

Company Register of
Belluno no. 00240790253
Rea 52081

DE RIGO S.p.A.

Registered office in Zona Industriale Villanova, 12 - 32013 Longarone (BL)
Share capital € 10,968,535.24 i.v.

Management report of the financial statements and consolidated financial statements as at 31/12/2024

In implementation of the provisions of Legislative Decree no. 32 of 2 February 2007, art. 1 point c), the company avails itself of the option to present the consolidated management report and the company management report in a single document, included within the file of the consolidated financial statements, giving greater prominence, where appropriate, to matters that are relevant to all the companies included in the consolidation.

Therefore, this Consolidated Management Report also contains all the information required by Article 2428 of the Italian Civil Code, with reference to the financial statements of De Rigo S.p.A..

Corporate Bodies

The parent company's Board of Directors consists of 5 members:

Ennio De Rigo Piter	Chairman
Emiliana De Meio	Deputy Chairman
Massimo De Rigo Piter	Deputy Chairman with delegation of powers
Maurizio Dessolis	Deputy Chairman with delegation of powers
Michele Araci	Managing Director

The Board of Directors remains in office until the approval of the financial statements as at 31/12/2026.

By resolution of 03 June 2024, the Chairman assumes the broadest powers of ordinary and extraordinary administration, while Vice Chairmen Massimo De Rigo Piter and Maurizio Dessolis and Managing Director Michele Araci have powers limited to ordinary administration.

The Board of Statutory Auditors consists of three regular members and two alternates:

Paolo Giosuè Bifulco	Statutory Auditor
Alessandro Bampo	Statutory Auditor
Gianfilippo Cattelan	Statutory Auditor
Federica Monti	Deputy Auditor
Stefano Lodolo	Deputy Auditor

The Board of Statutory Auditors remains in office until the approval of the financial statements as at 31/12/2024.

Group operational structure



Shareholders

As at 31 December 2024, the shareholding structure of De Rigo S.p.A. consisted of:

De Rigo Holding S.p.A.	97,84%
Ennio De Rigo Piter	2,06%
Others	0,10%

As at 31 December 2024, the securities of De Rigo S.p.A. consisted only of ordinary shares not listed on an official market.

At the balance sheet date, De Rigo S.p.A. did not hold any treasury shares.
The subsidiaries do not directly or indirectly hold shares of the parent company.

Operating conditions and business development

Dear Shareholders,

The results for 2024 confirmed the group's consolidated position among the global leaders in the sector, having been able to benefit from the long-term growth that the world of eyewear continues to show. The trend seen in recent years and the positive outlook lead us to forecast medium-term growth in the sector of more than 3% globally.

In 2024, macroeconomic and geopolitical events dominated in determining the direction of international markets.

Although we had a strong first quarter, characterised by a remarkable fluidity of our sales in all international markets, the year continued under the banner of a gradual deterioration in operating conditions. After an initial slowdown linked to the recession in the German market and the consequent slowdown in some neighbouring markets, the remaining European countries and the United States gradually showed increasing weakness. However, the Asian markets, primarily China and Japan, remained stable.

The strong growth that the group had recorded in the first quarter was thus gradually slowed down, allowing us to close the year with a positive sign.

Despite the changing economic environment, the group progressed, and in some cases completed, the transformational projects initiated in the previous financial year or in the early months of 2024, in particular with regard to the expansion of the Longarone logistics centre and the enhancement of the IT infrastructure to support both wholesale and retail business.

In July 2024, the final step of the transfer of the Rodenstock Eyewear business unit was completed. Following this completion, the activities of some new sales agencies were started to support the marketing activities in some European markets.

Our Retail division also recorded a significant increase in sales in all three markets in which it operates (Spain, Portugal and Turkey).

Macroeconomic Framework

The European economic scenario, after a few quarters of moderate growth, closed the year 2024 unfortunately still in stagnation.

The Gross Domestic Product (GDP) of the Eurozone in 2024 recorded a growth of 1.0% (EU 27) compared to +0.4% in 2023, but showed an abrupt slowdown with almost no growth in the latter part of the year. The economic environment is suffering from the impact of inflation, which is not yet fully under control, the trade war launched by the new US administration, the dynamics of the Chinese economy, which is struggling more than expected to get back on track, as well as geopolitical tensions linked to conflicts fought not far from its borders.

As regards the dynamics of the labour market, the European unemployment rate, despite the less than optimal state of the economy, was substantially stable, dropping to 5.8% (EU-27) at the end of 2024 from 6.0% (EU-27) recorded at the end of 2023 (Eurostat data).

According to economic analysts, the year-end numbers do not point to a particularly rosy economic outlook for the Eurozone.

GDP growth in the EUROzone, which at year-end was estimated at around 1.3% for 2025 and 1.5% for 2026, was recently revised downwards by around 0.3% for both years.

The recent steps taken by the Trump government regarding tariffs for those exporting to the US are triggering a further spiral of economic contraction that will not be long in manifesting itself in a potential drop in consumption outside the US market as well. The potential US stagflation scenario could lead to an onset of recession in several exporting countries, unless an international trade agreement is reached that removes the announced barriers.

