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 2019 separate and consolidated financial statements

In implementation of Legislative Decree No. 32, Article 1, point c) of February 2, 2007, the company utilises the option to present in a single document the consolidated Directors' Report and the separate Directors' Report, with a greater focus in the consolidated financial statements, where appropriate, upon matters of significance for the companies included in the consolidation.
Therefore, the present consolidated Directors' Report also contains the disclosure required by Article 2428 of the Civil Code, with reference to the separate financial statements of De Rigo S.p.A..

Corporate Boards

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

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

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

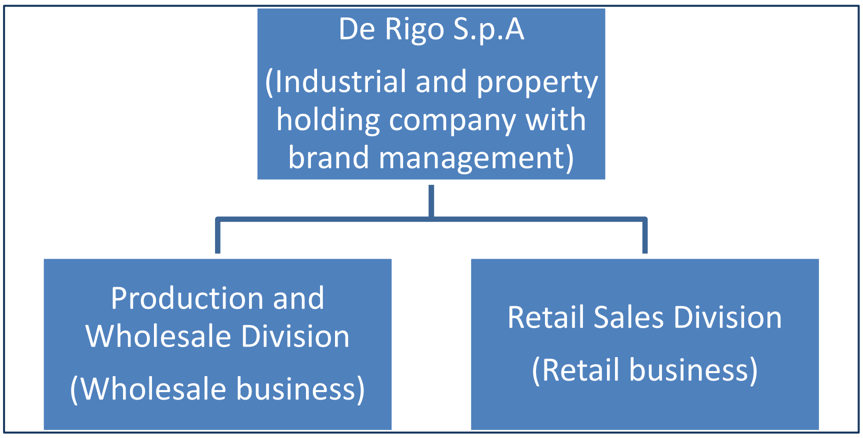
According to the motions of May 18, 2015, the Chairman assumes the broadest powers of ordinary and extraordinary administration, while the three Vice Chairmen, Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis and the Executive Director Michele Aracri have powers limited to ordinary administration.

The Board of Statutory Auditors is comprised of 5 members:

Mario Bampo	Chairman
Gianfilippo Cattelan	Statutory Auditor
Mario 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, 2019, the share ownership of De Rigo S.p.A. is composed by:

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, 2019, 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 reorganisation and development of the two Group businesses took place amid the unforeseen events which impacted the income statement for the year.

The Wholesale division completed the organisation of its general product range, significantly reducing the size of the collections, with a consequent extraordinary write-down of excess inventory. In the same period, the emergence of major financial difficulties for some of the larger customers resulted in the write-down of the related receivables, with a further impact on the income statement.

In the Retail Division, General Optica continues its growth, thanks to sustained positive momentum of local economy and by major investment in new sales points and the promotional campaigns undertaken in the year. The organisational changes at the lens supplier and service provider to which the company's supplies had been outsourced acted however as a drag on these major growth drivers. The extended disruption to services was partly offset by a series of initiatives taken to protect the customer base.

2019 saw contained growth for the Turkish chain De Rigo Opmar. Although sales again rose, margins contracted due to the continued weakening of the local currency.

Group overview

Group consolidated income statement

As reported below in the reclassified Income Statement, consolidated revenues grew 4% to Euro 446 million (from Euro 428.8 million in 2018). At like-for-like exchange rates, Group revenues were up 3.5% on 2018.

Wholesale division revenues increased 1.3% to Euro 254.6 million, from Euro 251.3 million in 2018. At like-for-like exchange rates, revenues were substantially in line with 2018.

Retail division revenues grew 5.9% to Euro 203.6 million, from Euro 192.3 million in 2018, thanks to sales growth delivered by General Optica and the Turkish retail chain.

EBITDA, calculated as the operating profit before amortisation and depreciation, decreased 39% to Euro 14.3 million, from Euro 23.4 million in 2018, with a 3.1% revenue margin. The contraction in the operating profit was mainly due to the considerable obsolescence write-downs on Group inventories and cases arising as a result of the insolvency of some of the major customers in the UAE and Korea.

