Belluno Companies Registration Office No. 00240790253

Economic and Administrative Register No.: 52081

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 2021 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	Chairperson
Emiliana De Meio	Vice Chairperson
Massimo De Rigo Piter	Executive Vice Chairperson
Maurizio Dessolis	Executive Vice Chairperson
Michele Aracri	Executive Director
Roberto De Rigo	Director

The Board of Directors will remain in office until the approval of the 2023 Annual Accounts.

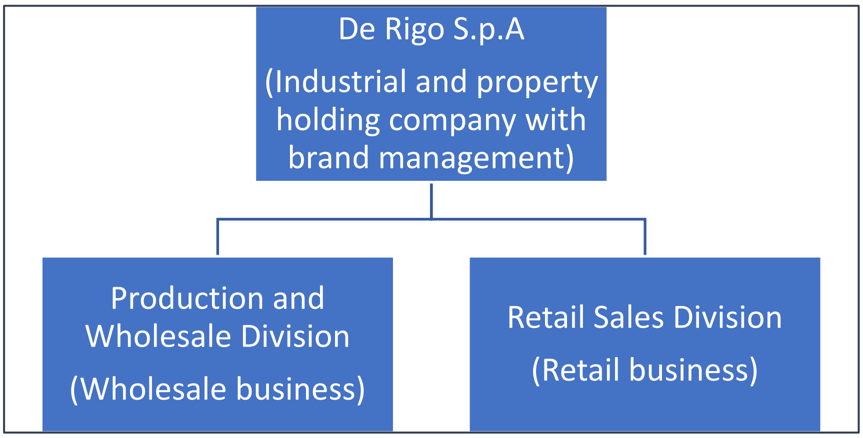
According to the motions of June 6, 2018, the Chairman assumes the broadest powers of ordinary and extraordinary administration, while the three Vice Chairmen, Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis and the Executive Director Michele Aracri have powers limited to ordinary administration.

The Board of Statutory Auditors is comprised of 5 members:

Mario Bampo	Chairperson
Gianfilippo Cattelan	Statutory Auditor
Mario Sommavilla	Statutory Auditor
Federica Monti	Alternate Auditor
Stefano Lodolo	Alternate Auditor

The Board of Statutory Auditors will remain in office until the approval of the 2021 Annual Accounts.

Group operating structure



Shareholders

At December 31, 2021, the shareholder structure of De Rigo S.p.A. comprised:

De Rigo Holding S.r.l.	96.889%
Ennio De Rigo Piter	1.922%
Roberto De Rigo	0.474%
Giorgio De Rigo Piter	0.474%
Others	0.241%

At December 31, 2021, 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,

we have experienced an incredibly challenging year, amid greatly diverging local market situations. Our incisive approach to tackling the financial impacts of the pandemic has rewarded us with better-than-expected results. Results on many markets are up on recent years. We see this as a clear sign of our Group's resilience and capacity to adapt and develop also in unpredictable environments.

We extend a sincere thanks to all Group employees, who once again have demonstrated their great commitment and dedication in helping us to achieve these excellent results. All Group divisions report remarkable results. A spirit of collaboration and solidarity has emerged across the entire Group, enabling us to act promptly and adeptly to achieve these results.

Despite the many months of lockdowns in various countries, our sector fortunately did not suffer total closures. On the contrary, it proved to be crucial in correcting and protecting the vision of those people who became more reliant on digital resources, both at work and in their studies. The strength of output is also due to a determination to overcome the pandemic on certain markets, which have recovered the sales lost in 2020 to return to pre-pandemic levels.

A number of the trends emerging last year have been repeated also in the year under review to set a long-term trend. The prevalence of remote work from home will force us to rethink the ways in which we work in the post-COVID world. In-person meetings have been widely replaced by video-conferencing, indicating how many processes will be easily replaced by digital methods in the future. We must rethink the ways in which we meet customers, considering the fact that the emotions and the experiences that come from selling in person continue to be more valuable than transactions carried out remotely and from behind a camera. The extensive use of remote access is however not without risks of cyber attacks. It did, however, allow us to test and strengthen our technology to support remote working. While on the one hand the reduced number of trips has certainly helped to maintain a lower operating cost base, on the other it further demonstrates how this attitude at a macro level poses difficulties for tourism and travel retail operators. They once again this year have felt significant impacts, limiting also our sales in these sectors.

