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 2020 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.

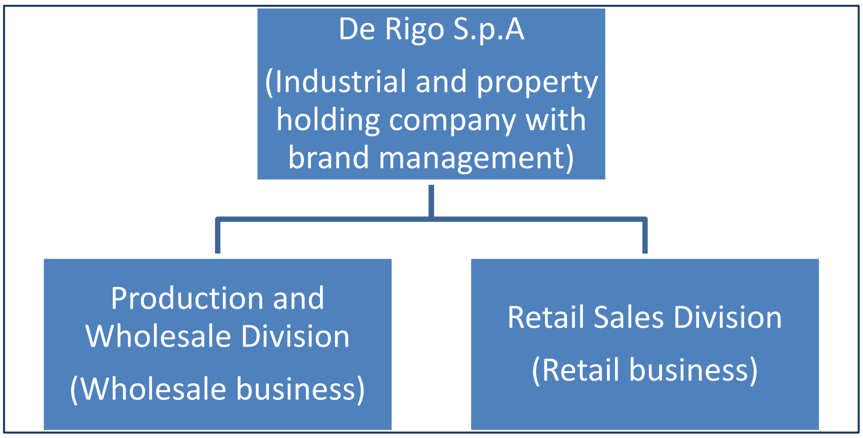
According to the motions of June 6, 2018, the Chairman assumes the broadest powers of ordinary and extraordinary administration, while the three Vice Chairmen, Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis and the Executive Director Michele Aracri have powers limited to ordinary administration.

The Board of Statutory Auditors is comprised of 5 members:

Mario Bampo	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, 2020, 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, 2020, 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,

This has been a difficult, unpredictable year, and we are proud to have reached the end of it with results that have significantly exceeded the forecasts made during the year in the light of the pandemic and its repercussions for our business.

We must give thanks to every one of our employees who, with dedication and sacrifice, enabled us to achieve these results, and in so doing demonstrated the true resilience of this Group and the people who form it. To make the savings required to sustain the business we were forced to make use of every available local tool to temporarily reduce work. This came alongside the significant contribution of managers who took voluntary salary reductions from the beginning of the crisis until the end of the year.

Adapting month-by-month to the changing conditions meant turning our 2020 plan upside-down. Our focus shifted from doing everything possible to protect our employees and clients, to robust cost-reduction measures and an emphasis on the net financial position.

Fortunately, our sector did not suffer the total closures that hit other industries. 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.

A number of definite trends arose during the year, and these will undoubtedly have long-term effects. 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 almost entirely 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. We have learned, as have many of our customers, to plan store visits and to meet by appointment. These increasingly widespread, structured working methods will allow us to be ever-more efficient in the future. The greater dependency on remote resources, though, is not without its risks, and the only case of hacking recorded to date (in the USA) fortunately did not cause significant damage. It did, however, allow us to test and strengthen our technology to support remote working.
We have approached these pandemic months with a spirit of survival, but this has not meant being blind to the future, and we have continued to think about the journey to come. The cost-containment measures we have put in place will not negatively affect our future plans. On the contrary: they are the result of a different vision for the future. We have prioritised simplicity, both in functions and in roles, limiting ourselves to the strictly necessary and knowing that the future may bring new roles and new functions.

The Wholesale division was certainly the most heavily affected, since our sales staff were unable to meet with their customers, the majority of whom sought to reduce their stock inventories. The division also encountered difficulties in managing a supply chain that was hit hard by COVID. The resumption of operations midway through the year demonstrated the importance of our products, and allowed us to strongly serve the market for the second half of the year, partially making up for the slowdown of the previous six months.

Our Retail division suffered an almost total shutdown of its sales points for at least two months in the first quarter. When it resumed operations, however, it did so with such intensity that the excess demand in the middle part of the year proved a real test for our organisation. Thanks to the extraordinary hard work of our sales staff, and to their ability to combine safety protocols with outstanding customer service, reductions in sales were limited despite the significant cost-cutting measures that had been implemented.

