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 2022 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 6 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. As of the financial statements approval date, Director Roberto De Rigo has resigned.

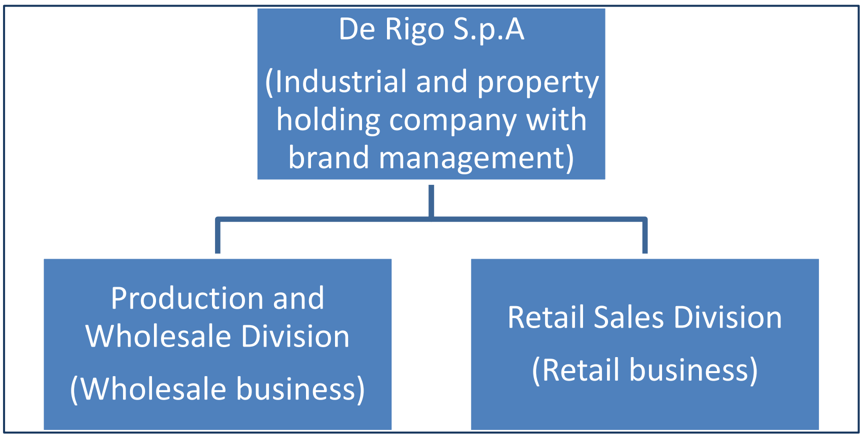
According to the motions of June 6, 2018, the Chairperson assumes the broadest powers of ordinary and extraordinary administration, while the three Vice-Chairpersons, Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis and the Executive Director Michele Aracri have powers limited to ordinary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

The Board of Statutory Auditors comprises 3 standing members:

Paolo Bifulco	Chairperson
Alessandro Bampo	Statutory Auditor
Gianfilippo Cattelan	Statutory Auditor
Federica Monti	Alternate Auditor
Stefano Lodolo	Alternate Auditor

The Board of Statutory Auditors will remain in office until the approval of the 2024 Annual Accounts.

Group operating structure



Shareholders

At December 31, 2022, 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, 2022, De Rigo S.p.A. securities comprised only ordinary shares not listed on an official market.

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

Operating conditions and developments

Dear Shareholders,

The organisation and solidity of our business model have been tested a number of times over the past fiscal year, allowing us to once again confirm the Group's resilience and adaptability even in turbulent times.

The early stages of the year were marked by of the outbreak of war between Russia and Ukraine. The resulting tension in energy markets put further pressure on inflation, which had begun to rise in late 2021. The impact on the supply chain in 2021 has faded gradually, to be replaced by a more significant increase in primary factor costs (above all in raw materials and energy), which in turn has impacted negatively on margins.

The return of inflation caused uncertainty across a number of markets during the year, initially leading to a general slowdown in orders. Over time, and thanks to the innovations the Group has introduced to the market, we have been able to recover from reduced sales, laying an increasingly robust and positive groundwork for future sales growth.

Once again, we extend a sincere thanks to all Group employees, who are today the Group's greatest supplier of energy in achieving these fantastic results.

This positive performance was once again shared across all the Group's divisions.

A number of changes to working methods have become the norm within the Group, where employees continue to perform some of their work remotely. This has led to a significant reduction in travel and in-person meetings, with the sole exception of those with customers who prefer to meet physically.

Our Wholesale division benefitted both from the launch of several new brands introduced by the Group over the past two years and from the revival of the large Asian market, where the Southeastern markets almost returned to normal. The recovery in the Chinese market, on the other hand, began in H2.

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

The positivity at the end of last year and the promising start to this bode well for an even more fruitful 2023.

Economic environment

The European economy continued to see growth, with GDP rising 3.5% in 2022 after growth of 5.3% in 2021 (EU-27). These GDP levels confirm that the continent has emerged from the pandemic crisis by exceeding 2019 levels.

The American economy benefitted with GDP growth of 2.1%, while Chinese output grew 3.0%.

