

DE RIGO S.p.A.

Registered office in Villanova Industrial Zone, 12- 32013 Longarone (BL)

Share capital Euro 10,968,535.24 fully paid-in

Directors' Report on the 2018 separate and consolidated financial statements

In implementation of Legislative Decree No. 32, Article 1, point c) of February 2, 2007, the company utilises the option to present in a single document the consolidated Directors' Report and the separate Directors' Report, with a greater focus in the consolidated financial statements, where appropriate, upon matters of significance for the companies included in the consolidation.

Therefore, the present consolidated Directors' Report also contains the disclosure required by Article 2428 of the Civil Code, with reference to the separate financial statements of De Rigo S.p.A..

Corporate Boards

The Board of Directors of the parent company comprises 7 members:

Ennio De Rigo Piter	Chairman
Emiliana De Meio	Vice Chairman
Massimo De Rigo Piter	Executive Vice Chairman
Maurizio Dessolis	Executive Vice Chairman
Michele Aracri	Executive Director
Roberto De Rigo	Director

The Board of Directors will remain in office until the approval of the 2020 Annual Accounts.

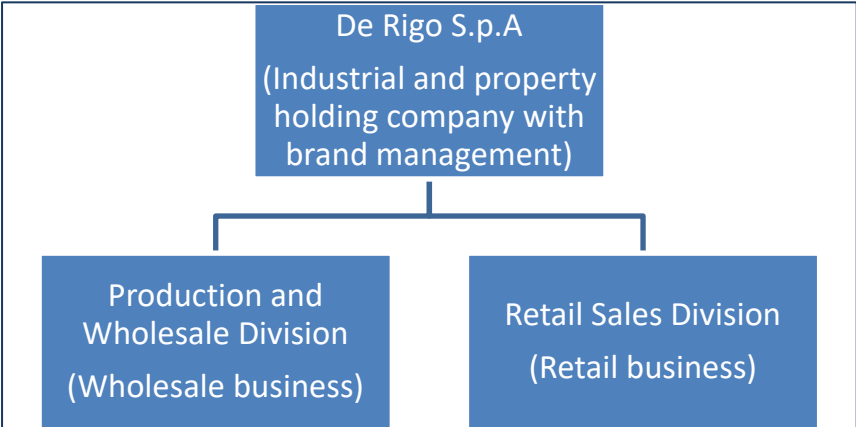
According to the motions of May 18, 2015, the Chairman assumes the broadest powers of ordinary and extraordinary administration, while the three Vice Chairmen, Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis and the Executive Director Michele Aracri have powers limited to ordinary administration.

The Board of Statutory Auditors is comprised of 5 members:

Mario Bampo	Chairman
Gianfilippo Cattelan	Statutory Auditor
Mario Som mavilla	Statutory Auditor
Federica Monti	Alternate Auditor
Stefano Lodolo	Alternate Auditor

The Board of Statutory Auditors will remain in office until the approval of the 2018 Annual Accounts.

Group operating structure



Shareholders

At December 31, 2018, the shareholder structure of De Rigo S.p.A. comprised:

De Rigo Holding S.r.l.	96.889%
Ennio De Rigo Piter	1.899%
Roberto De Rigo	0.474%
Giorgio De Rigo Piter	0.474%
Others	0.263%

At December 31, 2018, De Rigo S.p.A. securities comprised only ordinary shares not listed on an official market.

At the reporting date, De Rigo S.p.A. does not hold treasury shares.
The subsidiaries do not directly or indirectly hold shares of the parent company.

Operating conditions and developments

Dear Shareholders,

the ongoing extraordinary challenges which the Group faces every year make for a complex and difficult to predict marketplace.

The Wholesale division was fully engaged in 2018 in the international launch of the recent Group portfolio entries, including those of the acquired Rem Optical Inc in the United States. In addition, competition on some of our major markets was exacerbated by significant currency fluctuations.

In the Retail division, the General Optica chain continued to grow thanks to sustained local economic growth.