Analysis of the Group's Consolidated Financial and Economic Situation

Consolidated Group Profit and Loss Account

Based on the reclassified Profit and Loss Account, reproduced below, consolidated sales for the financial year 2024 amounted to EUR 538.3 million compared to EUR 502.5 million in 2023 (+ 7.1%). At constant exchange rates, the increase over 2023 sales would have been + 10.3%.

Turnover in the *Wholesale* division increased by 6.4% to 293.5 million Euro from 275.7 million Euro realised in 2023. At constant exchange rates, the growth in sales compared to 2023 would have been 8.1%. Sales in the *Retail* division increased by 7.2% to EUR 260.1 million from EUR 242.7 million in 2023. At constant exchange rates, the growth in sales compared to 2023 would have been 12.2%.

EBITDA, calculated by adding the depreciation and amortisation for the period to the operating profit, increased by 11.6% to €45.3 million from €40.6 million in 2023 and represented 8.4% of sales. The improvement in EBITDA is related to the increase in sales (both *Retail* and *Wholesale*) to the more favourable sales mix, in particular due to the significant growth of brands in the premium segment and some licences that marked new milestones and the significant contribution of some cost containment initiatives particularly in the retail division.

Operating profit was EUR 34.9 million, up from EUR 30.9 million in 2023, and represented 6.5% of sales, compared to 6.1% in the previous year.

Extraordinary and financial operations made a positive contribution of €9.6m, up from the €5.4m contribution in 2023. In particular, the main phenomena can be grouped into:

- (i) Net financial expenses increased compared to the previous year as they relate to a full year interest on the €60m syndicated loan to support the shareholder reorganisation that took place in 2023.
- (ii) In 2024, the Boots Opticians chain distributed a dividend in favour of the group in the amount of €12.3 million while in 2023 the dividend had amounted to €6.2 million.
- (iii) During 2024, the investee European Vision Limited carried out a number of property sales transactions, achieving a capital gain on disposal in the amount of EUR 3.5 million.
- iv) The net impact of foreign exchange losses was EUR (2.6) million, compared to a loss of EUR (2.8) million in 2023.

The final result is a net profit of EUR 36.9 million, compared to the profit of EUR 31.3 million realised in 2023.

As of 31 December 2024, the De Rigo Group's net financial position was positive and amounted to EUR 32.9 million, and a strong improvement from the negative balance of EUR (4.7) million recorded as of 31 December 2023, mainly due to the retail division's ability to generate cash, improving the division's cash and cash equivalents by EUR 28.6 million.

At 31 December 2024, the Group's UK pension fund was in surplus of €9.5m, an improvement from the surplus of €4.2m recorded at 31 December 2023. Despite this, this benefit is not reflected in the consolidated income statement as there is no certainty that any surplus can be repaid to the group and in any case only at the end of the period of completion of the payment of pension liabilities.

The key figures of the economic activity are shown in the consolidated profit and loss account (in thousands of Euro), reclassified in order to facilitate the reading of management facts:

	2024	2023	Var. %
NET SALES REVENUE	538.264	502.528	7,1%
Cost of product sold	(221.014)	(207.977)	6,3%
GROSS PROFIT	317.250	294.551	7,7%
Advertising and promotion costs	(40.266)	(35.832)	12,4%
Selling costs	(201.630)	(188.768)	6,8%
General and administrative costs	(40.423)	(39.055)	3,5%
OPERATING COSTS	(282.319)	(263.655)	7,1%
OPERATING PROFIT	34.931	30.896	13,1%
Interest income	2.087	1.720	21,3%
Interest expenses	(4.578)	(3.404)	34,5%
Other extraordinary income and expenses	12.137	7.124	70,4%
OTHER INCOME (EXPENSES)	9.646	5.440	77,3%
PROFIT BEFORE TAXES	44.577	36.336	22,7%
TAXES FOR THE YEAR	(7.638)	(4.859)	57,2%
NET PROFIT/LOSS BEFORE MINORITY INTERESTS	36.939	31.477	17,4%
MINORITY INTERESTS	(59)	(201)	-70,5%
NET PROFIT	36.880	31.276	17,9%

In order to provide a clearer presentation of the operating result, the effect of non-recurring and extraordinary costs and revenues realised during the year and related to the defined-benefit pension fund, non-consolidated participations, extraordinary write-downs of participations as a result of the Impairment Test, as well as the usual impact of exchange rate fluctuations, has been isolated in the income statement.

