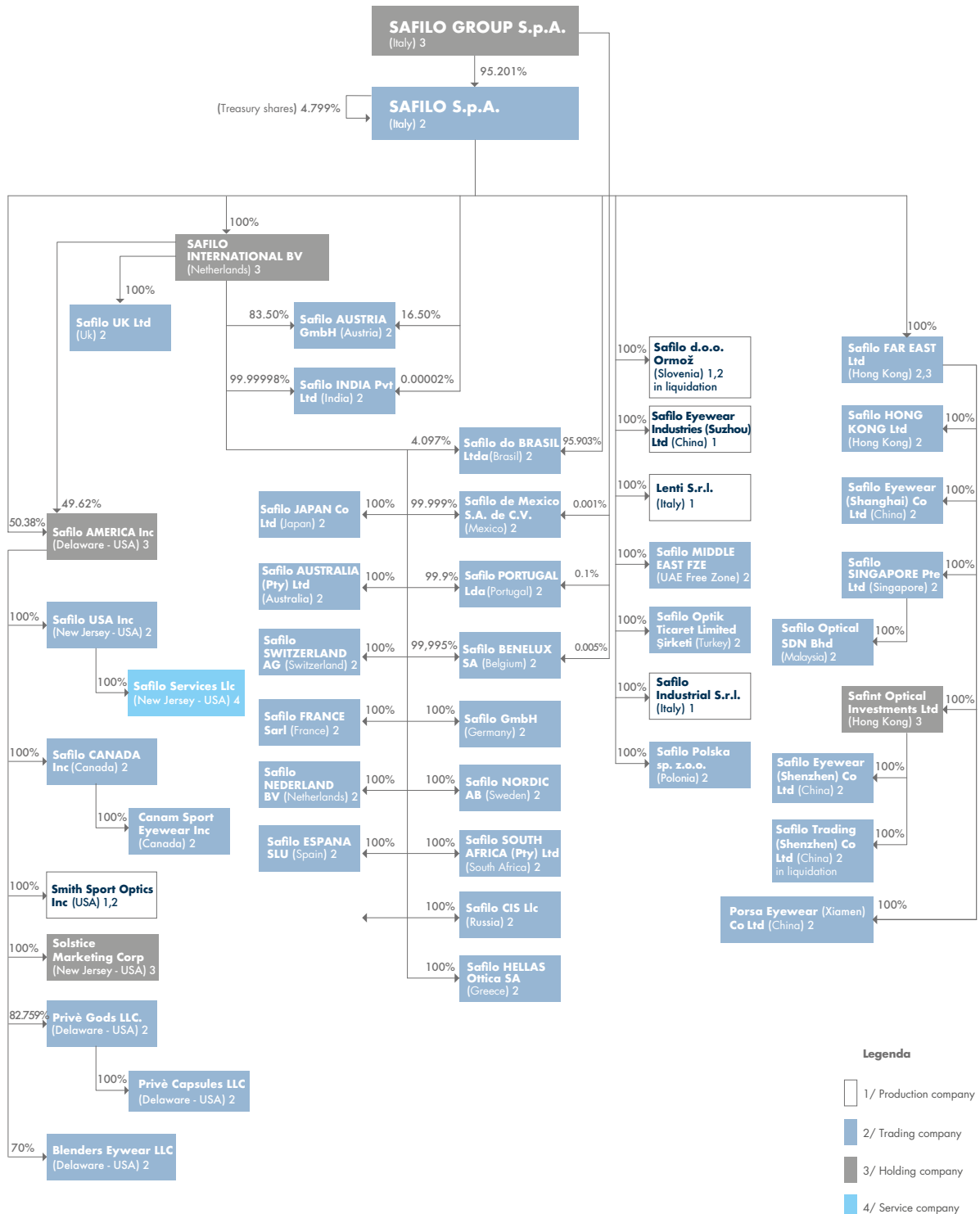
The acquisition of the Polaroid Eyewear business

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.



# SMITH





# PRIMARY GROUP PROCESSES AND ACTIVITIES

Manufacturing and distribution chain

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



## Research, development and design

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

Research and development mainly focuses on two types of activities:

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

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

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

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

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

## Planning, programming and purchases

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.

## 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](http://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 is structured in regions

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

Below is a brief description of the regional divisions:

### EUROPE

*Europe.* The main centre is in Padua in Italy. The Group's European clientele is very varied: in Italy, the majority of customers are independent opticians, in the UK they are mainly chain stores, while in Germany the main customers are buying groups and distribution chains. The Group directly distributes its products to 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 APAC business region manages the wholesale distribution of sunglasses and prescription frames through a direct presence with sales branches in the main markets (China, Hong Kong, Japan, South Korea, Singapore, Malaysia, and Australia) and in partnership with local distributors in all the other markets (Thailandia, Indonesia, Philippines, Taiwan, Vietnam, Cambodia, New Zealand, Mongolia, Nepal and Myanmar).

### NORTH AMERICA

*North America* covering the USA and Canada, headquartered in New Jersey, USA. Marketing and distribution in the USA is implemented through three main distribution channels: (i) opticians, ophthalmologists and optometrists; (ii) department stores and chains; (iii) sports stores and (iv) a fast growing D2C platform for some specific brands.

### REST OF WORLD

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

## The Group's own and licensed brands

The 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, Jimmy Choo, Isabel Marant, Missoni, PORTS, Moschino – to Lifestyle – with Carrera, Chiara Ferragni, 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 and rag&bone – and Sports & Outdoor – with Smith and Under Armour – to the fast-growing Mass Cool segment – with Blenders, havaianas, Polaroid, Privé Revaux and Seventh Street.

Licensing agreements for the Group

In 2021 and 2022 the Group added new strategic licensing agreements and confirmed key partnerships with brands already in portfolio. In 2021 Safilo announced new licensing agreements with Dsquared2, Carolina Herrera, and Chiara Ferragni while in 2022 announced the renewal of the rag & bone five-year licensing agreement for men's and women's sunglasses and optical frames.

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.



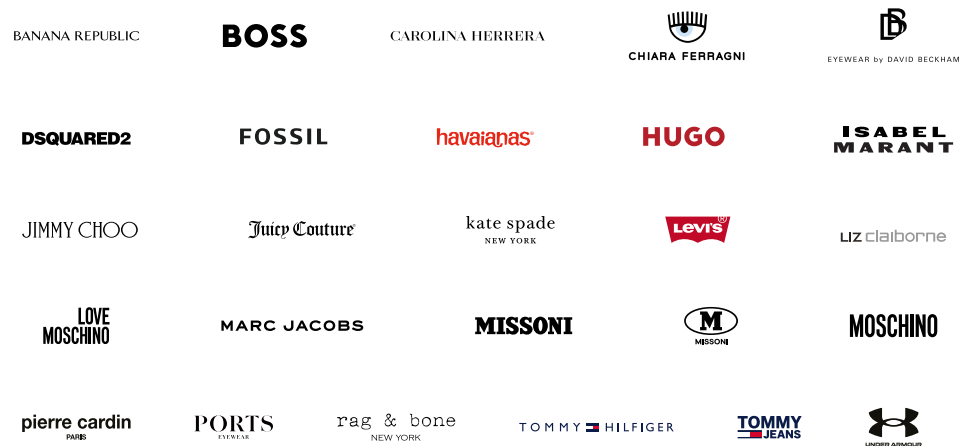
*Privé Revaux Eyewear* was built on a shared passion for style and quality with the goal of making it accessible in ways never seen until now. Serial entrepreneur David Schottenstein took aim at disrupting the eyewear market, and he enlisted an elite team around him to ensure the brand's success. With 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.



**CHIARA FERRAGNI**

*Chiara Ferragni.* the brand Chiara Ferragni was launched in 2013 as a fashion yet hip shoe brand, from an idea of Chiara Ferragni, Muse, Creative Director and CEO of the brand. In few seasons the brand evolved towards a complete total look featuring aside from shoes, garments and accessories adorned with a renowned eye logo. In 2016 the brand moved its first steps towards a global expansion, launching pop-up stores such as: Le Bon Marché in Paris, LuisaViaRoma in Florence, Apropos in Cologne, Breeze Center in Taiwan, Selfridges in London. Moreover, the brand empowered its distribution from July 2017 with the opening of its own flagship stores in the heart of the most fashionable cities: Milan, Paris, Shanghai and Hong Kong. Chiara Ferragni is a brand of sharing, happiness, positive values and good vibes, both in the real and digital universe. Chiara Ferragni women are international, dynamic, cool, modern, and strong.



*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 b rand 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".

**FOSSIL** *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.

## JIMMY CHOO

*Jimmy Choo.* Jimmy Choo is a leading global luxury brand with an empowered sense of glamour and a playfully daring spirit. Known for its confident, fashion-forward style and exceptional craftsmanship, Jimmy Choo has become a pioneer in the art of celebrity dressing and red-carpet style. Women's shoes remain the core of the product offer, alongside handbags, small leather goods, scarves, sunglasses, eyewear, belts, fragrance and men's shoes. CEO Hannah Colman and Creative Director Sandra Choi together share a vision to create one of the world's most treasured luxury brands. Jimmy Choo has a global store network encompassing more than 200 stores and is present in the most prestigious department and specialty stores worldwide. Jimmy Choo is part of the Capri Holdings Limited global fashion luxury group publicly listed on the New York Stock Exchange under the ticker CPRI.

## 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®* 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.

TOMMY HILFIGER



*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](http://tommy.com).



*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.



# CARRERA

EYEWEAR SINCE 1956



#DRIVEYOURSTORY





**CARRERA**  
EYEWEAR SINCE 1956

**DUCATI**



**#RIDEYOURSTORY**

FRANCESCO BAGNAIA - DUCATI RIDER



SAFILO GROUP S.p.A.  
CONSOLIDATED  
FINANCIAL  
STATEMENTS AT  
31<sup>ST</sup> DECEMBER 2022

# BOARD OF DIRECTORS, COMMITTEES AND AUDITORS

BOARD OF DIRECTORS <sup>(1)</sup>	<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 <sup>(2)</sup>	<i>Chairman</i>	Carmen Pezzuto
	<i>Standing Statutory Auditor</i>	Roberto Padova
	<i>Standing Statutory Auditor</i>	Bettina Solimando
	<i>Alternate Statutory Auditor</i>	Marzia Barbara Reginato
	<i>Alternate Statutory Auditor</i>	Marco Prandin
SUPERVISORY COMMITTEE <sup>(3)</sup>	<i>Chairman</i>	Bettina Solimando
		Ines Mazzilli
		Giorgia Canova
CONTROL AND RISK COMMITTEE <sup>(3)</sup>	<i>Chairman</i>	Ines Mazzilli
		Melchert Frans Groot
		Matthieu Brisset

SUSTAINABILITY COMMITTEE <sup>(3)</sup>	<i>Chairman</i>	Eugenio Razelli Angelo Trocchia Katia Buja Vladimiro Baldin Fabio Roppoli Marco Cella Alberto Macciani
REMUNERATION AND NOMINATION COMMITTEE <sup>(3)</sup>	<i>Chairman</i>	Cinzia Morelli-Verhoog Jeffrey A. Cole Irene Boni
TRANSACTIONS WITH RELATED PARTIES COMMITTEE <sup>(3)</sup>	<i>Chairman</i>	Ines Mazzilli Matthieu Brisset Cinzia Morelli-Verhoog
INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.	

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

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

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

# CHIEF EXECUTIVE OFFICER'S LETTER

Dear Shareholders,

starting from 2019, Safilo embarked on an ambitious strategic turnaround journey to re-establish the Group as a healthy and competitive player in the attractive eyewear sector. We are proud of the effective progress made so far by Safilo, notwithstanding challenging years of global health and economic crises which have required us to face reality with great pragmatism, often making difficult choices.

We look to 2022 as the year in which we completed our first, fundamental turning point, fully overcoming important portfolio challenges thanks to a particularly strong organic growth, especially of our main home brands, the acquisition of two American brands in 2020, which have also allowed us to strengthen our digital business and capabilities at a crucial time in the market, and thanks to the entry of new license partnerships.

The strong top line recovery recorded in the last two years has seen us close 2022 with a business growth of 4.2% at constant exchange rates compared to 2021 and 12% compared to 2019. Sales performance was even stronger at the organic business level – net of the effects of new and exiting brands - equal to a growth of 7.7% versus the year before and to an impressive almost +22% compared to the pre-pandemic year.

In 2022 our revenues reached 1,076.7 million euros, exceeding the goal of our previous Plan to return the Group to around one billion sales by 2024, and allowing us to improve margins more rapidly.

Our gross margin significantly increased in 2022, reaching 55.5% of sales from 51.7% in 2021 and 50.8% in 2019. A very meaningful improvement for us, to which the early completion of the cost of goods sold saving plan gave a great contribution. Together with the overheads saving program, already concluded in 2021, the Group thus achieved its 45 million euros cost reduction program by 2022, two years ahead of plan.

All this allowed us to reach an adjusted EBITDA of 101.2 million euros, up 24.2% compared to 2021 and 54% compared to 2019, recovering a margin on sales of 9.4%, also in this case reaching the target range we had set ourselves for 2024.

Last year, our operating performance improved despite the high inflationary context - which we managed to counter through effective pricing strategies and a richer sales mix - and notwithstanding the significant acceleration of investments to support the growth of our brands, modernization of our business intelligence processes, and digital transformation projects.

Finally, we closed the year with an adjusted net profit of 58.3 million euros, also thanks to a lighter financial structure, which benefited from the significant debt reduction following the capital increase

that we successfully concluded in November 2021, while in September 2022, we refinanced the Group debt, extending its duration and providing us with ample financial resources to support our growth in the years to come.

Thinking now ahead, while we maintain a cautious approach to the current year, which began in the wake of concerns regarding consumption trends in an uncertain and potentially volatile macroeconomic environment, we are, on the other hand, confident of the Group's medium-term growth prospects. A new chapter in our story has begun, a new phase of development that will continue to leverage the multiple drivers underpinning the long-term growth of the eyewear sector, and build on the main strategic choices we initiated 4 years ago.

Our medium-term ambitions therefore remain focused on our strong brand portfolio to effectively reach a broad audience of target consumers, powered by the sustained growth of our home brands, to be achieved organically but also via new acquisitions, and complemented by a diversified set of licensed brands.

It will be essential to continue to maintain a balanced business, aiming for a home brands portfolio that by 2027 accounts for more than 50% of our revenues and that decisively shapes the development of our geographical and distribution channel mix. For this reason, in the coming years, we expect more significant growth in North America and emerging markets, just as we expect our business to grow more in the sports channel dedicated to outdoor products, and in all the online channels that we have successfully developed in recent years, from B2C to revenue through internet pure players, to our innovative B2B platforms which will continue to put our Customer First.

Our portfolio strategies will keep leveraging two main enablers of growth. On the one hand, the 360° digital transformation, which we accelerated already last year to equip the company with the latest technologies in terms of business intelligence and data analytics, and which will see us further investing in particular in the coming two years. On the other hand, our growing commitment to developing a sustainable business.

Also on this front, 2022 represented a year of important results, thanks to a reduction of around 46% in scope 1 and 2 CO2 emissions compared to 2021 and of around 57% compared to 2019, and new investments in photovoltaics and renewable energy. Starting from these achievements, today we want to set our medium-long term sustainability goals and objectives.

*Angelo Trocchia*  
Chief Executive Officer

# SUMMARY OF KEY CONSOLIDATED PERFORMANCE INDICATORS

<b>Economic data</b> (Euro million)	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
Net sales	1,076.7	100.0	969.6	100.0
Cost of sales	(479.3)	(44.5)	(467.8)	(48.3)
Gross profit	597.4	55.5	501.8	51.7
Ebitda	96.8	9.0	79.3	8.2
Ebitda pre non-recurring items	101.2	9.4	81.5	8.4
Operating profit	48.5	4.5	26.1	2.7
Operating profit pre non-recurring items	53.5	5.0	32.9	3.4
Group profit before taxes	64.1	6.0	34.8	3.6
Profit attributable to the Group	54.2	5.0	21.3	2.2
Profit attributable to the Group pre non-recurring items	58.3	5.4	27.4	2.8

<b>Economic data</b> (Euro million)	<b>Fourth quarter 2022</b>	<b>%</b>	<b>Fourth quarter 2021</b>	<b>%</b>
Net sales	245.4	100.0	232.2	100.0
Gross profit	139.1	56.7	120.9	52.0
Ebitda	13.3	5.4	10.9	4.7
Ebitda pre non-recurring items	15.9	6.5	12.7	5.5

<b>Balance sheet data</b> (Euro million)	<b>December 31, 2022</b>	<b>%</b>	<b>December 31, 2021</b>	<b>%</b>
Total assets	960.3	100.0	937.8	100.0
Total non-current assets	361.6	37.7	373.6	39.8
Net invested capital	552.3	57.5	460.0	49.1
Net working capital	292.3	30.4	214.9	22.9
Net financial position	(113.4)	(11.8)	(94.0)	(10.0)
Net financial position pre IFRS 16	(69.6)	(7.3)	(52.8)	(5.6)
Group Shareholders' equity	409.9	42.7	326.7	34.8

<b>Financial data</b> (Euro million)	<b>2022</b>		<b>2021</b>	
Cash flow from operating activities	9.2		17.3	
Cash flow from investing activities	(15.7)		(9.8)	
Cash flow from financing activities	(16.8)		2.1	
Closing net financial indebtedness (short-term)	77.7		99.0	
Free cash flow	(16.5)		(2.7)	
Capital expenditure	16.0		20.1	

<b>Earnings per share</b> (in Euro)	<b>2022</b>		<b>2021</b>	
Earnings per share - basic	0.131		0.071	
Earnings per share - diluted	0.130		0.070	
Group Shareholders' equity per share	0.991		0.790	

<b>Group personnel</b>	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
Punctual at period end	4,442		4,545	
Average	4,435		4,818	



<b>Share and market data</b> (in Euro)	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
Share price at the end of the financial year	1.52		1.58	
Maximum share price of the financial year	1.66		1.79	
Minimum share price of the financial year	1.14		0.70	
No. shares in share capital at 31 December	413,687,781		413,555,769	
Stock Market value at the end of the financial year	629,632,803		653,418,115	

## 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 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;
- in 2021, the adjusted economic results excluded non-recurring costs for Euro 23.8 million (Euro 10.9 million at the gross profit level, and Euro 19.2 million at the EBITDA level), mainly related to the closure of the Ormož production plant in Slovenia, and also a non-recurring income of Euro 17 million due to the release, booked in the second quarter of 2021, of a provision for risks and charges in relation to an investigation by the French Competition Authority. The release was a result of the positive outcome, without sanctions, of this investigation. In fourth quarter 2021, the adjusted EBITDA excluded non-recurring costs for Euro 1.8 million (Euro 0.7 million at the gross profit level).

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

(Euro million)	2022			2021		
	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group	Ebitda	Operating profit/(loss)	Profit/(Loss) attributable to the Group
<b>Economic indicators</b>	<b>96.8</b>	<b>48.5</b>	<b>54.2</b>	<b>79.3</b>	<b>26.1</b>	<b>21.3</b>
Restructuring costs and other non-recurring costs	4.4	5.0	5.0	19.2	23.8	23.8
Income for release provision on France Antitrust litigation	-	-	-	(17.0)	(17.0)	(17.0)
Tax effect on non-recurring items			(0.9)			(0.6)
<b>Economic indicators pre non-recurring items</b>	<b>101.2</b>	<b>53.5</b>	<b>58.3</b>	<b>81.5</b>	<b>32.9</b>	<b>27.4</b>

## *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.



**SEVENTH STREET**  
by *Sãfilo*



# Polaroid

The Original Polarized since 1937



**ENJOY A WORLD OF COLORS**

EXCLUSIVE TRAVEL RETAIL & DUTY FREE

1

DIRECTORS  
OPERATIONS REPORT

# GROUP ECONOMIC PERFORMANCE

<b>Consolidated income statement</b> (Euro million)	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>Change %</b>
Net sales	1,076.7	100.0	969.6	100.0	11.1%
Cost of sales	(479.3)	(44.5)	(467.8)	(48.3)	-2.5%
<b>Gross profit</b>	<b>597.4</b>	<b>55.5</b>	<b>501.8</b>	<b>51.7</b>	<b>19.1%</b>
Selling and marketing expenses	(420.5)	(39.1)	(363.0)	(37.4)	-15.8%
General and administrative expenses	(128.4)	(11.9)	(119.6)	(12.3)	-7.4%
Other operating income/(expenses)	(0.1)	(0.0)	6.9	0.7	-101.1%
<b>Operating profit</b>	<b>48.5</b>	<b>4.5</b>	<b>26.1</b>	<b>2.7</b>	<b>85.8%</b>
Gains on liabilities for options on non-controlling interests	31.2	2.9	32.2	3.3	-3.3%
Financial charges, net	(15.5)	(1.4)	(23.5)	(2.4)	34.0%
<b>Profit before taxation</b>	<b>64.1</b>	<b>6.0</b>	<b>34.8</b>	<b>3.6</b>	<b>84.2%</b>
Income taxes	(11.8)	(1.1)	(14.8)	(1.5)	20.3%
<b>Net profit</b>	<b>52.3</b>	<b>4.9</b>	<b>20.0</b>	<b>2.1</b>	<b>161.4%</b>
Net profit/(loss) attributable to minority interests	(1.8)	(0.2)	(1.2)	(0.1)	-45.3%
<b>Net profit attributable to the Group</b>	<b>54.2</b>	<b>5.0</b>	<b>21.3</b>	<b>2.2</b>	<b>154.6%</b>
<b>EBITDA</b>	<b>96.8</b>	<b>9.0</b>	<b>79.3</b>	<b>8.2</b>	<b>22.1%</b>
<b>DEPRECIATION &amp; AMORTIZATION</b>	<b>48.4</b>		<b>53.2</b>		
<b>NON RECURRING ITEMS ON EBITDA</b>	<b>(4.4)</b>		<b>(2.2)</b>		

<b>Economic indicators adjusted pre non-recurring items</b> (Euro million)	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>Change %</b>
<b>Gross Profit adjusted pre non-recurring items</b>	<b>597.6</b>	<b>55.5</b>	<b>512.6</b>	<b>52.9</b>	<b>16.6%</b>
<b>EBIT adjusted pre non-recurring items</b>	<b>53.5</b>	<b>5.0</b>	<b>32.9</b>	<b>3.4</b>	<b>62.8%</b>
<b>EBITDA adjusted pre non-recurring items</b>	<b>101.2</b>	<b>9.4</b>	<b>81.5</b>	<b>8.4</b>	<b>24.2%</b>
<b>Net profit attributable to the Group adjusted pre non-recurring items</b>	<b>58.3</b>	<b>5.4</b>	<b>27.4</b>	<b>2.8</b>	<b>112.6%</b>



In 2022, the Group recorded a significant improvement of all the main economic metrics, both thanks to the growth in revenues driven by an increase in volumes and the positive dynamics in terms of price/mix, and thanks to the completion, during the year, of the structural cost of goods sold savings plan. These levers allowed Safilo to effectively counter the inflationary pressures that followed one another during the year, significantly increasing both transport costs and energy expenses. 2022 also recorded stronger marketing investments to support the growth of home brands, as well as an increase in software-as-a-service investments dedicated to the Group's technological and digital development.

In 2022, **gross profit** reached Euro 597.4 million, posting a growth of 19.1% compared to 2021, and bringing the margin on sales to 55.5%, an improvement of 380 basis points compared to the margin of 51.7% recorded in 2022 (up 16.6% and 260 basis points respectively compared to the adjusted gross profit and margin in 2021).

In 2022, selling, general and administrative expenses increased by 13.7% compared to 2021, mainly due to the aforementioned increases in marketing investments and those related to software-as-a-service projects, accounted in the income statement under EDP costs, according to the 2021 IFRIC agenda. The latter, in particular, increased from Euro 3.4 million in 2021 to Euro 9.7 million in 2022.

**Adjusted EBITDA** amounted to Euro 101.2 million, equal to a 9.4% margin on sales (10.3% ex IFRIC SaaS impact). Adjusted EBITDA was up 24.2% compared to the Euro 81.5 million recorded in 2021, while the margin improved by 100 basis points compared to the 8.4% of the previous year. Foreign exchange impacts, while not material at EBITDA level in absolute amounts, diluted EBITDA margins by approximately 80 basis points.

**Adjusted EBIT** was equal to Euro 53.5 million, up 62.8% compared to the adjusted EBIT of Euro 32.9 million recorded in 2021, while the adjusted EBIT margin grew by 160 basis points, from 3.4% to 5.0%.

Below the operating result, the main components which contributed to the Group's net result were:

- a positive accounting effect equal to Euro 31.2 million (Euro 32.2 million in 2021) as a result of the reduced liability for put & call options on non-controlling interests due to the revision of the related financial plans and to the increase of Safilo's controlling stake in Privé Revaux from 64.2% to 82.8%;
- net financial charges of Euro 15.5 million, down 34% compared to the Euro 23.5 million recorded in 2021, mainly thanks to the repayment of the Shareholder Loan following the capital increase completed at the end of 2021.

In 2022, **the adjusted Group net profit** was equal to Euro 58.3 million compared to Euro 27.4 million recorded in 2021. The adjusted net margin moved from 2.8% to 5.4% of sales.

<b>Consolidated income statement</b> (Euro million)	<b>Fourth quarter 2022</b>	<b>%</b>	<b>Fourth quarter 2021</b>	<b>%</b>	<b>Change %</b>
Net sales	245.4	100.0	232.2	100.0	5.7%
<b>Gross profit</b>	<b>139.1</b>	<b>56.7</b>	<b>120.9</b>	<b>52.0</b>	<b>15.1%</b>
<b>EBITDA</b>	<b>13.3</b>	<b>5.4</b>	<b>10.9</b>	<b>4.7</b>	<b>21.9%</b>

<b>Economic indicators adjusted pre non-recurring items</b> (Euro million)	<b>Fourth quarter 2022</b>	<b>%</b>	<b>Fourth quarter 2021</b>	<b>%</b>	<b>Change %</b>
<b>EBITDA adjusted pre non-recurring items</b>	<b>15.9</b>	<b>6.5</b>	<b>12.7</b>	<b>5.5</b>	<b>25.3%</b>

In fourth quarter 2022, the economic performance of the Group was characterized by a significant improvement in the gross margin, mainly due to a richer sales mix by distribution channel, while the more contained performance of sales in the American market reduced the operating leverage to support the growth of investments in marketing, IT and digital transformation projects, which Safilo continued to pursue also in the last quarter of the year.