EBIT before the pension fund deficit accrual decreased to a loss of Euro 2.6 million, from a profit of Euro 6.4 million in 2018, and reported a -0.6% revenue margin (1.5% in the previous year).

The operating costs of the UK pension fund were substantially in line with the previous year, decreasing from Euro 11.8 million to Euro 11.5 million.

EBIT after the pension fund deficit accrual declined, from a loss of Euro 5.5 million in 2018 to a loss of Euro 14.1 million in 2019, with a negative revenue margin of -3.2%, compared to -1.3% in the previous year.

Extraordinary and financial management resulted in net income of Euro 1.0 million, compared to a net charge of Euro 3.6 million in 2018, mainly due to the reduced proportion of interest charges, in addition to the contribution from interest income, a lesser exchange rate impact and the reduced losses of investees compared to 2018.

The net result was a loss of Euro 12.4 million, compared to a loss of Euro 13.5 million in 2018.

At December 31, 2019, the De Rigo Group reported a net cash position of Euro 54.6 million, compared to Euro 35.8 million at December 31, 2018.

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

	2019	2018	% Change
NET SALES REVENUES	**446,014**	**428,831**	**4.0%**
Sold product cost	(192,916)	(184,204)	4.7%
GROSS PROFIT	253,098	244,627	3.5%
Advertising & promotion costs	(35,867)	(33,543)	6.9%
Sales costs	(173,586)	(161,566)	7.4%
General & administrative costs	(46,200)	(43,192)	7.0%
OPERATING COSTS	**(255,653)**	**(238,301)**	**7.3%**
EBIT BEFORE PENSION FUND DEFICIT ACCRUAL	**(2,555)**	**6,326**	-140.4%
Pension fund deficit accrual	(11,522)	(11,822)	-2.5%
EBIT	**(14,077)**	**(5,496)**	**156.1%**
Interest income	1,283	507	153.3%
Interest charges	(2,645)	(4,034)	-34.4%
Other non-operating income (charges)	2,428	(55)	-4482.6%
OTHER REVENUES (COSTS)	**1,066**	**(3,582)**	**-129.8%**
LOSS BEFORE TAXES	**(13,011)**	**(9,078)**	**43.3%**
INCOME TAXES	586	(4,377)	-113.4%
NET LOSS BEFORE MINORITY INTERESTS	**(12,425)**	**(13,455)**	**-7.7%**
MINORITY INTEREST SHARE	603	430	40.2%
NET LOSS	**(11,822)**	**(13,025)**	**-9.2%**

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

Group consolidated revenues by region

Consolidated revenues by region are broken down as follows:

Sales by region	2019	2018	Change	Change %
Europe (excluding Italy)	329.8	312.2	17.6	5.6%
The Americas	58.3	53.0	5.3	10.0%
Rest of the world	51.9	55.0	(3.1)	-5.6%
Total	**440.0**	**420.2**	**19.7**	**4.7%**
Other revenues	6.0	8.5	(2.5)	-29.4%
Consolidated revenues	**446.0**	**428.7**	**17.2**	**4.0%**

- revenues in Europe totalled Euro 329.8 million, improving 5.6%, reflecting both higher sales for the Retail and Wholesale division on the Spanish, Portuguese, French and Italian markets, in addition to the new direct distribution channel in Finland. The growth was offset by contracting sales in Turkey, also impacted by the weakening of the Turkish Lira;
- sales in the Americas rose 10% to Euro 58.3 million (Euro 53.0 million in 2018) as a result of growing revenues for the American branch;
- Rest of the World sales contracted 5.6% to Euro 51.9 million, principally due to the drop in sales in Korea and in the Middle East, despite growth on the Japanese market.