2018 was not particularly favourable for the Turkish chain De Rigo Opmar. Although sales rose, margins contracted due to the continued weakening of the local currency.

Group overview

Group consolidated income statement

As reported below in the reclassified Income Statement, consolidated revenues were substantially in line with 2017 (-0.4%) at Euro 428.8 million (Euro 430.4 million in 2017). At like-for-like exchange rates, Group revenues were up 2.6%.

Wholesale division revenues decreased 1.4% to Euro 251.3 million, from Euro 254.9 million in 2017. At like-for-like exchange rates, an increase of 1.4% was reported.

Retail division revenues grew 1.5% to Euro 192.3 million, from Euro 189.5 million in 2017, thanks to sales growth delivered by General Optica and the Turkish retail chain, despite the significant weakening of the Turkish Lira.

EBITDA, calculated as the operating profit before amortisation and depreciation, increased 14.7% to Euro 23.4 million, from Euro 20.4 million in 2017, with a 5.5% revenue margin. The improvement largely follows the better performances in the Group's various areas over the last two years, partly impacted by the weakening of currencies in some key Group areas.

EBIT before the pension fund deficit accrual rose 86.1% to Euro 6.3 million, from Euro 3.4 million in 2017, and reported a 1.5% revenue margin (0.8% in 2017).

EBIT after the pension fund deficit accrual improved, although impacted by higher English pension fund costs, improving from a loss of Euro 6.4 million in 2017 to a loss of Euro 5.5 million in 2018, with a negative revenue margin of 1.3%, compared to -1.5% in the previous year.

Net extraordinary and financial charges of Euro 3.6 million were reported, compared to income of Euro 0.3 million in 2017, principally due to the lower revaluation of the Boots Opticians investment.

The net result was a loss of Euro 13.4 million, compared to a loss of Euro 10.2 million in 2017.

At December 31, 2018, the De Rigo Group reported a net cash position of Euro 35.8 million, compared to Euro 32.2 million at December 31, 2017.

The consolidated income statement reports the key operating figures (in thousands of Euro), reclassified for an improved understanding of operating events:

	2018	2017	% Change
NET SALES REVENUES	428,831	430,364	-0.4%
Sold product cost	(184,204)	(189,223)	-2.7%
GROSS PROFIT	244,627	241,140	1.4%
Advertising & promotion costs	(33,543)	(35,145)	-4.6%
Sales costs	(161,566)	(158,728)	1.8%
General & administrative costs	(43,192)	(43,868)	-1.5%
OPERATING COSTS	(238,301)	(237,741)	0.2%
EBIT BEFORE PENSION FUND DEFICIT ACCRUAL	6,326	3,399	86.1%
Pension fund deficit accrual	(11,822)	(9,774)	21.0%
EBIT	(5,496)	(6,375)	-13.8%
Interest income	507	398	27.3%
Interest charges	(4,034)	(4,100)	-1.6%
Other non-operating income (charges)	(55)	3,972	-98.6%
OTHER REVENUES (COSTS)	(3,582)	270	-1426.6%
LOSS BEFORE TAXES	(9,078)	(6,105)	48.7%
INCOME TAXES	(4,377)	(4,131)	6.0%
NET LOSS BEFORE MINORITY INTERESTS	(13,455)	(10,236)	31.4%
MINORITY INTEREST SHARE	430	583	-26.2%
NET LOSS	(13,025)	(9,653)	34.9%

In order to more clearly present the operating result, the income statement effect of the defined benefit pension fund, whose beneficiaries at the reporting date were not employees of any Group companies, was isolated.

