DE RIGO

Registered office: Zona Industriale Villanova, 12 - 32013 Longarone (BL)

Share capital € 10.968.535,24 fully paid up

DE RIGO

CH
CAROLINA HERRERA

CAROLINA HERRERA
NEW YORK

Blumarine

Chopard

ESCADA

Ermenegildo Zegna

FILA

FURLA

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GUESS by Marciano

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Management report on the consolidated financial statements for the year colsed on 31/12/2013

In accordance with the provisions of Legislative Decree no. 32, art. 1 point c) dated Feb. 2, 2007, the company exercises the right to submit the consolidated management report and report on business operations in a single document, included in the consolidated financial statements placing more emphasis, where appropriate, on issues that are significant to the group of companies included in the consolidation.
Therefore, please note that this consolidate Management Report also contains all the information required by Civil Code art. 2428 with reference to the De Rigo S.p.a. financial statements.

Corporate management

The Board of Directors of the parent company is composed of 7 members:

Ennio De Rigo Piter	Chairman
Emiliana De Meio	Vice Chairman
Massimo De Rigo Piter	Deputy Chairman with delegated powers
Maurizio Dessolis	Deputy Chairman with delegated powers
Michele Aracri	Managing Director
Giorgio De Rigo Piter	Director
Roberto De Rigo	Director

The Board remains in office until approval of the 2014 financial statements.

With resolutions dated June 1, 2012, the Chairman was invested with the broadest powers of ordinary and extraordinary administration while Deputy Chairmen Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis and Managing Director Michele Aracri were invested with powers limited to ordinary administration.

The Board of Statutory Auditors is composed of 5 members:

Mario Bampo	Chairman
Gianfilippo Cattelan	Statutory auditor
Mario Sommavilla	Statutory auditor
Federica Monti	Alternate auditor
Stefano Lodolo	Alternate auditor

Group operating structure

De Rigo S.p.A.
(Industrial and property holding company with brand management)

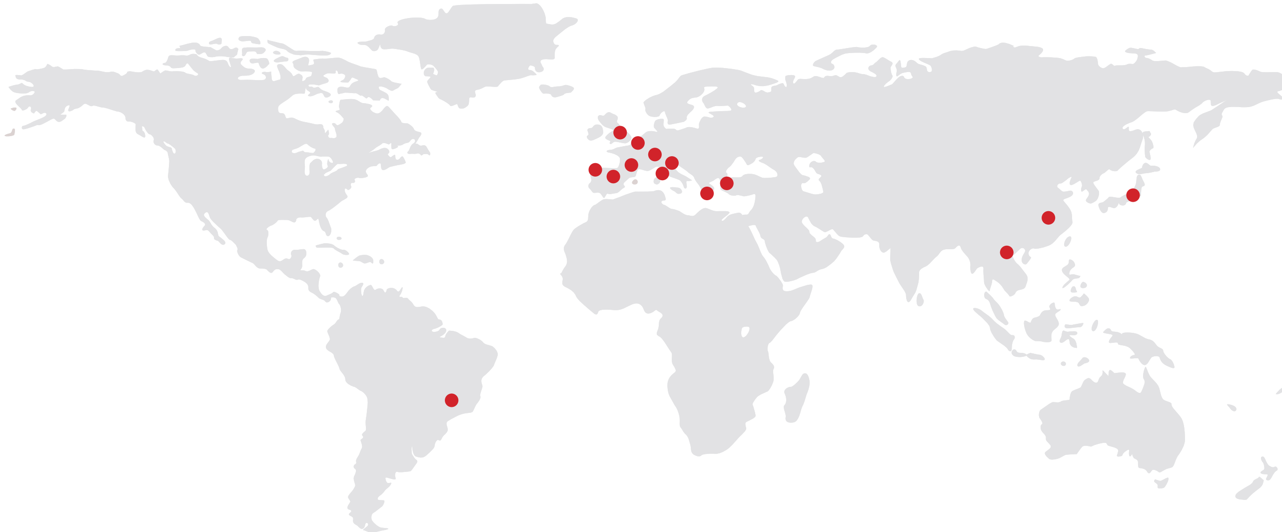
Manufacturing and wholesale division
(Wholesale business)

