2018 REGISTRATION DOCUMENT

ESSILORLUXOTTICA

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@ Investors / Publications www.essilorluxottica.com

* Includes the report on the compensation policy of Executive Corporate Officers subject to the approval of shareholders as of May 16, 2019.

The information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol

Registration Document 2018

— Including the Annual Financial Report —

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on April 9, 2019, under numer D. 19-0297 in accordance with Article 212-13 of the General Regulations of the AMF. It may only be used in support of a financial transaction if accompanied by an offering memorandum approved by the Autorité des Marchés Financiers. This document has been prepared by the issuer and is binding on the signatories.


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CHAPTER

1

PRESENTATION OF ESSILORLUXOTTICA

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IN BRIEF

EssilorLuxottica is **a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses.**

Formed in 2018, its mission is to **help people around the world to see more, be more and live life to its fullest** by addressing their evolving vision needs and personal style aspirations.

The company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and the consumer experience around it.

Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux® and Transitions®, and world-class retail brands including Sunglass Hut and LensCrafters are part of the EssilorLuxottica family.

In 2018, EssilorLuxottica had nearly 150,000 employees and *pro forma* consolidated revenues of approximately €16 billion.

The EssilorLuxottica share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices. Codes and symbols: ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.



Preamble

On October 1, 2018, Delfin S.à.r.l ("Delfin"), the majority shareholder of Luxottica Group S.p.A. ("Luxottica") and Essilor International (Compagnie Générale d'Optique) ("Essilor"), announced the successful completion of the combination of Essilor and Luxottica.

The announcement followed the satisfaction of all conditions precedent to the closing of the transaction, including approval by Essilor shareholders in May 2017, the hive-down of substantially all Essilor activities to Essilor International SAS (a wholly-owned subsidiary of Essilor) in November 2017 and clearance from all antitrust authorities whose authorization was a condition precedent to the closing of the transaction.

Following the contribution by Delfin of its 62.42% stake in Luxottica to Essilor on October 1, 2018, Essilor became the parent company of Luxottica and was renamed EssilorLuxottica.

On October 11, 2018, EssilorLuxottica launched a mandatory exchange offer pursuant to Italian law for all of the remaining outstanding Luxottica shares (176,276,154 ordinary shares of Luxottica, each with a par value of €0.06).

During the offer and the subsequent "sell-out" and "squeeze-out" procedures, in the aggregate (i) 176,276,154 ordinary shares of Luxottica were actively tendered (or were anyway acquired by EssilorLuxottica pursuant to its right to purchase all remaining shares in the "squeeze-out" procedure), and (ii) a total of 75,588,772 new EssilorLuxottica shares was issued and admitted to trading on Euronext Paris.

As a consequence, the interest held by Delfin in EssilorLuxottica decreased from the initial 38.93% to 32.05% of the share capital of EssilorLuxottica, it being reminded that the voting rights are capped at 31% for any shareholder subject to a formula contained in article 23 of EssilorLuxottica's by-laws.

This report will provide certain information related to Essilor and Luxottica stand-alone businesses, due to the fact that the completion of the combination of Essilor and Luxottica occurred in the fourth quarter of 2018.

1.1 EssilorLuxottica, a global leader in the eyecare and eyewear industry

1.1.1 Overview of the Group

EssilorLuxottica, a fully integrated player, is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technologies and the other in the craftsmanship of iconic eyewear, to create a vertically-integrated business that is uniquely positioned to address the world's evolving vision needs and the global demand of a growing eyecare and eyewear industry.

A growing eyecare and eyewear industry

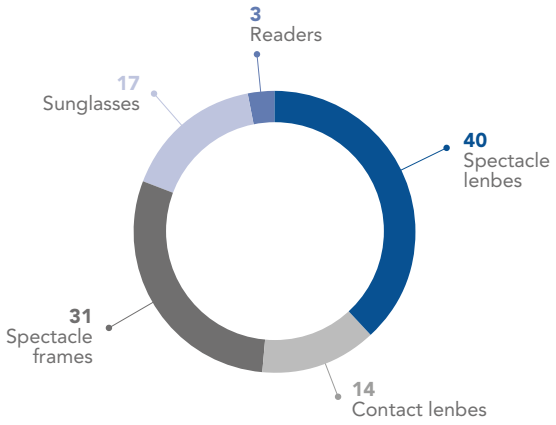
Across the world, 6 billion people [1] are in need of sunwear and 4.6 billion people [1] are in need of vision correction, among which 2.5 billion [1] suffer from uncorrected poor vision.

The global eyecare and eyewear industry represents a value estimated at around €105 billion [2] in sell-out/retail price terms, with long-term growth trend of around 4% [2] per annum. The industry is comprised of five segments: spectacle lenses, contact lenses, spectacle frames, sunglasses and readers. The growth patterns of each segment are relatively homogeneous, with the exception of the sun category which is projected to grow slightly faster than the rest.

(1) Source: EssilorLuxottica, Vision Impact Institute, Eyelliance: Eyeglasses for Global Development: Bridging the Visual Divide.
(2) Source: EssilorLuxottica.

Breakdown of the global eyewear and eyecare industry in value

(in € billion) (1)



A unique global footprint

With a worldwide presence across all stages of the value chain, EssilorLuxottica has approximately 150,000 employees committed to providing vision care and eyewear products that meet the individual needs and aspirations of each consumer. The unique business model and relentless pursuit of operational excellence ensures that consumers everywhere have access to products that have been rigorously tested to meet internationally recognized standards, from the simplest pair of glasses to the most sophisticated custom-made lenses and branded eyewear.

A deeply rooted commitment to vision and innovative eyewear

By investing heavily in R&D for cutting edge lens and frame technology, as well as reimagining the design, form and function of eyewear, EssilorLuxottica constantly sets new industry standards for vision care and eyewear and the consumer experience around it. Beyond the products we make, our Company and our people are deeply committed to elevating the importance of vision as both a basic human right and a key lever for global development.

1.1.2 Vision care and eyewear brands

EssilorLuxottica is home to some of the most loved and widely-recognized vision care and eyewear brands in the world. With a portfolio of proprietary and licensed brands that cover a wide variety of market segments, the Company taps into the needs and desires of consumers, innovate on everything from design to service, and ultimately deliver products and experiences that stand out in the industry.

Lens Technologies

EssilorLuxottica's innovation in lens technology has led to the creation of lens brands that regularly rank among the highest in terms of consumer satisfaction.

Today, it has an unparalleled portfolio of proprietary brands, including Varilux®, Transitions®, Crizal®, Ray-Ban, Oakley, Eyezen™, Xperio®. The Company has also successfully partnered with leading companies such as Nikon® to distribute specific technologies that enable each consumer's needs to be fully addressed. These brands make an important contribution to educating consumers about the importance of eyecare.

Crizal®	essilor	ESSILOR SUN SOLUTION	Eyezen™
Kodak LENS	OAKLEY	OPTIFOG	Ray-Ban
Transitions light intelligent lenses	VARILUX®	Xperio	

(1) Source: EssilorLuxottica.

EssilorLuxottica also has a long history of designing equipment and solutions used by opticians, optometrists and ophthalmologists around the world. This includes lens surfacing and coating equipment and instruments for refraction, diagnostic and imaging, measurement, edging and mounting tools as well as sales support services.

ESSILOR INSTRUMENTS | satisloh

Eyewear brands

The vision and inventiveness of EssilorLuxottica has helped eyewear become a category on its own over the past few decades, evolving from a necessary device that improves vision to a desirable fashion accessory which enables self-expression and enhances self-confidence. A relentless pursuit of excellence down to the smallest detail, along with ongoing investment in R&D, new technologies, equipment, materials and processes, has earned us a reputation as a product and branding trailblazer.

The Company has an outstanding portfolio of proprietary eyewear brands, including Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli, Arnette, Bolon™ and Costa® and prestigious licensed brands including Giorgio Armani, Burberry, Bulgari, Chanel, Coach, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

alain mikli paris	A | X ARMANI EXCHANGE	arnette	BOLON
Brooks Brothers	BURBERRY	BVLGARI	CHANEL
COACH NEW YORK	COSTA	DOLCE & GABBANA	EMPORIO ARMANI
	FOSTER GRANT	GIORGIO ARMANI	LUXOTTICA
MICHAEL KORS	miu miu EYEWEAR	MOLSION	OAKLEY
OLIVER PEOPLES	Persol	POLO RALPH LAUREN	PRADA EYEWEAR
RALPH LAUREN	Ray-Ban	Sferoflex	STARCK BIOTECH PARIS
TIFFANY & CO.	TORY BURCH	VALENTINO	VERSACE
VOGUE eyewear			

Direct to consumer

EssilorLuxottica's retail network counts over 10,000 stores that offer high quality vision care and shopping experiences to patients and consumers, from highly digital eye exam technology to the latest eyewear trends curated for every type of consumer. A true omnichannel approach to distribution has enabled the magic of the Company's stores to be replicated in the digital space, enabling visitors to enjoy everything from customization to an endless aisle of frames. This approach enhances the consumer experience by offering a connected experience across all customer touch-points. Developing online activities enables EssilorLuxottica to reach a greater number of consumers while ensuring the distribution of quality optical products and improving the quality of information available for consumers to understand the importance of vision and the solutions available.

The Company has a widespread brick-and-mortar retail network, under banners like LensCrafters, Pearle Vision, Target Optical, Sears Optical, OPSM, Salmoiraghi & Viganò, Óticas Carol, David Clulow, Ópticas Place Vendôme, Ópticas Visión, Sunglass Hut, Ray-Ban and Oakley, complemented by best-in-class e-commerce platforms like Ray-Ban.com, Oakley.com, SunglassHut.com, EyeBuyDirect.com, FramesDirect.com, Coastal.com and Vision Direct™ (in Europe).

1.1.3 EssilorLuxottica 2018 Key Figures

The financial information deemed relevant to comment the performance of the Group in this document is based on the Unaudited *Pro Forma* Consolidated Financial Information. The Unaudited *Pro Forma* Consolidated Financial Information has been produced with the aim to provide comparative information for the year ended December 31, 2017 and the year ended December 31, 2018.

The tables in Sections 3.1.and 3.6. present the reconciliation between the consolidated statement of profit or loss reported, the consolidated statement of profit or loss *pro forma* and the consolidated statement of profit or loss *pro forma* adjusted.

Consolidated *pro forma* (1) adjusted (2) statement of profit or loss

€ millions	2018	2017	Change %
Revenue	16,160	16,349	-1.2%
Adjusted (2) gross profit	**10,172**	**10,314**	**-1.4%**
% of revenue	*62.9%*	*63.1%*	
Adjusted (2) operating profit	**2,572**	**2,703**	**-4.8%**
% of revenue	*15.9%*	*16.5%*	
ADJUSTED (2) NET PROFIT	**1,871**	**1,904**	**-1.7%**
% of revenue	*11.6%*	*11.6%*	

(1) *Pro forma* consolidated profit or loss statement on a twelve months basis for Essilor and Luxottica. The Unaudited *Pro Forma* Consolidated Financial Information has been prepared for illustrative purposes only and does not take into account the results of operations that EssilorLuxottica would have achieved if the contribution of Luxottica shares by its majority shareholder had actually been realized on January 1, 2018 or January 1, 2017. There can be no assurance that the assumptions used to prepare the Unaudited *Pro Forma* Consolidated Financial Information are accurate in all respects or that the trends disclosed in the Unaudited *Pro Forma* Consolidated Financial Information are indicative of the future performance of EssilorLuxottica. As a result, EssilorLuxottica's performance in the future may differ materially from that presented in the Unaudited *Pro Forma* Consolidated Financial Information.

(2) 2018 and 2017 profit or loss is presented on an adjusted basis in accordance with the Unaudited *Pro Forma* Consolidated Financial Information. The reported accounts and a reconciliation of the reported accounts to the adjusted accounts is included in the Unaudited *Pro Forma* Consolidated Financial Information. A description of the adjusting items is reported in the paragraph *Adjusted measures* in Section 3.1.1.

1.2 Company history

January 2017
EssilorLuxottica combination announced
June 2017
Delisting of Luxottica ADRs from NYSE
March 2018
EU and the US cleared EssilorLuxottica combination without conditions

July 2018
China is the last major country to clear the combination
October 2018
Combination completed + Launch of the Mandatory Exchange Offer (MTO) over remaining shares forming Luxottica share capital

March 2019
MTO procedures completed and delisting of Luxottica shares from Milan Stock Exchange

EssilorLuxottica Combination

2018
Acquisition of Fukui Megane

2017
Acquisition of Oticas Carol

2016
Acquisition of Salmoiraghi & Viganò

2013
Acquisition of Alain Mikli

2012
Acquisition of Tecnol

2019
Acquisition of Brille24 (online)

2016
Acquisition of Vision Direct UK, MyOptique (online) and Photosynthesis Group (Sunglasses)

2015
Acquisition of Vision Source, PERC/IVA
Creation of Vision for Life™, the largest strategic fund in visual health, to combat poor vision

2014
Acquisition of Transitions Optical and coastal.com

2013
Acquisition of Costa® and Bolon™

2010
Acquisition of Shamir Optical, Signet Armorlite and FGX

2007
Acquisition of Oakley

2004
Acquisition of Cole National

2003
Acquisition of OPSM

2001
Acquisition of Sunglass Hut

2000
Listed on Milan Stock Exchange

2008
Acquisition of Satisloh (Equipment)

2000
Essilor and Nikon decided to combine their R&D capabilities in creating a joint venture

1999
Acquisition of Ray-Ban

1998
Acquisition of EyeMed

1995
Acquisition of Persol
Acquisition of LensCrafters

1995
Acquisition of Gentex Optics (polycarbonate plastic lenses)

1991
Joint-venture with PPG to launch the first organic photochromic lens

1990
Acquisition of Vogue Eyewear
Listing on NYSE

1988
First license agreement with Giorgio Armani

1975
Essilor listed on the stock market (Paris)

1972
Essilor, a merger of two leading names (ESSEL and SILOR)

1961
Founded by Leonardo Del Vecchio

1959
Launch of the world's first-ever progressive lens, Varilux®

1954
Launch of the first plastic lens, Orma®

1849
Founded from a workers' cooperative (Société des Lunetiers)

LUXOTTICA ESSILOR

EssilorLuxottica has a combined two centuries of innovation and human endeavor behind it. Created in 2018, it is a culmination of two very complementary and inspiring business stories, equally rich in their successes, which have revolutionized an entire industry more than once, changing the very nature of eyewear and how we care for our eyes.

Founded in 1849, Essilor's long history is bound to its mission of improving lives by improving sight. This mission has borne major technological advances such as the invention of the organic lens and the progressive lens. The company has built a strong culture of employee shareholding combined with a unique governance model that associates employees with the company's decision-making process. This model is at the heart of Essilor's ambition to eradicate poor vision worldwide within one generation.

Starting its journey in 1961, Luxottica transformed eyeglasses from a necessary device into a desirable fashion accessory and vehicle for self-expression by building a unique vertically integrated business model which covers the entire value chain from design to final consumers and makes it possible to verify the quality of both products and processes. This revolution has created a growing appetite and demand for premium branded frames with a positive impact on the eyewear industry globally.

Where the stories overlap is in vision and values, including an entrepreneurial spirit and a shared desire to create the very best products for all consumers around the world and to do so responsibly. Yesterday Essilor and Luxottica were two companies using their individual strengths to unlock the potential of eye care and eyewear around the world; today EssilorLuxottica look forward to combining those strengths as one Group.

1.2.1 Creation of EssilorLuxottica

The agreement and the January 2017 announcement

On January 16, 2017, Essilor and Delfin announced the signing of an agreement (the "Combination Agreement") designed to create an integrated player dedicated to visual health and superior consumer experience through the combination of Essilor and Luxottica Group. This transaction was unanimously approved by both Essilor's Board of Directors and Luxottica's Board of Directors, which held separate meetings on January 15.

Key milestones from the announcement to the birth of EssilorLuxottica

The Contribution Agreement (March 22, 2017): following the completion of the information-consultation process of (i) Essilor's Works Council (*Comité central d'entreprise*) and European Works Council (*Comité d'entreprise européen*) on March 6, 2017, as well as (ii) BBGR's Works Council (wholly-owned French subsidiary of Essilor) on February 23, 2017, and with the overwhelming support of Valoptec Association (the organization that brings together most of Essilor's employee shareholders), Essilor and Delfin entered into the "Contribution Agreement", where Essilor and Delfin agreed to pursue the transaction contemplated by the Combination Agreement. The signing of the Contribution Agreement related to (i) the transfer by Essilor International (Compagnie Générale d'Optique) of substantially all of its activities and shareholdings to its fully-owned subsidiary, Delamare Sovra, to be renamed Essilor International, (ii) the contribution by Delfin of all its shares in Luxottica in exchange for new shares issued by Essilor, based on an exchange ratio of 0.461 Essilor share for one Luxottica share.

Document E Registration (April 7, 2017): Essilor registered with the AMF the French version of the document E under number E. 17-014. This information document related to the share capital increase through the issuance of ordinary Essilor shares in consideration for the contribution in kind by Delfin of its shares in Luxottica Group and the admission to trading of Essilor shares issued in connection with such contribution.

AMF waiver (April 12, 2017): the French market authority (AMF) waived Delfin's obligation to file a mandatory tender offer for Essilor's shares. This was a condition precedent to the closing of the transaction.

Essilor Shareholders' Meetings (May 11, 2017): on May 11, 2017, Essilor held its combined annual shareholders' meeting and a special meeting for holders of shares with double voting rights. Essilor's shareholders approved all the resolutions proposed to the two meetings, including those concerning the combination between Essilor and Luxottica:

- the appointment of members of the EssilorLuxottica Board of Directors;
- the contribution by Delfin of all its Luxottica shares to Essilor;
- the contribution of almost Essilor's activities and equity interests into a wholly-owned subsidiary;
- the issuance of new shares in the context of the mandatory public exchange offer, to be launched by EssilorLuxottica for the remaining Luxottica shares;
- the cancellation of double voting rights;
- the future bylaws of EssilorLuxottica.

This approval was a condition precedent to the closing of the transaction.

The Hive-Down (November 1, 2017): the Hive-Down, contribution by Essilor International (Compagnie Générale d'Optique) of substantially all of its operating activities and its equity holdings to its subsidiary Essilor International, was completed. This was a condition precedent to the contribution by Delfin of its Luxottica shares to Essilor.

Approvals from Antitrust Authorities (March 2017-September 2018): the transaction was approved by some 20 antitrust authorities, 19 of which were without conditions. Clearance in five jurisdictions (Brazil, Canada, China, the European Commission and the United States of America) was a condition precedent to the closing of the transaction.

Successful Completion of the Combination of Essilor and Luxottica (October 1, 2018): Delfin contributed to Essilor 302,846,957 ordinary shares of Luxottica with a par value of €0.06 each, representing 62.42% of Luxottica's share capital in exchange for 139,703,301 new Essilor shares Issued with a par value of €0.18 each, corresponding to an exchange ratio of 0.4613 Essilor share for 1 Luxottica share. Following this Contribution, Essilor was renamed "EssilorLuxottica" and became the parent company of Luxottica and Essilor International, holding 100% of Essilor International's share capital and 62.42% of Luxottica's share capital.

Mandatory Exchange Offer (October 2018-March 2019): on October 11, 2018, EssilorLuxottica launched a mandatory exchange offer pursuant to Italian law for all of the remaining outstanding Luxottica shares (176,276,154 ordinary shares of Luxottica, each with a par value of €0.06).

During the offer and the subsequent "sell-out" and "squeeze-out" procedures, in the aggregate (i) 176,276,154 ordinary shares of Luxottica were actively tendered (or were anyway acquired by EssilorLuxottica pursuant to its right to purchase all remaining shares in the "squeeze-out" procedure), and (ii) a total of 75,588,772 new EssilorLuxottica shares was issued and admitted to trading on Euronext Paris.

As a consequence, the interest held by Delfin in EssilorLuxottica decreased from the initial 38.93% to 32.05% of the share capital of EssilorLuxottica, it being reminded that the voting rights are capped at 31% for any shareholder subject to a formula contained in article 23 of EssilorLuxottica's by-laws.

As of March 5, 2019, EssilorLuxottica controlled all the share capital of Luxottica, whose shares have been delisted from the Italian stock exchange (MTA).

1.2.2 History of Essilor

At Essilor's roots lie two innovative companies

Essilor was formed in 1972 from the merger of two technological and marketing pioneers, ESSEL and SILOR, which at the time dominated the French ophthalmic optics industry.

The first can trace its origins to the *Association Fraternelle des Ouvriers Lunetiers* (renamed *Société des Lunetiers* and then ESSEL), an eyewear makers' cooperative founded in 1849 in Paris. In 1953, it filed a patent for the world's first-ever progressive lens, launched under the Varilux® name in 1959. ESSEL's original operating structure, which was inspired by workers' cooperatives and involved employees in corporate governance, is the source of the strong employee shareholding culture that is still present in Essilor today.

The second company dates back to the 1930s and was founded by Georges Lissac. The Industrial Division of the Lissac group, SILOR, was formed in 1969 from the merger of frame-maker SIL (*Société Industrielle de Lunetterie*) and lens-maker LOR (*Lentilles Ophtalmiques Rationnelle*), which had launched the first plastic lens, Orma®, in 1954.

The 1970s to 1990s: International expansion

In the early 1970s, Essilor was mainly an exporting group, with its international business accounting for 45% of its revenue. After its successful IPO in 1975, it continued its drive for innovation with the launch of the first-ever progressive plastic lens: Varilux® Orma®, a powerful symbol of the synergy between the two founding companies. In 1979, the construction of a large plastic lens manufacturing plant in the Philippines was a turning point in Essilor's transformation into a true international group.

In the 1980s, to grow its competitiveness, Essilor set up other mass production sites in Brazil and Thailand. The group also set up and expanded its local distribution networks by buying up distributors in Europe and strengthening its presence in Asia. In 1986, the American subsidiaries were consolidated under Essilor of America. By the end of the 1980s, Essilor had become the world's leading manufacturer of ophthalmic optics.

Essilor, the world's leading manufacturer of ophthalmic optics

In the early 1990s, Essilor consolidated its world-leading position through a global strategy based on three key vectors, the first of which was industrial specialisation in corrective lenses as well as in instruments for opticians. The second was innovation in lens coatings and their combinations. Launched in 1992, the Crizal® lens with antireflective, antismudge and antiscratch properties, and the Transitions® photochromic lenses launched one year earlier on the back of a new joint venture with PPG, became a major growth segment with high added value. At the same time, Essilor strengthened its positioning in very light and unbreakable lenses with the takeover of Gentex Optics in 1995, which brought it the polycarbonate lens. Last but not least, Essilor, which until the mid-1990s had earned most of its revenue in Europe, began to create a global network. The group put down roots in China and India and also acquired more independent prescription laboratories, mainly in the United States and Europe, to ensure that its network reached local customers. Production was also set up in China with the opening of a plant near Shanghai in 1998.

The 2000s: Genuine globalization of high technology and strategic alliances

Technological innovation accelerated at the turn of the 21st century with a growing number of innovations beneficial to opticians and consumers. New products targeted both optical quality and wearer comfort thanks to: new and increasingly effective designs such as the Varilux® X™ series lenses; UV protection, even in clear lenses, with the launch of the E-SPF® index; lenses selectively protecting against harmful blue light, such as the Crizal® Prevencia® lenses; products intended for new consumer behaviors and habits, such as the new Eyezen™ lens line for all users of digital devices.

The group continues to grow through acquisitions and strategic partnerships that allow Essilor to assert its leading position in fast-growing countries such as India, China and Brazil.

The 2000-2010 decade was also marked by major strategic partnerships with: Nikon through the joint venture Nikon Essilor Co., Ltd (1999); Samyung Trading Ltd through the joint venture Essilor Korea Ltd (2002); GKB Rx in India (2006); Wanxin Optical in China (2010); Signet Armorlite, which has the worldwide production and distribution license for the Kodak® trademark in the United States (2010); and Shamir Optical in Israel (2011). Over the period, Essilor developed its positions in many new countries, particularly in Latin America, Asia and Africa, aided by around twenty new acquisitions and partnerships each year.

A bigger playing field

Essilor broadened its scope of activities in the optics world with the creations of two new divisions. The Equipment Division was created in 2008 following the acquisition of Satisloh, the world leader in prescription laboratory equipment. In 2010, Essilor took over FGX International, the North American leader in non-prescription reading glasses (readers). This acquisition led to the creation of the Sunglasses & Readers Division.

In 2013, the group stepped up the development of its sunglasses offer with the acquisition of new companies specializing in mid-range products and high-tech sunglasses, such as Polycore, Xiamen Yarui Optical (owner of the Bolon™, Molsion™ and Prosun™ trademarks), Suntech Optics (which owns and distributes Ryders Eyewear®) and Costa®.

In 2014, Essilor deepened its presence in the photochromic lenses segment by completing the acquisition of the PPG group's 51% stake in Transitions Optical and in the online business, with the acquisition of Coastal, a major online retailer of optical products.

In 2015, the group strengthened its ties with independent eye care professionals in the United States with the acquisition of Vision Source, a network providing services to independent optometrists, and PERC/IVA, a group purchasing organization.

In 2016, the group accelerated the development of its online sales, especially through two major acquisitions in Europe (Vision Direct™ and MyOptique Group) and expanded in China by taking 50% stake in Photosynthesis Group, which markets sunglasses and corrective lenses under a range of banners including MJS.

1.2.3 History of Luxottica

Incorporation

Luxottica was founded by Leonardo Del Vecchio in 1961. The company started out as a small workshop and operated until the end of the 1960s as a contract producer of dyes, metal components and semi-finished goods for the optical industry.

It gradually widened the range of processes offered until it had an integrated manufacturing structure capable of producing a finished pair of glasses. In 1971, Luxottica's first collection of prescription eyewear was presented at Milan's MIDO (an international optics trade fair), marking Luxottica's definitive transition from contract manufacturer to independent producer.

Expansion in wholesale distribution

In the early 1970s, the company sold its frames exclusively through independent distributors. In 1974, after five years of sustained development of its manufacturing capacity, it started to pursue a strategy of vertical integration, with the goal of distributing frames directly to retailers. The first step was the acquisition of Scarrone S.p.A., which had marketed the company's products since 1971 bringing with it a vital knowledge of the Italian eyewear market.

Luxottica's international expansion began in the 1980s with the acquisition of independent distributors and the formation of subsidiaries and joint ventures in key markets.

Luxottica's wholesale distribution expansion focuses on customer differentiation, customized service and new sales channels, such as large department stores, travel retail and e-commerce, as well as continuous penetration into new markets.

Eyewear, a new frontier of fashion

The 1981 acquisition of La Meccanoptica Leonardo, owner of the Sferoflex brand and developer of an important flexible hinge patent, enabled the company to enhance the design and quality of its products and increase its market share. From the late 1980s, eyeglasses, previously perceived as mere sight-correcting instruments, began to evolve into eyewear. An aesthetic focus on everyday objects and designers' interest in the emerging accessories market led Luxottica to embark on its first collaboration with the fashion industry in 1988 by entering into a licensing agreement with Giorgio Armani. The company followed that initial collaboration with numerous others and, with the acquisition of new brands, gradually began building its current world-class brand portfolio.

Over the years Luxottica has launched collections from names like Bulgari (1997), Chanel (1999), Prada (2003), Versace (2003), Dolce&Gabbana (2006), Burberry (2006), Ralph Lauren (2007), Tiffany & Co. (2008), Tory Burch (2009), Coach (2012), Starck Eyes (2013), Giorgio Armani (2013), Michael Kors (2015) and Valentino (2017).

Moreover, in 1999 Luxottica acquired Ray-Ban, one of the world's best-known sunglasses brands, along with its crystal sun lens technology.

In 2007, Luxottica acquired California-based Oakley, a leading sport and performance brand, which owned the Oliver Peoples brand. At the time of the acquisition, Oakley had its own retail network of over 160 stores.

In 2013, Luxottica acquired Alain Mikli International, a French luxury and contemporary eyewear company, which owned the Alain Mikli brand and the Starck Eyes license. As a result of the acquisition, Luxottica strengthened both its luxury brand portfolio and prescription offerings.

Expansion in retail distribution

In 1995, Luxottica acquired The United States Shoe Corporation, which owned LensCrafters, one of North America's largest optical retail chains. Luxottica became the world's first significant eyewear manufacturer to enter the retail market, maximizing synergies with its production and wholesale distribution and increasing penetration of its products through LensCrafters stores.

Since 2000, Luxottica has strengthened its retail business by acquiring a number of chains, including Sunglass Hut (2001), a leading retailer of premium sunglasses, OPSM Group (2003), a leading optical retailer in Australia and New Zealand, and Cole National (2004), which brought with it another important optical retail chain in North America, Pearle Vision, and an extensive retail licensed brands store business (Target Optical and Sears Optical). In 2005, the company began its retail expansion into China, where LensCrafters has become a leading brand in the country's high-end market. In the same year, the group also started to expand Sunglass Hut globally in high-potential markets like the Middle East, South Africa, India, Southeast Asia, Mexico, Brazil, Europe and China. In 2011, Luxottica started its optical retail expansion in Latin America by completing the acquisition of GMO, a leading retailer in Chile, Peru, Ecuador and Colombia. In 2016, Luxottica completed the acquisition of Salmoiraghi & Viganò, one of the leading optical retail chains in Italy, in which Luxottica has held a minority stake since 2012. In 2017 the group extended its presence in Brazil through the acquisition of Óticas Carol, one of the largest franchising optical retailers in the country. Eventually, in 2018 the group extended its retail footprint in Southeast Asia acquiring the Spectacle Hut brand.

A step further in the lens business

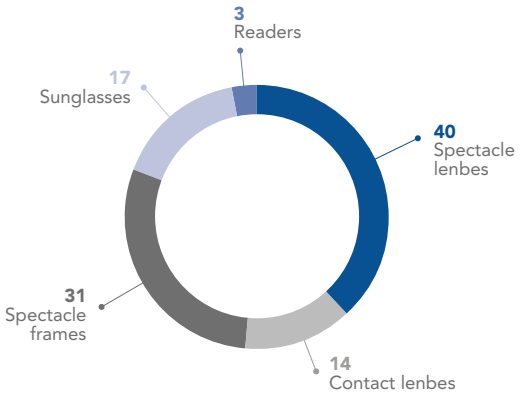
Luxottica is already a global leader in lens manufacturing. Ray-Ban, Oakley and Persol brands all carried a distinctive know-how in sun lenses when Luxottica acquired them and the acquisition of LensCrafters in 1995 brought an expertise in ophthalmic lenses. Since 2016, the company has taken further steps into the lens business developing new state-of-the-art production facilities in Italy, the United States and China to increase its production capacity for both sun and ophthalmic lenses.

1.3 The Eyecare and Eyewear Industry

Solid growth for an industry worth more than €100 billion

The global industry is worth an estimated €105 billion [1] (price to the consumer) and the long-term growth trend is close to 4% [1] a year. The industry comprises five segments: ophthalmic lenses, contact lenses, spectacle frames, sunglasses and readers. Growth has been relatively even across all segments with the exception of sunwear, which has been expanding at a slightly faster pace.

Segmentation of ophthalmic optics and eyewear industry by value (billions of euros) [1]



Ophthalmic lenses

The mission of players in the ophthalmic optics industry is to correct and protect vision. Consumers purchase glasses about every three years to correct defects such as myopia, hyperopia, presbyopia and astigmatism.

According to Group estimates, the world ophthalmic optics market represents around 1.4 billion lenses a year [2], or approximately 700 million consumers a year [2]. Corrective lenses make up approximately 75% of vision correction solutions worldwide [2].

The value chain in the ophthalmic lens industry includes four phases: production of raw materials, manufacturing of lenses, finishing of lenses in prescription laboratories and edging-mounting facilities, and distribution to consumers.

Manufacturers make lenses using raw materials developed and produced by glass manufacturers for mineral lenses or by chemical companies for the polymerizable thermoset resins and injectable thermoplastic resins used in plastic lenses.

Their plants produce finished lenses for simple eyesight corrections and semi-finished lenses for more complex prescriptions. The plants also apply all types of coatings (tinting, anti-UV, anti-blue light, antiscratch, antireflective, antismudge, antistatic, antifog, etc.) on single-vision lenses that do not require surfacing and polishing in the laboratories.

EssilorLuxottica makes both single-vision finished lenses and semi-finished lenses.

The prescription laboratories transform the semi-finished lenses, only the front surface of which is finished at the plants, into finished lenses meeting the exact specifications of opticians' or optometrists' orders. This customization enables them to deliver the broadest possible array of correction combinations, especially for presbyopia. In the process, the labs also surface and polish lenses and apply the different coatings.

EssilorLuxottica operates more than 475 prescription laboratories and edging facilities around the world.

The Company also designs a range of optical instruments for opticians and eyecare professionals as well as equipment (primarily machines for surfacing and antireflective coatings) and sells consumables to prescription laboratories.

Contact lenses

Contact lenses are the main alternative to corrective lenses for treating visual acuity problems, particularly myopia. They make up approximately 10% of vision correction solutions worldwide [2].

Available by prescription only, contact lenses are plastic discs made primarily of hydrogel or silicone hydrogel and worn directly on the cornea. They can be disposed of daily or replaced frequently (every two weeks, once a month).

EssilorLuxottica distributes contact lenses through its retail businesses (physical stores and e-commerce) and is a wholesale distributor in some countries, notably the United States.

Readers

Readers are non-prescription reading glasses sold by specialty retailers, notably pharmacies and mass retailers, and by optical retailers. This type of eyewear facilitates close-up viewing, particularly when presbyopia starts to develop, and covers about 10% of vision correction needs [2].

EssilorLuxottica sells readers through major retailers under a wide range of proprietary and licensed brands and has a significant presence in the United States.

(1) Source: EssilorLuxottica.
(2) 2018 estimates; Source: Essilor.

Spectacle frames

Spectacle frames are the device which ophthalmic lenses are typically set in (mounted into the frames or rimless mount). In 2018, the global market of spectacle frames is estimated slightly in excess of 600 million units [(1)].

Frames are typically made of metals or plastic (injected or acetate), which offer a wide variety of design solutions. This is for both spectacle and sunglass frames.

Metal frame production begins with the production of basic components such as rims, temples and bridges using a molding process, then these components are welded together to form frames over numerous stages of detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finished.

Plastic frames are manufactured using either a milling or an injection molding process. In the milling process, a computer-controlled machine carves frames from colored acetate slabs. This process produces rims, temples and bridges that are then assembled and finished. In the injection molding process, plastic resins are liquefied and injected into molds. The plastic parts are then assembled, coated and finished.

EssilorLuxottica manufactures and distributes a huge number of different models of frames, made of all the described materials, under a number of very well-known brands (house frame brands and third party's licensed brands). In the prescription category, those frames need to be complemented by ophthalmic lenses, by the vast majority internally produced by the group's laboratories.

Sunglasses

Sunglasses are typically made of a frame with sun plano lenses (but they can be equipped also with prescription sun lenses, currently representing just a small portion of the market). Plano lenses can be made of plastic, polycarbonate or glass. In 2018, the global market of sunglasses is estimated at around 400 million units [(1)].

EssilorLuxottica manufactures and distributes a great number of different models and brands of sunglasses and is uniquely positioned as a global producer of branded sun prescription lenses.