Consolidated Group revenues by business division

The following table outlines the financial highlights of the two divisions in 2019 and 2018 in millions of Euro:

	PRODUCTION AND SERVICE REVENUES			EBITDA			EBIT BEFORE PENSION FUND ACCRUAL		
Group Divisions	**2019**	**2018**	**Change %**	**2019**	**2018**	**Change %**	**2019**	**2018**	**Change %**
Production and wholesale	**254.6**	**251.3**	1.3%	0.1	9.9	-98.5%	-5.2	3.0	-273.7%
Retail	**203.6**	**192.3**	5.9%	13.9	14.2	-1.9%	7.4	9.0	-17.7%
Inter-company eliminations	**-12.2**	**-14.8**	*-17.3%*	*0.3*	-0.7	*-131.0%*	*-4.8*	-5.6	*-15.9%*
Total	**446.0**	**428.8**	4.0%	**14.3**	**23.4**	-39.1%	**-2.6**	**6.4**	-139.9%

Production and wholesale
Wholesale division revenues rose 1.3% to Euro 254.6 million, compared to Euro 251.3 million in 2018. The increase is mainly due to the improvement for the American, French and Japanese branches, in addition to growth on the Italian market. The Korean channels however saw a significant decline, as did the Wholesale division in Turkey.

Retail sales

The Group Retail network at December 31, 2019 comprised the following sales points:

	Directly owned stores			Stores under franchise			Total		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
General Optica	222	217	5	77	74	3	299	291	8
Opmar Optik	67	69	-2	0	0	0	67	69	-2
Boots Opticians*	436	447	-11	165	168	-3	601	615	-14
Total	**725**	**733**	**-8**	**242**	**242**	**0**	**967**	**975**	**-8**

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

Retail sales amounted to Euro 203.6 million, up 5.9% on Euro 192.3 million in 2018. At like-for-like exchange rates, Retail division revenues would have risen approx. Euro 1.5 million (+6.7% on 2018).

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

Opmar Optik saw its sales growth continue in 2019. However, both the difficulties on the unstable domestic market - and particularly the further weakening of the currency - heavily impacted the negative operating result.

Consolidated costs

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

Description	2019	2018	% Change
Personnel costs	129,532	123,895	4.6%
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.	169,617	157,184	7.9%
Service costs	98,033	95,430	2.7%
Rents, lease and similar	26,056	25,623	1.7%
Amortisation, depreciation and write-downs	21,839	18,748	16.5%
Provisions for risks, other provisions and other operating charges	20,208	18,722	7.9%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**465,286**	**439,602**	**5.8%**

The movements in operating costs related to:

Personnel costs: +4.6%, principally from the increased Spanish retail chain costs following the new sales point openings, partially offset by the reduction in personnel costs at De Rigo Vision SpA.

Raw material purchase costs and inventory changes: +7.9%, the account increased compared to the previous year, mainly due to retail business growth.

Service costs: +2.7%, mainly due to increased independent sales network, royalties and transport costs.

Rents, lease and similar: +1.7%, principally following the increase in the cost for the rental of spaces following the rolling out of the sales point opening plan in Spain.

Amortisation, depreciation & write-downs: +16.5%, the increase mainly stemmed from the extraordinary write-down of receivables at De Rigo Vision SpA and at the Dubai branch, in addition to the increase in amortisation and depreciation of the Spanish retail chain following the new openings.

Provisions for risks, other provisions and other operating charges: +7.9%, the movement mainly concern the legal disputes of the overseas companies, partially offset by the slight decrease in the accrual to the UK pension provision.

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	100	-	-	-	-	-	-	-
DE RIGO IMMOBILIARE SRL	-	10	-	-	-	-	69	-
SEWON I.T.C. CO. LTD.	-	3,990	-	-	194	1,327	-	-
AMSTERDAM PROPERTIES S.L.	-	-	-	-	-	7	214	-
BOOTS OPTICIANS*	-	580	3,278	-	371	4,572	188	-
TOTAL	**100**	**4,580**	**3,278**		**565**	**5,906**	**471**	

* 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 as a result of the dispute initiated against the company during the year.

