Register of Companies of
Belluno No. 00240790253
Rea 52081

DE RIGO S.p.A.

Headquarters in Zona Industriale Villanova, 12 - 32013 Longarone (BL)
Capital stock € 10,968,535.24 i.v.

Management Report on the Financial Statements and Consolidated Financial Statements for the Year Ended 31 December 2023

In implementation of the provisions of Legislative Decree No. 32, Article 1, point c) of 2 February 2007, the company avails itself of the option to present the consolidated management report and the company management report in a single document, included in the consolidated financial statements, giving greater prominence, where appropriate, to matters that are relevant to all the companies included in the consolidation.
Therefore, this Consolidated Management Report also contains all the information required by Article 2428 of the Italian Civil Code, with reference to the financial statements of De Rigo S.p.A..

Corporate Bodies

The Board of Directors of the parent company consists of five members:

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

The Board remains in office until the approval of the budget for the financial year 2023.

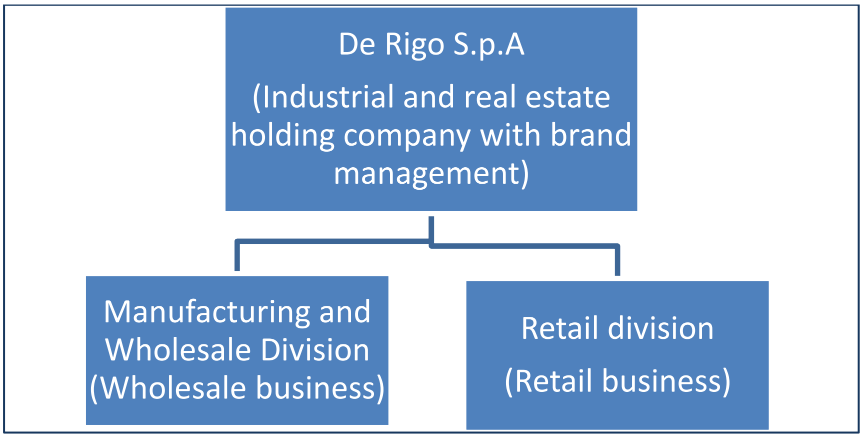
By resolution of 6 June 2018, the President assumed the broadest powers of ordinary and extraordinary administration, while the three Vice-Chairmen Emiliana De Meio, Massimo De Rigo Piter and Maurizio Dessolis, and Managing Director Michele Aracri have powers limited to ordinary administration.

The Board of Statutory Auditors consists of three members:

Paolo Giosuè Bifulco	Chairman
Alessandro Bampo	Acting auditor
Gianfilippo Cattelan	Acting Auditor
Federica Monti	Deputy Auditor
Stefano Lodolo	Deputy Auditor

The Board of Statutory Auditors remains in office until the approval of the financial statements for the financial year 2024.

Group operational structure



Shareholding

As at 31 December 2023, the shareholding structure of De Rigo S.p.A. consisted of:

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

As at 31 December 2023, the shares of De Rigo S.p.A. consisted only of ordinary shares not listed on an official market.

At the closing of financial year, De Rigo S.p.A. held no treasury shares in its portfolio.
Subsidiaries do not directly or indirectly hold shares in the parent company.

Operating conditions and business development

Dear Shareholders,

Our well-established position among the global leaders in the industry continues to allow us to benefit from the long-term growth that our industry continues to show. The trend seen in recent years and the positive outlook lead us to expect medium-term growth of more than 3% globally. This is also confirmed by ANFAO data showing a global growth of 3% for 2023 for its member companies alone.

The impact on consumption resulting from both inflationary growth and the subsequent interest rate hikes aimed at curbing it did not have the feared effect. In fact, most markets maintained a positive trend with a few limited exceptions.

The generally stable environment allowed the consolidation of the projects launched by the group in recent years, enabling a positive sales development of almost all brands in the portfolio.

In July, the acquisition of Rodenstock's eyewear division was completed, allowing the group to add two new brands, Porsche Design and Rodenstock, which, however, made a limited contribution to sales for the year following an integration process that lasted until the last quarter of the year. Following this acquisition, the group organised itself with new subsidiaries and direct sales networks even in some countries where it usually operated only through independent distributors.

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

The positive trend with which we closed the past financial year and the positive start to this year bode well for a further positive 2024.

Macroeconomic framework

The European economy has started to show some signs of economic slowdown as a result of the European Central Bank's credit crunch to bring inflation levels under control. The European economy recorded GDP growth of 0.5 % in 2023 after growth of +3.5 % in 2022 (EU-27). The slow and fluctuating decline in inflation has not yet allowed the ECB to cut interest rates vigorously. On the other hand, the US economy showed a GDP growth of +2.5%, while China grew by +5.2%.