We are confident that our approach to this 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 2021 and beyond.

Economic environment

Like almost every economy across the world, Europe was deeply affected by the COVID-19 pandemic. Gross domestic product (GDP) contracted 6.2% in 2020 (EU-27), compared to a 1.6% growth in 2019.

In the United States GDP fell 3.5%, while China experienced reduced - though still positive - growth.

The impacts on other more peripheral economies varied enormously, making the path to recovery more uncertain.

As a result of the ongoing pandemic, the European economic outlook for the year ahead remains weak, though improvements are expected on 2020, with GDP forecast to grow around 3.8% (EU-27).

A number of different areas have suffered the economic repercussions of the pandemic:

- the first stage, beginning midway through Q1, was a slowdown in sales caused by bottlenecks in the Asian supply chain. Difficulties persisted until late April, after which there was a return to quasi-normality despite ongoing disruptions as internal needs were reassessed.
- the worsening of the pandemic and the stringent lockdowns that followed in many countries across the world necessitated plans to close various Group operating units, in production and sales areas and retail.
- only from early Q3 did the strong recovery in consumption allow for these operating units to be reopened.
- a number of countries were heavily affected by the pandemic and this, along with pre-existing internal difficulties, led to significant depreciations of their currencies. This was evident in two countries in which the group has significant operations, as there were 41% and 46% falls in the values of the Brazilian real and the Turkish lira respectively.

The US economy is, on the other hand, forecast to rebound more quickly (6.5% in 2021), thanks in particular to fiscal stimulus packages approved by Congress.

A return to normality in 2021 is expected only in the world's two largest economies - the USA and China - while in other countries this recovery is expected to be completed from 2022.

The ability of local economies to react will determine the speed at which our sales recover in those markets.

Group overview

Group consolidated income statement

As reported below in the reclassified Income Statement, consolidated revenues declined 22.5% to Euro 345.8 million (from Euro 446.0 million in 2019). At like-for-like exchange rates, the fall on 2019 revenues would be 21%.

Wholesale division revenues decreased 29.6% to Euro 179.3 million, from Euro 254.6 million in 2019. At like-for-like exchange rates, the drop on 2019 revenues would be 28.4%.
Net profit in the Retail division was down 13.2% to Euro 176.8 million, from Euro 203.6 million in 2019.

Adjusted EBITDA, calculated as the adjusted operating profit before amortisation and depreciation, increased 25.5% to Euro 17.9 million, from Euro 14.3 million in 2019, with a 5.2% revenue margin. The improvement in Adjusted EBITDA is mainly a result of the cost-containment measures implemented by management following the fall in revenues, in addition to lower obsolescence write-downs of Group inventories. Furthermore, 2019 saw costs for legal disputes relating to the insolvency proceedings of large customers in the UAE and Korea. These costs were not repeated in 2020.

Adjusted EBIT was Euro 6.1 million, up from a loss of Euro 2.6 million in 2019, and reported a 1.8% revenue margin (-0.6% in the previous year).

Extraordinary and financial management contributed a loss of Euro 85.4 million. This was a result of a number of factors that affected 2021 but which will not impact future years. Specifically, the main effects are attributable to:

(i) Extraordinary provision for pension fund deficit. As a result of the continuing high deficit in the UK pension fund caused primarily by low interest rates, the Group has deemed it necessary to accelerate the recognition of the deficit to the consolidated balance sheet. Following this change, the residual deficit at the end of the year was recognised almost entirely through an extraordinary provision to the income statement of Euro 39.1 million, compared with the Euro 11.5 million reported in 2019. Further information is provided in the Explanatory Notes on risk provisions.

ii) Result of the investee company Boots Opticians. As a result of the pandemic and consequent restructuring activities, the investee company reported a net loss of Euro 40.3 million. In application of the accounting principle of valuing equity investments using the equity method, this resulted in a charge to the Group income statement of Euro 17.7 million, compared with net income of Euro 4.8 million in the previous year.