Consolidated Group Revenues by Geographical Area

The Group achieved the following results by geographic area:

- sales in Europe amounted to Euro 408.1 million, an improvement of 6.0%. All major markets were positive or stable compared to the previous year with the exception of the UK and Croatia, which showed a slight decline. The highest growth was recorded in Turkey, Germany and Greece.
- Turnover in the Americas increased by 17.8% to EUR 67.7 million compared to EUR 57.4 million in 2023 due to the growth achieved in the United States of America and Brazil. At constant exchange rates 2023 sales in this region would have amounted to Euro 69 million.
- Sales in the rest of the world dropped by 0.6% to EUR 52.4 million, mainly due to the decline in the Middle East market. At constant exchange rates, sales in the rest of the world would have amounted to Euro 53.7 million, an increase of 1.4% compared to 2023; the currencies that most impacted sales in this region were the Japanese Yen.
- Other revenues mainly represent royalties collected by the group on licences granted to third parties on the Police brand in categories other than eyewear. In addition, 2024 the Rodenstock contribution is counted for a full year, whereas in 2023 it was only counted for half, which leads to an increase in other revenues of €600,000. Finally, in 2024 it was necessary to release EUR 1.5 million from the bad debt provision against the new estimates.

Sales by Geographical Area	2024	2023	Change	Change %
Europe (incl. Italy)	408,1	385,0	23,1	6,0%
America	67,7	57,4	10,3	17,8%
Rest of the world	52,4	52,7	(0,3)	-0,6%
Total	528,2	495,1	33,1	6,7%
Other income	10,1	7,4	2,7	36,0%
Consolidated revenues	538,3	502,5	35,8	7,1%

Consolidated Group revenue by business division

The following table summarises the main results of the two divisions in 2024 and 2023 in millions of Euro:

Group divisions	REVENUE FROM PRODUCTION AND SERVICES			GROSS OPERATING MARGIN			OPERATING PROFIT		
	2024	2023	Change %	2024	2023	Variation %	2024	2023	Variation %
Production and wholesale distribution	293,5	275,7	6,4%	18,8	20,2	-6,7%	15,7	17,3	-9,2%
Retail distribution	260,1	242,7	7,2%	27,1	20,8	30,3%	19,8	14,0	41,3%
<i>Intra-group eliminations</i>	-15,3	-15,9	-3,8%	-0,6	-0,4	83,1%	-0,6	-0,4	34,0%
Total	538,3	502,5	7,1%	45,3	40,6	11,6%	34,9	30,9	13,1%

Production and Wholesale

Turnover in the *Wholesale* division increased by 6.4% to 293.5 million Euro, compared to 275.7 million Euro in 2023. Many markets in the division remained stable compared to the previous year, while the markets that continued to grow in 2024 were mainly Turkey, the USA, Germany and Brazil.

The Vista collections recorded a year-on-year increase in sales value of 7.4 %, while Sun sales showed a positive change of 1 %. The brands that showed more success in 2024 than in 2023 were Porsche Design, Chopard, Zadig & Voltaire, Escada and Rodenstock.

Sales of the proprietary brands were stable compared to 2023, with the exception of the Sting brand, which, thanks to its rebranding to IN - inspired by Sting, showed sustained growth during the year, marking an increase of 31% over the previous year.

Retail

The Group's *Retail* network as at 31 December 2024 consisted of the following shops:

	Owned shops			Franchised shops			Total		
	2024	2023	Change	2024	2023	Change	2024	2023	Variaz.
General Optica	227	231	-4	97	90	7	324	321	3
Opmar Optik	67	67	0	0	0	0	67	67	0
Boots Opticians*	373	373	0	164	167	-3	537	540	-3
Total	667	671	-4	261	257	4	928	928	0

The Group's chain shop network consists of: *General Optica*, the main chain of optical shops in the Spanish market and also owner of the *Mais Optica* brand, one of the leading chains in Portugal; the *Opmar Optik* chain, Turkey's second largest retailer; *Boots Optical Investment Holdings Limited*, the second largest chain of optical shops in the UK market in which the Group holds a 42% stake and is indirectly consolidated using the equity method.

Revenues of the retail division amounted to EUR 260.1 million, a positive change of 7.2% compared to EUR 242.7 million in 2023. At constant exchange rates, the Retail division's revenue would have been higher by approximately EUR 12.1 million (12.2% compared to 2023) due to the devaluation of the Turkish lira.

Consolidated costs

The main costs by nature related to operating activities show the following changes (as per the financial statements in thousands of Euro)

Description	2024	2023	Var. %
Personnel costs	160.324	148.223	8,2%
Cost of raw materials, consumables and goods for resale adjusted for changes in inventories of raw materials, consumables and goods for resale adjusted for changes in inventories of work in progress, semi-finished and finished goods	193.665	179.095	8,1%
Cost of services	105.594	98.090	7,6%
Cost for use of third party assets	32.852	30.972	6,1%
Depreciation and write-downs	11.152	12.816	-13,0%
Provisions for risks, other provisions and miscellaneous operating expenses	6.406	8.808	-27,3%
TOTAL COST OF PRODUCTION ADJUSTED FOR INVENTORY CHANGES	509.992	478.004	6,7%

Changes in operating costs by nature are due to:

Labour costs: + 8.2% mainly due to the integration of personnel transferred in mid-2023 as a result of the acquisition of Rodenstock's eyewear division. In 2024, the labour costs of these personnel are fully accounted for in the year while in 2023 only for 6 months. In addition, due to the devaluation of the Turkish lira in recent years, employment contracts in the group's Turkish subsidiaries have been revalued to adjust for rising inflation.