Retailers and optical chains

Products are marketed through a number of channels, including independent eyecare professionals/optometrists, cooperatives, central purchasing agencies, retail optical chains, specialty stores, duty free (travel retail) chains and online channels.

EssilorLuxottica has a significant presence in physical stores in the United States, Latin America and some Asian and European countries including China, Australia and Italy. The company also has an outstanding e-commerce presence (sunglasses, prescription glasses and contact lenses). Lastly, EssilorLuxottica is a top-tier supplier to third-party distributors operating in all distribution channels and across all geographic markets.

(1) Source: Euromonitor.

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1.4 Mission and strategy

1.4.1 EssilorLuxottica's mission

EssilorLuxottica's mission is to help people see more, be more and live life to its fullest.

The Company's ground-breaking products correct, protect and frame the beauty of the most precious sensory organ – the eyes. By combining proven expertise in lens technology and eyewear manufacturing, a portfolio of brands that consumers love and global distribution capabilities, EssilorLuxottica enables people everywhere to learn, to work, to express themselves and to fulfill their potential.

Lack of awareness and access have led to a global vision crisis with severe social and economic consequences for billions of people. EssilorLuxottica exists to give vision a voice and to respond to the world's growing vision needs by meeting the changing lifestyles of existing consumers and inventing new ways to reach the 2.5 billion people who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays.

EssilorLuxottica is a powerful advocate for the vision cause, a passionate campaigner for greater awareness, and a pioneering eyewear innovator with solutions and styles that bring ever greater improvements so that everybody, everywhere can enjoy the life-changing benefits of good vision.

Powering sight

80% of what people learn is processed through the eyes. But one out of three people around the world still do not have the vision care they need, and billions more are at risk of deteriorating vision. Beyond essential vision correction, EssilorLuxottica will seek to respond to the vast need for vision protection from sunlight and harmful blue light.

Thanks to its portfolio of lens technologies combined with some of the world's most loved eyewear brands, EssilorLuxottica is uniquely positioned to make wearing eyeglasses and sunglasses both a desirable and life-improving experience.

The Company will act on many levels to elevate awareness on the importance of vision correction and vision protection, educating policy makers and consumers with dedicated campaigns but also supporting expert-to-expert knowledge sharing on vision science and patient needs. EssilorLuxottica already supports the Vision Impact Institute, whose mission is to make good vision a global priority, and several other non-profit organisations such as OneSight and Essilor Vision Foundation whose focus is on providing free eye exams and eyeglasses to the people most in need.

Powering style

Combining the best in advanced lens technology with beautifully crafted and branded frames turns a necessary device that improves vision into an accessory that not only fits comfortably in form and function, but also serves as a true expression of personal style. Eyewear is one of the most visible of all fashion accessories and has become part of our cultural fabric. From the moment frame meets face, there is a sense of authenticity, creativity and confidence that consumers have come to love. Because of the power they wield, each pair of frames will be considered as a little work of art, from its first sketches to the final handcrafted details. Every frame will illustrate the passion, skill and commitment of EssilorLuxottica's people who will be committed to making the best eyewear possible.

1.4.2 EssilorLuxottica key strengths

EssilorLuxottica pools together two highly complementary businesses. The Company is present in every segment of the eyecare and eyewear industry from vision to fashion to retail, with an unprecedented set of comprehensive solutions to consumers and eyecare professionals and retail chains. It is in the right position to grow faster than its reference market on a global scale.

EssilorLuxottica will rely on the strong business model of each company, Essilor and Luxottica, to significantly increase its geographic and commercial reach and gain access to additional customers, building on the following key strategic pillars.

Superior innovation capabilities

The companies share a dedication to cutting edge research and development and an obsession with developing new and better products. Both companies have been at the forefront of the development of their segments of the global eyecare and eyewear market for decades. Essilor has introduced many major breakthrough innovations in the market, such as the organic lens in 1953, which has almost completely replaced the glass lenses today in developed markets, and the progressive lens in 1959, which provides sharp vision at every distance.

Starting its journey in 1961, Luxottica has been able to revolutionize the frame business, transforming frames from utilitarian equipment into desirable fashion accessory and vehicle for self-expression by building a unique vertically integrated business model which covers the entire value chain from design to final consumers.

By investing heavily in R&D for cutting-edge lens and frame technology, enhancing visual acuity, comfort, transparency and lightness of lenses as well as reimagining the design, form and function of eyewear, EssilorLuxottica will constantly set new industry standards for eyecare and eyewear and the consumer experience surrounding it.

Manufacturing excellence

EssilorLuxottica benefits from the full vertical integration of its business model, which allows it to directly manage its product journey at every stage from product development and manufacturing to the sale to the end consumer. This brings strategic consistency, operational efficiency and flexibility, time to market and uncompromising product quality. For millions of different "stock keeping units", on a global scale, *via* omnichannel distribution and with an increasing degree of personalization, EssilorLuxottica's supply chain can satisfy the demand of millions of consumers around the world every day.

Global supply chain and distribution

Essilor and Luxottica both have an open business model wherein their respective products and services are made available in a growing number of geographies and locations, fostering the promotion of innovation in eyewear brands and optical categories. EssilorLuxottica relies on its leading global supply chain and distribution network, including retail chains, online platforms and unparalleled network of wholesale partners and customers, as one of the combined Company's core strengths. This brings the business closer to its customers, facilitating direct access to quality products and maximizing the visibility of the combined brand portfolio. In addition, the expertise in the retail business, both brick-and-mortar and online, gives EssilorLuxottica a unique understanding of consumer needs and preferences in key countries.

EssilorLuxottica's combined wholesale distribution has a global scale and first and foremost comprised of eyecare professionals (optometrists, eye doctors, opticians and ophthalmologists) who are either independent or belong to retail chains or buying groups. The two companies typically channel their product portfolio through different categories of retailers, such as specialty sun retailers, department stores, mass retailers, pharmacies, travel retail and online players. Certain brands, including Oakley and Costa, are also distributed to sporting goods stores and specialty sports locations.

In addition to giving its trade partners access to the most advanced lens technologies and the world's most popular eyewear brands, EssilorLuxottica will provide the highest level of customer service in the industry. This includes pre and post-sale services, such as training, marketing and merchandizing, to enhance their customer's business and maintaining close contact with distributors in order to monitor sales and the quality of the points of sale.

Moreover, EssilorLuxottica is a key player in the United States in the managed vision care business, with its EyeMed Vision Care entity.

In addition, EssilorLuxottica is in a leading position to further develop its existing inclusive business models, which offer access to vision care to consumers at the "Base of Pyramid" (BoP). Those models include the "EyeMitra" network in India or the "Vision ambassadors" networks in many countries, including China.

Sustainability

EssilorLuxottica brings together both Essilor and Luxottica's long history of sustainable development in action and a shared commitment to place ethics and responsibility at the center of all stakeholder interactions. With a mission to help people see more, be more and live life to its fullest, EssilorLuxottica naturally pledges to contribute to the UN Sustainable Development Goals which form the new global agenda for the development of societies.

All in all, the Company is in a unique position to deliver eyeglasses at all price points, across many different channels everywhere in the world, relying on all its capabilities and brands to trade consumers up, depending on their needs and means.

1.5 EssilorLuxottica Activities

Leveraging over 150 years of innovation, operational excellence, entrepreneurial spirit and international mindset, EssilorLuxottica develops groundbreaking eyecare and eyewear solutions to meet the changing lifestyles of existing consumers, while inventing new ways to reach the 2.5 billion people [1] who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays. Its vertically integrated business draws on the complementary expertise of two industry pioneers: Essilor in advanced lens technologies and Luxottica in the craftsmanship of iconic eyewear, to offer an unprecedented set of comprehensive solutions to consumers and eyecare professionals.

1.5.1 Essilor Activities

1.5.1.1 Strategy

Essilor International ("Essilor") is the world's leading ophthalmic optics company. Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its mission is to improve lives by improving sight. To support this mission, Essilor allocates more than €200 million to research and innovation every year, in a commitment to continuously bring new, more effective products to market. It also develops and markets equipment, instruments and services for eyecare professionals and operates in the readers and sunglasses market segments. Its flagship brands are Varilux®, Crizal®, Transitions®, Eyezen™, Xperio®, Costa®, Foster Grant® and Bolon™.

Across its operating activities, the strategy of Essilor rests on four main pillars:

- innovating in products, services and technology, thereby enabling the introduction every year of products delivering improved performance and new wearer benefits to address unresolved vision problems;
- developing solutions tailored to every segment and every geography in order to meet the diverse needs of eyecare professionals and consumers;
- actively acquiring new companies and forming partnerships with industry stakeholders, to deepen our local presence or enhance our asset portfolio;
- stimulating demand by deploying vision awareness programs, screening campaigns and initiatives to make visual correction more widely accessible.

These four pillars are supported by sustainable manufacturing and operational efficiency along with a deep commitment to corporate social responsibility.

Breakdown of Essilor revenue by operating segment

Revenue *€ millions*	**2018**	**%**
Lenses and Optical Instruments [a]	6,434	86.3%
Sunglasses & Readers [b]	798	10.7%
Equipment [c]	227	3.0%
TOTAL	**7,460**	**100%**

(a) Corrective lenses and lens preparation instruments for opticians.
(b) Reading glasses and non-prescription sunglasses.
(c) Lens manufacturing and prescription laboratory equipment, mainly supplied by Satisloh.

1.5.1.2 Mission

Good vision is essential for everyday wellbeing and quality of life. Seeing well enables to learn, work, and fully interact with the world around us.

For 170 years, Essilor has been on a mission to improve lives by improving sight. Every day, Essilor group employees work to better correct and protect the vision of everyone on the planet. While 2 billion people [2] enjoy vision correction, 2.5 billion people [1], 1 in 3, live with uncorrected poor vision. Today, uncorrected poor vision remains the world's most widespread unaddressed disability, one that crosses cultural, geographic and economic lines. This is why, in line with its mission to improve lives by improving sight, Essilor is working to eradicate poor vision from the world by 2050.

(1) Source: Vision Impact Institute, Eyelliance: Eyeglasses for Global Development: Bridging the Visual Divide.
(2) Source: Essilor.

Reaching the 2.5 billion underserved

One third of the global population live with uncorrected poor vision and its consequences. Faced with a largely unrecognized global vision crisis, Essilor is working with partners to launch and scale up several inclusive business and non-profit initiatives so that in the future everyone can see well and live well.

Essilor's efforts are channeled into three main areas:

Raising awareness on the importance of good vision

Created in 2012 by Essilor and led by five independent directors, the Vision Impact Institute™ is a non-profit organization that collects global scientific data on visual health. Its goal is to consolidate this research and share it with policymakers and the general public in order to raise awareness of the socio-economic impact of poor vision. Today, the Vision Impact Institute website has one of the richest databases in the world on visual correction and eye health.

The company works on a local, national and international level to raise awareness about visual health. Actions include events and media campaigns such as Think About Your Eyes™ in the United States and in Britain and local campaigns for eye screening, including a global campaign each World Sight Day.

Deploying inclusive business models

The gap between individuals and access to vision correction can sometimes seem insurmountable. Essilor develops innovative solutions to reduce this gap. It has a dedicated resource, the BoP Innovation Lab, which develops new inclusive business models and acts as an incubator to test new approaches in partnership with NGOs, foundations or development funds. The BoP Innovation Lab works closely with the 2.5 New Vision Generation™ (2.5 NVG™) Division that is responsible for implementing and scaling up the business models that reach consumers who are too often forgotten.

Training people to provide primary vision care is a key way to improve access to good vision; this also helps generate local employment and alleviate poverty. The 2.5 NVG™ teams have developed training modules that range from one day – to acquire basic near vision screening skills – to twelve months for certification in vocational training, including a specific focus on the commercial skills required to set up and run a successful small vision care business. These modules are to date being successfully deployed in India, China, Brazil, Mexico, Indonesia and Kenya with new programs underway in Cambodia, Vietnam, Ivory Coast, South Africa and Malawi.

Driving philanthropic programs

To make good vision truly accessible to all, including those people living below the poverty line, the Essilor group is actively engaged in both local and global philanthropic initiatives. It takes many forms: lens donations, free vision screenings, awareness campaigns and fundraising. Essilor brings additional support to local programs building on close relationships with municipalities, health authorities and the non-profit sector.

The Essilor Vision Foundation™ (EVF) is one of the cornerstones of this approach. Launched in the US in 2007 to provide children and disadvantaged young people with visual care, it has since expanded to other countries and regions, including India, China, South-East Asia, Australia, New Zealand and Canada.

By creating the Vision for Life™ fund in 2015, Essilor stepped up its commitment to social responsibility. With an initial investment of €30 million, it represents the world's biggest strategic giving initiative in the fight against uncorrected vision. Its ambition: fund, monitor and measure the impact of projects that aim to improve the lives of as many underprivileged people as possible by improving sight.

1.5.1.3 Lenses and Optical Instruments

1.5.1.3.1 Overview

The **Lenses and Optical Instruments** Division accounted for 86.3% of Essilor consolidated revenue in 2018, or close to €6.5 billion.

Essilor designs, manufactures and customizes **corrective lenses** to meet each person's unique vision requirements.

Its extensive lens range corrects myopia, hyperopia, astigmatism and presbyopia to enable people to regain better vision, preserve and protect their eyesight and improve their lens wearing experience.

Essilor serves every segment of the ophthalmic lens market with globally recognized brands, the most renowned being:

- Varilux® and its progressive lens range, including the Varilux® X series™ launched in 2017;
- Crizal® and its range of antireflective, antismudge and antistatic lenses, including Crizal® Sapphire™ 360°, introduced in 2017;
- Transitions® and its photochromic lenses (that darken on exposure to UV light), including the new Transitions® Style Colors and Transitions® Style Mirrors lines launched in 2018;
- Eyezen™, a line of lenses for users of computers, tablets, smartphones and other connected devices, including the latest innovation, Eyezen™ Start lenses, launched early 2019;
- Xperio® polarized sun lenses;
- The Nikon® and Kodak® corrective lens brands used under licensing agreements with Nikon Corporation and Eastman Kodak, respectively.

Within this division, Essilor also designs, develops, markets and maintains a range of **optical instruments** in two main specialty segments: (i) lens edging and mounting instruments for opticians and prescription laboratories, and (ii) optometry instruments for eyecare professionals, schools, occupational medicine centers, the military and other institutions.

In addition, Essilor has been working for several years to develop solutions for **online sales of optical products** including contact lenses, prescription eyewear and sunglasses to better serve the fast-growing online retail channel. This effort is supported by a number of local websites currently covering countries such as:

- Australia (clearly.com.au);
- Brazil (e-lens.com.br and eotica.com.br);
- Canada (clearly.ca);
- China (coastalvision.cn);
- the United States (coastal.com, framesdirect.com and eyebuydirect.com);
- Europe (LensWay™ websites and Vision Direct™ and MyOptique™ Group);
- India (coolwinks.com);
- Japan (coastallens.com and contactsan.com);
- New Zealand (clearly.co.nz).

Essilor's **customers** are:

- opticians/optometrists for ophthalmic lenses and edging and mounting instruments directly or indirectly through distributors;
- prescription laboratories for lenses and edging and mounting instruments;
- end consumers *via* the company's websites and retail stores that sell optical products.

This ophthalmic optics industry is highly fragmented and served primarily by local **competitors**. Essilor's main global competitors are Hoya (Japan) and Carl Zeiss Vision (Germany).

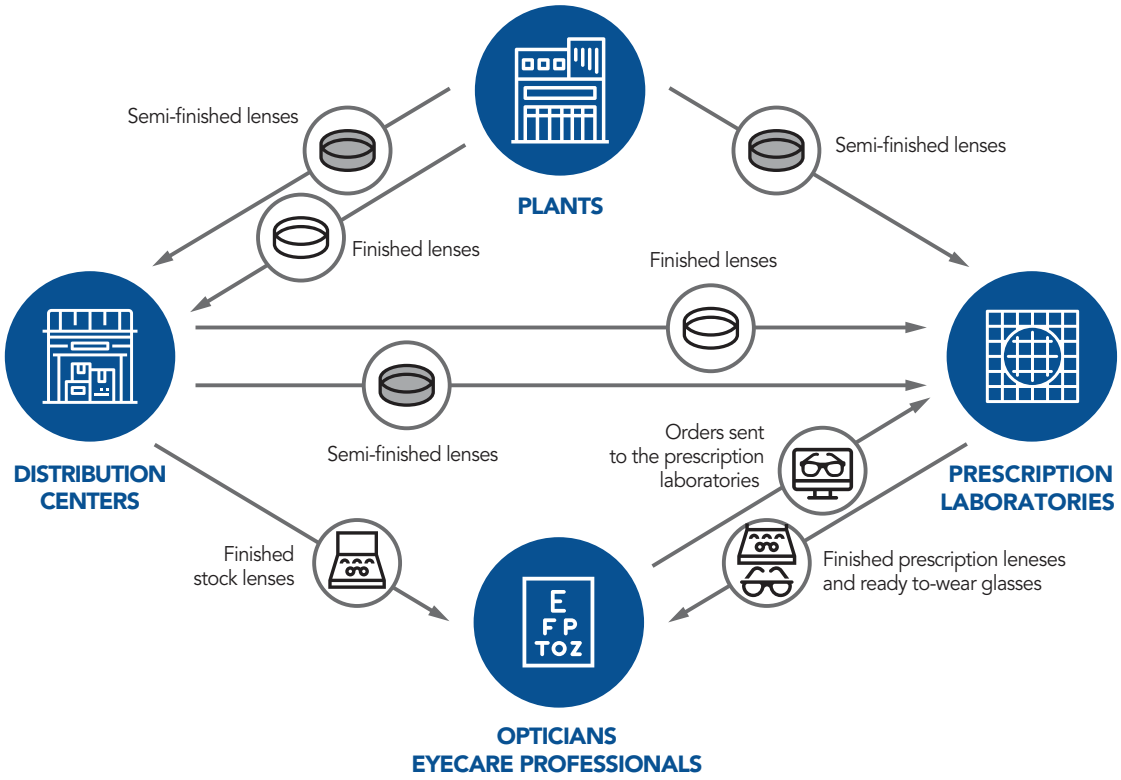
1.5.1.3.2 Production and Supply Chain

Steps in the lens manufacturing process

Essilor's **production plants** produce lenses that are finished or semi-finished (only the front surface is finished). In general, the finished lenses produced are for simple eyesight correction such as myopia, hyperopia and some astigmatisms. Semi-finished lenses are intended for more complex corrections including presbyopia.

The company's **prescription laboratories** manufacture the semi-finished lenses to the specifications of opticians/optometrists. They handle surfacing, polishing, coatings (multilayer and antireflective) and edging-mounting. This "customization" helps address the very large number of correction combinations possible, particularly for presbyopia. In the latter case, the labs surface multiple correction areas into the lenses for vision at different distances.

Finished and semi-finished lenses manufactured in the production plants are sent to the **distribution centers.** The latter ship the lenses either to company-owned businesses (distribution subsidiaries, prescription laboratories and edging-mounting facilities) or to third parties (certain distributors when the company does not have its own subsidiaries, prescription labs, retailers and optical chains).



Manufacturing and supply chain

Essilor oversees every aspect of its lens businesses, from manufacturing through delivery to stores. It has a network of production plants, prescription laboratories, edging-mounting facilities and distribution centers that serve eyecare professionals across the globe (independent opticians/optometrists, cooperatives, central purchasing agencies and retail optical chains).

A UNIQUE GLOBAL NETWORK



As of December 31, 2018, Essilor and its partners operated **32 production facilities worldwide.** This total takes into account the closure in March 2018 of the Transitions Optical plant in Pinellas Park, Florida (United States), and the sale of the stake in ILT's plant in Danyang, China. Of these 32 plants, 26 produce prescription lenses, three make photochromic lenses and three specialize in non-prescription sun lenses.

The company has a **network of 475 prescription laboratories and edging-mounting facilities around the world,** including eight large export laboratories that make lenses primarily for the Asian, European and North American markets.

In addition, Essilor has **five integrated lens and frame platforms** in Bangkok (Thailand), Dallas (United States), Shanghai (China) and Warsaw (Poland) as well as in Danyang (China) with a dedicated e-tailing unit. These platforms were developed to support the integrated services offered to key accounts, which include lens production, frame management on behalf of clients and, in some cases, the edging-mounting of lenses in frames.

Lastly, Essilor has **14 distribution centers.**

Essilor's supply chain covers all product and lens flows across the globe, from production plants to central logistics hubs and prescription labs through to retail eyecare outlets. It offers unrivalled ability to simultaneously manage flows both of stock lenses (finished lenses completed in the production plants) and custom prescription lenses (semi-finished lenses produced in plants and then sent to prescription laboratories for surfacing and coating). All in all, Essilor's supply chain handles more than 3,000 lens routes per day and more than 2 million SKUs.

	North America	Europe	Asia/Pacific/ Middle East/ Africa	Latin America
32 production plants	4	7	19	2
475 prescription laboratories and edging-mounting facilities	134	53	188	100
Including 8 large export laboratories			5	3
5 integrated lens and frame platforms	1	1	3	
14 distribution centers	2	4	7	1

Geographical distribution of the 32 plants owned by the Essilor and its partners at December 31, 2018

(Date of consolidation)

	North America: 4	Latin America: 2	Europe: 7	Asia/Middle East: 19

14 Essilor plants	• **United States:**
	  • Dudley, Massachusetts (1995)
	  • Salt Lake City, Utah (2003)
	• **Mexico:**
	  • Chihuahua (1985)
		• **Brazil:**
		  • Manaus (1989)
			• **France:**
			  • Ligny-en-Barrois Les Battants (1959)
			  • Dijon (1972)
			  • Sézanne (1974)
			  • Bellegarde-sur-Valserine (2003)*
			• **Ireland:**
			  • Ennis (1991)
				• **China:**
				  • Shanghai (1997)
				• **Laos:**
				  • Savannakhet (2013)
				• **Philippines:**
				  • Mariveles (1980)
				  • Laguna (1999)
				• **Thailand:**
				  • Bangkok (1990)

3 Transitions Optical plants			• **Ireland:**
			  • Tuam (2014)
				• **Philippines**:
				  • Laguna (2014)
				• **Thailand:**
				  • Amphoe Phan Thong (2014)

15 plants operated in partnership or recently acquired by the company	• **United States:**
	  • X-Cel Optical, Sauk Rapids, Minnesota (2012)
		• **Brazil:**
		  • Segment Produtos Oftalmicos, São Paulo (2015)
			• **United Kingdom:**
			  • Crossbows Optical (2010)
				• **China:**
				  • Essilor Korea *via* its subsidiary Chemilens, JiaXing (2006)
				  • Wanxin Optical, Danyang (2010)
				  • Youli Optics, Danyang (2011)
				  • Seeworld Optical, Danyang (2012)
				  • Jiangsu Creasky Optical, Danyang (2017)
				• **India:**
				  • GKB Vision, Bardez, Goa (2015)
				• **Indonesia:**
				  • Polycore, Karawang (2013)*
				• **Israel:**
				  • Shamir Optical, Kibbutz Shamir (2011)
				• **Japan:**
				  • Nikon-Essilor, Nasu (2000)
				• **Malaysia:**
				  • Polycore, Johor Baru (2013)*
				• **South Korea:**
				  • Essilor Korea *via* its subsidiary Chemiglas, Yangsan (2002)
				• **Vietnam:**
				  • Essilor Korea *via* its subsidiary Chemiglas, Dai An (2013)

* Plant specialized in sun lens production.

Key figures

	At December 31, 2017	At December 31, 2018
Output from Essilor plants and partner facilities [a]	• c. 540 million prescription lenses • c. 30 million non-prescription sun lenses	• c. 570 million prescription lenses • c. 20 million non-prescription sun lenses
Lenses coated and surfaced in the prescription laboratories	• c. 135 million lenses [b]	• c. 139 million lenses [b]
Inventory days [c]	• 5.3 months [d]	• 5.0 months [e]

(a) Includes photochromic lenses made by Transitions Optical and sold to other lens manufacturers.

(b) Excludes acquisitions and partnerships finalized during the year.

(c) Number of days of consumption current inventory levels can sustain.

(d) Includes the impact of changes in group consolidation in 2017. Based on the 2016 consolidation scope, inventory days stood at 5.1 months (see 2017 Registration Document).

(e) Same consolidation scope as in 2017.

- Production volumes have risen as a result of increased global demand, especially for mid-range products, and the insourcing of a portion of the lenses previously sourced from other lensmakers.
- In terms of materials, production of polycarbonate and high-index lenses surged between 2017 and 2018. This reflected strong demand for polycarbonate lenses in North America and for high-index lenses in Asian markets.
- Essilor also continued to reduce inventory levels in 2018. It made more progress in terms of inventory days and inventory value, despite the increase in output.

Highlights of the year

New products

The operations teams worked during the year on the global rollouts of two products launched in 2017: the Varilux® X series™ progressive lens and the new Crizal® Sapphire™ 360° lens.

Rolling out the Varilux® X series™ lens required using a new system for calculating the optical design and production parameters of lenses (blocking, surfacing, polishing, etc.), and it had to be adopted by all the company's prescription laboratories worldwide *via* cloud technology. This new system will be used for the development of progressive lenses going forward.

Teams from Operations and Global Engineering also played an active role in developing a new lens concept for protecting the eyes from harmful blue-violet light. Essilor launched this new lens in the United States in 2018 under the name Blue UV Capture™, and it was rolled out by the BBGR network in France under the name BLUV™ Xpert. The lens offers protection from UV rays and harmful blue-violet light as well as optimal clarity thanks to specific molecules and, as the case may be, nanotechnologies integrated directly into the material (that have been the object of patent applications). This innovation required developing a new process for manufacturing semi-finished lenses.

Capital expenditure and integration of new technologies

Capital spending in 2018 notably focused on expanding capacity at certain facilities, in particular:

- Essilor plants in Thailand and the Philippines for producing high-index lenses;
- Essilor plants in Laos and Dudley (United States) for manufacturing polycarbonate lenses;
- the plants operated by Essilor's Chinese partners in Danyang, where 1.5 and 1.56 index lenses are made.

The company forged ahead with the investment program initiated in 2017 to support the integration of new technologies at some 30 prescription laboratories that handle high volumes. For instance, Alloy Replacement Technology (ART) blocking machines developed by Satisloh, which offer an alternative to alloys for holding lenses in place during generating and polishing, were installed in several laboratories in Europe, the United States and Canada during the year.

Lastly, Essilor continued to implement pilot initiatives around the Industry 4.0 concept. In particular, a laboratory on the Essilor of America campus in Dallas (United States) was fitted with the latest Satisloh technologies and designed to be fully automated and connected. It was ramped up throughout the year.

Minimizing the environmental footprint of the production plants and laboratories

In 2018, the Essilor production plants pursued efforts to reduce their water and energy consumption, in keeping with the company's objectives of achieving by 2020 a 20% reduction in water use per lens produced and a 15% cut in energy intensity per lens produced relative to the 2015 levels. During the year, the company notably introduced solutions to reduce water consumption and reuse water in coating machines at its main production facilities, and put into place new energy consumption standards at several production plants.

1.5.1.3.3 Research and Development

Innovation a cornerstone of the company's strategy

From its origins, which saw the invention of Orma® organic lenses and Varilux® progressive lenses, innovation has been a strategic focus and decisive competitive advantage for Essilor.

The company allocates a meaningful portion of its revenue to research and innovation every year. In 2018, this investment amounted to €213 million, before the deduction of research tax credits.

Essilor improves upon its products each year, either through internal innovation or by leveraging technologies from other industries through research partnerships.

A consumer-focused approach to innovation

Essilor's R&D focuses on understanding consumers' needs in the three areas of vision care: vision correction, eye protection and the prevention of eye diseases.

The R&D teams develop innovative technical solutions, products, processes and services to meet individual vision needs around the world. Changes in consumer lifestyles, including new visual demands (digital device use, etc.), as well as longer life expectancy, are creating major R&D challenges and opportunities for the vision care sector. As a result, new needs are emerging linked to pathologies such as cataracts and age-related macular degeneration.

Early in 2019, the company reorganized its R&D activities into five segments: myopia, presbyopia, light management, digital solutions and smart eyewear.

In each of these segments, the new products introduced to the market result from a process of gradually selecting ideas and concepts (Stage Gate Process) involving a large number of cross-company stakeholders within Essilor (marketing, operations, subsidiaries, etc.).

Moreover, as part of the launch of the new Varilux® X series™ progressive lens in 2017, the company developed new methodologies for testing its products with consumers. One example is HouseLab™, which makes it possible to observe wearers in real-life situations and learn from their experiences.

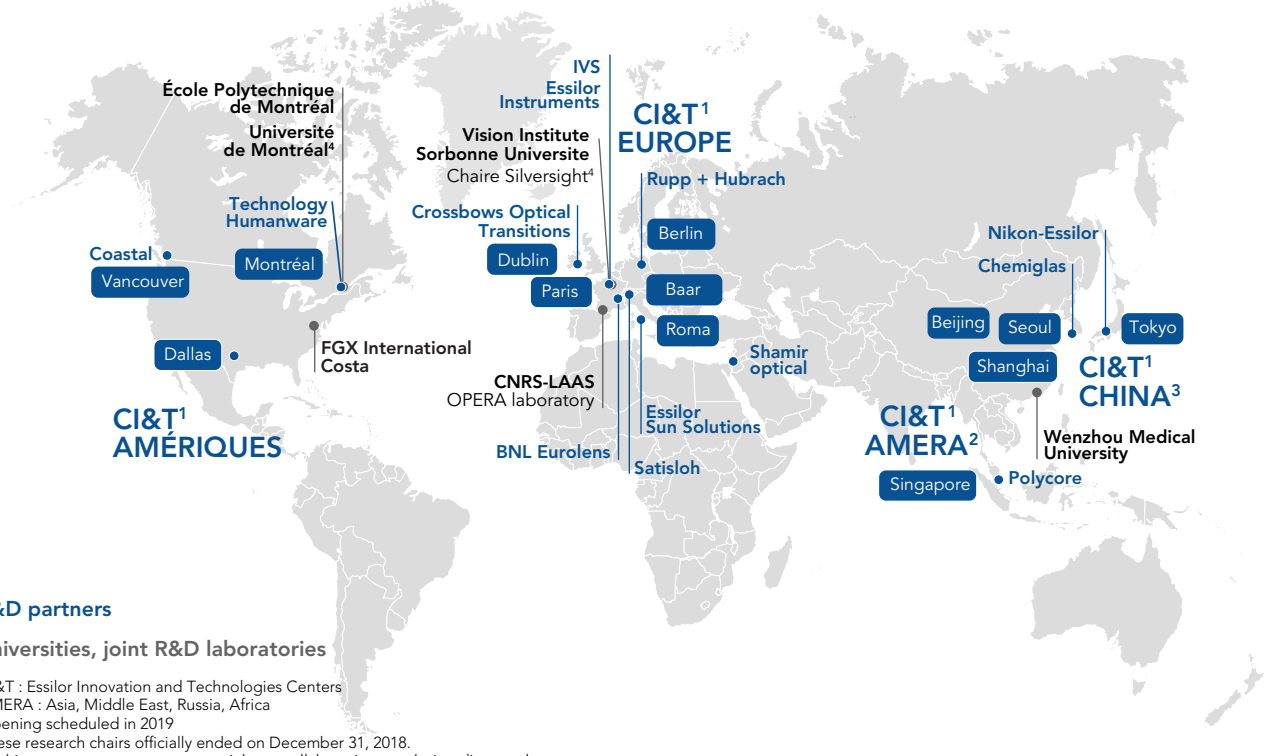
A global network built around four R&D centers

Essilor has about 450 researchers working at its four R&D facilities: one R&D Center in Ireland dedicated to photochromic lenses and three Innovation and Technologies Centers in Europe (Créteil, France), the United States (Dallas) and Asia (Singapore). These facilities develop new products and work to identify and forge the best possible research partnerships.

Essilor also has a development and testing center in Danyang, China, which assesses, compares and improves the performance of products made by its Chinese partners.

This network will be expanded in 2019 with the opening of a new Innovation and Technologies Center in Shanghai, China. Its work will focus on myopia, new technologies for improving the customer experience in China, and the development of products tailored to the needs of Chinese consumers.

A GLOBAL R&D ORGANIZATION CONNECTED TO RENOWNED INDUSTRIAL AND ACADEMIC EXPERTS



1. CI&T : Essilor Innovation and Technologies Centers
2. AMERA : Asia, Middle East, Russia, Africa
3. Opening scheduled in 2019
4. These research chairs officially ended on December 31, 2018.
   As this report goes to press, potential new collaborations are being discussed.

R&D partnerships focusing on innovation

To develop its products, Essilor works alongside many universities, public and private research centers and R&D teams from other industrial sectors.

It has forged several partnerships in recent years, including:

- a research chair dedicated to non-pathological vision aging, in partnership with the Vision Institute and Sorbonne Université in Paris, France (1);
- a laboratory run jointly with Wenzhou University in China to study myopia in children;
- a multisector research chair for coatings and surface engineering with Polytechnique Montréal and three other industrial partners. The chair's work focuses on developing the next generations of innovative surface coatings. These coatings will notably allow Essilor to add new optical and/or mechanical functions to its lens surfaces;
- a research chair set up with the University of Montreal to study vision in motion (1);
- a research laboratory run jointly with CNRS-LAAS in France, "OPERA", focusing on lenses and eyeglasses with active and connected functions.

Patents, trademarks and domain names

At the end of 2018, the Essilor group, including all of its subsidiaries, held:

- **1,850** patent families each representing an invention protected in several countries around the world (**9,535** patents pending or granted);
- **2,030** trademarkfamilies each representing a trademark protected in several countries around the world (**10,165** trademarks pending or registered);
- **4,040** domain names;
- **720** designs.

During the year, Essilor applied for **157** new patents applications, **130** new trademark families and **140** new domain names.

Essilor's approach to innovation is supported and strengthened by a proactive intellectual property policy, both upstream, to drive innovation, and downstream, to enhance protections of patents, trademarks, designs and copyrights.

Another priority is to prevent infringement, notably by providing each employee with a best practice guide and infringement reporting tools. The Intellectual Property Department offers IP awareness training courses to many employees to encourage the creation, protection and defense of Essilor's intellectual property across the globe.

(1) These research chairs officially ended on December 31, 2018. As this report goes to press, potential new collaborations are being discussed.

The Company is not dependent on any customer contracts, patents or licenses that have a material impact on its operations or the expiration of which could have a significant impact.

New products launched in 2018

The main launches involved, firstly, the global rollout of the 2017 innovations and, secondly, the introduction of new products.

In the Varilux® progressive lens range, the company completed the global rollout of the **Varilux® X series™** lens launched in 2017. This lens uses Xtend™ technology to resolve a recurring and common problem with most progressive lenses: the need for wearers to move their head to find the right angle for optimal vision. It thus allows wearers to see clearly at different distances with one gaze direction, especially in the "arm's length vision" range where a growing number of everyday activities occur.

The highlight of the year in the Crizal® antireflective lens range was the global rollout of the **Crizal® Sapphire™ 360°** lens. It features the new 360° Multi-Angular Technology™ that sharply reduces reflections from any angle of light, resulting in greater comfort for the wearer, while enhancing the aesthetic of the lens. Launched in the United States in September 2017, this new lens was rolled out in Europe and Latin America in 2018 and will be introduced in Asia in 2019.