Despite further recovery in 2022, the international financial organisations forecast reduced growth for 2023. This is a result both of the effects of the Russian-Ukraine war on the international economy and the potential slowdown in the real economy caused by interest rate hikes designed to contain high levels of inflation.

Group overview

Group consolidated income statement

As reported below in the reclassified Income Statement, consolidated revenues rose 7.4% to Euro 452.7 million (from Euro 421.6 million in 2021). At like-for-like exchange rates, the increase on 2021 revenues would be 10%.

Wholesale division revenues increased 6.3% to Euro 239 million, from Euro 224.8 million in 2021. At like-for-like exchange rates, revenue growth over 2021 would have been 5.6%.
Net profit in the Retail division was up 8.4% to Euro 227.7 million, from Euro 210.1 million in 2021.

Adjusted EBITDA, calculated as the adjusted operating profit before amortisation and depreciation, increased 3.2% to Euro 32.0 million, from Euro 31 million in 2021, with a 7.1% revenue margin. The improved Adjusted EBITDA mainly stems from the continuous sales recovery in both the Retail and Wholesale segments, not offset by a consequent increase in costs thanks to the cost-cutting policies introduced by management over recent 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 22.5 million, compared to Euro 19.0 million in 2021, with a 5.0% margin (4.5% in the previous year).

Net extraordinary and financial income of Euro 36.9 million was reported, compared to Euro 10.4 million in 2021. Specifically, the main effects are attributable to:

i) In 2022, the Boots Opticians chain distributed a dividend of Euro 51.9 million to the Group.

ii) At the same time, the investment in Boots Opticians was partially written down by Euro 19.2 million to reflect the correct level of equity.

v) Net exchange gains amounted to Euro 0.6 million, down from Euro 2.4 million in 2021.

The net result was a profit of Euro 48.1 million, up from Euro 27.4 million in 2021.

At December 31, 2022, the De Rigo Group reported a net cash position of Euro 119.9 million, increasing on Euro 100.9 million at December 31, 2021.

At December 31, 2022, the De Rigo Group reported a pension deficit of Euro 17.2 million, decreasing on Euro 59.6 million at December 31, 2021.

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

	2022	2021	% Change
NET SALES REVENUES	**452,688**	**421,561**	**7.4%**
Sold product cost	(190,991)	(179,545)	6.4%
GROSS MARGIN	261,697	242,016	8.1%
Advertising & promotion costs	(31,068)	(27,428)	13.3%
Sales costs	(169,984)	(162,874)	4.4%
General & administrative costs	(38,123)	(32,677)	16.7%
OPERATING COSTS	**(239,175)**	**(222,979)**	**7.3%**
ADJUSTED OPERATING PROFIT	**22,522**	**19,037**	18.3%
Interest income	722	608	18.7%
Interest charges	(1,363)	(1,532)	-11.0%
Other extraordinary income and charges	37,534	11,322	231.5%
OTHER REVENUES (COSTS)	**36,893**	**10,398**	**254.8%**
PROFIT BEFORE TAXES	**59,415**	**29,436**	**101.8%**
INCOME TAXES	(11,193)	(2,036)	449.7%
NET PROFIT BEFORE MINORITY INTERESTS	**48,222**	**27,400**	**76.0%**
MINORITY INTEREST SHARE	(78)	39	-298.1%
NET PROFIT	**48,144**	**27,439**	**75.5%**

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 346.6 million, up 7.6%. There was growth in all markets except the United Kingdom, which contracted slightly. The greatest growth was reported by the Retail division in both the Iberian Peninsula and Turkey.
- The Americas revenues decreased slightly (-2.2%) to Euro 54.7 million, from Euro 56 million in 2021. At like-for-like exchange rates with 2021, revenues in this region would total Euro 48.5 million;
- rest of the world revenues were up 11.5% to Euro 43.4 million, thanks above all to growth in Asia and the Middle East, particularly in the United Arab Emirates, Hong Kong and India.
- other revenues principally concern royalties collected by the Group on licenses granted to third parties on the Police brand in categories other than eyewear. Part of the increase on the previous year is also attributable to the release of the provision for returns in the amount of Euro 1.3 million Euro and the donation to employees made by the De Rigo family for Euro 0.8 million.