Group consolidated revenues by region

Consolidated revenues by region are broken down as follows:

Sales by region	2018	2017	Change	Change %
Europe (excluding Italy)	312.2	309.0	3.2	1.0%
The Americas	53.0	55.0	(2.0)	-3.6%
Rest of the world	55.0	58.2	(3.2)	-5.5%
Total	420.2	422.2	(1.9)	-0.4%
Other revenues	8.5	8.2	0.3	3.6%
Consolidated revenues	428.7	430.4	(1.4)	-0.4%

- European sales totalled Euro 312.2 million (+1.0%), principally due to increased Retail and Wholesale division sales on the Spanish and Portuguese market and in France, while partially offset by the drop in Turkish and Greek sales;
- revenues in the Americas at current exchange rates decrease 3.6% to Euro 53.0 million (Euro 55.0 million in 2017), mainly due to the weakening of the US Dollar against the Euro;
- Rest of the World sales contracted 5.5% to Euro 55.0 million, principally due to the drop in sales in Korea and at the Hong Kong branch;
- consolidated revenues were impacted by the weakening of the currencies on the Group's main markets. Consolidated revenues at like-for-like exchange rates would have risen approx. Euro 11 million on 2017.

Consolidated Group revenues by business division

The following table outlines the financial highlights of the two divisions in 2018 and 2017 in millions of Euro:

Group Divisions	PRODUCTION AND SERVICE REVENUES			EBITDA			EBIT BEFORE PENSION FUND ACCRUAL		
	2018	2017	Change %	2018	2017	Change %	2018	2017	Change %
Production and wholesale	251.3	254.9	-1.4%	9.9	5.5	80.0%	3.0	-1.2	-350.0%
Retail	192.3	189.5	1.5%	14.2	15.0	-5.3%	9.0	9.7	-7.21%
<i>Inter-company eliminations</i>	-14.8	-14.0	5.7%	-0.7	-0.1	800.0%	-5.6	-5.0	12.0%
Total	428.8	430.4	-0.4%	23.4	20.4	14.7%	6.4	3.5	82.9%

Production and wholesale

Wholesale division revenues decreased 1.4% to Euro 251.3 million, compared to Euro 254.9 million in 2017. This contraction relates to significant currency fluctuations in 2018 on many markets, including Brazil, Turkey and the Americas. At like-for-like exchange rates, an improvement of 1.4% over 2017 would have been reported, mainly due to the improvement at De Rigo Vision S.p.A., at the French branch and at the Chinese branch, partially offset by Asian market weakness.

Retail sales

The Group Retail network at December 31, 2018 comprised the following sales points:

	Directly owned stores			Stores under franchise			Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
General Optica	217	212	5	74	69	5	291	281	10
Opmar Optik	69	74	-5	0	0	0	69	74	-5
Boots Opticians*	447	452	-5	168	177	-9	615	629	-14
Total	733	738	-5	242	246	-4	975	984	-9

The network of Group stores comprises: *General Optica*, the leading chain of opticians on the Spanish market; *Mais Optica*, one of the main chains in Portugal; the *Opmar Optik* chain, the second largest retailer in Turkey; *Boots Optical Investment Holdings Limited*, the second largest chain of opticians on the British market, of which the De Rigo Group holds 42% (consolidated indirectly at Equity).

Retail sales, concerning General Optica, Mais Optica and Opmar Optik alone, totalled Euro 189.9 million, increasing 1.8% over Euro 186.5 million in 2017 and despite the significant weakening of the Turkish currency in 2018. At like-for-like exchange rates, Retail division revenues would have risen approx. Euro 8 million (+4.4% on 2017).

The re-start of sales point launches and the more focused commercial policy of the Spanish and Portuguese chain supported consolidated growth.

Opmar Optik sales saw the return of strong growth in 2018. However, both the difficulties on the unstable domestic market - and particularly the further weakening of the currency - heavily impacted the negative operating result.