Despite the significant performance of the major economies during 2023, uncertainties related to a consumption development held back by still high interest rates remain. This prolonged credit crunch could lead to a risk of an economic slowdown in 2024. Added to this is the war in the Middle East, which fuels the uncertainties of the area's future development.

Analysis of the Group's consolidated economic and financial situation

Group Consolidated Profit and Loss Account

Based on the reclassified Profit and Loss Account, reproduced below, consolidated sales in 2023 amounted to EUR 506.1 million compared to EUR 452.7 million in 2022 (+11.8%). At constant exchange rates, the increase over 2022 turnover would have been +16%.

Turnover in the *Wholesale* division increased by 16.7% to 279.2 million Euro from 239 million Euro in 2022. At constant exchange rates, the growth in sales compared to 2022 would have been 20.5%.
Sales in the *Retail* Division increased by 6.6% to EUR 242.7 million, compared to EUR 227.7 million in 2022. At constant exchange rates, the growth in sales compared to 2022 would have been 12.0%.

The adjusted EBITDA, calculated by adding the depreciation and amortisation for the period to the adjusted EBIT, increased by 27% to EUR 40.6 million from EUR 32 million in 2022 and accounted for 8% of sales. The improvement in adjusted EBITDA is related to the continued recovery of sales (both *Retail* and *Wholesale)* and the more favourable sales mix, in particular due to the significant growth of brands in the premium segment and some licences that marked new milestones.

The adjusted operating result was a profit of EUR 30.9 million, up from EUR 22.5 million in 2022, and represented 6.1% of sales, compared to 5% in the previous year.

Extraordinary and financial operations made a positive contribution of €5.4 million, down from the contribution of €36.9 million in 2022. In particular, the main phenomena can be grouped into:

i) Net financial expenses increased due to both the general increase in interest rates and the assumption of the new EUR 60 million syndicated loan to support the shareholder reorganisation in 2023.

(ii) In 2023, the Boots Opticians chain distributed a dividend to the group in the amount of EUR 6.2 million, whereas in 2022, a dividend of EUR 51.9 million was received.

iii) At the same time, the shareholding in Boots Opticians, net of the dividend paid, was revalued - in the financial statements of the parent company European Vision (Holding) Limited - by EUR 6.2 million to reflect the correct level of equity. In 2022, following the payment of the extraordinary dividend, a write-down of EUR 19.2 million had been made.

iv) The net impact of foreign exchange losses was EUR (2.8) million compared to the EUR 0.6 million profit in 2022

The final result is a net profit of EUR 31.2 million, compared to the profit of EUR 48.1 million realised in 2022.

As of 31 December 2023, the net financial position of the De Rigo Group was negative and equal to EUR (4.7) million, and down from the EUR 119.9 million recorded as of 31 December 2022, mainly as a result of the distribution of an extraordinary dividend of EUR 95 million and approximately EUR 30.3 million for investments in fixed assets and working capital as a result of the increased level of activity.

At 31 December 2023, the Group's British pension fund had a surplus of EUR 4.2 million, an improvement over the deficit of EUR (17.2) million recorded at 31 December 2022.

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

	2023	2022	Var. %
NET SALES REVENUE	**506.070**	**452.688**	**11,8%**
Cost of product sold	(208.565)	(190.991)	9,2%
GROSS MARGIN	**297.505**	**261.697**	**13,7%**
Advertising and Promotion Costs	(35.832)	(31.068)	15,3%
Selling costs	(191.722)	(169.984)	12,8%
General and administrative costs	(39.055)	(38.123)	2,4%
OPERATING COSTS	**(266.609)**	**(239.175)**	**11,5%**
ADJUSTED OPERATING MARGIN	**30.896**	**22.522**	37,2%
Interest income	1.720	722	138,3%
Interest expenses	(3.404)	(1.363)	149,7%
Other extraordinary income and expenses	7.123	37.534	(81,4%)
OTHER REVENUES (COSTS)	**5.439**	**36.893**	**(85,3%)**
PROFIT BEFORE TAX	**36.335**	**59.415**	**(38,8%)**
OPERATING TAXES	(4.859)	(11.193)	(56,6%)
NET PROFIT/LOSS BEFORE MINORITY INTERESTS	**31.476**	**48.222**	**(34,7%)**
MINORITY INTERESTS	(201)	(78)	159,1%
NET PROFIT	**31.275**	**48.144**	**(35,0%)**