Sales by region	2022	2021	Change	Change %
Europe (excluding Italy)	346.6	321.9	24.6	7.6%
The Americas	54.7	56.0	(1.2)	-2.2%
Rest of the world	43.4	38.9	4.5	11.5%
Total	**444.7**	**416.8**	**27.9**	**6.7%**
Other revenues	8.0	4.8	3.3	68.6%
Consolidated revenues	**452.7**	**421.6**	**31.1**	**7.4%**

Consolidated Group revenues by business division

The following table outlines the financial highlights of the two divisions in 2022 and 2021 in millions of Euro:

	PRODUCTION AND SERVICE REVENUES			EBITDA			EBIT BEFORE PENSION FUND ACCRUAL		
Group Divisions	**2022**	**2021**	**Change %**	**2022**	**2021**	**Change %**	**2022**	**2021**	**Change %**
Production and wholesale	**239.0**	**224.8**	6.3%	11.5	13.2	-13.1%	8.6	8.7	-1.6%
Retail	**227.7**	**210.1**	8.4%	20.8	18.1	15.0%	14.3	10.7	33.6%
Inter-company eliminations	**-14.1**	**-13.4**	*4.9%*	*-0.3*	-0.3	*-6.4%*	*-0.4*	-0.4	*-4.2%*
Total	**452.7**	**421.6**	7.4%	**32.0**	**31.0**	3.2%	**22.5**	**19.0**	18.3%

Production and sale wholesale (Wholesale)

Wholesale division revenues were up 6.3% to Euro 239.0 million, compared to Euro 224.8 million in 2021. Growth was evident across all of the Group's branches. The markets contributing most to growth were Turkey, the UAE, Brazil and the independent distributor channel.

The post-pandemic recovery in sales was most marked in sunglasses, where sales grew 13.7% while still remaining below 2019 levels.

After the Group's launch of new licensed brands in 2021 (Yalea, Philipp Plein, TUMI, Rodenstock, and Aramis), 2022 also saw the inclusion of some new licenses, including Roberto and Just Cavalli, GAP, which contributed to the Group's sales from Q4 2022 only.

Retail sales

The Group Retail network at December 31, 2022 comprised the following sales points:

	Directly owned stores			**Stores under franchise**			**Total**		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
General Optica	229	224	5	85	75	10	314	299	15
Opmar Optik	67	65	2	0	0	0	67	65	2
Boots Opticians	383	387	-4	161	162	-1	544	549	-5
Total	**679**	**676**	**3**	**246**	**237**	**9**	**925**	**913**	**12**

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 227.7 million, up 8.4% on Euro 210.1 million in 2021. At like-for-like exchange rates, Retail division revenues would have risen approx. Euro 13.1 million (+14.6% on 2021) due to the weakening of the Turkish Lira.

Growth has been positive since Q2 2021, albeit with some uncertainty as the Russian-Ukrainian crisis continues. The recovery in sunglasses sales, combined with sustained growth in prescription glasses and other product categories, have supported the increased market share.

The review of the Turkish chain's business model not only protected it from the volatility of Turkey's macroeconomic situation, but also provided great impetus and dynamism to the entire local organisation, enabling it to achieve significant growth in its customer base. Thanks to the actions taken on Turkish market, the chain's sales grew 152% in local currency terms. Unfortunately, the depreciation of the Turkish Lira reduced the chain's contribution to Group consolidated sales, bringing it to a still excellent +52%. The numerous actions taken and particularly regarding the redefinition and management of the company's policy on operating costs allowed the chain to once again 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	2022	2021	% Change
Personnel costs	134,906	126,163	6.9%
Raw materials, consumables and goods, adjusted by the change in the inventories of raw materials, consumables and goods and of the change in inventories of work in progress, semi-finished and finished goods.	164,482	154,254	6.6%
Service costs	89,552	81,858	9.4%
Rents, lease and similar	28,128	25,776	9.1%
Amortisation, depreciation & write-downs	11,663	15,088	-22.7%
Provisions for risks, other provisions and other operating charges	6,481	7,962	-18.6%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**435,210**	**411,101**	**5.9%**

The movements in operating costs related to:

Personnel costs: +6.9%, mainly following the non-use of the social security schemes, which had been utilised at some Group companies in 2021.