Purchase costs for raw materials and change in inventories: + 8.1% reflects the increase in sales volumes, although partially offset by lower purchase costs.

Costs for services: + 7.6%, the increase in costs for services is mostly related to the increase in royalties paid for licensed trademarks for €2.5 million and to higher costs incurred to make investments in the marketing area for €2.9 million and in the IT area for €0.8 million.

Lease and rental costs: + 6.1%, mainly related to the increase in rents caused by high inflation.

Depreciation, amortisation and impairment: -13.0%, the decrease compared to last year is mainly due to the high provision in 2023 for impairment provision of loss-making shops made in the company General Optica S.A. In addition, in the same year a significant provision was made for bad debts, which was partially exceeded this year as a result of new estimates.

Provisions for risks, other provisions and miscellaneous operating expenses: -27.3% the decrease was due to a release of provisions by the retail company General Optica for shops closed in 2024. This release, amounting to EUR 463,000, compares with a provision of EUR 1 million in 2023. In addition, in 2023, the subsidiary De Rigo Brasil had set aside a provision of EUR 474,000 for legal expenses. However, no amount had to be set aside in 2024.

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

Description	Financial receivable s	Trade receivables	Other receivable s	Financia l payable s	Other payable s	Revenues	Costs	Charges (Income) Fin.
De Rigo Real Estate	-	11	-	-	-	11	67	-
De Rigo Refrigeration Srl	-	1	-	-	-	2	-	-
Amsterdam Properties S.L.	-	-	0	-	-	-	244	-
BOOTS OPTICIANS*	-	569	8.113	-	-	(2.050)	60	-
Total	-	580	8.113	-	-	(2.037)	371	-

* The Boots Opticians chain has an agreement with the company BBGR Ltd. for the supply, fitting of lenses and logistics management. As a result of this agreement, De Rigo Vision invoices the majority of orders received from the Boots Opticians chain to the company BBGR Ltd. which, once it has provided the required service, in turn invoices the Boots Opticians chain. Therefore, in order to provide a fairer representation for the reader, the items towards the company BBGR have been aggregated with those of Boots Opticians.

Due to litigation initiated with the company in 2018, the group does not consider the Sewon I.T.C. company "as an associate". Company against which it has a receivable of Euro 3,990 thousand, which was fully written off in 2019.

The Group has some tax disputes in various countries.

Some Italian companies during the periods 2013, 2017 and 2020-2021 have been subjected by the Agenzia delle Entrate - Direzione Regionale del Veneto to inspections on the tax years 2008 - 2011, 2012 - 2014 and 2015 - 2017 resulting in the issuance of notices of assessment for a total value of increased taxable income, mostly deriving from Transfer Pricing disputes, of approximately Euro 9.4 million.

The Group, believing that it has always acted correctly and in full compliance with the regulations in force, filed an appeal against each of the notices of assessment received with the competent Tax Commission and also proceeded to initiate at the International Relations Department - Finance Department of the Ministry of Economy and Finance distinct mutual agreement procedures, mainly towards EU countries under the existing double taxation agreements ("MAP").

As a result of the MAP agreements concluded by the Italian Revenue Agency's Office for Preventive Agreements and International Disputes, the number of disputes still to be settled for increased taxable income decreased to a total value of about €3.3 million.

The Group, in pursuing its defence strategy in the area of Transfer Pricing, during the three-year period 2017 - 2019 has also filed petitions for the activation of Preventive Agreements on a bilateral basis ("BAPA") Italy respectively towards Spain, France and Germany where its most relevant European subsidiaries are located.

The Group believes that the provision for risks recorded at 31/12/2024 is adequate to cover any liabilities and expenses that may arise in tax matters.

Consolidated non-recurring, financial and investment management

Non-recurring and financial operations made a positive contribution of €9.6 million compared to €5.4 million in the previous year.

This change was mainly related to the investee European Vision Limited, which carried out real estate sales transactions and realised a gain on disposal of €3.5 million.

The negative impact of the net foreign exchange result was a loss of €(2.6) million compared to a net loss of €(2.8) million in 2023.

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

	2024	2023	Change
Bank deposits	87.483	55.632	31.851
Cash and other valuables on hand	566	625	(59)
Cash and cash equivalents	88.050	56.257	31.793
Financial receivables from parent company	-	-	-
Receivables (payables) from shareholders for loans (within 12 months)	0	0	-
Due to banks (within 12 months)	(8.797)	(5.180)	(3.617)
Receivables (payables) from other financiers (within 12 months)	(1)	(36)	34
Advances for foreign payments	-	-	-
Short-term portion of loans	-	-	-
Short-term financial receivables (payables)	(8.799)	(5.216)	(3.583)
Net short-term financial position	79.251	51.041	28.210
Bonds and convertible bonds (over 12 months)	-	-	-
Payables to shareholders for financing (beyond 12 months)	-	-	-
Payables to banks (beyond 12 months)	(46.082)	(55.500)	9.418
Payables to other financial institutions (beyond 12 months)	(318)	(289)	(28)
Advances for foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	0	0	-
Medium- and long-term net financial position	(46.400)	(55.789)	9.390
Net financial position	32.851	(4.748)	37.599