- **De Rigo Vision** – Italy
- **De Rigo Vision Espana S.a.** – Spain
- **De Rigo France S.a.** – France
- **De Rigo Uk Ltd.** – UK
- **De Rigo Hellas A.E.E.** – Greece
- **De Rigo Vision Portugal Lda.** – Portugal
- **De Rigo Hrvatska d.o.o.** – Croatia
- **De Rigo Gozluk Sanayi Ticaret A.S.** – Turkey
- **OPSA Optik Camlari Ticaret L.S.** – Turkey
- **De Rigo Vision USA Inc.** – U.S.A.
- **Wilvale De Rigo S.a.** – Brazil
- **Marr International Inc.*** – U.S.A.
- **De Rigo Hong Kong Ltd.** – Hong Kong
- **De Rigo Vision Trading (Guangzhou) Ltd.** – China
- **De Rigo Japan Co. Ltd.** – Japan

Retail division
(Retail business)

- **General Optical S.a.** – Spain and Portugal
- **De Rigo Opmar Optik Ticaret A.S.** – Turkey
- **Boots Optical Investment Holdings Ltd.*** – UK

* minority interest



Shareholders

As of December 31, 2013, De Rigo S.p.A. shareholders were made up of:

De Rigo Holding B.V.	96,883%
Ennio De Rigo Piter	0,951%
Roberto De Rigo	0,474%
Giorgio De Rigo Piter	0,474%
Others	1,218%

As of December 31, 2013, De Rigo S.p.A. only issued ordinary shares not listed on an official market.

As of the end of the financial year, De Rigo S.p.A. did not hold any treasury shares in its portfolio.
The subsidiaries do not directly or indirectly hold parent company shares.

Operating conditions and growth of the business

Dear Shareholders,

We ended another financial year marked by a complex macro economic scenario and enriched by significant new aspects that changes the competitive dynamics within our sector.

The Wholesale division was able to further consolidate its position on the world market, substantially matching the record sales level achieved last year despite the reduced sales to countries with highly depreciated currencies that cancelled out a good part of the growth posted in the first quarter of the year.

The Retail division posted different trends for the Spanish and Turkish markets. The General Optica chain suffered the continuous reduction of its Spanish reference market albeit increasing its market shares to the detriment of period profits. 2013 was another extremely positive year for the Turkish Opmar Optik chain that has consolidated its position as third on the Turkish market.

Analysis of the Group's consolidated economic and financial results

Consolidated group income statement

Based on the reclassified Income statement, provided below, consolidated income dropped by 0.7% to 365.3 million Euro compared to the 368.1 million Euro posted in 2012. At constant exchange rates, income increased by 1.7%.

Whole division production and sales income increased by 0.5% to 219.6 million Euro, up from the 218.6 million Euro posted in 2012.

Retail division sales income dropped by 2.4% to 155.9 million Euro from the 159.7 million Euro posted in 2012 due to the lower sales volumes posted by General Optica and partially compensated by the growth posted by Opmar Optic on the Turkish market despite the highly depreciated Turkish Lira.

Gross operating margin, calculated by adding period amortisation to operating profits, dropped by 14.0% to 28.3 million Euro from the 32.9 million Euro posted in 2012 and represented 7.8% of sales. The lower gross operating profits are mainly due to the lesser income posted by the Wholesale division due to the overall drop in sales margins – due to both reduced prices and increased discounts and increased product cost - partially compensated for by the improved contributions from General Optica, consequent to chain renovations and the change in retail division sales policies.

Operating profits dropped by 25% to 11.4 million Euro from the 15.1 million Euro posted in 2012 representing 3.1% of sales compared to the 4.1% posted last year. The decline is mainly attributable to the Wholesale division while Retail posted significant improvements over the last year.
Extraordinary expenses negatively accounted for 6.8 million Euro compared to the 0.8 million Euro posted in net gains in 2012.

Net profits dropped by 79.6% to 1.9 million Euro compared to the 9.2 million Euro posted in 2012.

As of December 31, 2013, the De Rigo Group's net financial position was positive totalling 13.4 million Euro compared to the 4.3 million Euro posted as of December 31, 2012.