In fourth quarter 2022, **gross profit** stood at Euro 139.1 million, up 15.1% compared to fourth quarter 2021, while the gross margin grew by 470 basis points, from 52.0% to 56.7% of sales (up 14.6% and 440 basis points respectively, versus fourth quarter 2021 adjusted gross profit and margin).

In fourth quarter 2022, **the adjusted EBITDA** amounted to Euro 15.9 million, up 25.3% compared to fourth quarter 2021, while the adjusted EBITDA margin, equal to 6.5% of sales, increased by 100 basis points compared to the 5.5% margin posted in fourth quarter 2021.

## Net sales by geographical area

### Net sales by geographical area

(Euro million)	Full Year 2022	%	Full Year 2021	%	Change at current forex %	Change at constant forex %
Europe	424,9	39,5	378,5	39,0	12,3%	12,0%
North America	497,7	46,2	466,2	48,1	6,8%	-4,7%
Asia Pacific	57,7	5,4	52,6	5,4	9,8%	3,4%
Rest of the world	96,4	8,9	72,4	7,5	33,1%	21,1%
<b>Total</b>	<b>1.076,7</b>	<b>100,0</b>	<b>969,6</b>	<b>100,0</b>	<b>11,1%</b>	<b>4,2%</b>

In 2022, Safilo's net sales amounted to Euro 1,076.7 million, up 11.1% at current exchange rates and 4.2% at constant exchange rates compared to Euro 969.6 million recorded in 2021.

In the year, organic<sup>1</sup> sales grew by +7.7% at constant exchange rates. Own brands represented an important driving force behind the Group's overall performance, in particular Smith, which with another strong increase in sales confirmed its position as one of the leading brands in the rapidly growing segment and distribution channel of outdoor eyewear and sports products. Carrera and Polaroid also posted yet another year of double-digit growth, broad based by distribution channel and product category, with Carrera far exceeding pre-pandemic levels. At the end of the year, the sales of own brands accounted for around 42% of the Group's business.

Safilo's licensed business also delivered very solid growth in the year, thanks to the positive development achieved by the eyewear collections of its leading licensed brands, and to the inclusion of new licenses in the portfolio which effectively contributed to offset the sales recorded in 2021 with the discontinued business.

In terms of the main product categories, 2022 confirmed the good recovery of the sunglass business, the equally good resilience of prescription frames sales, growing respectively by 9.0% and 2.0% at an organic level, and the further acceleration of Smith's snow goggles and snow and bike helmets, which led the annual growth of the so called 'Other' product category to a +22.0%.

During the year, Safilo's online sales, consisting of the direct to consumer (D2C) business and sales made through internet pure players (IPPs), accounted for 15% of the Group's business, up approximately 4% compared to the previous year.

By geographical area, Europe remained the key growth driver in 2022, with the main markets of the area and the surging business in Turkey and Poland, contributing to the upside in revenues of 12.3% at current exchange rates, +12.0% at constant exchange rates and +16.1% at the organic sales level.

<sup>1</sup> 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.

During the year, the North American market benefited from the strengthening of the dollar against the euro, closing up 6.8% at current exchange rates. The performance at constant exchange rates, in total down by 4.7%, was instead flattish versus 2021 at the organic sales level (-0.3%), reflecting a challenging basis of comparison, especially in the second half of the year.

Safilo reported very positive sales trends also in the Rest of the World, composed of the business in the IMEA (India, Middle East and Africa) and Latin American countries, as well as in Asia and Pacific, with the two areas respectively up 33.1% and 9.8% at current exchange rates, +21.1% and +3.4% at constant exchange rates, and +17.0% and +13.1% at the organic sales level.

(Euro million)	Fourth quarter 2022	%	Fourth quarter 2021	%	Change at current forex %	Change at constant forex %
Europe	92,2	37,6	87,4	37,6	5,5%	5,1%
North America	114,3	46,6	111,0	47,8	3,0%	-7,5%
Asia Pacific	16,4	6,7	15,4	6,6	6,5%	3,3%
Rest of the world	22,5	9,2	18,4	7,9	22,1%	10,5%
<b>Total</b>	<b>245,4</b>	<b>100,0</b>	<b>232,2</b>	<b>100,0</b>	<b>5,7%</b>	<b>-0,6%</b>

In fourth quarter 2022, Safilo's net sales amounted to Euro 245.4 million, up 5.7% at current exchange rates and substantially in line with the business recorded in fourth quarter 2021 at constant exchange rates (-0.6% reported and +0.7% at the organic sales level). The quarter confirmed the strength of the Group's business in Europe, which grew by 5.5% at current exchange rates, +5.1% at constant exchange rates and by a resilient +8.5% at the organic sales level notwithstanding the significant and expected contraction of the revenues generated through the GrandVision chain.

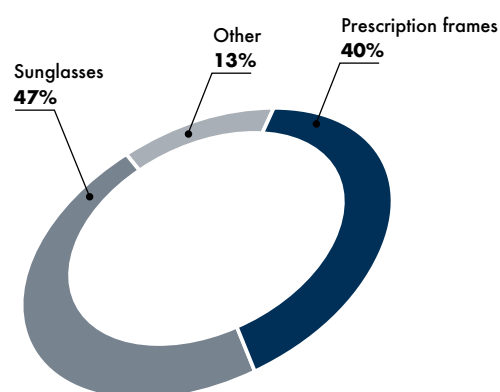
In North America, total sales were up 3.0% at current exchange rates and down 7.5% at constant exchange rates. At the organic level, the business softened by 4.7% mainly due to the tough comps base with the +19.7% recorded in fourth quarter 2021 vs 2019, and a softer US wholesale demand in the entry and mid-tier price points, while the premium and upper-end segments continued to hold up well. On the other hand, Smith posted a double-digit growth in the quarter, recovering the large part of the logistics delays impacting deliveries in the US sport

shops channel in third quarter, and Blenders also returned to growth posting a positive quarter, with its online business back to a double-digit upside.

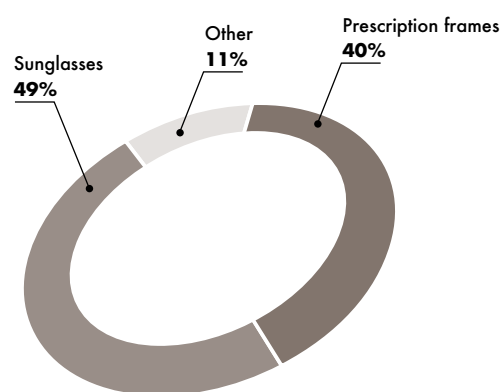
Fourth quarter sales trends remained supportive in Asia and Pacific, up 6.5% at current exchange rates, +3.3% at constant exchange rates and +4.4% at the organic level, as well as in the Rest of the World thanks to a solid business development in IMEA, and the new brands in the portfolio well supporting growth in the key Latin American markets (+22.1% at current exchange rates, +10.5% at constant exchange rates and +0.4% at the organic level).

The charts below summarize the breakdown of net sales by product category for the full year and for the fourth quarter 2022 compared to the previous year:

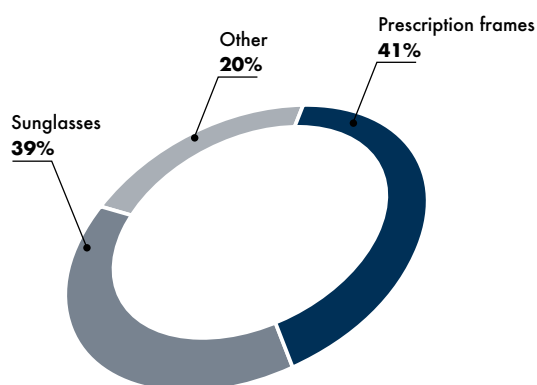
**FULL YEAR 2022**



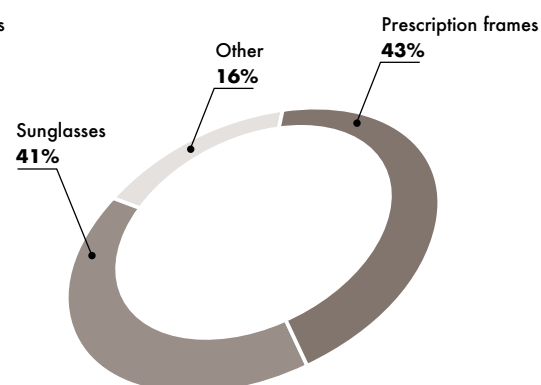
**FULL YEAR 2021**



**FOURTH QUARTER 2022**



**FOURTH QUARTER 2021**



# CONDENSED BALANCE SHEET

The table below shows the highlights from the balance sheet as at 31 December 2022 compared with those of 31 December 2021:

<b>Balance sheet</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>Change</b>
(Euro million)			
Trade receivables	214.0	173.5	40.5
Inventory, net	259.0	234.4	24.6
Trade payables	(180.7)	(193.1)	12.4
<b>Net working capital</b>	<b>292.3</b>	<b>214.9</b>	<b>77.4</b>
Tangible assets	109.1	115.6	(6.5)
Right of Use assets	39.0	36.9	2.1
Intangible assets	133.0	141.7	(8.7)
Goodwill	34.9	32.9	2.0
Non-current assets held for sale	2.3	2.3	-
<b>Net fixed assets</b>	<b>318.3</b>	<b>329.4</b>	<b>(11.1)</b>
Employee benefit liability	(14.0)	(19.0)	5.0
Other assets / (liabilities), net	(24.8)	(17.8)	(6.9)
Liabilities for options on non-controlling interests	(19.5)	(47.4)	27.9
<b>NET INVESTED CAPITAL</b>	<b>552.3</b>	<b>460.0</b>	<b>92.3</b>
Cash in hand and at bank	77.7	99.0	(21.3)
Short term borrowings	(30.0)	(20.0)	(10.0)
Short-term Lease liabilities	(9.1)	(8.2)	(0.8)
Long term borrowings	(117.3)	(131.8)	14.5
Long-term Lease liabilities	(34.7)	(32.9)	(1.8)
<b>NET FINANCIAL POSITION</b>	<b>(113.4)</b>	<b>(94.0)</b>	<b>(19.4)</b>
Group Shareholders' equity	(409.9)	(326.7)	(83.2)
Non-controlling interests	(29.0)	(39.3)	10.3
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(438.9)</b>	<b>(366.1)</b>	<b>(72.8)</b>



## Net working capital

Net working capital at 31 December 2022 amounts to Euro 292.3 million compared with Euro 214.9 million of the previous year.

<b>Net working capital</b> (Euro million)	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>Change</b>
Trade receivables, net	214.0	173.5	40.5
Inventories	259.0	234.4	24.6
Trade payables	(180.7)	(193.1)	12.4
<b>Net working capital</b>	<b>292.3</b>	<b>214.9</b>	<b>77.4</b>
% on net sales	27.1%	22.2%	

The key driver of the increase in the net working capital dynamic was the increase in trade receivables which, in addition to the growth of the business, was also impacted by around Euro 10 million of anticipated payments from customers at the end of 2021. The working capital of the year was furthermore characterized by an increase in inventories, and a decrease in trade payables.

## Fixed assets and investments in tangible and intangible fixed assets

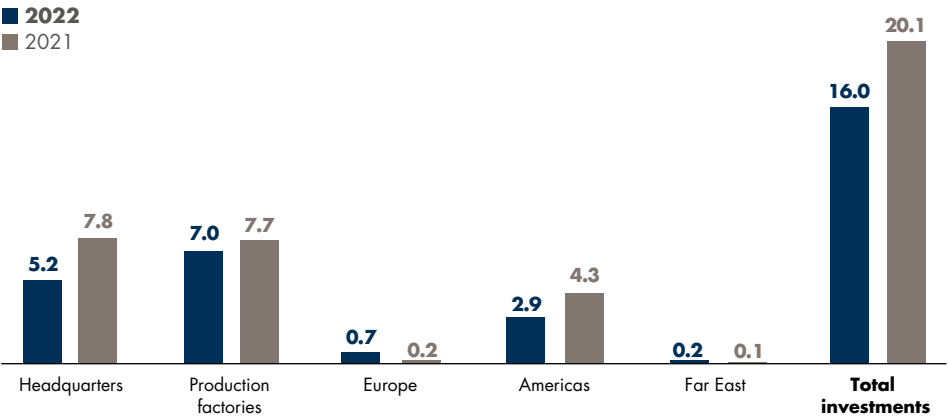
Net fixed assets total Euro 318.3 million at the end of 2022 compared to Euro 329.4 million in 2021.

The decrease of net fixed assets is mainly due to the ordinary depreciation of the tangible and intangible assets.

The Group's operating investments of the year total Euro 16 million (Euro 20.1 million in 2021). The investments were focused on the maintenance of its product supply and logistics network and to the Group Digital Transformation systems.

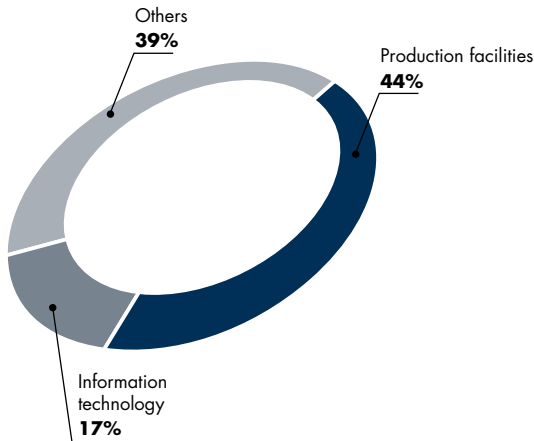
The allocation of the Group operating investments breaks down as follows:

INVESTMENTS BREAKDOWN

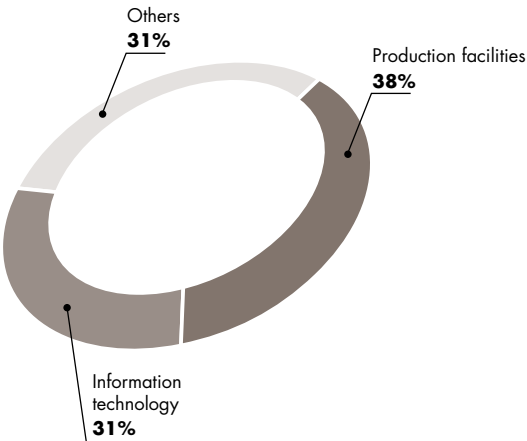


INVESTMENTS BY NATURE

2022



2021



# FINANCIAL SITUATION

The main items of the net financial position at 31 December 2022 as well as free cash flow figures are reported below in comparison with the previous year.

## Net financial position

<b>Net financial debt</b> (Euro million)	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>Change</b>
Current portion of long-term borrowings	(30.0)	(20.0)	(10.0)
Short-term lease liability IFRS 16	(9.1)	(8.2)	(0.8)
Cash and cash equivalents	77.7	99.0	(21.3)
<b>Short-term net financial position</b>	<b>38.7</b>	<b>70.8</b>	<b>(32.1)</b>
Long-term borrowings	(117.3)	(131.8)	14.5
Long-term financial lease liability IFRS 16	(34.7)	(32.9)	(1.8)
<b>Long-term net financial position</b>	<b>(152.1)</b>	<b>(164.7)</b>	<b>12.7</b>
<b>TOTAL NET FINANCIAL POSITION</b>	<b>(113.4)</b>	<b>(94.0)</b>	<b>(19.4)</b>
<b>TOTAL NET FINANCIAL POSITION PRE IFRS 16</b>	<b>(69.6)</b>	<b>(52.8)</b>	<b>(16.8)</b>

### Group net debt

As at 31 December 2022, the Group's net debt stood at Euro 113.4 million (Euro 69.6 million pre-IFRS 16, corresponding to a financial leverage, also pre IFRIC SaaS, of 0.7x), slightly better than the position of Euro 115.4 million reported at the end of September 2022 and slightly above Euro 94.0 million recorded at the end of 2021.

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

- a long-term debt position of Euro 152.1 million, made of bank loans for Euro 117.3 million, related to the new Credit Facility signed in September 2022, and an IFRS-16 effect for Euro 34.7 million;
- a short-term debt position of Euro 39.1 million, made of bank loans for Euro 30.0 million, related to the new Credit Facility, and an IFRS-16 effect for Euro 9.1 million;
- a cash position of Euro 77.7 million.

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

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

<b>Free cash flow</b> (Euro million)	<b>2022</b>	<b>2021</b>	<b>Change</b>
Cash flow from operating activities	9.2	17.3	(8.1)
Cash flow from investing activities	(15.7)	(9.8)	(5.9)
Cash flow from repayment principal portion of IFRS 16 lease liabilities	(10.0)	(10.3)	0.2
<b>Free cash flow</b>	<b>(16.5)</b>	<b>(2.7)</b>	<b>(13.8)</b>

In 2022, the Group's Free Cash Flow was negative of Euro 16.5 million compared to the negative Free Cash Flow of Euro 2.7 million recorded in 2021.

Safilo closed the year with a positive cash flow from operating activities of Euro 9.2 million, which reflected, on the one hand, a significant positive cash flow from operating activities before changes in working capital, equal to Euro 71.5 million, thanks to the strong economic improvement recorded by the Group in the year, on the other hand, a cash absorption of Euro 62.4 million due to changes in working capital.

On this front, the Group recorded an increase in trade receivables which, in addition to the growth of the business, was also impacted by around Euro 10 million of anticipated payments from customers at the end of 2021. The working capital of the year was furthermore characterized by an increase in inventories, and a decrease in trade payables due to mix effects in the overall payables base as certain operating expenses with lower standard payment terms rebounded in the year.

In 2022, the cash flow for investments amounted to Euro 15.7 million, for activities related to the maintenance of the industrial plants, and to the digital transformation systems and processes on which the Group continues to work.

# 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.

## 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 recent events in Ukraine 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, also taken in consideration that Safilo's net sales and assets in Russia and Ukraine accounted for respectively around 2% of the Group's total revenues and around 3% of the Group's total net assets.

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 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 term 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.

The Group  
constantly monitors  
its cash flows

## Liquidity risk

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.

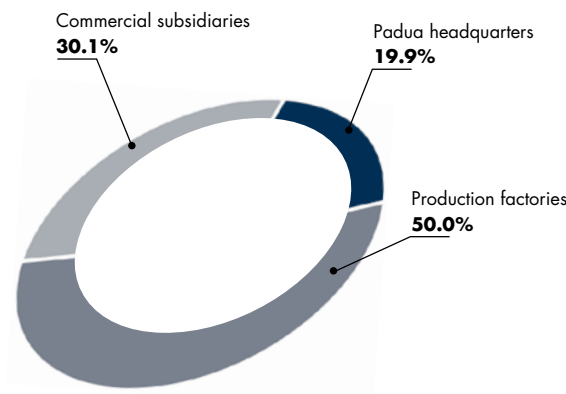
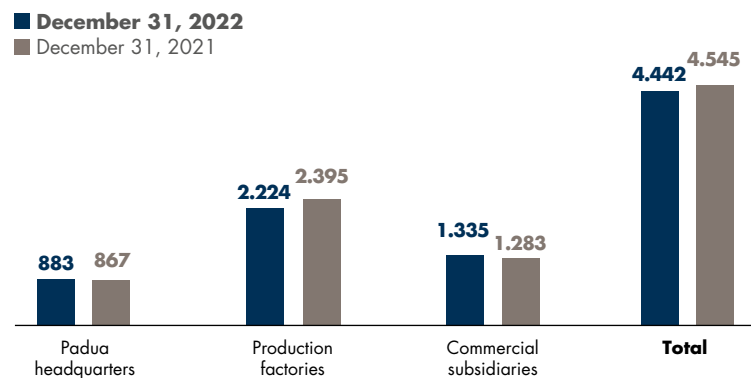
# HUMAN RESOURCES AND THE ENVIRONMENT

## Human Resources

The Group's  
workforce

At the end of 2022, the Group had 4,442 employees compared with 4,545 at the end of 2021, with a decrease of 103 employees mainly driven by the reduction of the workforce in the production factories, following the completion of the restructuring process of the Longarone plant.

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.



Safilo Group is aware of its social and environmental responsibility

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

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 2022, the stabilization of ERP SAP systems continued through constant internalization of evolution and maintenance processes as well as the consolidation of hardware platforms and monitoring/support processes.

The SAP roll-out projects in EMEA continued with important implementations in Germany, Austria, Poland, France, Belgium, the Netherlands.

Furthermore, the SAP implementation had been started for Safilo USA and Canada, though the adoption of SAP S/4 - RISE Edition. Based on this decision, Safilo will be the first Company in EyeWear Industry running on Cloud ERP, opening a completely new and relevant phase for modern Business application running.

The Digital Transformation of Sales platforms through Salesforce continued through the release of Product Increments into the B2B (You&Safilo) and CRM areas and the progressive adoption of new Salesforce automation tool named COMPASS in EMEA markets. Aiming to continuously improve the Service level to the Customers, the Omnia platform had been launched, to share product catalogs, sales support materials, etc.

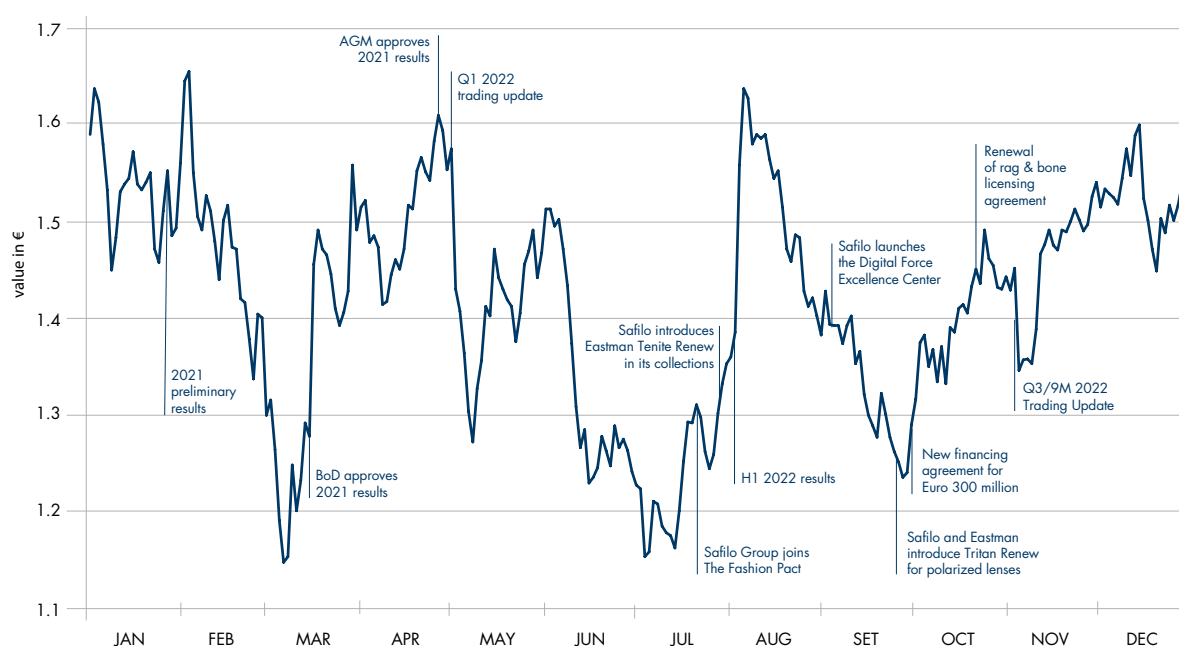
New important improvements have been made to Business Intelligence and Data Analytics platforms enriching them with cross-system Data (SAP Business Technology Platform, SAP Business Warehouse) and by launch new data visualization dashboards (Tableau). A very important training program had been applied to extend the Data Analysts skills and users of Business Dashboards.

In continuity with previous years the modernization of productivity tools continued in 2022 through the dotation of new Personal Computers equipped with modern security technologies and collaboration/communication tools. In Padua headquarters and other sites, more powerful and high-quality connections had been deployed to empower users productivity, both in remote and on-site working.

In the end investments have been made to improve cybersecurity and service level monitoring. About CyberSec most relevant enhancements are related to Multi Factor Authentication, Vulnerability&Penetration tests, Phishing Campaigns, Personal Computers encryption.

# SAFILO IN THE STOCK EXCHANGE AND INVESTOR RELATIONS

## Safilo in the stock exchange



During 2022, the dialogue with the financial community was constantly delivered by Safilo team, notwithstanding highly unfavourable financial markets, following mounting inflationary pressures combined with interest rate rises, the consequences of the war in Ukraine, as well as fears in consumption trends. The US markets suffered particularly badly in 2022, with stocks and bonds falling double digits (around -20% for the S&P and -12.4% for the bond market), while in Europe, the Stoxx Europe 600 was down around 13%, the CAC40 around -10%, the DAX around -12% and the FTSE MIB -13%.

This negative markets context was particularly severe in the first half of the year, when Safilo's shares declined by 21.4%, broadly in line with the performance of the main indices, while outperforming the fashion luxury sector (DB World Luxury Index was down almost 31%).

In the second half of the year trends turned positive for equity markets, in particular in Europe, where consumption trends continued to surprise positively, while US markets remained substantially flattish as the Fed kept raising interest rates, pushing back market's expectations for potential rate cut at the turn of the year.

Safilo's shares had a remarkable recovery in the second semester, up 23% over the July-December period, almost fully closing the first semester gap and ending the last trading day of the year at Euro 1.52, down 3.3% compared to the last trading session of the previous year, in which the stock recorded a total annual return of +119.1%.

Following the significant improvement of its 2021 results, in 2022 Safilo's economic and financial performance marked another important stepchange, which became particularly evident with the publication of the Group's first semester 2022 results at the beginning of August, reporting strong and better-than-expected second quarter results and with the full year guidance provided by the Group confirming the achievement of its Business Plan's FY24 sales and EBITDA targets two years in advance, despite Covid-related lockdowns and a challenging macro environment.