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

Group Consolidated Revenues by Geographical Area

The Group achieved the following results by geographical area:

- turnover in Europe amounted to EUR 388.2 million, an improvement of 12.0%. All major markets were positive with the exception of the UK, which showed a slight contraction. The highest growth was recorded in Turkey, Italy, France and Germany.
- Turnover in the Americas grew by 5.1% to EUR 57.5 million compared to EUR 54.7 million in 2022. At constant exchange rates, 2022 sales in this region would have amounted to EUR 58.8 million.
- Turnover in the rest of the world increased by 22.1% to EUR 53 million, mainly due to the growth recorded in the Asian and Middle Eastern region, especially the United Arab Emirates, Indonesia and China. At constant exchange rates, sales in the rest of the world would have amounted to EUR 55.6 million, an increase over 2022 of 28.4%.
- other revenues mainly represent royalties collected by the group on licenses granted to third parties on the Police brand in categories other than eyewear. The difference with the previous year is mainly attributable to the contribution received from the De Rigo family for the employee donation of €0.8 million, paid in 2022.

Sales by geographical area	2023	2022	Variation	Change %
Europe (including Italy)	388,2	346,6	41,6	12%
America	57,5	54,7	2,8	5,1%
Rest of the World	53,0	43,4	9,6	22,2%
Total	**498,7**	**444,7**	**54,0**	**12,1%**
Other income	7,4	8,0	(0,6)	(8,0%)
Consolidated revenues	**506,1**	**452,7**	**53,4**	**11,8%**

Consolidated Group revenue by business division

The following table summarises the main results of the two divisions in 2023 and 2022 in millions of Euros:

	REVENUE FROM PRODUCTION AND SERVICES			GROSS OPERATING MARGIN			OPERATING PROFIT BEFORE ACC.TO PENSION FUND		
Group divisions	**2023**	**2022**	**Change %**	**2023**	**2022**	**Change %**	**2023**	**2022**	**Change %**
Production and wholesale distribution	**279,2**	**239,0**	16,8%	20,2	11,5	76,0%	17,3	8,6	102,4%
Retail distribution	**242,7**	**227,7**	6,6%	20,8	20,8	-0,1%	14,0	14,3	-2,5%
Intra-group eliminations	**(15,8)**	**(14,0)**	*13,0%*	(0,4)	(0,3)	*24,3%*	(0,4)	(0,4)	*9,4%*
Total	**506,1**	**452,7**	11,8%	**40,6**	**32,0**	27,0%	**30,9**	**22,5**	37,3%

Production and Wholesale

The turnover of the *Wholesale* division increased by 16.8% to 279.2 million Euro, compared to 239 million Euro in 2022. The growth manifested itself across the board in all subsidiaries of the group. The markets that contributed most to the growth were Turkey, China and Brazil, as well as the independent distributor channel.

Sales value has definitely recovered to pre-pandemic levels, with the sun collections up 29.9% compared to 2022 and 11.8% compared to 2019. While prescription collections showed an increase of 10.9% year-on-year and 7.6% compared to 2019.

The year 2023 was characterised by the consolidation of the brands launched during 2022 such as Roberto Cavalli, Just Cavalli and GAP and the introduction of the two new brands Porsche Design and Rodenstock, the latter resulting from the acquisition of the *eyewear* business of Rodenstock Gmbh in June 2023.

The integration of the two new brands (Rodenstock and Porsche Design) took place in the second half of the year, thus limiting the contribution to the year's revenues to the last quarter only.

Retail

The Group's *retail* network as at 31 December 2023 consisted of the following outlets:

	Shops owned			**Franchised shops**			**Total**		
	2023	**2022**	**Variaz.**	**2023**	**2022**	**Variaz.**	**2023**	**2022**	**Variaz.**
General Optica	231	229	2	90	85	5	321	314	7
Opmar Optik	67	67	0	0	0	0	67	67	0
Boots Opticians	373	383	(10)	167	161	6	540	544	(4)
Total	**671**	**679**	**(8)**	**257**	**246**	**11**	**928**	**925**	**3**

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

Revenues in the Retail division amounted to EUR 242.7 million, a positive change of 6.6% compared to EUR 227.7 million in 2022. At constant exchange rates, revenue in the Retail division would have been higher by approximately EUR 12.2 million (12.8% compared to 2022) due to the devaluation of the Turkish lira.