Our Wholesale division immediately benefited from this recovery, despite the difficulties among our sellers to reach their customers and the still challenging situation for operators on certain markets (particularly Asia). We in addition consider the difficulty in managing a supply chain significantly impacted by COVID, due to the difficult maintenance of supplier production capacity and the challenges in managing the transport and associated costs. We not lastly cite the inflationary pressures emerging from the final month of the year, which continue to put Group margins under pressure.

Our Retail division also exceeded expectations, not only recovering the lost sales of 2020, but growing further over 2019. The considerable capacity of our retail organisation, coupled with a strong sense of employee responsibility, has enabled us to cope even with the difficulties of a number of local lockdowns and the continuous quarantines without having to close many stores on any day of the year.

We are confident that our approach to another difficult year was the best way to protect the value we have created over the years, without undermining the plans that we have in place for 2022 and beyond.

Economic environment

The European economy has benefited significantly from exiting the crisis generated by the COVID 19 pandemic. Gross domestic product (GDP) grew 5.3% in 2021 (EU-27), compared to a contraction of 6.2% in 2020.

The American economy benefitted with GDP growth of 5.7%, while China accelerated further with growth of 8.2%.

Despite the strong recovery in 2021, the international financial organisations forecast reduced growth for 2022. As the months have passed, this forecast has deteriorated to reflect the effects of the Ukraine-Russian crisis on the international economy.

The sharp increase in certain costs (energy, transportation, raw materials) is creating an inflationary spiral which needs to be carefully managed by our Group, both due to the impacts it may have on personnel costs and in view of the possible effects that the necessary sales price reviews may have on our sales numbers.

In addition, we consider the volatility from the current currency market situation with the continual weakening of the Euro and of a number of other currencies against the US Dollar, which shall result in higher costs for imported products.

Group overview

Group consolidated income statement

As reported below in the reclassified Income Statement, consolidated revenues rose 21.9% to Euro 421.6 million (from Euro 345.8 million in 2020). At like-for-like exchange rates, the increase on 2020 revenues would be 24.6%.

Wholesale division revenues increased 25.4% to Euro 224.8 million, from Euro 179.3 million in 2020. At like-for-like exchange rates, revenue growth over 2020 would have been 28.4%.
Net profit in the Retail division was up 18.9% to Euro 210.1 million, from Euro 176.8 million in 2020.

Adjusted EBITDA, calculated as the adjusted operating profit before amortisation and depreciation, increased 73.1% to Euro 31 million, from Euro 17.9 million in 2020, with a 7.4% revenue margin. The improved Adjusted EBITDA mainly stems from the significant sales recovery, not offset by a consequent increase in costs thanks to the cost-cutting policies introduced by management over the last two years. The careful management of collections and inventory has allowed us to maintain high service standards, although significantly containing obsolescence related risks.

Adjusted EBITDA was Euro 19 million, compared to Euro 6.1 million in 2020, with a 4.5% margin (1.8% in the previous year).

Extraordinary and financial management contributed income of Euro 10.4 million, compared to charges of Euro 85.5 million in 2020, confirming that the factors which had an impact on the previous year did not have consequences this year. Specifically, the main effects are attributable to:

i) There was no accrual to the pension fund deficit in 2021. In fact, with the extraordinary accrual made by the Group in 2020, the deficit had already been fully recognised in the consolidated balance sheet.

ii)The investee Boots Opticians reports a net profit of Euro 24.9 million, resulting in a consequent benefit to the Group income statement, in application of the accounting principle of valuing equity investments at equity, of Euro 9.7 million, compared with a Group net loss of Euro 17.7 million in the previous year.

v) Acceleration of amortisation of the goodwill of De Rigo REM. The Group reviewed the amortisation criteria of the goodwill of De Rigo REM following an impairment test of the investment, resulting in a charge to the income statement of Euro 2.5 million.

vi) Other extraordinary income for gains on the sale of non-technical properties, and not used for group operations, totalling Euro 3.5 million, in addition to a net benefit of Euro 2.1 million due to exchange gains, partially offset by approx. Euro 0.8 million for other minor extraordinary expenses.