The main summary business items are posted in the reclassified consolidated income statement (in thousands of Euro) for easier comprehension of operating events:

	2013	2012	Var. %
NET SALES INCOME	365.310	368.062	-1%
Production cost	(162.442)	(158.730)	2%
GROSS PROFITS	202.868	209.332	-3%
Advertising costs	(29.911)	(31.482)	-5%
Sales cost	(126.569)	(127.421)	-1%
Overhead costs	(35.003)	(35.300)	-1%
OPERATING COSTS	(191.483)	(194.203)	-1%
OPERATING PROFITS	11.386	15.129	-25%
Earned interest	479	1.028	-53%
Accrued interest	(2.984)	(970)	208%
Other non operating income (charges)	(4.312)	692	-723%
OTHER INCOME (COSTS)	(6.817)	750	-1009%
EARNINGS BEFORE TAXES	4.569	15.879	-71%
TAXES	(5.072)	(7.844)	-35%
NET PROFITS/LOSS PARTY INTEREST	(503)	8.035	-106%
MINORITY INTERST	(2.382)	(1.177)	102%
NET PROFITS	1.879	9.212	-80%

Consolidated Group revenues by geographical area

Consolidated revenues by geographical area are broken down as follows:

- 263 million Euro were posted in sales in Europe dropping by 1.4%, mainly reflecting the decline posted by the retail division in the Spanish and Portuguese markets..
- sales in America dropped by 1.1% reaching 25.7 million Euro; exchange effects fully cancelled out the growth posted in this area.
- sales in the rest of the world dropped by 1.2% to reach 70.3 million Euro, due to exchange effects despite the strong depreciation of some foreign currencies against the Euro that thus reduced growth at constant exchange rates.

Sales by geographic area	**2013**	**2012**	**Change**	**% Change**
Europe (including Italy)	263,0	266,8	(3,8)	-1,4%
America	25,7	26,0	(0,3)	-1,1%
Rest of the world	70,3	69,5	0,9	1,2%
Total	**359,0**	**362,2**	**(3,2)**	**-0,9%**
Other income	6,3	5,8	0,5	8,6%
Consolidated revenue	**365,3**	**368,1**	**(2,8)**	**-0,7%**

Consolidated Group revenue by business division

The following table summarised the main results of the two divisions in 2013 and 2012 in millions of Euro:

	PRODUCTION AND SERVICE REVENUES			**GROSS OPERATING MARGIN**			**OPERATING INCOME**		
Group divisions	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**
Wholesale production and distribution	219,6	218,6	0,5%	22,0	30,0	-26,5%	17,9	25,7	-30,4%
Retail distribution	155,9	159,7	-2,4%	7,2	3,6	100,1%	-1,1	-5,5	-79,5%
Infragroup alienations	-10,2	-10,2	0,0%	-0,9	-0,7	28,5%	-5,4	-5,1	5,9%
Total	**365,3**	**368,1**	-0,8%	**28,3**	**32,9**	-14,0%	**11,4**	**15,1**	-24,6%

Wholesale production and sales

Wholesale division production and sales confirmed the excellent bill of health consolidating the position achieved in 2012 and thus matching the division's record sales level. Division sales increased by 0.5% reaching 219.6 million Euro compared to the 218.6 million Euro posted in 2012. Despite the strong growth posted in various markets at the beginning of the year, the combined effect of the depreciated Turkish Lira, Brazilian Real and Japanese Yen, with the consequent reduction in sales in these markets, and decline in some markets in the Middle and Far East, partially compensated this positive trend limiting it to a marginal increase. At constant exchange rates, sales increased by 3.7%.

Retail sales

As of December 31, 2013, the Group's Retail division was made up of the following points of sale:

	Brand stores			Franchises		
	2013	2012	Change	2013	2012	Change
General Optica	199	199	0	49	43	6
Opmar Optik	51	41	10	0	0	0
Boots Opticians*	417	419	-2	182	187	-5
Total	**667**	**659**	**8**	**231**	**230**	**1**

* from 4 May 2009 includes Dollond & Aitchison and Boots Opticians brand stores which from such date do not fall within the Group's consolidation perimeter.