Consolidated costs

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

Description	2023	2022	Var. %
Personnel costs	148.223	134.906	9,9%
Cost of raw materials, consumables and goods for resale adjusted for changes in inventories of raw materials, consumables and goods for resale adjusted for changes in inventories of work in progress, semi-finished and finished goods	179.263	164.482	9,0%
Cost for services	100.750	89.551	12,5%
Cost of use of third party assets;	30.972	28.128	10,1%
Depreciation and Amortisation	12.816	11.663	9,9%
Provisions for risks, other provisions and miscellaneous operating expenses	9.522	6.480	46,9%
TOTAL PRODUCTION COSTS ADJUSTED FOR CHANGES IN STOCKS	**481.546**	**435.210**	**10,6%**

Changes in operating expenses by nature are due to:

Labour Costs: +9.9% mainly due to the change in the contractual classification of the U.S. sales network, where agents changed from independent to employees, generating a €2.6 million change from service costs to personnel costs. In addition, due to the acquisition of the eyewear business of Rodenstock GmbH, the number of employees increased, contributing to an increase in personnel costs of EUR 2.6 million. In addition, the inflationary effect on wages and salaries weighed more heavily in the Retail division with an increase in labour costs of EUR 5.2 million.

Raw material purchasing costs and inventory changes: +9.0% reflects the increase in sales volumes, although partially offset by lower purchasing costs.

Costs for services: +12.5%, the increase in costs for services is mostly due to the increase in royalties paid for licensed trademarks in the amount of EUR 3.8 million and to legal expenses for the commercial area in the amount of EUR 2.8 million, in particular: advertising, travel expenses and events.

Lease and rental costs: +10.1%, mainly related to the increase in rents caused by high inflation.

Depreciation, amortisation and write-downs: +9.9%, the main items contributing to the increase related to General Optica for an extraordinary amortisation performed against an impairment test for €785,000 and ordinary shop depreciation for €330,000.

Provisions for risks, other provisions and miscellaneous operating expenses: +46.9% mainly related to the increase in labour costs in the American and German branches, which, with the new agents, had a consequent increase in travel and entertainment expenses of Euro 336,000 and the provision for a lawsuit in Brazil amounting to Euro 474,000.

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

Description	Financial receivables	Trade receivables	Other credits	Financial debts	Other Payables	Revenues	Costs	Charges (Income) Fin.
De Rigo Real Estate	-	11	-	-	-	11	74	-
De Rigo Refrigeration Srl	-	1	-	-	-	7	-	-
Amsterdam Properties S.L.	-	-	-	-	-	-	237	-
BOOTS OPTICIANS*	-	4	5.094	-	-	(2.302)	-	-
Total	**-**	**16**	**5.094**	**-**	**-**	**(2.284)**	**311**	**-**

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

The Group has some tax disputes in several countries.

The most relevant in Italy, where separate notices of assessment were received for additional taxes and penalties relating to tax years 2008 - 2018 for a total value of approximately €9.4 million, mainly concerning Transfer Pricing issues. The Group, believing that it has always acted correctly and in full compliance with the regulations in force, has appealed against each of the notices of assessment and has also activated separate mutual agreement procedures pursuant to Article 6 of the 90/436/EEC Convention against double taxation ("MAP"), particularly in France, the United Kingdom, Spain, Portugal and Japan. In several cases, these procedures resulted in a significant reduction of the disputed amount.

At the close of the 2023 financial year, the disputes in Italy still awaiting resolution amounted to EUR 3.3 million. In pursuit of its defence strategy in the area of Transfer Pricing, during the three-year period 2017-2019, the Group also filed with the competent tax authorities separate petitions for the activation of the Preventive Agreement Procedure on a bilateral basis ("BAPA") (Italy to France, Spain and Germany respectively).

On the basis of the MAP and APA outcomes mentioned above and the fact that payments made equal to one-third of each dispute received for the first three years assessed (2008-2009-2010) have been charged to the income statement, the Group considers the provision for risks recorded at 2023 to be adequate to cover any liabilities that may arise in relation to tax disputes in Italy.
The Group also has an ongoing dispute regarding indirect taxation (ICMS) in Brazil in the amount of approximately EUR 500,000. The Group considers this dispute to be unfounded, however, for the sake of prudence it has made a provision for the value of two-thirds of the disputed amount in the 2023 financial statements.

Consolidated non-recurring, financial and investment management

Extraordinary and financial operations made a positive contribution of EUR 5.4 million compared to EUR 36.9 million in the previous year.

This change was mainly due to the positive contribution of Boots Opticians (with regard to both dividends distributed and the revaluation of the shareholding) in the amount of EUR 12.4 million compared to EUR 32.7 million in the previous year.

The negative impact of the net foreign exchange result was a loss of EUR (2.8) million compared to a net profit of EUR 0.6 million in 2022.