Raw material purchase costs and inventory changes: +6.6%, reflecting the general price increases caused by inflation.

Service costs: +9.4%, mainly related to the increase in advertising and marketing costs on the basis of the higher sales. Third-party processing costs also increased in response to the higher volumes generated by good sales performance.

Costs for use of third party assets: +9.1%, mainly related to increases in rent caused by high inflation.

Amortisation, depreciation and write-downs: -22.7%, mainly related to the fact that the De Rigo Rem goodwill amortisation process was completed in 2021.

Provisions for risks, other provisions and other operating charges: -18.6%, mainly related to the comparison with the previous year, when an extraordinary provision to the returns reserve of Euro 1.1 million was recognised.

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

!	Financial receivables	Trade receivables	Other receivables	Financial payables	Other payables	Revenues	Costs	Financial income (charges)
De Rigo Immobiliare		11					71	
De Rigo Refrigeration Srl		1				3		
Amsterdam Properties S.L.							224	
BOOTS OPTICIANS*		(3)	1,460			53,736	5	
Total	**-**	**9**	**1,460**	**-**	**-**	**53,738**	**300**	**-**

* 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.
Due to a dispute with the company that began in 2018, the Group does not consider Sewon I.T.C. "as an associated company." Company which owes a receivable of Euro 3,990 thousand, which was fully written-down in 2019.

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, 2009, 2010, 2011, 2012, 2013 and 2014 for a total of approx. Euro 8.6 million and mainly regarding transfer pricing (the calculation of inter-company transaction prices). The Company, considering itself to have acted correctly and in full compliance with applicable regulations, presented an appeal against all of the tax assessments to the competent Tax Commission and also forwarded to the Agency international reports - Department of Finance and the Ministry for the Economy and Finance - respectively for each of the EU countries involved in which the Group operates through a branch and for the 2008-2011 and 2012-2014 tax periods, subject to audit, separate applications for the initiation of a mutual agreement procedure as per Article 6 of Convention 90/436/EC against double taxation ("MAP").

Between 2019 and 2021, the Preliminary agreements and international disputes office of the Tax Agency communicated to the Company that it had stipulated the following agreements with the competent tax authorities:

- France (for the years 2008-2014, the complete cancellation of the disputes regarding the years 2008, 2009, 2012, 2013 and 2014 and a more than significant reduction agreed in the assessment for the years 2010 and 2011 concerning the transactions with its French branch);
- United Kingdom (for the years 2008-2014, the complete cancellation of the disputes regarding the years 2008, 2010, 2011, 2012, 2013 and 2014 and a more than significant reduction agreed in the assessment for the years 2009 concerning the transactions with its British branch);
- Spain (the complete cancellation of the disputes for the years 2008-2014 concerning the transactions with its Spanish branch);

In February 2020, the Tax Agency - Veneto Regional Section began a further audit on the years 2015, 2016 and 2017 which, following the COVID-19 restrictions, concluded - in September 2020 for 2015 only and in June 2021 for the years 2016 and 2017 - with a request to increase the assessable base, mainly as a result of Transfer Pricing matters, by approx. Euro 2.6 million.

In the two-year period 2021-2022, the Tax Agency - Veneto Regional Section, also issued separate tax assessments for income taxes and penalties relating to financial years 2015 and 2016 for a total of approx. Euro 0.8 million. As in previous years, the Company filed appeals against the 2015 and 2016 tax assessments with the relevant Tax Commission. It also filed petitions to begin a mutual agreement procedure against double taxation ("MAP") with the International Relations Section of the Finance Department of the Ministry for the Economy and Finance regarding Greece (for the years 2015 and 2016), Japan (for the years 2015 and 2016) and Hong Kong (for the year 2016 only).