At the end of 2024, the Group's net financial position was positive at EUR 32.9 million, an improvement from the negative balance of (4.7) million in the previous year. Operations generated a positive cash flow of EUR 47.4 million in 2024, up from EUR 42.4 million in 2023, while working capital management generated resources of EUR 10.1 million compared to an absorption of EUR (15.9) million in the previous year. The group made capital expenditure of EUR 12.5 million, compared to EUR 14.5 million in the previous year, mainly for the renovation of existing shops and the upgrading of the group's information systems. In the same period, the group made disposals of fixed assets worth EUR 5.2 million.

During the year, the group received dividends from the subsidiary Boots Opticians in the amount of EUR 12.3 million, compared to EUR 6.2 million in the previous year. In the same year, contributions of EUR 2.7 million were paid to the UK pension fund, while in 2023 the contribution paid amounted to EUR 28.4 million.

In 2024, the first capital instalment of the syndicated loan taken out in 2023 was repaid by the parent company De Rigo SpA, in the amount of €4.5 million.

The reclassified balance sheet with net invested capital is shown below, in thousands of Euro:

	2024	2023	Change
Trade receivables	71.746	69.290	2.456
Other receivables	50.946	58.177	(7.231)
Inventories	109.416	117.434	(8.018)
Short-term non-financial payables	(114.220)	(121.076)	6.856
A) Working capital	117.888	123.825	(5.937)
Net tangible and intangible fixed assets	69.295	69.131	164
Financial fixed assets	307	207	100
Equity investments	29.078	27.798	1.280
Medium- and long-term non-financial provisions and payables	(54.863)	(58.879)	4.016
B) Net fixed assets	43.817	38.257	5.560
A+B = Net invested capital	161.705	162.082	(377)
C) Net financial debt	(32.851)	4.748	(37.599)
Group opening shareholders' equity	158.451	125.071	33.380
Treasury shares	-	-	-
Capital and reserves of third parties	1.070	988	82
Group profit for the year	35.035	31.275	3.760
D) Net assets at year-end	194.556	157.334	37.222
C+D = Total Financial Payables (Availabilities) and Shareholders' Equity	161.705	162.082	(377)

Trade receivables increased compared to the previous year mainly due to the increase in sales recorded during 2024.

During the year, inventories decreased by EUR 8 million. This decrease is due to a more efficient procurement policy than in previous years as well as a gradual slowdown in orders in the latter part of the year that impacted inventory planning.

The decrease in short-term non-financial payables is mainly due to the decrease in tax payables in the amount of EUR 5.8 million.

Sundry receivables decreased mainly due to the utilisation of tax credits related to VAT by the production company of the De Rigo Vision SpA group, which, operating with important import and export volumes, had accumulated credits of EUR 4.3 million in 2023, which were subsequently used in offsetting during 2024 for about EUR 2 million. Lastly, sundry receivables include receivables from companies related to the Boots Opticians Group, and in particular the receivable due to the subsidiary European Vision LTD on the recovery of tax credits thanks to the British Consortium tax relief mechanism.

The main economic indicators are as follows (amounts in millions of Euro):

Debt coverage ratio

	2024	2023
Net Financial Position	32,9	(4,7)
EBITDA	45,3	40,6
Debt coverage ratio	NFP positive	0,12

In 2024, the Net Financial Position was positive by EUR 32.9 million. This change is mainly related to the dividend received from the associate Boots Optical Investment Holdings Ltd in the amount of EUR 12.3 million and thanks mainly to the result of the retail division, the group's cash and cash equivalents increased by EUR 31.8 million compared to the previous year.

Return on sales (ROS):

	2024	2023
Operating profit	34,9	30,9
Turnover	538,6	502,5
ROS %	6,5%	6,1%

Return on investment (ROI)

	2024	2023
Operating profit	34,9	30,9
Net invested capital	161,7	162,1
ROI %	21,6%	19,1%

Return on Equity (ROE)

	2024	2023
Net profit	36,9	31,3
Equity capital	193,5	156,3
ROE %	19,1%	20,0%

Consolidated Taxation

The Group recorded an average effective tax rate of 4.9% compared to 13.4% in the previous year. For further information, please refer to the notes to the financial statements.

Social, political and trade union climate

During 2024, the group carried out reorganisation measures in both the Italian company De Rigo Vision S.p.A. and its German and American subsidiaries. As a result of the plan to accompany retirement, the workforce of the companies in the wholesale division saw a reduction of about 70 employees, partly replaced by new hires as a result of the normal activity of selecting and hiring new employees to cope with the increased level of operational activity and staff turnover.

The difficult availability of the profiles needed by the group to fill vacant positions, together with inflationary tensions, will certainly cause increases in labour costs in future years.