The net result was a profit of Euro 27.5 million, compared to a loss of Euro 74.2 million in 2020.

At December 31, 2021, the De Rigo Group reported a net cash position of Euro 100.9 million, increasing on Euro 67.3 million at December 31, 2020.

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

	2021	2020	% Change
NET SALES REVENUES	**421,561**	**345,797**	**21.9%**
Sold product cost	(179,545)	(149,021)	20.5%
GROSS PROFIT	242,016	196,776	23.0%
Advertising & promotion costs	(27,428)	(19,072)	43.8%
Sales costs	(162,874)	(139,551)	16.7%
General & administrative costs	(32,677)	(32,056)	1.9%
OPERATING COSTS	**(222,979)**	**(190,679)**	**16.9%**
ADJUSTED OPERATING PROFIT	**19,037**	**6,097**	212.2%
Interest income	608	341	78.3%
Interest charges	(1,532)	(2,085)	-26.5%
Pension fund deficit accrual	-	(39,129)	-100.0%
Other extraordinary income and charges	11,322	(44,582)	-125.4%
OTHER REVENUES (COSTS)	**10,398**	**(85,455)**	**-112.2%**
PROFIT/(LOSS) BEFORE TAXES	**29,436**	**(79,358)**	**-137.1%**
INCOME TAXES	(2,036)	4,849	-142.0%
NET PROFIT/LOSS BEFORE MINORITY INTERESTS	**27,400**	**(74,509)**	**-136.8%**
MINORITY INTEREST SHARE	39	277	-85.8%
NET PROFIT/(LOSS)	**27,439**	**(74,232)**	**-137.0%**

In order to more clearly present the operating result, in the income statement the effect was isolated of non-recurring and extraordinary costs incurred in the year related to the defined benefit pension fund, to the non-consolidated investments, to the extraordinary write-downs of equity investments as a result of Impairment tests, in addition to the usual exchange movement impacts.

Group consolidated revenues by region

The Group reports the following results by region:

- European revenues totalled Euro 321.9 million, up 19.8%, reflecting the general recovery in the Wholesale division and of the Retail division across the region. The markets contributing most to the increase in sales were the Italian, Spanish, French, Turkish and British;
- revenues in the Americas were up 39.6% to Euro 56 million - from Euro 40.1 million in 2020 - mainly as a result of the growth of the US and Brazilian branches, particularly in terms of sales to large key accounts. At like-for-like exchange rates with 2020, revenues in this region would total Euro 58 million;
- rest of the world revenues were up 21.7% to Euro 38.9 million, particularly thanks to growth in Asia and particularly in China and Japan;
- Other revenues were stable and principally concern royalties collected by the Group on licenses from categories other than eyewear granted to third parties on the Police brand.

Sales by region	2021	2020	Change	Change %
Europe (excluding Italy)	321.9	268.8	53.1	19.8%
The Americas	56.0	40.1	15.9	39.6%
Rest of the world	38.9	32.0	6.9	21.7%
Total	**416.8**	**340.9**	**75.9**	**22.3%**
Other revenues	4.8	4.9	(0.2)	-3.3%
Consolidated revenues	**421.6**	**345.8**	**75.8**	**21.9%**

Consolidated Group revenues by business division

The following table outlines the financial highlights of the two divisions in 2021 and 2020 in millions of Euro:

	PRODUCTION AND SERVICE REVENUES			EBITDA			ADJUSTED OPERATING PROFIT		
Group Divisions	**2021**	**2020**	**Change %**	**2021**	**2020**	**Change %**	**2021**	**2020**	**Change %**
Production and wholesale	**224.8**	**179.3**	25.4%	13.2	2.5	427.6%	8.7	-2.7	-422.4%
Retail	**210.1**	**176.8**	18.9%	18.1	14.6	23.8%	10.7	8.9	20.7%
Inter-company eliminations	**-13.4**	**-10.3**	*30.8%*	*-0.3*	0.8	*-133.4%*	*-0.4*	-0.1	*305.6%*
Total	**421.6**	**345.8**	21.9%	**31.0**	**17.9**	73.1%	**19.0**	**6.1**	212.1%

Production and sale wholesale (Wholesale)

Wholesale division revenues were up 25.4% to Euro 224.8 million, compared to Euro 179.3 million in 2020. Growth was evident across all of the Group's branches. The US, Spain, Brazil, Italy, France, China and Turkey contributed most to this growth. However, several markets in the Asian region continue to remain weak, particularly due to the region's protracted closure to international tourism.

The pandemic's greatest impact continues to be on sunglass sales, which however rebounded well in the year, although at lower levels than 2019. On the other hand, eyeglass sales have performed well to hit pre-COVID sales levels on several markets.

The cost containment initiatives introduced in 2020 were highly successful, achieving on the one hand significant overhead cost savings again in 2021, while not undermining the future strength of the business. Continued difficulties in managing sales staff travel and the difficulty in hosting events and trade shows with customers, together with structural cuts introduced in the previous year, were a significant driver of the recovery in profitability, allowing the Wholesale division to post a better operating result not only on 2020, but also on 2019.

Distribution under license of the Carolina Herrera brand also concluded in the year. The Group in the year launched a number of new brands under license, such as Philipp Plein, TUMI and Artemis, which contributed to Group revenues only from Q4 2021.

Retail sales

The Group Retail network at December 31, 2021 comprised the following sales points:

	Directly owned stores			Stores under franchise			Total		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
General Optica	227	224	3	77	75	2	304	299	5
Opmar Optik	66	65	1	0	0	0	66	65	1
Boots Opticians	387	387	0	160	162	-2	547	549	-2
Total	**680**	**676**	**4**	**237**	**237**	**0**	**917**	**913**	**4**

The network of Group stores comprises: *General Optica*, the leading chain of opticians on the Spanish market and owner of the *Mais Optica* brand, 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, in which the Group has a holding of 42% (consolidated indirectly at Equity).

The retail sales of General Optica and Opmar Optik alone amounted to Euro 210.1 million, up 18.9% on Euro 176.8 million in 2020. At like-for-like exchange rates, Retail division revenues would have risen approx. Euro 4 million (+21.1% on 2020). The Retail division was therefore up 3.2% on 2019.

During the second year of the pandemic, General Optica was not required to temporarily close any of its sales points, allowing personnel to continue to service its markets. From Q2 2021, a vibrant recovery emerged, with a series of new records posted even on 2019.
Marketing activity has been particularly effective, attracting more and more customers to our stores.

The Turkish chain has shown a great deal of resilience, taking a very proactive approach to the long closure of sales points in 2020. The resumption of commercial activities has allowed the company to quickly regain normal service levels and recover the level of revenue lost in 2020. Thanks to the actions taken on Turkish market, the chain’s sales grew 90.2% in local currency terms. Unfortunately, the weakening of the Turkish Lira reduced the chain’s contribution to Group consolidated sales to 3.1%. The numerous actions taken and particularly regarding the management of company operating costs, the renegotiation of rental contracts and the reduction of discretionary costs allowed the chain to report an improved operating result on the previous year.