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

	2023	2022	Variaz.
Bank deposits	55.632	84.950	(29.318)
Cash and other valuables on hand	625	1.390	(765)
Active derivative instruments	-	-	-
Cash and cash equivalents	56.257	86.340	(30.083)
Bonds and convertible bonds (within 12 months)	-	-	-
Payables to shareholders for financing (within 12 months)	-	-	-
Due to banks (within 12 months)	(5.180)	(1.234)	(3.946)
Due to other lenders (within 12 months)	(36)	(24)	(12)
Advances for foreign payments	-	-	-
Short-term portion of loans	-	-	-
Short-term financial debts	(5.216)	(1.258)	(3.958)
Short-term net financial position	**51.041**	**85.082**	**(34.041)**
Bonds and convertible bonds (over 12 months)	-	-	-
Payables to shareholders for financing (beyond 12 months)	-	-	-
Due to banks (over 12 months)	(55.500)	-	(55.500)
Payables to other financial institutions (over 12 months)	(289)	(300)	11
Advances for foreign payments	-	-	-
Long-term share of financing	-	-	-
Financial receivables	0	35.193	(35.193)
Medium- and long-term net financial position	(55.789)	34.893	(90.682)
Net financial position	**(4.748)**	**119.975**	**(124.723)**

At the end of 2023, the Group's net financial position was negative by (4.7) million Euro, down from the positive balance of 119.9 million Euro in the previous year. Operations generated a positive cash flow of EUR 42.4 million in 2023, up from EUR 40.7 million in 2022, while working capital management absorbed resources of EUR (15.9) million compared to an absorption of EUR (24.2) million in the previous year. The group made capital expenditure of EUR 14.5 million, compared to EUR 13.4 million in the previous year, mainly for the renovation of existing shops and the upgrading of the group's information systems. In the same period, the group made disposals of fixed assets worth EUR 1.3 million .

During the year, the group received dividends from the subsidiary Boots Opticians of EUR 6.2 million compared to EUR 51.9 million in the previous year. In the same year, contributions of €28.4 million were paid to the UK pension fund, compared to €18.5 million in the previous year.

In April, an extraordinary dividend was distributed to shareholders in the amount of EUR 95.4 million. To this end, a bank loan of EUR 60 million was taken out and, at the same time, the loan of EUR 35 million granted in 2021 by De Rigo Holding S.p.A. was repaid.

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

	2023	2022	Variaz.
Trade receivables	64.387	57.123	7.264
Sundry receivables	58.177	49.497	8.680
Inventories	110.441	97.941	12.500
Short-term non-financial debts	(121.076)	(113.384)	(7.692)
A) Working Capital	**111.929**	**91.177**	**20.752**
Net tangible and intangible fixed assets	69.132	66.114	3.018
Financial fixed assets	207	180	27
Participations	27.798	21.192	6.606
Medium- and long-term non-financial funds and debts	(46.984)	(75.012)	28.028
B) Net fixed assets	**50.153**	**12.474**	**37.679**
A+B = Net invested capital	**162.082**	**103.651**	**58.431**
C) Net financial debt	**4.748**	**(119.975)**	**124.723**
Opening net assets	125.071	174.641	(49.570)
Own shares	-	-	-
Capital and reserves of third parties	988	841	147
Profit for the year	31.275	48.144	(16.869)
D) Net assets at year-end	**157.334**	**223.626**	**(66.292)**
C+D = Total Financial (Liabilities) and Equity	**162.082**	**103.651**	**58.431**

Trade receivables increased compared to the previous year mainly due to the increase in sales in 2023.

Inventories increased to meet higher sales.

The increase in the value of investments is basically related to the revaluation carried out on the shareholding of the associate Boots Holding Investment limited (parent company of the Boots Opticians chain) for the adjustment to the value of its equity.

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

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

Debt coverage ratio

	2023	2022
Net Financial Position	(4,7)	120,0
MOL	40,6	43,7
Debt coverage ratio	**0,12**	**Positive NFP**

In 2023, the Net Financial Position was negative by EUR (4.7) million. This change is mainly related to the distribution of the extraordinary dividend and the extraordinary contribution to the UK pension fund in the amount of EUR 28.4 million.

Profitability of sales (ROS):

	2023	2022
Operating profit	30,9	22,5
Turnover	506,1	452,7
ROS %	**6,1%**	**5,0%**

Return on Investment (ROI):

	2023	2022
Operating profit	30,9	22,5
Net invested capital	162,1	103,6
ROI %	**19,1%**	**21,7%**

Return on equity (ROE):

	2023	2022
Net result	31,3	48,1
Equity capital	156,3	222,8
ROE %	**20,0%**	**21,6%**

Consolidated Taxation

The Group recorded an average effective tax rate of 13.4% compared to 18.8% in the previous year. Please refer to the notes for more information.