In 2022, the Preliminary agreements and international disputes office of the Tax Agency communicated to the Company that with the relevant Japanese tax authorities it had agreed a significant reduction in the assessments related to the 2015 and 2016 fiscal years concerning the Company's transactions with its Japanese branch.
Also during July 2021, following a tax audit for the years 2016 and 2017 carried out by the German tax authorities in relation to the German subsidiary De Rigo Vision DACH GmbH, the Company also filed an additional application with the Italian tax authorities for MAP utilisation in Germany.

In December 2022, the Preliminary agreements and international disputes office of the Tax Agency announced that it had agreed with the relevant German tax authorities a total reduction of approximately 2.7 million Euro in the Company's 2016 and 2017 taxable income.
As a result of this agreement, in January 2023 the Company filed for reimbursement for a total of Euro 0.8 million.
In relation to the agreement reached between the Italian and German tax authorities, we note that the German subsidiary - in place of the parent company - will be subject to withholding tax on the agreed amount.

After the withholding has been paid, the Company may file a reimbursement claim with the German tax authorities for the full amount paid as withholding. In pursuit of its defence strategy regarding Transfer Pricing, in the years 2017-2019 the Company also presented to the competent tax authorities separate applications for a Preliminary Agreement Procedure ("PAP") on a bilateral basis for some of its European subsidiaries (France, Spain, Germany).

To date the PAPs with Spain for the years 2018-2022 and with France for the years 2021-2023 have been finalised. The application to renew the APA for Spain was filed in 2022.
On the basis of the outcomes of the aforementioned MAP and APA and considering that it has charged to the income statement payments equal to a third of each challenge received for the initial three years declared (2008-2009-2010), the Company considers the risks provision accrued in 2022 as appropriate to cover any liabilities which may arise with regards to the tax disputes. From this perspective, we note the decision not to record in 2022 any effect of the reimbursement petition filed following the MAP agreement in Italy and Germany related to the years 2016 and 2017.

Non-recurring and financial management and consolidated investments

Extraordinary and financial management reported net income of Euro 36.9 million, compared to charges of Euro 10.4 million in the previous year.

This improvement is mainly due to the distribution of the dividend by Boots Opticians for Euro 51.9 million and the consequent Euro 19.2 million write-down of the Group's investment in this company (compared to a revaluation of Euro 9.7 million in 2021). This was carried out to better express the value of the Group's share of equity.
A further contribution comes from the revaluation of the Euro 4.7 million investment in De Rigo Brasil, on which the Group had previously recognised a risk for loss coverage. This was offset by the Company's strong results in the last two years.
Net exchange losses of Euro 0.6 million were reported, compared to net gains of Euro 2.4 million in 2021.

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

	2022	2021	Change
Bank deposits	84,950	71,359	13,591
Cash in hand and similar	1,390	1,757	(367)
Cash and cash equivalents	86,339	73,115	13,224
Financial receivables from parent company	35,029	35,029	-
Shareholder loan receivables (payables) (within one year)	0	0	-
Bank payables (within one year)	(1,234)	(6,401)	5,167
Receivables (payables) to other lenders (within one year)	(24)	(394)	370
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Short-term financial receivables (payables)	33,770	28,234	5,537
Short-term net financial position	**120,110**	**101,349**	**18,761**
Bonds and convertible bonds (beyond one year)	-	-	-
Shareholder loans (beyond one year)	-	-	-
Bank payables (beyond one year)	0	(170)	170
Payables to other lenders (beyond one year)	(300)	(285)	(15)
Advances on foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	164	0	164
Net financial position - medium/long-term	(136)	(455)	319
Net Financial Position	**119,974**	**100,894**	**19,080**

At the end of 2022, the Group reported a net cash position of Euro 119.9 million, compared to Euro 100.9 million in the previous year. Operating activities generated cash flows of Euro 40.7 million, compared to Euro 40.3 million in the previous year, while working capital management absorbed resources of Euro 24.2 million, compared to a generation of Euro 11 million in the previous year. The Group invested Euro 13.4 million, compared to Euro 10.9 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 0.4 million.