The company also expanded its line-up of lenses offering protection from UV and harmful blue-violet light during the year. In the United States, Essilor launched **Blue UV Capture™,** a new lens that offers protection from UV rays and harmful blue-violet light as well as optimal clarity, thanks to specific molecules and, as the case may be, nanotechnologies integrated directly into the material (that have been the object of patent applications). The BBGR network rolled out the news lens in France under the name **BLUV™ Xpert,** and it won a Silmo d'Or in the "Vision" category at the Silmo international optics tradeshow in Paris in October 2018.

A new strategy was developed to help the **Transitions®** photochromic lens range attract new wearers, including younger ones. The strategy was supported by a consumer campaign around the theme "Light under control™" and by the rollout, first in the United States then in the rest of the world, of the Transitions® Style Colors and Transitions® Style Mirrors lenses lines, featuring an array of new colors and mirror effects. Transitions® also paved the way for a new generation of photochromic lenses, **Transitions® Signature® Gen 8™,** to reach the North American market in the summer of 2019, a launch that will solidify the brand's technological superiority.

Even more new products were launched for users of digital devices in 2018. The Eyezen™ lens range was expanded to include **Eyezen™ Expert 1.1** lens for wearers aged 45 to 50. This new lens features Eyezen™ Focus technology, which adds extra power to the lower portion of the lens to reduce eyestrain and make it easier to read small text, notably on digital devices. A new generation of single vision lenses for all connected eyeglass wearers was also added to the Eyezen™ range early in 2019: **Eyezen™ Start.** It uses a breakthrough technology that optimizes vision for digital devices and allows high-definition viewing in all directions. The Kodak® brand launched **Kodak® PowerUp™,** a single-vision lens with three power boost options in the near viewing zone.

The company continued to roll out new instruments for eyecare professionals. It notably introduced the **Vision-R™ 800,** a new phoropter that makes eye exams more precise, more reliable (less risk of human error), more comfortable for patients and easier for practitioners to perform. The product of four years of R&D, this new phoropter allows practitioners to deliver prescriptions up to 0.01 diopter precision, compared with previous measurement accuracy of 0.25 diopter. It won a Silmo d'Or in the "Material/Equipment" category at the Silmo international optics tradeshow in Paris in October 2018.

The company continued its **consumer marketing** efforts. Spending on consumer marketing across all businesses (lenses, Sunglasses & Readers and e-commerce) was close to €210 million in 2018, almost half of it devoted to the corrective lens brands. This expenditure was focused on some 20 countries globally.

1.5.1.4 Equipment

1.5.1.4.1 Overview

The Equipment Division accounted for 3% of Essilor consolidated revenue in 2018, or €227 million.

It consists primarily of Satisloh, which manufactures and markets equipment and consumables used by prescription laboratories.

With globally recognized expertise, Satisloh is one of the world's leading manufacturers of surfacing machines and hard-coating and antireflective coating units. The combination of machines and consumables enables Satisloh to provide end-to-end solutions for prescription laboratories.

Satisloh customers are mainly prescription laboratories, integrated optical chains and lens manufacturers.

Its main competitors are OptoTech (Germany) and Schneider (Germany) in surfacing machines, Bühler (Germany) in antireflective coating machines, and Optimal (United Kingdom) in hard-coating surfacing machines.

1.5.1.4.2 Organization and facilities

Satisloh, which is headquartered in Baar, Switzerland, together with its subsidiaries, own production units in China (Zhongshan), France (Archamps and Mantes-la-Jolie), Germany (Wetzlar), Italy (Milan) and the United States (Charlottesville, Concord and Dallas), and have representative offices in many other countries.

1.5.1.5 Sunglasses & Readers

1.5.1.5.1 Overview

The Sunglasses & Readers Division accounted for 10.7% of Essilor consolidated revenue in 2018, or €798 million.

It markets non-prescription sunglasses and reading glasses.

The division comprises several companies, each having a portfolio of well-known brands:

- FGX International and its subsidiaries, which market readers and sunglasses under proprietary brands such as Foster Grant®, Freedom Polarised™, Gargoyles®, Magnivision®, Corinne McCormack®, Monkey Monkey™, Ryders Eyewear™, SolarShield® and Suuna™ and licensed brands including Dockers®, French Connection™, Hello Kitty®, Ironman®, Karen Millen®, Nine West®, Reebok® and a variety of Disney® trademarks;
- Costa and its high-performance sunglasses for water-based activity enthusiasts;
- Xiamen Yarui Optical, which designs, manufactures and markets mid-tier sunglasses in China under the Bolon™, Molsion™ and Prosun™ brands;
- Photosynthesis Group, which markets sunglasses and corrective glasses in China and Southeast Asia under several brands including MJS.

Among the companies in the Sunglasses & Readers Division, FGX International is a key player in reading glasses in the United States. In the rest of the world, its competitors are small local producers. Costa is one of the main US players in high-performance sunglasses and Xiamen Yarui Optical is a leading Chinese manufacturer of mid-tier sunglasses.

The Sunglasses & Readers Division sells its products to mass retailers, pharmacies and specialty retailers (including travel retail chains) as well as to eyecare professionals and department stores.

1.5.1.5.2 Organization and facilities

The Sunglasses & Readers Division has subsidiaries and representative offices in Canada, China, Great Britain, Italy, Mexico and the United States.

The registered office of:

- FGX International is in Smithfield, Rhode Island, United States;
- Costa is in Daytona Beach, Florida, United States;
- Xiamen Yarui Optical is in Xiamen, southeastern China;
- Photosynthesis Group is in Hong-Kong.

Xiamen Yarui Optical (the owner of the Bolon™, Molsion™ and Prosun™ trademarks) has a production plant in Xiamen.



1.5.2 Luxottica Activities

1.5.2.1 Overview

Luxottica group is a leader in the design, manufacture and distribution of fashion, luxury, sports and performance eyewear. Founded in 1961 by Leonardo Del Vecchio, Luxottica is a vertically integrated organization whose manufacturing of sun and prescription eyewear is backed by a wide-reaching wholesale organization and a retail network located primarily in North America, Latin America, Asia-Pacific and Western Europe.

Product design, development and manufacturing for frames take place in Luxottica's six production facilities in Italy, three factories in China, one in Brazil, one facility in the United States devoted to sports and performance eyewear and two small plants in Japan and India, the latter serving the local market. In 2018, the group's worldwide production reached approximately 87 million units.

Luxottica also has produced sun and ophthalmic lenses for more than 20 years. The company has increased its manufacturing capacity since the end of 2016 with the addition of three new laboratories in Europe, North America and Asia-Pacific which are completely integrated with its logistics hubs.

The design and quality of Luxottica's products and strong well-balanced brand portfolio are recognized throughout the world. Proprietary brands include Ray-Ban, one of the world's best-known eyewear brands, Oakley, one of the leading product design and sport performance brands globally, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette. Licensed brands include Giorgio Armani, Burberry, Bulgari, Chanel, Coach, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

The group's wholesale distribution network covers more than 150 countries across five continents and has approximately 50 commercial subsidiaries providing direct operations in key markets. Direct wholesale operations are complemented by an extensive retail network comprised of approximately 9,100 stores worldwide, including franchising, as of December 31, 2018.

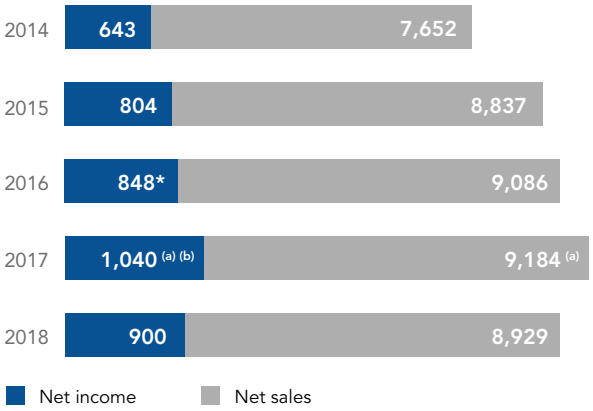
Luxottica is a leader in the optical retail business in North America with its LensCrafters and Pearle Vision brands, in Australia and New Zealand with the OPSM and Laubman & Pank brands, in China with the LensCrafters brand, in Singapore with Spectacle Hut, in Italy with the Salmoiraghi & Viganò brand and in Latin America with the GMO and Óticas Carol brands. In North America, Luxottica also operates its licensed optical retail brands Target Optical and Sears Optical. Luxottica also operates one of the fastest growing managed vision care networks in the United States through EyeMed.

Luxottica is home to Sunglass Hut, the largest retailer of premium sunglasses in North America, Latin America, Europe, Asia-Pacific, South Africa and the Middle East. Additionally, Luxottica has developed its new Ray-Ban retail concept in China and worldwide, offering an interactive space created for consumers to embrace the unique Ray-Ban experience and culture. The Oakley brand provides a powerful wholesale and retail presence in both the performance optics and sport channels with its "O" stores, offering Oakley-branded eyewear as well as apparel, footwear, backpacks and accessories designed for athletic lifestyles. Finally, retail brands including Oliver Peoples, Alain Mikli, Ilori Optical and Optical Shop of Aspen, give Luxottica a foothold in the luxury space.

Luxottica's distribution channels are complemented by its e-commerce platforms, including Ray-Ban.com, Oakley.com, OliverPeoples.com, Persol.com, Vogue-Eyewear.com, SunglassHut.com and Glasses.com.

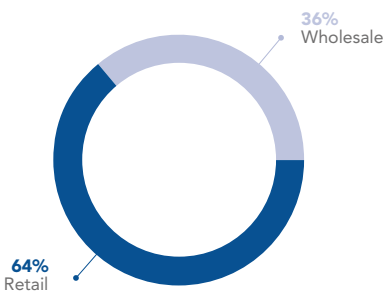
Last five years highlight

(In € millions)

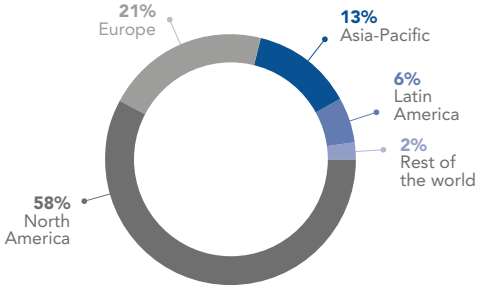


(a) Balances as of December 31, 2017 have been restated to reflect the application of new accounting standard IFRS 15. For additionnal details, please refer to the Notes to the consolidated financial statements, Note 2 - New accounting standards.
(b) Balances as of December 31, 2017 have been restated to reflect the finalization of Oticas Carol purchase price allocation application. For additionnal details, please refer to the Notes to the consolidated financial statements, Note 3 - Business Combinations.
* Net income attributable to Luxottica Group Stockholders at December 31, 2016 was restated to include Euro 2.4 millions from the Salmoiraghi & Viganò's acquisition required by IFRS 3 - Business Combinations.

Net sales by operating segment



Net sales by geographical area



1.5.2.2 Strategy

As global leader in the design, manufacture and distribution of sun and prescription eyewear with high technical and design standards, Luxottica's mission is multi-fold: to improve the well-being and satisfaction of its customers while simultaneously creating value for its employees and the communities in which the group operates.

1.5.2.2.1 Vertical integration

Luxottica delivers on its mission through a vertically integrated business model with manufacturing excellence, focus on service and a geographically diversified footprint. This has led to greater efficiency, flexibility and speed in product design, engineering, manufacturing, supply chain and logistics, and uncompromising quality.

The group's present structure, covering the entire value chain, is the result of a visionary choice made by the company's founder and current Executive Chairman, Leonardo Del Vecchio, who understood the potential of a vertical integration strategy when he decided to make entire frames rather than just components. Vertical integration of manufacturing was gradually accompanied by the expansion of distribution, first with wholesale, then in 1995 with retail and later with e-commerce, and by the creation of a key presence in the high value-added businesses of lens processing.

Direct oversight of the entire production platform makes it possible to verify the quality of both products and processes, introduce innovations, identify synergies and new operating methods and optimize service, quality and costs.

Direct distribution enables Luxottica to offer its products in major developed and emerging markets and achieve a unique understanding of consumer needs and tastes both globally and locally. This capability is viewed as a strength by fashion houses that come to Luxottica to produce their eyewear collections and access the group's global and widespread distribution network.



1.5.2.2.2 Innovation

The future of eyewear with all its untapped opportunities is a source of inspiration that drives the group to create, experiment, refine and implement new ideas, from the research of new materials and product development to manufacturing, distribution and digital platforms.

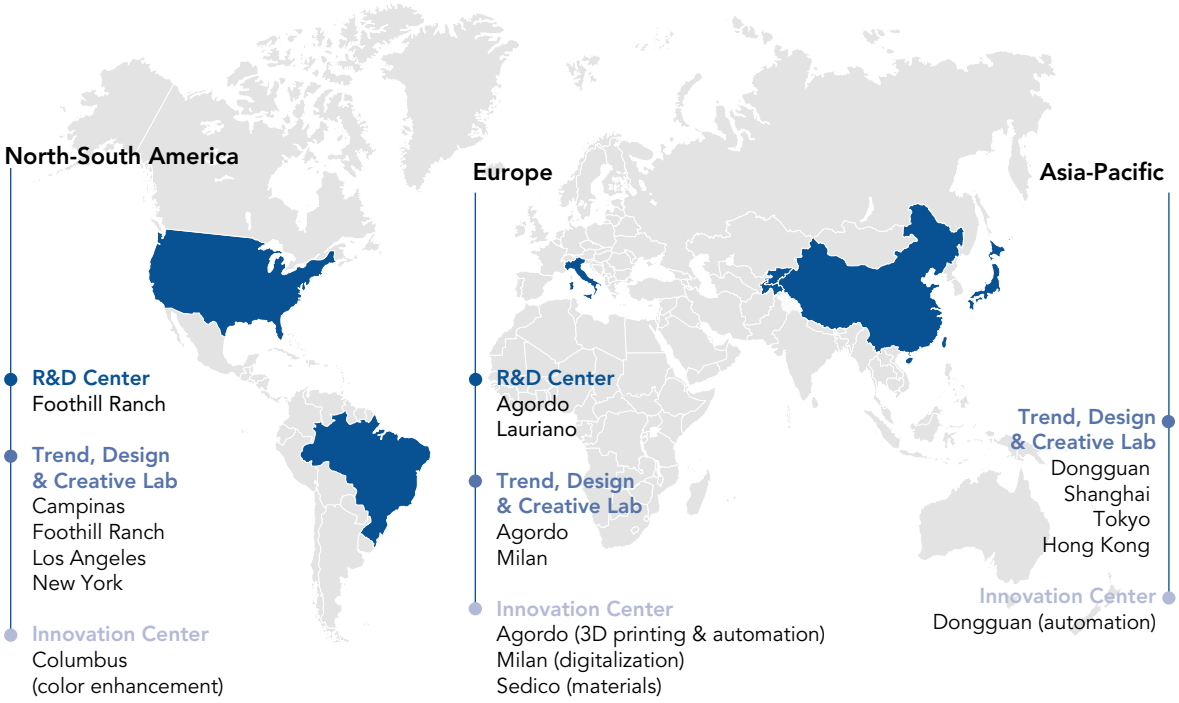
Innovative thinking provided the foundation for Luxottica in its early years, when the founder had a far-sighted vision to boost the growth of the company by vertically integrating the entire value chain. Moreover, the R&D team has brought to life some of the biggest innovations in frames and sun lenses by experimenting with new technologies, techniques and new materials – some of which had never been used in the optical industry before. Luxottica currently maintains over 1,000 utility, technology and design patents across the world.

Design and technological innovation. Every collection and every frame are the result of an ongoing R&D process that anticipates and interprets the needs, desires and aspirations of consumers all over the world. This process has become more valuable as sun and prescription eyewear are increasingly perceived as a desirable and expressive accessory to complete one's personal look. Therefore, Luxottica's designs both reflect and influence emerging fashion trends.

While wearable technology is in its early stages, Luxottica has taken a leading role in exploring and developing smart eyewear through partnerships with leading technology innovators.

Digital transformation. Luxottica invested heavily to digitize the group from the ground up and today utilizes millions of data points to make decisions in real time and plan and execute its strategies. Today, technology is the backbone of every corporate function: production, distribution and sales in all markets and in all channels – wholesale, retail and online. Luxottica has changed the way it speaks with millions of consumers around the world, being today one of the largest private digital broadcasters globally, with over fifteen thousand digital windows installed in its stores and customers' shops.

Automation and robotics. In order to improve speed, flexibility, quality and productivity, Luxottica has incorporated robotics, automation, computing and big data into its manufacturing processes. The group is tirelessly committed to operational excellence, tapping into new technologies and digital tools to achieve a higher level of factory digitalization and to improve work and personal safety, allowing teams to solve problems faster and more proactively than ever before.



International scientific collaborations

- Stanford University
- Geogia Tech
- Università degli Studi di Padova
- Istituto Italiano di Technologia
- Politecnico di Milano

1.5.2.3 Operations

Luxottica's vertically-integrated business model and geographically diversified manufacturing footprint have led to greater efficiency and speed in product design, engineering, manufacturing and logistics, while maintaining uncompromising quality.

1.5.2.3.1 Design

Emphasis on product design and the continuous development of new styles are key to Luxottica's success. During 2018, Luxottica added approximately 1,800 new styles to its eyewear collections. Each style is typically produced in two sizes and five colors.

The design of the group's products is the focal point where vision, technology and creativity converge. Each frame expresses Luxottica's core precepts: innovation in style, materials, technologies and processes, and unparalleled craftsmanship. The design process begins with Luxottica's in-house designers who work in an environment that promotes inventiveness, originality and a creative process where eyewear is interpreted as art, as an object to put on display. They draw inspiration from both market trends and their own imagination. In addition, the design team works directly with the marketing and sales departments, which monitor the demand for current models, as well as general style trends in eyewear.

1.5.2.3.2 Product development

Product development is the next stage of execution. The research and development efforts of Luxottica's engineering staff play a crucial role in the development process.

Engineers are continuously looking for new materials, concepts and technology innovations to apply to products and processes in an effort to differentiate them in the eyewear market. During the initial phase of the development process, the prototype makers transform designs into one-off pieces, crafted by hand with meticulous precision. These frame prototypes are then shared with the product department, which analyzes the necessary steps to bring the prototype to mass production.

In the first phase of the cycle, the product department uses visual rendering and 3D software to design new models and the necessary equipment. The mold workshop then assembles the equipment needed to make the components for the new model. The very first samples are assembled and undergo a series of rigorous tests required by internal quality control procedures.

After the quality certification, the sales samples are produced and subjected to a new intensive series of tests to verify the quality of the engineering and production. Finally, Luxottica determines which of its plants is best suited to manufacture the product and large-scale production begins.

By using a launch calendar that focuses on customer and geographic demand, the group has been able to shrink product development timelines in recent years.

1.5.2.3.3 Manufacturing

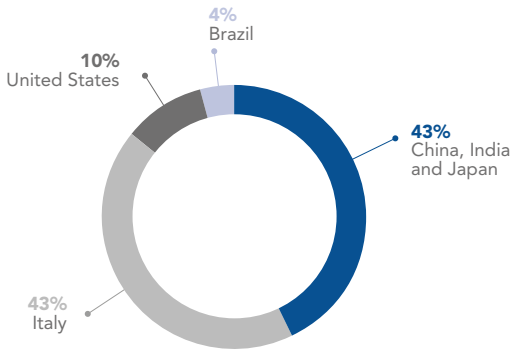
In 2018, Luxottica's manufacturing facilities located in Italy, China, the United States, Brazil, Japan and India, produced a combined total of approximately 87 million prescription frames and sunglasses.

Luxottica's manufacturing footprint includes six facilities located in Italy, the center of Luxottica's luxury eyewear production, all of which combine the tradition of Italian craftsmanship with the speed and efficiency of modern automation. These factories represent 43% of global production output. Five facilities are located in Northeastern Italy, where most of the country's eyewear industry is based, and one near Turin.

Three manufacturing facilities in China and two small plants in India and Japan collectively represent another 43% of total production output. From 1997 to 2001, Luxottica operated the Dongguan plant in China's Guangdong province through a 50%-owned joint venture with a Japanese partner. In 2001 the company acquired the remaining 50% interest and, in 2006, it further increased manufacturing capacity in China through the construction of an entirely new facility. In 2010, Luxottica began producing plastic sun lenses to be paired with frames that are manufactured in the same location. Soon after, the company integrated a new state-of-the-art plant, primarily dedicated to frame details and decorations.

The Foothill Ranch facility in California represents another approximately 10% of total production output and manufactures high-performance sunglasses, prescription frames and lenses and assembles most of Oakley's eyewear products. Oakley apparel, footwear and certain goggles are produced by third-party manufacturers.

In Brazil, the manufacturing facility in Campinas produces both plastic and metal frames for the local market. Shortly after Luxottica acquired the facility in 2012, they launched the first locally designed and produced Vogue Eyewear collection for Brazilians, followed by select Ray-Ban, Arnette, Oakley and A|X Armani Exchange collections. In 2018, the Campinas plant produced the remaining 4% of total production output and approximately 60% of the eyewear sold by Luxottica in the Brazilian market.

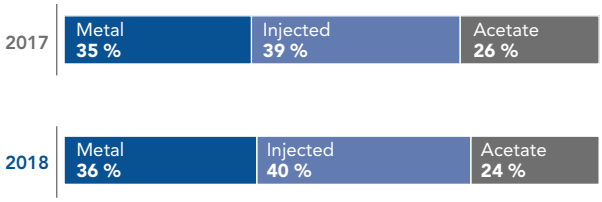


1.5.2.3.4 Products and materials

Frames. Over the years Luxottica has progressively diversified its technology mix from the traditional metal, plastic injection and acetate slabs to include aluminum, wood, die casting and fabric inserts. Consumer needs are continuously changing, which requires quick technological adaptations.

Luxottica's manufacturing process for metal frames has approximately 70 different phases, beginning with the production of basic components such as rims, temples and bridges using a molding process. These components are then welded together to form frames over numerous stages of detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finish, and then prepared for lens fitting and packaging.

Plastic frames are manufactured using either a milling or an injection molding process. In the milling process, a computer-controlled machine carves frames from colored acetate slabs. This process produces rims, temples and bridges that are then assembled, finished and packaged. In the injection molding process, plastic resins are liquefied and injected into molds. The plastic parts are then assembled, coated, finished and packaged.



Lenses. Luxottica has gradually developed an expertise in producing its own lenses in-house. Investments in breakthrough technology and processes, rigorous testing and increasing synergies within the group have improved the quality of Luxottica's lenses for sunglasses and eyeglasses over time.

The Lauriano plant in Italy is a benchmark for the world of Luxottica sun lenses with its multiple roles: production plant, research and experimental lab dedicated to the latest innovations, and logistics center delivering sun lenses to the rest of the group. The Foothill Ranch facility also performs a key role in the group's sun lens operations, manufacturing high-performance sunglasses, prescription frames and lenses and assembling most of Oakley's eyewear products.

Between 2016 and 2017, Luxottica opened three new laboratories within its logistics hubs in Italy, the United States and China specifically for the production of ophthalmic lenses. These labs are in addition to the existing lens manufacturing network that has made Luxottica a key player in the high-end ophthalmic lens business. Luxottica also operates two other central labs in North America and two labs in Latin America.

1.5.2.3.5 Logistics

The group's distribution system, which serves both the retail and wholesale businesses and links them to the production facilities, is globally integrated and fed by a centralized manufacturing platform. In order to better serve the consumer with customized speed to market, Luxottica over the years has simplified its global network and concentrate on the group's four main service centers allowing it to streamline its operational efficiency and progressively close decentralized local facilities.

The primary distribution service centers are in strategic locations serving the group's major markets: Sedico (Italy), Atlanta (United States), Dongguan (China) and Jundiaí (Brazil). They operate as centralized facilities under a highly automated order management system, which serves the group's local distribution centers and, in some markets, ships products directly to customers, which further reduces delivery times and keeps stock levels low.

The Sedico hub was opened in 2001 and is one of the most technically advanced in the industry. In 2018, it managed approximately 26,000 orders per day, including eyeglasses and spare parts. The Sedico facility ships an average of approximately 245,000 units daily to customers in Europe, the Middle East, Africa, Mexico, Turkey, select United States markets and the group's distribution centers in the rest of the world, where they are then delivered to local customers. In addition, it manages customized services, such as Ray-Ban Remix, providing direct global deliveries.

The Dongguan hub was opened in 2006 and manages an average of 205,000 units per day. The growth in the Asia-Pacific region has made this hub a strategic part of the group's distribution network.

The Atlanta facility, opened in 1996, has consolidated several North America-based facilities into a single state-of-the-art distribution center located close to one of the major airport hubs of the United States. It serves both Luxottica's retail and wholesale businesses in the North American market. This facility manages an average of 180,000 units per day.

The Jundiaí facility, opened in 2013 in Brazil, offers targeted distribution services to customers and serves the local market. This facility manages an average of 25,000 units per day.

The Sedico, Atlanta and Dongguan service centers include laboratories for the production of ophthalmic lenses to serve the European, North American and Asia-Pacific markets, creating integrated logistics and production hubs for ophthalmic lenses and frames.



1.5.2.4 Brand portfolio

Luxottica's brand portfolio is one of the largest in the industry with leading brands both at a regional level and in particular segments and niche markets.

The portfolio is well-balanced between proprietary and licensed brands and it continues to evolve. The presence of Ray-Ban, one of the world's leading lifestyle eyewear brands, and Oakley, a leader in the sport and performance category, gives the proprietary brand portfolio a strong base, complemented by Persol, Oliver Peoples and Alain Mikli in the high-end of the market, Arnette in the sport market, and Vogue Eyewear in the fashion market. Alongside the proprietary brands, the portfolio has over 20 licensed brands, including some of the most well-known and prestigious names in the global fashion and luxury industries.

With its manufacturing and distribution know-how, its experience in international markets and direct retail operations supported by marketing investment, Luxottica is the ideal partner for fashion houses and stylists seeking to translate their style and values into successful premium eyewear collections. Luxottica

differentiates each designer's offering to produce a broad range of models that appeal to a diverse group of consumers, lifestyles and geographies.

Proprietary brands. In 2018, proprietary brands accounted for approximately 69% of total sales of frames. Ray-Ban and Oakley eyewear, the two largest brands in Luxottica's portfolio, accounted for approximately 27% and 10%, respectively, of the group's 2018 net sales.

Ray-Ban. Timeless style, authenticity and freedom of expression are the core values of Ray-Ban, a leader in sun and prescription eyewear for generations. Since the introduction of the iconic Aviator model created for the aviators of the United States Army, Ray-Ban has been at the forefront of cultural change, becoming a symbol of self-expression, worn by celebrities and public figures all around the world. The lifestyle brand joined the Luxottica group in 1999 after which Ray-Ban accelerated its growth and redefined its distribution.

Oakley. Established in 1975 and acquired in 2007, Oakley is one of the leading product design and sport performance brands in the world, chosen by world-class athletes to compete at the highest level possible. The holder of more than 850 patents, Oakley is also known for its innovative lens technologies, including PRIZMTM. Oakley extended its position as a sports eyewear brand into apparel and accessories, offering men's and women's product lines that appeal to sport performance, active and lifestyle consumers.

Arnette. Born in California in 1992 and acquired by Luxottica in 1999, Arnette is an easy-going eyewear brand that talks to young consumers. Moving away from the original surf & skate positioning, the mission of Arnette today is to become a global streetstyle brand for Young Millennials and Gen Zs, looking for an individual style at an affordable price. Arnette's core values are authenticity and inclusivity, aiming to become the voice of youth culture.

Vogue Eyewear. Launched in 1973 under the same name as the famous fashion magazine, Vogue Eyewear was acquired by Luxottica in 1990. The brand, which reflects the dominant fashion trends of the moment at an affordable price, offers a wide global assortment as well as local collections for emerging markets. It has become a truly international contemporary fashion brand geared to young and fashion-savvy consumers who identify with featured international personalities such as Gigi Hadid.

Persol. Persol, the iconic made in Italy eyewear brand, made its debut in 1917 and was acquired by Luxottica in 1995. With its evocative name, meaning "for sun", it is the proud heir to a culture of excellence and craftsmanship, a perfect alchemy of aesthetics and technology. The irresistible appeal of timeless design and art-like quality makes the brand a favorite in the world of cinema.

Oliver Peoples. Acquired by Luxottica in 2007, Oliver Peoples was born in the heart of West Hollywood, California on iconic Sunset Boulevard in 1987. The unique culture of Los Angeles, with elements of fashion, film, art and music, continues to inspire the product and vibe of the brand. From the beginning, Oliver Peoples had a passion for superior craftsmanship, a distinctive culture rooted in California, and a chic approach to luxury. Through an authentic and consistent voice, Oliver Peoples has never relied on a logo but instead on fostering relationships with like-minded consumers.

Alain Mikli. Acquired by Luxottica in 2013, Alain Mikli has always targeted an audience of tastemakers and creative people around the world. Since 1978, the brand has been synonymous with distinctiveness and provocation, thanks to its unique design and exclusive color combinations. A union between a piece of art and a consumer product, frames to see as well as to be seen.

Licensed brands. Designer lines are produced and distributed through license agreements with major fashion houses. These agreements are exclusive and global contracts which typically have terms of between four and ten years and may contain options for renewal. Under these license agreements, Luxottica is required to pay a royalty ranging from 5% to 14% and a mandatory marketing contribution of between approximately 5% and 12% of net sales of the related collection.

Prada is the most significant license in Luxottica's portfolio as measured by total sales. In 2018, sales realized through the Prada, Prada Linea Rossa and Miu Miu brand names together represented approximately 4% of group sales.

1.5.2.5 Distribution

Luxottica's global distribution network, including retail chains and a wholesale network of third-party stores, is one of the group's core strengths. It extends to both developed and emerging markets, where Luxottica has made substantial investments over the last few years.

Luxottica's efficient distribution network makes it possible to maintain close contact with customers while maximizing the visibility of the group's brand portfolio. In addition, the Group's expertise in the retail business has given it a unique understanding of consumer needs and tastes in key countries. All of this helps the company achieve strategic optimization of brand diffusion, for both proprietary and licensed brands. The Group continues to invest in new channels of distribution, with a current emphasis on e-commerce.

1.5.2.5.1 Wholesale

The wholesale distribution network covers more than 150 countries, with approximately 50 commercial subsidiaries in major markets and approximately 50 independent distributors in other less developed markets. Wholesale customers are mostly retailers of mid to premium-priced eyewear, such as independent opticians, optical retail chains, specialty sun retailers, department stores, duty-free shops and online players. Certain brands, including Oakley, are also distributed to sporting goods stores and specialty sports locations.

In addition to giving wholesale customers access to some of the most popular brands and models, Luxottica provides them with pre- and post-sale services to enhance their business and maintains close contact with distributors in order to monitor sales and the quality of the points of sale.

In 2002, Luxottica introduced the STARS program within its Wholesale division, a true service innovation that leverages Luxottica's knowledge of local markets and brands to deliver fresh, high-turnover products to customers and maintain optimal inventory levels at each point of sale.

By strengthening the partnership between Luxottica and its customers, this program directly manages product selection activities, assortment planning and automatic replenishment of Luxottica's products in the store, utilizing ad hoc systems, tools and state-of-the-art planning techniques. At the end of 2018, STARS served over 10,300 stores in the major European markets, the United States, the Middle East and emerging markets.

1.5.2.5.2 Retail

With a strong portfolio of retail brands, Luxottica is well positioned to serve the most sophisticated consumers with the latest designer and high-performance frames, advanced lens options, advanced eyecare, everyday value and high-quality vision care health benefits.

As of December 31, 2018, Luxottica's retail business consisted of 7,164 stores and 1,962 franchised locations.

	North America	Asia-Pacific	Greater China	Europe	Middle East Africa	Latin America	Total
LensCrafters	1,050		108				1,158
Pearle Vision	110						110
Sunglass Hut (1)	1,812	315	58	485	132	448	3,250
Oakley Stores (2)	194	59	2	10		15	280
Target Optical	512						512
Sears Optical	199						199
OPSM		330					330
Laubman & Pank		28					28
Spectacle Hut		36					36
Ray-Ban	14	14	136	27	2	20	213
David Clulow (3)				124			124
GMO (4)						484	484
Óticas Carol						15	15
Oliver Peoples (5)	37	6	1	5			49
Salmoiraghi & Viganò				376			376
Franchising (6)	420	200		45	59	1,238	1,962
	4,348	**988**	**305**	**1,072**	**193**	**2,220**	**9,126**

(1) Includes Apex in North America.
(2) Includes Oakley "O" Stores and Vault.
(3) Includes David Clulow joint-venture stores.
(4) Includes Econópticas.
(5) Includes Ilori Optical, The Optical Shop of Aspen, Oliver Peoples and Alain Mikli.
(6) Includes franchised locations for Pearle Vision, Sunglass Hut, Oakley "O" Stores and Vaults, OPSM, Laubman & Pank, Oliver Peoples, Alain Mikli, Óticas Carol and Salmoiraghi & Viganò.

Luxottica's retail stores sell not only prescription frames and sunglasses that the group manufactures but also a range of frames, lenses and ophthalmic products manufactured by other companies.

In 2018, Luxottica's proprietary and licensed brands represented approximately 90% of the total net sales of frames by the Retail division.

Short descriptions of the main Luxottica group's retail brands follow.

LensCrafters (North America, Greater China). Founded in 1983, LensCrafters pioneered a revolutionary concept to combine eyecare, eyewear and onsite labs to craft glasses in about an hour. Today, LensCrafters is one of the largest optical retail brands in North America in terms of sales.

Most LensCrafters stores are located in high-traffic commercial malls and shopping centers. A wide selection of premium and luxury optical frames, sunglasses and high-quality lenses and optical products made by Luxottica and other suppliers are available in most locations. Each location has an experienced doctor, either an independent or employed doctor of optometry, who is focused on building patient relationships. All of the stores have access to the group's state-of-the-art lens processing network with the ability to craft, surface, finish and fit lenses.

As part of its underlying commitment to customer satisfaction and industry innovation, LensCrafters has made significant investments in technology including AccuFit Digital Measurement™ and continued its digital transformation with associate iPads to enhance the customer's omnichannel experience, and a digital eye exam experience, Clarifye℠, in a growing number of locations.

In 2006, Luxottica began to expand the LensCrafters brand in China by acquiring and then rebranding local retail chains in Beijing, Shanghai, Guangdong and Hong Kong.

Pearle Vision (North America). Acquired by Luxottica in 2004, Pearle Vision is one of the largest franchised optical retailers in North America. Built around the neighborhood doctor, Pearle Vision allows local business operators to provide trusted eyecare to their patients with the support and resources of the Pearle Vision brand.

Target Optical and Sears Optical (North America). With the acquisition of Cole National in 2004, Sears Optical and Target Optical, both licensed brands operating within their host stores, became part of the Luxottica retail network. The two brands, each with their own marketing positions within Luxottica, offer consumers the convenience of taking care of their optical needs while shopping at their preferred retailers.

OPSM (Australia and New Zealand). OPSM is a leading eyecare and eyewear retailer in Australia and New Zealand with more than 80 years of history. Through its world-class technology and exceptional service, OPSM's goal is to raise the standard of eye health and eyecare. In addition to its eyecare services, OPSM is renowned for its exclusive range of optical frames and sunglasses from international brands.