Social, political and trade union climate

During 2023, the group did not carry out any significant reorganisation measures that had an impact on personnel. On the contrary, the acquisition of the eyewear division of the Rodenstock Group brought 95 new employees in 7 different countries into the group.
Among other things, the normal activity of selecting and adding new employees to the workforce continued in order to cope with the increased level of operational activity, the departure of persons of retirement age and the increased employee turnover recorded at various levels and functions.
The difficult availability of the profiles needed by the group to fill vacancies together with inflationary tensions will certainly cause increases in labour costs in future years.

Personnel information

The Group's average workforce as at 31 December 2023 and 2022, broken down by category and in full-time equivalent units, is summarised in the table below:

	2023	2022	Variations
Managers	48	47	1
Employees	2.574	2.468	106
Workers	527	555	(28)
More	211	185	26
Total personnel	**3.360**	**3.255**	**105**

Other information

Pursuant to Article 2428 Paragraph II, it is acknowledged that:

Research and development activities

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

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

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

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

Information Pursuant to Article 2428(2)(6-bis) of the Civil Code

Pursuant to Article 2428, Paragraph 2, Point 6-bis of the Italian Civil Code, below we provide information on the use of financial instruments, insofar as they are relevant to the valuation of the balance sheet and financial situation.
Management has set itself the goal of hedging business risks by using any existing, economically viable instrument so that exchange, interest rate and price risks can be consciously managed. Where risks can be covered with insurance formulas, the Group has taken steps to take out the necessary policies. As far as exchange rate risk is concerned, the company currently hedges its currency surpluses/deficits so as to minimise the economic effect.

In particular:

Credit risk

The credit risk arising from the Group's normal operations with commercial counterparties is managed and controlled as part of the procedures for granting credit and monitoring the credit standing of customers. *Credit management* activities are coordinated through reporting and periodic meetings concerning all Group companies.
The amount and valuation criteria of the provision for bad debts at the balance sheet date are explained in the notes to the financial statements.
At the balance sheet date, any significant concentrations of credit risk were monitored, and appropriate impairment provisions were made where appropriate. However, the past pandemic emergency situation has created an economic environment of complex predictability, making the assessments expressed in the financial statements vulnerable. The Group has accentuated the monitoring of receivables with a view to anticipating states of insolvency that may become visible as a result of this emergency.

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

order to provide the company with adequate resources to cope with late or even non-payment.
Over the past two years, the group has made greater use of credit insurance policies for its customers with the intention of mitigating any impact in the event of major insolvencies.

Liquidity and cash flow risk

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

In addition, it is reported that:

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

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

Market risk

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

- Interest rate risk: the Group has an exposure to interest rate risk arising from the limited financial debt taken on with credit institutions. Since this debt is indexed to the Euribor rate, any fluctuation of this rate has a positive or negative impact on the income statement. Management believes that the exposure to risk is marginal compared to the amount of business generated.

- exchange rate risk (or currency risk): the Group carries out commercial transactions (purchases and sales of goods) in currencies other than the Euro (mainly US Dollar, British Pound Sterling, Brazilian Real, Turkish Lira, Chinese Renminbi and Japanese Yen). The expansion of markets following the acquisition of Rodenstock's eyewear division expanded the number of currencies to be managed, but had a very limited impact. The exchange rate risk hedging policy is therefore aimed at minimising the differences generated between the budget exchange rate and the financial settlement rate of commercial transactions for the purchase or sale of goods and services in foreign currencies (collection or payment). Sudden devaluations may, however, affect foreign currency balances not hedged against the risk of exchange rate fluctuations, particularly in those countries where the cost of hedging makes it difficult to set up a continuous exchange rate risk hedging policy. The derivative instruments used by the company to hedge exchange rate risk are mainly options and forward contracts.

- price risk: there are few raw materials used by the company whose prices have historically shown significant variations. These changes do not have a significant impact on the income statement.

- the commercial risk: the inflationary tensions manifested in several markets, together with the increase in interest rates has had a direct impact on the level of consumption in several markets. The continuation of these effects for a period of several months will necessarily have a strong impact on the consumption of the products distributed by our group, determining both a reduction in the need to purchase with the consequent lengthening of the repurchase period, and a drop in volumes due to the objective difficulty in reaching points of sale during the period of application of these regulations.