Personnel Information

The Group's average workforce as at 31 December 2024 and 2023, broken down by category and in full-time equivalent units, is summarised in the table below:

	2024	2023	Changes
Executives	45	47	(2)
Clerks	2,574	2,468	106
Workers	527	555	(28)
Other	214	185	29
Total personnel	3,360	3,255	105

Other information

Pursuant to Article 2428 Paragraph II it is noted that:

Research and Development Activities

With the increased complexity of the managed brand portfolio, the group has structured itself with 4 design and product development centres in Italy, Germany, the United States and Japan, increasing the resources to support product research and development.

IT investments always play a very important role in our Group. Continuous investments and adaptations allow the Group to operate in most markets with a centralised SAP system.

The Group has always invested in adapting its production processes to the most advanced technological standards. However, the limited technological innovations that have appeared on the market in recent times and the stability of the processes carried out in the Group's factories have not determined the need for significant industrial investments.

The intense research and development activity in the production area has not led to any capitalisation of costs, as they mostly refer to individual product models, for which the usefulness is limited to the period of production of the model and is generally concentrated in a period of less than a year, or to improvements to plant and machinery for which these activities are carried out outside the company and included in the purchase cost of the asset. The Group has not capitalised internal costs for the development and adaptation of information systems.

Information Pursuant to 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 on the use of financial instruments is provided below, insofar as relevant to the evaluation of the balance sheet and financial situation.

The company management has set itself the goal of hedging corporate risks by using any existing, economically viable instrument, so that exchange rate, interest rate and price risks can be consciously managed. Where risks can be covered with insurance formulas, the Group has taken steps to take out the necessary policies. As far as exchange rate risk is concerned, the company currently hedges its currency surpluses/deficits so as to minimise the economic effect.

In particular:

Credit risk

The credit risk arising from the Group's normal operations with commercial counterparties is managed and controlled as part of the procedures for granting credit and monitoring the credit standing of customers. *Credit management* activities are coordinated through reporting and periodic meetings concerning all Group companies.

The amount and evaluation criteria of the bad debt provision at the balance sheet date are explained in the notes to the financial statements.

At the balance sheet date, any significant concentrations of credit risk were monitored and adequate allowances for bad debts were made, where appropriate. However, the past pandemic emergency situation has created an economic environment of complex predictability, making the assessments expressed in the financial statements vulnerable. The Group has accentuated the monitoring of receivables with a view to anticipating states of insolvency that may become visible as a result of this emergency.

At the date of approval of the financial statements, the Group noted a situation of normality on the part of its customers in meeting contractual payment terms. This has not led to a significant increase in the level of risk. It cannot, however, be ruled out that the continuation of an inflationary situation, with high interest rates and the possible extended effects of the Russian-Ukrainian crisis, could lead to a higher rate of insolvency of the Group's customers than that considered in the assessments made by the management in order to provide the company with adequate resources to cope with late or even non-payment.

Over the last two years, the group has made greater use of credit insurance policies for its customers with the intention of mitigating any impact when significant insolvencies occur.

Liquidity and cash flow risk

Most of the Group's receivables are due in the short term. With the exception of a few receivables for which the delay in collection has been judged as an indicator of potential insolvency and for which the Group has already allocated the amount of the relevant risk. At year-end, the Group does not believe it had any significant exposures that would compromise its ability to liquidate.

In addition, it should be noted that:

- there are debt instruments or other credit lines to meet liquidity needs;
- there are different sources of financing;
- there are no significant concentrations of liquidity risk either on the financial assets side or on the funding sources side.

Following the possible recurrence of the effects of the Covid-19 pandemic, it cannot be excluded that the liquidity impacts on the Group's operations could be significant.

Market Risk

An indication of sensitivity at the reporting date is provided below, indicating the effects of possible changes on the income statement in relation to the relevant risk variables, for each of the following components

- interest rate risk: the Group has an exposure to interest rate risk arising from the limited financial debt taken on with credit institutions. Since this debt is indexed to the Euribor rate, any fluctuation of this rate determines a positive or negative impact on the income statement. Management believes that the exposure to risk is marginal compared to the amount of business generated.
- exchange rate risk (or currency risk): the Group carries out commercial transactions (purchases and sales of goods) in currencies other than the Euro (mainly US Dollar, British Pound Sterling, Brazilian Real, Turkish Lira, Chinese Renminbi and Japanese Yen). The objective of the exchange rate risk hedging policy is therefore to minimise the differences generated between the budget exchange rate and the financial settlement rate of commercial transactions for the purchase or sale of goods and services in foreign currencies (collection or payment). Sudden devaluations may, however, affect foreign currency balances not hedged against the risk of exchange rate fluctuations, particularly in those countries where the cost of hedging makes it difficult to set up a continuous exchange rate risk hedging policy. The derivative instruments used by the company to hedge exchange rate risk are mainly options and forward contracts.
- The price risk: there are few raw materials used by the company whose prices have historically shown significant variations. These variations do not have a significant impact on the income statement.
- the commercial risk: the inflationary tensions manifested in various markets, together with the increase in interest rates has had a direct impact on the level of consumption in various markets. The continuation of these effects for a period of several months will necessarily have a strong impact on the consumption of the products distributed by our group, determining both a reduction in the need to purchase with the consequent lengthening of the repurchase period, and a drop in volumes due to the objective difficulty in reaching points of sale during the period of application of these regulations.