GMO (Latin America). GMO is an optical market leader in Latin America, became a part of Luxottica in 2011, following the acquisition of Multiópticas Internacional. Since its beginning in the late 1990s, GMO has developed a reputation for optical retail excellence among consumers in Chile, Peru, Ecuador and Colombia with its strong Ópticas GMO and Econópticas retail brands.

Óticas Carol (Brazil). Óticas Carol, which was founded in 1997 with the goal to satisfy the needs of the Brazilian consumer in the eyewear industry, is one of Brazil's leading optical retail brands. Óticas Carol's mission is to provide the best platform for the sustainable growth of its franchisees, delighting its customers with excellent optical services and products.

David Clulow (United Kingdom and Ireland). Luxottica operates David Clulow, a premium optical retailer in the United Kingdom and Ireland. The brand emphasizes service, quality and fashion. Its targeted marketing reinforces these brand values and builds long-term relationships with customers. In addition to operating optical stores, David Clulow manages a number of designer sunglass concessions in up-market department stores, further reinforcing its position as a premium brand in the United Kingdom.

Salmoiraghi & Viganò (Italy). Founded in 1974 by the merger of two brands that were started respectively by Angelo Salmoiraghi and Angelo Viganò in the mid-nineteenth century, Salmoiraghi & Viganò is an Italian premium optical retail brand. The key principles on which Salmoiraghi & Viganò was founded are relevant today and include innovation, customer experience, service and quality products. Its retail stores stock a wide assortment of optical and sun eyewear by the premier brands available on the international scene.

Spectacle Hut (Singapore). Spectacle Hut has grown to become one of Singapore's largest optical retail chains. The retail brand joined the group in 2018 and its mission is to become the retailer of choice for fashionable eyewear by meeting the demands from a growing group of discerning customers who have come to expect quality, exceptional service and value.

Sunglass Hut. Founded in 1971 as a small kiosk in a Miami mall, Sunglass Hut has grown into one of the world's leading destinations for the most sought-after high quality and performance sunglass brands. Stores can be found in fashionable shopping districts across the globe, from the Americas Europe and the Middle East to Australia, South Africa, China and Southeast Asia and beyond, providing consumers with a fun, highly engaging shopping experience.

Sunglass Hut offers a consistent and connected experience across all customer touch-points including online, in-store, social and mobile, and utilizes in-store digital tools to access to an "endless aisle" assortment in every store location. As part of this strategy, the brand is investing in the digitalization of the in-store shopping experience, particularly in North America, Brazil, the United Kingdom and Australia.

In 2018, Sunglass Hut signed an agreement with Bass Pro to open Sunglass Hut shop-in-shops within Bass Pro and Cabela's 170 locations across North America.

Ray-Ban. In 2016, Luxottica introduced a brand-new Ray-Ban retail concept in China converting some of its pre-existing LensCrafters locations and opening new retail locations. In the United States, the group opened a flagship store in New York's Soho neighborhood, and recently has extended the new monobrand retail concept worldwide. More than physical stores, they offer an interactive space created for consumers to embrace the unique Ray-Ban experience and culture.

Oakley "O" Stores. Oakley "O" stores worldwide offer a full range of Oakley products including sunglasses, apparel, footwear and accessories. These stores are designed and merchandised to immerse consumers in the Oakley brand through innovative use of product presentation, graphics and original audio and visual elements. In the United States, Oakley "O" stores are in major shopping centers. Oakley's retail operations are also located in Latin America, Europe and the Asia-Pacific region.

Oliver Peoples. Luxottica operates luxury retail stores under the Oliver Peoples name, which exclusively sell Oliver Peoples branded products.

EyeMed (North America). EyeMed Vision Care is the second largest vision benefits company in the United States, serving approximately 52 million members in large, medium and small-sized companies, as well as government entities. EyeMed members are enrolled through employer-sponsored benefits sold directly by EyeMed or bundled with benefits offered in partnership with many of the largest and most-respected healthcare organizations in the United States. EyeMed offers the largest network of eyecare providers in the United States, including a diverse range of independent practitioners and retail locations that include Luxottica optical retail locations.

1.5.2.5.3 E-commerce

Luxottica offers consumers around the globe a premium online shopping experience that lives up to the same high standards found at its brick and mortar locations.

Ray-Ban, Oakley, Sunglass Hut, Oliver Peoples and recently added Persol and Vogue Eyewear e-commerce websites serve as important sales channels that complement Luxottica's retail operations and wholesale distribution. The websites drive brand awareness and allow consumers to purchase products efficiently, extending superior customer service into the digital space.

Ray-Ban.com was launched in the United States in 2009 and is home to the most extensive assortment of premium Ray-Ban, exclusive offerings and a consumer experience that is unique to the brand. Currently, Ray-Ban.com operates in 26 countries. Ray-Ban Remix, the online customization platform first launched in Europe in 2013, is a key driver of the brand's e-commerce expansion and its growing connection with millennials. Its success in allowing customers to personalize the style, material, lens color, engraving and other aspects of their Ray-Ban frames led to Remix launches in the United States, Canada and China in 2014, in Australia, Brazil, Japan and Hong Kong in 2015 and in Mexico in 2016. Recently, Ray-Ban.com introduced in the United States a search-by-image capability, which allows fans to upload a picture of any pair of Ray-Ban frames and then search for them on the extensive Ray-Ban.com catalogue.

Oakley.com is the digital window of the Oakley brand, presenting the most comprehensive assortment of Oakley products globally and an e-commerce channel across multiple markets including the United States, Canada, Australia, Japan, Brazil and 16 countries in Europe. Its unique online custom eyewear experience gives Oakley fans the ability to customize their favorite models from Jawbreaker to Frogskins, selecting frame color, lens tint, personalized etching and other features seamlessly. Moreover, it is a destination for exclusive online offers and collaborations.

Launched in 2008, SunglassHut.com has become the digital destination for consumers looking to find the latest trends and hottest premium sunglasses. Over the years, the United Kingdom, Brazil, New Zealand and Mexico, China, Spain, France and Germany joined the United States, Canada and Australia in offering online shopping on their local Sunglass Hut websites. Additionally, Sunglass Hut is developing its mobile and desktop sites across all countries to enhance customer experiences, storytelling and business performance. Specific focus has been given to the implementation of omni-channel experiences that allow the company to seamlessly engage consumers across more than 3,000 Sunglass Hut stores and the website. Sunglass Hut is also covering markets through shop-in-shops and marketplaces online, partnering with many key players in the e-commerce arena.

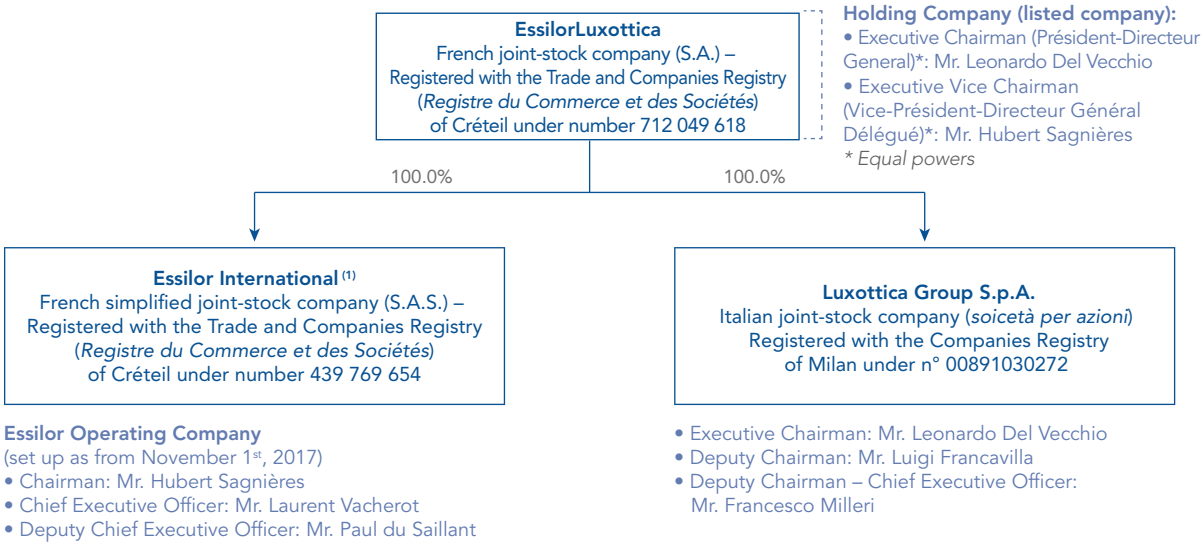
Luxottica introduced the new Persol and Vogue Eyewear e-commerce platforms at the end of 2017 in Italy, the United Kingdom, France, Germany and Spain, followed by the United States and Canada in 2018. Oliver Peoples is also operating in these same countries.

Luxottica plans to bring its e-commerce strategy to additional markets as the business matures. For example, the group formed strategic partnerships in China to open both Ray-Ban and "O" stores within Tmall, the world's largest local online mall.

Luxottica is also investing in increasing its optical e-commerce footprint, with a wide portfolio of brands and solutions that cover vision correction needs, including clear and sun prescription frames and contact lenses.

1.6 Simplified organizational chart

SIMPLIFIED ORGANIZATIONAL CHART
OF THE ESSILORLUXOTTICA GROUP AS OF MARCH 5, 2019



(1) All the entities owned by Essilor International (Compagnie Générale d'Optique), renamed EssilorLuxottica on October 1st, 2018, were transferred to Essilor International as part of the Hive Down completed on November 1st, 2017, except for the following entities remaining directly owned by EssilorLuxottica: Essilor India Private Limited (EIPL), Essilor Manufacturing India Private Limited (EMIL), Essilor Korea Co, Ltd., Onbitt Co., Ltd.

EssilorLuxottica

EssilorLuxottica functions primarily as a holding company that directly or indirectly owns the companies comprising the Group. EssilorLuxottica is a French *société anonyme* (joint-stock company) whose registered office is located at 147, rue de Paris, 94220 Charenton-le-Pont, France, and which is listed in the Créteil Trade and Companies Register under number 712 049 618. The company is listed on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices.

Essilor International

Essilor International is a French *société par actions simplifiée* (simplified joint-stock company) whose registered office is located at 147, rue de Paris, 94220 Charenton-le-Pont, France, and which is listed in the Créteil Trade and Companies Register under number 439 769 654.

Luxottica Group S.p.A.

Luxottica Group S.p.A. is an Italian *società per azioni* (joint-stock company) whose registered office is located at 3, Piazzale Cadorna, 20123, Milan, Italy, and which is registered with the Milan Companies Register under number 00891030272.

Consolidated subsidiaries

The list of the main fully consolidated Group companies and subsidiaries is shown in Appendix 2 of the notes to the consolidated financial statements in Section 3.4.

1

1.7 EssilorLuxottica in 2018

1.7.1 Significant events

Creation of EssilorLuxottica

On October 1, 2018 Delfin S.à.r.l ("Delfin"), the majority shareholder of Luxottica Group S.p.A. ("Luxottica") and Essilor International (Compagnie Générale d'Optique) ("Essilor") announced the successful completion of the combination of Essilor and Luxottica.

The announcement followed the satisfaction of all conditions precedent to the closing of the transaction, including approval by Essilor shareholders in May 2017, the hive-down of substantially all Essilor activities to Essilor International SAS (a wholly-owned subsidiary of Essilor) in November 2017 and clearance from all antitrust authorities whose authorization was a condition precedent to the closing of the transaction.

Following the contribution by Delfin, the majority shareholder of Luxottica, of its 62.42% stake in Luxottica to Essilor on October 1, 2018, Essilor became the parent company of Luxottica and was renamed EssilorLuxottica.

As from October 2, 2018, EssilorLuxottica shares have been traded on Euronext Paris, under the ticker symbol EL with the same ISIN code FR0000121667. They have been part of the CAC 40 and Euro Stoxx 50 indices.

Public exchange offer for Luxottica shares

On October 11, 2018, EssilorLuxottica launched a mandatory exchange offer (the **"Offer"**) pursuant to Italian law for all of the remaining outstanding Luxottica shares (176,276,154 ordinary shares of Luxottica, each with a par value of €0.06), with the exception of the shares already held by EssilorLuxottica and those held by Luxottica as treasury stock.

In the Offer, EssilorLuxottica offered the remaining Luxottica shareholders a stock-only consideration (the **"Stock Consideration"**) consisting of 0.4613 newly issued shares of EssilorLuxottica with par value of €0.18, admitted to trading on Euronext Paris, per each Luxottica share tendered in the Offer (the **"Exchange Ratio"**). The Exchange Ratio was the same one as the one applied in the contribution by Delfin to EssilorLuxottica of Delfin's entire stake in Luxottica that closed on October 1, 2018.

As a result of the acquisition of the Luxottica shares tendered in the Offer, on December 5, 2018, EssilorLuxottica came to own more than 90% but less than 95% of Luxottica's share capital. Therefore, EssilorLuxottica subsequently carried out a "sell-out" procedure, during which the remaining Luxottica shareholders were able to tender their shares for, at their election, either the Stock Consideration or an alternative consideration in cash equal to €51.64474423 per each Luxottica share (as determined in accordance with Italian law) (the **"Cash Consideration"**).

Having crossed the 95% threshold in the share capital of Luxottica at the settlement of the "sell-out" procedure on January 18, 2019, EssilorLuxottica then initiated a "squeeze-out" procedure that was completed on March 5, 2019, with the transfer to EssilorLuxottica, in accordance with the offeror's right to purchase under Italian law, of all of the remaining outstanding Luxottica shares, in exchange for either the Stock Consideration or, as for the remaining Luxottica shareholders that expressly requested it during the procedure, the Cash Consideration. In accordance with the rules of the Italian stock exchange, Borsa Italiana ordered the delisting from the MTA of the Luxottica shares as from March 5, 2019, settlement date of the "squeeze-out" procedure.

During the Offer and the subsequent "sell-out" and "squeeze-out" procedures, in the aggregate (i) 176,276,154 ordinary shares of Luxottica were actively tendered (or were anyway acquired by EssilorLuxottica pursuant to its right to purchase all remaining shares in the "squeeze-out" procedure), of which 163,860,337 for the Stock Consideration and 12,415,817 for the Cash Consideration, and (ii) a total of 75,588,772 new EssilorLuxottica shares was issued and admitted to trading on Euronext Paris. As a consequence, the interest held by Delfin in EssilorLuxottica decreased from the initial 38.93% to 32.05% of the share capital of EssilorLuxottica, it being reminded that the voting rights are capped at 31% for any shareholder subject to a formula contained in article 23 of EssilorLuxottica's by-laws.

Capitalization and share acquisition table

	Luxottica	EssilorLuxottica
TOTAL ISSUED SHARES PRIOR TO CLOSING OF DELFIN CONTRIBUTION ON OCTOBER 1, 2018	**485,153,033**	**219,137,552**
	Luxottica shares acquired by EssilorLuxottica in the context of contribution, exchange offer and subsequent procedures	**New shares issued by EssilorLuxottica as stock consideration for contribution, exchange offer and subsequent procedures**
Closing of contribution by Delfin on October 1, 2018	302,846,957	139,703,301
Settlement of exchange offer on December 5, 2018	143,788,312	66,329,548
Settlement of "sell-out" procedure on January 25, 2019:		
• Stock consideration	14,313,208	6,602,682
• Cash consideration	6,248,607	N/A (cash amount of €322,707,710.31)
Settlement of joint procedure ("squeeze-out") on March 5, 2019:		
• Stock consideration	5,758,817	2,656,542
• Cash consideration	6,167,210	N/A (cash amount of €318,503,983.06)
TOTAL LUXOTTICA SHARES ACQUIRED BY ESSILORLUXOTTICA	**479,123,111**	**N/A**
Dilutive instruments as of March 5, 2019	**-**	**5,955,149**
Treasury shares as of March 5, 2019	**6,071,922**	**1,099,757**
TOTAL FULLY DILUTED SHARES AS OF MARCH 5, 2019	**485,195,033**	**441,992,309**

1.7.2 EssilorLuxottica 2018 consolidated *pro forma* (1) revenue

Consolidated *pro forma* (1) revenue by geographical area

€ millions	2018	2017	Change at constant rates (2)	Currency effect	Change (reported)
North America	8,400	8,556	+2.6%	-4.4%	-1.8%
Europe	4,040	4,063	+1.3%	-1.9%	-0.6%
Asia, Oceania and Africa	2,691	2,638	+6.6%	-4.6%	+2.0%
Latin America	1,028	1,092	+.6.5%	-12.4%	-5.9%
TOTAL	**16,160**	**16,349**	**+3.2%**	**-4.4%**	**-1.2%**

(1) *Pro forma* consolidated revenue on a twelve months basis for Essilor and Luxottica, included in the Unaudited *Pro Forma* Consolidated Financial Information. The Unaudited *Pro Forma* Consolidated Financial Information has been prepared for illustrative purposes only and does not take into account the results of operations that EssilorLuxottica would have achieved if the contribution of Luxottica shares by its majority shareholder had actually been realized on January 1, 2018 or January 1, 2017. There can be no assurance that the assumptions used to prepare the Unaudited *Pro Forma* Consolidated Financial Information are accurate in all respects or that the trends disclosed in the Unaudited *Pro Forma* Consolidated Financial Information are indicative of the future performance of EssilorLuxottica. As a result, EssilorLuxottica's performance in the future may differ materially from that presented in the Unaudited *Pro Forma* Consolidated Financial Information.

(2) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

Consolidated *pro forma* [1] revenue by segment

€ millions	2018	2017	Change at constant rates [2]	Currency effect	Change (reported)
Lenses & Optical Instruments (Essilor)	6,283	6,257	+4.8%	-4.4%	+0.4%
Sunglasses & Readers (Essilor)	787	765	+7.6%	-4.7%	+2.9%
Equipments (Essilor)	210	199	+9.1%	-3.8%	+5.3%
Wholesale (Luxottica)	3,145	3,315	-1.0%	-4.1%	-5.1%
Retail (Luxottica)	5,735	5,813	+3.0%	-4.4%	-1.4%
TOTAL	**16,160**	**16,349**	**+3.2%**	**-4.4%**	**-1.2%**

(1) *Pro forma* consolidated revenue on a twelve months basis for Essilor and Luxottica, included in the Unaudited *Pro Forma* Consolidated Financial Information. The Unaudited *Pro Forma* Consolidated Financial Information has been prepared for illustrative purposes only and does not take into account the results of operations that EssilorLuxottica would have achieved if the contribution of Luxottica shares by its majority shareholder had actually been realized on January 1, 2018 or January 1, 2017. There can be no assurance that the assumptions used to prepare the Unaudited *Pro Forma* Consolidated Financial Information are accurate in all respects or that the trends disclosed in the Unaudited *Pro Forma* Consolidated Financial Information are indicative of the future performance of EssilorLuxottica. As a result, EssilorLuxottica's performance in the future may differ materially from that presented in the Unaudited *Pro Forma* Consolidated Financial Information.

(2) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

The above figures correspond to the consolidated *pro forma* EssilorLuxottica revenues, after elimination of intercompany transactions. Before elimination of intercompany transactions, total revenue for 2018 was €16,389 million of which €7,460 million from Essilor and €8,929 million from Luxottica and was €16,586 million in 2017 of which €7,402 million from Essilor and €9,184 from Luxottica (refer to 1.7.3.1, 1.7.4.1 and 3.1).

1.7.3 Essilor in 2018

The sales figures below correspond to the results for Essilor's scope of consolidation if it had operated independently of Luxottica throughout all of 2018.

Notes

(a) **Like-for-like growth:** growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements of the 2017 Registration Document of Essilor.

(b) **Bolt-on acquisitions:** local acquisitions or partnerships.

(c) **Fast-growing countries** include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America.

(d) **Contribution from operations:** revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).

Essilor forged ahead with its mission to "improve lives by improving sight" in 2018 while pursuing a growth strategy focused on three key drivers: product and service innovation across all ranges; geographic expansion and multi-channel distribution through eyecare professionals, directly operated stores and online sales; and a targeted acquisitions and partnerships policy.

Thanks to this strategy, sales growth accelerated with each quarter in 2018. Revenue ended the year at €7,460 million, up 4.6% from the previous year on a like-for-like [a] basis, including 5.7% in the fourth quarter. This was well above the initial target of delivering like-for-like growth [a] of around 4%. The additional growth allowed the Company to continue to invest for the future, for instance in very promising projects in the areas of myopia and digitalization, and to bolster initiatives relating to Essilor's mission and its "2.5 New Vision Generation™" activities. Adjusted contribution from operations [d] reached 18.1% of revenue even as investments in new and buoyant segments were stepped up.

Other highlights of the year included:

- dynamic growth at the Lenses & Optical Instruments division, where revenue rose 4.2% like-for-like [a], notably thanks to the momentum of new products in the Transitions®, Varilux® and Eyezen™ ranges;
- a sharp acceleration in sales growth for Sunglasses & Readers, where revenue surged 8.1% like-for-like [a]. This good result notably reflected strong growth in China, fueled by Xiamen Yarui Optical (Bolon™) and the MJS stores, and in the United States, where the Costa® brand powered ahead;

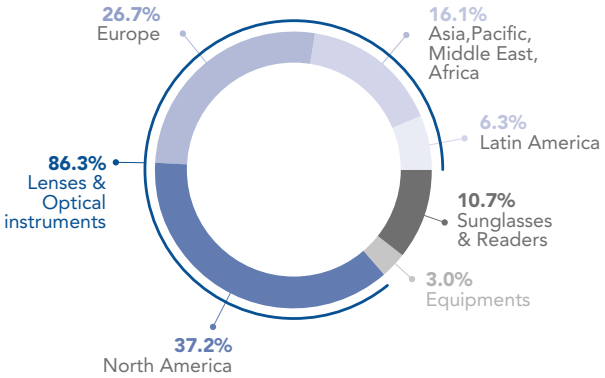
- double-digit growth in online sales with particularly good performances in India as well as in corrective lenses and mid-tier products, illustrating Essilor's ability to identify the most promising segments year after year;
- revenue growth at constant exchange rates of more than 10% in fast-growing countries [c], which now account for a quarter of Essilor's total revenue;
- a gradual resumption of the acquisitions and partnerships policy with the completion of eight transactions representing full-year revenue of close to €68 million;
- a healthy financial position that allowed the company to substantially reduce its net debt.

1.7.3.1 Essilor 2018 consolidated revenue (before elimination of intercompany transaction with Luxottica)

Revenue *€ millions*	2018	2017 [1]	Change (reported)	Change (like-for-like [a])	Scope effect	Currency effect
Lenses and Optical Instruments	**6,434**	**6,409**	**+0.4%**	**+4.2%**	**+0.5%**	**-4.3%**
North America	2,776	2,788	-0.4%	+3.2%	+0.8%	-4.4%
Europe	1,993	1,966	+1.3%	+2.5%	+0.1%	-1.3%
Asia/Pacific/Middle East/Africa	1,197	1,171	+2.3%	+8.3%	-0.2% [2]	-5.8%
Latin America	468	484	-3.5%	+7.7%	+2.2%	-13.4%
Sunglasses & Readers	**798**	**767**	**+4.1%**	**+8.1%**	**+0.9%**	**-4.9%**
Equipment	**227**	**225**	**+0.8%**	**+4.5%**	**+0.0%**	**-3.7%**
TOTAL	**7,460**	**7,402**	**+0.8%**	**+4.6%**	**+0.5%**	**-4.3%**

(1) The group has applied IFRS 15 related to revenue recognition since January 1, 2018. 2017 revenue has been restated accordingly, with a negative impact of around €89 million.
(2) This figure takes into account the deconsolidation of two businesses.

Breakdown of 2018 revenue by operating segment and by region



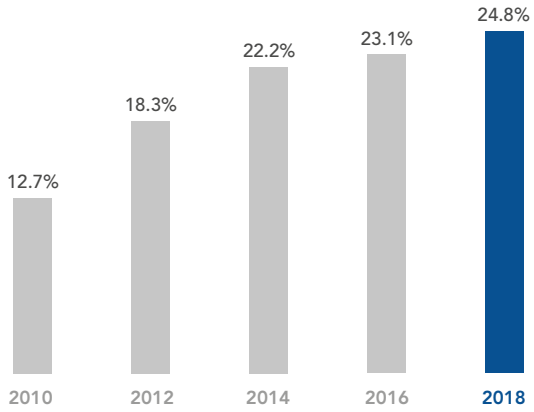
Change in revenue in fast-growing [c] and developed countries

Revenue generated by fast-growing countries [c] amounted to €1,848 million, or 24.8% of the company's revenue, while revenue generated in developed countries amounted to €5,611 million.

Revenue *€ millions*	2018	2017 [1]	Change (reported)	Change (like-for-like [a])	Change (at constant exchange rates)
Fast-growing countriesc	1,848	1,802	+2.5%	+10.5%	+10.8%
Developed countries	5,611	5,599	+0.2%	+2.8%	+3.4%
TOTAL	**7,460**	**7,402**	**+0.8%**	**+4.6%**	**+5.1%**

(1) The group has applied IFRS 15 related to revenue recognition since January 1, 2018. 2017 revenue has been restated accordingly, with a negative impact of around €89 million.

Evolution of the percentage of the company's revenue generated in fast-growing countries [(c)] since 2010 (at current exchange rates)



Change in revenue from 2017 to 2018

	Reported change	Change (like-for-like [(a)])	Scope effect	Currency effect
€ millions	58.1	343.9	39.7	-325.5
As a %	+0.8%	+4.6%	+0.5%	-4.3%

In 2018, consolidated revenue totaled €7,460 million, an increase of 5.1% excluding currency effects.

On a like-for-like [(a)] basis, sales increased by 4.6%.

The consolidation scope effect (+0.5%) reflected the contribution from bolt-on acquisitions [(b)] completed primarily in 2018, but also in 2017 (mainly Partners in Vision, Inc. and Vision Associates, Inc. in the United States).

The exchange rate effect (-4.3%) reflected the euro's appreciation in the first nine months of the year against the company's main invoicing currencies, particularly the US dollar.

1.7.3.2 2018 revenue by operating segment and by region

Lenses and Optical Instruments

The Lenses & Optical Instruments division delivered like-for-like [(a)] growth of 4.2% in 2018, for total sales of €6,434 million.

North America

Revenue in North America increased by 3.2% in like-for-like [(a)] terms in 2018. Essilor's core US lens business benefited both from innovative products and the ongoing delivery of strategic initiatives. Recent product launches such as the "Ultimate Lens Package™" and Transitions® Style Colors and Transitions® Style Mirrors supported continued growth with independent eyecare professionals. The ongoing expansion of the Essilor Experts program and partnerships with Alliance group members, key accounts and managed vision care organizations translated into gains as well. E-commerce activities, particularly online sales of prescription eyeglasses and contact lens distribution, further bolstered results in the region. Sales in Canada contracted slightly.

Europe

Sales picked up with each quarter in Europe, translating into like-for-like [(a)] revenue growth of 2.5% for 2018. Notably driven by the addition of sales staff, this encouraging result boosted penetration of high-end lenses including Varilux® progressive lenses, Transitions® photochromic lenses and Crizal® antireflective lenses, especially following the launch of Crizal® Sapphire™ 360°lens. Eyezen™ lenses for digitally connected consumers enjoyed robust growth.

In France, a sharp increase in sales of Nikon® lenses and good execution of the multi-network strategy contributed to a generally solid performance. Momentum was strong in Eastern Europe, Russia and Scandinavian markets thanks to increased sales of value-added products to independent opticians and optical chains. In the United Kingdom, growing online sales offset relative sluggishness in traditional channels.

Asia/Pacific/Middle East/Africa

Revenue in the Asia/Pacific/Middle East/Africa region increased by 8.3% like-for-like [(a)], with domestic sales in fast-growing countries [(c)] rising by almost 10%. Growth was strong in Mainland China, both for higher-end and mid-range products, thanks to blue-light-filtering lenses, myopia control solutions, online sales and Varilux® and Eyezen™ lenses. Efforts to develop commercial positions thanks to progressive and photochromic lenses, together with major brands, drove significant gains in Turkey, Southeast Asia, South Korea and, to a lesser extent, Japan. Sales in Africa ended the year up materially after accelerating in the fourth quarter. On the other hand, trends were more mixed in India and the Middle East during the year.

Latin America

Strong like-for-like [(a)] revenue growth of 7.7% in Latin America was fueled by good performances in both Brazil and Spanish-speaking countries. Business also improved gradually over the course of the year with like-for-like [(a)] growth ramping up to 14.1% in the fourth quarter.

In Brazil, following a challenging year in 2017, sales rose thanks to a strategy focused on product innovation, advertising campaigns and improved service quality. A surge in sales of Varilux® and Transitions® lenses helped to improve the company's market positioning.

Results elsewhere in the region were similar from one country to the next. Value-added lenses continued to gather momentum in Colombia, notably Transitions® photochromic lenses. Mexico returned to robust growth, particularly thanks to key accounts. Three acquisitions – in Mexico, Ecuador and Argentina – strengthened the company's presence in the region.

Instruments

A part of the Lenses & Optical Instruments division, the Instruments business markets tools for use by optometrists and opticians. It delivered like-for-like [(a)] revenue growth of 6% in 2018.

This strong performance was fueled by the edging-mounting activity, which got a boost from the success of the new "Mr Blue® Sun & Sport" edger for complex eyeglasses, and by the fast-growing optometry business (refraction and diagnostic devices). Sales of the "Wave Analyzer Medica 700+™" aberrometer (instrument that allows opticians to customize optical equipment thanks to comprehensive exams of the anterior chamber) were quite robust, notably with key accounts. The new Vision-R™ 800 phoropter, which was launched late in the year and won the Silmo d'Or in its category at the international optics tradeshow in Paris in October 2018, also got off to a very good start.

Sunglasses & Readers

The **Sunglasses & Readers** division reported revenue of €798 million in 2018, up 8.1% on a like-for-like [(a)] basis. In the United States, revenue at **FGX International** was boosted by strong in-store product sell-through and new contracts. **Costa** continued to expand in the Western United States and in optical stores with its ranges of prescription glasses. In China, **Xiamen Yarui Optical** (Bolon™) confirmed the company's return to strong growth in sunwear and accelerated its optical frame sales. Photosynthesis Group continued to open new MJS stores in shopping malls and to develop new products to support this expansion.

Equipment

Revenue at the Equipment division rose by 4.5% like-for-like [(a)] in 2018, to €227 million. This strong performance reflected a positive response across all regions to the latest generations of surfacing machines, particularly the VFT-Orbit 2™ digital generator, the Multi-FLEX™ polisher and the ART (Alloy Replacement Technology) lens blocking machine, which uses an innovative process to hold lenses in place during generating and polishing. Business in Asia and the United States was buoyed by robust machine sales in the fourth quarter. In Latin America, small prescription laboratories continued to switch to digital surfacing technology throughout the year.

Online sales

In 2018, Essilor generated revenue of €482 million [(1)] in this segment, an increase of 15% [(1)] on a like-for-like [(a)] basis. Europe and North America contributed 86% [(1)] of this revenue and the rest of the world 14% [(1)].

Activities supporting the company's mission

Essilor's initiatives to eradicate poor vision across the world have helped bring vision care solutions to 23 million wearers over the past five years, including more than ten million in 2018 alone. These initiatives have taken on a new dimension over the past 12 months thanks to partnerships with national governments and transnational organizations. For instance, the company is working with the Queen Elizabeth Diamond Jubilee Trust to expand its inclusive business and philanthropic models to address the eye health needs of all 900 million people living with uncorrected vision in the Commonwealth. This commitment will lead to the creation of permanent infrastructure and the provision of corrective lenses to 200 million people living below the poverty line. Essilor also joined forces with the Royal Government of Bhutan in its goal of becoming the first country in the world to eradicate poor vision. Meanwhile, the Vision Impact Institute, through the campaign Kids See Success, played a role in the new law passed in New Jersey requiring that young children have eye exams before entering a public school for the first time.

(1) 2018 figures compiled from online sales of the company's BtoC websites and from online sales recorded by the Sunglasses & Readers division. Essilor estimates.

In Kosovo, where 30% of inhabitants live below the poverty line, Essilor committed to screen 21,000 children and school educators and provide glasses to those who need them. Lastly, the rollout of the Eye Mitra™ inclusive business model continued throughout the year in India, notably *via* a new partnership with the state of Odisha; in Bangladesh, in cooperation with the Australian government; in Indonesia, where a first convention brought together 800 'Mitra Matas'; and in Kenya, where 'EyeRafiki™' ambassadors opened their first shops.

A few weeks after the combination of Essilor and Luxottica was completed, Essilor Vision Foundation teamed up with Onesight, of which Luxottica is the founding sponsor, to provide vision screening services to low-income communities in Thailand. This initiative was also supported by Top Charoen, a leading optical chain in the country.

1.7.3.3 Fourth-quarter 2018 revenue

Revenue *€ millions*	**Q4 2018**	**Q4 2017 (1)**	**Change (reported)**	**Change (like-for-like (a))**	**Scope effect**	**Currency effect**
Lenses and Optical Instruments	**1,626**	**1,535**	**+5.9%**	**+5.4%**	**+0.5%**	**+0.0%**
North America	697	661	+5.4%	+0.9%	+1.4%	+3.1%
Europe	508	478	+6.1%	+6.8%	+0.0%	-0.7%
Asia/Pacific/Middle East/Africa	295	280	+5.9%	+10.3%	-2.1%(2)	-2.3%
Latin America	126	116	+7.7%	+14.1%	+4.2%	-10.6%
Sunglasses & Readers	**217**	**202**	**+7.9%**	**+5.5%**	**+2.0%**	**+0.4%**
Equipment	**79**	**71**	**+11.7%**	**+12.1%**	**+0.0%**	**-0.4%**
TOTAL	**1,922**	**1,808**	**+6.3%**	**+5.7%**	**+0.7%**	**-0.1%**

(1) The group has applied IFRS 15 related to revenue recognition since January 1, 2018. Q4 2017 revenue has been restated accordingly, with a negative impact of around €22 million.

(2) This figure takes into account the deconsolidation of two businesses.

In the fourth quarter, revenue rose 6.4% excluding currency effects with like-for-like [(a)] growth accelerating from the third quarter, to 5.7%. Sales were up on a like-for-like [(a)] basis at all businesses: Lenses and Optical Instruments (+5.4%), Sunglasses & Readers (+5.5%) and Equipment (+12.1%).

The 0.7% consolidation scope effect reflected the contribution from acquisitions completed over the course of the year.

The negative currency impact lessened to -0.1% and reflected appreciation of the US dollar against the euro, which offset the weakness of some other currencies, particularly in fast-growing countries [(c)].

By region and division, highlights for the period were:

- a very strong comparative in North America: Like-for-like [(a)] growth had reached 8.8% in Q4 2017;
- continued momentum in fast-growing countries [(c)] and e-commerce;
- good performances in Europe and at the Sunglasses & Readers division.

1.7.3.4 Acquisitions and partnerships

The company completed eight transactions in 2018, representing full-year revenue of close to €68 million.