Environmental information

The Group has always operated in compliance with environmental regulations, implementing all the necessary actions to adapt its production standards to what is required by the regulations in this regard.
In particular, new eco-materials were introduced in the production process, such as bio-plastics, recycled polymers and bio-based materials. Recycled materials and polymers of natural origin have also been adopted for packaging.
Attention to the environment also resulted in an improvement in separate waste collection by increasing the type of waste collected separately and reducing the weight of undifferentiated waste.
Finally, it should be noted that thanks to the plant's photovoltaic system, it was possible to improve energy consumption, self-producing it by improving efficiency and monitoring its use. As a result of this, important targets for reducing CO_2 emissions have been achieved.

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

In the first months of 2024, the positive sales trend continued despite the fact that March started to show some signs of weakness in consumer spending. In addition to the still unrelieved credit crunch, signs of concern stemming from the two ongoing conflicts in Ukraine and Israel continued to affect retailers' purchasing decisions. There was a marked improvement in the Asian market, where both tourist flows and local markets were much more responsive than on the European continent.

The increase in interest rates also on the long end of the yield curve led to a visible reduction in pension liabilities, which, together with the extraordinary contribution payments made by the group, allowed the deficit to be reduced to zero.

During the year, all necessary steps were completed to integrate the Rodenstock Group's Eyewear Division, allowing it to contribute to Group sales from the fourth quarter of the year.

During the year, the Shareholders' Meeting resolved to distribute an extraordinary dividend of EUR 95.3 million, mostly destined to the parent company De Rigo Holding S.p.A., of which EUR 57.9 million was paid in cash and EUR 35.2 million by offsetting an intra-group receivable from the parent company.

On the occasion of the distribution of the extraordinary dividend, the Company negotiated and signed a medium-term loan of €60 million with a pool of banks comprising Intesa Sanpaolo, Unicredit, BNL Paribas and Banco BPM. The loan has a term of 5 years and consists of an amortising and a bullet portion.

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

Parent company profit and loss account

The parent company's sales amounted to Euro 7.2 million, compared to Euro 6.7 million last year, mainly due to the increase in royalties on active licences for the Police brand.

Operating profit amounted to EUR 5.2 million compared to EUR 5.1 million last year.

The net profit was EUR 7.1 million, but down from EUR 26.1 million in 2022; the difference is mainly attributable to the dividend distributed by General Optica last year.

The main figures summarising the economic activities of the parent company De Rigo S.p.A. are shown in the profit and loss account, reclassified (in thousands of Euro) in order to facilitate the reading of management facts:

	2023	2022	Var. %
NET SALES REVENUE	**7.212**	**6.713**	**7,4%**
Cost of product sold	(289)	(285)	1,4%
GROSS PROFIT	**6.923**	**6.428**	**7,7%**
Advertising and Promotion Costs	(5)	(110)	(95,7%)
Selling costs	(13)	(13)	1,7%
General and administrative costs	(1.707)	(1.255)	36,0%
OPERATING COSTS	(1.725)	(1.378)	25,1%
OPERATING PROFIT	**5.198**	**5.050**	**2,9%**
Interest income	2.483	222	1019,9%
Interest expenses	(2.571)	(15)	16346,8%
Other non-operating income (expenses)	3.331	22.646	(85,3%)
OTHER REVENUES (COSTS)	3.243	22.853	(85,8%)
PROFIT BEFORE TAX	**8.441**	**27.902**	**(69,7%)**
OPERATING TAXES	(1.390)	(1.846)	(24,7%)
NET PROFIT	**7.051**	**26.056**	**(72,9%)**

Parent Company Costs

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

Description	2023	2022	Var. %
Personnel costs	0	0	5,0%
Cost of raw materials, consumables and goods for resale adjusted for changes in inventories of raw materials, consumables and goods for resale adjusted for changes in inventories of work in progress, semi-finished and finished goods	1	1	23,1%
Cost for services	1.527	1.231	24,1%
Cost of use of third party assets;	1	-	
Depreciation and Amortisation	361	361	0,1%
Provisions for risks, other provisions and miscellaneous operating expenses	147	112	31,3%
TOTAL PRODUCTION COSTS ADJUSTED FOR CHANGES IN STOCKS	**2.037**	**1.705**	**19,6%**

The item costs for services increased year-on-year by 24.1% due to an increase in costs related to legal trademark management and financial consulting.