iii) The significant depreciation of a number of currencies impacted the Group, particularly business areas operating with the Brazilian Real, the Turkish Lyra and the US Dollar. This loss in value affected the Group before the debt positions considered excessive were eliminated as a result of the recapitalisation of the local companies. The depreciation of exchange rates resulted in a loss of Euro 13.9 million, compared to Euro 1.7 million in the previous year.

iv) The recapitalisation process of the Brazilian and Turkish subsidiaries caused an extraordinary impact for the Group of Euro 8.1 million, while however allowing for the almost total elimination of any form of existing liabilities at the local companies by year-end.

v) Acceleration of amortisation of the goodwill of De Rigo REM. The Group amended 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 4.3 million.

vi) Other minor extraordinary income of Euro 1.2 million, to be offset by income from the sale of property for Euro 0.8 million.

The net result was a loss of Euro 74.5 million, compared to a loss of Euro 12.4 million in 2019.

At December 31, 2020, the De Rigo Group reported a net cash position of Euro 67.3 million, increasing on Euro 54.6 million at December 31, 2019.

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

	2020	2019	% Change
NET SALES REVENUES	**345,797**	**446,014**	**-22.5%**
Sold product cost	(149,021)	(192,916)	-22.8%
GROSS PROFIT	196,776	253,098	-22.3%
Advertising & promotion costs	(19,072)	(35,867)	-46.8%
Sales costs	(139,551)	(173,586)	-19.6%
General & administrative costs	(32,056)	(46,200)	-30.6%
OPERATING COSTS	**(190,679)**	**(255,653)**	**-25.4%**
ADJUSTED OPERATING PROFIT/(LOSS)	**6,097**	**(2,555)**	**-338.6%**
Interest income	341	1,283	-73.4%
Interest charges	(2,085)	(2,645)	-21.2%
Pension fund deficit accrual	(39,129)	(11,522)	239.6%
Other extraordinary income and charges	(44,582)	2,428	-1936.2%
OTHER REVENUES (COSTS)	**(85,455)**	**(10,456)**	**717.3%**
LOSS BEFORE TAXES	**(79,358)**	**(13,011)**	**509.9%**
INCOME TAXES	4,849	586	727.3%
NET LOSS BEFORE MINORITY INTERESTS	**(74,509)**	**(12,425)**	**499.7%**
MINORITY INTEREST SHARE	277	603	-54.1%
NET LOSS	**(74,232)**	**(11,822)**	**527.9%**

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 268.8 million, down 18.5%, reflecting the general decline in the Wholesale division and (although to a lesser extent) of the Retail division across the region. The Spanish, French, British, Turkish and Italian markets contributed significantly to the contraction in revenues. The German-speaking markets however reacted better.
- The Americas revenues decreased 31.2% to Euro 40.1 million, from Euro 58.3 million in 2019, particularly due to the impact suffered by the US and Brazilian subsidiaries. This latter in 2020 also saw significant depreciation of the local currency;
- rest of the world revenues were down 38.4% to Euro 32.0 million, particularly due to the significant restrictions adopted in various Asian countries, although particularly in China, Japan and Korea.

Sales by region	2020	2019	Change	Change %
Europe (excluding Italy)	268.8	329.8	(61.0)	-18.5%
The Americas	40.1	58.3	(18.2)	-31.2%
Rest of the world	32.0	51.9	(19.9)	-38.4%
Total	**340.9**	**440.0**	**(99.1)**	**-22.5%**
Other revenues	4.9	6.0	(1.1)	-18.4%
Consolidated revenues	**345.8**	**446.0**	**(100.2)**	**-22.5%**

Consolidated Group revenues by business division

The following table outlines the financial highlights of the two divisions in 2020 and 2019 in millions of Euro:

	PRODUCTION AND SERVICE REVENUES			**EBITDA**			**ADJUSTED OPERATING PROFIT**		
Group Divisions	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Wholesale	**179.3**	**254.6**	-29.6%	2.5	0.1	1618.4%	-2.7	-5.2	-47.5%
Retail	**176.8**	**203.6**	-13.2%	14.6	13.9	5.1%	8.9	7.4	20.7%
Inter-company eliminations	**-10.3**	**-12.2**	*-16.1%*	*0.8*	0.2	*285.7%*	*-0.1*	-4.7	*-98.1%*
Total	**345.8**	**446.0**	-22.5%	**17.9**	**14.3**	25.5%	**6.1**	**-2.6**	-346.2%

Production and wholesale

Wholesale division revenues decreased 29.6% to Euro 179.3 million, compared to Euro 254.6 million in 2019. The drop affected all Group subsidiaries, as a result of the COVID-19 pandemic. The US, Spain, Brazil and France markets suffered the greatest contraction in revenues. However, the markets reporting the biggest drop in percentage terms on 2019 revenues were Korea, Brazil, China, the Middle East and the UK.

The pandemic had a particular impact on the sale of sunglasses as occurring at the beginning of the sales season and as hitting a highly discretionary spend product category. The sunglasses segment was therefore impacted again also in the second half of the year, while the prescription glasses segment recovered quicker, achieving in the second half of the year almost the same level of sales as in the same period of the previous year.

The cost containment initiatives introduced were highly successful, achieving on the one hand significant cost savings, while not undermining the future strength of the business. The temporary lay-off of Group personnel, the reduction of discretionary costs (marketing, travel, events etc.), the renegotiation of the financial terms of licensing contracts and the containment of unsold product inventory were among the main earnings recovery drivers allowing the Wholesale division to report an improved operating result on the previous year, although still reporting a slight loss.

The distribution of a number of brands under license such as Converse and Dunhill was also discontinued in the year. The Group in the year signed new agreements for the launch of brands under license with Philipp Plein, TUMI and Artemis, which will contribute to Group revenues from Q4 2021.

Retail sales

The Group Retail network at December 31, 2020 comprised the following sales points:

	Directly owned stores			**Stores under franchise**			**Total**		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
General Optica	224	222	2	75	77	-2	299	299	0
Opmar Optik	65	67	-2	0	0	0	65	67	-2
Boots Opticians	387	436	-49	162	165	-3	549	601	-52
Total	**676**	**725**	**-49**	**237**	**242**	**-5**	**913**	**967**	**-54**

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 176.8 million, decreasing 13.2% on Euro 203.6 million in 2019. At like-for-like exchange rates, Retail division revenues would have risen approx. Euro 2.4 million (-12% on 2019).

As a result of the pandemic, General Optica was required to temporarily close sales points in April and May and consequently suspend temporarily the work of a majority of employees. Activities bounced back strongly with a "V" recovery from June, allowing for the resumption of work and the rapid recovery of most of the revenues lost in the two months of closure, reporting only a 13% revenue contraction on the previous year.
During this period, a range of initiatives were taken to cut costs, both through the renegotiation of sales point rental contracts and the review of all discretionary or unnecessary spending. Thanks to these actions, despite the drop in revenues, General Optica was able to return in a slightly improved operating result on the previous year.

We launched during the year our new online sales platform which only partially contributed to the improved sales in the year, although boosting the number of customers making online bookings to obtain reserved and guaranteed access throughout the period of limited store attendance. This continues to allow us to monitor and plan our customer service capacity at the chain's individual stores.