Company	Country	Business	Full-year revenue	% held	Consoli-dated from
LENSES & OPTICAL INSTRUMENTS – NORTH AMERICA					
Cal Coast Ophthalmic Instruments, Inc.	United States	Distributor of optometry equipment covering the western United States	USD12 million	80%	July 1, 2018
Expert Optics Inc.	United States	Prescription laboratory based in Illinois	USD16 million	100%	October 1, 2018
LENSES & OPTICAL INSTRUMENTS – ASIA/PACIFIC/MIDDLE EAST/AFRICA					
Hao Phat Group LLC. and Mat Viet Group LLC.	Vietnam	Distributor of optical products and optical retail chain	€4 million	51%	May 1, 2018
LENSES & OPTICAL INSTRUMENTS – LATIN AMERICA					
Optica Popular SRL	Honduras	Integrated prescription laboratory operating optical stores	€7 million	60%	July 1, 2018
Artículos Ópticos de Higiene y Seguridad, S.A. de C.V. (Aohssa)	Mexico	Distributor of ophthalmic and contact lenses	€6 million	90%	July 1, 2018
Indulentes	Ecuador	Prescription laboratory	USD9 million	60%	November 1, 2018
Metalizado Optico Argentino S.A. (MOA)	Argentina	Buenos Aires-based prescription laboratory	USD7 million	88%	December 1, 2018
SUNGLASSES & READERS					
One Click Internet Ventures, LLC	United States	Company which sells non-prescription glasses online and owns the readers.com website	USD15 million	100%	July 1, 2018

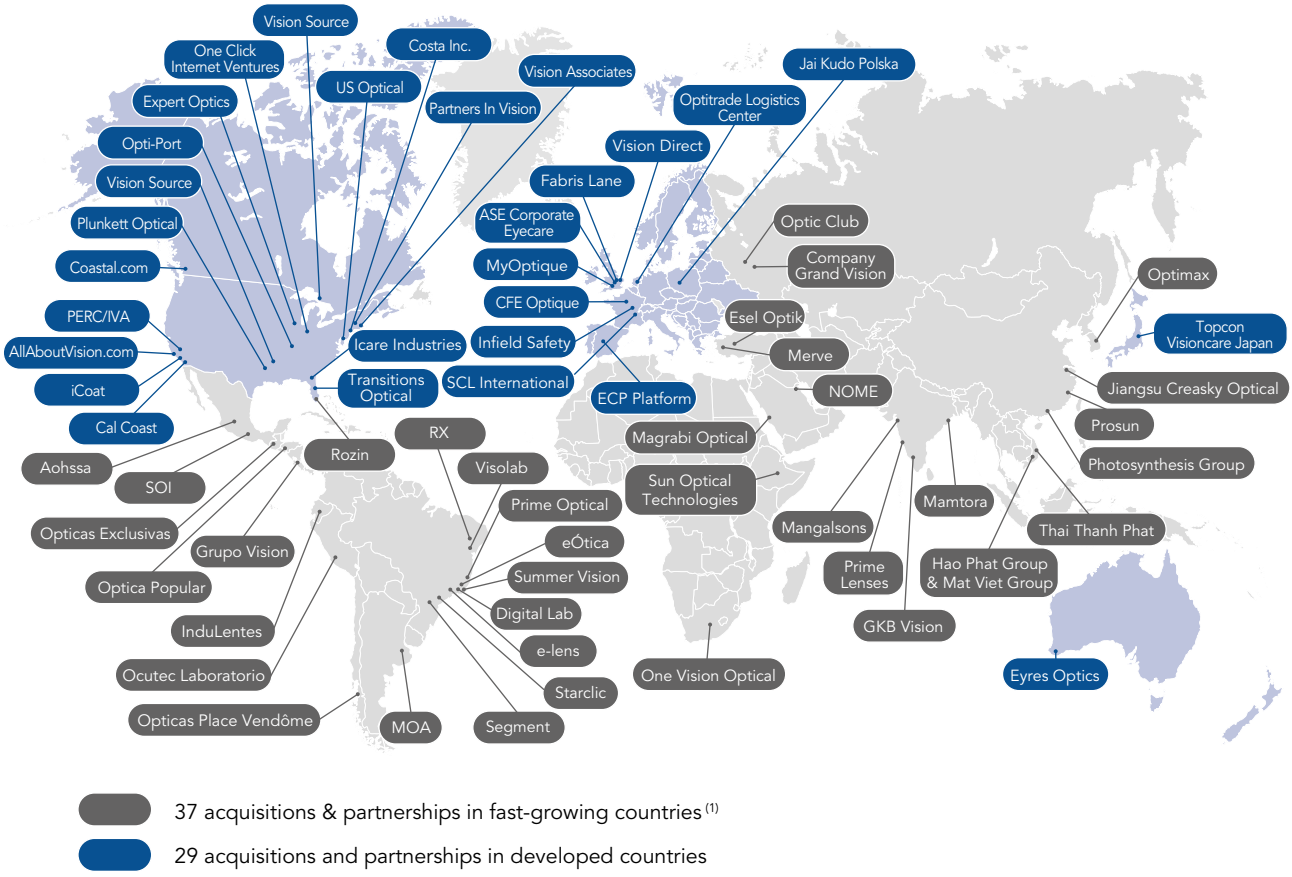
All of the above companies will be fully consolidated by Essilor from the date they are added to the scope of consolidation.

Between 2014 and 2018, Essilor completed 66 transactions, representing full-year revenue of close to €1.2 billion[(1)]. The breakdown of these transactions by segment is the following:

- Prescription Lenses: 54 (of which five lens manufacturers, 19 prescription laboratories, six lens distributors, five integrated prescription laboratories operating optical stores or optical retail chains, three services platforms for independent eye care professionals in the US);
- Sunglasses & Readers: six;
- Online: five;
- Equipment: one.

(1) Sum of revenues disclosed for each acquisition's announcement.

66 acquisitions and partnerships between 2014 and 2018



37 acquisitions & partnerships in fast-growing countries (1)

29 acquisitions and partnerships in developed countries

(1) Fast-growing countries include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America.

Since January 1, 2019, Essilor has pursued its strategy of forging partnerships with local optical market leaders with two transactions representing aggregate additional annual revenue of around €34 million.

In **Germany,** Essilor acquired 100% of **Brille24 GmbH.** The latter is one of the leading online retailers of optical products in Germany with annual revenue of close to €25 million.

The company also reinforced its presence in **Greece,** where its partner Shamir acquired **Union Optic,** a prescription laboratory that also distributes optical instruments. Union Optic generates annual sales of about €9 million and has four offices in Greece and Cyprus.

1.7.3.5 Investments made in 2018 and planned for 2019

Investments made

€ millions	2018	2017	2016
Property, plant & equipment and intangible assets (gross of disposals)	334	308	294
Depreciation	361	375	439
Financial investments net of cash acquired	270	334	706
Purchase of treasury shares	0	0	31

Capital expenditure

In the industrial sector, capital expenditure net of the proceeds from asset sales were €324 million (4.3% of revenue), compared to €282 million the previous year. This included capital expenditure to supporting the Group's growth, as well as the entry fees (buybacks) associated with FGX International's renewal of contracts with key accounts (Sunglasses & Readers Division).

Investments were distributed between Lenses and Optical Instruments (€248 million, of which €75 million for Europe, €76 million for North America and €97 million for the rest of the world), Sunglasses & Readers (€70 million) and Equipment (€6 million).

Financial investments

Financial investments net of cash acquired amounted to €270 million in 2018, compared to €334 million in 2017. These investments include, on the one hand, the acquisitions made during the year, in particular Cal Coast Ophthalmic Instruments, Expert Optics and One Click Internet Ventures in the US, and, on the other, price supplements on transactions made prior to 2018.

The Company did not buy back any of its own shares in 2018 as in 2017.

Main outstanding investments

Capital expenditure committed but not completed amounted to €134 million at December 31, 2018, including €83 million for North America, €22 million for Europe and €29 million for the rest of the world.

Main future investments

In 2019, the company will continue its capital expenditure in production and prescription.

In the area of finance, Essilor will also pursue its external growth strategy through targeted acquisitions and partnerships.

1.7.4 Luxottica in 2018

Notes

(1) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

(2) "Comps" or "Comparable store sales" reflect the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period, and applies to both periods the average exchange rate for the prior period and the same geographic area.

(3) 2017 results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the finalization of Óticas Carol purchase price allocation.

(4) For the definition of cumulative adjusted figures, reference should be made to the definitions included in the previous Luxottica's press releases on the financial results of the periods taken into consideration.

(5) For a definition of 2017 and 2018 adjusted figures, please refer to Section 3.6.

Reported results for Full Year 2018

€ millions	FY 2017 (3)	FY 2018	Change at constant exchange rates (1)	Change at current exchange rates
Group net sales	**9,184**	**8,929**	**+1.5%**	**-2.8%**
Wholesale	3,371	3,194	-1.1%	-5.2%
Retail	5,813	5,735	+3.0%	-1.4%
Operating income	**1,301**	**1,284**	**+7.4%**	**-1.3%**
Net income attributable to Luxottica group stockholders	**1,040**	**900**	**-5.5%**	**-13.5%**

Adjusted (5) results for Full Year 2018

€ millions	FY 2017 (3)	FY 2018	Change at constant exchange rates (1)	Change at current exchange rates
Group net sales	**9,184**	**8,929**	**+1.5%**	**-2.8%**
Wholesale	3,371	3,194	-1.1%	-5.2%
Retail	5,813	5,735	+3.0%	-1.4%
Adjusted operating income	**1,443**	**1,345**	**+1.2%**	**-6.8%**
Adj. net income attributable to Luxottica group stockholders	**971**	**951**	**+6.7%**	**-2.0%**

2018 was another year of growth for Luxottica group with consolidated sales over €8.9 billion, up 1.5% at constant exchange rates [(1)] (-2.8% at current exchange rates, due to currency headwinds driven by the devaluation of the US and Australian dollars and the Brazilian Real). The second half of the year showed an acceleration in sales growth compared to the first six months of the year, helped by a progressive improvement in wholesale's performance in Europe.

In 2018, adjusted net profit reached €951 million, down by 2.0% over last year's record level (+6.7% to over €1 billion at constant exchange rates [(1)]), with net margin over the 10% threshold for the second consecutive year. The group's profitability benefited from effective business and financial management. Free cash flow was €923 million, net of exchange rate headwinds [(1)], it would have been around €1.1 billion.

Favorable price mix and cost discipline positively contributed to 2018 results. This is noteworthy given that these results were achieved despite a lower contribution from volumes due to the change of the group's distribution strategy in key regions aimed at promoting quality of sales, consistency and transparency in commercial policies and a more direct relationship with consumers.

A four-year journey of profound strategic, operational, technological and managerial renewal was completed in 2018. Key strategic initiatives developed or completed during the past year were the biggest drivers of the following multi-year results, and their full impact is expected to continue to be visible over the coming years.

Comparing the cumulative results of the past four years with the period 2010-2013:

- cumulative sales increased by approximately 40% from €26 billion to 36 billion;
- adjusted [(4)] operating income increased by approximately 60%;
- adjusted [(4)] net income increased by approximately 80%;
- adjusted [(4)] net margin rose from around 7.5% to over 10%;
- adjusted [(4)] operating and net profits data per unit sold were approximately 20% and 35% higher respectively.

Additionally, the Net Debt/EBITDA ratio shrunk from 2.0x in 2010 to 0.2x in 2018, thanks to strong free cash flow generation.

The key strategic initiatives undertaken by the group over the last four years include:

Organizational simplification: the centralization of global business and product strategies has allowed Luxottica as a corporation to think centrally and perform rigorously at the regional and country level, simplifying decision-making processes and improving effectiveness and speed of execution. The company has increased control and efficiency on key variables such as assortment, logistics and services to the end customer, harmonizing its prices across different markets and reducing in-store and online promotions sharply.

Management renewal: Luxottica built a new structure of governance and a strong managerial team in all business-critical functions. Bright, capable leaders with a fresh perspective have embraced new digital technologies in full harmony with the dynamics of markets. Additionally, new teams and new leadership roles have been created to support innovation in the company and in the markets. The group created a Digital "factory" from scratch in the Milan headquarters to generate digital assets for the whole organization and orchestrate digital communications worldwide, enforced its R&D task force in new fields like wearable technologies and automation and established a new central team for store development and design with a global scope.

Company-wide digitization: the group today utilizes millions of data points to make decisions in real time and plan and execute its strategies. Technology is the backbone of every corporate function: production, distribution and sales in all markets and across all channels – wholesale, retail and online. Luxottica has changed the way it speaks with millions of consumers around the world, being today one of the largest private digital broadcasters globally, with over fifteen thousand digital windows installed in its stores and customers' shops. It is only the beginning of the digital journey. In 2019, the company plans to introduce new ways of interacting with its products, including bringing an entire digital catalog of Luxottica eyewear into customers' stores around the world.

The "complete pair" revolution: Luxottica can bring today a complete solution of lenses and frames to retail stores and online platforms through a single service channel. Two components that have always been complementary are now designed and produced together. Moreover, extending brand value to prescription lenses prepares the entire industry to respond in a new way to the growing demand for customized products. In support of this vision, the group completed the construction of three new state-of-the-art hubs in Italy, the United States and China, each capable of integrating the production and distribution of lenses and frames.

Redesign of the wholesale distribution: in recent years, Luxottica has implemented several initiatives to improve the quality of sales and protect the equity of its brands and the business of wholesale customers. The group has continued to invest in fighting counterfeit products and the parallel market, further expanding its RFID-based tracking system that today covers more than 80% of Ray-Ban and Oakley frames sold.

After the introduction of the "MAP policy" (Minimum Advertised Price) in North America in 2016 and the restructuring of the wholesale distribution channel in China, Luxottica revised its distribution and commercial policies in Europe in 2018 to improve their consistency and balance between different sales channels. The group has also introduced new ways of managing online customers and invested in digitalizing communications in the wholesale channel to improve customer relationships. Thanks to the MyLuxottica portal, in 2018 Luxottica reimagined the way its new collections are presented to customers in the showroom or in store. Today, next to the physical eyewear samples, customers can see a wider digital collection that captures the brand storytelling and emotions behind every model, making it easier and more engaging to choose the right product for their customers.

Retail expansion and channel integration: Luxottica is managing the retail platform in a more effective way thanks to a fully-integrated supply chain, centralized real estate management, major investments in lens capability and a growing

omnichannel approach. After completing the acquisitions of key premium retail brands like Salmoiraghi & Viganò in Italy and Óticas Carol in Brazil, Luxottica entered new markets with Sunglass Hut in Southeast Asia and Latin America and launched the new Ray-Ban retail concept first in China and then worldwide, celebrating the most beloved eyewear brand in more than 200 locations. Sunglass Hut continued to be the top consumer destination for premium eyewear, thanks to an increasingly omnichannel offering.

The group further expanded its global retail footprint in 2018 with the acquisition of the optical retail chain Spectacle Hut in Singapore and the opening of Sunglass Hut shop-in-shops within Bass Pro and Cabela's 170 locations across North America.

Manufacturing excellence: the group continues to invest heavily in the development of its industrial infrastructure, innovating in production technologies and automation and streamlining its global logistics network, to better serve wholesale customers and consumers in all regions. In 2018, Luxottica completed the acquisition of Fukui Megane and entered in the production heart of "made in Japan" in the Fukui eyewear district, acquiring a truly unique manufacturing capability. The group continued to consolidate its strategy of focusing on excellent production facilities and "made in Italy" quality, announcing the acquisition of Barberini, the world's leading optical glass sun lens manufacturer. The transaction is still subject to customary closing conditions and is expected to be finalized in 2019.

1.7.4.1 Luxottica 2018 consolidated revenue (before elimination of intercompany transaction with Essilor)

Both Luxottica's divisions contributed to the positive sales performance of the year, with the Wholesale segment showing a strong acceleration in the second part of the year and Retail confirming solid growth.

In 2018, Luxottica revenues were driven by North America, Asia-Pacific and Latin America. Europe reported sales down by 0.8% at constant exchange rates [(1)] due to a tough comparison with 2017 where sales were up 13.4% at constant exchange rates [(1)], and with the cumulative growth of the last three years which was 27% at constant exchange rates [(1)].

Once again, Ray-Ban led the performance in every segment and region thanks to a strong global communication strategy and integrated omnichannel brand management. The brand confirmed its vitality driven by the success of its latest collections, including new icons like Meteor and Nina, and Ray-Ban stores worldwide.

Wholesale sales were €3.2 billion, down 1.1% at constant exchange rates [(1)] (-5.2% at current exchange rates), showing a sequential improvement throughout the year, driven by solid growth in North America, Japan and Korea. The Wholesale results in the first part of the year were negatively impacted by the implementation of the new commercial policies for European online operators and wholesale customers, as well as the restructuring of the distribution network in China. Wholesale sales, including sales in Europe, returned to growth in the third quarter and accelerated to +3.4% at constant exchange rates [(1)] (+2% at current exchange rates) in the last three months of the year, confirming the value of the initiatives undertaken. Luxottica continued its expansion of direct distribution with the opening of new wholesale subsidiaries in the Middle East in 2018 and in Taiwan in early 2019.

In 2018, the Retail division grew by 3% at constant exchange rates [(1)] (-1.4% at current exchange rates), primarily fueled by Sunglass Hut, the optical retail business in Australia, Target Optical and the e-commerce platforms. The solid sales performance confirmed the effectiveness of strategic initiatives aimed at improving the operating model and the ability of the group's retail brands to execute them, while offering an improved consumer experience. Comparable store sales [(2)] (which do not include e-commerce sales) were up 0.5%, growing in all regions excluding North America, where they were flat.

Sunglass Hut's strong offering worldwide drove global sales up by 5.7% at constant exchange rates [(1)] with a positive contribution from all geographies. LensCrafters sales in North America were in line with last year.

In 2018, sales from Luxottica's e-commerce platforms, representing approximately 5% of total sales, were up 14% at constant exchange rates [(1)]. Luxottica expanded its retail footprint online, introducing new Persol and Vogue Eyewear online platforms in the United States and Canada, after having launched them in Italy, the United Kingdom, France, Germany and Spain in 2017. OliverPeoples.com also expanded its reach during 2018.

Ray-Ban.com confirmed it is the main driver of the group's online business. With new user experiences, improved customization and service levels, augmented reality-based features and exclusive collections, Ray-Ban has completely redefined how consumers interact with eyewear online. New initiatives with a digital component, including Ray-Ban Studios, are strengthening the link between the brand and millennials around the world. Ray-ban.com results were complemented by the strong performance of SunglassHut.com and Oakley.com, the latter benefiting from successful special collaborations and capsule collections during the year, including Oakley by Samuel Ross, Harmony Fade and Oakley Moto GP 2018 limited editions, sold-out after each release.

Geographic segments: net sales

Net sales *€ millions*	**FY 2017** [3]	**%**	**FY 2018**	**%**	**Change at constant exchange rates** [1]	**Change at current exchange rates**
North America	5,276	57%	5,138	58%	+1.8%	-2.6%
Wholesale	963	10%	952	11%	+3.2%	-1.2%
Retail	4,313	47%	4,187	47%	+1.5%	-2.9%
Europe	1,966	21%	1,922	21%	-0.8%	-2.3%
Asia-Pacific	1,159	13%	1,155	13%	+4.6%	-0.3%
Latin America	616	7%	564	6%	+2.9%	-8.4%
Rest of the World	166	2%	149	2%	-7.6%	-10.3%
GROUP TOTAL	**9,184**	**100%**	**8,929**	**100%**	**+1.5%**	**-2.8%**

North America

In 2018, the group's revenues in North America were up 1.8% at constant exchange rates [1] (-2.6% at current currencies) confirming a favorable consumer environment, with both divisions contributing to the positive performance.

Wholesale sales increased by 3.2% at constant exchange rates [1] (-1.2% at current currencies) confirming the solid growth of the previous year, with a remarkable +3.2% at constant exchange rates [1] (+6.4% at current currencies) in the fourth quarter on top of the +14% at constant exchange rates [1] reported in the last three months of 2017. Ray-Ban's successful distribution strategy, including its presence on third-party online platforms, and Oakley still reaping the long-term benefits of its integration into the Luxottica organization both contributed to this growth.

The retail business in North America was back to growth driven by the positive performance of all main retail brands. The optical retail business posted positive sales performance and was driven by the double-digit growth at Target and the solid contribution of EyeMed, while Sears Optical halved the number of stores during the year and reported sales down by 36% as a result of the recent turmoil in Sears Holdings Corporation. LensCrafters is completing the transformation of its business model with sales in line with last year and slightly positive comparable store sales [2] in the second half of the year compared to -3.4% in the first six months of the year. Sunglass Hut, with total sales up by 2.8% at constant exchange rates [1], continued to be the top destination for consumers for premium eyewear, thanks to an increasingly omnichannel offering.

Europe

After three years of a combined 27% growth, 2018 revenues in Europe were down by 0.8% at constant exchange rates [1] (-2.3% at current exchange rates). This was driven by the negative performance of the wholesale business in most European countries due to the progressive realignment of commercial policies and anticounterfeiting initiatives. The high single-digit growth in retail confirmed the solid multi-year performance of the division and was driven by both positive comparable store sales [2] and openings of approximately 40 new stores, including 27 Ray-Ban locations.

Following a 4.3% decline in sales in the first half of the year, the third quarter registered a turnaround with a progressively improving performance thanks to the recovery after a delayed start of the sun season for the wholesale business. Revenues in the last three months of the year were up by 4.2% at constant exchange rates [1].

Asia-Pacific

In 2018, the group's net sales in the Asia-Pacific region showed an increase of 4.6% at constant exchange rates [1] (-0.3% at current exchange rates), supported by a progressive acceleration in sales during the second half with the fourth quarter growing by 6.3% at constant exchange rates [1] (+4.6% at current exchange rates). Drivers of the growth were Australia, Japan, Korea, India, Southeast Asia and the travel retail business.

In Greater China, the strong performance of Sunglass Hut, LensCrafters and of approximately 130 Ray-Ban stores didn't offset the sharp resizing of the wholesale business following the restructuring of the distribution network in favor of an improved consumer experience.

In the second half of the year, Luxottica completed the acquisition of Spectacle Hut, one of Singapore's largest optical retail chains, meeting the demands from a growing group of discerning customers who have come to expect quality, service and value.

Latin America

After years of solid performance in Latin America, Luxottica posted another year of growth in 2018 with sales up 2.9% at constant exchange rates [1] (-8.4% at current exchange rates due to the strong devaluation of the Brazilian Real). The business in the region showed an acceleration during the fourth quarter with sales up 7.1% year-over-year at constant exchange rates [1] (-2.6% at current exchange rates) despite the ongoing challenging macro environment. Brazil and Mexico were the key drivers of the positive performance of the region with both Wholesale and Retail improving their performance compared to last year results.

The retail business in the region continued to expand its footprint. Óticas Carol added more than 130 franchisees, reaching a store base of more than 1,200 high-end locations in Brazil. Sunglass Hut continued its expansion with the opening of its first stores in Colombia, Argentina and the Caribbean, along with the launch of the first 11 Ray-Ban stores in the region. GMO optimized its optical retail network across Chile, Peru, Ecuador and Colombia, and reported positive sales.

Net sales in the fourth quarter of 2018

€ millions	4Q 2017 [3]	4Q 2018	Change at constant exchange rates [1]	Change at current exchange rates
Group net sales	**2,099**	**2,161**	**+2.2%**	**+3.0%**
Wholesale	717	732	+3.4%	+2.0%
Retail	1,382	1,430	+1.6%	+3.5%

Geographic segments: net sales

Net sales *€ millions*	4Q 2017 [3]	%	4Q 2018	%	Change at constant exchange rates [1]	Change at current exchange rates
North America	1,231	59%	1,272	59%	-0.1%	+3.3%
Wholesale	223	11%	237	11%	+3.2%	+6.4%
Retail	1,008	48%	1,035	48%	-0.8%	+2.7%
Europe	364	17%	375	17%	+4.2%	+3.1%
Asia-Pacific	289	14%	302	14%	+6.3%	+4.6%
Latin America	180	8%	175	8%	+7.1%	-2.6%
Rest of the World	35	2%	37	2%	+3.8%	+4.2%
GROUP TOTAL	**2,099**	**100%**	**2,161**	**100%**	**+2.2%**	**+3.0%**

Luxottica's net sales in the fourth quarter were up by 2.2% at constant exchange rates [1] (+3% at current exchange rates) thanks to the solid and improving performance of the Wholesale division and the 36th consecutive quarter of positive retail sales at constant exchange rates [1]. The fourth quarter was the second best quarter of the year on top of the best quarterly growth in the previous two years.

Net sales at constant exchange rates [1] were driven by an acceleration in Europe, Asia-Pacific and Latin America. Sales in North America at constant exchange rates [1] were in line with the fourth quarter of 2017 (+3.3% at current exchange rates) driven by a continuous solid performance of the wholesale business (+3.2% compared to the +14% in 2017).

Retail was down by 0.8% at constant exchange rates [1] (+2.7% at current exchange rates) as a result of a temporary slowdown in North America, a 40% decline in Sears sales and a highly promotional environment during the holiday season. A strong fourth quarter in 2017 also made for a tough comparison. Comparable store sales [2] were down by 1.5% in the fourth quarter – impacted by both a calendar effect for optical retail and an adverse promotional environment for Sunglass Hut in North America.

In the fourth quarter 2018, sales from the group's e-commerce platforms were up by 10% at constant exchange rates [1].

1.7.4.2. Luxottica investments made in 2018 and planned for 2019

Investments made

€ millions	2018	2017	2016
Property, plant & equipment and intangible assets	593	666	658
Depreciation and amortization	515	541	513
Financial investments net of cash acquired	19	136	127
Purchase of treasury shares	0	0	220

Capital expenditure

In the industrial sector, capital expenditures amounted to €593 million in 2018, 6.6% of net sales, compared to €666 million in the previous year. They included capital expenditure supporting the group's growth in the areas of IT, production and the development of the retail network.

Financial investments

Financial investments net of cash acquired amounted to €19 million in 2018, compared to €136 million in 2017. In 2018 they were related to business acquisitions completed by the Group in Asia (Japan and Singapore), whereas in 2017 they were mainly related to the acquisition of Óticas Carol in Brazil.

Luxottica did not buy back any of its own shares in 2018 nor 2017.

Main outstanding investments

Capital expenditure committed but not completed as of December 31, 2018 relate to the development of the Italian production and logistics center and the Group's IT platforms. Other commitments exist in North America.

Main future investments

In 2019, the Group will continue investing in the area of production and in the development of the retail network. Luxottica will also proceed with its M&A projects.

1.8 Risk Factors

1.8.1 Risks Relating to the Combination

Success of the Combination, Costs and Synergies

1. The integration of EssilorLuxottica may not be successful, may distract from other strategic opportunities or may happen at higher than expected costs with negative impact on financial results.

The success and the expected benefits from the proposed combination – announced to range from €420 million to €600 million at operating profit level within five years – largely depend on the integration process of the two participating groups of companies. The combination involves the integration of two large and complex groups that currently perform a wide range of activities and operate independently. In implementing its integration plan the Company may encounter significant difficulties, some of which may not have been foreseen or may be beyond the control of EssilorLuxottica, including but not limited to:

- unsuccessful implementation of the proposed governance and management structure (as further described in the next paragraph relating to governance);
- discrepancies between the standards, controls, internal rules, corporate culture and organization,
- the need to integrate and harmonize the different operational systems and procedures specific to both companies, including *e.g.* financial and accounting systems and other information technology systems;
- management overload to sustain a long and complex integration process. Both companies will have to devote considerable time and resources to this task, which could distract from other strategic opportunities and day-to-day operational management.

Such difficulties may lead to:

- impairment of goodwill. As of December 31, 2018, goodwill amounted to approx. €23 billion, of which approx. €19.5 billion resulted from the combination completed in 2018 (see Note 10 of the consolidated financial statements for the year ended December 31, 2018 included in Section 3.4 of this Registration Document);
- higher than expected integration costs;
- delays in realizing the expected synergies or realizing lower than expected synergies and efficiencies;
- adverse effects on the share price value.

Each of the foregoing may have a material adverse effect on EssilorLuxottica business, operating results, financial position and prospects.

Governance

2. EssilorLuxottica might not be able to make some decisions in a timely manner due to the governance mechanism set forth in the combination agreement.

Pursuant to the combination agreement entered between Delfin and Essilor, until the Shareholders' Meeting called to approve the EssilorLuxottica financial statements for fiscal year 2020, the Executive Chairman and the Executive Vice-Chairman of EssilorLuxottica have equal powers and neither of them will have a casting vote. The equal power structure applies as well to the entire Board. Even though certain arrangements exist, designed to prevent the risk of deadlock situations (cf. Chapter 2), disagreements between the Executive Chairman and the Executive Vice-Chairman may delay timely decisions. This may negatively affect EssilorLuxottica business, operating results, financial position and prospects.

Antitrust

3. The international presence and the size of the combined EssilorLuxottica group could expose the Company to investigations and sanctions by competition authorities. (1)

The combination of two important players in their respective business – Luxottica in eyewear and Essilor in eyecare – exposes the new Group to greater scrutiny by relevant stakeholders and antitrust authorities, limiting possible commercial initiatives and M&A transactions. In case of

(1) Risk also communicated in Chapter 4 Social, environmental and societal information.

violation of applicable antitrust regulations related sanctions will be based on revenues of the combined Group.

The Group is also exposed to ongoing assessment of compliance with the remedies imposed by China and Turkey in connection with the approval of the combination. In case of breach of related obligations, the Group may be subject to significant fines and restrictions.

The limitation of commercial and M&A activities and any sanctions, fines or restrictions for violation of antitrust regulations or noncompliance with applicable remedies, whether actual or alleged, may materially adversely affect the Group business, reputation, operating results, financial conditions and cash flow.

Change of Control

4. The combination may trigger change of control provisions set forth in certain existing Luxottica commercial agreements.

The combination, effective on October 1, 2018, may trigger change of control provisions set forth in certain Luxottica contracts, which in turn may cause adverse effects, including *e.g.* anticipated termination, acceleration or re-negotiation of the relevant agreements.

As of December 31, 2018, net sales attributable to agreements with change of control clauses aggregate in excess of €500 million, of which €200 million relating to a single agreement. However, the Group believes that the probability of such change of control clauses being acted upon is low and reducing over time.

Equity Risk

5. Equity Risk

Following completion of the combination on October 1, 2018 and the subsequent Mandatory Tender Offer process, Delfin S.à.r.l. holds between 31% and 32%, approximately, of the share capital of the company resulting from the Combination, with voting rights capped at 31%, and is its largest shareholder.

Despite the ceiling and the standstill commitment described in Chapter 5, Delfin voting rights at future Shareholders Meetings would be substantial. Depending on the level of shareholder participation in the various Shareholders Meetings of EssilorLuxottica, its holding could allow Delfin to exercise a significant influence on decisions submitted to a vote of the shareholders, such as the appointment or dismissal of Directors, or the approval of annual financial statements.

In addition, Delfin holding could have the effect of delaying, deferring or preventing a future change of control of EssilorLuxottica and discourage future takeover bids for the company unless supported by Delfin.

Key People Attraction and Retention

6. EssilorLuxottica may be unable to attract or retain key executives and staff. (1)

The success of EssilorLuxottica will depend largely on its ability to retain key executives and staff of Essilor and Luxottica and their respective subsidiaries. The inability to attract and retain such key personnel, due in part to uncertainties or difficulties related to the integration of the two combined companies, could prevent EssilorLuxottica from achieving its overall objectives and could therefore have a material impact on its operations, operating results, financial position and prospects.

Possible buy-out of joint-venture stakes from partners

7. The integration may trigger EssilorLuxottica JV partners to sell their financial interest in the Joint Ventures.

Essilor International growth strategy has also been based on developing Joint Ventures with local partners leveraging on their expertise and knowledge of the local market. The JVs are organized around a localized management structure. As a result of the integration between Essilor and Luxottica and its potential impact on the JV management structure, there is a risk that EssilorLuxottica JV partners may sell their financial interest in the Joint Ventures.

This could determine change management issues in the JVs, adversely affecting their operational performance and the financial result, ultimately having a negative impact on the cash flow of the combined Group.

(1) Risk also communicated in Chapter 4 Social, environmental and societal information.

1.8.2 Operating and industry Risks

Business Interruption

8. Disruptions or significant interruptions in our production network, supply chain and/or distribution could affect our business, operating results and financial condition. (1)

The Group relies on a complex production and logistics network designed to manufacture and handle complex flows between mass production plants, suppliers, laboratories, transporters, distribution centers, and an extremely large number of possible product combinations.

Delays or interruptions could occur due to external factors (such as natural disasters and geopolitical events that can result in a blockage of the production and/or transportation capacity in a given country) or internal factors (such as risks linked to information systems). If we fail to maintain an efficient distribution and production network or if there is a significant interruption of activities with losses linked to events not entirely covered by insurance in one of our main production facilities, suppliers or distribution center in highly competitive markets, our business, operating results and financial condition may be adversely affected.

Innovation and customers expectation

9. Failure of the Group to sufficiently innovate, developments in vision correction therapies and changing customer needs and preferences could lead to reduced demand for our products. (1)

We operate in a rapidly evolving industry affected by product innovation, new developments in vision correction therapies and changing consumer preferences. If we fail to adapt to such changes and to continually improve our product offering to meet customer needs and expectations, the attractiveness of our products relative to those offered by our competitors could decline, which could limit our growth or lead to lower revenue. Our success and future growth will depend, in part, on our ability to continue to develop products designed to effectively address the correction, protection and prevention needs of our customers around the world or incorporate the latest technologies into such products. Alternative methods for vision correction may also lead to reduced demand for our products or a shift in the distribution of overall demand between the various methods of correction. For example, our business could be negatively affected by the availability and acceptance of vision correction alternatives to replace prescription eyeglasses and contact lenses, such as refractive optical surgery. Increased use of vision correction alternatives could result in decreased use of prescription eyewear products, which could have a material adverse impact on the Group's business, results, financial position and outlook.

Similarly, increased usage of contact lenses due to changing consumer preferences or improvements in contact lens technology, may lead to lower demand for prescription eyeglasses incorporating our lenses and technology or related production equipment. If our competitors introduce new technologies or products and we are unable to effectively and rapidly offer similar technologies or products with similar features, sales of our products may be affected. Some current or potential competitors in certain of our product categories may have greater resources than we do and may be able to devote more substantial funds to research and development efforts or with a view to influencing customer, eye care practitioner and distributor buying decisions. Similarly, our efforts to develop new technologies and products may entail significant investment yet ultimately fail to meet desired objectives or to achieve customer support. If we are unable to produce and develop products that compete effectively against our competitors' products or alternative treatments for vision correction and to convince a sufficient number of consumers and eye care practitioners to use them, our business, results and financial position could be materially and adversely affected.

If we do not correctly anticipate changes in fashion and retail product trends, our sales of certain products and profitability could be affected.

Certain markets in which we operate are subject to rapidly changing fashion and retail product trends. Our growth and financial performance depend in part on our ability to identify, pinpoint and respond to trends in the eyewear industry and to anticipate, gauge and respond to changing trends in a timely manner. Unanticipated shifts in fashion trends or consumer preferences may result in excess inventory and underutilized production capacity.

(1) Risk also communicated in Chapter 4 Social, environmental and societal information.

There could be a negative impact on production costs since fixed costs would represent a larger portion of total production costs due to the decline in quantities produced, which could materially adversely affect our results of operations. Any sustained failure to identify and respond to such trends could have a material adverse effect on our business, results and financial position.

Our research and development efforts may fail to lead to successful new products or technologies.