Environmental disclosure

The Group has always operated in compliance with environmental regulations, implementing all the necessary actions to adapt its production standards to what is required by regulations in this regard. In particular, new eco materials have been introduced in the production process, such as bioplastics, recycled polymers and bio-based materials. Recycled materials and polymers of natural origin have also been adopted for packaging.

Attention to the environment has also resulted in an improvement in separate waste collection by increasing the type of waste collected separately and reducing the weight of undifferentiated waste.

Finally, it should be noted that thanks to the plant's photovoltaic system, it has been possible to improve energy consumption, self-producing it by improving efficiency and monitoring its use. As a result of this, important targets for the reduction of CO2 emissions were achieved.

Significant events occurring after the end of the financial year and business outlook

In the early months of 2025, the positive trend in sales continued to show signs of slowing down, particularly due to the increased turbulence created in the markets by the Trump government's actions. These are in addition to the unresolved crisis caused by the two ongoing conflicts in Ukraine and Israel, which continue to keep retailers' buying decisions on the up and up. Gradually but steadily improving is the Asian market where both tourist flows and local markets are proving much more responsive than the European continent.

The reduction in interest rates in the last months of 2024 had no major impact in changing the trend in the value of pension liabilities. The current level of rates together with the extraordinary payments of contributions made by the group, allowed not only the deficit to be reduced to zero, but even the creation of a surplus of financial assets over the needs to be allocated to the payment of future pensions.

During the year, the initiatives necessary to integrate the Rodenstock Group's Eyewear Division continued, enabling the Group to benefit from increased sales, particularly in the first quarter of the year.

Economic and financial situation of the parent company De Rigo S.p.A.

Parent company profit and loss account

The parent company's turnover amounted to Euro 7.4 million, compared to Euro 7.2 million last year, mainly due to the increase in royalties on active licences for the Police brand.

Operating profit was Euro 5.1 million compared to Euro 5.2 million in the previous year, mainly due to the constant level of results achieved by the licences on the Police brand and the increase in consulting expenses in the general and administrative cost items.

The net result was a positive €9.2 million and an improvement compared to €7.1 million in 2023; the difference is mainly attributable to interest accrued on loans to the subsidiaries De Rigo Vision SpA and De Rigo ve Opmar Optik Ticaret A.S. for a total of €5.7 million, in 2023 interest accrued amounted to €2.5 million.

The key financial highlights of the parent company De Rigo S.p.A. are shown in the profit and loss account, reclassified (in thousands of Euro) in order to facilitate the reading of management facts:

	2024	2023	Var. %
NET SALES REVENUE	7.387	7.212	2,4%
Cost of product sold	(278)	(289)	-3,7%
GROSS PROFIT	7.109	6.923	2,7%
Advertising and promotion costs	(95)	(5)	1907,8%
Selling costs	(12)	(13)	-5,9%
General and administrative costs	(1.872)	(1.707)	9,6%
OPERATING COSTS	(1.979)	(1.725)	14,7%
OPERATING PROFIT	5.130	5.198	-1,3%
Interest income	5.862	2.483	136,1%
Interest Expense	(3.382)	(2.571)	31,5%
Other non-operating income (expenses)	3.765	3.332	13,0%
OTHER INCOME (EXPENSES)	6.245	3.244	92,6%
PROFIT BEFORE TAXES	11.375	8.442	34,7%
OPERATING TAXES	(2.209)	(1.391)	58,8%
NET PROFIT	9.166	7.051	30,0%

Parent Company Costs

The main costs by nature relating to operations show the following changes (as per the financial statement schedule in thousands of Euro):

Description	2024	2023	Var. %
Personnel costs	0	0	0,00%
Cost of raw materials, consumables and goods for resale adjusted for the change in inventories of raw materials, consumables and goods for resale adjusted for the change in inventories of work in progress, semi-finished and finished goods	1	1	-62,4%
Cost of services	2.049	1.528	34,1%
Cost for use of third-party assets;	-	1	
Depreciation and write-downs	368	361	2,1%
Provisions for risks, other provisions and miscellaneous operating expenses	222	147	50,9%
TOTAL COST OF PRODUCTION ADJUSTED FOR INVENTORY CHANGES	2.640	2.038	29,5%

The item Cost of services increased year-on-year by 34.1% due to an increase in consulting and marketing

Commented [MD1]: What is included?

expenses.

The item Provisions for risks, other provisions and miscellaneous operating expenses increased by 50.9% year-on-year, mainly due to non-deductible taxes.