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

The Group is involved in tax disputes in a number of countries. The most significant is in Italy, where the Tax Agency, following the execution of audits, issued separate tax assessments for income taxes and penalties relating to financial years 2008 to 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 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").

In 2019, the Preliminary agreements and international disputes office of the Tax Agency communicated to the company that it has stipulated the following agreements with the competent tax authorities of France, the United Kingdom and Spain for the years 2008 to 2011 at no additional cost to the group.

In the initial months of 2020, the Tax Agency informed the company of the agreement with the competent UK tax authorities for the total cancellation of the disputes concerning the years 2012-2014 regarding the transactions of the company with its UK branch.

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 outcome of the recent agreements concluded by the Tax Agency with the various European tax authorities, considering its ability to defend its operations and having recharged to the income statement the payments made equal to a third of each challenge received for the initial three years declared (2008-2009-2010), considers the risks provision accrued at December 31, 2019 as appropriate to cover any liabilities which may arise with regards to the tax disputes.

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

Non-recurring and financial management and consolidated investments

Extraordinary and financial management reported net income of Euro 1.0 million, compared to charges of Euro 3.6 million in the previous year.

This improved result mainly follows the absence of losses on investments in subsidiaries and associates compared to the Euro 4 million loss in 2018, reduced financial charges of Euro 2.1 million and lower net exchange losses of Euro 0.7 million, partially offset by reduced gains on fixed asset sales of Euro 1.4 million.

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

	2019	2018	Change
Bank deposits	54,299	43,526	10,773
Cash in hand and similar	3,286	4,045	(759)
Cash and cash equivalents	57,585	47,571	10,014
Shareholder loan receivables (payables) (within one year)	100	(234)	334
Bank payables (within one year)	(2,835)	(10,769)	7,934
Receivables (payables) to other lenders (within one year)	(2)	488	(490)
Short-term financial receivables (payables)	(2,737)	(10,515)	7,778
Short-term net financial position	**54,848**	**37,056**	**17,792**
Payables to other lenders (beyond one year)	(280)	(1,227)	947
Net financial position - medium/long-term	(280)	(1,227)	947
Net financial position	**54,568**	**35,829**	**18,739**

At the end of 2019, the Group reported a net cash position of Euro 54.6 million, compared to Euro 35.8 million in the previous year. Operating activities generated cash flows of Euro 39.3 million, compared to Euro 39.9 million in the previous year, while working capital management generated resources of Euro 10.5 million, against the release of Euro 3.8 million in the previous year. The Group invested Euro 11.3 million, compared to Euro 14.9 million in the previous year, particularly for new sales points in Spain and Group IT systems, in addition to the refurbishment of Group facility plant. In the same period, the Group made fixed asset disposals of Euro 0.7 million.

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

	2019	2018	Change
Trade receivables	68,423	77,136	(8,713)
Other receivables	46,690	45,144	1,546
Inventories	83,118	95,342	(12,224)
Current non-financial payables	(107,310)	(106,611)	(699)
A) Working capital	**90,921**	**111,011**	**(20,090)**
Net tangible and intangible assets	80,030	86,019	(5,989)
Financial fixed assets	108	151	(43)
Investments	53,641	49,986	3,655
Non-current provisions and non-financial payables	(56,877)	(52,314)	(4,563)
B) Net fixed capital	**76,902**	**83,842**	**(7,040)**
A+B= Net capital employed	**167,823**	**194,853**	**(27,030)**
C) Net financial debt	**(54,568)**	**(35,829)**	**(18,739)**
Opening shareholders' equity	233,081	242,298	(9,217)
Treasury shares	-	-	-
Min. interest capital and reserves	1,230	1,408	(178)
Net loss for the year	(11,822)	(13,025)	1,203
D) Closing shareholders' equity	**222,489**	**230,681**	**(8,192)**
C+D = Total financial debt (cash) and shareholders' equity	**167,823**	**194,852**	**(27,029)**

Trade receivables decreased compared to the previous year as a result of the improved management of the collection cycle, with inventories also decreasing due to the accumulation in the previous year and the considerable obsolescence write-downs during the year.