The item Provisions for risks, other provisions and miscellaneous operating expenses increased by 31.3% year-on-year, mainly due to non-deductible taxes.
During the year, the company had the following transactions with related parties:

	Trade Receivables	Trade Payables	Financial Credits	Financial Debts	Sales	Purchases
De Rigo Vision S.P.A.	546	285	54.036	-	5.046	285
General Optica Internacional S.A.	6	-	-	-	-	-
Derigo Ve Opmar Optik Ticaret Anonim Sirketi	-	-	4.610	-	386	-
De Rigo Holding Srl	-	-	-	-	257	-
General Optica Sa	-	-	-	-	20	-
Totals	**552**	**285**	**58.646**	**-**	**5.709**	**285**

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

Financial operations closed with EUR 87.7,000 of net financial expenses, in contrast to the EUR 206,000 of net financial income in 2022. This was mainly due to the EUR 2.5m in interest paid on the EUR 60m loan accessed at the beginning of 2023.

Extraordinary items in 2023 mainly included a dividend of EUR 5.4 million from European Vision Holding Limited, while in 2022 the dividend received from General Optical was EUR 22.7 million.

As at 31 December 2023, the financial position of De Rigo S.p.A. was positive at EUR 33.7 million, compared to EUR 89.6 million in 2022.

	2023	2022	Variaz.
Bank deposits	4.234	58	4.176
Cash and other valuables on hand	1	1	0
Own shares	-	-	-
Cash and cash equivalents	4.235	59	4.176
Bonds and convertible bonds (within 12 months)	-	-	-
Payables to shareholders for financing (within 12 months)	-	-	-
Due to banks (within 12 months)	(4.521)	-	(4.521)
Payables to subsidiaries (within 12 months)	(285)	(261)	(24)
Financial receivables from parent company	-	35.193	(35.193)
Short-term portion of loans	-	-	-
Financial receivables from subsidiaries	51.723	54.751	(3.028)
Short-term financial receivables (payables)	46.917	89.683	(42.766)
Short-term net financial position	**51.152**	**89.742**	**(38.590)**
Bonds and convertible bonds (over 12 months)	-	-	-
Payables to shareholders for financing (over 12 months)	-	-	-
Due to banks (over 12 months)	(55.500)	-	(55.500)
Payables to other financial institutions (over 12 months)	-	-	-
Advances for foreign payments	-	-	-
Long-term share of financing	-	-	-

Financial receivables	-	-	-
Medium- and long-term net financial position	(55.500)	-	(55.500)
Net financial position	**(4.348)**	**89.742**	**(94.090)**

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

	2023	2022	Variaz.
Trade receivables	1.939	1.595	344
Sundry receivables	5.380	1.384	3.996
Inventories	-	-	-
Short-term non-financial debts	(3.090)	(1.814)	(1.276)
A) Working Capital	**4.229**	**1.165**	**3.064**
Net tangible and intangible fixed assets	1.956	2.300	(344)
Financial fixed assets	4.205	982	3.223
Participations	206.618	206.618	-
Medium- and long-term non-financial funds and debts	(478)	(334)	(144)
B) Net fixed assets	**212.301**	**209.566**	**2.735**
A+B = Net invested capital	**216.530**	**210.731**	**5.799**
C) Net financial debt	**4.348**	**(89.742)**	**94.090**
Opening net assets	205.131	274.416	(69.285)
Own shares	-	-	-
Capital and reserves of third parties	-	-	-
Profit for the year	7.051	26.057	(19.006)
D) Net assets at year-end	**212.182**	**300.473**	**(88.291)**
C+D = Total Financial (Liabilities) and Equity	**216.530**	**210.731**	**5.799**

Please refer to the notes for details.

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

Debt coverage ratio

	2023	2022
Net Financial Position	(4,3)	89,7
MOL	5,9	5,5
Debt coverage ratio	**72,9**	**Positive NFP**

Profitability of sales (ROS)

	2023	2022
Operating profit	5,2	5,1
Turnover	7,2	6,7
ROS %	**72,1%**	**75,2%**

Return on Investment (ROI)

	2023	2022
Operating profit	5,2	5,1
Net invested capital	178,5	210,9
ROI %	**2,9%**	**2,4%**

Return on equity (ROE):

	2023	2022
Result	7,1	26,1
Equity capital	212,2	300,5
ROE %	**3,3%**	**8,7%**

Taxation of the parent company

The company recorded an average effective tax rate of 16.5% compared to 6.6% in the previous year, mainly due to the different taxation of the dividend received.

Personnel information

The company had no employees in the financial years 2023 and 2022.

Processing of personal data

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

Further information

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

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

Proposal for Approval of the Financial Statements and Appropriation of Profit

It is proposed to the Shareholders' Meeting to allocate the profit of the parent company De Rigo S.p.A., amounting to EUR 7 million, 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., hereby declares that this electronic document is in conformity with the one transcribed and signed in the company's books.