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

	2022	2021	Change
Trade receivables	57,123	54,964	2,159
Other receivables	49,497	57,744	(8,246)
Inventories	97,941	75,942	21,999
Current non-financial payables	(113,384)	(117,393)	4,009
A) Working capital	**91,178**	**71,257**	**19,921**
Net tangible and intangible assets	66,114	63,366	2,749
Financial assets	180	55	125
Investments	21,192	41,845	(20,654)
Non-current provisions and non-financial payables	(75,012)	(99,905)	24,893
B) Net fixed capital	**12,474**	**5,361**	**7,113**
A+B= Net capital employed	**103,651**	**76,618**	**27,033**
C) Net financial debt	**(119,974)**	**(100,894)**	**(19,080)**
Opening Group shareholders' equity	176,767	149,329	27,438
Other shareholders' equity changes	(2,126)		
Treasury shares	-	-	-
Non-controlling interests capital and reserves	840	745	95
Group net profit	48,144	27,439	20,705
D) Closing shareholders' equity	**223,626**	**177,513**	**46,113**
C+D = Total financial debt (cash) and shareholders' equity	**103,651**	**76,618**	**27,033**

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 decrease in the value of equity investments is mainly related to the write-down of the investment in the associate Boots Opticians to adjust to the value of its equity following the payment of an extraordinary dividend.

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):

	2022	2021
EBIT	22.5	19.0
Revenue	452.7	421.6
ROS %	**5.0%**	**4.5%**

Return on investment (ROI):

	2022	2021
EBIT	22.5	19.0
Net Capital Employed	103.6	76.6
ROI %	**21.7%**	**24.9%**

Return on equity (ROE):

	2022	2021
Net result	48.1	27.4
Net equity	222.8	176.8
ROE %	**21.6%**	**15.5%**

Consolidated tax charge

The Group reported an effective average tax rate of 18.8%, compared to 19.6% in the previous year. For further information, reference should be made to the Explanatory Notes.

Social, political and trade union developments

The intense commercial activity across the world has allowed the Group to resume normal operations, without a repeat of any of the work stoppages applied at various Group companies in the previous two years.
In 2022, normal recruitment and induction of new employees resumed in order to cope with the increased operational activity, employee retirements, and increased employee turnover recorded at different levels and functions.
The difficulties in recruiting the staff required by the Group to fill vacant positions, along with inflationary pressure, will no doubt lead to increases in labour costs in the coming years.

Personnel

The average Group workforce at December 31, 2022 and 2021, broken down by category and in FTE, is reported below:

	2022	2021	Changes
Executives	47	47	-
White-collar	2,468	2,420	48
Blue-collar	555	577	(22)
Other	185	114	71
Total	**3,255**	**3,158**	**97**

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 again in 2022, especially in the United States.

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 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, these technologies include:

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 pandemic emergency has, however, 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, the Group reports that its customers ability to comply with contractual payment terms is normal. This did not result in a significant increase in the risk level. However, it cannot be excluded that continuing inflation, with high interest rates and potentially drawn-out effects of the Russia-Ukraine crisis, may lead 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.
Over the past two years, the Group has made greater recourse to credit insurance policies for its customers as it seeks to mitigate any impact in the event of major insolvencies.

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 potential recurrence of the COVID-19 pandemic, it may not be excluded that the Group's operating liquidity is significantly impacted.

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.