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

Debt coverage index

The Group has a positive net financial position.

Return on sales (ROS):

	2019	2018
EBIT	-12.7	-5.5
Revenues	446.0	428.8
ROS %	**-2.8%**	**-1.3%**

Return on investment (ROI):

	2019	2018
EBIT	-12.7	-5.5
Net capital employed	167.8	194.8
ROI %	**-7.5%**	**-2.8%**

Return on equity (ROE):

	2019	2018
Net result	-13.5	-9.6
Net equity	221.3	229.3
ROE %	**-6.1%**	**-4.2%**

Consolidated tax charge

The Group reported an effective average tax rate of -4.5%, compared to 48.2% in the previous year. This negative effective rate was due to the fact that the main Group companies reported tax losses. For further information, reference should be made to the Explanatory Notes.

Social, political and trade union developments

The Group continued in 2019 to restructure a number of Group companies, both to make production more flexible and at particular managerial levels. These actions did not result in difficulties within the organisation.

Personnel

The average Group workforce at December 31, 2019 and 2018, broken down by category and in FTE, is reported below:

	2019	2018	Changes
Executives	49	48	1
White-collar	2,427	2,369	58
Workers	659	695	(36)
Other	138	139	(1)
Total employees	**3,273**	**3,251**	**22**

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 2019.

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

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

Pursuant to Article 2428, paragraph 2, point 6-bis of the Italian Civil Code, information relating to the use of financial instruments is detailed below as such information is relevant for a valuation of the company's equity and financial position.
Company management seek to hedge risks through the use of various types of existing beneficial financial instruments, to ensure that currency, interest rate and price risk are knowledgeably managed. Where risks may be covered through insurance, the Group undertakes the necessary policies. With regards to currency risks, the company usually hedges its currency surplus/deficit so as to minimise the economic effect.

In particular:

Credit Risk

The credit risk deriving from normal Group operations with commercial counterparties is managed and controlled within the procedures for the allocation and monitoring of client credit standings. Credit management activities are coordinated through reporting and periodic meetings concerning all Group companies.
The amount and measurement criteria for the Doubtful debt provision at the reporting date are outlined in the Explanatory Notes.
At the reporting date, any significant concentrations of credit risk have been monitored, with appropriate write-down provisions established where necessary. 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. It may not 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;
- the Group holds financial assets for which a liquid market does not exist, but from which financial cash flows are expected (capital or interest) which will be available to satisfy liquidity needs;
- other sources of financing exist;
- there is no significant concentration of liquidity risk, either from financial assets or 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 has therefore taken steps to ensure that the credit lines granted by the banks to group companies are fully operational and usable. The government interventions introduced by the Liquidity Decree of April 2020 make it even easier to overcome any impasse that a liquidity crisis may cause for the group.

Market risk

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

- interest rate risk: the Group is exposed to interest rate risk from financial payables to credit institutions. As this debt is indexed to the Euribor rate, any change results in a positive or negative impact on the income statement. Management consider that the exposure to this risk is marginal in comparison to the amount of business generated.

- currency risk: the Group undertakes commercial transactions (purchase and sale of goods) in currencies other than the Euro (principally the US Dollar, GB Sterling, Brazilian Real, Turkish Lira, Chinese Renminbi and Japanese Yen). The currency hedging policy therefore seeks to minimise the differences generated between the budget exchange rate and that relating to commercial transactions for the purchase or sale of goods and services in foreign currencies (receipts or payments). The derivative instruments utilised by the company to hedge currency risk principally concern options and forward contracts.