Consolidated costs

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

Description	2021	2020	% Change
Personnel costs	126,163	106,635	18.3%
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.	154,254	129,208	19.4%
Service costs	81,858	65,709	24.6%
Rents, lease and similar	25,776	22,827	12.9%
Amortisation, depreciation & write-downs	15,088	18,670	-19.2%
Provisions for risks, other provisions and other operating charges	7,962	45,411	-82.5%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**411,101**	**388,460**	**5.8%**

The movements in operating costs related to:

Personnel costs: +18.3%, resulting mainly from the resumption of work in 2021, compared with the suspensions in 2020 to cope with the pandemic. In 2020, several group companies benefited from COVID-19 related government grants.

Raw material costs and inventory changes: +19.4%, increasing on the previous year, mainly due to the higher sales.

Service costs: +24.6%, mainly related to the increase in advertising and marketing costs on the basis of the higher sales, the costs incurred by the independent sales network, higher royalties and transport costs, which mostly follow revenues.

Rents, lease and similar: +12.9%, mainly due to the reduction in local rental costs granted in 2020 and as a result of the negotiations with landlords as a result of COVID-19.

Amortisation, depreciation and write-downs: -19.2%, mainly due to the reduction in receivable write-downs in the year compared to the extraordinary impairments in 2020 and the completion of the amortisation of goodwill arising from the acquisition of the American branch.

Provisions for risks, other provisions and other operating charges: -82.5%, decreasing mainly due to the extraordinary pension fund deficit accrual made in 2020.

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	35,029	-	-	-	-	29	-	-
DE RIGO IMMOBILIARE SRL	-	10	-	-	-	10		-
DE RIGO REFRIGERATION SRL		14				157		
SEWON I.T.C. CO. LTD.	-	3,990	-	-	194	-	-	-
AMSTERDAM PROPERTIES S.L.	-	-	-	-	-	2	215	-
BOOTS OPTICIANS*	-	142	957	-	174	822	-	-
TOTAL	**35,029**	**4,156**	**957**		**368**	**1,020**	**215**	**-**

* 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.
* The receivable of Euro 3,990 thousand from Sewon I.T.C. was fully written-down in 2019 as a result of the dispute initiated against the company during the year.

The receivables from De Rigo Holding S.r.l. are of a financial nature and concern other receivables from 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, following the execution of audits, issued separate tax assessments for income taxes and penalties relating to financial years 2008 to 2014 for approx. Euro 8.6 million and for 2015, 2016 and 2017 for Euro 1.5 million, 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 Ministry for Economy and Finance - respectively for each of the EU countries involved in which the Group operates through a branch and for tax periods from 2008 to 2014, 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").

The company, in furtherance to its defence strategy regarding transfer pricing, also presented in the years 2017, 2018 and 2019 at the competent tax authorities separate applications for a Preliminary Agreement Procedure ("PAP") on a bilateral basis, preliminarily for three of its European subsidiaries. Therefore, the company, also on the basis of the outcomes of the recent agreements concluded by the Tax Agency with the various European tax authorities that have significantly reduced the values of the 2008 - 2014 disputes, considers that it can defend its actions without impacting the company's accounts, also in view of the fact that the payments of one-third of each dispute received for the first three years assessed (2008-2009-2010), have been recognised to a special risks provision at December 31, 2021. This provision is considered adequate to cover any liabilities that may arise in connection with 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 net income of Euro 10.4 million, compared to charges of Euro 85.4 million in the previous year.

This improved result is mainly due to the absence of the pension fund deficit accrual compared to the extraordinary accrual of Euro 39.1 million in 2020, the positive contribution of the investment in Boots Opticians for Euro 9.7 million, compared to a write-down of Euro 17.7 million in 2020, the extraordinary write-down of the goodwill of the American company for Euro 2.6 million, compared to Euro 4.3 million in 2020 and the positive impact of exchange gains for Euro 2.1 million, compared to a net loss of Euro 13.9 million in 2020.