Differing from Spain and Portugal, the Turkish chain experienced a longer closure of sales points, particularly due to the location of stores at the major Turkish shopping centre which were required to close for a significant period of time. Also in Turkey, the recovery of commercial activities in July allowed the company to quickly resume normal service levels and to partially recover some of the revenues lost during the months of closure - overall reporting a 16% contraction on the previous year. Unfortunately, the depreciation of the Turkish Lira reduced the chain's contribution to Group consolidated sales. The numerous actions taken and particularly regarding the temporary suspension of work, the renegotiation of rental contracts and the reduction of discretionary costs allowed the chain to report a reduction in the operating loss of 40% on the previous year.

Consolidated costs

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

Description	2020	2019	% Change
Personnel costs	106,635	129,532	-17.7%
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.	129,208	169,617	-23.8%
Service costs	65,709	98,033	-33.0%
Rents, lease and similar	22,827	26,056	-12.4%
Amortisation, depreciation & write-downs	18,670	21,839	-14.5%
Provisions for risks, other provisions and other operating charges	45,411	20,208	124.7%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**388,460**	**465,286**	**-16.5%**

The movements in operating costs related to:

Personnel costs: -17.7%, mainly due to temporary suspension of work at the various companies, in addition to the government subsidies at a number of Group companies as a result of COVID-19. The year also benefitted from a reduction in personnel in 2019 with the introduction of a number of redundancy incentive plans at the Italian companies, particularly in terms of early retirement.

Raw material purchase costs and inventory changes: -23.8%, reducing on the previous year mainly due to the drop in sales.

Service costs: -33%, mainly due to the drop in costs incurred by the independent sales network, the renegotiation of the minimum guaranteed amounts on licensing contracts and the reduction in costs for royalties and transport, which are largely indexed to revenues.

Rents, lease and similar: -12.4%, mainly due to the reduction in local rental costs as a result of the negotiations with landlords as a result of COVID-19.

Amortisation, depreciation and write-downs: -14.5%, mainly due to the reduction in receivable write-downs in the year compared to the extraordinary impairments in 2019.

Provisions for risks, other provisions and other operating charges: +124.7%,principally relating to the extraordinary accrual for the pension fund deficit.

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

Description	Financial receivables	Trade receiv.	Other receiv.	Financial payables	Other pay.	Revs.	Costs	Financial income (char.)
DE RIGO HOLDING SRL	250	-	-	-	-	-	-	-
DE RIGO IMMOBILIARE SRL	-	10	-	-	-	-	69	-
SEWON I.T.C. CO. LTD.	-	3,990	-	-	194	-	-	-
AMSTERDAM PROPERTIES S.L.	-	-	-	-	-	33	180	-
BOOTS OPTICIANS*	-	667	1,064	-	439	2,693	-	-
TOTAL	**250**	**4,667**	**1,064**		**633**	**2,726**	**249**	

* 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 February 2020, the Tax Agency began an audit on the years 2015, 2016 and 2017 which, following the COVID-19 restrictions, concluded only for 2015 with a request to increase the assessable base, mainly as a result of Transfer Pricing matters, by approx. Euro 1.5 million. The Tax Agency, under the applicable regulation which extended the statute of limitations, has not yet issued an assessment notice for 2015.

In 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 who significantly reduced the amount of the 2008 - 2014 challenges, 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, 2020 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 charges of Euro 85.4 million, compared to charges of Euro 10.5 million in the previous year.

The deterioration is mainly due to the extraordinary accrual for the pension fund deficit for Euro 39.1 million, compared to Euro 11.5 million in 2019; from the write-down in the investment in Boots Opticians for Euro 17.7 million, compared to the Euro 4.8 million revaluation 2019; from the accrual to the risks provision for future losses on subsidiaries for Euro 8.1 million, not present in 2019; from the write-down in goodwill of the US company for Euro 4.3 million, not present in 2019; from the increased impact of net exchange losses of Euro 13.9 million, compared to Euro 1.7 million in 2019, particularly due to the depreciation of the Brazilian Real and of the Turkish Lyra.