2022 was a year of progress for Safilo also in terms of its commitment on Sustainability, with a number of new partnerships signed during the year. In July, the Group announced that it joined The Fashion Pact, a global coalition of eminent companies in the fashion and textile industry, all committed to a common core of key environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans. In the year Safilo also announced it continued to expand the use of sustainable materials by introducing Eastman Tenite Renew, and then becoming the first player in the market to adopt Tritan™ Renew Polarized lenses, all part of a broad range of sustainable materials now offered at scale by Eastman.

Among the most meaningful events that marked Safilo's business development and its performance in the stock market in the second half of the year, at the end of September, there was the announcement of the signing of a new financing agreement for Euro 300 million and the repayment of the existing bank debt, while the beginning of November saw the usual release of the third quarter trading update. Following the latter event, notwithstanding another solid set of economic results, broadly in line or slightly better than expected, Safilo's share price lost some ground in the very days after the release, mainly due to a more cautionary cues by the Group with respect to the macro picture, especially in the US. The stock's performance recovered well during the rest of November, closing the month up almost 8% compared to the end of October.

## Investor relations

Safilo's engagement activities with investors were mostly undertaken following the release of the Group's results and they continued to focus around the ongoing participation to some of the main equity investment conferences - namely the Italian Investment Conference organized in May by Unicredit and Kepler Cheuvreux, the European Branded Goods Conference organized in September by Mediobanca, and the Italian Champions Conference organized in December by Equita - and ad hoc roadshows specifically organised for Safilo with the support of the Group's key brokers.

At the end of December 2022, Safilo's capitalization was not too far from the one recorded at the end of 2021, at around Euro 630 million (ca Euro 650 million at the end of 2021 from ca Euro 297 million at the end of 2020 and ca Euro 415 million at the end of 2019), with 3 brokers with a Buy recommendation on the stock, and 5 recommending to Hold it. In 2022, the average daily volumes on the stock were around 0.8 million.

## Financial calendar

Board of Directors' meetings for 2023:

26 January	Preliminary sales for the Fourth quarter and full year 2022
9 March	Draft Financial Statements for 2022
27 April	Shareholders' Meeting for the approval of the Financial Statements 2022
3 May	Trading update on the First quarter 2023 KPIs
2 August	Interim Report on Operations for the Second quarter and First half 2023
3 November	Trading update on the Third quarter and first Nine months 2023 KPIs

# CORPORATE GOVERNANCE

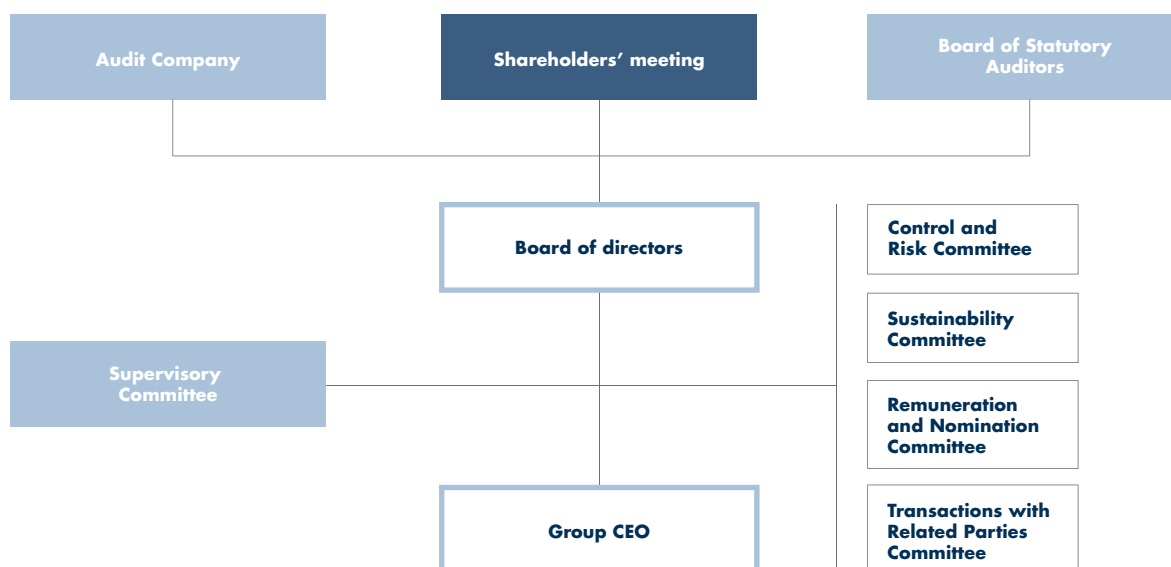
## Corporate bodies and officers

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.

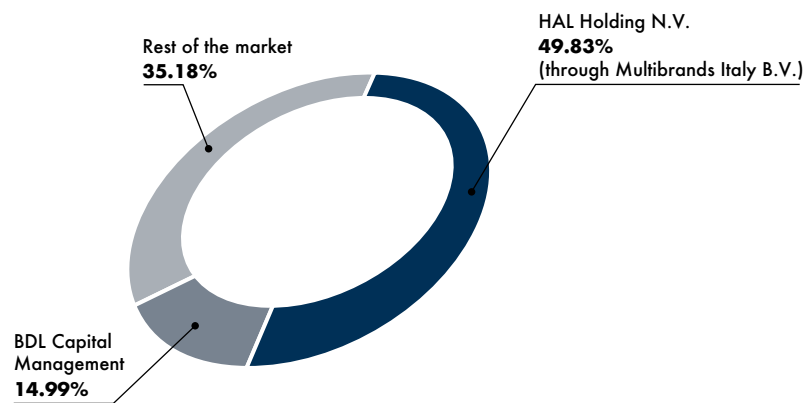




## Information on shareholders (pursuant to Article 123-bis, paragraph 1, of Italian Consolidated Finance Act)

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 2022.



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 January 1, 2014 (even though the ownership interest of HAL Holding N.V. in Safilo Group S.p.A. is below 50%). However, Safilo Group S.p.A. is still deemed not to be subject to the direction and coordination activity (as such activity is defined under Articles 2497 et seq. of the Civil Code) by other entities, including HAL Holding N.V., since there are not the presumptions that typically have been considered relevant by the doctrine and practice.

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

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

- (ii) the Company is managed by a Board of Directors the majority of whose members are not members of corporate bodies of HAL Holding N.V. or its subsidiaries. Moreover, the Board of Directors also has a sufficient number of independent directors to ensure that their opinions have a significant impact on its own judgment and decisions;
- (iii) the Company is not subject to any centralized management approach by HAL Holding N.V. which, indeed, according to the report of its Executive Board, has not developed a central risk management system, thus allowing each investee company, including the Company, to have its own financial structure and be responsible for evaluating and managing its own risks. Moreover, since HAL Holding N.V. (a) has not included Safilo Group in its management reporting system which monitors the performance of the investee companies and, therefore, (b) has no instruction rights with respect to the governance of the Company, HAL Holding N.V. will continue to include the financial results of the Group in the segment “quoted minority interests” of its accounts;
- (iv) although a member of the Executive Board of HAL Holding N.V. is also a member of the Board of Directors of the Company, the information he periodically obtains in this capacity is never – and will never be - used for the preparation of the consolidated financial statements of HAL Holding N.V. so as to preserve confidentiality and to allow the Company to operate independently from any of its shareholders. Accordingly, the risk management and internal control systems of the Company with respect to financial reporting risks are neither monitored nor managed by HAL Holding N.V..

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

In order to make the aforesaid exchange of information more efficient and expeditious, HAL Holding N.V. and the Company, among other things, have (a) set up a procedure aimed at ensuring, to the maximum possible extent permitted by accounting laws and regulations applicable to each of them, that their financial statements are based on materially the same accounting policies or, whenever it is not possible to fully converge the accounting principles of the Company and HAL Holding N.V., at making the necessary (accounting) adjustments to the consolidated financial statements of the Company to be reflected in the consolidated group reporting of HAL Holding N.V., (b) agreed to review the effect of any newly issued accounting standards (if any) with the objective to converge, where practically and legally possible, the implementation of these new standards in the financial statements of both the Company and HAL Holding N.V., and (c) jointly hired an independent financial expert who, through access to the appropriate management and control bodies of both concerned companies (including, as far as the Company is concerned, the Control 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 2022 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 2022 the Company does not possess own shares.

## 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 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 a 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 2020 he was appointed as Chairman of ARAG S.r.l.. In December 2019 he was appointed Vice-President of Texa S.p.A.. From 2005 to 2011

he was President of the Italian Association of the Automotive Industry (ANFIA) that has been representing since 1912 the whole automotive sector in Italy; and from 2006 to 2011 Member of the Board of CONFINDUSTRIA (General Confederation of the Italian Industry). Since 2009 he has been Vice President of OICA (International Organization of Motor Vehicle Manufacturers) and from 2009 to 2011 President of FEDERVEICOLI, the Federation of the Italian Motor Vehicles and Components Associations of the transport sector, established after an agreement among ANCMA (National Association for the Bicycle, Motorcycle and Accessory Industry), ANFIA and UNACOMA (Italian Farm Machinery Manufacturers Association).

**Angelo Trocchia**

(Chief Executive Officer)

Born in Formia (Latina) on April 27, 1963. Angelo Trocchia was formerly Chairman and Chief Executive Officer of Unilever Italia 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 of the Unilever Ice Cream business in the Czech Republic and he also led the Italian Ice Cream business, which accounts for more than 40% of the total Italian business turnover.

**Jeffrey A. Cole**

(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 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, a USA based sunglass brand. 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 Rituals B.V., 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 and Hype.

**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 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 at 31 December 2022 as appointed by the Board of Directors meeting held on 29 April 2021:

#### **Supervisory Committee**

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

#### **Control and Risk Committee**

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

#### **Sustainability Committee**

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

#### **Remuneration and Nomination Committee**

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

#### **Transactions with Related Parties Committee**

<i>Chairman</i>	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 28 April 2020 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 2022.

### **Carmen Pezzuto** (Chairman)

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

### **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 complete version of the report on corporate governance can be found in the Corporate Governance section of the site [www.safilogroup.com](http://www.safilogroup.com)

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 is available on the Company website ([www.safilogroup.com](http://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
- (i) the balanced representation of genders (masculine or feminine) in compliance with applicable law.

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



## The Board of Statutory Auditors

### Appointing auditors

The Board of Statutory Auditors is appointed and replaced in compliance with article 27 of the Articles of Association, published on the website in the section 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 July 17, 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.

Deloitte & Touche  
appointed until 2022

## The Audit Company

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

Given the approaching deadline, during the first months of 2022 Safilo launched the procedure for the selection of the new Audit Company, to be entrusted with the related role for the nine-year period 2023-2031. As a result of the selection procedure carried out by Safilo's internal structure and by the Board of Statutory Auditors, the Board of Statutory Auditors, in its role as Internal Control and Audit Committee, drafted and submitted to the Board of Directors its reasoned proposal pursuant to Article 16, paragraph 2, of EU Regulation No. 537/2014, so as to allow the Shareholders' Meeting called to approve the 2022 financial statements to resolve upon the assignment of the related role. For further details, please refer to the illustrative report on the agenda of the Shareholders' Meeting to be held on 27 April 2023, drawn up pursuant to Article 125-ter of the TUF and published within the deadline and in the manner required by the law.

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

# OTHER INFORMATION

## Atypical and/or unusual transactions

No atypical and/or unusual transactions, as defined by Consob Communication 6064293 dated July 28<sup>th</sup>, 2006, were undertaken during 2022.

## Related party transactions

In compliance with applicable legislative and regulatory requirements, the Board of Directors of November 5<sup>th</sup>, 2010 approved the "Regulations for the transactions with related parties", to govern transactions of major strategic, economic, capital or financial significance for the Company, including those undertaken with related parties, to assure their transparency and material and procedural correctness. Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Group. Transactions with related parties, are on an arm's length basis, according to the nature of the transaction, sale of products or provision of services.

For further details regarding the related party transactions, please refer to note 6 to the Consolidated Financial Statements as of December 31, 2022.

## Research and development

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

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

(Euro million)	Equity as of December 31, 2022	Net profit/ (loss) of the year 2022	Equity as of December 31, 2021	Net profit/ (loss) of the year 2021
Balances as per Safilo Group S.p.A.'s statutory financial statements	415.2	(11.9)	426.3	(11.2)
Contribution of consolidated companies	1,105.3	3.1	1,085.8	35.6
Elimination of the book value of consolidated subsidiaries	(1,044.8)	44.3	(1,074.8)	-
Goodwill	33.8	-	31.8	(1.0)
Liability for options on non-controlling interests	(19.5)	31.2	(47.4)	32.2
Elimination of dividends paid within the Group	-	(13.4)	-	(33.5)
Elimination of intercompany gains within the Group	(2.2)	0.2	(2.4)	0.2
Elimination of intercompany profits included in inventory	(47.3)	(2.5)	(45.7)	(1.2)
Other consolidated entries	(1.6)	1.3	(7.6)	(1.1)
<b>Total</b>	<b>438.9</b>	<b>52.3</b>	<b>366.0</b>	<b>20.0</b>
Equity attributable to minority interests	29.0	(1.8)	39.3	(1.3)
<b>Total attributable to the Group</b>	<b>409.9</b>	<b>54.2</b>	<b>326.7</b>	<b>21.3</b>

# SIGNIFICANT EVENTS AFTER THE YEAR-END

## Events after the year end

On 26 January 2023, the Group communicated that the Board of Directors on 9 March 2023 will also approve its medium-term economic and financial targets, which the management will present to the market on the following day during a Capital Market Day to be held in Milan. With regards to the ongoing strategic analyses and taking into consideration the evolution of the product portfolio, the economic context, the competitive dynamics and a persistent production overcapacity, the Group, in reiterating the importance of the Santa Maria di Sala and Bergamo production sites, of the Padua logistic centre, and the company's creative capabilities, has initiated an exploration of alternative solutions for its Longarone plant.

In March 2023, the Group has 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, with Chase Fisher, minority shareholder, founder and CEO of the company.

These events have been considered a "non-adjusting subsequent event" and hence have not affected the financial statements as at 31 December 2022.

For the Board of Directors  
Chief Executive Officer  
*Angelo Trocchia*





PRIVÉ REVAUX  
EYEWEAR





CAROLINA HERRERA  
EYEWEAR

# 2

## CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET

(thousands of Euro)	Notes	December 31, 2022	of which related parties	December 31, 2021	of which related parties
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	4.1	77,710		99,002	
Trade receivables	4.2	214,034	328	173,548	321
Inventory	4.3	258,980		234,430	
Derivative financial instruments	4.4	698		1,503	
Other current assets	4.5	44,878		53,406	
<b>Total current assets</b>		<b>596,300</b>		<b>561,888</b>	
<b>Non-current assets</b>					
Tangible assets	4.6	109,088		115,613	
Right of Use assets	4.7	38,997		36,918	
Intangible assets	4.8	132,993		141,659	
Goodwill	4.9	34,895		32,861	
Deferred tax assets	4.10	36,274		37,441	
Derivative financial instruments	4.4	780		-	
Other non-current assets	4.11	8,623		9,070	
<b>Total non-current assets</b>		<b>361,649</b>		<b>373,563</b>	
<b>Non-current assets held for sale</b>	4.6	<b>2,320</b>		<b>2,320</b>	
<b>TOTAL ASSETS</b>		<b>960,268</b>		<b>937,771</b>	

(thousands of Euro)	Notes	December 31, 2022	of which related parties	December 31, 2021	of which related parties
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Borrowings	4.12	30,000		20,000	
Lease liabilities	4.12	9,051		8,247	
Trade payables	4.13	180,701	83	193,082	23
Tax payables	4.14	22,492		17,420	
Derivative financial instruments	4.4	7,656		545	
Liability for options on non-controlling interests	4.18	6,195		-	
Other current liabilities	4.15	47,291	-	55,562	-
Provisions	4.16	9,166		15,776	
<b>Total current liabilities</b>		<b>312,552</b>		<b>310,632</b>	
<b>Non-current liabilities</b>					
Borrowings	4.12	117,329	-	131,798	-
Lease liabilities	4.12	34,727		32,917	
Employee benefit obligations	4.17	13,975		18,995	
Provisions	4.16	14,512		15,144	
Deferred tax liabilities	4.10	12,863		13,031	
Derivative financial instruments	4.4	-		-	
Liability for options on non-controlling interests	4.18	13,349		47,406	
Other non-current liabilities	4.19	2,041		1,760	
<b>Total non-current liabilities</b>		<b>208,796</b>		<b>261,052</b>	
<b>TOTAL LIABILITIES</b>		<b>521,348</b>		<b>571,684</b>	
<b>Shareholders' equity</b>					
Share capital	4.20	384,846		384,820	
Share premium reserve	4.21	692,521		692,458	
Retained earnings and other reserves	4.22	(722,392)		(771,812)	
Cash flow hedge reserve	4.23	780		-	
Income/(Loss) attributable to the Group		54,160		21,275	
<b>Total shareholders' equity attributable to the Group</b>		<b>409,915</b>		<b>326,741</b>	
<b>Non-controlling interests</b>		<b>29,005</b>		<b>39,346</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>438,920</b>		<b>366,087</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>960,268</b>		<b>937,771</b>	

# CONSOLIDATED INCOME STATEMENT

(thousands of Euro)	Notes	2022	of which related parties	2021	of which related parties
Net sales	5.1	1,076,745	1,204	969,584	32,653
Cost of sales	5.2	(479,296)		(467,824)	
<b>Gross profit</b>		<b>597,450</b>		<b>501,760</b>	
Selling and marketing expenses	5.3	(420,488)	(74)	(363,033)	(1,350)
General and administrative expenses	5.4	(128,426)	(30)	(119,552)	(20)
Other operating income/(expenses)	5.5	(78)		6,900	
<b>Operating profit</b>		<b>48,458</b>		<b>26,075</b>	
Gains on liabilities for options on non-controlling interests	5.6	31,191		32,249	
Financial charges, net	5.7	(15,512)	-	(23,500)	(6,280)
<b>Profit before taxation</b>		<b>64,136</b>		<b>34,824</b>	
Income taxes	5.8	(11,788)		(14,795)	
<b>Profit of the period</b>		<b>52,349</b>		<b>20,029</b>	
<b>Profit/(Loss) attributable to:</b>					
Owners of the parent		54,160		21,275	
Non-controlling interests		(1,811)		(1,246)	
<b>Earnings per share - basic (Euro)</b>	5.9	<b>0.131</b>		<b>0.071</b>	
<b>Earnings per share - diluted (Euro)</b>	5.9	<b>0.130</b>		<b>0.070</b>	

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euro)	Notes	2022	2021
<b>Net profit for the period (A)</b>		<b>52,349</b>	<b>20,029</b>
Gains/(Losses) that will not be reclassified subsequently to profit or loss:			
- Remeasurements of post employment benefit obligations		2,750	661
- Other gains/(losses)		-	-
<b>Total gains/(Losses) that will not be reclassified subsequently to profit or loss:</b>		<b>2,750</b>	<b>661</b>
Gains/(Losses) that will be reclassified subsequently to profit or loss:			
- Gains/(Losses) on cash flow hedges	4.23	780	-
- Gains/(Losses) on exchange differences on translating foreign operations	4.22	17,023	30,575
<b>Total gains/(losses) that will be reclassified subsequently to profit or loss:</b>		<b>17,803</b>	<b>30,575</b>
<b>Other comprehensive income/(loss), net of tax (B)</b>		<b>20,553</b>	<b>31,236</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)</b>		<b>72,903</b>	<b>51,265</b>
<b>Attributable to:</b>			
Owners of the parent		72,918	49,346
Non-controlling interests		(16)	1,919
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>72,903</b>	<b>51,265</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Euro)	Notes	2022	2021
<b>A - Opening net cash and cash equivalents (net financial indebtedness - short term)</b>	4.1	<b>99,002</b>	<b>85,966</b>
<b>B - Cash flow from (for) operating activities</b>			
Net profit/(loss) for the period (including minority interests)		52,349	20,029
Depreciation and amortization	4.6 - 4.8	38,064	43,319
Right of Use depreciation IFRS 16	4.7	10,326	9,893
Non-monetary changes related to liabilities for options on non-controlling interests		(31,191)	(32,249)
Other items		(9,067)	(23,258)
Interest expenses, net	5.7	5,912	12,052
Interest expenses on lease liabilities IFRS 16	5.7	1,862	1,548
Income tax expenses	5.8	11,788	14,795
<b>Flow from operating activities prior to movements in working capital</b>		<b>80,043</b>	<b>46,130</b>
(Increase) Decrease in trade receivables		(36,222)	6,886
(Increase) Decrease in inventory, net		(17,618)	(25,820)
Increase (Decrease) in trade payables		(14,842)	6,270
(Increase) Decrease in other receivables		8,467	(6,201)
Increase (Decrease) in other payables		(2,138)	(1,967)
Interest expenses paid		(4,266)	(5,314)
Interest expenses paid on lease liabilities IFRS 16		(1,862)	(1,548)
Income taxes paid		(2,405)	(1,141)
<b>Total (B)</b>		<b>9,156</b>	<b>17,295</b>
<b>C - Cash flow from (for) investing activities</b>			
Investments in property, plant and equipment		(12,733)	(13,216)
Net disposals of property, plant and equipment and assets held for sale		196	10,192
(Purchase)/Disposal of subsidiary (net of cash acquired/disposed)		-	-
Purchase of intangible assets, net of disposals		(3,131)	(6,736)
<b>Total (C)</b>		<b>(15,669)</b>	<b>(9,759)</b>
<b>D - Cash flow from (for) financing activities</b>			
Proceeds from borrowings		147,001	-
Repayment of borrowings	4.12	(153,000)	(119,602)
Repayment of principal portion of lease liabilities IFRS 16		(10,026)	(10,263)
Increase in share capital, net of transaction costs		89	133,057
Dividends paid		(875)	(1,121)
<b>Total (D)</b>		<b>(16,811)</b>	<b>2,072</b>
<b>E - Cash flow for the period (B+C+D)</b>		<b>(23,324)</b>	<b>9,608</b>
Translation exchange differences		2,032	3,428
<b>Total (F)</b>		<b>2,032</b>	<b>3,428</b>
<b>G - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E+F)</b>	4.1	<b>77,710</b>	<b>99,002</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Euro)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
<b>Consolidated net equity at January 1, 2022</b>	<b>384,820</b>	<b>692,458</b>	<b>92,193</b>	<b>-</b>	<b>(842,730)</b>	<b>326,741</b>	<b>39,346</b>	<b>366,087</b>
Profit/(Loss) for the period	-	-	-	-	54,160	54,160	(1,811)	<b>52,349</b>
Other comprehensive income (loss) for the period	-	-	15,228	780	2,750	18,758	1,796	<b>20,553</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>15,228</b>	<b>780</b>	<b>56,910</b>	<b>72,918</b>	<b>(16)</b>	<b>72,903</b>
Increase in share capital, net of transaction costs	26	63	-	-	-	89	-	<b>89</b>
Dividends distribution	-	-	-	-	-	-	(876)	<b>(876)</b>
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	-	<b>748</b>
Changes in other reserves	-	-	-	-	-	-	(31)	<b>(31)</b>
<b>Consolidated net equity at December 31, 2022</b>	<b>384,846</b>	<b>692,521</b>	<b>107,421</b>	<b>780</b>	<b>(775,653)</b>	<b>409,915</b>	<b>29,005</b>	<b>438,920</b>

(thousands of Euro)	Share capital	Share premium reserve	Translation diff. reserve	Cash flow hedge reserve	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
<b>Consolidated net equity at January 1, 2021</b>	<b>349,943</b>	<b>594,277</b>	<b>64,784</b>	<b>-</b>	<b>(865,752)</b>	<b>143,252</b>	<b>39,047</b>	<b>182,299</b>
Profit/(Loss) for the period	-	-	-	-	21,275	21,275	(1,246)	<b>20,029</b>
Other comprehensive income (loss) for the period	-	-	27,410	-	661	28,071	3,165	<b>31,236</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>27,410</b>	<b>-</b>	<b>21,937</b>	<b>49,346</b>	<b>1,919</b>	<b>51,265</b>
Increase in share capital, net of transaction costs	34,877	98,180	-	-	-	133,057	-	<b>133,057</b>
Dividends distribution	-	-	-	-	-	-	(1,121)	<b>(1,121)</b>
Changes of non-controlling interests of subsidiaries acquired	-	-	-	-	478	478	(478)	-
Net increase in the Reserve for share-based payments	-	-	-	-	647	647	-	<b>647</b>
Changes in other reserves	-	-	-	-	(40)	(40)	(21)	<b>(61)</b>
<b>Consolidated net equity at December 31, 2021</b>	<b>384,820</b>	<b>692,458</b>	<b>92,193</b>	<b>-</b>	<b>(842,730)</b>	<b>326,741</b>	<b>39,346</b>	<b>366,087</b>



BLENDERS  
E Y E W E A R

# 3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 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 Mercato Telematico Azionario (MTA) of the Italian Stock Exchange (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 2022 to 31 December 2022 and also presents comparative data related to the financial period from 1 January 2021 to 31 December 2021.

These financial statements were approved by the Board of Directors on 9 March 2023.

The consolidated 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.

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



## 2. SUMMARY OF ACCOUNTING PRINCIPLES ADOPTED

### 2.1 Accounting policies

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

The consolidated financial statements for the year ended 31 December 2022 and 31 December 2021 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 financial assets available-for-sale and some financial assets and liabilities, including derivative instruments, for which the "fair value" criterion was adopted.

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

#### Accounting standards, amendments and interpretations effective as of 1 January 2022

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 2021 have been applied.

Furthermore, the Group has adopted the following new standards and amendments, effective from 1 January 2022:

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

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

## 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 2023 that have not been early adopted by the Group in preparing this report:

- on 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes come into effect from 1 January 2023;
- on 7 May 2021, the IASB published the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The changes come into effect from 1 January 2023.

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 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 aims to clarify how to classify debts and other short or long-term liabilities. The changes come into effect from 1 January 2024;
- on September 22, 2022, the IASB publish 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 when endorsed by the European Union and it will evaluate their potential impacts on the consolidated financial statements.