- price risks: very few raw materials utilised by the company have historically reported significant price changes. These changes do not have significant impacts on the income statement.

- the 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 2020 featured the emergence and global spread of the COVID-19 pandemic. The outbreak of this virus, in addition to creating an unprecedented health crisis, resulted in a difficult to contain global economic crisis.
The Group has taken all possible and immediate mitigation measures (the use of the social security schemes funded by the governments of the countries in which the Group branches operate, cuts to all discretional spending and the prudent management of working capital), although the future impacts on the Group's financial statements are currently difficult to quantify.

With the worsening of the epidemic in China over the last few weeks of January, the Group needed to implement organisational measures to mitigate the impact of the closure of Chinese operations on the Group's supply chain. From February, the COVID-19 epidemic, which thereafter became a pandemic, emerged initially in Italy and subsequently across the world, with the complete shutdown of the market in which the Group operates.

The measures issued by the various governments, following the decree of the Italian Prime Minister ("DPCM") of March 9, included various restrictions on mobility, trade and the stoppage or slowing of production throughout Italy and Europe and in the United States, impacting the economy in terms of a slowdown in demand, supply and industrial production, in addition to a shutdown of national and global markets. Furthermore, as the epidemic is still ongoing in Europe, the Americas and other parts of the world, the high level of uncertainty due to the still unpredictable outcome of this disease makes it particularly difficult to estimate its effects in economic and financial terms. The present forecast of the economic impact of the pandemic is for a global drop in output of between 3% and 5%, with significant declines on the main Group markets, which may see drops of between 7% and 10% on an annual basis.

The Group's activities, which in many countries are listed among required services, have always remained partially operative in terms of deliveries, the receipt of orders, production and the functions strictly connected with limited operational oversight.

In 2020, it is therefore reasonable to expect a decline - although one which is difficult to quantify - in revenues and an EBIT loss, despite the actions taken by the company.

In addition, the Group, with a strong balance sheet and financial position, has sufficient levels of liquidity to ensure flexibility where the economic situation worsens over the coming months and even over the coming 12 months, supported also by significant credit lines.

Despite the uncertainties outlined above, it is considered appropriate to apply the going concern principle in preparing the financial statements at December 31, 2019, as a reasonable expectation exists that the Group has sufficient financial resources to continue operations over the foreseeable future, as defined by the company's applicable accounting standards.

Parent company De Rigo S.p.A. overview

Parent Company Income Statement

Parent company revenues of Euro 6.5 million decreased on the previous year, mainly due to the reduction in royalties. EBIT amounted to Euro 4.6 million, compared to Euro 5 million in the previous year.

A net profit of Euro 11.8 million was reported, compared to break-even in 2018, mainly due to the collection of dividends totalling Euro 12 million from the Spanish retail chain.

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:

	2019	2018	% Change
NET SALES REVENUES	**6,459**	**7,072**	**-8.7%**
Sold product cost	-287	-287	0.0%
GROSS PROFIT	**6,172**	**6,785**	**-9.0%**
Advertising & promotion costs	-109	-241	-54.7%
Sales costs	-13	-13	-1.8%
General & administrative costs	-1,429	-1,504	-5.0%
OPERATING COSTS	-1,551	-1,758	-11.8%
EBIT	**4,621**	**5,027**	**-8.1%**
Interest income	78	55	42.5%
Interest charges	-	-	0.0%
Other non-operating income (charges)	8,258	-4,092	-301.8%
OTHER REVENUES (COSTS)	8,336	-4,037	-306.5%
PROFIT BEFORE TAXES	**12,957**	**990**	**1208.8%**
INCOME TAXES	-1,131	-964	17.3%
NET PROFIT	**11,826**	**26**	**45383.5%**