The Group's retail distribution chain store network is made up of: General Optica, the main optical store chain on the Spanish market; Mais Optica, one of the main chains in Portugal; the Opmar Optik chain, one of the main chains in Turkey; Boots Optical Investment Holdings Limited, the second largest optical store chain on the British market in which the De Rigo Group only holds 42% of share capital following the transfer of the Dollond & Aitchison business in 2009.

Retail sales, for General Optica, Mais Optica and Opmar Optik alone, were posted at 155.9 million Euro with a 2.7% drop from the 159.7 million Euro posted in 2012. At constant exchange rates, sales dropped by 1.4%.

The difficult economic situation experienced by the Spanish economy required the activation of extraordinary measures to reduce General Optica operating costs given the high fixed cost structure burdening retail. Significant measures were taken during the year to reduce the weight of labour costs on reduced sales, reviewing sales policies and concluding negotiations to reorganise the entire supply chain at the beginning of 2014.

Opmar Optik continued its retail expansion policy on the Turkish market with the net opening of another 10 points of sale.

Consolidated costs

The main costs by nature inherent to business management experiences the following changes (as per balance sheet in thousands of Euro):

Description	2013	2012	Var. %
Personnel costs	105.234	108.509	-3,0%
Raw material, ancillary, consumables and goods costs adjusted by the change in inventory of raw materials, ancillary, consumables of the change in work in progress, partially finished and finised goods inventories	133.344	126.961	5,0%
Service costs	73.616	76.405	-3,7%
Rental costs	21.704	20.928	3,7%
Amortisation and depreciation	18.338	19.310	-5,0%
Risk allocation, other allocations and overhead costs	5.211	4.588	13,6%
TOTAL COST OF PRODUCTION ADJUSTED BY INVENTORY CHANGES	**357.446**	**356.701**	**0,2%**

Changes in operating costs by nature are due to:

Cost of labour: -3.0%, mainly due to the effects of the Spanish chain's reorganisation plan, partially compensated for by the increase in Turkish chain costs following the plan to open 10 points of sale.

Raw material purchase costs: +5.0%, mainly due to the higher sales volumes posted by the Wholesale division.

Service costs: -3.7%, as a consequence of the production internalisation process initiated in Italy with the incorporation of two production facilities in addition to the lower advertising investments in the Spanish chain, partially compensated for by the higher royalty costs for brand license use.

Leasing costs: +3.7%, mainly due to higher rent costs for new stores opened in Turkey.

Amortization, depreciation and writedowns: -5%, due to the completion of the amortisation cycle of some significant assets of both tangible and intangible nature.

Risk allocations, other allocations and miscellaneous overhead: 13,6%. The insignificant change in the amount is the result of offsets of various nature. The most significant is the risk conversion on marketing costs in costs actual sustained in the period.

During the year the Group entertained relations with the following associated parties:

Description	Financial receivables	Trade receivables	Other receivables	Financial payables	Other payables	Revenue	Costs	Fin. charges (income)
BASE 1	-	-	-	-	-	-	-	-
DE RIGO HOLDING SRL	-	-	-	1.193	-	-	-	-
DE RIGO IMMOBILIARE SRL	-	-	-	-	-	0	67	-
SEWON I.T.C. CO. LTD.	-	6.180	-	-	345	12.022	323	-
BOOTS EYEWEAR LIMITED	-	(6)	-	-	1	20	-	-
MARR INTERNATIONAL GROUP LTD.	-	794	-	-	14	602	0	-
Total	**-**	**6.968**	**-**	**1.193**	**360**	**12.644**	**390**	**-**

Payables to De Rigo Holding S.r.l. are of financial nature and consequent to a loan granted by the parent company. Payables and receivables to/from other associated companies are trade receivables.

Consolidated extraordinary and financial investment management

Extraordinary and financial management had a negative influence on net Group results by 6.8 million Euro compared to the positive contribution of 0.7 million Euro the previous year. This result is mainly the net result of the positive contribution of Boots Optical Investment Holding shares for 3.7 million Euro, the positive net exchange differences for approximately 500 thousand Euro, partially compensated by the negative contribution due to contingency reserves allocations due to non-current depreciation of the English retirement fund deficit for 4.1 million Euro and 1.1 million Euro for General Optica chain renovation costs.