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

	2020	2019	Change
Bank deposits	88,726	54,299	34,426
Cash in hand and similar	3,765	3,286	479
Cash and cash equivalents	92,491	57,585	34,906
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loan receivables (payables) (within one year)	0	100	(100)
Bank payables (within one year)	(24,451)	(2,737)	(21,715)
Receivables (payables) to other lenders (within one year)	(334)	(2)	(332)
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Short-term financial receivables (payables)	(24,786)	(2,639)	(22,147)
Short-term net financial position	**67,705**	**54,946**	**12,759**
Bonds and convertible bonds (beyond one year)	-	-	-
Shareholder loans (beyond one year)	-	-	-
Bank payables (beyond one year)	(386)	0	(386)
Payables to other lenders (beyond one year)	(260)	(280)	20
Advances on foreign payments	-	-	-
Long-term portion of loans	-	-	-
Financial receivables	250	0	250
Net financial position - medium/long-term	(396)	(280)	(117)
Net Financial Position	**67,309**	**54,667**	**12,642**

At the end of 2020, the Group reported a net cash position of Euro 67.3 million, increasing on Euro 54.6 million in the previous year. Operating activities generated cash flows of Euro 19.8 million, compared to Euro 39.3 million in the previous year, while working capital management generated resources of Euro 26 million, compared to Euro 10.5 million in the previous year. The Group invested Euro 7.3 million, compared to Euro 11.3 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 0.8 million (in line with the previous year).

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

	2020	2019	Change
Trade receivables	52,047	68,423	(16,376)
Other receivables	49,632	46,690	2,941
Inventories	70,626	83,118	(12,492)
Current non-financial payables	(96,857)	(107,310)	10,453
A) Working capital	**75,447**	**90,921**	**(15,474)**
Net tangible and intangible assets	68,315	80,030	(11,715)
Financial fixed assets	108	108	1
Investments	33,207	53,641	(20,434)
Non-current provisions and non-financial payables	(95,367)	(56,877)	(38,490)
B) Net fixed capital	**6,263**	**76,902**	**(70,638)**
A+B= Net capital employed	**81,710**	**167,823**	**(86,113)**
C) Net financial debt	**(67,309)**	**(54,667)**	**(12,642)**
Opening shareholders' equity	222,503	233,081	(10,578)
Treasury shares	-	-	-
Minority interest capital and reserves	747	1,230	(482)
Net loss for the year	(74,232)	(11,822)	(62,410)
D) Closing shareholders' equity	**149,019**	**222,489**	**(73,470)**
C+D = Total financial debt (cash) and shareholders' equity	**81,710**	**167,823**	**(86,113)**

Trade receivables decreased mainly due to the reduced sales in the year and the focus on the management of collections, which kept insolvencies under control.

Inventories however reduced thanks to the review of the procurement planning and management of unsold stock policies, allowing at the same time a containment in the generation of new obsolete products.

The reduction in the value of equity investments is mainly related to the write-down of the investment in the associate Boots Opticians.

The significant increase in the risks provisions is due to the extraordinary accrual for the English pension fund deficit in order to reflect entirely the potential liability related to this fund.

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):

	2020	2019
Adjusted operating profit/(loss)	6.1	-2.6
Revenues	345.8	446.0
ROS %	**1.8%**	**-0.6%**

Return on investment (ROI):

	2020	2019
Adjusted operating profit/(loss)	6.1	-2.6
Net capital employed	81.7	167.8
ROI %	**7.5%**	**-1.5%**

Return on equity (ROE):

	2020	2019
Net result	-74.5	-12.4
Net equity	148.3	221.3
ROE %	**-50.2%**	**-5.6%**

Consolidated tax charge

The Group reported an effective average tax rate of -6.1%, compared to -4.5% in the previous year. This negative effective tax rate is the result of the tax losses of the main Group companies. For further information, reference should be made to the Explanatory Notes.