Consolidated costs

The principal operating costs reported the following movements (in thousands of Euro as per the financial statements):

Description	2018	2017	% Change
Personnel costs	123,895	122,751	0.9%
Raw materials, consumables and goods, adjusted by the change in the inventories of raw materials, consumables and goods and of the change in inventories of work in progress, semi-finished and finished goods.	157,184	162,994	-3.6%
Service costs	95,430	93,000	2.6%
Rents, lease and similar	25,623	25,312	1.2%
Amortisation, depreciation, and write-downs	18,748	18,890	-0.7%
Provisions for risks, other provisions and other operating charges	18,722	19,504	-4.0%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	439,602	442,451	-0.6%

The movements in operating costs related to:

Personnel costs: +0.9%, principally from the increased Spanish retail chain costs following the new sales point openings.

Raw material costs and inventory changes: -3.6%, the account decreased on the previous year, mainly due to production streamlining in 2018 (these costs over sales in fact slightly decreased on the previous year) and due to the strength of the Euro which permitted the reduction of overseas purchase costs.

Service costs: +2.6%, mainly due to increased independent sales network, royalties and transport costs.

Rents, lease and similar: +1.2%, principally following the increase in the cost for the rental of spaces following the rolling out of the sales point opening plan in Spain.

Amortisation, depreciation and write-downs: -0.7%, substantially in line with the previous year.

Provisions for risks, other provisions and other operating charges: -4%, principally due to the higher accrual to the English pension fund, more than offset by lower provisions for future Marketing commitments and for legal disputes at the overseas companies.

During the year, the Group undertook the following transactions with related parties:

Description	Financial receivables	Trade receivables	Other receivables	Financial payables	Other payables	Revenues	Costs	Financial income (charges)
DE RIGO HOLDING SRL	-	-	-	234	-	-	-	-
DE RIGO IMMOBILIARE SRL	-	14	-	-	-	-	69	-
SEWON I.T.C. CO. LTD.	-	5,430	-	-	194	7,028	194	-
AMSTERDAM PROPERTIES S.L.	-	-	-	-	-	26	211	-
BOOTS OPTICIANS*	-	546	2,582	-	360	4,259	170	-
Total	-	5,990	2,582	234	554	11,313	644	-

* The chain Boots Opticians has in place an agreement with the company BBGR Ltd. for the supply and mounting of lenses and logistics management. Under this agreement, De Rigo Vision invoices the majority of orders received by the Boots Opticians chain to the company BBGR Ltd., which, once the requested service has been provided, invoices in turn Boots Opticians. Therefore, in order to provide a better representation for the reader, the items concerning BBGR are aggregated with those of Boots Opticians.

Payables to De Rigo Holding S.r.l. are of a financial nature and as a result of the loan granted by the parent company. Receivables and payables with other associates concern trade receivables.

The Group is involved in tax disputes in a number of countries. The most significant is in Italy, where the Tax Agency-Veneto Regional Section, following the execution of audits, issued separate tax assessments for income taxes and penalties relating to financial years 2008, 2009, 2010, 2011, 2012 and 2013 for a total of approx. Euro 7.1 million and mainly regarding transfer pricing (the calculation of inter-company transaction prices). The company, considering itself to have acted correctly and in full compliance with applicable regulations, presented an appeal against all of the tax assessments to the competent Tax Commission and also forwarded to the Agency international reports - Department of Finance and the Ministry for Economy and Finance - respectively for each of the EU countries involved in which the Group operates through a branch and for the 2008-2011 and 2012-2014 tax periods, subject to audit, separate applications for the initiation of a mutual agreement procedure as per Article 6 of Convention 90/436/EC against double taxation ("MAP"). In the first quarter of 2019, the Preliminary agreements and international disputes office of the Tax Agency communicated to the company that for the years 2008-2011 agreements had been reached with the competent French tax authorities for the complete cancellation of the disputes regarding the years 2008 and 2009 and a more than significant reduction agreed in the assessment for the years 2010 and 2011 concerning the transactions with its French branch.

The company, in furtherance to its defence strategy regarding transfer pricing, also presented in the years 2017 and 2018 at the competent tax authorities' separate applications for a Preliminary Agreement Procedure ("PAP") on a bilateral basis, preliminarily for two of its European subsidiaries, although with the intention already to extend it further in 2019.