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

	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Sales	Purchases
De Rigo Vision S.p.A.	465	298	41.581	2.154	5.038	349
General Optica Internacional S.A.	-	-	-	-	-	-
Derigo Ve Opmar Optik Ticaret Anonim Sirketi	125	-	10.791	-	3.842	-
De Rigo Holding Srl	-	-	-	-	-	-
General Optica Sa	4	-	-	-	17	-
Totals	594	298	52.372	2.154	8.897	349

Financial Management and Investments of the Parent Company De Rigo S.p.A

Financial operations closed with €2.5 million in net financial income, in contrast with the €87.7 thousand in net financial expenses in 2023. This was mainly due to the interest accrued on loans to subsidiaries in the amount of €5.7m.

The item Other non-operating income and expenses in 2024 mainly includes a dividend of EUR 4.8 million from European Vision Holding Limited while in 2023 the dividend received from the same company was EUR 5.4 million.

As of 31 December 2024, the financial position of De Rigo S.p.A. was negative EUR 186,000, compared to EUR 4.3 million in 2023.

The reclassified balance sheet with net invested capital is shown below, in thousands of Euro:

	2024	2023	Change
Bank deposits	13.770	4.234	9.536
Cash and other valuables on hand	1	1	(0)
Treasury shares	-	-	-
Cash and cash equivalents	13.771	4.235	9.536
Bonds and convertible bonds (within 12 months)	0	-	-
Payables to shareholders for financing (within 12 months)	-	-	-
Payables to banks (within 12 months)	(8.311)	(4.521)	(3.790)
Payables to subsidiaries (within 12 months)	(298)	(285)	(13)
Financial receivables from parent company	-	-	-
Short-term portion of loans	-	-	-
Financial receivables from subsidiaries	41.152	51.723	(10.571)
Short-term financial receivables (payables)	32.543	46.917	(14.374)
Net short-term financial position	46.314	51.152	(4.838)
Bonds and convertible bonds (over 12 months)	-	-	-
Payables to shareholders for financing (beyond 12 months)	-	-	-
Payables to banks (beyond 12 months)	(46.500)	(55.500)	9.000
Payables to other financial institutions (over 12 months)	-	-	-
Advances for foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	-	-	-
Medium- and long-term net financial position	(46.500)	(55.500)	9.000
Net financial position	(186)	(4.348)	4.162

	2024	2023	Change
Trade receivables	2.157	1.939	218
Other receivables	4.800	5.380	(580)
Inventories	-	-	-
Short-term non-financial payables	(638)	(3.090)	2.452
A) Working capital	6.319	4.229	2.090
Net tangible and intangible fixed assets	1.722	1.956	(234)
Financial Fixed Assets	7.410	4.205	3.205
Equity investments	206.618	206.618	-
Medium- and long-term non-financial provisions and payables	(535)	(478)	(57)
B) Net fixed assets	215.215	212.301	2.914
A+B = Net invested capital	221.534	216.530	5.004
C) Net Financial Debt	186	4.348	(4.162)
Opening net equity	212.182	205.131	7.051
Treasury shares	-	-	-
Capital and reserves of third parties	-	-	-
Profit for the year	9.166	7.051	2.115
D) Net assets at year-end	221.348	212.182	9.166
C+D = Total Financial Payables (Availabilities) and Shareholders' Equity	221.534	216.530	5.004

Please refer to the notes to the financial statements for details.

The main economic indicators are as follows (amounts in millions of Euro):

Debt coverage ratio

	2024	2023
Net Financial Position	(0,2)	(4,3)
GOP	5,4	5,9
Debt coverage ratio	3,5	72,9

Return on sales (ROS)

	2024	2023
Operating profit	5,1	5,2
Turnover	7,4	7,2
ROS %	69,4%	72,1%

Return on investment (ROI)

	2024	2023
Operating profit	5,1	5,2
Net invested capital	221,5	216,5
ROI %	2,3%	2,4%

Return on Equity (ROE)

	2024	2023
Result	9,2	7,1
Equity capital	221,3	212,2
ROE %	4,1%	3,3%

Taxation of the Parent Company

The company recorded an average effective tax rate of 16.3% compared to 16.5% in the previous year, mainly due to the different taxation of the dividend received.

Personnel Information

The company had no employees in the financial years 2024 and 2023.

Handling of personal data

The Company, supported by external consultants, has substantially completed the company's project to align with the new European General Data Protection Regulation "GDPR" - Regulation 2016/679, which came into force on 26 May 2018.

Further information

There are no transactions with related parties of an atypical or unusual nature. With regard to any shareholdings held by directors, auditors and general managers, please refer to the notes to the financial statements.

It is believed that the information provided is a faithful, balanced and exhaustive analysis of the company's situation and the performance and result of operations, as a whole and in the various sectors in which it has operated, including through subsidiary companies.

Proposal for Approval of the Financial Statements and Appropriation of Profit

It is proposed to the Shareholders' Meeting to allocate the profit of the parent company De Rigo S.p.A., amounting to EUR 9.1 million, to the payment of a dividend of EUR 0.20 per share for a total amount of EUR 8.4 million, and to allocate the difference of EUR 728K to the extraordinary reserve.

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 this electronic document is a true copy of the document transcribed and signed in the company's books.