## 2.2 Format of financial statements

Safilo Group presents the income statement by function (so-called “cost of sales”). This is considered to be more representative with respect to presentation by type of expenses, as it conforms more closely to the internal reporting and business 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 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.

In compliance with paragraph 85 of IAS 1 some dedicated items have been introduced on the face of the statements of the financial position and on the profit and loss 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 section “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 Profit and Loss;
- “Non-monetary changes related to liabilities for options on non-controlling interests” in the statement of cash flow.

## 2.3 Consolidation method and consolidation area

The Group’s consolidated financial statements as of 31 December 2022 include the parent company, Safilo Group S.p.A., and 46 subsidiaries accounted for on a line-by-line basis, with the parent company holding, directly or indirectly, the majority of voting rights. During 2022 the Group’s consolidation area changed as follows:

- on 14 January 2022 David Schottenstein, Board member and CEO of Privé Goods LLC (Privé Revaux) resigned and left the Company. Following this event and pursuant to the contractual terms of the acquisition the Group has exercised its call option on the non-controlling interests held by David Schottenstein increasing its controlling stake in Privé Revaux from 64.2% to 81.9% in exchange for a nominal amount. During 2022 some other Company equity holders and employees have resigned increasing the Group controlling stake to 82.8%;
- on 1 December 2022 the liquidation of the company Safilo Korea Ltd, owned at 51% by Safilo Far East Ltd, has been completed and the company has been de-registered.



At 31 December 2022 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
<b>ITALIAN COMPANIES</b>			
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
<b>FOREIGN COMPANIES</b>			
Safilo International B.V. - Rotterdam (NL)	EUR	24.165.700	100,0
Safilo Benelux S.A. - Zaventem (B)	EUR	560.000	100,0
Safilo Espana S.L. - Madrid (E)	EUR	3.896.370	100,0
Safilo France S.a.r.l. - Paris (F)	EUR	960.000	100,0
Safilo Gmbh - Cologne (D)	EUR	511.300	100,0
Safilo Nordic AB - Taby (S)	SEK	500.000	100,0
Safilo CIS - LLC - Moscow (Russia)	RUB	10.000.000	100,0
Safilo Far East Ltd. - Hong Kong (RC)	HKD	49.700.000	100,0
Safint Optical Investment Ltd - Hong Kong (RC)	HKD	10.000	100,0
Safilo Hong-Kong Ltd – Hong Kong (RC)	HKD	100.000	100,0
Safilo Singapore Pte Ltd - Singapore (SGP)	SGD	400.000	100,0
Safilo Optical Sdn Bhd – Kuala Lumpur (MAL)	MYR	100.000	100,0
Safilo Trading Shenzhen Limited- Shenzhen (RC) (in liquidation)	CNY	2.481.000	100,0
Safilo Eyewear (Shenzhen) Company Limited - (RC)	CNY	46.546.505	100,0
Safilo Eyewear (Shanghai) Co Ltd - (RC)	CNY	1.000.000	100,0
Safilo Eyewear (Suzhou) Industries Limited - (RC)	CNY	129.704.740	100,0
Safilo Hellas Ottica S.a. – Athens (GR)	EUR	489.990	100,0
Safilo Nederland B.V. - Bilthoven (NL)	EUR	18.200	100,0
Safilo South Africa (Pty) Ltd. – Bryanston (ZA)	ZAR	3.583	100,0
Safilo Austria Gmbh -Traun (A)	EUR	217.582	100,0
Safilo d.o.o. Ormož - Ormož (SLO) (in liquidation)	EUR	563.767	100,0
Safilo Japan Co Ltd - Tokyo (J)	JPY	100.000.000	100,0
Safilo Do Brasil Ltda – Sao Paulo (BR)	BRL	197.135.000	100,0
Safilo Portugal Lda – Lisbon (P)	EUR	500.000	100,0
Safilo Switzerland AG – Zurich (CH)	CHF	1.000.000	100,0
Safilo Polska sp. z.o.o. - Warsaw (PL)	PLN	50.000	100,0
Safilo India Pvt. Ltd - Bombay (IND)	INR	42.000.000	100,0
Safilo Australia Pty Ltd.- Sydney (AUS)	AUD	3.000.000	100,0
Safilo UK Ltd. - London (GB)	GBP	250	100,0
Safilo America Inc. - Delaware (USA)	USD	8.430	100,0
Safilo USA Inc. - New Jersey (USA)	USD	23.289	100,0
Safilo Services LLC - New Jersey (USA)	USD	-	100,0
Smith Sport Optics Inc. - Idaho (USA)	USD	12.087	100,0
Solstice Marketing Corp. – Delaware (USA)	USD	1.000	100,0
Safilo de Mexico S.A. de C.V. - Distrito Federal (MEX)	MXP	10.035.575	100,0
Safilo Canada Inc. - Montreal (CAN)	CAD	100.000	100,0
Canam Sport Eyewear Inc. - Montreal (CAN)	CAD	199.975	100,0
Safilo Optik Ticaret Limited Şirketi - Istanbul (TR)	TRL	1.516.000	100,0
Safilo Middle East FZE - Dubai (UAE)	AED	3.570.000	100,0
Privè Goods LLC. - Delaware (USA)	USD	19.919.335	82,8
Privè Capsules LLC - Delaware (USA)	USD	-	82,8
Blenders Eyewear LLC - Delaware (USA)	USD	1.000	70,0
PorSa Eyewear (Xiamen) Co Ltd.- (RC)	CNY	1.000.000	100,0

## 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.

### Investments in other companies

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

## 2.4 Segment information

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

The criteria applied for the identification of the segments depend on how management organizes the Group and attributes managerial responsibilities. After the divestiture of the Group's remaining retail operations in 2019, business sector information is provided solely for the Wholesale sector.

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

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

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

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

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

The exchange rates applied in the conversion of financial statements prepared in currencies other than Euro at 31 December 2022 and 31 December 2021 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		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		December 31, 2022	December 31, 2021	%	2022	2021	%
US Dollar	USD	1,0666	1,1326	-5,8%	1,0531	1,1827	-11,0%
Hong-Kong Dollar	HKD	8,3163	8,8333	-5,9%	8,2451	9,1932	-10,3%
Swiss Franc	CHF	0,9847	1,0331	-4,7%	1,0047	1,0812	-7,1%
Canadian Dollar	CAD	1,4440	1,4393	0,3%	1,3695	1,4826	-7,6%
Japanese Yen	YEN	140,6600	130,3800	7,9%	138,0274	129,8767	6,3%
British Pound	GBP	0,8869	0,8403	5,6%	0,8528	0,8596	-0,8%
Swedish Crown	SEK	11,1218	10,2503	8,5%	10,6296	10,1465	4,8%
Australian Dollar	AUD	1,5693	1,5615	0,5%	1,5167	1,5749	-3,7%
South-African Rand	ZAR	18,0986	18,0625	0,2%	17,2086	17,4766	-1,5%
Russian Ruble	RUB	78,4308	85,3004	-8,1%	73,5002	87,1527	-15,7%
Brasilian Real	BRL	5,6386	6,3101	-10,6%	5,4399	6,3779	-14,7%
Indian Rupee	INR	88,1710	84,2292	4,7%	82,6864	87,4392	-5,4%
Singapore Dollar	SGD	1,4300	1,5279	-6,4%	1,4512	1,5891	-8,7%
Malaysian Ringgit	MYR	4,6984	4,7184	-0,4%	4,6279	4,9015	-5,6%
Chinese Renminbi	CNY	7,3582	7,1947	2,3%	7,0788	7,6282	-7,2%
Korean Won	KRW	1.344,0900	1.346,3800	-0,2%	1.358,0734	1.354,0570	0,3%
Mexican Peso	MXN	20,8560	23,1438	-9,9%	21,1869	23,9852	-11,7%
Turkish Lira	TRY	19,9649	15,2335	31,1%	17,4088	10,5124	65,6%
Dirham UAE	AED	3,9171	4,1595	-5,8%	3,8673	4,3436	-11,0%
Polish Zloty	PLN	4,6808	4,5969	1,8%	4,6861	4,5652	2,6%

## 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

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

## Software

All software licenses purchased are capitalized on the basis of the costs incurred for their acquisition and in bringing them to their current condition. Amortization is calculated on a straight-line basis over their estimated useful lifetime (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 for 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) making them coincide with the Business Units, on the basis of geographical aggregations that are the base for interpreting the Group performance. The Group then discounts to present value the future estimated cash flows generated by these CGUs by applying a discount rate that reflects the current time value 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.

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.

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 from purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognized in the income statement. Bank overdrafts are posted under current liabilities.

## 2.14 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 27<sup>th</sup> 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 1<sup>st</sup> 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 4.16 "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 and charges

The Group records provisions for risks and charges when:

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

## 2.16 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;
- Blenders Eyewear LLC the put and call options may be exercised in each of the years 2023 and 2024 for one third of the minority interests and in 2025 for the remaining 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.

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 at year end on the basis of updated business plans.

## 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 Royalties

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

## 2.20 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 remaining pandemic-related effects and geopolitical risks consequent to Russia's invasion 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 CGUs, the determination of appropriate discounting rates (WACC) and long-term growth (g-rate). These estimates depend on factors that may change over time with consequent effects, which may be significant, compared to the Directors’ assessments. 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, which may decrease due to the scenario described in the note related to subsequent events.
- *(Contingent) liabilities*: the Group is subject to legal and tax actions regarding different types of problems; due to uncertainties relating to proceedings and the complexity of such proceedings, 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.



**MARC JACOBS  
EYEWEAR**

### 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 consequents to Russia's invasion.

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 2022 and 31 December 2021:

(thousands of Euro)		December 31, 2022			December 31, 2021		
Ageing of trade receivables		Nominal value trade receivables	Allowance for bad and doubtful debts	Net value value trade receivables	Nominal value trade receivables	Allowance for bad and doubtful debts	Net value value trade receivables
<b>Overdue and impaired</b>							
up to 3 months		933	(933)	-	947	(947)	-
3 to 6 months		1,001	(1,001)	-	775	(775)	-
6 to 9 months		2,327	(2,327)	-	1,587	(1,587)	-
from 9 to 12 months		424	(424)	-	1,703	(1,703)	-
from 12 to 24 months		1,522	(1,522)	-	5,858	(5,858)	-
over 24 months		4,602	(4,602)	-	4,909	(4,909)	-
<b>Total</b>		<b>10,809</b>	<b>(10,809)</b>	<b>-</b>	<b>15,779</b>	<b>(15,779)</b>	<b>-</b>
<b>Overdue and not impaired</b>							
up to 1 month		16,789		16,789	11,207		11,207
from 1 to 3 months		6,871		6,871	8,237		8,237
3 to 6 months		4,511		4,511	6,000		6,000
6 to 9 months		2,262		2,262	1,044		1,044
from 9 to 12 months		970		970	722		722
from 12 to 24 months		2,374	(429)	1,945	518	(291)	227
over 24 months		95	(95)	-	53	(53)	-
<b>Total</b>		<b>33,872</b>	<b>(524)</b>	<b>33,348</b>	<b>27,780</b>	<b>(344)</b>	<b>27,436</b>
<b>Neither overdue nor impaired</b>							
		181,078	(392)	180,685	146,751	(639)	146,112
<b>Grand total</b>		<b>225,758</b>	<b>(11,725)</b>	<b>214,033</b>	<b>190,309</b>	<b>(16,762)</b>	<b>173,548</b>

At 31 December 2022 past due receivables for which no allowance for bad debts was considered, as the Group considered them fully collectible, amounted to 31,421 thousand Euro (compared to 27,780 thousand Euro at 31 December 2021). Of these, receivables that were more than 12 months past due amounted to 2,468 thousand Euro (compared to 571 thousand Euro at 31 December 2021) but accounted for 1.1% of the Group's total trade receivable compared to 0.3% 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 2022 the provision for doubtful accounts includes a credit loss allowance of 0.9 million Euro (1.0 million Euro at 31 December 2021) 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 2022, fluctuations in the exchange rates of the main currencies have been more relevant than in the previous year, as 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 2022 net sales of around 45,815 thousand Euro (around 42,428 thousand Euro in 2021) and in a decrease or an increase of the net profit of the Group of around 3,399 thousand Euro (around 516 thousand Euro in 2021). 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 2022 net sales of around 5,176 thousand Euro (3,582 thousand Euro in 2021) and in a decrease or an increase of the net profit of the Group of around 1,057 thousand Euro (466 thousand Euro in 2021).

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 2022 and 31 December 2021:

(thousands of Euro)	December 31, 2022	December 31, 2021
USD	289,995	219,866
HKD	77,609	73,532
CNY	77,486	72,048
GBP	4,995	3,742
CAD	21,238	20,424
CHF	1,572	12,097
BRL	14,249	7,812
EUR	(59,224)	(50,212)
Other currencies	11,000	6,778
<b>Total</b>	<b>438,920</b>	<b>366,087</b>

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 45,286 thousand Euro (about 37,845 thousand Euro in 2020), of which about 1,406 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 2022 and 31 December 2021:

(thousands of Euro)	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
<b>Total current financial assets</b>	<b>114,392</b>	<b>126,233</b>	<b>96,694</b>	<b>337,318</b>
Derivative financial instruments	780	-	-	780
Other non-current assets	5,314	492	2,817	8,623
<b>Total non-current financial assets</b>	<b>6,094</b>	<b>492</b>	<b>2,817</b>	<b>9,403</b>
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
<b>Total current financial liabilities</b>	<b>143,300</b>	<b>118,734</b>	<b>41,351</b>	<b>303,385</b>
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
<b>Total non-current financial liabilities</b>	<b>122,021</b>	<b>42,486</b>	<b>2,940</b>	<b>167,447</b>

(thousands of Euro)	December 31, 2021			
	Euro	US Dollar	Other currencies	Total
Cash in hand and at bank	38,687	37,744	22,571	99,002
Trade receivables, net	62,526	66,898	44,124	173,548
Derivative financial instruments	1,503	-	-	1,503
Other current assets	18,359	23,122	11,925	53,406
<b>Total current financial assets</b>	<b>121,074</b>	<b>127,764</b>	<b>78,620</b>	<b>327,458</b>
Derivative financial instruments	-	-	-	-
Other non-current assets	4,334	861	3,875	9,070
<b>Total non-current financial assets</b>	<b>4,334</b>	<b>861</b>	<b>3,875</b>	<b>9,070</b>
Trade payables	87,108	84,372	21,602	193,082
Short-term borrowings	20,000	-	-	20,000
Lease liabilities	2,940	3,444	1,863	8,247
Derivative financial instruments	545	-	-	545
Tax payables and other current liabilities	31,851	21,864	19,267	72,982
<b>Total current financial liabilities</b>	<b>142,444</b>	<b>109,680</b>	<b>42,732</b>	<b>294,856</b>
Long-term borrowings	131,798	-	-	131,798
Lease liabilities	4,245	26,635	2,037	32,917
Derivative financial instruments	-	-	-	-
Liabilities for options on non-controlling interests	-	47,406	-	47,406
Other non-current liabilities	810	684	266	1,760
<b>Total non-current financial liabilities</b>	<b>136,853</b>	<b>74,725</b>	<b>2,303</b>	<b>213,881</b>



## 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 2022 the floating interest-bearing loans of the Group's total borrowings were hedged by interest rate swap contracts for an amount of 80,000 thousand Euro (54% of outstanding borrowings), at the 31 December 2021 the floating interest-bearing loans were not hedged.

The table below summarizes the breakdown by maturity date of the nominal value (gross of 4,671 thousand Euro of transaction costs) for the floating and fixed interest-bearing loans, as at 31 December 2022 and 31 December 2021:

### December 31, 2022

(thousands of Euro)	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	-	-	-
<b>Total</b>	<b>152,000</b>	<b>-</b>	<b>152,000</b>

### December 31, 2021

(thousands of Euro)	Floating	Fixed	Total
within 1 year	20,000	-	20,000
between 1 and 2 years	43,000	-	43,000
between 3 and 5 years	90,000	-	90,000
beyond 5 years	-	-	-
<b>Total</b>	<b>153,000</b>	<b>-</b>	<b>153,000</b>

The following table summarizes the main characteristics of the most significant variable and fixed rate medium and long term borrowings outstanding at 31 December 2022 and 31 December 2021:

**December 31, 2022**

(thousands of Euro)

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Nominal value</b>	<b>Book value</b>	<b>Expiry</b>
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

**December 31, 2021**

(thousands of Euro)

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Nominal value</b>	<b>Book value</b>	<b>Expiry</b>
Term Loan Facility	<i>Euro</i>	Euribor	45,000	44,258	30 June 2023
SACE Term Loan Facility	<i>Euro</i>	Euribor	108,000	107,540	30 June 2026

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) 2022 annual financial charges, on a pre-tax basis, respectively of 231 thousand Euro and 98 thousand Euro (immaterial impact at 31 December 2021).

## 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, 2022**

(thousands of Euro)

	<b>Credit lines granted</b>	<b>Uses</b>	<b>Credit lines available</b>
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
<b>Total</b>	<b>317,611</b>	<b>152,000</b>	<b>165,611</b>

**December 31, 2021**

(thousands of Euro)

	<b>Credit lines granted</b>	<b>Uses</b>	<b>Credit lines available</b>
Credit lines on bank accounts and short-term bank loans	17,555	-	17,555
Credit lines on long-term loans	228,000	153,000	75,000
<b>Total</b>	<b>245,555</b>	<b>153,000</b>	<b>92,555</b>

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 150,000 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 300,000 thousand Euro (used for 152,000 thousand Euro at 31 December 2022).

The table below summarizes the financial assets and liabilities of the Group by maturity, undiscounted and inclusive of the interest payments, at 31 December 2022 and 31 December 2021:

(thousands of Euro)	December 31, 2022				
	within 1 year	between 1 and 2 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
<b>Total financial assets</b>	<b>337,320</b>	<b>4,795</b>	<b>4,480</b>	<b>128</b>	<b>346,723</b>
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
<b>Total financial liabilities</b>	<b>311,572</b>	<b>50,227</b>	<b>121,514</b>	<b>10,966</b>	<b>494,279</b>

(thousands of Euro)	December 31, 2021				
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Total
Cash in hand and at bank	99,002	-	-	-	99,002
Trade receivables, net	173,548	-	-	-	173,548
Derivative financial instruments	1,503	-	-	-	1,503
Other current assets	53,406	-	-	-	53,406
Other non-current assets	-	4,163	4,159	748	9,070
<b>Total financial assets</b>	<b>327,459</b>	<b>4,163</b>	<b>4,159</b>	<b>748</b>	<b>336,529</b>
Trade payables	193,082	-	-	-	193,082
Tax payables	17,420	-	-	-	17,420
Borrowings	20,000	41,798	90,000	-	151,798
Interest payments	4,127	3,397	3,726	-	11,249
Lease liability	8,247	6,817	14,372	11,729	41,164
Derivative financial instruments	545	-	-	-	545
Other current liabilities	55,562	-	-	-	55,562
Liabilities for options on non-controlling interests	-	15,802	31,604	-	47,406
Other non-current liabilities	-	1,076	684	-	1,760
<b>Total financial liabilities</b>	<b>298,983</b>	<b>68,889</b>	<b>140,386</b>	<b>11,729</b>	<b>519,986</b>

## Classification of financial assets and liabilities

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

Financial instruments	Financial instruments at fair value through			Investments and non-listed financial assets at cost	Current value at Dec. 31, 2022	Fair value at Dec. 31, 2022
	Income Statement	Other comprehensive income (OCI)	Financial instruments at amortised cost			
(thousands of Euro)						
<b>ASSETS</b>						
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
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	44,878	-	44,878	44,878
Other non-current assets	-	-	8,623	-	8,623	8,623
<b>Total assets</b>	<b>698</b>	<b>780</b>	<b>345,244</b>	<b>-</b>	<b>346,722</b>	<b>346,722</b>
<b>LIABILITIES</b>						
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
Liabilities for options on non-controlling interests	19,545	-	-	-	19,545	19,545
Other non-current liabilities	-	-	2,041	-	2,041	2,041
<b>Total liabilities</b>	<b>27,200</b>	<b>-</b>	<b>240,439</b>	<b>-</b>	<b>267,639</b>	<b>267,639</b>

Financial instruments	Financial instruments at fair value through			Investments and non-listed financial assets at cost	Current value at Dec. 31, 2021	Fair value at Dec. 31, 2021
	Income Statement	Other comprehensive income (OCI)	Financial instruments at amortised cost			
(thousands of Euro)						
<b>ATTIVITÀ</b>						
Cash in hand and at bank	-	-	99,002	-	99,002	99,002
Trade receivables, net	-	-	173,548	-	173,548	173,548
Derivative financial instruments	1,503	-	-	-	1,503	1,503
Financial assets available for sale	-	-	-	-	-	-
Other current assets	-	-	53,406	-	53,406	53,406
Other non-current assets	-	-	9,070	-	9,070	9,070
<b>Total assets</b>	<b>1,503</b>	<b>-</b>	<b>335,026</b>	<b>-</b>	<b>336,529</b>	<b>336,529</b>
<b>LIABILITIES</b>						
Borrowings	-	-	151,798	-	151,798	151,798
Lease liability	-	-	41,164	-	41,164	41,164
Derivative financial instruments	545	-	-	-	545	545
Other current liabilities	-	-	55,562	-	55,562	55,562
Liabilities for options on non-controlling interests	47,406	-	-	-	47,406	47,406
Other non-current liabilities	-	-	1,760	-	1,760	1,760
<b>Total liabilities</b>	<b>47,951</b>	<b>-</b>	<b>250,283</b>	<b>-</b>	<b>298,234</b>	<b>298,234</b>

## 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 2022, split by hierarchical level of the fair value.

(thousands of Euro)	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1,478	-	1,478
<b>Total assets</b>	-	<b>1,478</b>	-	<b>1,478</b>
Derivative financial instruments	-	(7,656)	-	(7,656)
Liabilities for options on non-controlling interests	-	-	(19,545)	(19,545)
<b>Total liabilities</b>	-	<b>(7,656)</b>	<b>(19,545)</b>	<b>(27,200)</b>

In 2022 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

(thousands of Euro)	December 31, 2022	December 31, 2021
Cash and cash equivalents	77,710	99,002

This account totals 77,710 thousand Euro compared to 99,002 thousand Euro at 31 December 2021 and represents the momentary availability of cash invested at market rates. The book value of the available liquidity is aligned with its fair value at the reporting date. The related credit risk is very limited as the counterparties are leading banks.

As of 31 December 2022, about 35% of the cash balance resided in the Italian companies, about 33% in the US entities, 18% in the European entities, while the remaining 13% 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:

(thousands of Euro)	December 31, 2022	December 31, 2021
Gross value trade receivables	225,758	190,309
Allowance for doubtful accounts (-)	(11,725)	(16,762)
<b>Net value</b>	<b>214,034</b>	<b>173,548</b>

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:

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

(thousands of Euro)	January 1, 2021	Addition	Use/ Release (-)	Transl. diff.	December 31, 2021
Allowance for doubtful accounts (-)	17,092	3,015	(3,365)	20	16,762

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 1,550 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 6,975 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 2022 the provision for doubtful accounts includes a credit loss allowance of 0.9 million Euro (1.0 million Euro at 31 December 2021) 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:

(thousands of Euro)	December 31, 2022	December 31, 2021
Raw materials	74,277	70,819
Work in progress	5,212	6,854
Finished goods	238,766	224,884
<b>Gross inventories</b>	<b>318,255</b>	<b>302,556</b>
Provision for obsolete inventories (-)	(59,274)	(68,127)
<b>Total</b>	<b>258,980</b>	<b>234,430</b>

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

The movements in the period are shown below:

(thousands of Euro)	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)
<b>Total net</b>	<b>234,430</b>	<b>17,618</b>	<b>6,933</b>	<b>258,980</b>

(thousands of Euro)	January 1, 2021	Posted to income statement	Transl. diff.	December 31, 2021
Inventory gross value	284,759	4,866	12,931	302,556
Provision for obsolete inventories (-)	(87,475)	20,954	(1,606)	(68,127)
<b>Total net</b>	<b>197,285</b>	<b>25,820</b>	<b>11,325</b>	<b>234,430</b>

## 4.4 Derivative financial instruments

The following table summarizes the amounts of financial instruments:

(thousands of Euro)	December 31, 2022	December 31, 2021
<b>Current assets:</b>		
- Foreign currency contracts - Fair value through P&L	698	1,503
<b>Non-current assets:</b>		
- Interest rate swaps - cash flow hedge	780	-
<b>Current liabilities:</b>		
- Foreign currency contracts - Fair value through P&L	(7,656)	(545)
<b>Total Net</b>	<b>(6,177)</b>	<b>958</b>

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 6,958 thousand Euro (positive for 958 thousand Euro at 31 December 2021).

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

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

December 31, 2021			Fair value	
(thousands of Euro)	Maturity	Notional amount	Assets	Liabilities
Fair value hedge	within 1 year	137,511	1,503	545
<b>Total forward contracts</b>		<b>137,511</b>	<b>1,503</b>	<b>545</b>

The net market value of interest rate swap (IRS) contracts was positive for 780 thousand Euro, according to the mark to market valuation provided by the banks and other primary financial data provider. The Group's policies for managing interest rate risk is 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 recognised 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 in place as at 31 December 2022 (no contracts in place as at 31 December 2021):

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

## 4.5 Other current assets

This item breaks down as follows:

(thousands of Euro)	<b>December 31, 2022</b>	<b>December 31, 2021</b>
VAT receivable	9,772	11,815
Income tax receivables	17,169	19,023
Prepayments and accrued income	9,398	11,999
Other receivables	8,539	10,569
<b>Total</b>	<b>44,878</b>	<b>53,406</b>

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 9,398 thousand Euro compared to 11,999 thousand Euro at 31 December 2021, and mainly relate to royalties and advertising expenses for 4,917 thousand Euro, prepaid insurance for 546 thousand Euro and other prepaid expenses for 3,935 thousand Euro.

Other current receivables amounted to 8,539 thousand Euro, compared to 10,569 thousand Euro of 31 December 2021. The balance mainly includes deposit payments due within 12 months and other receivables related to the ordinary business.