Therefore, the company, also on the basis of the outcome of the recent preliminary agreement concluded with the French authorities, considering its ability to defend its operations and having recharged to the income statement the payments made equal to a third of each challenge received for the initial three years declared (2008-2009-2010), considers the risks provision accrued at December 31, 2018 as appropriate to cover any liabilities which may arise with regards to the tax disputes.

The Group is also involved in a dispute with a minority shareholder, with judgment awaited at an overseas arbitration court. The Group considers the probability of incurring extraordinary costs following the issue of the arbitrators judgment as low. A financial statement provision against this dispute is therefore not considered necessary.

Non-recurring and financial management and consolidated investments

Extraordinary and financial management reported Group net charges of Euro 3.6 million, compared to income of Euro 0.3 million in the previous year.

This deterioration in the result mainly relates to the lower contribution of Euro 5.8 million concerning the revaluation of the investment in Boots Optical Investment Holding, to Euro 4 million of losses on investments in subsidiaries and associates, partially offset by increased net exchange gains of Euro 3.1 million and higher gains on fixed asset disposals for Euro 2.2 million.

The Group net financial position, in thousands of Euro, at year-end was as follows:

	2018	2017	Change
Bank deposits	43,526	68,856	(25,330)
Cash in hand and similar	4,045	1,136	2,909
Cash and cash equivalents	47,571	69,992	(22,421)
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loans (within one year)	(234)	(233)	(1)
Bank payables (within one year)	(10,769)	(16,112)	5,343
Payables to other lenders (within one year)	488	(36)	524
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Short-term financial payables	(10,515)	(16,381)	5,866
			-
Short-term net financial position	37,056	53,611	(16,555)
Bonds and convertible bonds (beyond one year)	-	-	-
Shareholder loans (beyond one year)	-	-	-
Bank payables (beyond one year)	-	(19,684)	19,684
Other lenders (beyond one year)	(1,227)	(1,697)	470
Advances on foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	-	-	-
Net financial position - Medium/long-term	(1,227)	(21,381)	20,154
			-
Net financial position	35,829	32,230	3,599

At the end of 2018, the Group reported a net cash position of Euro 35.8 million, compared to Euro 32.2 million in the previous year. Operating activities generated cash flows of Euro 39.9 million, compared to Euro 36.7 million in the previous year, while working capital management generated resources of Euro 3.8 million, against the release of Euro 8.8 million in the previous year. The Group invested Euro 18.1 million, up on Euro 12.9 million in the previous year, particularly for new sales points in Spain and Group IT systems, in addition to the refurbishment of Group facility production plant. In the same period, the Group made fixed asset disposals of Euro 3.5 million.

The balance sheet reclassified to net capital employed is reported below, in thousands of Euro:

	2018	2017	Change
Trade receivables	77,136	77,031	105
Other receivables	45,144	48,834	(3,690)
Inventories	95,342	87,849	7,493
Current non-financial payables	(106,611)	(95,674)	(10,937)
A) Working capital	111,011	118,040	(7,029)
Net tangible and intangible assets	86,019	96,509	(10,490)
Financial fixed assets	151	97	54
Investments	49,986	49,684	302
Non-current provisions and non-financial payables	(52,314)	(48,762)	(3,552)
B) Net fixed capital	83,842	97,528	(13,687)
A+B= Net capital employed	194,853	215,568	(20,715)
C) Net financial debt	(35,829)	(32,230)	(3,599)
Opening shareholders' equity	242,298	256,193	(13,895)
Treasury shares	-	-	-
Minority interest capital and reserves	1,408	1,258	150
Net loss for the year	(13,025)	(9,653)	(3,372)
D) Closing shareholders' equity	230,681	247,798	(17,117)
C+D = Total financial debt (cash) and shareholders' equity	194,852	215,568	(20,715)

Trade receivables were in line with the previous year, while inventories rose on 2017, mainly due to the advancing of the procurement cycle to the third quarter of the year.