Costs of the Parent Company

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

Description	2019	2018	% Change
Personnel costs	0	0	0.00%
Raw materials, consumables and goods, adjusted by the change in the inventories of raw materials, consumables and goods and of the change in inventories of work in progress, semi-finished and finished goods.	2	2	0%
Service costs	1,281	1,424	-10.0%
Rents, lease and similar	-	-	0.0%
Amortisation, depreciation and write-downs	410	525	-22.0%
Provisions for risks, other provisions and other operating charges	204	122	67.2%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**1,897**	**2,073**	**-8.5%**

Service costs decreased 10% on the previous year, mainly due to the reduced 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:

Description	Financial receivables	Trade receivables	Other receivables	Financial liabilities	Other payables	Revenues	Costs
DE RIGO VISION S.p.A.	65,569	512	-	(599)	(275)	3,245	(275)
GENERAL OPTICA INTERNACIONAL S.A.		7				7	
Total	**65,569**	**519**	**-**	**(599)**	**(275)**	**3,252**	**(275)**

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

Net financial charges of Euro 78 thousand increased on the previous year.

The extraordinary components in 2019 include the dividends received from the Spanish retail chain for Euro 12.9 million, partially offset by the accrual made for the restoration of the share capital of the Turkish subsidiary De Rigo Ve Sesa Group Gozluk, for an amount of Euro 5.2 million (Euro 5.7 million in 2018).

At December 31, 2019, De Rigo S.p.A. reported a net cash position of Euro 65.3 million, increasing on Euro 49.6 million at December 31, 2018.

	2019	2018	Change
Bank deposits	35	70	(35)
Cash in hand and similar	1	0	0
Treasury shares	-	-	-
Cash and cash equivalents	36	70	(34)
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loans (within one year)	-	-	-
Bank payables (within one year)	-	-	-
Payables to subsidiaries (within 12 months)	(275)	(277)	2
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Loans to subsidiaries	65,555	49,842	15,713
Short-term financial receivables (payables)	65,280	49,565	15,715
Short-term net financial position	**65,315**	**49,635**	**15,680**
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	**65,315**	**49,635**	**15,680**

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

	2019	2018	Change
Trade receivables	1,548	1,835	(287)
Other receivables	1,567	1,897	(330)
Inventories	-	-	-
Current non-financial payables	(1,025)	(1,259)	234
A) Working capital	***2,091***	***2,473***	***(382)***
Net tangible and intangible assets	3,705	4,378	(673)
Financial assets	0	(0)	1
Equity investments	206,618	206,618	-
Non-current provisions and non-financial payables	(19,495)	(16,695)	(2,800)
B) Net fixed capital	**190,828**	**194,301**	**(3,473)**
A+B= Net capital employed	**192,919**	**196,774**	**(3,855)**
C) Net financial debt	**(65,315)**	**(49,635)**	**(15,680)**
Opening shareholders' equity	246,409	246,383	26
Treasury shares	-	-	-
Min. interest capital and reserves	-	-	-
Net profit for the year	11,826	26	11,800
D) Closing shareholders' equity	**258,234**	**246,409**	**11,825**
C+D = Total financial debt (cash) and shareholders' equity	**192,919**	**196,774**	**(3,855)**

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)

	2019	2018
EBIT	4.6	5.0
Revenues	6.5	7.1
ROS %	**71.5%**	**71.1%**

Return on investment (ROI)

	2019	2018
EBIT	4.6	5.0
Net capital employed	192.9	196.8
ROI %	**2.4%**	**2.5%**

Return on equity (ROE):

	2019	2018
Net result	11.8	0.0
Net equity	258.2	246.4
ROE %	**4.6%**	**0.0%**

Parent Company tax charge

The company reported an average effective tax rate of 8.7%, compared to 97.4% in the previous year, mainly due to the positive impact on the net result of the dividend received from the Spanish subsidiary General Optica S.a., only subject to a minimal level of domestic taxes.

Human resources

The company did not have any employees in the years 2019 and 2018.

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 11,826 thousand 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 the present electronic document conforms to that transcribed and signed in the company's accounting records.