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

	2021	2020	Change
Bank deposits	71,359	88,726	(17,367)
Cash in hand and similar	1,757	3,765	(2,008)
Cash and cash equivalents	73,115	92,491	(19,376)
Financial receivables from parent company	35,029	-	35,029
Shareholder loan receivables (payables) (within one year)	-	-	0
Bank payables (within one year)	(6,401)	(24,451)	18,050
Receivables (payables) to other lenders (within one year)	(394)	(334)	(60)
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Short-term financial receivables (payables)	28,234	(24,786)	53,020
Short-term net financial position	**101,349**	**67,705**	**33,644**
Bonds and convertible bonds (beyond one year)	-	-	-
Shareholder loans (beyond one year)	-	-	-
Bank payables (beyond one year)	(170)	(386)	216
Payables to other lenders (beyond one year)	(285)	(260)	(25)
Advances on foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	0	250	(250)
Net financial position - medium/long-term	(455)	(396)	(59)
Net Financial Position	**100,894**	**67,309**	**33,585**

At the end of 2020, the Group reported a net cash position of Euro 100.9 million, compared to Euro 67.3 million in the previous year. Operating activities generated cash flows of Euro 54.7 million, compared to Euro 19.8 million in the previous year, while working capital management generated resources of Euro 11 million, compared to Euro 26 million in the previous year. The Group invested Euro 10.9 million, compared to Euro 7 million in the previous year, particularly for the opening of new sales points in Spain and the restructuring of existing sales points, in addition to the development of the Group IT systems. In the same period, the Group made fixed asset disposals of Euro 1.3 million (in line with the previous year).

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

	2021	2020	Change
Trade receivables	54,964	57,047	(2,083)
Other receivables	57,744	49,632	8,112
Inventories	75,942	70,626	5,316
Current non-financial payables	(117,393)	(96,857)	(20,536)
A) Working capital	**71,257**	**75,447**	**(4,190)**
Net tangible and intangible assets	63,366	68,315	(4,949)
Financial fixed assets	55	108	(53)
Investments	41,845	33,207	8,638
Non-current provisions and non-financial payables	(99,905)	(95,367)	(4,538)
B) Net fixed capital	**5,361**	**6,263**	**(902)**
A+B= Net capital employed	**76,618**	**81,710**	**(5,092)**
C) Net financial debt	**(100,894)**	**(67,309)**	**(33,585)**
Opening equity	149,329	222,503	(73,174)
Treasury shares	-	-	-
Non-controlling interests capital and reserves	745	747	(2)
Profit for the year	27,439	(74,232)	101,671
D) Closing shareholders' equity	**177,513**	**149,019**	**28,494**
C+D = Total financial debt (cash) and shareholders' equity	**76,618**	**81,710**	**(5,092)**

Trade receivables are substantially in line with the previous year, despite the increase in revenues and thanks to the close management of collections, which has kept in solvencies under control.

Inventories slightly increased to deal with the higher level of sales.

The increase in the value of equity investments is mainly related to the revaluation of the investment in the associate Boots Opticians.

Trade payables increased due to the greater procurement in the second half of the year compared to the previous year, linked to the increase in sales.

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):

	2021	2020
Adjusted operating profit	19.0	6.1
Revenue	421.6	345.8
ROS %	**4.5%**	**1.8%**

Return on investment (ROI):

	2021	2020
Adjusted operating profit	19.0	6.1
Net capital employed	111.6	81.7
ROI %	**17.1%**	**7.5%**

Return on equity (ROE):

	2021	2020
Net result	27.4	-74.5
Net equity	176.8	148.3
ROE %	**15.5%**	**-50.2%**

Consolidated tax charge

The Group reported an effective average tax rate of 19.6%, compared to -6.1% in the previous year. For further information, reference should be made to the Explanatory Notes.

Social, political and trade union developments

The resumption of commercial activities across the world has allowed the Group to resume normal operations, essentially bringing an end to all work stoppages applied at the various Group companies.
During 2021, no staff reduction actions were carried out except for the natural departure of staff on reaching retirement age.

Personnel

The average Group workforce at December 31, 2021 and 2020, broken down by category and in FTE, is reported below:

	2021	2020	Changes
Executives	47	47	-
White-collar	2,420	2,396	24
Blue-collar	577	609	(32)
Other	114	131	(17)
Total employees	**3,158**	**3,183**	**(25)**

The reduction in staff is not a consequence of downsizing actions, but of the retirement of some employees on reaching the applicable age limits.