- commercial risk: inflationary pressures in several markets, along with rising interest rates, directly affected consumption levels in a number of markets. The continuation of these effects 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, taking all action necessary to align production standards with those required by the applicable regulations.
Specifically, as regards the production process, this has involved the introduction of new eco materials, such as bioplastics, recycled polymers and bio-based materials. Recycled materials and natural-origin polymers have also been adopted for packaging.
A focus on the environment has also led to improved waste collection, also increasing the types of waste collected separately. Acetate and metal scraps are reused by reintroducing them into the production process. The goal of reducing waste was also pursued by eliminating plastic bottles, which were replaced with drinking fountains.
Finally, we note that thanks to the plant's photovoltaic system, energy consumption has been improved through self-production, improved efficiency and usage monitoring. This has led to the achievement of significant CO_2 emission reduction targets.

Subsequent events and outlook

The initial months of 2023 confirmed the strong development of commercial activities in a number of regions, allowing the Group to once again commit to the targets indicated in this year's budget. Recovery has been uneven, however, and in some areas - particularly in Central European markets - economic tensions caused by the Russia-Ukraine conflict and rising interest rates continue to put pressure on consumption levels. Tourist flows remain low compared to 2019, particularly in Asia, which continues to have a negative impact on travel retail-related sales.

The gradual rise in interest rates has also had an effect on the long-term yield curve, leading to a visible reduction in pension liabilities which, along with the extraordinary contributions made by the Group, have resulted in a decrease in the deficit below the level provisioned in the financial statements. This suggests that 2023 could potentially benefit from a complete elimination of the deficit and a partial release of the risk provision for the English pension fund.

During the year, all necessary steps were taken to integrate the Rodenstock Group's Eyewear division. Full integration of the division is expected in the middle of this year.

In the weeks before the closing of these financial statements, the Shareholders' Meeting approved the distribution of an Extraordinary Shareholders' Meeting dividend of Euro 95.3 million, largely to the parent company De Rigo Holding S.p.A., consisting of Euro 57.9 million in cash and Euro 35.2 million by offsetting an intercompany receivable from the parent company.

When distributing the extraordinary dividend, the Company negotiated and signed a medium-term loan of Euro 60 million with a bank syndicate comprising Intesa Sanpaolo, Unicredit, BNL Paribs and Banco BPM. The loan has a term of five years and includes an amortising portion and a bullet portion.
In February 2023, a powerful earthquake struck part of the southeastern Turkey. The Group operates in that area through a network of stores under the Opmar Optik brand. The earthquake rendered buildings housing three of the Group's stores inaccessible, and the Group therefore ceased operations in that area. Employees at the three affected outlets and members of their families who were among the people displaced were relocated by the Group to nearby areas, enabling them to find shelter and return to work. As yet it is not known whether the closed stores will be able to resume normal operations.

Parent company De Rigo S.p.A. overview

Parent Company Income Statement

Parent company revenues of Euro 6.7 million compared to Euro 5.5 million last year, mainly due to the increase in royalties on the active licenses of the Police brand.

EBIT amounted to Euro 5.1 million, compared to Euro 3.8 million in the previous year.

The net result was a profit of Euro 26.1 million, compared to Euro 4.9 million in 2021, mainly due to the dividend paid by General Optica.

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:

	2022	2021	% Change
NET SALES REVENUES	**6,713**	**5,545**	**21.1%**
Sold product cost	(285)	(287)	-0.7%
GROSS MARGIN	**6,428**	**5,258**	**22.3%**
Advertising & promotion costs	(110)	(6)	1664.0%
Sales costs	(13)	(13)	0.0%
General & administrative costs	(1,255)	(1,419)	-11.5%
OPERATING COSTS	(1,378)	(1,438)	-4.2%
EBIT	**5,050**	**3,820**	**32.2%**
Interest income	222	97	129.5%
Interest charges	(16)	(10)	63.2%
Other non-operating income (charges)	22,646	2,376	853.3%
OTHER REVENUES (COSTS)	22,853	2,463	827.9%
PROFIT BEFORE TAXES	**27,903**	**6,283**	**344.1%**
INCOME TAXES	(1,846)	(1,314)	40.5%
NET PROFIT	**26,057**	**4,969**	**424.4%**