Our research and development process is expensive, prolonged and entails considerable uncertainty. There is a risk that financial and other resources invested in our research and development programs will not generate financial returns. Because of the complexities and uncertainties associated with healthcare-related research and development in general and ophthalmic research and development in particular, we may be unable to complete the development process for products that we are currently developing, or that we develop in the future, and as a result we may be unable to market such products successfully, potentially after substantial resources have been devoted to their development. Further, we are subject to extensive and evolving government regulation, including inspection of and controls over testing and manufacturing, safety and environmental controls and efficacy. Government regulation substantially increases the cost of developing and manufacturing our products. Successful development of a product does not mean that it will achieve commercial success. Our development activities are typically carried out in the medium term, so our products may be obsolete by the time we are able to introduce them into the market. In addition, even if we successfully develop a new product, this product may later exhibit adverse effects that limit or prevent its use or that force us to withdraw it from the market. Significant or numerous failures to develop and successfully introduce products into the market could have a material adverse effect on our business, results and financial position.

If we are unable to introduce successfully innovative products, our future sales could decline, inventory levels could rise, leading to additional costs for storage and potential write downs relating to the value of excess inventory, and there could be a negative impact on production costs since fixed costs would represent a larger portion of total production costs due to the decline in quantities produced, which could materially adversely affect our results of operations.

Relationship with Hosts Stores and Eye Care Professionals

10. If we are unable to maintain our current operating relationship with host stores and eye care professionals, we could suffer a loss in sales and possible impairment of certain intangible assets.

Our sales depend in part on our relationships with:

- host stores that allow us to operate our retail licensed brands, including Sears Optical, Target Optical and other host relationships, such as Macy's and Bass Pro. If our relationships with these retail chains were to end, we would suffer a loss of sales and value of certain intangible assets. As of December 31, 2018, annual net sales attributable to Sears, Target, Macy's and Bass Pro stores aggregated approx. €690 million;
- numerous healthcare providers, including eye care professionals, ophthalmologists, optometrists, opticians, prescription laboratories and integrated optical chains through which we market our products. If our products do not retain the support of said providers, our business, results and financial position may be materially adversely affected. As of December 31, 2018, annual Essilor net sales of Lenses, RX frames aggregated approx. €5.1 billion.

Information Systems

11. If there is any inadequacy, interruption, cyber security failure or breach of our information technology systems, whether owned or managed by us or by third parties, this may result in remediation costs, reduced sales due to an inability to properly process information and increased costs of operating our business.

Our business heavily relies on complex information technology systems across all units, including our operations, supply chain, retail, wholesale and various other processes and transactions. Our efficiency and effectiveness depend on, among other things, the reliability, the cyber security integrity and capacity of these systems. IT failures, network disruptions or cyber security breaches could cause delays in product supply and sales; reduced efficiency of our

operations; unintentional disclosure of customer data and other confidential information of the Company (security breaches of data servers), leading to possible fines or penalties and additional costs to resume normal operations, protect our reputation and defend and settle any legal claims. Such fines, penalties or costs may have a material adverse effect on our financial results, if in excess of existing insurance coverages.

External Growth

12. If we are not successful in completing and integrating strategic acquisitions to expand or complement our business, our future profitability and growth could be at risk.

As part of our growth strategy, we have made, and may continue to make, strategic business acquisitions to expand or complement our business. Our acquisition activities, however, can be disrupted by overtures from competitors for the targeted candidates, deadlocks with existing partners, governmental regulation and rapid developments in our industry. We may face additional risks and uncertainties following an acquisition, including (i) difficulty in integrating the newly acquired business and operations in an efficient and effective manner, (ii) inability to achieve strategic objectives, cost savings and other benefits from the acquisition, (iii) lack of success by the acquired business in its markets, (iv) loss of key employees of the acquired business, (v) a decrease in the focus of senior management on our operations, (vi) difficulty integrating human resources systems, operating systems, inventory management systems and assortment planning systems of the acquired business with our systems, (vii) cultural differences between our organization and that of the acquired business and (viii) liabilities that were not known at the time of acquisition or the need to address tax or accounting issues.

If we fail to timely recognize or address these matters or to devote adequate resources to them, we may fail to achieve our growth strategy or otherwise realize the intended benefits of any acquisition. Even if we are able to integrate our business operations successfully, the integration may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the integration or in the achievement of such benefits within the forecasted period of time.

Vision Care

13. Changes in the managed vision care industry and in health care reimbursement policies may adversely affect demand for our products.

Managed Vision Care

US managed vision care is experiencing increased competition and pressure on pricing with the merger of several players. In our capacity as significant players in the managed vision care and optical retail businesses, we may suffer increased pressure on revenues and profits in the event of the exclusion of our retail base from other eyecare providers' platforms or loss of profitability of managed lives.

Health Care Reimbursement Policies

In many markets, the cost to consumers of certain of our products is reimbursed by health insurance funds, insurance companies or government schemes. Changes in the health care reimbursement policies in such markets may lead to refusal or reduction of reimbursements, which could reduce demand for the affected products. Adverse changes in reimbursement policies in one or more of our markets could have a material adverse effect on our revenues, results and financial position.

Licenses

14. If we do not continue to negotiate and maintain favourable license arrangements, our sales or cost of sales could suffer.

We have entered into license agreements that enable us to manufacture and distribute prescription frames and sunglasses under certain designer names, including Chanel, Prada, Miu Miu, Dolce & Gabbana, Bvlgari, Burberry, Tiffany & Co., Versace, Valentino, Ralph Lauren, Brooks Brothers, Tory Burch, Coach, Armani, Michael Kors and Starck Eyes. These license agreements typically have terms of between four and ten years and may contain options for renewal for additional periods and require us to make guaranteed and contingent royalty payments to the licensor. We believe that our ability to maintain and negotiate favourable license agreements with leading designers in the fashion and luxury goods industries is essential to the branding of our products and, therefore, material to the success of our business. Accordingly, if we are unable to negotiate and maintain satisfactory license arrangements with leading designers, our growth prospects and financial results could materially suffer from a reduction in sales or an increase in advertising costs and royalty payments to designers. For the year ended December 31, 2018, no single license agreement represented greater than 5% of total sales.

Taxation

15. Changes in our tax rate or exposure to additional tax liabilities could affect our future results.

Due to its presence in numerous countries, the Group is exposed to various national tax regulations. Our future effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes and/or failure to observe these regulations may results in tax adjustments and the payment of fines and penalties, with possible material adverse effect on our profitability. We also are regularly subject to the examination of our income tax returns by relevant tax authorities in countries where we operate, with Europe and United States being the most relevant jurisdictions in terms of revenues. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for tax risks. Currently, some of our companies are under examination by various tax authorities. There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially adversely affect our business, results of operations, financial condition and prospects.

Assets Write Down

16. If we record a write down for inventories that are obsolete or exceed anticipated demand or for other assets the net realizable value of which is below the carrying amount, such charges could have a material adverse effect on our results of operations.

We record a write down for product and component inventories that have become obsolete or exceed anticipated demand or net realizable value. We review our long-lived assets for impairment whenever events or changed circumstances indicate that the carrying amount of an asset may not be recoverable, and we determine whether valuation allowances are needed against other assets, including, but not limited to, accounts receivable. If we determine that impairments or other events have occurred that lead us to believe that we will not fully realize these assets, we record a write down or a valuation allowance equal to the amount by which the carrying value of the assets exceeds their fair market value. Although we believe our inventory and other asset-related provisions are currently adequate, no assurance can be made that, given the rapid and unpredictable pace of product obsolescence, we will not incur additional inventory or asset-related charges, which could have a material adverse effect on our results of operations. The value of our inventories as of December 31, 2018, is approx. €2 billion.

1.8.3 Legal and Compliance Risks

Data Processing Risk

17. In May 2018 the new EU Regulation on Personal Data Protection entered into force. In the event of violation of such Regulation, even in the absence of a personal data breach (intended as loss, modification, unauthorized disclosure or access to personal data transmitted, stored or otherwise treated under Article 4.12 of such Regulation), the Company could be subject to sanctions or prescriptive measures.

Following the combination, EssilorLuxottica continued to implement the activities required to comply with the provisions of the new EU Regulation on Personal Data Protection (the General Data Protection Regulation – GDPR, which came into force on May 25, 2018). However, we cannot exclude that during 2019, EssilorLuxottica may be exposed to inspections by the competent authorities. Due to the complexity of the personal data managed in EssilorLuxottica systems and the lack of historical data on the implementation of the referenced standards, these inspections could lead to (i) penalties of up to 4% of the Group total annual turnover; (ii) reputational damage; and (iii) further negative financial impacts caused by the interruption of activities in violation of the rules.

Material claims and litigation, proceedings, arbitration alleged ant-competitive practices

18. Material claims and litigation, proceedings, arbitration

All significant litigation is reported below and in section 3.2.2 in connection with subsequent events.

Alleged anti-competitive practices

France

In July 2014, the French competition authority's investigation department made unannounced visits to selected Essilor entities in France and other actors in the ophthalmic lens industry involved in the online sale of ophthalmic lenses. The enquiry is ongoing.

In 2015, the French competition authority's investigation department issued a statement of objections against Luxottica, its subsidiary Alain Mikli and other competitors alleging certain anti-competitive practices. In 2017, the French competition authority determined that the preliminary investigation was insufficient and sent the case back to the investigative department. The evaluation of the risk profile for the Group may be updated, as necessary, based on the analysis of the contents and the merits of further statements of objections that may be used by the French competition authority in the next few months.

Investigations

In 2016, the US Department of Justice and the Insurance Commission of the State of California questioned Essilor of America with regard to certain promotional activities. Essilor of America continues working with the authorities in connection with this ongoing investigation.

Class actions

Certain US subsidiaries of Essilor and Luxottica are defendant in class actions and putative class actions brought before US Federal and State courts alleging suppression of competition, false and misleading advertising, misleading representations, warranty claims and unlawful control of optometrists. The relevant Essilor and Luxottica subsidiaries dispute the merits of all of these actions.

Commercial arbitration

Luxottica is a party in an arbitration proceeding initiated in Italy by the seller of a target company acquired by Luxottica disputing the purchase price formula. Luxottica disputes the merits of this action and has filed a counterclaim for frivolous and vexatious litigation.

E-commerce

The College of Optometrists of Ontario, together with the College of Opticians, have obtained on January 11, 2018 an injunction declaring illegal all home deliveries of ophthalmic products. On April 4, 2019, the Court of Appeal reversed this decision confirming that Essilor may home deliver its products. Colleges might appeal this decision.

Possible shareholder claims

Despite the delisting of Luxottica shares from the New York and the Italian Stock Exchanges, Luxottica and its Directors may continue to be subject to legal actions by shareholders within the applicable statute of limitation.

Tax disputes

EssilorLuxottica is part of various tax litigations, for which provisions have already been made.

Other existing proceedings

EssilorLuxottica and its subsidiaries are defendants in other legal proceedings arising in the ordinary course of business. EssilorLuxottica disputes the merits of all such outstanding claims, which it will vigorously pursue.

As of the date of this Registration Document, such other ongoing legal proceedings known to the Group are not at present likely to have significant impacts on the Group's financial position or profitability.

Future proceedings

In the ordinary course of its business, EssilorLuxottica and its subsidiaries could be in the future a party to legal proceedings, claims, lawsuits, investigations and governmental and administrative proceedings, some of which are or may be significant. Adverse judgments or decisions in one or more of these proceedings could lead EssilorLuxottica to change the way it does business or use substantial resources in order to comply with such judgments of decision and could have a material adverse effect on the Group's business, profitability or the price of its securities, including, among other things, through a reduction of sales, increased costs or damage to its reputation. Example of relevant proceedings include *e.g.* commercial litigation and arbitration, antitrust and competition proceedings, and data protection proceedings.

Environment, Health and Safety

19. Our business is subject to various environmental and health and safety laws and regulations, which may increase compliance costs or subject us to costly liabilities. (1)

Our business operations are subject to extensive regulations relating to the protection of the environment and health and safety matters. In particular, the manufacturing of our products involves the controlled use of hazardous materials. We are subject to local and foreign laws and regulations in the various jurisdictions in which we operate that govern the use, manufacture, storage, handling and disposal of these materials and certain waste products. We may also be liable for actions of previous owners on properties we acquire or for properties we previously occupied.

Remedial environmental actions or compliance with environmental laws could require us to incur substantial costs, which could have a material adverse effect on our business, prospects, financial position and results.

In addition, we cannot predict which environmental, health and safety laws or regulations will be enacted or amended in the future, or what impact any such requirements may have on our operations.

The combination of insurance coverage, cash flows and reserves may not be adequate to satisfy environmental, health and safety liabilities that we may incur in the future. Any environmental, health and safety claims could subject us to adverse publicity, hinder us from securing insurance coverage in the future and/or require us to incur significant legal fees. Successful environmental, health and safety liability claims brought against us could have a material adverse effect on our results or our financial position.

Changes to Laws or Regulations

20. As we operate in a complex international environment, if new laws, governmental regulations or policies, or changes to existing ones, occur and cannot be managed efficiently, the results could have a negative impact on our operations, our ability to compete or our future financial results. (1)

Further to specific environmental, health and safety, competition and privacy laws and regulations, a number of international laws and regulations apply to our global business, including to third party suppliers. Laws and regulations such as labour laws, anti-corruption laws, sourcing restrictions on materials (including with respect to conflict mineral zones) may vary from country to country and are continuously evolving. Failure to comply with such laws and regulations could result in criminal and/or civil penalties being imposed on responsible individuals and, in certain cases, the Company.

In certain circumstances, even if no fine or penalty is imposed for our failure to comply with an applicable law or regulation, we may suffer reputational harm if we fail to comply with applicable laws and regulations.

Essilor and Luxottica have implemented over time policies and procedures designed to facilitate our compliance with these laws and regulations, but there can be no assurance that our employees, contractors or agents will not violate such laws and regulations or our policies. Any such violations could individually, or in the aggregate, adversely affect our financial condition or operating results.

Intellectual Property

21. If we are unable to protect our proprietary rights, our sales might suffer, and we may incur significant additional costs to defend such rights. (1)

We rely on trade secret, fair competition, trade dress, trademark, patent and copyright laws to protect our rights on certain aspects of our products and services, including product designs, brand names, proprietary manufacturing processes and technologies, product research and concepts and goodwill, all of which we believe are important to the success of our products and services and our competitive position. However, applications for trademarks and patents may not always be successful, and registered trademarks and patents may prove inefficient to cope with competition or be invalidated in the event of a subsequent dispute.

In addition, the actions we take to protect our proprietary rights may be inadequate to prevent imitation of our products and services. Our proprietary information and data could become known to competitors, and we may not be able to meaningfully protect our proprietary information rights and know how. Furthermore, other companies may independently develop substantially equivalent or better products or services that do not infringe on our intellectual property rights or could assert rights in, and ownership of, our proprietary rights. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union.

Consistent with our strategy of vigorously defending our intellectual property rights, we devote substantial resources to the enforcement of patents and trademarks, to the protection of our trade secrets or other intellectual property rights and to the determination of the scope or validity of the proprietary rights of others that might be asserted against us. However, if the level of potentially infringing activities by others were to increase substantially, we might have to significantly increase the resources we devote to protecting our rights.

(1) Risk also reported in Chapter 4 related to Corporate Social Responsibility.

Moreover, third parties may assert patent, copyright, trademark or similar rights against intellectual property that is important to our business.

The resolution or compromise of any litigation or other legal process to enforce such alleged third-party rights, regardless of its merit or resolution, could be costly and divert the efforts and attention of our management. We may not prevail in any such litigation or other legal process or we may compromise or settle such claims because of the complex technical issues and inherent uncertainties in intellectual property disputes and the significant expense in defending such claims. An adverse determination in any dispute involving our proprietary rights could, among other things, (i) require us to coexist in the market with competitors utilizing the same or similar intellectual property, (ii) require us to grant licenses to, or obtain licenses from, third parties, (iii) prevent us from manufacturing or selling our products, (iv) require us to discontinue the use of a particular patent, trademark, copyright or trade secret or (v) subject us to substantial liability. Any of these possibilities could have an adverse effect on our business by reducing our future sales or causing us to incur significant costs to defend our rights.

1.8.4 Financial and Market Risks

General Economic Conditions

22. If current economic conditions deteriorate, demand for our products will be adversely impacted, access to credit will be reduced and our customers and others with which we do business will suffer financial hardship. All of these factors could reduce sales and in turn adversely impact our business, results of operations, financial condition and cash flows.

Uncertainty about global economic conditions poses a risk to our business because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, which could have a material adverse effect on demand for our products and services.

Discretionary spending could be affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, conditions in the real estate and mortgage markets, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside our control. Purchases of discretionary items could decline during periods in which disposable income is lower or prices have increased in response to rising costs or in periods of actual or perceived unfavourable economic conditions. If this occurs or if unfavourable economic conditions continue to challenge the consumer environment, our business, results of operations, financial condition and cash flows could be materially adversely affected.

In the event of financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry or significant failure of financial services institutions, there could be a tightening of the credit markets, decreased liquidity and extreme volatility in fixed income, credit, currency and equity markets. In addition, a credit crisis could have material adverse effects on our business, including the inability of customers of our wholesale distribution business to obtain credit to finance purchases of our products, restructurings, bankruptcies, liquidations and other unfavourable events for our consumers, customers, vendors, suppliers, logistics providers, other service providers and the financial institutions that are counterparties to our credit facilities and other derivative transactions. The likelihood that such third parties will be unable to overcome such unfavourable financial difficulties may increase. If the third parties on which we rely for goods and services or our wholesale customers are unable to overcome financial difficulties resulting from the deterioration of worldwide economic conditions or if the counterparties to our credit facilities or our derivative transactions do not perform their obligations as intended, our business, results of operations, financial condition and cash flows could be materially adversely affected.

Local Economic Conditions

23. If our business suffers due to changing local conditions, our profitability and future growth may be affected.

We currently operate worldwide and have our operations in many countries, including certain developing countries in Asia, South America and Africa.

Therefore, we are subject to various risks inherent in conducting business internationally, including the following:

- exposure to local economic and political conditions;
- export and import restrictions;
- currency exchange rate fluctuations and currency controls;
- cash repatriation restrictions;
- application of anti-corruption laws, anti-money laundering laws and regulations and economic sanctions;
- regulation regarding personal data protection;
- regulations on the quality of products and their marketing;
- difficulty in enforcing intellectual property and contract rights;
- disruptions of capital and trading markets;

- accounts receivable collection and longer payment cycles;
- potential hostilities and changes in diplomatic and trade relationships;
- legal or regulatory requirements;
- local provisions of competition law and other provisions on market abuse;
- withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements; and
- local content laws requiring that certain products contain a specified minimum percentage of domestically produced components.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable, but any such occurrence may result in the loss of sales or increased costs of doing business and may have a material adverse effect on our business, results of operations, financial condition and prospects.

An event that may trigger some of the above risks can be the decision of the UK to exit the European Union, commonly referred to as "Brexit." Failing to achieve an agreement may cause restrictions on imports and exports between the United Kingdom and European Union countries and increase regulatory complexities. These changes may adversely affect our operations and financial results. As of December 31, 2018, net sales of the consolidated Group in the UK amount to approx. €660 million. In addition, in the United States, the current administration has expressed and, in some cases already implemented, the intention to re-evaluate and potentially modify existing trade agreements with its main trade partners, including the EU, China and Mexico.

Currency Risk

24. The Group is exposed to risks related to fluctuations in the foreign currencies in which sales and expenses are denominated. (1)

EssilorLuxottica operations and sales are disseminated in several countries with multiple currencies. As a consequence, our results could be materially affected by foreign exchange rate fluctuations. A substantial portion of our assets, liabilities, revenues and costs are denominated in various currencies other than Euro and thus affected by exchange rate fluctuations. Around 75% of EssilorLuxottica sales are performed in foreign currencies (mostly USD, AUD, BRL, GBP, etc.), impacting significantly the volatility of sales and margin of the Group.

Counterparty Risk

25. The Group is exposed to counterparty risk, *i.e.* the risk that a bank defaults on its contractual obligations, which would result in a financial loss for the Group. (1)

A counterparty default may result in loss in value (the case of non-payment of a financial asset) or liquidity (the case of inability to draw on an unused line of credit). The first financial counterparty holding the biggest fraction of our liquidity, representing 14% of the total, has a BBB+ rating.

Liquidity Risk

26. The Group's activities expose it to the risk that its sources of liquidity may be insufficient to cover its financing needs. (1)

The Group aims to have at any given time available sources of liquidity to ensure its independence and growth. More details on liquidity risk are given in Chapter 3.4 – Note 29 of the Consolidated Financial Statements.

Interest Rates Risk

27. The Group is exposed to the risk of interest rates fluctuation which may impact the Group's net financial expenses. (1)

The Group is mainly indebted in EUR and USD. Interest rate risk is detailed in Chapter 3.4 – Note 29 to the Consolidated Financial Statements.

(1) Risk also reported in Chapter 3.4 related to Financial Statements.

1.9 Main characteristics of the risk management and internal control systems implemented by the Company for the preparation and processing of accounting and financial information

The combination of Essilor and Luxottica into EssilorLuxottica, occurred on October 1, 2018. From January to September 2018, Essilor and Luxottica applied their respective risk management and internal control systems in line with local requirements imposed on companies listed respectively on the French and Italian Stock exchanges. The internal control systems of both Essilor and Luxottica have been designed consistently with international best practices such as the COSO (Committee Of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework. Since the combination date, EssilorLuxottica relies on the combination of the existing risk management and internal control systems of Essilor and Luxottica. Integration of the risk management and internal control systems is ongoing, considering the specific nature of risks of the combined Group (see information on the risk factors, in Chapter 1.8).

1.9.1 The Company's internal control objectives

The risk management and internal control system of EssilorLuxottica is the combination of the control frameworks implemented in Essilor and Luxottica. The combined framework is designed to:

- ensure that management actions, execution of transactions, and staff behavior fall within the scope defined by the guidelines applicable to activities undertaken by the corporate bodies of their respective Companies. This includes compliance with applicable laws and regulations, as well as values, standards and internal rules of the Companies;
- verify the quality and accuracy of all accounting, financial, legal and management information reported to the corporate bodies of the respective Companies, regulatory or supervisory authorities, shareholders or the public;
- cover all the policies and procedures implemented by the respective Companies that provide reasonable assurance that business is managed efficiently and effectively;
- limit the risk of error or fraud, particularly of an economic, financial or legal nature, to which the respective Companies may be exposed. However, no control system can provide an absolute guarantee that all such risks have been completely avoided, eliminated or brought under control.

1.9.2 Organization of internal controls

The internal control system of EssilorLuxottica, leveraging the ones implemented at Essilor and Luxottica levels, is based on:

- clear definitions of responsibilities, backed by the necessary resources and skills, appropriate information systems, procedures and processes, tools and practices;
- internal communication of all the information needed for each individual to fulfill his or her responsibilities;
- systems that aim to identify and analyze the main identifiable risks and to ensure the implementation of procedures to manage these risks;
- control procedures that are proportionate to the risks associated with each process and are designed to provide assurance that measures are taken to limit and, to the extent possible, manage the risks that could prevent them from fulfilling their respective objectives;
- supervision of the internal control and risk management systems and regular reviews of their operations.

1.9.2.1 Main finance control activities and players

Various internal control activities help to ensure that the application of Finance standards and procedures defined at the corporate level are consistent with Senior Management's guidelines.

Essilor and Luxottica had both adopted a risk management and control framework which can be described as follows:

- the operational people responsible for transactions at the entity level;
- the functional departments in charge of specific areas of activities (such as Treasury, Accounting and Consolidation, Forecasting, Tax…); and
- the Internal Audit Department, which independently checks the effectiveness of controls and reports on them to the relevant functions and bodies.

Both Essilor and Luxottica have an Internal Audit Department, whose respective role is, within the limits of the resources allocated to it, to evaluate the functioning of the risk management and internal control mechanisms, with a geographical organization counting a total combined staff of 53 people at December 31, 2018.

Since the combination, the Heads of Internal Audit of Essilor and Luxottica regularly report together to the EssilorLuxottica Audit and Risk Committee on the status of their audits, the most significant issues and the implementation of the related action plans. Additionally, the EssilorLuxottica Audit and Risk Committee approved the 2019 audit plans for Essilor and Luxottica activities. A process to harmonize the internal audit methodologies is also in progress.

The Internal Audit Departments are not responsible for any operational area and have access to any information useful for the performance of their duties. Such Departments are provided with a budget, which is allocated consistently with the activities performed, to reach the objectives set forth in the plan approved by the competent bodies.

Internal Audit activities are carried out according to the approved audit plan and applying a common methodology in all geographies. For each audit, a report is prepared and distributed to the relevant stakeholders.

The results of the internal audit activities are periodically reported to the EssilorLuxottica Audit and Risk Committee and to senior management, allowing the companies to identify areas for improvement of the Internal Control System for which specific action plans are agreed to further strengthen the foundation of the system itself. The implementation of the recommendations formulated by the internal audit activities is the responsibility of the entity being audited and it is periodically monitored by both Internal Audit Departments to ensure that the action plans agreed upon are carried out within the specified time frame.

In 2018, both Essilor and Luxottica had conducted a self-assessment campaign of the respective risk management and internal control systems, also aimed at the continuous improvements of the systems themselves.

Specifically:

- Essilor's internal control department, in line with AMF recommendations, has the responsibility over the self-assessment process of internal control (iCare).

  The assessment relies on the "Minimum Control Standards" guide which document the 79 main controls that all Essilor entities must have in place. In addition, as part of the Year End closing process, the Internal Control Department is responsible for the Internal Representation Letter process, which discloses the compliance of all the Essilor consolidated entities with the accounting principles in the context of preparation and production of financial statements;
- Luxottica has defined the objectives of its internal control system over financial reporting consistently with the obligations set forth in Italian laws and regulations applicable to listed companies, to which Luxottica has been subject during 2018.

  With respect to Luxottica and its main subsidiaries, controls were designed and their effectiveness was assessed through both a self-assessment questionnaire and specific "risk and control matrices". In addition, all Luxottica subsidiaries must compile a Director's Attestation over the preparation of the reporting package in accordance with the International Financial Reporting Standards and the Luxottica Group Accounting policies.

A set of policies and procedures have been implemented at the Essilor and Luxottica levels and apply to various business areas and processes, including purchasing, communication, finance, tax reporting, legal affairs, operations, R&D and human resources. Since the combination, EssilorLuxottica started a process to implement key policies, procedures and controls at Group level.

Group Accounting and Consolidation

Under the responsibility of the Co-Chief Financial Officers of EssilorLuxottica, a consolidation team has been put in place for the preparation of the consolidated financial statements of EssilorLuxottica. Additionally, both Essilor and Luxottica Finance Departments have their own Consolidation teams responsible for the consolidation of the results of the entities pertaining to their respective perimeters and to support regional Finance Departments.

EssilorLuxottica consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union, based on reporting packages of each subsidiary in the two sub groups (Essilor and Luxottica). The statutory financial statements of EssilorLuxottica are prepared by a dedicated team in accordance with the French accounting standards.

The yearly consolidated and statutory financial statements are audited by the Statutory Auditors who apply the standards of the profession.

Group Treasury

The EssilorLuxottica Group Treasury Department oversees the funding, risk hedging and cash management of the Group. It also provides a general advisory and assistance role for the Group subsidiaries for these duties.

Short, medium and long-term financing as well as a large percentage of short-term investments are managed in a centralized manner by the parent company, using bonds, private placements, bank loans, medium-term credit facilities and commercial paper. The financing of subsidiaries is mainly achieved through cash pooling and short- and medium-term inter-company loans.

Cash investments are subject to a policy that encourages safety and liquidity over return. Cash surpluses are invested only in short-term instruments (money market funds, bank deposits, negotiable debt securities), thus limiting the risk of capital loss and making them immediately available.

Exposures to currency risk are routinely hedged by the appropriate market instruments. Invoicing in local currency of importing or exporting companies allows the bulk of foreign exchange risk to be concentrated on a small number of entities. Those companies that are exposed to significant currency risk are hedged with the support of the Group Treasury Department. The risk to other subsidiaries, although reduced, is nonetheless monitored centrally.

The interest rate management policy is to minimize the cost of financing while protecting the Group against an adverse change in interest rates. Since Group financing is centralized at the parent company, interest rate risk management is also centralized there.

Moreover, for the above responsibilities, the Group Treasury Department is in charge of bank relationships.

Group Forecasting

Under the responsibilities of the existing EssilorLuxottica finance organization (Co-CFOs), the Group Forecasting function (i) defines and monitors the indicators for checking that the Group is operating in accordance with its targets, (ii) measures the contribution of the Group's various operating divisions, (iii) performs consistency tests on management reporting data to check the overall reliability of the applicable information, working in cooperation with the business analysis units embedded in each operating division. The Group Forecasting function identifies differences compared with targets set, risks and opportunities, provides decision-making guidance, coordinates projection phases (forecasts and budget). The Group Forecasting function is supported by business analysis departments at both Essilor and Luxottica levels.

Group Tax

The EssilorLuxottica Group Tax Department is in charge of ensuring compliance with applicable tax laws and regulations. It also advises subsidiaries on tax matters, gives guidance on the transfer pricing approach, defines Group tax policies and suggests adequate tax solutions to the Group's operational requirements.

1.9.3 Internal control procedures relating to the production and processing of accounting and financial information

The production of the accounting and financial information is ensured at the EssilorLuxottica Group level by the following processes:

(i) quarterly accounting closing processes performed at Group level, based on the closing processes prepared at each sub group level;

(ii) the implementation of general Group procedures to guarantee compliance with the applicable rules (*e.g.* IFRS and AMF guidelines);

(iii) the existence of specific guidelines and procedures followed at Group level;

(iv) the presentation of financial information, at each period-end, to the Audit and Risk Committee;

Data related to the income statement, the balance sheet and the cash-flow statement are prepared quarterly. The EssilorLuxottica accounting team quarterly checks the figures entered by the sub groups and ensures that they comply with applicable policies.

Since the combination, an assessment has been completed on the existing accounting policies and practices and no significant gaps have been identified.

Even though they are not an integral part of the internal control procedures, the Statutory Auditors take into consideration the accounting and internal control systems to plan their audits and design their audit strategies. The financial statements of the vast majority of Group subsidiaries are audited by local Auditors who are members of the networks of Statutory Auditors that audit the Group's consolidated financial statements.


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CHAPTER

2

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IN BRIEF

2018: a year that saw the establishment of the EssilorLuxottica Group and a new governance structure.

October 1, 2018: Date on which the Contribution was completed and Essilor International (Compagnie Générale d'Optique) was renamed EssilorLuxottica; on this date, the composition of the Board of Directors was amended as shown below, pursuant to the resolutions adopted by the Shareholders' Meetings of May 11, 2017 and April 24, 2018:

Composition of the Board of Directors:

January 1 to October 1, 2018	October 1, 2018 to March 18, 2019 [1]
Hubert SAGNIÈRES, Chairman and Chief Executive Officer	**Leonardo DEL VECCHIO,** Executive Chairman
Philippe ALFROID, Non-Independent Director	**Hubert SAGNIÈRES,** Executive Vice-Chairman
Antoine BERNARD DE SAINT-AFFRIQUE, Independent Director	**Romolo BARDIN,** Non-Independent Director
Maureen CAVANAGH, Director representing employee shareholders	**Giovanni GIALLOMBARDO,** Non-Independent Director
Juliette FAVRE, Director representing employee shareholders	**Juliette FAVRE,** Director representing employee shareholders
Louise FRÉCHETTE, Independent Director	**Bernard HOURS*,** Independent Director
Bernard HOURS, Independent Director	**Annette MESSEMER*,** Independent Director
Annette MESSEMER, Independent Director	**Lucia MORSELLI*,** Independent Director
Marc ONETTO, Independent Director	**Francesco MILLERI,** Non-Independent Director
Olivier PÉCOUX, Non-Independent Director	**Gianni MION*,** Independent Director
Laurent VACHEROT, Non-Independent Director	**Léonel PEREIRA ASCENCAO,** Director representing employees
Jeanette WONG, Independent Director	**Olivier PÉCOUX,** Non-Independent Director (within the meaning of the Combination Agreement – see table on section 2.4)
Delphine ZABLOCKI, Director representing employees	**Sabrina PUCCI*,** Independent Director
	Cristina SCOCCHIA*, Independent Director
	Jeanette WONG*, Independent Director
	Delphine ZABLOCKI, Director representing employees

(1) Date of the Board of Directors' meeting that reviewed this Governance Report.

* For a summary table detailing each Essilor Director's compliance or non-compliance with the independence criteria of the AFEP- MEDEF Code for the fiscal year 2018; please refer to Chapter 2.1.1.3 "Diversity policy applied to the members of the Board of Directors."

Pursuant to the Combination Agreement, EssilorLuxottica's governance structure was established once the Contribution was completed, namely October 1, 2018, based on the principles described in Section 2.1.1. This governance structure will apply until the date of the annual Shareholders' Meeting called in 2021 to approve the EssilorLuxottica's financial statements for the 2020 fiscal year (the "Initial term").

The EssilorLuxottica bylaws approved by the Shareholders' Meeting of May 11, 2017 entered into force on October 1, 2018, along with the Board of Directors' new internal rules, a full version of which is available on the Company's website under Governance.

The parties to the Combination Agreement have confirmed that the employee shareholding culture will remain a core feature of EssilorLuxottica Group. It is pointed out that, in December 2018, Essilor was awarded the top prize for its employee shareholding initiatives at the 13th edition of the FAS Awards (French Federation of associations of employee shareholders and former employees).

Special committees

Audit and Risk Committee	Chairman: Lucia Morselli Members: Romolo Bardin, Annette Messemer, Olivier Pécoux
Nominations and Compensation Committee	Chairman: Olivier Pécoux Members: Romolo Bardin, Bernard Hours, Gianni Mion
Corporate Social Responsibility (CSR) Committee	Chairman: Jeanette Wong Members: Giovanni Giallombardo, Hubert Sagnières, Cristina Scocchia
Strategy Committee	Chairman: Francesco Milleri Members: Gianni Mion, Bernard Hours, Hubert Sagnières

2.1 Information on corporate governance

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report includes notably the following information:

- the composition of the Board of Directors and the description of the diversity policy applied to the members of the Board of Directors, as well as a description of the aims of this policy, its implementation and the results obtained during the financial year;
- the agreements signed between Directors or significant shareholders and a subsidiary;
- the conditions governing the preparation and organization of the work of the Board of Directors during the fiscal year ended December 31, 2018;
- the AFEP-MEDEF Code [1] recommendations to which the Company has referred since 2009 and whose application has been disregarded (Section 2.4);
- the restrictions on the powers of the Chief Executive Officer decided by the Board of Directors (Section 2.1.3);
- the specific procedures for shareholder participation in Shareholders' Meetings (Section 2.2);
- the summary table of current authorizations granted by the Shareholders' Meeting in respect of increases in share capital, and the use made of these authorizations during the financial year (Section 2.2.3);
- the information that may have an impact in the event of a public offering (Section 2.2.4);
- compensation for Executive Corporate Officers and specifically the compensation policy applicable to the latter and the corresponding resolution submitted for approval by the Shareholders' Meeting of May 16, 2019 (Section 2.3).

This report was presented to the Nominations and Compensation Committee at its meeting of March 5, 2019 before being submitted to the Board of Directors for approval on March 18, 2019.