The Group's net financial position, in thousands of Euro, at the end of the year was the following:

	2013	2012	Change
Bank deposits	22.997	28.283	(5.286)
Cash and cash equivalents	511	793	(282)
Treasury shares	-	-	-
Liquidity	23.508	29.076	(5.568)
Bonds and convertible bonds (current)	-	-	-
Loan payables to shareholders (current)	(1.193)	(2.043)	850
Bank payables (current)	(8.121)	(21.504)	13.383
Other investor payables (current)	(2)	(16)	14
Foreign payment advances	-	-	-
Short term loans	-	-	-
Short term financial payables	(9.316)	(23.563)	14.247
Net short term financial position	**14.192**	**5.513**	**8.679**
Bonds and convertible bonds (non current)	-	-	-
Loan payables to shareholders (non current)	-	-	-
Bank payables (non current)	(704)	(1.183)	479
Other investor payables (non current)	(25)	(11)	(14)
Foreign payment advances	-	-	-
Long term loans	-	-	-
Financial receivables	-	-	-
Net medium and long term financial position	(730)	(1.194)	464
Net financial position	**13.462**	**4.319**	**9.143**

At the end of 2013, the Group's net financial position was a positive 13.5 million Euro compared to the 4.3 million Euro posted the previous year. The improved financial position is due to cash flow generated by business managed for 13.7 million Euro compared to the 2.6 million Euro in the previous year, and to the reduction in working capital for 6.1 million Euro, despite the absorption caused by investments for 9.4 million Euro, in addition to the positive contribution of holding company dividends for 3.7 million Euro.

Following is the statement of assets and liabilities, reclassified to net invested capital, in thousands of Euro:

	2013	2012	Change
Trade receivables	73.768	81.225	(7.457)
Other receivables	44.027	44.303	(276)
Inventory	69.773	78.370	(8.597)
Short term non financial payables	(78.721)	(88.919)	10.198
A) Working capital	**108.846**	**114.979**	**(6.133)**
Net tangible and intangible assets	100.478	108.841	(8.363)
Financial assets	-	-	-
Shares	31.341	28.841	2.500
Medium and long term non financial receivables and payables	(34.707)	(34.230)	(477)
B) Net fixed assets	**97.112**	**103.452**	**(6.340)**
A+B = Net invested capital	**205.958**	**218.431**	**(12.473)**
C) Net financial indebtedness	**(13.462)**	**(4.319)**	**(9.143)**
Group share capital and reserves	216.428	209.026	7.402
Treasury shares	-	-	-
Third party share capital and reserves	1.114	4.512	(3.398)
Operating income	1.879	9.212	(7.333)
D) Net assets at the end of the year	**219.421**	**222.750**	**(3.329)**
C+D = Total net financial assets and payables (availability)	**205.958**	**218.431**	**(12.473)**

Investments for 8.4 million Euro compared to the 11.8 million Euro in the previous year mainly refer to the transfer of production activities carried out in the Limana factor to the Longarone factory; to investments in group computer systems; to renovations to some stores in Spain and Portugal and to the opening of some points of sale in Turkey.

The decrease in receivables in mainly due to the improved credit situation in Brazil, China and Spain, and the decrease in final inventories in De Rigo Vision thanks to the absorption of high stocks produced in 2012.

The main economic indicators are the following (amounts in millions of Euro):

Hedging ratio

The group has a positive net financial position.

Return on sales (ROS):

	2013	2012
Operating income	11,4	15,1
Sales	365,3	368,1
ROS %	**3,1%**	**4,1%**

Return on investment (ROI):

	2013	2012
Operating income	11,4	15,1
Net invested capital	206,0	218,4
ROI %	**5,5%**	**6,9%**

Return on equity (ROE):

	2013	2012
Income	1,9	9,2
Equity	218,3	218,2
ROE %	**0,9%**	**4,2%**

Consolidated taxes

The Group suffered 111.0% negative average tax rate effects compared to the 49.4% posted last year. This significant decline is partially due to the higher incidence of non-deductibles (and specifically purchase goodwill depreciation) combined with losses posted by some group company for which deferred taxes were prudently not posted.

The actual rate appears higher than the parent company's theoretic one of 31.4% mainly due to the non-deductible goodwill depreciation, the high taxable income for Irap purposes and other long-term non-deductibles as well as the deferred taxes not posted on losses generated by group companies.