Costs of the Parent Company

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

Description	2022	2021	% 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	-13.2%
Service costs	1,231	1,113	10.6%
Rents, lease and similar	-	-	
Amortisation, depreciation & write-downs	360	366	-1.5%
Provisions for risks, other provisions and other operating charges	112	281	-60.3%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**1,705**	**1,762**	**-3.2%**

Service costs increased 79.2% 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
De Rigo Vision S.P.A.	452	261	55,052		2,975	261
General Optica Internacional S.A.	12				14	16
Derigo Ve Opmar Optik Ticaret Anonim Sirketi			1,004		4	
De Rigo Holding Srl			35,193		1,641	
Total	**464**	**261**	**91,249**	**-**	**4,634**	**276**

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

Net financial income of Euro 206 thousand is an increase on the previous year.

Extraordinary items in 2022 mainly include a dividend of Euro 22.7 million, while in 2021 we included a dividend of Euro 2.1 million.

At December 31, 2022, De Rigo S.p.A. reported a net cash position of Euro 89.6 million, compared to Euro 64.4 million in 2021.

	2022	2021	Change
Bank deposits	58	91	(33)
Cash in hand and similar	1	1	0
Treasury shares	-	-	-
Cash and cash equivalents	59	92	(33)
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loans (within one year)	-	-	-
Bank payables (within one year)	-	-	-
Payables to subsidiaries (within 12 months)	(261)	(23,247)	22,986
Financial assets from parent companies	35,029	35,029	-
Short-term portion of loans	-	-	-
Financial assets from subsidiaries	54,732	52,518	2,214
Short-term financial receivables (payables)	89,501	64,300	25,201
Short-term net financial position	**89,560**	**64,392**	**25,168**
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	**89,560**	**64,392**	**25,168**

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

	2022	2021	Change
Trade receivables	1,595	1,160	435
Other receivables	1,384	399	984
Inventories	-	-	-
Current non-financial payables	(1,813)	(902)	(911)
A) Working capital	***1,165***	***658***	***508***
Net tangible and intangible assets	2,300	2,650	(350)
Financial assets	1,164	453	711
Investments	206,618	206,618	-
Non-current provisions and non-financial payables	(334)	(354)	20
B) Net fixed capital	**209,748**	**209,366**	**381**
A+B= Net capital employed	**210,913**	**210,024**	**889**
C) Net financial debt	**(89,560)**	**(64,392)**	**(25,168)**
Opening equity	274,416	269,447	4,969
Treasury shares	-	-	-
Minority interest capital and reserves	-	-	-
Net profit for the year	26,057	4,969	21,088
D) Closing shareholders' equity	**300,473**	**274,416**	**26,057**
C+D = Total financial debt (cash) and shareholders' equity	**210,913**	**210,024**	**889**

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)

	2022	2021
EBIT	5.1	3.8
Revenues	6.7	5.5
ROS %	**75.2%**	**68.9%**

Return on investment (ROI)

	2022	2021
EBIT	5.1	3.8
Net Capital Employed	210.9	210.0
ROI %	**2.4%**	**1.8%**

Return on equity (ROE):

	2022	2021
Net result	26.1	5.0
Net equity	300.5	274.4
ROE %	**8.7%**	**1.8%**

Parent Company tax charge

The company reported an effective average tax rate of 6.6%, compared to 20.9% in the previous year, mainly as a result of different tax treatment of the dividend received.

Human resources

The company did not have any employees in the years 2022 and 2021.

Processing of personal data

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

Further information

No atypical or unusual transactions were undertaken with related parties.
With regards to any investments held by Directors, Statutory Auditors or General Managers, reference should be made to the Explanatory Notes.

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

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

It is proposed that the Shareholders' Meeting allocates the net profit of the parent company De Rigo S.p.A. of Euro 26.1 million to the extraordinary reserve.

The Chairperson of the Board of Directors
Ennio De Rigo Piter

The undersigned ENNIO DE RIGO PITER, Chairperson 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.