This report reflects the governance principles as described in the Combination Agreement. These principles will apply up to the date of the annual Shareholders' Meeting called in 2021 to approve EssilorLuxottica's financial statements for the 2020 fiscal year (the "**Initial Term**").

2.1.1 Composition of the Board of Directors

Principles relating to the composition of the Board of Directors of EssilorLuxottica

The Board of Directors of EssilorLuxottica is composed as follows:

i. Luxottica's current Executive Chairman, Leonardo Del Vecchio, was appointed Executive Chairman *(Président-Directeur Général)* of EssilorLuxottica (the "**EssilorLuxottica Executive Chairman**");

ii. Chairman and Chief Executive Officer of Essilor International (Compagnie Générale d'Optique) before October 1, 2018, Hubert Sagnières, was appointed Executive Vice-Chairman *(Vice-Président-Directeur général délégué)* of EssilorLuxottica (the "**EssilorLuxottica Executive Vice-Chairman**");

iii. the EssilorLuxottica Board of Directors is composed of sixteen members;

iv. eight members nominated by Essilor, comprising the EssilorLuxottica Executive Vice-Chairman, two employee representatives, one representative of Valoptec Association, four independent members from Essilor International's (Compagnie Générale d'Optique) Board of Directors before October 1, 2018 (for more information on the independent qualification for the purpose of the Combination Agreement, please refer to the table included in the section below entitled "Compliance with AFEP-MEDEF Code"); and

v. eight members nominated by Delfin, comprising the EssilorLuxottica Executive Chairman, three representatives of Delfin and four independent members designated by Delfin after consultation with Essilor (unless these Directors are chosen from among the current Luxottica Board members, in which case no consultation is required).

Two Executive Corporate Officers with the same powers

The EssilorLuxottica Executive Chairman has the same powers as the EssilorLuxottica Executive Vice-Chairman.

Impediments of executives or Directors during the Initial Term

If the EssilorLuxottica Executive Chairman and/or the EssilorLuxottica Executive Vice-Chairman is impeded or incapacitated, the Vice-Chairman of Luxottica shall act as the replacement of the Executive Chairman and the CEO of Essilor International (SAS) shall act as the replacement of the Executive Vice-Chairman of EssilorLuxottica.

If any Director of EssilorLuxottica is impeded or incapacitated, a meeting of the EssilorLuxottica Board of Directors shall be held as promptly as possible in order to appoint a successor (decided by the majority of the Directors appointed by Delfin or by Essilor, as the case may be, depending on the party to the Combination Agreement that had originally appointed the incapacitated Director). If the replacement is not possible without an EssilorLuxottica shareholders' meeting, the EssilorLuxottica Board so convened will decide on the rules to apply in order to appoint the replacement as swiftly as possible in accordance with the provisions set forth in the Combination Agreement, in order to comply with the balanced governance framework specified in the Combination Agreement.

(1) This Code can be viewed online at http://www.medef.com.

The composition of the EssilorLuxottica Board of Directors and Committees shall comply with applicable laws and regulations and the AFEP-MEDEF Code (subject to limited exceptions). As at the date of this Registration Document, the deviations from the AFEP-MEDEF Code are described in Section 2.4.

2.1.1.1 Composition at December 31, 2018

Article 11 of EssilorLuxottica's bylaws stipulates that "the Company shall be governed by a Board of Directors, the minimum and maximum number of members of which is defined by the legal provisions in force, currently a minimum of three (3) members and no more than eighteen (18) members, it being specified that the Directors representing employees shall not be taken into account when determining the minimum and maximum number of members stipulated in paragraph 1 of this article.

As at December 31, 2018, EssilorLuxottica's Board of Directors had sixteen members, including one member representing employee shareholders and two members representing employees. (1)

As required by law, the complete list of the positions of Directors in office as at December 31, 2018 is provided in Chapter 2, Section 2.5 of this document.

The principles relating to the composition of the EssilorLuxottica Board of Directors reflect the governance principles set forth in the aforementioned Combination Agreement. This governance structure of EssilorLuxottica, implemented as from October 1, 2018, *i.e.* the Contribution Completion Date, will apply during the Initial Term, which is until the 2021 Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2020.

At the end of the Initial Term, (i) EssilorLuxottica Board members will have a three-year term of office; and (ii) any new member of the EssilorLuxottica Board of Directors will be nominated for election at EssilorLuxottica's Shareholders' Meeting by the EssilorLuxottica Board of Directors based on the recommendation of the EssilorLuxottica Nominations and Compensation Committee or any EssilorLuxottica shareholder in accordance with applicable law, without any regard to the provenance of the nominees from Luxottica or Essilor.

Composition of the Board of Directors at December 31, 2018

16	7	2	1	7	7
Directors	**Independent Directors** ✪	**Directors representing employees** ◆	**Director representing employee shareholders** ○	**Female Directors**	**Nationalities**



Leonardo Del Vecchio
Executive Chairman of EssilorLuxottica
IT



Hubert Sagnières
Executive Vice-Chairman of EssilorLuxottica
FR CA



Romolo Bardin
Non-Independent Director
IT



Juliette Favre
○ *Director representing employee sharholders*
FR



Giovanni Giallombardo
Non-Independent Director
IT LU



Bernard Hours
✪ *Independent Director*
FR



Annette Messemer
✪ *Independent Director*
DE



Francesco Milleri
Non-Independent Director
IT



Gianni Mion
✪ *Independent Director*
IT



Lucia Morselli
✪ *Independent Director*
IT



Olivier Pécoux
Non-Independent Director(2)
FR



Léonel Pereira Ascencao
◆ *Director representing employees*
FR PT



Sabrina Pucci
✪ *Independent Director*
IT



Cristina Scocchia
✪ *Independent Director*
IT



Jeanette Wong
✪ *Independent Director*
SG



Delphine Zablocki
◆ *Director representing employees*
FR

(1) Effective composition since the Closing Date of the Contribution, *i.e.* October 1, 2018.
(2) Qualified as Independant Director by the parties to the Combination Agreement notwithstanding the criteria defined by the AFEP MEDEF Code, see section 2.4.

2.1.1.2 Changes in the composition of the Company's Board of Directors as at the Contribution Completion Date

As approved by the Company's Shareholders' Meetings of May 11, 2017 and April 24, 2018 (with respect to the appointment of Jeanette Wong as Director of EssilorLuxottica to replace Henrietta Fore) and the EssilorLuxottica Shareholders' Meeting of November 29, 2018 (with respect to the ratification of the temporary appointment of Sabrina Pucci to replace Rafaella Mazzoli), and in line with the governance principles set forth in the Combination Agreement referred to in Section 2.1.1 above, the composition of the EssilorLuxottica Board of Directors is as follows:

1. Leonardo Del Vecchio, EssilorLuxottica Executive Chairman;
2. Hubert Sagnières, EssilorLuxottica Executive Vice-Chairman;
3. Jeanette Wong, qualified as Independent Director;
4. Bernard Hours, qualified as Independent Director;
5. Annette Messemer, qualified as Independent Director;
6. Olivier Pécoux, qualified as Independent Director by the parties to the Combination Agreement, notwithstanding the criteria defined by the AFEP-MEDEF Code (see table regarding the deviations from the AFEP-MEDEF Code section 2.4);
7. Gianni Mion, qualified as Independent Director;
8. Cristina Scocchia, qualified as Independent Director;
9. Lucia Morselli, qualified as Independent Director;
10. Sabrina Pucci, qualified as Independent Director;
11. Francesco Milleri, qualified as Non-Independent Director;
12. Romolo Bardin, qualified as Non-Independent Director;
13. Giovanni Giallombardo, qualified as Non-Independent Director;
14. Juliette Favre, representative of Valoptec Association, qualified as Non-Independent Director;
15. Delphine Zablocki, employee representative*, Non-Independent Director; and
16. Léonel Pereira Ascencao, employee representative*, Non-Independent Director.

The composition of the EssilorLuxottica Board of Directors is seven Directors qualified as independent (50% of the members of the EssilorLuxottica Board[(1)]) and seven women (more than 40% of the members of the EssilorLuxottica Board) in compliance with applicable laws and regulations and the recommendations of the AFEP-MEDEF Code.

For a summary table detailing each EssilorLuxottica Director's compliance or non-compliance with the independence criteria of the AFEP-MEDEF Code, please refer to Chapter 2.1.1.3 "Diversity policy applied to the members of the EssilorLuxottica Board of Directors" of the 2018 Registration Document.

2.1.1.3 Diversity policy

a) Applied to the members of the EssilorLuxottica Board of Directors

Under the Combination Agreement, Essilor and Delfin agreed on the composition of the EssilorLuxottica Board of Directors in compliance with prevailing laws and regulations and the recommendations of the AFEP-MEDEF Code. As such, the Board of Directors comprises:

- seven independent Directors within the meaning of the AFEP-MEDEF Code;
- seven women, *i.e.* more than 40% of the EssilorLuxottica Board, as required under Article L. 225-18-1 of the French Commercial Code (it should be noted that the female Director representing employees was not taken into account when calculating the aforementioned 40% minimum requirement);
- seven nationalities (French, Italian, Canadian, Luxembourgish, German, Singaporean and Portuguese).

In accordance with Article L. 225-37-4 of the French Commercial Code, the two summary tables below detailing the main criteria (gender, age, nationality, qualifications and professional experience) illustrate the Company's efforts to promote diversity.

* Appointed prior to the Closing Date of the Contribution for a four-year term.

(1) In accordance with the AFEP-MEDEF Code, Directors representing employees are not taken into account for the calculation of this percentage.

Composition of the Board of Directors at December 31, 2018

Director	Gender	Age	Nationality	Major positions	Term of office	
					Start date	End date [a]
Leonardo DEL VECCHIO, Executive Chairman of EssilorLuxottica	M	83	Italian	Executive Chairman of EssilorLuxottica Executive Chairman of Luxottica	10/01/2018	2021
Hubert SAGNIÈRES, Executive Vice-Chairman of EssilorLuxottica	M	63	French and Canadian	Executive Vice-Chairman of EssilorLuxottica Executive Chairman of Essilor International (SAS)	10/01/2018	2021
Romolo BARDIN, Non-Independent Director	M	40	Italian	CEO of Delfin SARL (Luxembourg)	10/01/2018	2021
Giovanni GIALLOMBARDO, Non-Independent Director	M	63	Italian and Luxembourguish	Vice-President-Managing Director of the Luxembourg branch of Unicredit Bank AG	10/01/2018	2021
Juliette FAVRE, Director representing employee shareholders	F	46	French	Strategic Projects Executive, Global Operations Support, Essilor International (SAS)	10/01/2018	2021
Bernard HOURS*, Independent Director	M	62	French	Former Chief Operating Officer of Danone	10/01/2018	2021
Annette MESSEMER*, Independent Director	F	54	German	Former Divisional Director, Corporate Clients, Commerzbank AG	10/01/2018	2021
Lucia MORSELLI*, Independent Director	F	62	Italian	Board member, Telecom Italia	10/01/2018	2021
Francesco MILLERI, Non-Independent Director	M	59	Italian	Vice-Chairman and CEO of Luxottica Group S.p.A. (Italy)	10/01/2018	2021
Gianni MION*, Independent Director	M	75	Italian	F.I.L.A. Fabbrica Italiana Lapis ed Affina S.p.A (Italy)	10/01/2018	2021
Léonel PEREIRA ASCENCAO, Director representing employees	M	46	French and Portuguese	Workshop Manager, Surfacing and Lenses, Essilor International (SAS)	10/01/2018	2021 [b]
Olivier PÉCOUX, Non-Independent Director [c]	M	59	French	Chief Executive Officer – Managing Partner at Rothschild & Co and Rothschild et Cie Banque	10/01/2018	2021
Sabrina PUCCI*, Independent Director	F	51	Italian	Professor of accounting and financial reporting at Roma Tre University and member of the EFFRAG (European Financial Reporting Advisory Group) Insurance Accounting Working Group.	10/01/2018	2021
Cristina SCOCCHIA*, Independent Director	F	45	Italian	Chief Executive Officer, Kiko S.p.A (Italy)	10/01/2018	2021
Jeanette WONG*, Independent Director	F	57	Singaporean	Executive Director, DBS Group (Singapore)	10/01/2018	2021
Delphine ZABLOCKI, Director representing employees	F	42	French	Qualified manufacturing agent, Essilor International (SAS)	10/01/2018	2021 [b]

(a) Date of Shareholders' annual Meeting.

(b) Appointed by the Central Works Council on September 20, 2017, for a four-year term.

(c) Qualified as Independant by the parties to the Combinaison Agreement for the purpose of this agreement which is a deviation to the AFEP-MEDEF Code.

Gender balance

EssilorLuxottica ensures that it complies with the principle of balanced gender representation on its Board of Directors. Seven of the Board's 16 members are women, which is over 40% of its membership (excluding Directors representing employees).

Two of its four special committees are chaired by women, the Audit and Risk Committee, chaired by Lucia Morselli, and the Corporate Social Responsibility Committee, chaired by Jeanette Wong.

Average age of Directors

As at December 31, 2018, the Board of Directors had 16 Directors with an average age of 56.

Expertise and skills

Director	Contribution to the Board's work
Leonardo DEL VECCHIO, Executive Chairman of EssilorLuxottica	A visionary business approach and experience as a lifelong entrepreneur and innovator.
Hubert SAGNIÈRES, Executive Vice-Chairman of EssilorLuxottica	Experience as head of a leading global group and ophthalmic industry expertise acquired over the past 30 years.
Romolo BARDIN, Non-Independent Director	High level of expertise in strategy, management and finance.
Juliette FAVRE, Director representing employee shareholders	In-depth knowledge of Essilor through its manufacturing and sales operations. Nominated by Valoptec Association. Her membership is a strong indication of the importance EssilorLuxottica attaches to employee share ownership.
Giovanni GIALLOMBARDO, Non-Independent Director	High level of expertise in finance gained through his positions in international financial institutions.
Bernard HOURS*, Independent Director	Experience as a senior manager of a major international group and solid knowledge in the areas of governance, corporate social responsibility, marketing and sales.
Annette MESSEMER*, Independent Director	Extensive experience in strategy, finance, accounting and risk management having worked for over 20 years with leading multinational corporations and financial institutions, including regulators.
Francesco MILLERI, Non-Independent Director	Solid experience in strategic consulting for global corporations and knowledge of digital technology and infrastructure.
Gianni MION*, Independent Director	Business leadership experience and involvement in the development of successful international organizations.
Lucia MORSELLI*, Independent Director	Solid experience in business management and turnaround.
Olivier PÉCOUX, Non-Independent Director[(a)]	Experience in finance and banking, in-depth knowledge of the optics sector and familiarity with Essilor, having worked with the Group since 2001.
Léonel PEREIRA ASCENCAO, Director representing employees	Knowledge of the optics industry and Essilor.
Sabrina PUCCI*, Independent Director	Accounting and financial expertise.
Cristina SCOCCHIA*, Independent Director	Extensive experience in strategy and management.
Jeanette WONG*, Independent Director	Financial expertise and in-depth knowledge of corporate social responsibility, global markets, and especially the Asian markets.
Delphine ZABLOCKI, Director representing employees	Knowledge of the optics industry and Essilor.

* Independent Director.

(a) Qualified as independent by the Parties to the Combination Agreement for the purpose of this agreement which is a deviation to the AFEP-MEDEF Code.

Directors' terms of office

Pursuant to Article 11 of the bylaws, "directors shall serve for a three-year term. On an exceptional basis, the term of office of the Directors representing employees appointed between May 11, 2017 and June 30, 2018 shall be four years. The role of a Director representing employees shall automatically end on the anniversary of the appointment date, without any need to issue specific information. The Company shall take all necessary action to arrange a new appointment no later than one (1) month after the term of office has expired."

Consequently:

- the terms of office of the current Directors appointed by the various Shareholders' Meetings shall expire at the end of the Initial Term, namely the date of the Shareholders' Meeting convened in 2021 to approve the financial statements for the fiscal year ending December 31, 2020;
- pursuant to Article 11 of the bylaws, the term of office of the two Directors representing employees appointed on September 20, 2017 shall be four (4) years so that their terms of office cover the terms of office of the other EssilorLuxottica Directors.

Notwithstanding Recommendation 13.2 of the AFEP-MEDEF Code, the terms of office of EssilorLuxottica Directors shall not be staggered during the Initial Term. This is in order to ensure a smooth transition and seamless integration of the two companies in the context of the Combination (see summary table on deviations from the recommendations of the AFEP-MEDEF Code in section 2.4).

Obligation of Directors appointed by shareholders' meetings to hold shares

In accordance with Article 12 of the prevailing bylaws, each Director appointed by a Shareholders' Meeting must own at least 1,000 shares of the Company. Notwithstanding the foregoing, the Director representing employees is not required to hold shares, pursuant to Article L. 225-25 of the French Commercial Code.

The records relating to each Director (Chapter 2, Section 2.5) state the number of shares held by each of them.

Independence of the members of the Board of Directors

The criteria for determining Board members' independence are set out in the Company's internal rules as adopted by the Board of Directors on October 1, 2018. These criteria, which comply with the AFEP-MEDEF Corporate Governance Code, are as follows:

"A Board member is independent when they have no relationship of any kind whatsoever with the Company, the Group or the management thereof which may color their judgment. The criteria for a member to qualify as independent are as follows:

1. not to be and not to have been during the course of the previous five years:
   - an employee or Executive Officer [1] of the Company,
   - an employee, Executive Officer or Director of a company belonging to the Group (other than a Director of the Company, Essilor International (SAS) (formerly Delamare Sovra) or Luxottica);
2. not to be an Executive Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee or an Executive Officer of the Company (currently in office or having held such office during the last five years) is a Director;
3. not to be a customer, supplier, commercial banker or investment banker (or be linked directly or indirectly to these persons):
   - that is material to the Company or its Group,
   - or for a significant part of whose business the Company or its Group accounts;
4. not to be related by close family ties to a Company's officer;
5. not to have been an auditor of the Company within the previous five years;
6. not to have been a Director of the Company for more than twelve years. Loss of the status of independent Director occurs on the date at which this period of twelve years is reached.

Given the EssilorLuxottica Group's structure, the fact that a Company Director has a seat on the Board of Directors of one of its two operating subsidiaries, Essilor International (SAS) (formerly Delamare Sovra) or Luxottica, does not affect his or her independence.

Board members representing shareholders who do not have a controlling interest in the Company are considered independent Directors.

However, if a Board member represents a shareholder holding more than 10% of the share capital or voting rights, the Board of Directors determines whether that Board member is an "independent Director," based on the written opinion of the Nominations and Compensation Committee. This opinion takes into account:

- the composition of the Company's share capital;
- whether there exists a potential conflict of interest."

Each year, the Board of Directors reviews the situation of each Director with regard to the independence criteria set out in the AFEP-MEDEF Code in force.

As at March 18, 2019, seven Directors could be considered independent under the independence criteria of the AFEP-MEDEF Code, namely Bernard Hours, Annette Messemer, Lucia Morselli, Gianni Mion, Sabrina Pucci, Cristina Scocchia and Jeanette Wong.

On that date, the Board's independence ratio was 50%, pursuant to the recommendations of the AFEP-MEDEF Code (*i.e.*, not including the three Directors representing employee shareholders and the two Directors representing employees).

The Board is of the opinion that none of these Directors who qualified as independent had any material business relationships with the Company and its Group. In particular, there are no financial flows between EssilorLuxottica and the DBS bank, where **Jeanette Wong** is Executive Director within DBS Group

(1) In these Internal Rules, "Executive Officer" refers to the Executive Chairman, the Executive Vice-Chairman and any Deputy CEO of the Company; "Non-Executive Officer" designates any Non-Executive Chairman of the Board (if any); "corporate officers" includes both the Executive Officers and Non-Executive Officers (if any).

responsible for Institutional Banking, which encompasses corporate banking and the "Global Transaction Services" division.

Of note, Olivier Pécoux, non-independent directors as per the AFEP-MEDEF Code, was qualified as independent by the parties to the Combination Agreement, Essilor and Delfin, notwithstanding the recommendations of the AFEP-MEDEF Code (see summary table on deviations from the recommendations of the AFEP-MEDEF Code).

However, the following Directors did not qualify as independent according to the AFEP-MEDEF Code:

- Leonardo Del Vecchio, Executive Chairman of EssilorLuxottica since October 1, 2018;
- Hubert Sagnières, Executive Vice-Chairman of EssilorLuxottica since October 1, 2018 (previously Chairman and Chief Executive Officer from January 2, 2012 to October 1, 2018);
- Directors nominated by Delfin: Romolo Bardin, Giovanni Giallombardo, Francesco Milleri;
- Directors nominated by Essilor: Olivier Pécoux (qualified as independent by the Parties to the Combinationa Agreement notwithstanding the AFEP-MEDEF Code criteria), Juliette Favre (Director representing employee shareholders), Delphine Zablocki and Léonel Pereira Ascencao (the two Directors representing employees appointed for a four-year term by the Central Works Council following deliberation on September 20, 2017).

Summary table detailing the compliance or non-compliance of each Director in office at December 31, 2018 with the independence criteria of the AFEP-MEDEF Code

In the table below, ✓ indicates an independence criterion has been satisfied, ✗ indicates that it has not.

	AFEP-MEDEF independence criteria							
	Employee or Executive Director within the past five years	Employee, Executive Director or Director within the past five years						
Director	Of the Company	Of the Company or a Group company	Cross-directorships	Is a client, supplier, investment banker or financing banker (significant business relationships)	Has a close family tie with a corporate officer	Has been a statutory auditor within the past five years	Has been a Director for more than 12 years	Has been a major shareholder
Leonardo DEL VECCHIO	✗	✗	✓	✗	✓	✓	✓	✗
Hubert SAGNIÈRES	✗	✗	✓	✓	✓	✓	✓	✓
Romolo BARDIN	✓	✓	✗	✓	✓	✓	✓	✗ (2)
Giovanni GIALLOMBARDO	✓	✓	✓	✓	✓	✓	✓	✗ (2)
Juliette FAVRE	✗	✗	✓	✓	✓	✓	✓	✓
Bernard HOURS (1)	✓	✓	✓	✓	✓	✓	✓	✓
Annette MESSEMER (1)	✓	✓	✓	✓	✓	✓	✓	✓
Lucia MORSELLI (1)	✓	✓	✓	✓	✓	✓	✓	✓
Francesco MILLERI	✓	✗	✓	✗	✓	✓	✓	✗ (2)
Gianni MION (1)	✓	✓	✓	✓	✓	✓	✓	✓
Léonel PEREIRA ASCENCAO	✓	✗	✓	✓	✓	✓	✓	✓
Olivier PECOUX	✓	✓	✓	✗	✓	✓	✗	✓
Sabrina PUCCI (1)	✓	✓	✓	✓	✓	✓	✓	✓
Cristina SCOCCHIA (1)	✓	✓	✓	✓	✓	✓	✓	✓
Jeanette WONG (1)	✓	✓	✓	✓	✓	✓	✓	✓
Delphine ZABLOCKI	✓	✗	✓	✓	✓	✓	✓	✓

(1) Independent Director within the meaning of the AFEP-MEDEF Code. (Given the EssilorLuxottica Group's structure, the fact that a Company Director has a seat on the Board of Directors of one of its two operating subsidiaries, Essilor International (formerly Delamare Sovra) or Luxottica, does not affect his or her independence).

(2) Director representing Delfin within the meaning of the Combination Agreement.

b) Applied to the members of any given committee set up, as appropriate, by senior management to assist it on a regular basis in the performance of its general duties and in connection with the results in terms of gender balance in the 10% of positions with the most responsibility. If the Company does not apply such a policy, the report must include an explanation of the reasons for this

As at the date of this Document, EssilorLuxottica had not set up any Executive Committee or collective body to assist Leonardo Del Vecchio and Hubert Sagnières within the meaning of the regulation.

The organizational structure of EssilorLuxottica is as follows:

- Executive Corporate Officers with the same powers:

  Executive Chairman: Leonardo Del Vecchio,

  Executive Vice-Chairman: Hubert Sagnières.
- Co-Chief Financial Officers:

  Hilary Halper,

  Stefano Grassi.
- The integration committee: co-chaired by the Executive Chairman and the Executive Vice-Chairman of EssilorLuxottica,
- Chiefs' integration Officers: Eric Leonard and Pierluigi Longo.
- The Board Secretary: Karine Pinault.

c) Applied to the members of the Board of Directors of the operating companies, Essilor International (SAS) and Luxottica

Management of Luxottica and Essilor International (SAS)

The EssilorLuxottica Executive Chairman will act as Executive Chairman of Luxottica for as long as he is EssilorLuxottica Executive Chairman (it being specified that the EssilorLuxottica Executive Chairman may designate any other person to act as Executive Chairman of Luxottica) and the EssilorLuxottica Executive Vice-Chairman will act as Chairman of Essilor International for as long as he is the EssilorLuxottica Executive Vice-Chairman (it being specified that the EssilorLuxottica Executive Vice-Chairman may designate any other person to act as Chairman of Essilor International (SAS)).

The Luxottica Board of Directors and the Essilor International (SAS) Board of Directors were composed as from December 31, 2018 of the Luxottica and Essilor Board members before the Closing Date of the Contribution.

Composition of the Essilor International (SAS) and Luxottica Group S.p.A. Boards of Directors as at December 31, 2018:

Essilor International (unlisted operating company)	**Luxottica Group S.p.A.**
Hubert SAGNIÈRES*, Chairman and Chief Executive Officer	Leonardo DEL VECCHIO, Executive Chairman of the Board of Directors
Philippe ALFROID, Non-Independent Director	Luigi FRANCAVILLA, Vice-Chairman
Antoine BERNARD DE SAINT-AFFRIQUE, Independent Director	Francesco MILLERI, Vice-Chairman and CEO
Maureen CAVANAGH, Director representing employee shareholders	Stefano GRASSI, Chief Financial Officer
Juliette FAVRE*, Director representing employee shareholders	Marco GIORGINO*, Independent Director
Louise FRÉCHETTE*, Independent Director	Elisabetta MAGISTRETTI*, Independent Director
Bernard HOURS*, Independent Director	Maria PIERDICCHI*, Independent Director
Ludovic MATHIEU, Director representing employee shareholders	Sabrina PUCCI*, Independent Director
Annette MESSEMER*, Independent Director	Karl Heinz SALZBURGER*, Independent Director
Marc ONETTO, Independent Director	Luciano SANTEL*, Independent Director
Olivier PÉCOUX*, Non-Independent Director	Cristina SCOCCHIA*, Independent Director
Laurent VACHEROT, Non-Independent Director	Andrea ZAPPIA*, Independent Director
Jeanette WONG*, Independent Director	
Delphine ZABLOCKI*, Director representing employees	

* Directors serving on the EssilorLuxottica Board of Directors (for more information, please visit the Essilor International website at https://www.essilor.com/en/the-group/governance/board-of-directors/

* Director satisfying the requirement of independence set forth in the Italian Consolidated Financial Act and in the Code of Conduct for Listed Companies.

Directors serving on the EssilorLuxottica Board of Directors (for more information, please visit the Luxottica website at https://www.luxottica.com/en/governance/board-directors/

This governance structure means that the Company has the full benefit of the expertise and experience of the Directors of Essilor International (SAS) and Luxottica, particularly:

- their knowledge and practical experience of both operating companies;
- their expertise in specific business segments of Essilor International (SAS) and Luxottica;
- several years' experience in managing international companies, so providing management expertise and/or experience to the Company;
- expertise in finance, logistics, marketing, and e-commerce, among others.

2.1.1.4 Directors' ethical awareness and conflicts of interest management

No potential conflicts of interest

In accordance with the Internal Rules of the Board of Directors and with the Directors' Charter (Section 2.1.2.1), Directors have an obligation to inform the Board of any conflict of interest, even potential, as provided for in the rules defined by the Board's Internal Rules, an extract from which is provided in the box below.

Participation of the Director in a transaction in which the Company, or any other Group company, is directly involved is brought to the attention of the Board of Directors prior to the completion of that transaction.

As part of an annual declaration, the Director informs the Board of Directors of the terms of office and positions they hold in other companies and must request the opinion of the Board prior to accepting any new Directorship.

The Director must, more specifically, make an annual declaration of any conflicts of interest, even potential, they have detected. On the basis of these declarations, the Board of Directors has identified no conflicts of interest. The information referred to in Appendix 1 of European Commission Regulation (EC) No. 809/2004 of April 29, 2004 below contains additional information.

Based on the information above, to the best of the Company's knowledge:

- there are no potential conflicts of interest between the duties, with regard to the issuer, and the private interests and/or other duties with regard to third-parties, of any of the members of the Company's Board of Directors. To this end, the Directors' Charter stipulates that Directors have an obligation to inform the Board of any conflict of interest, even potential, and must refrain from participating in the deliberations related thereto;
- none of the Executive or non-Executive Board Directors has a service contract with EssilorLuxottica or any of its subsidiaries providing for the award of benefits at the end of such contract, except for:
  - Mr. Milleri, Board member of EssilorLuxottica and Vice-Chairman and Chief Executive Officer of Luxottica, is indirectly linked to a service agreement with Luxottica signed with a company controlled by Mr. Milleri for services related to the Luxottica Group IT platform (Please see below "Agreements between one of the Executive Corporate Officers or shareholders with more than 10% of voting rights with a subsidiary of EssilorLuxottica Group"),
  - Mr. Pécoux, Chief Executive Officer-Managing partner at Rothschild & Co, is indirectly linked to a service agreement between the Company and Rothschild & Co, which was signed in January 15, 2017 an agency agreement with the Company to negotiate the terms and conditions of the Combination with the Luxottica Group (see section 2.6 Statutory Auditors' report on related-party agreements and commitments);
- none of the Executive or non-Executive Board Directors has been convicted of a fraudulent offense in the past five years;
- none of the Executive or non-Executive Board Directors has been associated with bankruptcy, receivership or liquidation as a member of an administrative, management or supervisory body or as Chief Executive Officer within the past five years, with the exception of Gianni Mion, who has been Independent Chairman of the Italian bank Banca Popolare di Vicenza since July 13, 2016, when it was the subject of a special liquidation procedure under Italian law pronounced by a statutory order of June 25, 2017;
- none of the Executive or non-Executive Board Directors has been publicly charged and/or sanctioned by statutory or regulatory bodies (including designated professional bodies);
- there are no family ties between the members of the Board of Directors.

Extract from the internal rules of the Board of Directors on the management of conflicts of interest

"1.3 Conflicts of interests

Any Director (whether he/she is an individual Director or a permanent representative of a legal entity holding directorship) of the Company shall consider himself or herself as being bound by the provisions of Article 19 of the AFEP-MEDEF Code, the Director's Charter included as Appendix 1 to these Board Internal Rules together with the rules set forth in the following paragraphs.

1.3.1 Situations giving rise to a conflict of interest

Any Director who is directly or indirectly exposed to an actual or potential conflict between his/her interests (or those of the legal entity holding directorship he/she represents) and those of the Company (or any company of the Group) because of the positions that he/she holds, and/or any interests that he/she has elsewhere (a "Conflict of Interest"), shall inform the Executive Chairman and the Executive Vice-Chairman, as well as the Chairperson of the relevant Committees as the case may be. When a Director takes office and by January 31 of each year, he/she shall prepare (and update when needed) and submit to the Executive Chairman, the Executive Vice-Chairman and the Nominations and Compensation Committee, a statement indicating any actual or potential Conflict of Interest he/she may have with any Group's companies.

A Director may be requested by the Executive Chairman and/or the Executive Vice-Chairman, at any time, to confirm in writing that he or she is not in a Conflict of Interest situation. Pursuant to Section 4.4 of the Board internal rules, Directors and any other persons who attend Board meetings shall be required to treat all information provided during these meetings as strictly confidential.

1.3.2 Policy in the event of a conflict of interest

Procedure to prevent situations of Conflict of Interest

In the event of a Conflict of Interests, the concerned Director shall (i) prior to the concerned meeting, inform in due time the Executive Chairman and the Executive Vice-Chairman, with a copy to the Secretary of the Board, and (ii) shall not attend the Board (or Committee) meeting during the discussions and debates on the concerned items of the agenda and shall not vote on the concerned deliberations.

It is specified that if the concerned Director is the Chairperson of a Committee and the concerned meeting is one of such Committee, then, such Director shall notify his/her Conflict of Interest situation to the other Committee's members and shall not attend the meeting during the discussions and debates on the concerned items of the agenda and shall not vote on the concerned deliberations.

Organization of the meeting

At the beginning of any Board (or Committee) meeting, the Executive Chairman or the Executive Vice-Chairman (or the Chairperson of the relevant Committee, in the case of Committee meetings) will disclose all the Conflicts of Interest notifications he or she has received prior to such meeting.

If necessary due to the agenda of a given Board (or Committee) meeting, the Executive Chairman or the Executive Vice-Chairman (or the Chairperson of the relevant Committee) may decide to organize the meeting in two parts, with the first part attended by the concerned Director (s) and dealing with the agenda items not giving rise to any Conflict of Interest, and the second held without the concerned Director (s) being present.

If the concerned Director is the Chairperson of the Board or of the relevant Committee, the other members shall appoint a temporary Chairperson for the time of his/her absence (it being understood that if the concerned Director is the Executive Chairman, the chair of the Board shall be conferred to the Executive Vice-Chairman solely, and vice-versa).

Decisions by the Board of Directors concerning a Conflict of Interest shall be recorded in the minutes of the relevant Board meeting.

Issues

Any issues concerning the implementation of this section entitled "Conflicts of interest" shall be submitted to the Executive Chairman and the Executive Vice-Chairman, and, for a Committee meeting, the Chairperson of the relevant Committee. If an issue relating to any concerned Director cannot be resolved following discussions between them, then, the Board (or the Committee) shall make a decision.

1.3.3 Sensitive information as defined in competition law

In the event of a Conflict of Interest relating to a position or interest in an entity whose interests compete with those of the Group, no sensitive information, as defined in competition law, may be disclosed or discussed in the presence of the concerned Director.

The definition of sensitive information in competition law covers all information not in the public domain that could enable the Director concerned to understand or influence the Company's commercial and other strategies in markets served by the entity whose interests compete with those of the Company and with which the concerned Director has ties, including, without limitations, recent, current or future pricing strategies and prices (including discounts or rebates), detailed information concerning technology and R&D projects, recent current or future profit margins on, or profitability targets for, specific products or services, and current or future strategic plans, business development projects, particularly planned potential mergers and acquisitions, market shares, market analyses, covering *inter alia* forecast changes in offer and/or demand and prices.

The risk of an exchange of sensitive information as defined in competition law is equivalent in all respects to a conflict of interest within the meaning of this section entitled "Conflicts of interest."

Agreements between one of the Executive Corporate Officers or shareholders with more than 10% of voting rights with a subsidiary of EssilorLuxottica Group (with the exception of agreements concerning day-to-day operations entered into under normal conditions)

Agreement between M. Hubert Sagnières and Essilor International (SAS)

Note that the hive down of Essilor's businesses led to the automatic transfer of Hubert Sagnières' suspended employment contract to the subsidiary Essilor International (SAS) effective November 1, 2017.