The key earnings indicators are reported below (in millions of Euro):

Debt coverage index

The Group has a positive net financial position.

Return on sales (ROS):

	2018	2017
EBIT	-5.5	-6.4
Revenues	428.8	430.4
ROS %	-1.3%	-1.5%

Return on investment (ROI):

	2018	2017
EBIT	-5.5	-6.4
Net capital employed	197.0	215.5
ROI %	-2.8%	-3.0%

Return on equity (ROE):

	2018	2017
Net result	-9.6	-9.6
Net equity	231.8	246.5
ROE %	-4.2%	-3.9%

Consolidated tax charge

The Group reported an effective average tax rate of 48.2%, compared to 75% in the previous year. The high effective tax charge is due to the reduction of the Group's assessable income base following the increased proportion of tax losses incurred in a number of countries, against which the relative deferred tax assets had not been prudently recognised, and the increased assessable base in countries with higher tax rates than Italy. For further information, reference should be made to the notes to the financial statements.

Social, political and trade union developments

The Group continued in 2018 to restructure a number of Group companies and particularly at managerial level. These actions did not result in difficulties within the organisation.

Personnel

The average Group workforce at December 31, 2018 and 2017, broken down by category and in FTE, is reported below:

	2018	2017	Changes
Executives	48	48	-
White-collar	2,369	2,266	103
Blue-collar	695	682	13
Others	139	131	8
Total employees	3,251	3,127	124

Other information

In accordance with Article 2428, paragraph 2, we report the following:

Research and development

The Group has always invested in aligning its production processes with the most advanced technological standards. The limited amount of technological developments on the market in recent times have restricted the need for significant industrial investment.

IT investments are increasingly important for our Group. The replacement of IT systems was extended also to other Group companies, which currently largely operate through a centralised SAP system. The activities to improve the level of computerisation of the sales networks in the countries in which the Group operates directly continued also in 2018.

The intensive production research and development activities did not result in the capitalisation of costs, as mainly concerning individual product models, for which their utility is limited to the period of production of the model and is generally concentrated in a period of less than one year, or for the completion of plant and machinery for which these operations are outsourced and included in the acquisition cost of the asset.

Disclosure as per Article 2428, paragraph 2, point 6-bis of the Civil Code

Pursuant to Article 2428, paragraph 2, point 6-bis of the Italian Civil Code, information relating to the use of financial instruments is detailed below as such information is relevant for a valuation of the company's equity and financial position.

Company management seek to hedge risks through the use of various types of existing beneficial financial instruments, to ensure that currency, interest rate and price risk are knowledgeably managed. Where risks may be covered through insurance, the Group undertakes the necessary policies. With regards to currency risks, the company usually hedges its currency surplus/deficit so as to minimise the economic effect.

In particular:

Credit Risk

The credit risk deriving from normal Group operations with commercial counterparties is managed and controlled within the procedures for the allocation and monitoring of client credit standings. Credit management activities are coordinated through reporting and periodic meetings concerning all Group companies.

The amount and measurement criteria for the Doubtful debt provision at the reporting date are outlined in the Explanatory Notes.

At the reporting date, any significant concentrations of credit risk have been monitored, with appropriate write-down provisions established where necessary.

Liquidity and cash flow risk

The majority of Group receivables are short-term. For some receivables for which late payment was considered as a potential insolvency indicator, the Group has already provisioned for the relative risk. The Group does not have significant exposures which may compromise its liquidation capacity.

The following is also noted:

- debt instruments or other lines of credit to service liquidity requirements are in place;
- the Group holds financial assets for which a liquid market does not exist, but from which financial cash flows are expected (capital or interest) which will be available to satisfy liquidity needs;
- other sources of financing exist;
- there is no significant concentration of liquidity risk, either from financial assets or from financing sources.