Social, political and trade union developments

In 2020, the Group was required to introduce temporary lay-off schemes in application of the regulations of the various countries in which it operates (Cassa integrazione, Furlough, Kurzarbeit, chomage partiel, ERTE, Lay-offs, etc.) or government support requests (CARES Act in USA). At various Group units these agreements were introduced together with the local trade unions, while to a lesser extent were negotiated at individual level. In both cases no significant tensions emerged between the Group and workers.
Always with the objective of ensuring that the financial impact of the pandemic was as uniform as possible for Group workers, all those in managerial positions were requested to participate in supporting the business by sacrificing part of their salary for the duration of the emergency period.

Personnel

The average Group workforce at December 31, 2020 and 2019, broken down by category and in FTE, is reported below:

	2020	2019	Change
Executives	47	49	(2)
White-collar	2,396	2,427	(31)
Blue-collar	609	659	(50)
Other	131	138	(7)
Total employees	**3,183**	**3,273**	**(90)**

The reduction in personnel indicated in the table was not due to the financial impact of the pandemic, but rather as a result of the actions taken in 2019 in order to refresh the organisation, favouring early retirement. It related only to a lesser extent to the closure of 2 sales points in Turkey.

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 2020.

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:

- <u>interest rate risk</u>: 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.

- <u>currency risk</u>: 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.

- <u>price risks</u>: 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.

- <u>the commercial risk</u>: 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

In the initial months of 2021, activities began to slowly restart in a number of regions, allowing the Group to achieve the recovery targets indicated in this year's budget. The recovery 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.

Prolonged or repeated lockdowns in several markets make it more difficult to predict sales trends in the quarters ahead. However, there are signs in a number of continents, and particularly in Europe and North America, that are building confidence that an improved level of normality for economic activity shall gradually emerge. The ongoing vaccination campaigns have further strengthened confidence in a quick exit from the crisis later in the year.

The Group's capacity to tackle a year of significant turbulence such as 2020 and achieve better results than in 2019 (despite the impact of extraordinary income components), combined with the generation of cash, creates the conditions to exit the pandemic on a solid footing for future development.

The significant turbulence that hit all markets has put the financial solidity of the structures with which the Group operates locally to the test. In certain cases, it was necessary to undertake recapitalisations already by December. In the case of the Turkish companies, this process was completed in February this year. However, the economic effects of the recapitalisation have already been reflected in the 2020 Annual Accounts and consequently it is not expected that this activity shall have a significant impact on the present year, except for the related currency impact.

Parent company De Rigo S.p.A. overview

Parent Company Income Statement

Parent company revenues of Euro 4.5 million decreased on the previous year, mainly due to the reduction in royalties due to the concessions granted by the Group to licensees to handle with greater security the restrictions and closures as a result of the COVID-19 pandemic.

EBIT amounted to Euro 3.3 million, compared to Euro 4.6 million in the previous year.

The net result was a profit of Euro 11.2 million, compared to Euro 11.8 million in 2019, mainly due to the partial release of a risks provision due to the recapitalisation of the Turkish companies in 2020.

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:

	2020	2019	% Change
NET SALES REVENUES	**4,532**	**6,459**	**-29.8%**
Sold product cost	(287)	(287)	0.0%
GROSS PROFIT	**4,245**	**6,172**	**-31.2%**
Advertising & promotion costs	(6)	(109)	-94.8%
Sales costs	(13)	(13)	0.0%
General & administrative costs	(887)	(1,429)	-37.9%
OPERATING COSTS	(906)	(1,551)	-41.6%
EBIT	**3,339**	**4,621**	**-27.7%**
Interest income	14	78	-81.7%
Interest charges	-	-	0.0%
Other non-operating income (charges)	8,878	8,258	7.5%
OTHER REVENUES (COSTS)	8,892	8,336	6.7%
PROFIT BEFORE TAXES	**12,231**	**12,957**	**-5.6%**
INCOME TAXES	(1,018)	(1,131)	-10.0%
NET PROFIT	**11,213**	**11,826**	**-5.2%**