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:

(thousands of Euro)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2022
<b>Gross value</b>						
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
<b>Total</b>	<b>431,164</b>	<b>12,733</b>	<b>(25,467)</b>	<b>-</b>	<b>1,239</b>	<b>419,670</b>
<b>Accumulated depreciation</b>						
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
<b>Total</b>	<b>315,551</b>	<b>19,504</b>	<b>(25,267)</b>	<b>-</b>	<b>794</b>	<b>310,582</b>
<b>Net value</b>	<b>115,613</b>	<b>(6,771)</b>	<b>(200)</b>	<b>-</b>	<b>446</b>	<b>109,088</b>

(thousands of Euro)	January 1, 2021	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2021
<b>Gross value</b>						
Land and buildings	129,950	1,510	(15,753)	(124)	3,327	118,911
Plant and machinery	191,400	4,818	(23,096)	41	2,836	175,998
Equipment and other assets	151,913	6,855	(28,767)	114	6,097	136,213
Advance payments	169	33	(118)	(41)	1	43
<b>Total</b>	<b>473,431</b>	<b>13,216</b>	<b>(67,734)</b>	<b>(10)</b>	<b>12,261</b>	<b>431,164</b>
<b>Accumulated depreciation</b>						
Land and buildings	62,035	5,128	(10,891)	-	1,398	57,670
Plant and machinery	159,058	7,497	(22,210)	-	1,923	146,267
Equipment and other assets	123,517	12,093	(28,682)	-	4,686	111,613
<b>Total</b>	<b>344,610</b>	<b>24,718</b>	<b>(61,783)</b>	<b>-</b>	<b>8,006</b>	<b>315,551</b>
<b>Net value</b>	<b>128,821</b>	<b>(11,502)</b>	<b>(5,950)</b>	<b>(10)</b>	<b>4,254</b>	<b>115,613</b>

Investments in tangible assets in the financial period amount to 12,733 thousand Euro (13,216 thousand Euro in the previous year), and refer to:

- Euro 7,014 thousand in the production facilities, mainly for the purchase and production of equipment for new models;
- Euro 2,879 thousand in the U.S. companies;
- Euro 1,994 thousand in the Italian distribution centre mainly for the upgrade of logistic equipment;
- the remaining part in the other companies of the Group.

#### Non-current assets held for sale

As 31 December 2022 the item equal to 2,320 thousand Euro includes an industrial real estate location near the Longarone production site, which had been downsized in 2020. It is measured at fair value determined on the basis of an independent appraisal by a third-party.

## 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.

(thousands of Euro)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2022
<b>Gross value</b>						
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
<b>Total</b>	<b>58,112</b>	<b>10,877</b>	<b>(4,465)</b>	<b>-</b>	<b>2,345</b>	<b>66,869</b>
<b>Accumulated depreciation</b>						
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
<b>Total</b>	<b>21,194</b>	<b>10,326</b>	<b>(4,270)</b>	<b>-</b>	<b>622</b>	<b>27,872</b>
<b>Net value</b>	<b>36,918</b>	<b>551</b>	<b>(195)</b>	<b>-</b>	<b>1,723</b>	<b>38,997</b>

(thousands of Euro)	January 1, 2021	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2021
<b>Gross value</b>						
Buildings Right of Use	48,678	3,085	(5,448)	-	3,134	49,449
Other assets Right of Use	8,377	3,212	(2,936)	-	11	8,664
<b>Total</b>	<b>57,054</b>	<b>6,297</b>	<b>(8,384)</b>	<b>-</b>	<b>3,145</b>	<b>58,112</b>
<b>Accumulated depreciation</b>						
Buildings Right of Use	13,914	7,390	(5,203)		862	16,964
Other assets Right of Use	4,332	2,503	(2,615)	-	11	4,230
<b>Total</b>	<b>18,246</b>	<b>9,893</b>	<b>(7,818)</b>	<b>-</b>	<b>873</b>	<b>21,194</b>
<b>Net value</b>	<b>38,808</b>	<b>(3,596)</b>	<b>(566)</b>	<b>-</b>	<b>2,272</b>	<b>36,918</b>

Investments in Right of Use in the financial period amount to 10,877 thousand Euro (6,297 thousand Euro in the previous year) related for the building to the opening of some Blenders retail store locations and 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:

(thousands of Euro)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2022
<b>Gross value</b>						
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
<b>Total</b>	<b>276,892</b>	<b>3,308</b>	<b>(305)</b>	<b>11</b>	<b>7,910</b>	<b>287,817</b>
<b>Accumulated amortization</b>						
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
<b>Total</b>	<b>135,233</b>	<b>18,560</b>	<b>(130)</b>	<b>11</b>	<b>1,150</b>	<b>154,824</b>
<b>Net value</b>	<b>141,659</b>	<b>(15,252)</b>	<b>(175)</b>	<b>-</b>	<b>6,761</b>	<b>132,993</b>

(thousands of Euro)	January 1, 2021	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2021
<b>Gross value</b>						
Software	93,614	6,224	(3,960)	9	1,417	97,304
Trademarks and licenses	141,532	242	-	-	7,159	148,933
Other intangible assets	29,367	370	(1,164)	-	2,083	30,656
<b>Total</b>	<b>264,512</b>	<b>6,836</b>	<b>(5,124)</b>	<b>9</b>	<b>10,659</b>	<b>276,893</b>
<b>Accumulated amortization</b>						
Software	76,893	7,195	(3,867)	-	1,121	81,342
Trademarks and licenses	36,491	6,714	-	-	471	43,675
Other intangible assets	6,283	4,693	(1,157)	-	397	10,216
<b>Total</b>	<b>119,667</b>	<b>18,601</b>	<b>(5,024)</b>	<b>-</b>	<b>1,989</b>	<b>135,233</b>
<b>Net value</b>	<b>144,846</b>	<b>(11,765)</b>	<b>(100)</b>	<b>9</b>	<b>8,670</b>	<b>141,659</b>

Investments in intangible fixed assets made during the year amount to 3,308 thousand Euro (6,836 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.

The reduction of investments compared to previous year is mainly relate to "software" and is due to the implementation of the latest-generation integrated information system (ERP) which is cloud-based and hence structured as a software-as-a-service (SaaS) agreement. Safilo has therefore expensed the related amount of 9,703 thousand Euro 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:

(thousands of Euro)	Notes	2022	2021
Cost of sales	5.2	12,536	17,396
Selling and marketing expenses	5.3	3,220	3,400
General and administrative expenses	5.4	22,308	22,523
<b>Amortization and depreciation</b>		<b>38,064</b>	<b>43,319</b>
Cost of sales - Right of Use depreciation	5.2	1,197	1,121
Selling and marketing expenses - Right of Use depreciation	5.3	4,813	4,401
General and administrative expenses - Right of Use depreciation	5.4	4,317	4,372
<b>Depreciation Right of Use - IFRS 16</b>		<b>10,326</b>	<b>9,893</b>
<b>Total</b>		<b>48,390</b>	<b>53,212</b>

Amortization and depreciation equal 38,064 thousand Euro (43,319 thousand Euro in the previous period). The decrease for 5,255 thousand Euro mainly affected the "cost of sales" and is due to the reshaping of the Group's industrial capacity according to the restructuring plan of the Group's manufacturing footprint. In the previous period the item was affected by non-recurring tangible assets write-downs equal to 4,573 thousand Euro in the cost of sales, mainly related to the closure of the Slovenian plant in Ormož at the end of June 2021 and to the termination of activities related to the exiting licensed brands.

The item general and administrative expenses include amortization for 8,625 thousand Euro (8,698 thousand Euro in the previous period) related to the intangible assets (mainly trademarks and distributor relationships) identified in the Purchase Price Allocation of the two acquisitions Privé Revaux and Blenders Eyewear, executed in 2020.

Management carefully examined the recoverability of the assets identified in the Purchase Price Allocation of the two newly acquired companies. As a result of this analysis, it was concluded that there were no specific impairment indicators for the assets identified in the Purchase Price Allocation of the two acquisitions.

The Right of Use depreciations in 2022 are equal to 10,326 thousand Euro (9,893 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 and charged to income, costs for research and development amounting to 14,420 thousand Euro (13,924 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 fast growing brands, they will enable the whole Group to compete more effectively in the fast growing digital sales and communication channels. The allocation to a single CGU is consistent with the approach adopted for the preparation of the previous year financial statements and has been designed to appropriately reflect the Group's strategy and business model. The single CGU structure appropriately reflects the high level of interdependence of the functions of the Group. Specifically strategy, goal setting, operations management, as well as reporting and incentive systems are managed at a corporate level, leaving to the local units deployment and tailoring to the specific market.

The following table shows changes in Goodwill:

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

(thousands of Euro)	January 1, 2021	Increase	Decrease	Transl. diff.	December 31, 2021
Goodwill	30,331	-	-	2,531	32,861

In 2022 the item recorded an increase of 2,033 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 9 March 2023 the Board of Directors has approved the 2023-2027 Group Business Plan and the related financial projections. 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 cash outflows and related cost savings that are expected to arise from future restructuring initiatives which an entity has not yet committed/announced before the date of the impairment test (31 December 2022), and those pertaining to estimated future cash flows that are expected to arise from improving or enhancing asset performance. Accordingly, neither potential new acquisitions, nor the implications of the mandate given by the Board of Directors to the management on 26 January 2023 to explore alternative solutions for the Longarone plant, have 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 2023-2027 business plan are:

- sales growth through a solid and balanced business portfolio by brand, geographical area and distribution channel, which maximizes customer service and meets the needs of the different consumer segments;
- margin expansion behind further improvement in the gross margin, 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 2022 is consistent with the criteria used for the 2021 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 or Russia-Ukraine conflict, with uncertainties instead being reflected in the cash flows. Specific risk premium has been reduced considering the last years Group performance and the capability to meet in advance the 2020-2024 Plan targets;
- 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 2027.

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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
SAFILO GROUP	10.12%	7.93%	2.07%	1.90%

The execution of the impairment test resulted in a cover compared to the net invested capital including goodwill as of 31 December 2022.

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 2022, including goodwill, EBITDA and related cash flows could be reduced by 30% or WACC could be increased by +3,0%.

After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2022.

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.

During the year 2022 Safilo Group's stock market capitalization has always been above the book value of shareholder equity.

Management believe that the assumptions incorporated in the Financial Projections 2023-2027 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:

(thousands of Euro)	December 31, 2022	December 31, 2021
Deferred tax assets	191,262	191,580
Valuation Allowance (-)	(154,989)	(154,139)
<b>Net deferred tax assets</b>	<b>36,273</b>	<b>37,441</b>
Deferred tax liabilities	(12,863)	(13,031)
<b>Total net</b>	<b>23,410</b>	<b>24,410</b>

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 2022 amounts to 154,989 thousand Euro (154,139 thousand Euro at 31 December 2021). 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

(thousands of Euro)	January 1, 2022	Posted to		Transl. diff.	December 31, 2022
		Income Statement	Equity		
Tax losses carried forward	116,259	2,623	-	544	119,426
Inventories	25,947	(3,037)	-	1,037	23,947
Taxed provisions	11,192	(4,150)	(81)	297	7,258
Intangible assets	2,339	434	-	6	2,779
Tangible assets	10,736	(6,222)	-	42	4,556
Taxed financial interests	15,560	825	-	39	16,424
Other temporary differences	9,547	6,526	-	799	16,872
<b>Total deferred tax assets</b>	<b>191,580</b>	<b>(3,001)</b>	<b>(81)</b>	<b>2,764</b>	<b>191,262</b>
Valuation allowance of deferred tax assets on tax losses	(108,505)	(2,805)	-	(289)	(111,599)
Valuation allowance of deferred tax assets on other temporary differences	(45,634)	2,579	(16)	(318)	(43,389)
<b>Total allowance on deferred tax assets</b>	<b>(154,139)</b>	<b>(226)</b>	<b>(16)</b>	<b>(607)</b>	<b>(154,989)</b>
<b>TOTAL NET</b>	<b>37,441</b>	<b>(3,227)</b>	<b>(98)</b>	<b>2,157</b>	<b>36,273</b>

## Deferred tax liabilities

(thousands of Euro)	January 1, 2022	Posted to		Transl. diff.	December 31, 2022
		Income Statement	Equity		
Depreciation differences	3,097	4,594	-	453	8,144
Goodwill	2,059	343	-	111	2,513
Inventories	150	6	-	11	167
Receivables and payables	386	(45)	-	43	384
Other temporary differences	7,339	(6,102)	-	418	1,655
<b>Total</b>	<b>13,031</b>	<b>(1,204)</b>	<b>-</b>	<b>1,036</b>	<b>12,863</b>

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 119,426 thousand Euro. These deferred tax assets have been written down by a valuation allowance of 111,599 thousand Euro, since at present their recovery via the generation of future taxable profit is not considered probable.

**Expiration date**

(thousands of Euro)

	<b>Tax losses</b>	<b>Tax benefit</b>
2024	38	10
2025	4,742	1,579
2026	4,267	1,406
2027	1,128	362
2028	31	11
2029	868	291
2030	427	144
2031	9	3
Unlimited	455,768	110,835
Other tax losses relating local taxes:		
Various		4,787
<b>Total</b>	<b>467,279</b>	<b>119,426</b>
Valuation Allowance (-)		(111,599)
<b>TOTAL DEFERRED TAX ASSETS ON LOSSES CARRIED FORWARD</b>		<b>7,827</b>

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

(thousands of Euro)	December 31, 2022	December 31, 2021
Deferred tax assets		
- recoverable within one year	20,074	20,347
- recoverable beyond one year	16,199	17,094
<b>Total</b>	<b>36,273</b>	<b>37,441</b>
Deferred tax liabilities		
- recoverable within one year	(555)	(571)
- recoverable beyond one year	(12,308)	(12,459)
<b>Total</b>	<b>(12,863)</b>	<b>(13,031)</b>
<b>TOTAL NET</b>	<b>23,410</b>	<b>24,410</b>

## 4.11 Other non-current assets

The table below shows details of non-current assets:

(thousands of Euro)	December 31, 2022	December 31, 2021
Long-term guarantee deposits	2,199	1,682
Other long-term receivables	4,172	4,128
Long-term tax receivables	2,251	3,260
<b>Total</b>	<b>8,623</b>	<b>9,070</b>

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 liability

This item breaks down as follows:

(thousands of Euro)	December 31, 2022	December 31, 2021
Short-term portion of long-term bank loans	30,000	20,000
<b>Short-term borrowings</b>	<b>30,000</b>	<b>20,000</b>
Long-term bank loans	117,329	131,798
<b>Long-term borrowings</b>	<b>117,329</b>	<b>131,798</b>
Short-term portion of financial lease liability IFRS 16	9,051	8,247
Long-term portion of financial lease liability IFRS 16	34,727	32,917
<b>Financial lease liability IFRS 16</b>	<b>43,778</b>	<b>41,164</b>
<b>Total</b>	<b>191,107</b>	<b>192,962</b>

### Borrowings

On 29 September 2022, the Group has signed a new financing agreement for a total of Euro 300,000,000, maturing in September 2027 (the "New Financing Agreement") and consisting of a Term Loan Facility of Euro 150,000,000, a Revolving Credit Facility of Euro 75,000,000 and a Capex Facility Line of Euro 75,000,000.

The utilisation of the new Term Loan facility permitted the simultaneous early repayment of the entire bank debt previously represented by the Term Loan Credit Facility signed in 2018 with maturity June 2023 (equal to 35,000 thousand Euro in June 2022), and by the SACE Term Loan Credit Facility signed in 2020, with maturity June 2026 (equal to 108,000 thousand Euro in June 2022).

The New Financing Agreement, signed with a pool of banks consisting of BNP Paribas Italian Branch, Banca Nazionale del Lavoro S.p.A., ING Bank N.V. Milan Branch, Intesa Sanpaolo S.p.A., and Unicredit S.p.A, therefore extends the duration of the Group's debt and provides the financial resources needed to support the growth of Safilo in the years to come.

At 31 December 2022 the Group has bank loans for a total amount of 147,329 thousand Euro of which 30,000 thousand Euro classified as short-term and 117,329 thousand Euro as long-term (151,798 thousand Euro as at 31 December 2021 of which 20,000 thousand Euro classified as short-term and 131,798 thousand Euro as long-term).

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

- 150,000 thousand Euro related to the new Term Loan Facility and 2,000 thousand Euro related to the partial initial 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 4,671 thousand Euro, bringing their combined net value to 147,329 thousand Euro (151,798 thousand Euro as at 31 December 2021);
- The Group's new Revolving Credit Facility (75,000 thousand Euro) has not been drawn as at 31 December 2022 (no amount drawn also as at 31 December 2021 under the previous revolving credit facility).

The Term Loan Facility, matures in September 2027, with a repayment profile in ten semi-annual instalments starting from June 2023.

These committed, unsubordinated and unsecured facility agreements are subject to customary operating and financial covenants. At 31 December 2022 the Group complies with all the outstanding covenants.

In 2022 total interest expenses on borrowings are 6,509 thousand Euro (12,376 thousand Euro in 2021) of which figurative interest, calculated according to amortized cost method, are 1,531 thousand Euro (808 thousand in 2021).

Here below we report the maturity analysis of the nominal value of the long-term bank loans, gross of 4,671 thousand Euro of transaction costs (1,202 thousand Euro in 2021):

<b>Maturity Borrowings</b> (thousands of Euro)	<b>December 31, 2022</b>	<b>December 31, 2021</b>
From 1 to 2 years	30,000	43,000
From 2 to 3 years	30,000	36,000
From 3 to 4 years	30,000	36,000
From 4 to 5 years	32,000	18,000
Beyond 5 years	-	-
<b>Total</b>	<b>122,000</b>	<b>133,000</b>

The Group, as at 31 December 2022, 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 2022, amounts to 43,778 thousand Euro of which 9,051 thousand Euro as short term, and 34,727 thousand Euro as long term.

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

<b>Maturity Lease liability</b> (thousands of Euro)	<b>December 31, 2022</b>	<b>December 31, 2021</b>
From 1 to 2 years	8,047	6,817
From 2 to 3 years	6,160	5,717
From 3 to 4 years	5,139	4,679
From 4 to 5 years	4,730	3,975
Beyond 5 years	10,652	11,729
<b>Total</b>	<b>34,727</b>	<b>32,917</b>

## 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.

<b>Net financial debt</b> (thousands of Euro)	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>Change</b>
A Cash	77,710	99,002	(21,292)
B Cash equivalents	-	-	-
C Other current financial assets	-	-	-
<b>D Liquidity (A + B + C)</b>	<b>77,710</b>	<b>99,002</b>	<b>(21,292)</b>
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	-	-	-
F Current portion of non-current financial debt	(39,051)	(28,247)	(10,804)
<b>G Current financial indebtedness (E + F)</b>	<b>(39,051)</b>	<b>(28,247)</b>	<b>(10,804)</b>
<b>H Net current financial indebtedness (G - D)</b>	<b>38,659</b>	<b>70,755</b>	<b>(32,096)</b>
I Non-current financial debt (excluding current portion and debt instruments)	(152,057)	(164,715)	12,658
J Debt instruments	-	-	-
K Non-current trade and other payables	-	-	-
<b>L Non-current financial indebtedness (I + J + K)</b>	<b>(152,057)</b>	<b>(164,715)</b>	<b>12,658</b>
<b>M Total financial indebtedness (H + L)</b>	<b>(113,398)</b>	<b>(93,960)</b>	<b>(19,438)</b>

The Group Net financial debt reported in the above table does not include the valuation of derivative financial instruments 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 2022 the indirect or contingent indebtedness of the Group, includes "liabilities for options on non-controlling interests" equal to 19,545 thousand of Euro (47,406 thousand Euro as at 31 December 2021) 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 13,975 thousand Euro as disclosed in note 4.17, and "provisions for risks" for a total of 23,678 thousand Euro as disclosed in note 4.16.



## 4.13 Trade payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2022	December 31, 2021
<b>Trade payables for:</b>		
Purchase of raw materials	25,383	26,309
Purchase of finished goods	64,066	77,072
Suppliers from subcontractors	3,322	5,118
Tangible and intangible assets	2,816	2,812
Commissions	4,443	3,508
Royalties	10,776	10,193
Advertising and marketing costs	11,351	9,371
Services	49,251	48,809
Sales returns liabilities (Refund Liability)	9,295	9,891
<b>Total</b>	<b>180,701</b>	<b>193,082</b>

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.

The book value of the trade payables is considered to be approximately the same as their fair value.

## 4.14 Tax payables

This item breaks down as follows:

(thousands of Euro)	December 31, 2022	December 31, 2021
Income tax payables	12,964	8,051
VAT payables	3,820	3,325
Other taxes payables	5,709	6,044
<b>Total</b>	<b>22,492</b>	<b>17,420</b>

At 31 December 2022 tax payables amounted to Euro 22,492 thousand (compared to Euro 17,420 thousand at 31 December 2021). Of this sum Euro 12,964 thousand referred to income tax for the period, Euro 3,820 thousand to VAT payables and Euro 5,709 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:

(thousands of Euro)	December 31, 2022	December 31, 2021
Payables to personnel and social security institutions	31,918	37,239
Agent fee payables	173	97
Payables to pension funds	1,370	1,282
Accrued advertising and sponsorship costs	781	1,451
Accrued interests on long-term loans	53	14
Other accruals and deferred income	9,422	11,325
Other current liabilities	3,574	4,153
<b>Total</b>	<b>47,291</b>	<b>55,562</b>

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

## 4.16 Provisions

This item breaks down as follows:

(thousands of Euro)	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
<b>Provisions for risks - long term</b>	<b>15,144</b>	<b>2,934</b>	<b>(3,715)</b>	<b>149</b>	<b>14,512</b>
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
<b>Provisions for risks - short term</b>	<b>15,776</b>	<b>2,147</b>	<b>(8,852)</b>	<b>95</b>	<b>9,166</b>
<b>TOTAL</b>	<b>30,921</b>	<b>5,081</b>	<b>(12,567)</b>	<b>244</b>	<b>23,678</b>

(thousands of Euro)	January 1, 2021	Increase	Decrease	Transl. diff.	December 31, 2021
Product warranty provision	5,736	71	(113)	70	5,764
Agents' severance indemnity	2,931	352	(548)	1	2,736
Other provisions for risks and charges	5,657	1,944	(960)	4	6,645
<b>Provisions for risks - long term</b>	<b>14,324</b>	<b>2,366</b>	<b>(1,621)</b>	<b>75</b>	<b>15,144</b>
Product warranty provision	1,012	1,070	(229)	125	1,978
Provision for corporate restructuring	11,592	7,047	(10,845)	-	7,795
Other provisions for risks and charges	25,910	709	(20,641)	26	6,004
<b>Provisions for risks - short term</b>	<b>38,514</b>	<b>8,826</b>	<b>(31,715)</b>	<b>151</b>	<b>15,776</b>
<b>TOTAL</b>	<b>52,838</b>	<b>11,192</b>	<b>(33,335)</b>	<b>226</b>	<b>30,921</b>

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

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

Provision for corporate restructuring includes the estimated liability arising from the reorganization projects under way, the balance was mainly related to the Italian companies restructuring plan communicated in 2019 with the new Group Business Plan 2020-2024. The decrease of the period equal to Euro 7,795 thousand refers to the utilization for the completion of the 2019 restructuring plan. The decrease of the period includes also the release of the residual excess provision equal to Euro 3,600 thousand that has been reported as a non-recurring income in the item "other operating income".

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

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:

(thousands of Euro)	December 31, 2022	December 31, 2021
Defined contribution plan	15	16
Defined benefit plan	13,959	18,979
<b>Total</b>	<b>13,975</b>	<b>18,995</b>

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

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

(thousands of Euro)	<b>January 1, 2021</b>	<b>Addition</b>	<b>Actuarial (gains)/ losses</b>	<b>Uses</b>	<b>Transl. diff.</b>	<b>December 31, 2021</b>
Defined benefit plan	23,346	456	(783)	(4,054)	15	18,979

The decrease of the period equal to 2,813 thousand Euro is mainly related to the completion of the restructuring process at the Italian plant in Longarone.

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 to 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 decided 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, must be classified as a "defined contribution plan";
- the portion of the employee benefit liability accrued as of 31 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 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 2022 and 31 December 2021 are summarized here follow:

	2022	2021
Discount rate	3,63%	0,44%
Inflation rate	2,30%	1,75%
Rate of benefit increase	3,23%	2,81%

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

#### Assumption

(thousands of Euro)	Change	Increase	Decrease
Inflation	1.00%	556	(529)
Discount rate	1.00%	(811)	908
Life expectancy	1 year	(46)	46

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

(thousands of Euro)	2022	2021
Service cost	(531)	(443)
Interest cost	(113)	(12)
Actuarial gain/(loss)	2,850	783
<b>Total</b>	<b>2,206</b>	<b>328</b>

## 4.18 Liabilities for options on non-controlling interests

Movements in the item were as follows:

(thousands of Euro)	January 1, 2022	Increase	Decrease	Reclass.	Transl. diff.	December 31, 2022
Short term - liabilities for options on non-controlling interests	-	-	-	6,195	-	6,195
Long term - liabilities for options on non-controlling interests	47,406	-	(31,191)	(6,195)	3,330	13,349
<b>Total</b>	<b>47,406</b>	<b>-</b>	<b>(31,191)</b>	<b>-</b>	<b>3,330</b>	<b>19,545</b>

The amount equal to 19,545 thousand Euro, of which 6,195 thousand Euro as short-term liability, (47,406 thousand Euro as at 31 December 2021) refers to the put and call options liability on the non-controlling interests of the two business combinations finalised in 2020 of the Miami-based eyewear company Privé Goods LLC and of the California eyewear company Blenders Eyewear LLC.

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

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

During 2022, according to the contractual terms, the Group has early exercised the call option on Privé Revaux non-controlling interests held by David Schottenstein (Board member and CEO of the Company) and by some other minor employees that have resigned in the period. Following this event pursuant to the contractual terms the Group has exercised its call option on their non-controlling interests increasing its controlling stake in Privé Revaux from 64.2% to 82.8% in exchange for a nominal amount.

Following the above partial early exercise of the Privé Revaux call option and for the effect of the 2022 forecast revision of the two investments, the fair value liability recorded a reduction equal to 31,191 thousand Euro reported as financial gain in the item "Gains/(losses) for options on non-controlling interests" in the income statement.