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 2021.

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.

Disclosures 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.

Specifically:

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. The current pandemic emergency however has created a highly unpredictable economic environment, making financial statement measurements difficult. The Group has increased the monitoring of receivables in order to anticipate any insolvency situations which may arise as a result of the emergency.
At the date of the approval of the financial statements, and due to the impacts arising from the COVID-19 pandemic, the Group highlights the greater difficulty among its customers to comply with contractual payment terms. However, this did not result in a significant increase in the risk level. It may not also be excluded that this situation leads to a higher Group customer insolvency rate than considered in the assessments made by management when allocating sufficient resources to offset delayed or even non-payment.

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. At the reporting date, 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;
- other sources of financing exist;
- there is no significant concentration of liquidity risk, either from financial assets or the sources of financing.

Due to the ongoing impacts from the COVID-19 pandemic, it may not be excluded that the Group's operating liquidity is significantly impacted. Management in 2020 therefore took steps to ensure that the credit lines granted by the banks to group companies are fully operational and usable.

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 limited 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). Sudden depreciations can, 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 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 commercial risk: the measures taken by all governments of countries impacted by the COVID-19 pandemic resulted in a substantial drop in commercial and tourism trade as a result of the rules taken to limit individual mobility and introduce social distancing and temporary isolation. The continuation of the impacts from these rules for a period of many months may have a significant impact on the consumption of the products distributed by our Group, as a result of a decreased need to purchase, with a consequent extension of the repurchase period, in addition to a drop in volumes from the difficulties in reaching sales points during the periods in which these rules are applied.

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.

Subsequent events and outlook

The initial months of 2022 confirmed the strong development of commercial activities in a number of regions, allowing the Group to achieve the recovery targets indicated in this year's budget. The recovery however has not been even and in certain areas, particularly in Asia, significant movement limitations are still in place, particularly between countries. Tourism continues to remain at very low levels in all areas, resulting in the continuation of the travel retail sales crisis.

The war in Ukraine has further sharpened uncertainties for the remainder of the year, with attention focused not so much on the access difficulties on these markets as the effects that the conflict is having on the rising prices of energy and certain commodities.

The gradual rise in interest rates has also begun to have an effect on the long-term yield curve, leading to a visible reduction in pension liabilities resulting in a decrease in the deficit below the level provisioned in the financial statements. This suggests that 2022 could potentially benefit from any partial release of the risk provision for the English pension fund.

Parent company De Rigo S.p.A. overview

Parent Company Income Statement

Parent company revenues of Euro 5.5 million compared to Euro 4.5 million last year, mainly due to the increase in royalties on the active licenses of the Police brand resulting from the gradual exit from the pandemic.

EBIT amounted to Euro 3.8 million, compared to Euro 3.3 million in the previous year.

The net result was a profit of Euro 5.0 million, compared to Euro 11.2 million in 2020, mainly due to the partial release in the previous year of a risks provision due to the recapitalisation of the Turkish companies.

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:

	2021	2020	% Change
NET SALES REVENUES	**5,545**	**4,532**	**22.3%**
Sold product cost	(287)	(287)	0.0%
GROSS PROFIT	**5,258**	**4,245**	**23.9%**
Advertising & promotion costs	(6)	(6)	3.9%
Sales costs	(13)	(13)	0.3%
General & administrative costs	(1,419)	(887)	59.9%
OPERATING COSTS	(1,438)	(906)	58.7%
EBIT	**3,820**	**3,339**	**14.4%**
Interest income	97	14	590.2%
Interest charges	(10)	-	0.0%
Other non-operating income (charges)	2,376	8,878	-73.2%
OTHER REVENUES (COSTS)	2,463	8,892	-72.3%
PROFIT/(LOSS) BEFORE TAXES	**6,283**	**12,231**	**-48.6%**
INCOME TAXES	(1,314)	(1,018)	29.0%
NET PROFIT/(LOSS)	**4,969**	**11,213**	**-55.7%**

Costs of the Parent Company

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

Description	2021	2020	% 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.	1	1	38.0%
Service costs	1,113	687	62.0%
Rents, lease and similar	-	-	0.0%
Amortisation, depreciation & write-downs	366	403	-9.2%
Provisions for risks, other provisions and other operating charges	281	115	144.6%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**1,762**	**1,206**	**46.0%**

Service costs increased 62% on the previous year, mainly due to the higher marketing contributions granted to customers.