Costs of the Parent Company

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

Description	2020	2019	% 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	2	-47.2%
Service costs	687	1,281	-46.4%
Rents, lease and similar	-	-	0.0%
Amortisation, depreciation & write-downs	403	410	-1.5%
Provisions for risks, other provisions and other operating charges	115	204	-43.6%
TOTAL COSTS OF PRODUCTION ADJUSTED BY THE CHANGE IN INVENTORIES	**1,206**	**1,897**	**-36.4%**

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:

	Trade receivables	Trade Payables	Financial receivables	Financial liabilities	Revenues	Purchases
General Optica Sa	4	-	-	-	9	-
De Rigo Vision S.p.A.	366	201	61,862	834	2,553	201
Derigo Gozluk Sanayi ve Ticaret Anonim Sirketi	-	-	187	-	-	-
Derigo ve Opmar Optik Ticaret Anonim Sirketi	-	-	439	-	-	-
Total	**369**	**201**	**62,488**	**834**	**2,562**	**201**

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

Net financial income of Euro 14 thousand slightly decreased on the previous year.

The extraordinary components in 2020 included a release, net of accruals for the write-down of equity investments, of a risks provision consequent to the recapitalisation of the Turkish companies for Euro 8.9 million, while in 2019 included 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 4.8 million.

At December 31, 2020, De Rigo S.p.A. reported a net cash position of Euro 61.8 million, compared to Euro 65.3 million in 2019.

	2020	2019	Change
Bank deposits	140	35	105
Cash in hand and similar	0	1	(0)
Treasury shares	-	-	-
Cash and cash equivalents	140	36	104
Bonds and convertible bonds (within one year)	-	-	-
Shareholder loans (within one year)	-	-	-
Bank payables (within one year)	-	-	-
Payables to subsidiaries (within 12 months)	(201)	(275)	74
Advances on foreign payments	-	-	-
Short-term portion of loans	-	-	-
Loans to subsidiaries	61,862	65,555	(3,693)
Short-term financial receivables (payables)	61,661	65,280	(3,619)
Short-term net financial position	**61,801**	**65,315**	**(3,515)**
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	**61,801**	**65,315**	**(3,515)**

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

	2020	2019	Change
Trade receivables	560	1,548	(988)
Other receivables	881	1,567	(686)
Inventories	-	-	-
Current non-financial payables	(450)	(1,025)	575
A) Working capital	***991***	***2,091***	***(1,100)***
Net tangible and intangible assets	3,307	3,705	(398)
Financial assets	625	0	625
Equity investments	206,618	206,618	-
Non-current provisions and non-financial payables	(3,895)	(19,495)	15,600
B) Net fixed capital	**206,655**	**190,828**	**15,827**
A+B= Net capital employed	**207,646**	**192,919**	**14,727**

C) Net financial debt	**(61,801)**	**(65,315)**	**3,515**
Opening shareholders' equity	258,234	246,408	11,826
Treasury shares	-	-	-
Minority interest capital and reserves	-	-	-
Net profit for the year	11,213	11,826	(613)
D) Closing shareholders' equity	**269,447**	**258,234**	**11,213**
C+D = Total financial debt (cash) and shareholders' equity	**207,646**	**192,919**	**14,727**

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)

	2020	2019
EBIT	3.3	4.6
Revenues	4.5	6.5
ROS %	**73.3%**	**71.5%**

Return on investment (ROI)

	2020	2019
EBIT	3.3	4.6
Net capital employed	207.6	192.9
ROI %	**1.6%**	**2.4%**

Return on equity (ROE):

	2020	2019
Net result	11.2	11.8
Net equity	269.4	258.2
ROE %	**4.2%**	**4.6%**

Parent Company tax charge

The company reported an effective average tax rate of 8.3%, compared to 8.7% in the previous year.

Human resources

The company did not have any employees in the years 2020 and 2019.

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 11,213 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.