In consideration of the significant decrease of the value of the option, the management carefully examined the recoverability of the assets identified in the Purchase Price Allocation of the two newly acquired companies. As a result of this analysis, it was concluded that, despite the reshaping of the forecasts, there were no specific impairment indicators for the assets identified in the Purchase Price Allocation of the two acquisitions.

Furthermore, the value of the liability was adjusted for the translation difference due to the Euro/USD 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:

(thousands of Euro)	January 1, 2022	Increase	Decrease	Transl. diff.	December 31, 2022
Other non current liabilities	1,760	344	(123)	61	2,041

The "other non-current liabilities" include also the estimate of the tax liability equal to 960 thousand Euro accrued according to the new IFRIC 23, on the basis of the assessment of the limited uncertain tax treatment identified within the Group.



## SHAREHOLDERS' EQUITY

Shareholders' equity is the value contributed by the shareholders of Safilo Group S.p.A. (the share capital and the share premium reserve), plus the value generated by the Group in terms of profit gained from its operations (profit carried forward and other reserves). On 31 December 2022, Group shareholders' equity totaled 409,915 thousand Euro versus Euro 326,741 thousand Euro on 31 December 2021.

### 4.20 Share capital

At 31 December 2022 the share capital of the Parent Company, Safilo Group S.p.A., amounts to Euro 384,846,311 consisting of no. 413,687,781 ordinary shares with no par value (413,555,769 ordinary shares as at 31 December 2021). In 2022 new ordinary shares equal to a number of 132,012 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 2022, the share premium reserve of the parent company, Safilo Group S.p.A. totalled Euro 692,520,684 (compared to Euro 692,457,846 at the end of the previous year).

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".

### 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 increase of 17,023 thousand Euro due to the translation differences coming from the translation of the subsidiaries' financial statements into Euro;

- an increase of 748 thousand Euro related to the cost of the period of the stock option plans in place;
- an increase of 2,750 thousand Euro due to the actuarial valuation, net of the tax effect, of the employee termination indemnities of defined benefit plans;
- a decrease of 31 thousand Euro mainly related to transactions with minority interests.

## 4.23 Cash flow hedge reserve

The cash flow hedge reserve 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 2022 the Group has in place the following Stock Option Plans: 2017-2020 and the 2020-2022 Plans.

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

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

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

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

Information relating to the tranches of the Stock Options Plans granted on 31 December 2022 are shown below.

	<b>Grant date</b>	<b>No. of options</b>	<b>Fair value in Euro</b>	<b>Maturity</b>
<b>Stock Option Plan 2017-2020</b>				
Third tranche	30/04/19	773,205	0,18	31/05/27
<b>Stock Option Plan 2020-2022</b>				
First tranche	31/07/20	3,527,699	0,18	30/06/28
Second tranche	11/03/21	3,816,124	0,27	30/06/29

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:

	<b>Share price at grant date</b>	<b>Exercise price in Euro</b>	<b>Expected volatility</b>	<b>Risk free rate</b>
<b>Stock Option Plan 2017-2020</b>				
Third tranche	0.81	0.68	36.20%	0.087%
<b>Stock Option Plan 2020-2022</b>				
First tranche	0.63	0.63	47.78%	-0.392%
Second tranche	0.93	0.87	45.67%	-0.290%

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

	<b>No. of options</b>	<b>Average exercise price in Euro</b>
<b>Stock Option Plan 2014-2016</b>		
<b>Outstanding at the beginning of the period</b>	<b>242,080</b>	<b>8.39</b>
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(242,080)	8.39
<b>Outstanding at period-end</b>	<b>-</b>	<b>-</b>
<b>Stock Option Plan 2017-2020</b>		
<b>Outstanding at the beginning of the period</b>	<b>1,036,118</b>	<b>0.68</b>
Granted	-	-
Forfeited	(130,902)	0.68
Exercised	(132,011)	0.68
Expired	-	-
<b>Outstanding at period-end</b>	<b>773,205</b>	<b>0.68</b>
<b>Stock Option Plan 2020-2022</b>		
<b>Outstanding at the beginning of the period</b>	<b>7,743,184</b>	<b>0.76</b>
Granted	-	-
Forfeited	(399,362)	0.73
Exercised	-	-
Expired	-	-
<b>Outstanding at period-end</b>	<b>7,343,823</b>	<b>0.76</b>

During the year, 242,080 options of the first tranche of the Plan 2014-2016 have expired, and 132,011 options of the third tranche of the Plan 2017-2020 have been exercised, in the same period 530,264 options have been forfeited, of which 130,902 of the Plan 2017-2020 and 399,362 of the Plan 2020-2022.

The options outstanding of the third tranche of the Plan 2017-2020, equal to 773,205 options, are exercisable until 31 May 2027, the first and the second tranche of the Plan 2020-2022, equal respectively to 3,527,699 and to 3,816,124 options, are exercisable until 30 June 2028 and 30 June 2029 respectively.

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 773,205.

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 4.4 years, while 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 5.5 and 6.5 years respectively.

The adoption of these plans has affected the income statement for the period for a cost of 748 thousand Euro (647 thousand Euro at 31 December 2021).

## 5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 5.1 Net sales

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

2022 Group sales amounted to 1,076,745 thousand Euro, showing an increase of 11.1% compared to the previous year (969,584 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:

(thousands of Euro)	2022	2021
Purchase of raw materials and finished goods	375,240	360,298
Capitalisation of costs for increase in tangible assets (-)	(2,955)	(3,774)
Change in inventories	(17,618)	(25,820)
Wages and social security contributions	80,826	88,473
Subcontracting costs	13,201	16,832
Amortization and depreciation	12,536	17,396
Depreciation Right of Use - IFRS 16	1,197	1,121
Rental and operating leases	1,574	1,460
Offset Rental and operating leases - IFRS 16	(1,276)	(1,181)
Utilities, security and cleaning	9,699	6,037
Other industrial costs	6,871	6,982
<b>Total</b>	<b>479,296</b>	<b>467,824</b>

Cost of sales increased by Euro 11,471 thousand (or 2.5%), from Euro 467,824 thousand in 2021, to Euro 479,296 thousand in 2022. Wages and social security contributions decreased by Euro 7,647 thousand (or 8.6%) from Euro 88,473 thousand to Euro 80,826 thousand in 2022, benefitting from the savings provided by the reshaping of the Group's industrial capacity according to the restructuring

plan of the Group's manufacturing footprint, with the closure of the Slovenian plant in Ormož effective from 1 July 2021, aiming for its realignment to the current production needs.

Amortization and depreciation decreased by Euro 4,861 thousand (or 27.9%) from Euro 17,396 thousand in 2021 to Euro 12,536 thousand in 2022.

Changes in inventories can be broken down as follows:

(thousands of Euro)	2022	2021
Finished products	(13,331)	(29,116)
Work-in-progress	1,594	1,681
Raw materials	(5,882)	1,875
<b>Total</b>	<b>(17,618)</b>	<b>(25,560)</b>

## 5.3 Selling and marketing expenses

This item breaks down as follows:

(thousands of Euro)	2022	2021
Payroll and social security contributions	108,220	98,263
Sales commissions	49,821	44,585
Royalty expenses	60,225	56,118
Advertising and promotional costs	134,574	110,437
Amortization and depreciation	3,220	3,400
Depreciation Right of Use - IFRS 16	4,813	4,401
Logistic costs	34,203	28,943
Consultants fees	1,504	1,190
Rental and operating leases	8,111	7,125
Offset Rental and operating leases - IFRS 16	(5,570)	(5,681)
Utilities, security and cleaning	1,126	1,125
Provision for risks	358	65
Other sales and marketing expenses	19,884	13,064
<b>Total</b>	<b>420,488</b>	<b>363,033</b>

Selling and marketing expenses increased by Euro 57,455 thousand (or 15.8%), from Euro 363,033 thousand in 2021 to Euro 420,488 thousand in 2022. This was due to the significant recovery of sales activity exceeding to the level pre Covid-19 pandemic with the consequent increase of payroll and social security contributions by Euro 9,957 thousand (or 10.1%), sales commissions by Euro 5,236 thousand (or 11.7%), advertising and promotional costs by Euro 24,137 thousand (or 21.9%), royalty expenses by Euro 4,107 thousand (or 7.3%) and logistic costs by Euro 5,260 thousand (or 18.2%).

## 5.4 General and administrative expenses

This item breaks down as follows:

(thousands of Euro)	2022	2021
Payroll and social security contributions	48,896	47,765
Allowance and write off of doubtful accounts	(898)	1,540
Amortization and depreciation	22,308	22,523
Depreciation Right of Use - IFRS 16	4,317	4,372
Professional services	15,073	13,963
Rental and operating leases	5,651	5,579
Offset Rental and operating leases - IFRS 16	(4,972)	(4,748)
EDP costs	25,482	17,835
Insurance costs	2,187	2,161
Utilities, security and cleaning	4,059	3,120
Taxes (other than on income)	1,489	1,555
Other general and administrative expenses	4,835	3,889
<b>Total</b>	<b>128,426</b>	<b>119,552</b>

General and administrative expenses increased by Euro 8,874 thousand (or 7.4%), from Euro 119,552 thousand in 2021 to Euro 128,426 thousand in 2022. This was mainly due to an increase EDP expenses by Euro 7,647 thousand (or 42.9%), from Euro 17,835 thousand in 2021 to Euro 25,482 thousand for 2022. The increase of the EDP expenses is mainly related to the investments in software for the digital transformation.

Payroll and social security contributions increased by Euro 1,131 thousand (or 2.4%), from Euro 47,765 thousand in 2021 to Euro 48,896 thousand in 2022.



General and administrative expenses on the other side have also benefitted, compared to the previous period, from bad debt related expenses which decreased for an amount equal to Euro 2,438 thousand.

Depreciation and amortization decreased by 215 thousand Euro, from 22,523 thousand in 2021 to Euro 22,308 thousand in 2022.

### Average number of employees

The average number of employees by rank is shown below:

	2022	2021
Executives	93	100
Clerks and middle management	2,152	2,188
Factory workers	2,190	2,530
<b>Total</b>	<b>4,435</b>	<b>4,818</b>

The reduction of the average number of employees by 383 is mainly due to the restructuring of the Group's manufacturing footprint which involved the closure of the Slovenian production site in Ormož in 2021 and the reorganization of the Italian factory in Longarone.

## 5.5 Other operating income (expenses)

This item breaks down as follows:

(thousands of Euro)	2022	2021
Losses on disposal of assets	(31)	(378)
Other operating expenses	(11,079)	(16,289)
Gains on disposal of assets	268	219
Other operating income	10,764	23,347
<b>Total</b>	<b>(78)</b>	<b>6,900</b>

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

During the 2022 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.

During the previous period under "other operating expenses" non-recurring costs of Euro 12,921 thousand were accounted for the closure, starting from the end of June 2021, of the Ormož production plant in Slovenia. "Other operating income" in 2021 included a non-recurring income of Euro 17,000 thousand due to the release of a provision for risks and charges booked in 2015 in relation to an investigation by the French Competition Authority. The release had been motivated by the positive outcome, without sanctions, of this investigation.

## 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 to the put and call options on the non-controlling interests of the two business combinations finalised in 2020 (for more details see the note 4.18).

As at 31 December 2022 management has reperformed the fair value calculation of these liabilities and adjusted their value recording a gain for its reduction equal to 31,191 thousand Euro (a gain of 32,249 thousand Euro in the previous period). This calculation behind the lower valuation of the liability has been performed on the basis of updated business plans, reflecting reduced net sales and EBITDA projections for the two investments and following the early exercise of the call option on Privé Revaux non-controlling interests held by David Schottenstein (Board member and CEO of the Company) and by some other minor employees that have resigned in the period. Considering the latest value of the liability of 19,545 thousand Euro at 31 December 2022 and the potential changes outlined in the section Subsequent Events of the annual report, the magnitude of the gains of 2022 and 2021 and related impacts on the income statement, cannot be expected to recur in the same magnitude in future years.

## 5.7 Financial charges, net

This item breaks down as follows:

(thousands of Euro)	2022	2021
Nominal interest expenses on loans	4,978	5,288
Nominal Interest expenses on shareholder loan	-	6,280
Figurative interest expenses on loans	1,531	808
Interest expenses on operating leases - IFRS 16	1,862	1,548
Bank commissions	7,271	6,796
Negative exchange rate differences	48,632	27,845
Other financial charges	937	613
<b>Total financial charges</b>	<b>65,210</b>	<b>49,177</b>
Interest income	596	323
Positive exchange rate differences	46,700	24,485
Other financial income	2,402	869
<b>Total financial income</b>	<b>49,698</b>	<b>25,676</b>
<b>TOTAL FINANCIAL CHARGES, NET</b>	<b>15,512</b>	<b>23,500</b>

Total net financial charges decreased by Euro 7,988 thousand from Euro 23,500 thousand in 2021 to Euro 15,512 thousand in 2022. Excluding the accounting effect of the IFRS 16 interest expenses equal to Euro 1,862 thousand, interest on loans decreased by Euro 5,867 thousand, from Euro 12,375 thousand in 2021 to Euro 6,509 thousand in 2022, benefitting from the shareholder loan reimbursement at the end of October 2021, thanks to the proceeds of the share capital increase finalised in 2021. Net exchange rate differences are equal to a loss of Euro 1,933 thousand in 2022 (a loss of Euro 3,360 thousand in 2021).

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:

(thousands of Euro)	2022	2021
Current tax	(9,764)	(10,872)
Deferred tax	(2,023)	(3,924)
<b>Total</b>	<b>(11,788)</b>	<b>(14,795)</b>

Income taxes decreased by 3,007 thousand Euro from an expense of 14,795 thousand Euro in 2021 to an expense of 11,788 thousand Euro in 2022.

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

(thousands of Euro)	%	2022	%	2021
<b>Profit before taxation</b>	<b>100%</b>	<b>64,136</b>	<b>100%</b>	<b>34,824</b>
Income tax benefit (expense) at statutory rate	-24.0%	(15,393)	-24.0%	(8,358)
Taxes relating to prior years	0.3%	184	-7.3%	(2,525)
Foreign tax rate differential	-2.8%	(1,801)	-6.7%	(2,334)
Non taxable income	13.6%	8,716	40.6%	14,144
Non deductible costs	-4.6%	(2,973)	-8.6%	(2,998)
Non-recognition of new DTAs and write-off of existing DTAs	-16.2%	(10,403)	-28.5%	(9,922)
Benefit arising from unrecognized DTA of prior years	15.1%	9,686	1.9%	665
Deferred tax expense for changes in tax rate	-0.1%	(35)	0.0%	(10)
Tax Credit and tax relief	0.0%	-	0.0%	10
Other differences	0.4%	231	-10.0%	(3,467)
<b>Total</b>	<b>-18.4%</b>	<b>(11,788)</b>	<b>-42.5%</b>	<b>(14,795)</b>

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 certain relevant non-taxable income items that have positively affected the result before tax of the period, mainly related to the gain on the liabilities for options on non-controlling interests.

## 5.9 Earnings per share

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

<b>Basic</b>	<b>2022</b>	<b>2021</b>
Profit/(Loss) for ordinary shares (in thousands of Euro)	54,160	21,275
Average number of ordinary shares (in thousands)	413,599	298,364
<b>Earnings/(Losses) per share - basic (in Euro)</b>	<b>0.131</b>	<b>0.071</b>

<b>Diluted</b>	<b>2022</b>	<b>2021</b>
Profit/(Loss) for ordinary shares (in thousands of Euro)	54,160	21,275
Average number of ordinary shares (in thousands)	413,599	298,364
<i>Dilution effects:</i>		
- stock option (in thousands)	3,831	3,522
<b>Total</b>	<b>417,430</b>	<b>301,886</b>
<b>Earnings/(Losses) per share - diluted (in Euro)</b>	<b>0.130</b>	<b>0.070</b>

## 5.10 Dividends

The parent company Safilo Group S.p.A. did not distribute dividends to shareholders during 2022.

## 5.11 Segment information

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

Below we report the geographical segment information. It should be noted that the grouping by geographic area depends on the location of the registered head office of each Group company; therefore, the sales identified in accordance with this segmentation are determined by origin of invoicing and not by target market as disclosed in the "Report on Operations". Non-current assets do not include derivative financial instruments and deferred tax assets.

### Breakdown of revenues and non-current assets by geographic area

(thousands of Euro)	Revenue from external customers		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Italy <sup>(1)</sup>	220.641	212.739	105.147	113.559
Europe <sup>(2)</sup>	242.305	199.633	2.830	2.778
America <sup>(3)</sup>	564.020	513.167	183.960	187.226
Asia <sup>(4)</sup>	49.780	44.045	30.033	32.555
<b>Total</b>	<b>1.076.745</b>	<b>969.584</b>	<b>322.120</b>	<b>336.118</b>

(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.





kate spade  
NEW YORK

## 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 2022 and 31 December 2021.

<b>Related parties transactions</b> (thousands of Euro)		<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Relationship</b>			
<b>Receivables</b>			
Companies controlled by HAL Holding N.V.	(a)	328	321
HAL Investments B.V.	(a)	-	-
<b>Total</b>		<b>328</b>	<b>321</b>
<b>Payables</b>			
Companies controlled by HAL Holding N.V.	(a)	53	23
HAL Investments B.V.	(a)	30	-
<b>Total</b>		<b>83</b>	<b>23</b>

(a) Companies controlled by Group's reference Shareholder.



**Related parties transactions**

(thousands of Euro)

	Relationship	2022	2021
<b>Revenues</b>			
Companies controlled by HAL Holding N.V.	(a)	1,204	32,653
<b>Total</b>		<b>1,204</b>	<b>32,653</b>
<b>Operating expenses</b>			
Companies controlled by HAL Holding N.V.	(a)	74	1,350
HAL Investments B.V.	(a)	30	20
<b>Financial expenses</b>			
Multibrands Italy B.V.	(a)	-	6,280
<b>Total</b>		<b>104</b>	<b>7,650</b>

(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 of HAL Holding N.V., the reference shareholder of Safilo Group, in the 2021 comparative period mainly referred to the retail companies belonging to the GrandVision Group, with which Safilo carried out commercial transactions in line with market conditions. The significant decrease in 2022 of the transaction with such related parties is due to the fact that on 1 July 2021, HAL Holding N.V., completed the sale of its 76.72% ownership interest in GrandVision N.V. to EssilorLuxottica S.A.. Following this event, the retail companies belonging to the GrandVision Group starting from 1 July 2021 ceased to be a related party. The amount reported as transactions with related parties in 2022 refers to transaction with a minor retail chain not having been included in the GrandVision transaction perimeter and thus still belonging to HAL Holding N.V.

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

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

(thousands of Euro)	2022	2021
<b>Directors</b>		
Salaries and short term compensations	3,769	3,745
Non monetary benefits	28	22
Other compensations	87	87
Indemnity for end of position or cessation of employment relationship	-	-
Fair value of equity compensations	252	237
<b>Statutory auditors</b>		
Fixed compensations and compensations for participation in committees	303	304
<b>Managers with strategic responsibilities</b>		
Salaries and short term compensations	719	735
Non monetary benefits	11	11
Other compensations	3	53
Fair value of equity compensations	52	51
Indemnity for end of position or cessation of employment relationship	-	-
<b>Total</b>	<b>5,224</b>	<b>5,244</b>

## 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:

<b>Licensing commitments</b> (thousands of Euro)	<b>December 31, 2022</b>	<b>December 31, 2021</b>
within 1 year	89.045	68.743
between 1 and 3 years	162.074	145.189
between 3 and 5 years	42.147	105.250
beyond 5 years	12.913	17.555
<b>Total</b>	<b>306.180</b>	<b>336.737</b>

## 9. SUBSEQUENT EVENTS

In the period following 31 December 2022, as disclosed in the paragraph "Significant events after the year-end and outlook" included in the Report on operations, the following events have incurred:

- on 26 January 2023, the Group communicated that the Board of Directors on 9 March 2023 will also approve its medium-term economic and financial targets, which the management will present to the market on the following day during a Capital Market Day to be held in Milan. With regards to the ongoing strategic analyses and taking into consideration the evolution of the product portfolio, the economic context, the competitive dynamics and a persistent production overcapacity, the Group, in reiterating the importance of the Santa Maria di Sala and Bergamo production sites, of the Padua logistic centre, and the company's creative capabilities, has initiated an exploration of alternative solutions for its Longarone plant;

- in March 2023, the Group has 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, with Chase Fisher, minority shareholder, founder and CEO of the company.

These events have been considered a “non-adjusting subsequent event” and hence have not affected the financial statements as at 31 December 2022.

## 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 2022 the Group did not put in place any unusual and/or atypical operations, as defined in the said Communication.

# APPENDIX

## INFORMATION REQUESTED BY ART. 149-DUODECIES OF THE REGULATION ON ISSUERS ISSUED BY CONSOB

The following table, prepared in accordance with Art. 149-duodecies of the Regulation on Issuers issued by Consob, reports the amount of fees charged in 2022 and 2021 relating to the audit and other audit related services rendered by the same Audit company.

(thousands of Euro)	<b>Audit Company</b>	<b>Safilo Group's company which received services</b>	<b>2022</b>	<b>2021</b>
Audit	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	61	72
	Deloitte & Touche S.p.A.	Subsidiaries	146	136
	Rete Deloitte & Touche S.p.A.	Subsidiaries	1,050	923
Attestation	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	60	50
	Deloitte & Touche S.p.A.	Subsidiaries	19	23
	Rete Deloitte & Touche S.p.A.	Subsidiaries	-	-
Other services	Deloitte & Touche S.p.A.	Holding Company - Safilo Group S.p.A.	-	20
	Deloitte & Touche S.p.A.	Subsidiaries	-	-
	Rete Deloitte & Touche S.p.A.	Subsidiaries	3	2
<b>Total</b>			<b>1,339</b>	<b>1,227</b>

## ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

**1.** The undersigned Angelo Trocchia, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing SAFILO GROUP S.p.A.'s financial statements, hereby attest, having also taken into consideration the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 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 2022 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 2022 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 2022:

- 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.

9 March 2023

The Chief Executive Officer

*Angelo Trocchia*

The manager responsible for preparing  
the company's financial statements

*Gerd Graehsler*

# REPORT OF INDEPENDENT AUDITORS



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

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

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of Safilo Group S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

#### Basis for Opinion

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

#### Key Audit Matters

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

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

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### *Inventory provisioning*

#### **Description of the key audit matter**

The consolidated balance sheet shows inventories for Euro 259 million, net of an obsolescence provision of Euro 59.2 million, as disclosed in note 4.3. The Group manufactures and sells goods which are subject to changes in market trends and in customers' demand, consequently a significant level of Management's judgement is required to determine the appropriate inventory provision based on sales forecasts, considering also the termination of some licenses.

We considered the amount of the obsolescence provision, even in terms of the economic impact, its relevance to the inventory balance, which as of December 31, 2022 represents about 27% of consolidated assets, and the subjectivity of the estimates, consequently we assessed that the determination of the obsolescence reserve represents a key audit matter for the audit of Safilo Group's consolidated financial statements.

#### **Audit procedures performed**

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

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

- understanding of the relevant controls designed and implemented by Safilo Group in the process of determining the inventory provisioning;
- analysis of the reasonableness of the main assumptions adopted by the Group to classify the products on the basis of commercial strategies and their permanence in the production cycle, the related sales forecasts, and analysis of the algorithms and criteria applied in the calculation. In this context we also analyzed the historical usage of stock and performed a retrospective review of the estimate;
- test of the correct execution of the calculation of the provision based on the policies adopted by Group Management;
- analysis of the integrations of the provision deriving from specific events (e.g. termination of licences);
- review of the variations of the obsolescence reserve through analysis of main dynamics affecting it, by obtaining, where necessary, adequate supporting documentation.



### Impairment test

#### Description of the key audit matter

The consolidated balance sheet includes tangible assets for Euro 109.1 million, rights of use for Euro 39 million, intangible assets for Euro 133 million and goodwill for Euro 34.9 million. This goodwill, recognized in 2020 subsequently the acquisition of the subsidiaries Privé Goods LLC and Blenders Eyewear LLC, is allocated to the single CGU identified by the Directors and represented by the Group as a whole, as disclosed in note 4.9. As required by IAS 36, goodwill is not amortized and it is subject to an impairment test performed at least on an annual basis, which compares the recoverable value of the CGU - based on the value in use methodology - and the carrying value as of December 31, 2022 which included goodwill, tangible assets, rights of use and intangible assets allocated to the CGU.

The impairment test as of December 31, 2022 was performed by the Directors based on financial projections for the period 2023-2027, approved on March 9, 2023 as described in note 4.9.

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

We considered the significance of the amount of the tangible assets, rights of use, intangible assets and goodwill, collectively representing about 33% of consolidated assets as at December 31, 2022, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test, consequently we assessed that the impairment test represents a key audit matter for the audit of Safilo Group's consolidated financial statements.

#### Audit procedures performed

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

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

- understanding of the relevant controls designed and implemented by Safilo Group related the process of performing the impairment test;
- obtaining the sources of information used and analysis of the main assumptions adopted by the Directors to elaborate the expectations in terms of cash flows, also using industry data and researches with reference to the expected trend in revenues and margins, comparison with analysts' expectations and obtaining information from Group Management;

- analysis of the actual results obtained by the Group compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process;
- analysis of the reasonableness of the discount rates (WACC) and long term growth (g-rate);
- test of the clerical accuracy of the model used to calculate the value in use for the CGU;
- test of the accuracy of the determination of the carrying value of the CGU and comparison with the recoverable value resulting from the impairment test;
- test of the sensitivity analysis prepared by Group Management.

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

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

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

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

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

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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

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

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

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS****Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Safilo Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2022, to be included in the annual financial report.

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

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Safilo Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, no. 4 of Legislative Decree 58/98, with the consolidated financial statements of Safilo Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Safilo Group as at December 31, 2022 and are prepared in accordance with the law.

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



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

The Directors of Safilo Group S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, n. 254.

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

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

DELOITTE & TOUCHE S.p.A.