Market risk

A sensitivity indication at the reporting date is provided below, highlighting the effects of possible changes on the income statement in relation to the significant risk variables for each of the following components:

- interest rate risk: the Group is exposed to interest rate risk from financial payables to credit institutions. As this debt is indexed to the Euribor rate, any change results in a positive or negative impact on the income statement. Management consider that the exposure to this risk is marginal in comparison to the amount of business generated.
- currency risk: the Group undertakes commercial transactions (purchase and sale of goods) in currencies other than the Euro (principally the US Dollar, GB Sterling, Brazilian Real, Turkish Lira, Chinese Renminbi and Japanese Yen). The currency hedging policy therefore seeks to minimise the differences generated between the budget exchange rate and that relating to commercial transactions for the purchase or sale of goods and services in foreign currencies (receipts or payments). The derivative instruments utilised by the company to hedge currency risk principally concern options and forward contracts.
- price risks: very few raw materials utilised by the company have historically reported significant price changes. These changes do not have significant impacts on the income statement.

The environment

The Group has always operated in compliance with environmental regulations, putting in place all actions necessary to align production standards with those required by the applicable regulations.

Parent company De Rigo S.p.A. overview

Parent Company Income Statement

Parent company sales of Euro 7 million were substantially in line with the previous year, as was the EBIT at Euro 5.0 million.

The net result was break-even, compared to a profit of Euro 0.8 million in 2017.

The income statement reports the key operating figures of the parent company De Rigo S.p.A. (in thousands of Euro), reclassified for an improved understanding of operating events:

	2018		2017	% Change
NET SALES REVENUES	7,072		7,037	0.5%
Sold product cost	- 287	-	287	0.1%
GROSS PROFIT	6,785		6,750	0.5%
Advertising & promotion costs	- 241	-	51	372.5%
Sales costs	- 13	-	13	0.0%
General & administrative costs	- 1,504	-	1,367	10.0%
OPERATING COSTS	- 1,758	-	1,431	22.8%
EBIT	5,027		5,319	-5.5%
Interest income	55		48	14.9%
Interest charges	-		-	0.0%
Other non-operating income (charges)	- 4,092	-	2,853	43.4%
OTHER REVENUES (COSTS)	- 4,037	-	2,805	43.9%
PROFIT BEFORE TAXES	990		2,514	-60.6%
INCOME TAXES	- 964	-	1,677	-42.5%
NET PROFIT	26		837	-96.9%

Costs of the Parent Company

The principal operating costs reported the following movements (in thousands of Euro as per the financial statements):

Description	2018	2017	% Change
Personnel costs	0	0	0.00%
Raw materials, consumables and goods, adjusted by the change in the inventories of raw materials, consumables and goods and of the change in inventories of work in progress, semi-finished and finished goods.	2	6	-66.7%
Service costs	1,424	1,109	28.4%
Rents, lease and similar	-	-	0.0%
Amortisation, depreciation, and write-downs	525	632	-16.9%
Provisions for risks, other provisions and other operating charges	122	119	2.2%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	2,073	1,866	11.1%

Service costs increased on the previous year by 28.4%, mainly due to increased costs to defend and support the brands. The other accounts were in line with the previous year.

During the year, the company undertook the following transactions with related parties:

Description	Financial receivables	Trade receivables	Other receivables	Financial liabilities	Other payables	Revenues	Costs
DE RIGO VISION S.p.A.	49,853	521	-	(479)	(277)	3,253	(277)
GENERAL OPTICA INTERNACIONAL S.A.		7				24	
Total	49,853	528	-	(479)	(277)	3,277	(277)

Financial management and investments of the parent company De Rigo S.p.A

Net financial charges of Euro 55 thousand increased on the previous year.

The extraordinary components in 2018 include the accrual made for the restoration of the share capital of the Turkish subsidiary De Rigo Ve Sesa Group Gozluk, for an amount of Euro 5.7 million (Euro 3.0 million in 2017), partially offset by extraordinary income regarding prior year income taxes of Euro 1.6 million.

At December 31, 2018, De Rigo S.p.A. reported a net cash position of Euro 49.6 million, increasing on Euro 41.5 million at December 31, 2017.