Social, political and union conditions

Despite the market difficulties and difficult initiatives the Group had to undertake to limit costs (reduction in General Optic staff and Italian production facility reorganisation), no episodes of union strife or conflicts between worker groups occurred, which allowed for harmonious business growth in the Group's operating environments.

Information on personnel

Average group workforce as of December 31, 2013 and 2012, divided by category and in equivalent full-time units, is summarised in the table below:

Workforce	2013	2012	Change
Senior managers	47	49	-2
Head quarters and store staff	2.029	2.023	6
Factory workers	749	754	-5
Other	101	98	3
Total	**2.926**	**2.924**	**2**

Other information

Pursuant to article 2428 section II, please note that:

Research and development

The Group has always invested in adjusting its production process to the most advanced technological standards. The limited new technological features introduced on the market in recent times did not require significant industrial investments.

IT investments always play an important role in our Group. IT system renewal was extended to other Group companies who currently work with a centralized SAP system. Improvements to sales force computerization in the countries in which the Group directly operates were limited in 2013.

The research, development and innovation project was initiated in 2010 called: “Industry 2015 – New technologies for “Made in Italy” – From District to Chain: Eyewear and industrial innovation” Area Objective B with Project Number MI00153. The goal of the project is to create a platform to integrate chains that operate on the technical and management end of companies and that promotes the competitive and technological development of Italian eyewear companies.

The intensive research and development activities in the production sphere did not require any cost capitalisation since it mostly referred to single product models, for which the utility was limited to the model production period and is generally concentrated within a period less than one year, or to fine-tuning systems and machinery for which these activities are outsourced and included in asset purchase costs.

Information pursuant to Art. 2428, paragraph 2, point 6-bis, Civil Code

As per Italian Civil Code art. 2428, comma 2, point 6-bis, information on the use of financial instruments is provided below since significant for equity and financial assessments.
Management has set to goal of covering business risks using any existent and economically convenient instrument so that exchange risks, rates and prices can be expertly managed. Where risks can be covered by insurance, the Group took out the necessary policies. As for exchange risks, the company currently covers its exchange surplus/deficit to minimize the economic effects.

In particular:

Credit risk

The credit risk due to normal Group operations with trade partners is managed and controlled under customer credit standing calculation and monitoring. Credit management is coordinated through budgets and periodic meetings concerning all Group companies.

The amount and accounting policies of Doubtful receivables at balance sheet date are explained in the Explanatory Notes. To date, any significant concentrations of credit risks were monitored and, if necessary, allocated to specific doubtful receivables.

Liquidity risk

Most Group receivables are current. Except for some receivables whose delayed collection were deemed an indicator of potential insolvents and for which the Group allocated the amount of the relevant risk. The Group does not believe it has significant exposures that could compromise its liquidity capacity.

Furthermore, please note that:

- there are indebtedness instruments or other lines of credit to meet liquidity needs;

- the Group has financial assets for which there is no liquid market but from which financial flows are expected (capital or interest) that will be available to meet liquidity needs;

- there are different loan sources;

- there is no major liquidity risk either on the side of the financial activities nor on that of financing sources.

Market risk

Below, we would provide you with a sensitivity indication as of the year end, indicating the effects of possible variations on the economic account in relation to the relevant risk variables, for each of the following components:

- **Rate risk:** the Group has a rate risk exposure due to the loan taken out with credit institutions. Since this loan is index-linked to the Euribor rate, any oscillation of this rate causes a positive or negative impact on the income statement. Management believes that risk exposure is marginal compared to the amount of generated business.

- **Exchange rate risks:** the Group trades (goods purchases and sales) in currencies other than the Euro (mainly USD, GB pound, Brazilian Real, Turkish Lira and Japanese Yen). The exchange rate risk coverage policy thus aims to minimize the differences generated between budgeted rates and the one at purchase or sales date in foreign currency (collection or payment). Derivative instruments used by the company to cover exchange risks are mainly options and term contracts.

- **Price risk**: there are few raw materials used by the company whose prices have historically posted significant changes. These changes do not have significant effects on the income statement.

Information on the environment

The Group has always operated in accordance with environmental regulations, taking all the necessary measures to adjust its production standards to that set by pertinent regulations.