Signed by  
**Carlo Pergolari**  
Partner

Padova, Italy  
March 15, 2023

*As disclosed by the Directors in paragraph 1 "General Information", the accompanying consolidated 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. 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.*



EYEWEAR by DAVID BECKHAM



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SAFILO GROUP S.p.A.  
STATUTORY FINANCIAL  
STATEMENTS AT  
31<sup>ST</sup> DECEMBER 2022





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# DIRECTORS OPERATIONS REPORT

## Introduction

Safilo Group S.p.A. was incorporated on 14<sup>th</sup> 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 9<sup>th</sup> 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 13<sup>th</sup> 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 2022

(thousand of Euro)	Receivables	Payables	Income/ Recharges	Costs
Safilo S.p.A.	647	(25,235)	611	(239)
<b>Held by Safilo S.p.A.</b>				
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	-
<b>Total</b>	<b>25,570</b>	<b>(25,294)</b>	<b>994</b>	<b>(239)</b>

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.

## Financial year 2021

(thousand of Euro)	Receivables	Payables	Income/ Recharges	Costs
Safilo S.p.A.	860	(20.776)	709	(262)
<b>Held by Safilo S.p.A.</b>				
Lenti S.r.l.	1.162	-	-	-
Safilo Industrial S.r.l.	26.486	-	317	-
Safilo USA Inc.	16	-	16	-
Other Subsidiaries held by Safilo S.p.A.	82	(55)	82	-
<b>Total</b>	<b>28.606</b>	<b>(20.831)</b>	<b>1.125</b>	<b>(262)</b>

The receivable from the subsidiary Safilo S.p.A. is mainly referred to the 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 2,051 thousand to payables to the subsidiary for services rendered;
- for Euro 2,502 thousand to payable to Safilo S.p.A. for advances received;
- for Euro 16,223 thousand to the VAT credit transferred by Safilo S.p.A. to the parent company as a result of the Group VAT Liquidation mechanism.

The income from the subsidiary Safilo S.p.A. mainly refers to the charges made for the 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 subsidiary held by Safilo S.p.A. relate to the recharge of the costs for the seconded staff and the chargeback of some insurance and consultancy costs.

## Significant events after the year-end

On 26 January 2023, the Group communicated that the Board of Directors on 9 March 2023 will also approve its medium-term economic and financial targets, which the management will present to the market on the following day during a Capital Market Day to be held in Milan. With regards to the ongoing strategic analyses and taking into consideration the evolution of the product portfolio, the economic context, the competitive dynamics and a persistent production overcapacity, the Group, in reiterating the importance of the Santa Maria di Sala and Bergamo production sites, of the Padua logistic centre, and the company's creative capabilities, has initiated an exploration of alternative solutions for its Longarone plant.

In March 2023, the Group has 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, with Chase Fisher, minority shareholder, founder and CEO of the company.

For the Board of Directors  
Chief Executive Officer  
*Angelo Trocchia*

# STATUTORY FINANCIAL STATEMENTS

## Balance Sheet

(Euro)	Notes	December 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.1	865,512	1,363,709
Trade receivables	4.2	1,008,563	1,143,381
Other current assets	4.3	29,190,402	35,049,074
<b>Total current assets</b>		<b>31,064,477</b>	<b>37,556,164</b>
<b>Non-current assets</b>			
Right of Use	4.4	313,380	163,705
Investment in subsidiaries	4.5	414,415,074	414,126,481
Other non-current assets	4.7	1,529,539	1,169,567
<b>Total non-current assets</b>		<b>416,257,993</b>	<b>415,459,753</b>
<b>TOTAL ASSETS</b>		<b>447,322,470</b>	<b>453,015,917</b>



(Euro)

	Notes	December 31, 2022	December 31, 2021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables	4.8	3,916,220	3,940,264
Tax payables	4.9	299,821	387,941
Other current liabilities	4.10	25,416,735	21,037,843
Lease liabilities	4.11	116,887	79,718
<b>Total current liabilities</b>		<b>29,749,663</b>	<b>25,445,766</b>
<b>Non-current liabilities</b>			
Lease liabilities	4.11	208,762	87,443
Employee benefit obligations	4.12	149,047	134,976
Provisions	4.13	2,000,000	1,000,000
<b>Total non-current liabilities</b>		<b>2,357,809</b>	<b>1,222,419</b>
<b>Total liabilities</b>		<b>32,107,472</b>	<b>26,668,185</b>
<b>Shareholders' equity</b>			
Share Capital	4.14	384,846,311	384,819,909
Share premium reserve	4.15	692,520,684	692,457,846
Retained earnings/(losses) and other reserves	4.16	(650,305,943)	(639,720,437)
Net (loss) for the year		(11,846,054)	(11,209,586)
<b>Total shareholders' equity</b>		<b>415,214,998</b>	<b>426,347,732</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>447,322,470</b>	<b>453,015,917</b>



## Income Statement

(Euro)	Notes	2022	2021
Net sales	5.1	956,134	1,082,047
<b>Gross profit</b>		<b>956,134</b>	<b>1,082,047</b>
General and administrative expenses	5.2	(10,382,685)	(7,945,002)
Other operating income/(expenses)	5.3	(2,700,806)	(4,111,676)
<b>Operating profit (loss)</b>		<b>(12,127,357)</b>	<b>(10,974,631)</b>
Financial charges, net	5.5	(78,668)	442,509
<b>Profit (loss) before tax</b>		<b>(12,206,025)</b>	<b>(10,532,122)</b>
Income taxes	5.6	359,971	(677,464)
<b>Net (loss) for the year</b>		<b>(11,846,054)</b>	<b>(11,209,586)</b>

## Statement of comprehensive Income

(Euro)	2022	2021
<b>Net (loss) for the year</b>	(11,846,054)	(11,209,586)
Actuarial gains (loss)	31,588	(7,461)
<b>Total comprehensive (loss)</b>	<b>(11,814,466)</b>	<b>(11,217,047)</b>

## Statement of Cash Flows

(Euro)	2022	2021
<b>A - Opening net cash and cash equivalents (net financial indebtedness - short term)</b>	<b>1,363,709</b>	<b>3,054,393</b>
<b>B - Cash flow from (for) operating activities</b>		
Net (loss) for the period	(11,846,054)	(11,209,587)
Depreciation IFRS 16	131,659	130,816
Stock Options figurative cost	303,309	287,292
Net changes in provision for risks	1,000,000	1,000,000
Other non-monetary P&L items	46,992	624,145
Interest expenses on lease liabilities IFRS 16	12,956	8,020
Income tax expenses	(359,972)	677,464
<b>Income (loss) from (for) operating activities prior to movements in working capital</b>	<b>(10,711,110)</b>	<b>(8,481,850)</b>
(Increase) Decrease in trade receivables	134,818	359,785
(Increase) Decrease in other receivables	5,451,932	(8,455,435)
Increase (Decrease) in trade payables	(24,044)	76,211
Increase (Decrease) in other payables	4,696,406	(24,113,752)
Interests expenses paid	(12,956)	(8,020)
<b>Total (B)</b>	<b>(464,954)</b>	<b>(40,623,061)</b>
<b>C - Cash flow from (for) investing activities</b>		
(Investments) disinvestments in subsidiaries	-	(94,000,000)
<b>Total (C)</b>	<b>-</b>	<b>(94,000,000)</b>
<b>D - Cash flow from (for) financing activities</b>		
Repayment of principal portion lease liabilities IFRS 16	(122,483)	(124,656)
Increase in share capital, net of transaction costs	89,240	133,057,033
<b>Total (D)</b>	<b>(33,243)</b>	<b>132,932,377</b>
<b>E - Cash flow for the period (B+C+D)</b>	<b>(498,197)</b>	<b>(1,690,684)</b>
<b>F - Closing net cash and cash equivalents (net financial indebtedness - short term) (A+E)</b>	<b>865,512</b>	<b>1,363,709</b>

## 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
<b>Equity at January 1, 2021</b>	<b>349,943,373</b>	<b>594,277,350</b>	<b>3,007,774</b>	<b>(517,859,528)</b>	<b>(125,508,415)</b>	<b>303,860,554</b>
Previous year's (loss) allocation	-	-	-	(125,508,415)	125,508,415	-
Capital increase, net of transaction costs	34,876,537	98,180,496	-	-	-	133,057,033
Net increase in the reserve for shared-based payments	-	-	-	647,193	-	647,193
Total comprehensive (loss) for the period	-	-	-	(7,461)	(11,209,586)	(11,217,047)
<b>Equity at December 31, 2021</b>	<b>384,819,910</b>	<b>692,457,846</b>	<b>3,007,774</b>	<b>(642,728,211)</b>	<b>(11,209,586)</b>	<b>426,347,733</b>
Previous year's (loss) allocation	-	-	-	(11,209,586)	11,209,586	-
Capital increase, net of transaction costs	-	-	-	-	-	-
Capital and reserve increase for shared-based payments	26,402	62,838	-	592,493	-	681,733
Total comprehensive (loss) for the period	-	-	-	31,588	(11,846,054)	(11,814,466)
<b>Equity at December 31, 2022</b>	<b>384,846,312</b>	<b>692,520,684</b>	<b>3,007,774</b>	<b>(653,313,716)</b>	<b>(11,846,054)</b>	<b>415,215,000</b>

# NOTES TO THE STATUTORY FINANCIAL STATEMENTS

## 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 Mercato Telematico Azionario (MTA) of the Italian Stock Exchange.

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

According to IFRS 10 HAL Holding N.V., is deemed to have control over Safilo Group S.p.A. and accordingly is required to consolidate Safilo Group S.p.A. in its financial statements as from 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 2022 to 31 December 2022 and also presents comparative data related to the financial period from 1 January 2021 to 31 December 2021.

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 9 March 2023.

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 during the preparation of these financial statements in a consistent manner for both financial years presented and on the basis of the going concern assumption.

The financial statements for the year ended 31 December 2022 and 31 December 2021 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 2022

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 financial statements as at 31 December 2021 have been applied.

Furthermore, the company has adopted the following new standards and amendments, effective from 1 January 2022:

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

Their application had no impact on the company 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 company and effective for annual periods beginning on or after 1 January 2023 that have not been early adopted by the company in preparing this report:

- on 12 February 2021, the IASB published the amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes come into effect from 1 January 2023;
- on 7 May 2021, the IASB published the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The changes come into effect from 1 January 2023.

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 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify debts and other short or long-term liabilities. The changes come into effect from 1 January 2023;
- on September 22, 2022, the IASB publish 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 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 Cash in hand and at bank

Cash and cash equivalents include cash, bank demand deposits and other highly liquid short-term investments that can be unwound within three months after purchase. The items included in the net cash and cash equivalents are measured at fair value and the relative changes are recognised in income. Bank overdrafts are posted under current liabilities.

## 2.4 Trade receivables and other receivables

Trade receivables are initially recognised on the statement of financial position at their current value and subsequently recalculated according to the amortised cost method, net of any impairments.

A provision for doubtful accounts is accrued when there is evidence that the Company will not succeed in collecting the original amount due. The provisions accrued for doubtful accounts are recognised in profit or loss.

## 2.5 Investments in associates (financial assets)

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.

## 2.6 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 27<sup>th</sup> 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 1<sup>st</sup> 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<sup>st</sup> 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.



## 2.7 Revenue recognition

Revenues include the fair value of the sale of services, net of VAT and any discounts. The company recognises revenues for billed services in the financial year in which the service is provided.

## 2.8 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.

## 2.9 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.

## 2.10 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.



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### 3. Use of estimates

The preparation of the 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 remaining pandemic-related effects and geopolitical risks consequents to Russia's invasion 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 (please also refer to the climate change disclosure risk assessment reported in the main critical risk factors for the group section of the consolidated management report). Financial statements assumptions and estimates have taken into consideration the uncertainties deriving from the above circumstances.

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 865,512 (compared to Euro 1,363,709 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 1,008,563 (against Euro 1,143,381 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.

(Euro)	December 31, 2022	December 31, 2021
Trade receivables from subsidiaries		
- Safilo S.p.A.	611,362	727,484
- Safilo Industrial S.r.l.	252,416	317,116
- Lenses Srl	42,178	1,000
- Safilo Optyl Doo	-	1,000
- Safilo Benelux	4,200	4,350
- Safilo GmbH	5,700	4,350
- Safilo France	6,200	5,350
- Safilo Nordic	10,284	3,377
- Safilo Hellas	-	1,000
- Safilo UK	4,193	6,411
- Safilo Nederland	4,200	4,350
- Safilo Austria	4,200	4,350
- Safilo Portugal	4,200	7,047
- Safilo Switzerland	4,207	3,378
- Safilo Espana	5,700	4,350
- Safilo Optical Trade	4,189	3,236
- Safilo USA Inc.	12,461	15,971
- Smith Usa	6,480	5,993
- Safilo Canada	5,715	4,408
- Prive Goods LLC	1,062	1,000
- Blenders Eyewear LLCs	2,991	3,501
- Safilo Far East	8,410	6,982
- Safilo Australia	3,992	4,058
- Safilo South Africa	4,223	3,320
<b>Total</b>	<b>1,008,563</b>	<b>1,143,381</b>



## 4.3 Other current assets

This item breaks down as follows:

(Euro)	December 31, 2022	December 31, 2021
VAT receivables	6,028,155	8,630,596
Tax credits and payments on account	65,937	59,818
Prepayments and accrued income	38,030	37,931
Other receivables from subsidiaries - Safilo S.p.A.	35,475	132,131
Other receivables from subsidiaries - Safilo Industrial Srl	23,005,881	26,168,925
Other receivables	16,924	19,673
<b>Total</b>	<b>29,190,402</b>	<b>35,049,074</b>

The VAT credit refers to the amount of VAT arising from Group VAT calculation. During year 2022 Safilo Group S.p.A. received a VAT reimbursement of Eur 4,500,000 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.

(Euro)	Balance at January 1, 2022	Increase	Decrease	Balance at December 31, 2022
<b>Gross Value</b>				
Buildings Right of Use	119,170	135,201	(119,170)	135,201
Other assets Right of Use	352,264	163,130	(155,070)	360,324
<b>Total</b>	<b>471,434</b>	<b>298,331</b>	<b>(274,240)</b>	<b>495,525</b>
<b>Accumulated depreciation</b>				
Buildings Right of Use	104,643	34,343	(119,170)	19,816
Other assets Right of Use	203,086	97,316	(138,073)	162,329
<b>Total</b>	<b>307,729</b>	<b>131,659</b>	<b>(257,243)</b>	<b>182,145</b>
<b>Net book value</b>	<b>163,705</b>	<b>166,672</b>	<b>(16,997)</b>	<b>313,380</b>

## 4.5 Investments in subsidiaries

This item amounts to Euro 414,415,074 (compared to Euro 414,126,481 of previous year).

In consideration of the difference between the value of the investment in Safilo S.p.A and the relative value of the shareholders' equity, 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.

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 9 March 2023 the Board of Directors has approved the 2023-2027 Group Business Plan and the related financial projections. 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 cash outflows and related cost savings that are expected to arise from future restructuring initiatives which an entity has not yet committed/announced before the date of the impairment test (31 December 2022), and those pertaining to estimated future cash flows that are expected to arise from improving or enhancing asset performance. Accordingly, neither potential new acquisitions, nor the implications of the mandate given by the Board of Directors to the management on 26 January 2023 to explore alternative solutions for the Longarone plant, have 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 2023-2027 business plan are:

- sales growth through a solid and balanced business portfolio by brand, geographical area and distribution channel, which maximizes customer service and meets the needs of the different consumer segments;
- margin expansion behind further improvement in the gross margin, 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 2022 is consistent with the criteria used for the 2021 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 or Russia-Ukraine conflict, with uncertainties instead being reflected in the cash flows; Specific risk premium has been reduced considering the last years Group performance and the capability to meet in advance the 2020-2024 Plan targets;
- 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 2027.

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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
SAFILO GROUP	10.12%	7.93%	2.07%	1.90%

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.



After completing the process described, management concluded that no impairment loss needs to be recognized at the date of 31 December 2022.

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.

During year 2022 Safilo Group's stock market capitalization has been always above the book value of shareholders' equity.

Management believe that the assumptions incorporated in the Financial Projections 2023-2027 underlying the impairment test are reasonable and that the Group has the necessary skills and resources to meet planned goals considering that an appropriate execution risk of the plan has been embedded in the WACC used for the test.

The following tables show the movements that occurred during the 2022 and during the previous financial year:

(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
<b>Total</b>		<b>414,126,481</b>	<b>288,592</b>	<b>-</b>	<b>414,415,074</b>

(Euro)	% of share capital	Balance at January 1, 2021	Increase / (Decrease	Impairment	Balance at December 31, 2021
Safilo S.p.A.	95.201	316,427,044	94,000,000	-	410,427,044
Contribution for Stock Options to subsidiaries		3,338,371	359,899	-	3,698,270
Safilo de Mexico	0.001	521	-	-	521
Safilo Portugal	0.1	500	-	-	500
Safilo Benelux	0.005	146	-	-	146
<b>Total</b>		<b>319,766,582</b>	<b>94,359,899</b>	<b>-</b>	<b>414,126,481</b>

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 <sup>st</sup> December 2021	Euro 66,176,000 i.v.
Shareholders' equity at 31 <sup>st</sup> December 2021	Euro 249,202,592
Net loss for the financial year 2021	Euro (12,805,421)

## 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 1<sup>st</sup> January 2006 the Company joined the domestic 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/loss of the participating entities.

As of 31 December 2022, Deferred Tax Assets, amounting to Euro 99,180,540, 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 2022:

(Euro)	Balance at January 1, 2022	Impact to		Receivables / Payables due to tax consolidation	Balance at December 31, 2022
		Income Statement	Equity		
Tax losses Safilo Group S.p.A.	17,384,242	-	-	2,522,320	19,906,562
Tax losses from Safilo S.p.A.	64,726,149	-	-	(21,676)	64,704,473
Tax losses from Lenti S.r.l.	23,990	-	-	(850)	23,140
Tax losses from Safilo Industrial S.r.l.	10,478,636	-	-	2,809,620	13,288,256
Tax losses before the tax consolidation	192,629	-	-	-	192,629
Interest expenses not deducted carryforward	505,548	(185,183)	-	-	320,365
Other temporary differences	277,483	(8,247)	-	-	269,236
Provision for Risks	240,000	240,000	-	-	480,000
Other temporary differences	(4,543)	422	-	-	(4,121)
<b>Total deferred tax assets</b>	<b>93,824,134</b>	<b>46,992</b>	<b>-</b>	<b>5,309,414</b>	<b>99,180,540</b>
Valuation allowance of deferred tax assets	(93,824,134)	(46,992)	-	(5,309,414)	(99,180,540)
<b>Total deferred tax assets, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The following table shows the tax losses carried forward deriving from the Group national tax consolidation:

Financial Year	Tax losses	Tax benefit
(Euro)		
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	59,729,128	14,334,991
2022	22,304,475	5,353,074
<b>Total</b>	<b>408,010,131</b>	<b>97,922,431</b>

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 1,529,539 (compared to Euro 1,169,567 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, 2022	December 31, 2021
Trade payables for services	1,511,288	1,833,800
Trade payables to subsidiaries:		
Safilo S.p.A.	2,346,409	2,051,351
Safilo Far East Ltd.	58,523	55,113
<b>Total</b>	<b>3,916,220</b>	<b>3,940,264</b>

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 2022, this item amounted to Euro 299,821 (compared to Euro 387,941 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 2023.

## 4.10 Other current liabilities

This item breaks down as follows:

(Euro)	December 31, 2022	December 31, 2021
Payables to personnel and social security institutions	2,514,091	2,303,582
Payables to pension provisions	5,753	5,608
Other current liabilities	7,880	3,997
Accrued expenses	42	43
Other payables to subsidiaries - Safilo S.p.A.	22,888,969	18,724,613
<b>Total</b>	<b>25,416,735</b>	<b>21,037,843</b>

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, 2022	Increase	Decrease	Balance at December 31, 2022
Lease Liabilities IFRS 16	167,160	298,330	(139,842)	325,648
Of which:				
Short term liability	87,442			208,762
Long term liability	79,718			116,887

## 4.12 Employee benefits obligations

During the financial year under review, the item showed the following movements:

(Euro)	Balance at January 1, 2022	Changes during the year					Balance at December 31, 2022
		Transfer	Posted to income statement	Actuarial gains/(losses)	Uses	Provision transfer	
Defined benefit plan	134,976	35,430	10,229	(31,588)	-	-	149,047
Defined contribution plan	-	80,968	231,354	-	-	(312,322)	-
<b>Total</b>	<b>134,976</b>	<b>116,398</b>	<b>241,583</b>	<b>(31,588)</b>	<b>-</b>	<b>(312,322)</b>	<b>149,047</b>

(Euro)	Balance at January 1, 2021	Changes during the year					Balance at December 31, 2021
		Transfer	Posted to income statement	Actuarial gains/(losses)	Uses	Provision transfer	
Defined benefit plan	118,761	-	8,938	7,461	(184)	-	134,976
Defined contribution plan	31,802	-	174,870	-	-	(206,672)	-
<b>Total</b>	<b>150,563</b>	<b>-</b>	<b>183,808</b>	<b>7,461</b>	<b>(184)</b>	<b>(206,672)</b>	<b>134,976</b>

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 27<sup>th</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 Provisions

As of 31 December 2022, this item amounts to Euro 2,000,000 (compared to Euro 1,000,000 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 2022, shareholders' equity amounts to Euro 415,214,998, against Euro 426,347,732 of previous year.

### 4.14 Share capital

At 31 December 2022 the share capital of Safilo Group S.p.A. amounts to Euro 384,846,311 (compared to Euro 384,819,909 at the end of the previous year) consisting of no. 413,687,780 ordinary shares with no par value (413,555,769 ordinary shares as at 31 December 2021).

In 2022 new ordinary shares equal to a number of 132,011 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 26,402.

## 4.15 Share premium reserve

At 31 December 2022 the share premium reserve of Safilo Group S.p.A. amounts to Euro 692,520,684 (compared to Euro 692,457,846 at the end of the previous year).

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 62,838.

## 4.16 Retained earnings and other reserves

This account breaks down as follows:

(Euro)	December 31, 2022	December 31, 2021
Legal reserve	3,007,774	3,007,774
Stock option reserve	1,439,907	1,255,663
Reserve for actuarial gain (losses) of defined benefit plan	1,378	(30,209)
Retained losses	(654,755,002)	(643,953,665)
<b>Total</b>	<b>(650,305,943)</b>	<b>(639,720,437)</b>

## Equity accounts - possible use and distribution

The table below shows the possible use and distribution of equity accounts:

(Euro)	Amount	Possible use
Share capital	384,846,311	
Paid in capital	692,520,684	A-B-C (*)
Legal reserve	3,007,774	B
Stock option reserve	1,439,907	
Reserve for actuarial gain (losses) of defined benefit plan	1,378	
Retained losses	(654,755,002)	
Loss for the period	(11,846,054)	
<b>Total</b>	<b>415,214,998</b>	

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

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

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

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

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

Information relating to the tranches of the Stock Options Plans granted on 31 December 2022 are shown below.

	<b>Grant date</b>	<b>No. of options</b>	<b>Fair value in Euro</b>	<b>Maturity</b>
<b>Stock Option Plan 2017-2020</b>				
Third tranche	30/04/19	773,205	0.18	31/05/27
<b>Stock Option Plan 2020-2022</b>				
First tranche	31/07/20	3,527,699	0.18	30/06/28
Second tranche	11/03/21	3,816,124	0.27	30/06/29

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
<b>Stock Option Plan 2017-2020</b>				
Third tranche	0.81	0.68	36.20%	0.087%
<b>Stock Option Plan 2020-2022</b>				
First tranche	0.63	0.63	47.78%	-0.392%
Second tranche	0.93	0.87	45.67%	-0.290%

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

	No. of options	Average exercise price in Euro
<b>Stock Option Plan 2014-2016</b>		
<b>Outstanding at the beginning of the period</b>	<b>242,080</b>	<b>8.39</b>
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	(242,080)	8.39
<b>Outstanding at period-end</b>	<b>-</b>	<b>-</b>
<b>Stock Option Plan 2017-2020</b>		
<b>Outstanding at the beginning of the period</b>	<b>1,036,118</b>	<b>0.68</b>
Granted	-	-
Forfeited	(130,902)	0.68
Exercised	(132,011)	0.68
Expired	-	-
<b>Outstanding at period-end</b>	<b>773,205</b>	<b>0.68</b>
<b>Stock Option Plan 2020-2022</b>		
<b>Outstanding at the beginning of the period</b>	<b>7,743,184</b>	<b>0.76</b>
Granted	-	-
Forfeited	(399,362)	0.73
Exercised	-	-
Expired	-	-
<b>Outstanding at period-end</b>	<b>7,343,823</b>	<b>0.76</b>

During the year, 242,080 options of the first tranche of the Plan 2014-2016 have expired, and 132,011 options of the third tranche of the Plan 2017-2020 have been exercised, in the same period 530,264 options have been forfeited, of which 130,902 of the Plan 2017-2020 and 399,362 of the Plan 2020-2022.

The options outstanding of the third tranche of the Plan 2017-2020, equal to 773,205 options, are exercisable until 31 May 2027, the first and the second tranche of the Plan 2020-2022, equal respectively to 3,527,699 and to 3,816,124 options, are exercisable until 30 June 2028 and 30 June 2029 respectively.

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 773,205.

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 4.4 years, while for the first and the second tranche of the Plan 2020-2022 the average exercise prices are equal to respectively 0.63 and 0.87 Euro with a remaining contract life of 5.5 and 6 years.

The adoption of these plans has affected the income statement for the period for a cost of 304 thousand Euro (287 thousand Euro at 31 December 2021).

## 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 956,134.

### 5.2 General and administrative expenses

(Euro)	2022	2021
Payroll and social security contributions	4,645,693	2,944,805
Corporate compliance costs	331,417	313,950
Remuneration to directors and statutory auditors	2,525,376	2,356,507
Consultancies and professional services	1,180,295	785,062
Cost of services provided by Safilo S.p.A.	224,486	242,360
Other administrative and general expenses	343,758	171,502
Provisions (Long Term Incentive)	1,000,000	1,000,000
Depreciation	131,659	130,817
<b>Total</b>	<b>10,382,685</b>	<b>7,945,003</b>

The following table illustrates the average number of employees divided by category:

	2022	2021
Executives	8	7
Clerks and middle management	11	10
<b>Total</b>	<b>19</b>	<b>17</b>

### 5.3 Other operating income (expenses)

This item amounts to Euro 2,700,806 and mainly refers to costs incurred for business development operations.