The other accounts were substantially in line with the previous year.

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

	Trade receivables	Trade Payables	Financial receivables	Financial liabilities	Revenues	Purchases
General Optica Sa	3	-	-	23,010	10	10
De Rigo Vision S.p.A.	442	237	52,531	1,448	2,893	237
De Rigo Holding S.r.l.	-	-	35,029	-	29	-
Derigo ve Opmar Optik Ticaret Anonim Sirketi	-	-	453	-	-	-
Total	**445**	**237**	**88,013**	**24,458**	**2,932**	**247**

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

Net financial income of Euro 97 thousand slightly increased on the previous year.

Extraordinary items in 2021 mainly include a dividend of Euro 2.1 million, while in 2020 we included a release, net of provisions for the impairment of investments, of a risk provision resulting from the recapitalisation of the Turkish companies of Euro 8.9 million.

At December 31, 2021, De Rigo S.p.A. reported a net cash position of Euro 64.4 million, compared to Euro 61.8 million in 2020.

	2021	2020	Change
Bank deposits	91	140	(49)
Cash in hand and similar	1	-	1
Treasury shares	-	-	-
Cash and cash equivalents	92	36	56
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loans (within one year)	-	-	-
Bank payables (within one year)	-	-	-
Payables to subsidiaries (within 12 months)	(23,247)	(201)	(23,046)
Advances on foreign payments	35,029	-	35,029
Short-term portion of loans	-	-	-
Loans to subsidiaries	52,518	61,862	(9,344)
Short-term financial receivables (payables)	64,300	61,661	2,639
Short-term net financial position	**64,392**	**61,801**	**2,591**
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	**64,392**	**61,801**	**2,591**

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

	2021	2020	Change
Trade receivables	1,160	560	600
Other receivables	399	881	(482)
Inventories	-	-	-
Current non-financial payables	(902)	(450)	(452)
A) Working capital	***658***	***991***	***(333)***
Net tangible and intangible assets	2,650	3,307	(657)
Financial fixed assets	453	625	(172)
Investments	206,618	206,618	(0)
Non-current provisions and non-financial payables	(354)	(3,895)	3,541
B) Net fixed capital	**209,366**	**206,655**	**2,711**
A+B= Net capital employed	**210,024**	**207,646**	**2,378**
C) Net financial debt	**(64,392)**	**(61,801)**	**(2,591)**
Opening equity	269,447	258,234	11,213
Treasury shares	-	-	-
Minority interest capital and reserves	-	-	-
Net profit for the year	4,969	11,213	(6,244)
D) Closing shareholders' equity	**274,416**	**269,447**	**4,969**
C+D = Total financial debt (cash) and shareholders' equity	**210,024**	**207,646**	**2,378**

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)

	2021	2020
EBIT	3.8	3.3
Revenues	5.5	4.5
ROS %	**68.9%**	**73.3%**

Return on investment (ROI)

	2021	2020
EBIT	3.8	3.3
Net capital employed	210	207.6
ROI %	**1.8%**	**1.6%**

Return on equity (ROE):

	2021	2020
Net result	5.0	11.2
Net equity	274.4	269.4
ROE %	**1.8%**	**4.2%**

Parent Company tax charge

The company reported an effective average tax rate of 20.9%, compared to 8.3% in the previous year.

Human resources

The company did not have any employees in the years 2021 and 2020.

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 4,969 thousand to the extraordinary reserve.

The Chairperson 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.