	2018	2017	Change
Bank deposits	70	258	(188)
Cash in hand and similar	0	0	(0)
Treasury shares	-	-	-
Cash and cash equivalents	70	258	(188)
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loans (within one year)	-	-	-
Bank payables (within one year)	-	-	-
Payables to subsidiaries (within 12 months)	(277)	(2,093)	1,816
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Loans to subsidiaries	49,842	43,366	6,476
Short-term financial receivables (payables)	49,565	41,273	8,292
Short-term net financial position	49,635	41,531	8,104
Bonds and convertible bonds (beyond one year)	-	-	-
Shareholder loans (beyond one year)	-	-	-
Bank payables (beyond one year)	-	-	-
Other lenders (beyond one year)	-	-	-
Advances on foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	-	-	-
Net financial position - Medium/long-term	-	-	-
Net financial position	49,635	41,531	8,104

The balance sheet reclassified to net capital employed is reported below, in thousands of Euro:

	2018	2017	Change
Trade receivables	1,835	1,648	187
Other receivables	1,897	1,665	232
Inventories	-	-	-
Current non-financial payables	(1,259)	(747)	(512)
A) Working capital	2,473	2,566	(93)
Net tangible and intangible assets	4,378	4,777	(399)
Financial assets	0	(0)	0
Equity investments	206,618	206,618	-
Non-current provisions and non-financial payables	(16,695)	(10,940)	(5,755)
B) Net fixed capital	194,301	200,455	(6,154)
A+B= Net capital employed	196,774	203,021	(6,247)
C) Net financial debt	(49,635)	(43,362)	(6,273)
Opening shareholders' equity	246,383	245,546	837
Treasury shares	-	-	-
Minority interest capital and reserves	-	-	-
Net Profit	26	837	(811)
D) Closing shareholders' equity	246,409	246,383	26
C+D = Total financial debt (cash) and shareholders' equity	196,774	203,021	(6,247)

For further information, reference should be made to the Explanatory Notes.

The key earnings indicators are reported below (in millions of Euro):

Debt coverage index

The company has a positive net financial position.

Return on sales (ROS)

	2018	2017
EBIT	5.0	5.3
Revenues	7.1	7.0
ROS %	71.4%	75.7%

Return on investment (ROI)

	2018	2017
EBIT	5.0	5.3
Net capital employed	196.8	203.0
ROI %	2.5%	2.6%

Return on equity (ROE):

	2018	2017
Net result	0.0	0.8
Net equity	246.4	246.4
ROE %	0.0%	0.3%

Parent Company tax charge

The company reported an effective average tax rate of 97.4%, compared to 66.7% in the previous year, principally related to the fact that the pre-tax result for the year was significantly impacted by non-deductible tax charges.

Human resources

The company did not have any employees in the years 2018 and 2017.

Processing of personal data

The company, supported by outside consultants, substantially completed the project for alignment with the new European General Data Protection Regulation ("GDPR" – Regulation 2016/679), entering into force from May 26, 2018.

Further information

No atypical or unusual transactions were undertaken with related parties.

With regards to any investments held by directors, statutory auditors or general managers, reference should be made to the Explanatory Notes.

The information provided sets out a true, balanced and exhaustive analysis of the company's position, performance and operating results, overall and among the various sectors in which it operates, also through subsidiaries.

Proposal for the approval of the financial statements and the allocation of the net profit

It is proposed that the Shareholders' Meeting allocates the net profit of the parent company De Rigo S.p.A. of Euro 26 thousand to the extraordinary reserve for an amount of Euro 23 thousand and to the unrealised exchange gains reserve for the remaining Euro 3 thousand.

The Chairman of the Board of Directors
Ennio De Rigo Piter

The undersigned ENNIO DE RIGO PITER, Chairman of the Board of Directors of the company De Rigo S.p.A., declares that the present electronic document conforms to that transcribed and signed in the company's accounting records.