### 5.4 Gains (losses) on equity investments in subsidiaries

In 2022 no write-down was made as the value of the investment. The investments were subject to impairment test. See note 4.5

### 5.5 Financial charges

This item breaks down as follows:

(Euro)	2022	2021
Interest expense	12,956	8,020
Bank charges and commissions	1,307	1,470
Negative exchange rate differences	67,116	23,520
Other financial charges	672	-
<b>Total financial charges</b>	<b>82,051</b>	<b>33,010</b>
Interest income	274	-
Positive exchange rate differences	3,109	13,786
Dividends	-	5,600
Other financial income	-	456,133
<b>Total financial income</b>	<b>3,383</b>	<b>475,519</b>
<b>TOTAL FINANCIAL INCOME (CHARGES), NET</b>	<b>(78,668)</b>	<b>442,509</b>

## 5.6 Income taxes

This item breaks down as follows:

(Euro)	2022	2021
Current taxes	359,971	849,632
Deferred taxes	-	(1,527,095)
<b>Total</b>	<b>359,971</b>	<b>(677,463)</b>

Current taxes, negative for Euro 359,971, mainly refer to the income from tax consolidation benefited by that the company 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)	%	2022	%	2021
<b>Profit (loss) before taxation</b>	<b>100%</b>	<b>(12,206,025)</b>	<b>100%</b>	<b>(10,532,123)</b>
Theoretical Taxes	-24.0%	2,929,446	-24.0%	2,527,710
Not deductible costs	0.2%	(27,751)	0.4%	(42,767)
Costs booked to equity reduction and fully deducted	-	-	-4.30%	456,000
Income from tax fiscal unity	-2.9%	359,971	-8.1%	849,632
Non-recognition of new DTAs and write-off of existing DTAs	23.8%	(2,909,033)	41.5%	(4,472,461)
Other differences	-0.1%	7,337	-0.04%	4,423
<b>Total</b>	<b>-2.9%</b>	<b>359,971</b>	<b>6.4%</b>	<b>(677,463)</b>

## 5.7 Earnings (losses) per share

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

<b>Basic</b>	<b>2022</b>	<b>2021</b>
Profit (loss) on ordinary shares	(11,846,054)	(11,209,586)
Average number of ordinary shares	413,598,538	298,364,436
<b>Earnings (loss) per basic share (in Euro)</b>	<b>(0.03)</b>	<b>(0.04)</b>

<b>Diluted</b>	<b>2022</b>	<b>2021</b>
Profit (loss) on ordinary shares	(11,846,054)	(11,209,586)
Portion reserved for preferred shares	-	-
<b>Profit (loss) in the income statement</b>	<b>(11,846,054)</b>	<b>(11,209,586)</b>
Average number of ordinary shares	413,598,538	298,364,436
Dilution effects:		
- stock option	3,831,321	3,521,845
<b>Total</b>	<b>417,429,859</b>	<b>301,886,281</b>
<b>Earnings (loss) per share diluted in Euro</b>	<b>(0.03)</b>	<b>(0.04)</b>

## 6. Commitments

The Company had no purchase commitments at the reporting date.

## 7. Subsequent events

In the period following 31 December 2022, as disclosed in the paragraph "Significant events after the year-end and outlook" included in the Report on operations, the following events have incurred that might have an impact on the data contained in this document.

On 26 January 2023, the Group communicated that the Board of Directors on 9 March 2023 will also approve its medium-term economic and financial targets, which the management will present to the market on the following day during a Capital Market Day to be held in Milan. With regards to the ongoing strategic analyses and taking into consideration the evolution of the product portfolio, the economic context, the competitive dynamics and a persistent production overcapacity, the Group, in reiterating the importance of the Santa Maria di Sala and Bergamo production sites, of the Padua logistic centre, and the company's creative capabilities, has initiated an exploration of alternative solutions for its Longarone plant.

In March 2023, the Group has 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, with Chase Fisher, minority shareholder, founder and CEO of the company.

These events have been considered a “non-adjusting subsequent event” and hence have not affected the financial statements as at 31 December 2022.

## 8. Significant non-recurring events and transactions

During 2022 the company did not engage in significant non-recurring transactions pursuant to the CONSOB Communication of 28<sup>th</sup> July 2006.

## 9. Transactions resulting from unusual and/or abnormal operations

Pursuant to CONSOB Communication of 28<sup>th</sup> July 2006, in 2022 the Company did not put in place any unusual and/or atypical operations, as defined in this Communication.

## 10. Transactions with related parties

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

(Euro)	2022	2021
<b>Directors</b>		
- Salaries and short term compensations	3,711,480	3,690,916
- Non monetary benefits	27,617	21,835
- Other compensations	86,804	86,930
- Fair value of equity compensations	252,392	236,791
<b>Statutory auditors</b>		
- Fixed compensations and compensations for participation in committees	143,000	143,000
<b>Managers with strategic responsibilities</b>		
- Salaries and short term compensations	718,613	735,375
- Non monetary benefits	11,481	11,370
- Other compensations	3,174	53,011
- Fair value of equity compensations	51,509	50,501
<b>Total</b>	<b>5,006,070</b>	<b>5,029,729</b>



## 11. Resolution regarding the result for the year

We submit for your approval the financial statements for the financial year ending on 31 December 2022, drafted according to the IFRS International Accounting Standards, and recommend that the loss of the year, amounting to Euro 11,846,054, be covered with the Stock option reserve (amount Euro 1,439,907), the reserve for actuarial gain (losses) of defined benefit plan (TFR) (amount Euro 1,378) and the Share premium reserve (amount Euro 10,404,769).

## 12. Resolution regarding the covered of losses carried forward from previous financial years

We propose that losses carried-forward equal to Euro 654,755,002 is integrally covered by using the capital reserve "Share premium reserve" for the amount of Euro 654,755,002.

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 2022 relating to the audit and other audit related services rendered by the same Audit firm.

(Euro)	2022
Audit	61.000
Other services	60.000
<b>Total</b>	<b>121.000</b>

## Certification of the Annual Report pursuant to article 81-ter of CONSOB Regulation 11971 of 14th May 1999 as amended

The undersigned Angelo Trocchia, as Chief Executive Officer, and Gerd Graehsler, as the manager responsible for preparing Safilo Group S.p.A.'s financial statements, hereby certify, having also taken into consideration the provisions of article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of 24<sup>th</sup> 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 2022 financial year.

It is also certified that the annual report at 31<sup>st</sup> December 2022:

- 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.

9 March 2023

The Chief Executive Officer

*Angelo Trocchia*

The manager responsible for preparing  
the company's financial statements

*Gerd Graehsler*

# REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Shareholders' Meeting of Safilo Group S.p.A. on the financial year 2022 pursuant to art. 153 T.U.F. and art. 2429 co. 2, C.C.

Dear Shareholders,

during the financial year ended 31 December 2022, the Board of Statutory Auditors of Safilo Group S.p.A. carried out the supervision activity required by law, in accordance with the requirements of the Civil Code, articles 148 and following of T.U.F., the Legislative Decree no.39 of 27 January 2010 as modified from the Legislative Decree 17 July 2016 no.135 and the Legislative Decree 254/2016, considering also the recommendations included in Consob's Communications on company controls and the activities of the Board of Statutory Auditors, as well as principles of conduct of the Board of Statutory Auditors recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Italian national council of graduate accountants and accounting experts).

As premise, it should be noted that the Board of Statutory Auditors of Safilo Group S.p.A. has been appointed by the Shareholders' Meeting held on 28 April 2020 and is in charge until the approval of the financial statements as at 31 December 2022.

As regards the methods employed by the Board of Statutory Auditors to carry out its institutional activities, it confirms the following:

- it monitored compliance with the law and by laws;
- it attended the Shareholders' Meeting and all the meetings of the Board of Directors held during this year, and obtained from the Directors quarterly reports on activities carried out and significant operations executed by the company or its subsidiaries and verified that the aforesaid operations were coherent with the assumed deliberations and in respect for the principles of correct management;
- it monitored, within our area of responsibility, the organisational adequacy of the company, its respect for the principles of correct management and the organisational evolution of the Group;
- it monitored the operation of the administrative and accounting system, in order to assess its adequacy for management requirements and its reliability for the reporting of business operations. During this activity, it relied on the information supplied by the executive Director in charge of the internal control system, on information obtained as part of the regular participation to the activities of the Control Risk Committee, on examination of reports prepared by the Head of the Internal Audit function on the adequacy of administrative and accounting procedures pursuant to Law 262/05 and on the outcome of related tests carried out, together with the information obtained during periodic meetings with the auditing firm Deloitte & Touche S.p.A. which reported on the outcome of systematic checks and on the proper keeping of accounting records. We have no particular comments to make in this respect;

- not having been appointed to perform an analytical inspection of the content of the financial statements, we verified the general structure of the financial statements and consolidated financial statements, drawn up in compliance with IAS/IFRS international accounting principles, and of the respective management reports through direct checks and using specific information supplied by the auditing company;
- it verified that the impairment test had been carried out for items subject to evaluation in the consolidated financial statements, and in the statutory financial statements.
- it monitored, to the best of our knowledge, the Directors did not infringe the provisions of article 2423 paragraph 4 of the Civil Code in the Notes to the Financial Statements;
- it verified that, following adoption of its own "Internal Dealing Code", the Company has set up specific operational and management procedures for any communications from "relevant" parties;
- it verified that, pursuant to the provisions of Legislative Decree No. 231 of 8 June 2001, the company has equipped itself with an Organisation, Management and Control Model that complies with the *Confindustria* Guidelines and fulfils the requirements of the aforementioned legislative decree, disseminated the Code of Ethics and established a Supervisory Committee that reported to the Control and Risk Committee and the Board of Directors on its activities. The necessary actions and measures have been taken to ensure that the organisational model remains appropriate and up-to-date for the purpose of fulfilling its functions and complying with new regulatory requirements;
- we have verified that the company has complied with the provisions of law 15/11/2017 n. 179 concerning Whistleblowing, adopting its Worldwide Business Conduct Manual (WBCM) and related reporting system of alleged violations to the same.

In accordance with the aforementioned Consob communications, the Board hereby provides the following information:

1. Events incurred during the year: the events characterizing the 2022 financial year that had an impact on the group's economic performance are illustrated in the management report in the consolidated financial statements and in the separate financial statements.

As far as the Board is responsible, it should be noted in particular that:

- in September 2022, the Group entered into a new loan agreement for a total of Euro 300,000,000 expiring in September 2027, consisting of a Term Loan line of Euro 150,000,000, a Revolving line of Euro 75,000,000 and a Capex line of Euro 75,000,000; the impacts of the refinancing on the Group's net financial position are illustrated in detail in the appropriate paragraph of the explanatory notes to the consolidated financial statements;
- with reference to the risk of pandemics, the Group has implemented a series of procedures and action plans to guarantee the health and safety of all employees and consequently the continuity of the business;
- with reference to the risk associated with the Russia/Ukraine conflict, the Group confirmed the limited exposure to financial and business impacts related to this context, also in consideration of the fact that Safilo's net sales and operations in Russia and Ukraine respectively represent approximately 2% of the Group's total revenues and 3% of its shareholders' equity of the Group;

- at the balance sheet date, the company has not carried out any significant transactions applicants pursuant to the Consob Communication of July 28, 2006.
2. Events after the year end: in the specific paragraph of the Report on Operations of the consolidated and statutory financial statements, to which reference should be made, in the appropriate paragraph of the report on operations of the consolidated and statutory financial statements, to which reference should be made for details, events classified as “subsequent non-adjusting event” and therefore not considered in the financial statements as at 31.12.2022 are reported, which pertain to:
    - the communication on the approval by the Board of Directors on 9 March 2023 of the medium-term economic-financial objectives, which management presented to the market on 10 March 2023 during a Capital Market Day held in Milan;
    - the exploration of alternative solutions for the Longarone plant which is no longer considered strategic for the Group in the light of the evolution of the product portfolio, the economic context, competitive dynamics and persistent production overcapacity;
    - the agreement, reached in March 2023, on the extension of the second and third tranches of the put and call options on the minority stake in Blenders, from 2024 and 2025 to 2026 and 2027 respectively, with the minority shareholder, founder and director company delegate. In this regard, it should be noted that the net result as at 31.12.2022 was affected by the profit deriving from changes in the fair value of the liability relating to the option in question as detailed in notes 4.18 and 5.6 of the consolidated financial statements.
  3. The significant economic, financial and capital operations carried out by the company and its subsidiaries were executed in accordance with the law and company by laws. Based on the information acquired, the Board was able to ascertain that they were not manifestly imprudent or risky, that they did not result in a conflict of interest and did not compromise the integrity of the company's assets.
  4. It has been ascertained that no atypical and/or unusual operations, as defined by Consob communication DEM/6064293 of 28 July 2006, were carried out within the group or with related or third parties, having found confirmation of this in the information supplied by the Board of Directors and the Auditing Firm.  
Furthermore, the Board ascertained that the standard operating procedures in force within the Group guarantee that all commercial operations with related parties take place according to market conditions.
  5. The Board of Statutory Auditors verified the effective implementation and concrete functioning of the Related Party Transactions Procedure adopted by the Company, attending the meetings of the Transactions with Related Parties Committee.
  6. The Board believes that the information presented by the Directors in their report on operations and explanatory notes in respect of the operations mentioned in paragraphs 1, 2, 3 and 4 are adequate.
  7. The reports prepared by the audit firm Deloitte & Touche S.p.A., issued on 15 March 2022, regarding the individual and consolidated balance sheet of Safilo Group S.p.A. as of 31 December 2022 do not contain significant findings and/or disclosure requests. The auditing firm issued its

assessment of the consistency of the Management Report with the relevant financial statements without any observations and/or objections.

With reference to the compliance of the consolidated financial statements with the Delegated Regulation EU 2019/815 of the European Commission on regulatory technical standards relating to the specifications of the single electronic communication format (ESEF - European Single Electronic Format), the auditing firm issued its favorable opinion, and in particular that the consolidated financial statements have been prepared in XHTML format and have been marked in all significant aspects in compliance with the ESEF Delegated Regulation.

On 15 March 2023, the auditing company also issued its additional report for the Internal Control and Audit Committee, pursuant to art. 11 of EU Regulation 537/2014 on which the board has no observations to communicate.

8. During 2022, no reports were made to the Board of Statutory Auditors under article 2408 of the Civil Code, and no complaints were submitted by shareholders.
9. During 2022, Safilo Group S.p.A. has appointed to Deloitte & Touche S.p.A. engagement other than to perform the legal audit of the statutory and consolidated financial statements. In the appendix to the consolidated financial statement is reported, in accordance with the principle 149-Duodecies of the Issuers' Regulations, the statement of the fees recognized for the year to Deloitte & Touche S.p.A. and its network for statutory audit and other services provided by the same Independent Auditor to the company and to the Group. In accordance with the article 17, ninth paragraph, of the Legislative Decree 39/2010, the Independent Auditor has regularly communicated to the Board of Statutory Auditors additional engagements to those of auditing the accounts, obtaining the relative authorization from the Board after assessment of possible risks for the independence of the Auditor.
10. During the 2022 financial year, the Board of Statutory Auditors expressed its opinion when required by current laws.
11. On November 29, 2022, the Board, following a specific selection procedure, issued its *"Reasoned opinion of the Board of Statutory Auditors of Safilo Group S.p.A. for the appointment of the statutory auditor for the period 2023-2031 and approval of the related fee, - pursuant to articles 13, paragraph 1, and 17, paragraph 1, of Legislative Decree no. 39 of 27 January 2010 as amended, respectively, by articles 16 and 18 of Legislative Decree no. 135 of 17 July 2016, by art. 16 of the European Regulation n. 537/2014 of the European Parliament and of the Council of 16 April 2014"*.
12. On 22 February 2023, the Board, as the outgoing body, based on the rules of conduct of the board of statutory auditors of listed companies of the National Council of Chartered Accountants and Accounting Experts of 26/4/2018 issued the document entitled *"Guidelines relating to the new Board of Statutory Auditors of Safilo Group Spa which will be elected at the next shareholders' meeting"*.
13. The Board of Statutory Auditors verified the accuracy of the criteria and assessment procedures employed by the Board of Directors to assert the independence of its members.
14. The Board of Statutory Auditors verified the correctness of the assessment criteria and procedures

adopted by the Board of Directors to assess the absence of subjection to the Direction and Coordination activity by any other entities, including Hal Holding N.V..

15. The Board of Statutory Auditors carried out the self-assessment process of its members, also verifying their possession of the requisites of integrity and independence, as well as compliance with the provisions on the accumulation of offices contained in art. 148bis, c.2, of the TUF and in the articles 144-duodecies and following of the Issuers' Regulation; to the Report on Corporate Governance and Ownership Structures for the year 2022, approved by the Board of Directors of the 9 March 2023, the list of offices held by the members of the Board of Statutory Auditors at the date of issue of the Report is attached, drawn up in compliance with attachment 5 bis of the Issuers' Regulation.
16. During 2022 financial year, the following were held: 1 (one) meeting of the Shareholders' Meeting, 8 (eight) meetings of the Board of Directors and 9 (nine) meetings of the Board of Statutory Auditors, which the board regularly attended in its entirety composition. Furthermore, it is noted that the Control and Risk Committee met 5 (five) times, the Sustainability Committee met 3 (three) times, while the Remuneration and Appointments Committee met 2 (two) times and the Transactions with Related Parties Committee met 1 (once) once, with the constant participation of the entire Board of Statutory Auditors (unless the justified absence of a single member).
17. The Board believes that the principles of correct administration have been constantly observed as confirmed by the information obtained from the managers of the various administrative functions, from the Internal Audit function and during the periodic meetings held with the Independent Auditors.
18. The Board gathered information about and monitored the company's organisational structure to the extent of our responsibilities.
19. Based on the analyses performed and the information obtained during meetings with the Director in charge of the internal control system and risk management, with the Manager in charge of preparing the accounting documentation and during meetings of the Control Risk Committee, the Sustainability Committee and the Supervisory Board, the Board verified the adequacy and reliability of the internal control system and risks management.
20. The Board verified the adequacy of the administrative and accounting system and the reliability of the same in correctly representing business operations.
21. The Board verified the adequacy of the manner in which the parent company hands down instructions to its main subsidiaries.
22. During systematic meetings between the Board of Statutory Auditors and the Auditing Firm under art. 150, paragraph 2, Legislative Decree 58/1998, no significant findings emerged.
23. The Remuneration Report is prepared pursuant to art. 84 quarter of the Issuers' Regulations and to Consob resolution No. 11971/1999 and subsequent amendments, and is structured in two sections: the first section which contains the remuneration policy for the year 2023 and will be submitted to the shareholders' meeting, and the second section which describes the methods by which the remuneration policy in force for the financial year 2022 has been implemented, providing a summary of the remuneration paid.
24. The 2022 Report on Corporate Governance and Ownership Structure prepared by the Board of Directors contains a description of the governance of the Company and the Group that appears



to be in line with the principles of the Self-Regulation Code and the Issuers' Regulations. This Report also presents information on the ownership structure pursuant to art. 123 bis of the TUF (consolidated finance act). The Board of Statutory Auditors monitored implementation of the corporate governance rules, based on the Corporate Governance Code promoted by Borsa Italiana in the version in force from 1 January 2021, in the terms illustrated within the 2022 Report on Corporate Governance and Ownership Structure.

25. The Chief Executive Officer and the Manager responsible for preparing the company's financial statements provided the statements required by article 154-bis, paragraph 5, regarding the financial statements and consolidated financial statements in accordance with the model provided in appendix 3c-ter of the Issuers' Regulations.
26. Impairment Test: with regard to the verification process carried out on the items subject to evaluation, the outcome of the impairment test did not reveal the need for an impairment. On 9 March 2023, the Board of Directors approved the Group Business Plan 2023-2027 and the related financial projections which were used to determine the cash flow projections considered for the purposes of the test. In estimating growth over the period of the plan, the Group took into consideration both its own internal expectations and the indications obtained from independent external sources. The strategic objectives of the 2023-2027 Plan, the complex assessment process, as well as the assumptions on which the impairment test is based are illustrated in the Explanatory Notes to the Consolidated Financial Statements, note 4.9. During 2022, the value of the Company which can be deducted from the prices of the Stock Market has always been higher than the value of its assets. The Board of Directors believes that the assumptions incorporated in the financial projections approved for the impairment test are reasonable, also taking into account all the other elements and parameters considered in the impairment test execution.
27. Based on the same Financial Projection for the period 2023 – 2027 approved by the Board of Directors on 9 March 2023, the impairment test, in the separate financial statement of Safilo Group S.p.a., on the equity investment value in Safilo S.p.a. did not result in any impairment loss, as described in the note 4.5 of the Notes to the separate financial statement.
28. The Board also took note about the topics described in the "Key Audit Matters" paragraph included in the report of Independent Auditor.
29. Consolidated Non-Financial Information Statement: the Board verified the compliance with the provisions pursuant to the Legislative Decree 30 December 2016 no.254, regarding the consolidated non-financial information statement of Safilo Group S.p.A. and its subsidiaries (hereinafter NFD). The Board of Statutory Auditors finds that the Company, in its capacity as Parent Company, has prepared, following the issue of Legislative Decree 30 December 2016, n. 254 ("Implementation of directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending directive 2013/34/EU as regards the disclosure of non-financial information and information on diversity by certain companies and certain large groups" - the "Decree"), the 2022 Consolidated Non-Financial Information Statement of the Safilo Group as required by Articles 3 and 4 of the Decree and by the "Global Reporting Initiative Sustainability Reporting Standards"

(hereinafter GRI Standards), defined in 2016 and subsequently updated in 2021 by the GRI - Global Reporting Initiative - identified by the directors as a reporting standard.

The Board of Statutory Auditors supervised compliance with the provisions established by the Decree in the preparation of the NFS, ascertaining that the same allows the understanding of the business activity, its performance, its results and the impact produced by the same, and that relations in regarding environmental, social, personnel-related issues, respect for human rights, the fight against active and passive corruption, taking into account the activities and characteristics of the company, in compliance with the provisions of art. 3 of the aforementioned legislative decree. The Board of Statutory Auditors also acknowledged that, pursuant to art. 3 paragraph 10, the Company Deloitte & Touche S.p.A., the entity in charge of auditing the Group's financial statements, issued on 15 March 2023 a specific Report on the Consolidated Non-Financial Information Statement attesting the compliance of the information provided in this Document with Articles 3 and 4 of the Decree and the GRI Standards.

30. The Board confirms that no omissions, irregularities or wrongful actions emerged from our supervisory activities that would need to be reported to the Supervisory Bodies or Shareholders.

To conclude, the Board expresses its approval, to the extent of its responsibilities, of the 2022 financial statements as presented by the Board of Directors, with the Report on Operations, and of Directors' proposal to cover the loss for the year of Euro 11,846,054 as formulated by the Directors. It also expresses its assent to the proposal to cover the losses carried forward for Euro 654,775,002 as formulated by the Directors.

Padua, 15 March 2023

#### THE BOARD OF STATUTORY AUDITORS

Signed by

Carmen Pezzuto	Chairman
Roberto Padova	Regular auditor
Bettina Solimando	Regular auditor

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





**BOSS**

# REPORT OF INDEPENDENT AUDITORS



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

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Safilo Group S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

#### Basis for Opinion

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

#### Key Audit Matters

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

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### *Impairment of the equity investment in Safilo S.p.A.*

<b>Description of the key audit matter</b>	<p>The balance sheet includes the equity investment in Safilo S.p.A. (the “subsidiary”) amounting to Euro 414.4 million. As disclosed in Note 4.5., in order to confirm the evaluation of the equity investment as at December 31, 2022 the Directors have submitted the equity investment to impairment test. Since Safilo S.p.A. is the operating company of the Safilo Group, the impairment test has been derived from the one performed for the purposes of evaluating the goodwill recognized in the consolidated financial statements and therefore it is based on the financial projections for the period 2023-2027 approved by the Directors on March 9, 2023.</p> <p>In note 3, the Directors explain that the impairment test represents a complex process and it is based on assumptions related, among others, to the expectations in terms of cash flows, the determination of appropriate discount rates (WACC) and of long-term growth (g-rate).</p> <p>Considering the relevance of the value of the investment, which represents about 93% of the Company’s assets as of December 31, 2022, the subjectivity of the estimates underlying the determination of the key variables of the impairment test, the difference between the value of the investment and the net equity of the investee and the negative results registered by the subsidiary in the last years, we assessed that the impairment of the equity investment in the subsidiary company represents a key audit matter for the audit of Safilo Group’s financial statements.</p>
<b>Audit procedures performed</b>	<p>We preliminarily analyzed the methodology and assumptions used by Management to perform the impairment test.</p> <p>We performed the following audit procedures, supported by the experts of our network:</p> <ul style="list-style-type: none"> <li>• detection and understanding of the relevant controls designed by the Company in the process of performing the impairment test;</li> <li>• obtaining the sources of information and analysis of the main assumptions adopted by the Directors to elaborate the expectations in terms of cash flows, also using industry data and researches with reference to the expected trend in revenues and margins, comparison with analysts’ expectations and obtaining information from Management;</li> <li>• analysis of the actual results obtained compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process;</li> <li>• analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate);</li> </ul>



- test of the accuracy of the determination of the carrying value and comparison with the recoverable value resulting from the impairment test.

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

#### **Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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

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

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

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS****Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Safilo Group S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements as at December 31, 2022, to be included in the annual financial report.

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

In our opinion, the financial statements as at December 31, 2022 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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

The Directors of Safilo Group S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Safilo Group S.p.A. as at December 31, 2022, including their consistency with the related financial statements and its [their] compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Safilo Group S.p.A. as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Safilo Group S.p.A. as at December 31, 2022 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by  
**Carlo Pergolari**  
Partner

Padova, Italy  
March 15, 2023





*As disclosed by the Directors in the paragraph 1 “General Information” the accompanying 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. 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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