The mechanism set up for the termination of his employment contract prior to the date of the combination with Luxottica was maintained. An addendum was signed in 2018 to bring the basis for calculating the package into line with the compensation policy applicable to Executive Corporate Officers. That policy was approved by the Company's Shareholders' Meeting on November 29, 2018 and tailored to fit the context of the new EssilorLuxottica group. The addendum was authorized by the Essilor International (SAS) Board of Directors in 2018. The employment contract, currently suspended and as amended by the addendum dated July 26, 2018, provides that the package is capped at two years' monetary compensation (corresponding to the average fixed and variable annual compensation paid in the last three years preceding departure) (See section entitled "Compensation of corporate officers" in Chapter 2).

Agreement between the entities controlled by M. Francesco Milleri and Luxottica (1)

On April 26, 2016 Luxottica signed a three-year master service agreement, as subsequently amended by the addendum executed on November 13, 2017, with MEA S.r.l.(hereinafter "**MEA**", a company controlled by Mr. Milleri, for services related to the implementation of the Luxottica Group's IT platform and other digital IT services (the "**Agreement**"). The consideration paid pursuant to the Agreement has been equal to Euro 59,8 million, of which Euro 25,3 in 2018.

On January 30, 2019, Luxottica Group's Board of Directors authorized the entering into a new two-year master service agreement with MEA for additional IT services for an aggregate cost estimated to be Euro 46 million) the "**New Agreement**"). The New Agreement has been executed on 26 February 2019 and expires on December 31, 2020. The New Agreement contains the same termination clauses included in the Agreement, e.g.: (i) force majeure events; (ii) lack of performance and quality standards in the supply of services; (iii) violation of the exclusivity clause in favor of Luxottica; (iv) supplier's change of control.

(1) The New Agreement was entered into in 2019. the description of such agreement, not required in respect of the 2018 financial year, is given for information.

Insider dealing

On October 1, 2018, the Board approved the EssilorLuxottica Directors' Charter, which includes the stipulation that any holder of inside information shall refrain from engaging in any transaction involving the Company's securities or from causing or allowing others to engage in such transactions based on such information for as long as such information has not yet been made public (Articles 8, 10 and 14 of European Regulation No. 596/2014 of April 16, 2014 on market abuse – the Market Abuse Regulation [MAR]). The Charter states that Directors must, in addition to the period preceding the publication of any inside information of which they are aware, refrain from engaging in any transaction in the Company's securities during the blackout periods set in accordance with Article 19.11 of the MAR and the AMF guide to ongoing disclosure and management of inside information of October 26, 2016.

Lastly, Directors must inform the AMF, on an annual basis, of any transactions involving EssilorLuxottica securities performed by themselves or by individuals with whom they are closely associated. These individual reporting obligations regarding securities transactions are covered in the Directors' Charter, the full version of which is available on the Company's website.

The summary statement of transactions involving EssilorLuxottica securities carried out in 2018 by the corporate officers is included in Section 2.3.6.

2.1.2 Preparation and organization of the work of the Board of Directors

The operating procedures of the Board of Directors and special Board committees are governed by internal rules adopted by the Board at its meeting of October 1, 2018, and by a Directors' Charter. These documents are periodically reviewed by the Board of Directors. The documents reflect the main principles regarding the decision-making process in the EssilorLuxottica Group. The key points of both documents are reproduced or summarized below. The full version of these documents, along with the bylaws, is available on the Company's website.

2.1.2.1 Internal rules of the Board of Directors and the Directors' Charter

The Board of Directors' Internal Rules and the Directors' Charter, both of which were approved by the Board of Directors immediately after the completion of the Combination with Luxottica at the Board's meeting of October 1, 2018, reflect the basic principles regarding the decision-making process in the EssilorLuxottica Group. These principles are outlined below.

Powers of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman

Both the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman are vested with full and equal powers to act in all circumstances in the name of EssilorLuxottica. They shall exercise those powers within the limits of the corporate purpose and subject to the powers expressly granted to the EssilorLuxottica shareholders' meetings and to the EssilorLuxottica Board of Directors by law as well as to the limitations set forth by the bylaws of EssilorLuxottica and by the proposed internal rules of the EssilorLuxottica Board of Directors.

Decisions relating to the management of EssilorLuxottica shall be made jointly by, or with the approval of, the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, failing which, by the EssilorLuxottica Board of Directors, except for certain decisions or specific matters: (a) which – except as otherwise jointly decided by the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman – can be made either by the EssilorLuxottica Executive Chairman or the EssilorLuxottica Executive Vice-Chairman, acting individually, or by the person to whom such power or authority is delegated; (b) for which the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman subsequently (i) agree in writing that they can act individually or (ii) jointly delegate powers or authority to a manager of EssilorLuxottica or to another person; or (c) which fall within the scope of the powers, or require the approval, of the EssilorLuxottica Board of Directors pursuant to the Board's internal rules.

Powers of the Board of Directors of EssilorLuxottica

The Board of Directors of EssilorLuxottica directs EssilorLuxottica's business and oversees its implementation. Subject to the powers expressly granted to the shareholders' meetings, the limitations set forth by the bylaws of EssilorLuxottica and within the limits of the corporate purpose, the Board deals with all matters concerning the proper running of EssilorLuxottica and the EssilorLuxottica Group, in accordance with the Board's internal rules.

A set of material decisions relating to EssilorLuxottica and/or the EssilorLuxottica Group are subject to prior approval by the EssilorLuxottica Board of Directors (see Section 2.1.2.2 regarding the purview of the EssilorLuxottica Board of Directors).

The Board's Internal Rules are supplemented by a Directors' Charter which stipulates a certain number of rights and obligations, including the commitment to regularly attend meetings of the Board of Directors and Shareholders' Meetings, to inform the Board of Directors of any potential or actual conflict of interest, and to refrain from participating in the corresponding proceedings, including the work of special Board committees. Board members must also keep the Board informed of directorships held in other French and foreign companies and, in the case of Executive Board Directors, seek the opinion of the Board before accepting a new corporate office in a company (other than a consolidated company by the Company). Directors must consider themselves subject to an obligation of professional secrecy as regards information which is not public and which they have come to know in the course of their duties; this goes further than the obligation of discretion provided for in article L. 225-37-4 of the French Commercial Code.

2.1.2.2 Roles and responsibilities of the Board of Directors

The EssilorLuxottica Group's internal governance rules stipulate that the Board of Directors must grant its prior approval, under the conditions of quorum and majority set forth in Section 4.5.2 below, for any issue, event, act or decision concerning the Company and any entity of its Group, related to:

a. review and approval of the statutory financial statements and consolidated financial statements of the Company as well as the statutory financial statements and consolidated financial statements of Luxottica or Essilor International (SAS), as the case may be;

b. approval and modification of the Group's annual budget (including the annual investments budget) upon the presentation of the forecast of the financing needs of the Group for the year made by the CFOs;

c. approval and modification of the Group's three-year strategic plan;

d. any transaction outside the scope of the Group's stated strategy or above €150 million individually, upon recommendation of the Strategy Committee;

e. distribution of dividends, interim dividends, premium, reserves and/or any other distributions by the Company, Luxottica or Essilor International (SAS), which will be set consistently with the Company's financial prospects and business strategies, it being specified that unless the Board of Directors decides otherwise the pay-out ratio on consolidated net income adjusted by the relevant purchase price allocation (PPA) items and, if any, other items to be decided by the Board of Directors shall not exceed 50%;

f. any amendment, or any decision that will entail such amendment, to the articles of association of the Company, Luxottica or Essilor International (SAS) (including for the avoidance of doubt any increase in the share capital (except if it results from the exercise of securities or rights giving access to the share capital or issuance of other securities or rights giving immediate or future access to the share capital or voting rights));

g. any decision relating to the admission to trading on any regulated stock exchange of securities in any Group company;

h. any change in accounting methods or principles, or of the tax practices applied within the Group (save for mandatory changes resulting from regulatory changes);

i. appointment and renewal of the statutory auditors of any Group's company, based on the recommendation of the Audit and Risk Committee;

j. on the recommendation of the Strategy Committee, decisions on material capital expenditures, acquisitions, purchases, leases or divestments with a value exceeding €150 million pursuant to the relevant provisions in Sections 2.3.1 and 2.3.2 of the Board's internal rules, as applicable;

k. any transaction resulting in the expansion of the geographical footprint of the Group to a new country where the Group has no operations, including through any distribution network, whether wholesale or retail, directly or indirectly (through any acquisition, lease, commercial relationships or any agreement of any nature whatsoever) for which the value is above of €10 million or for which such expansion could present a significant risk in terms of compliance with applicable regulations (e.g., sanctions, fraud, anti-corruption or money laundering regulations) or in terms of security, on the recommendation of the Strategy Committee;

l. without prejudice to the financing policy as set forth in Section 2.3.2 of the Board's internal rules or unless decided otherwise by the Board, (x) any decision (and any delegations of powers or authority thereto) pertaining to the entering into of any bank loan or financing facility for a par value or a notional amount exceeding €1 billion, (y) any other decision (and any delegations of powers or authority thereto) pertaining to the financing of the Company (including, for example, the issuance of bonds, notes, debt instruments and/or hedging instruments) for a par value or a notional amount exceeding €300 million individually and €1 billion in the aggregate on a calendar year within the annual authorization for any banking financing and (z) any decision (and any delegations of powers or authority thereto) for any capital market transaction (either in equity or debt) whatever the amount of such transaction;

m. any liquidation, merger, spin-off, contribution or other similar corporate restructuring (save for intra-Group transactions that trigger no change in the direct or indirect holding by the Company in the share capital of the concerned company or companies) involving any Group company;

n. authorization, determination of the terms and conditions and modification of any mandatory or voluntary profit-sharing plan, stock option plan, free share plan or other similar collective incentive schemes in favor of the management and/or employees of the Group (on the recommendation of the Nominations and Compensation Committee when it concerns corporate officers);

o. except for intra-group transactions, the purchase, transfer or disposal of trademarks or patents and/or the acquisition or the granting of any license with respect to the right to use a trademark or patent or any other transaction entailing, directly or indirectly or as an ancillary consequence thereof (including, for example, the acquisition of a business), the purchase, transfer, disposal or granting of any such trademarks, patents or licenses, for a value exceeding €3 million and, in the case of franchise, any franchise agreement with fees in excess of €10 million.

2.1.2.3 Self-assessment of the Board's operating procedures

In the context of the Combination with Luxottica, effective as from October 1, 2018, and given the complete overhaul of the governance structure and composition of the Board of Directors, it was not considered opportune for the Company's Board to conduct a self-assessment of its operating procedures in 2018.

The last self-assessment was therefore performed in 2017, following the procedure described below.

A formal assessment of the operation of the Board of Directors has been performed on an annual basis since 2004 and its goals are as follows: review the Board's operating procedures, ensure that important issues are suitably prepared and discussed, and measure the contribution of each Director to the Board's work.

The assessment takes place over several months and is included in two specific items on the agenda for meetings of the Board of Directors:

- during the launch of the process whereby the Board of Directors approves the methodology and appoints one Independent Director responsible for overseeing it;
- when the findings from the self-assessment are announced by the aforesaid Independent Director, after having previously been shared with the Nominations and Compensation Committee.



In 2018, the Directors met without the Executive Corporate Officers in attendance, primarily to assess the performance of the Executive Corporate Officers.

2.1.2.4 Information and training for the Board of Directors

Information

Any documentation required to ensure that the Directors are informed about the agenda and any items to be discussed by the Board will either be enclosed with the notice of meeting or sent or delivered at the latest five days before the meeting.

Any such documentation shall be drafted in English, and a French and Italian courtesy translations can also be provided at the request of any Director. In case of discrepancy between the English version and one of its translations, the English version shall prevail, except for those documents whose official language is French pursuant to applicable law.

To be prepared for decisions to be made, Directors must check that the information they deem necessary for the proper flow of the Board's or special Committee's work has been made available to them. If any information has not been made available, or has not properly been made available in a Director's opinion, that Director must request it. Such requests should be addressed to the Executive Chairman and the Executive Vice-Chairman who must satisfy themselves that the Directors are in a position to fulfil their duties.

In addition, Directors will receive between meetings any useful or critical information on significant events or operations relating to the Company or the Group, in particular, press communications released or financial reports made by the Company.

Training

Any Director may avail himself or herself of supplementary training on the specific concerns of the Company, its industry or business sectors, if he or she deems it necessary. From the time of their appointment, members of the Audit and Risk Committee receive information on the Company's accounting, financial and operational affairs. The Chair of the EssilorLuxottica Audit and Risk Committee and the Chair of the Essilor International (SAS) Audit and Risk Committee attended information sessions arranged by legal teams as well as exchange forums on best governance practices.

Directors representing employees or Director (s) representing employee shareholders should be provided with suitable training enabling them to perform their duties, in accordance with regulations. In 2018, the two Directors representing employees attended an internal training course on finance and an external course provided by the Institut Français des Administrateurs (French institute of Board Directors) entitled "How to be an Employee Director."

2.1.2.5 Meetings of the Board of Directors in 2018

The Board is convened by its Chairman and/or Vice-Chairman, in accordance with the terms and conditions set forth in Section 4.1 of the Board's Internal Rules. The author of the convening notice sets the agenda of the meeting. The Chairman or the Vice-Chairman, as applicable, have the opportunity to review the convening notice and add new items on the agenda before the convening notice is sent to the Directors.

The Board shall meet as often as necessary in the interests of the Company, but at least five times per year.

The Board meeting dates and places for the following year shall be set at the latest by March 1 of each year, with the exception of extraordinary meetings.

The meetings of the Board of Directors are chaired by the Chairman, together with the Vice-Chairman, or, in the absence of the Chairman, by the Vice-Chairman solely, or in the absence of the Vice-Chairman, the Chairman solely. At any meeting of the Board of Directors, both the Chairman and the Vice-Chairman are free to make any statements, raise questions or address matters to be discussed by the Board of Directors.

Directors may choose to be represented by another Director at meetings of the Board of Directors. Each Director may represent no more than one other Director at any Board meeting.

The quorum for any decision taken by the Board of Directors shall be at least half of the Directors present (in person or, as the case may be, by videoconference or telecommunication means).

Decisions shall be taken by a simple majority of the members present or represented, provided, however, that whenever not all of the Directors in office are present at the meeting such majority shall include at least one of the Directors designated by Delfin and one of the Directors designated by the former Essilor pursuant to the Combination Agreement (or of their successors thereof).

In 2018, the Board of Directors of the Company met seven times prior to the date of the completion of the Combination with Luxottica (*i.e.* between January 1, 2018 and September 30, 2018) and the EssilorLuxottica Board of Directors met three times between October 1, 2018 and December 31, 2018.

Attendance of the members of the Board of Directors

The Company's bylaws state that Directors may participate in exceptional circumstances by using videoconferencing or other forms of telecommunications, with the exception of those cases explicitly stipulated, such as the approval of the financial statements and preparation of the Management Report. The internal rules state that Directors who participate in this way are considered to be present when calculating the quorum and voting majority for the meeting.

Directors using videoconferencing or telecommunication during one of their meetings do not receive Directors' fees, unless decided otherwise by a joint decision of the Executive Chairman and the Executive Vice Chairman.

In addition, all Directors attended the Ordinary Shareholders' Meeting of Essilor International (Compagnie Générale d'Optique) of April 24, 2018 and the Combined General Meeting of November 29, 2018 of EssilorLuxottica.

The table below shows the number of Board and Committee meetings held during fiscal year 2018, as well as their members as at December 31, 2018 and the individual attendance at each of those meetings. The average attendance of the Directors at Board Meetings was close to 96% for all meetings of the Board and the Committees.

	Board of Directors	Audit and Risk Committee meeting	Nominations and Compensation Committee	Strategy Committee	CSR Committee
NUMBER OF MEETINGS IN 2018	**10**	**5**	**9**	**5**	**3**
PARTICIPATION (%)					
Leonardo DEL VECCHIO [(a)]	**100%**				
Hubert SAGNIÈRES	**100%**			**100%**	**100%**
Romolo BARDIN [(a)]	100%	**100%**	**100%**	-	
Giovanni GIALLOMBARDO [(a)]	100%				**100%**
Juliette FAVRE	100%	100%	100%	100%	100%
Bernard HOURS	100%		**100%**	**100%**	
Annette MESSEMER	100%	**100%**		100%	
Lucia MORSELLI [(a)]	100%	**100%**			
Francesco MILLERI [(a)]	100%			**100%**	
Gianni MION [(a)]	100%		**100%**	**100%**	
Olivier PÉCOUX	100%	**100%**	**100%**		
Léonel PEREIRA ASCENCAO [(a)]	100%				
Sabrina PUCCI [(a)]	100%				
Cristina SCOCCHIA [(a)]	100%				**100%**
Jeanette WONG	100%	100%		100%	**100%**
Delphine ZABLOCKI	100%			100%	
BOARD MEMBERS OF THE COMPANY WHOSE THE MANDATES EXPIRED AT THE CLOSING DATE OF THE CONTRIBUTION [(b)]					
Philippe ALFROID	**75%**			**100%**	
Antoine BERNARD DE SAINT-AFFRIQUE	100%		100%	100%	100%
Maureen CAVANAGH	100%			100%	
Louise FRECHETTE	100%			100%	100%
Ludovic MATHIEU	100%			100%	
Marc ONETTO	**43%**		**100%**	**100%**	
Laurent VACHEROT	**100%**			**100%**	

(a) Directors whose the term of office started at the Closing Date of the Contribution (*i.e.* October 1, 2018).

(b) Directors whose the term of office expired at the Closing Date of the Contribution and who remain Board members at Essilor International (SAS) level, the operating entity. Members of the Committees as at October 1, 2018.

Major accomplishments of the Board of Directors in 2018

For the period preceding the Closing Date of the Contribution, namely January 1 through September 30, 2018, the Essilor Board of Directors was informed about, reviewed, or discussed matters that included the following:

- **Business performance:** at each meeting planned in the annual schedule (excluding exceptional meetings convened to deliberate on a strategic transaction), the Executive Corporate Officers discussed the Company's general position for the previous period, changes in key financial indicators, "key events" in the commercial and technical fields, state of competition, and consolidation of acquired businesses;
- **2018 budget:** reviewed at one meeting at the beginning of the fiscal year;
- **Financial statements:** review and/or approval of the 2017 annual financial statements and the forecast financial statements, after hearing the reports from the Audit and Risk Committee and the Statutory Auditors; on this occasion, the financial position and treasury position were reviewed;
- **External growth:** during each regularly scheduled meeting, the Board receives information about and discusses acquisition transactions which are underway or are being considered; furthermore, the Board is informed beforehand of the Company's general external growth policy, based on the reports of the Strategy Committee; the financing arrangements for external growth operations are also reviewed;
- **Planned combination with Luxottica:** approval of the prospectus relating to (i) the issue and admission to trading of the new shares to be issued in consideration for the contribution of the Luxottica shares held by Delfin to the

Company and (ii) the issue, public offering and admission to trading of the new shares to be issued in consideration for the mandatory public offering for the shares held by Luxottica's minority shareholders; review and follow-up of the negotiations related to the proposed combination with Luxottica; approval of the extension of the Combination Agreement beyond the initial term of June 30, 2018; recognition of the satisfaction of all conditions precedent to the completion of the Contribution; approval of the value of the Luxottica shares contributed, the revised swap ratio, the number of Company shares issued in consideration for the Contribution and the Contribution premium; implementation – subject to the approval of the Contribution by the Delfin Shareholders' Meeting – of the authority granted by the Shareholders' Meeting of May 11, 2017 to increase the Company's share capital in consideration for the Contribution; entry into force of the Company's new bylaws and, in particular, its new corporate name; recognition – subject to the approval of the Contribution by the Delfin Shareholders' Meeting and the final completion of the Contribution – of the expiry of the term of office of certain Directors, the entry into force of new Directors' terms of office, and the expiry of the terms of office of the corporate officers;

- **Financial authorizations:** approval of the renewal of the authorization, for a further one-year period, to issue perpetual subordinated bonds, known as hybrid bonds, within the limit set by the Board of Directors and delegations of powers to the Executive Chairman relating thereto;
- **Governance:**
  - review of the composition of the Essilor Board of Directors following the resignations of Henrietta Fore and Yi He, and review of the composition of the committees following the decision to merge the Executive Compensation Committee with the Nominations Committee effective since February 28, 2018; update of the Board's Internal Rules and the Directors' Charter accordingly,
  - annual review of related-party agreements authorized in previous years and continued in 2017,
  - convening of the Shareholders' Meeting: review and approval of the draft resolutions to be submitted to the Shareholders' Meeting of April 24, 2018 and review and approval of the resolutions to be submitted to the EssilorLuxottica Shareholders' Meeting convened on July 25, 2018 but postponed to take into account the postponement of the Closing Date of the Contribution, which ultimately occurred on October 1, 2018,
  - decision to postpone the Board of Directors' annual self-assessment, on the recommendation of the Nominations Committee, in order to take into account the specific context related to the completion of the Combination with Luxottica,
  - review of Essilor's structure following the hive down of Essilor's businesses to Essilor International on November 1, 2017, in order to provide Essilor with the resources and skills it needs to operate as the parent company of a listed group,
  - with regard to corporate officer compensation, the Board reviewed the performance of the Executive Corporate Officers (Hubert Sagnières and Laurent Vacherot) for the 2017 fiscal year and set the method for determining the variable portion of their compensation for the 2018 fiscal year; the Board approved the compensation policy applicable to Executive Corporate Officers that was submitted to the vote of the shareholders at their meeting of April 24, 2018 and the corresponding resolutions as well as the draft Management Report and this Corporate Governance Report,
  - in preparation for the Combination with Luxottica, the Board of Directors reviewed the following items on the recommendation of the Nominations and Compensation Committee: review of the budget for EssilorLuxottica's Directors' fees and the rules for its allocation; review of the compensation policy for the Company's Executive Corporate Officers to adapt it to the reality of the future EssilorLuxottica group; review of Executive Corporate Officer compensation applicable to EssilorLuxottica; draft resolutions relating to the employee share ownership policy to be submitted for shareholder approval at the first EssilorLuxottica Shareholders' Meeting.
- **Compliance:**

  In connection with the reports carried out by the Audit and Risk Committee and the CSR Committee, the Board was informed of the "Compliance" road map, the compliance programs implemented by the Group Compliance Department under the authority of the Group Chief Compliance Officer, the risk assessment and actions implemented as required by the regulations, in particular for the prevention of corruption and money laundering, personal data protection, and economic and financial sanctions (see the activity of the Audit and Risk Committee and the CSR Committee);
- **Corporate social responsibility:** review of the reports on non-financial reporting and especially Chapter 4 of this Registration Document; presentation of Corporate Mission activities as well as the management policy for suppliers, review of the environmental and hygiene and safety issues; review of the philanthropy initiatives;
- **Employee-related issues/employee share ownership:**
  - information on the employee situation in 2017 (changes in the workforce, main union negotiations, the Company's policy on professional and wage equality, etc.) and outlook for 2018; deliberation on professional and wage equality in accordance with the regulations,
  - approval of an exceptional performance share allocation plan for all of the Company's employee shareholders, excluding corporate officers; approval of the principle of a capital increase for foreign employees of subsidiaries outside France who have joined the Essilor Group's International Employee Share Ownership Plan or any equivalent local plan as part of the launch of a 2018 international "Boost" offer;
- **Committees' Reports:** to prepare for the above-mentioned discussions in the areas that concern them respectively, the Board heard reports from the Audit and Risk Committee, the Nominations Committee, the Executive Officers and Compensation Committee, the Strategy Committee and the Corporate Social Responsibility Committee.

For the period following the Closing Date of the Contribution, namely October 1 through December 31, 2018, the EssilorLuxottica Board of Directors was informed about, reviewed, or discussed matters that included the following:

- **Implementation of the Company's new governance structure:**
  - appointment of the Chairman and Vice-Chairman of the Board of Directors, and of the Chief Executive Officer and Chief Operating Officer of the Company; appointment of the Secretary of the Board of Directors; adoption of the Board of Directors' new internal rules and the Directors' Charter; determination of the independence of the members of the Board of Directors; constitution of the committees of the Board of Directors and appointment of members thereof,
  - appointment of two joint-Chief Financial Officers and discussions about the process for appointing key executives;
- **Shareholders' Meeting of November 29, 2018:** convening of EssilorLuxottica's Combined General Meeting, setting of its agenda and adoption of the resolutions; review of written questions received prior to EssilorLuxottica's Shareholders' Meeting on November 29, 2018;
- **Implementation of the mandatory public exchange offer aimed at Luxottica's minority shareholders:** implementation of the authority granted by the Shareholders' Meeting of May 11, 2017 to increase the Company's share capital in consideration for the public exchange offer initiated by the Company on the Luxottica shares still in circulation; approval of the press releases relating to the Closing Date of the Contribution and exchange offer; approval of the draft Italian document relating to the public exchange offer submitted to the Italian Companies and Exchange Commission (CONSOB);
- **Compensation:** setting of the components of the compensation of the Executive Chairman and Executive Vice-Chairman; proposed budget for Directors' fees to be submitted to the Shareholders' Meeting and determination of the allocation methods; setting of the specific targets for the variable component of the Executive Corporate Officers' compensation for the period from October 1 to December 31, 2018; authorization of commitments made under related-party agreements in favor of Leonardo Del Vecchio in his capacity as Executive Chairman, with respect to supplementary defined benefit and defined contribution pension plans, health insurance, reimbursement of health expenses, and severance pay; confirmation of the commitments made in respect of related party commitments in favor of Hubert Sagnières in his capacity as Executive Vice-Chairman, with respect to supplementary defined benefit and defined contribution pension plans, life insurance plans, reimbursement of health expenses, and severance pay;
- **Financial authorizations:** including delegations of powers granted to Executive Corporate Officers to grant endorsements, sureties, guarantees and/or letters of intent, in the name and on behalf of the Company, within the limit defined by the Board of Directors; confirmation of the decisions adopted prior to the Closing Date of the Contribution and in accordance with the entry into force of a new governance structure as set out in the Board of Directors' new internal rules, relating to existing financing carried out and/or issued and/or entered into by the Company; renewal of financial authorizations as from the Closing Date of the Contribution, in particular for the purpose of issuing all forms of bonds, especially under the EMTN program;
- **Employee share ownership:** confirmation of the employee share ownership policy and of the launch of the aforementioned 2018 "Boost" offer. Recognition of the achievement of the performance conditions applicable to past performance share and stock option plans; grant of the 2018 Performance Share and Stock Option Plan pursuant to the 7th and 8th resolutions of the Shareholders' Meeting of November 29, 2018; approval of a capital increase reserved for members of the Company Savings Plan and authority granted to the two Executive Corporate Officers.

Minutes

During the 2018 fiscal year, the draft minutes of each Board Meeting were sent to all Directors no later than the date of notice of the next meeting.

2.1.2.6 Committees of the Board of Directors

On the recommendation of the Nominations and Remuneration Committee, the Board may create special committees and set the rules governing their remit and composition. As part of the overhaul of the governance structure implemented on the date of the Combination with Luxottica, on October 1, 2018, the Board of Directors set up four new committees:

- Audit and Risk Committee;
- Nominations and Compensation Committee;
- Strategy Committee; and
- Corporate Social Responsibility (CSR) Committee.

These committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board. In fact, the committees must not replace the Board, but are an extension which facilitates its work.

In accordance with the specific governance rules that have been set up, each committee shall comprise an equal number of Directors between those designated by Delfin and Board members of the Company prior to the Closing Date of the Contribution. Committee members may choose to be represented by another member at meetings of the Committee. Each member may represent no more than one other member at any Committee meeting. The deliberations of the Committees shall be valid only if at least half of their members attend the meeting in person (provided further that at least one Director designated by Delfin and one Director designated by the by Essilor as per the Combination Agreement (or his or her successor Directors) shall be present or represented).

Audit and Risk Committee

Composition

The Board of Directors' Internal Rules stipulate that the Audit and Risk Committee shall consist of four members appointed by the Board from among its members. At least two third of its members must be independent Directors.

The Committee shall not include any executive Directors.

The members of the Audit and Risk Committee must have special competency in financial, risk management or accounting matters.

The Chair of the Audit and Risk Committee will be held by an independent Director among the Directors designated by Delfin.

As at March 18, 2019, the Audit and Risk Committee was chaired by Lucia Morselli. The other members are Romolo Bardin, Annette Messemer and Olivier Pécoux.

Role

Under the Board of Directors' Internal Rules and in accordance with Article L. 823-19 of the French Commercial Code, the Audit and Risk Committee, acting under the responsibility of the Board of Directors, follows up on issues related to the preparation and audit of the financial statements and financial information.

The Audit and Risk Committee must work closely with the CSR Committee to establish a comprehensive picture of any financial or non-financial issues relating to the compliance and the efficiency of the internal audit and major risk management systems.

Without prejudice to the powers of the Board of Directors, this Committee monitors the specific procedures to ensure:

- the integrity of the financial statements, in particular, the corporate and consolidated accounts, the scope of the consolidated accounts and the off-balance sheet commitments;
- when preparing the financial information, that the accounting methods employed are relevant and applied consistently, in particular when dealing with major transactions;
- when reviewing the accounts, a focus on major transactions which could have given rise to conflicts of interest;
- the efficiency of the internal control and risk management systems;
- when monitoring the effectiveness of the internal control and risk management systems and, where applicable, the internal audit of the procedures relating to the preparation and processing of the accounting and financial information, that it hears the persons responsible for the internal audit and risk control and that it is informed of the internal audit schedule and internal audit reports or a periodical summary of these reports;
- compliance with legal requirements and regulations;
- the review of major risks and off-balance-sheet commitments, assessing the significance of any deficiencies or weaknesses of which it has been informed, and it informs the Board, as the case may be;
- the performance, qualification, independence and control of incompatibilities of the auditors;
- the performance of internal audit.

It issues a recommendation to the Board of Directors on the auditors of the Company which have been proposed to be appointed by the Shareholders' General Meeting.

The responsibilities incumbent on the Audit and Risk Committee are set out in Article 5.1.3 of the Board of Directors' Internal Rules, available on the Company's website.

The Chairperson of the Audit and Risk Committee organizes the Committees' work every year based on his or her assessment of the importance of certain types of risk, in consultation with the management and the Board, as well as the Chairman of the CSR Committee.

The Chairman of the Audit and Risk Committee must regularly coordinate with the Chair of the other committees, and in particular with the Chairman of the CSR Committee, who is responsible for identifying and managing non-financial risks.

The Chairman of the Committee or the Board may convene a meeting at any time, whenever it deems it necessary.

The Executive Chairman and the Executive Vice-Chairman may jointly request to the Chairperson of the Committee to arrange a meeting whenever it deems it useful.

The Committee shall meet at least three times per year.

The meeting agenda is determined by the Chairperson of the Committee or agreed with the Board, the Executive Chairman or the Executive Vice-Chairman, if the Board, the Executive Chairman or the Executive Vice-Chairman has initiated the meeting. The agenda is sent to the Committee members before the meeting together with any information that is useful for the discussions.

Sufficient time must be available for the Accounts to be provided and for their review. In order to perform its duties properly, the Audit and Risk Committee must be given a delay of at least five days for considering in advance the documents on which discussions will be based and, in particular, for examining the accounts before their publication.

During the meetings, the Committee hears from the statutory auditors and may receive presentations from the Company's executive officers and EssilorLuxottica's Key Executives (and such other persons as it deems appropriate) who are responsible for the accounts, the risk management system (including compliance) and internal auditing. Management (assisted by a person of its choice) will make a presentation to the Committee on the Group's exposure to risks and significant off-balance sheet commitments.

The Committee may also gather information directly from persons who are able to assist it with fulfilling its duties, in particular certain business and financial managers and those responsible for handling data, whilst keeping management informed. In addition, the Committee may consult external experts, if it deems this necessary, at the Company's expenses, within the limits of the budget approved by the Board for the Audit and Risk Committee.

Major accomplishments in 2018

The work of this Committee is based on the recommendations made in the AMF working group report on audit committees of June 14, 2010.

The Audit and Risk Committee met five times (with an attendance rate of 96% for the year) and heard from the Group Chief Financial Officer, the Group Legal Director, the Group Internal Audit Director, the Chief Compliance Officer, the Corporate Senior Vice President, Human Resources, and the Statutory Auditors.

Between January 1 and September 30, 2018, the Audit and Risk Committee of the Company met four times and reviewed the following:

- **financial statements:** review of the 2017 financial statements, the 2018 first-half financial statements and the provisional management documents (this review was accompanied by a presentation by the Chief Financial Officer on the Company's significant off-balance sheet commitments); and information about the quarterly financial statements;
- **planned combination with Luxottica:** review of the draft Prospectus relating to (i) the issue and admission to trading of the new shares to be issued in consideration for the contribution of the Luxottica shares held by Delfin to the Company and (ii) the issue, public offering and admission to trading of the new shares to be issued in consideration for the mandatory public offering for the shares held by Luxottica's minority shareholders; review of the arrangements for delivering the performance share plans allocated prior to the Combination with Luxottica; review of the arrangements for adjusting the swap ratio;
- **role of the Statutory Auditors:** road map of the Statutory Auditors' 2018 audit plan and review of the work and procedures performed by the Statutory Auditors, presentation of the changes applicable in 2018 following the European audit regulations, particularly with a view to drafting new report formats; review of the procedure applicable to the monitoring of services provided by the statutory auditors, other than certifying the financial statements;
- **internal audit:** presentation of the 2018 internal audit plan as part of the "road map" with monitoring of internal and external audit assignments, presentation of the internal audit road map, performance and budget indicators, review of the internal audit activity (productivity measurement), and self-assessment process for internal control and the associated Group risks, known as "iCare";
- **internal control:** review of the Report on the internal control procedures for preparing and processing accounting and financial information, monitoring of the internal control process;
- **finance:** review of authorizations for bond issues, monitoring of the implementation of the cash pooling policy, review of off-balance sheet commitments, financing and ratings; changes in IFRS standards;
- **compliance: monitoring of the deployment of the Code of Ethics:** review of compliance issues related to planned acquisitions; review and monitoring of the action plan implemented to comply with the European General Data Protection Regulation; monitoring of the action plan related to corruption prevention implemented pursuant to the Sapin 2 law; presentation by the Corporate Senior Vice President for Human Resources on how HR policy can take into account the "compliance" road map;

The Audit and Risk Committee meetings were preceded by a **non-executive session** attended by all members of the Audit and Risk Committee and the Statutory Auditors (but not the management teams).

Between October 1 and December 31, 2018, EssilorLuxottica's Audit and Risk Committee met once and reviewed the following:

- **Governance:** review of the target organization specifically on those functionally reporting to Audit and Risk Committee;
- **Statutory Auditors:** review of the Statutory Auditors' 2018 external audit plan; reminder of the regulatory framework applicable to the Statutory Auditors' mandates and discussion on the mandates expiring at the end of the Shareholders' Meeting called in 2019 to approve the 2018 financial statements;
- **Accounting and financial information:** allocation of the method of the Purchase Price; accounting treatment of employee share ownership plans;
- **Internal audit plan:** presentation of the Essilor and Luxottica internal audit plans; methodology for assessing the risks of EssilorLuxottica;
- **Combination of Essilor and Luxottica**: monitoring of MTO Process; assessment of policies, guidelines and procedures; and monitoring of planned synergies.

  The Audit and Risk Committee meeting was preceded by a **non-executive session** attended by all members of the Audit and Risk Committee (but not the management teams).

The Audit and Risk Committee also met with the Statutory Auditors without the Group executives in attendance.

Nominations and Compensation Committee

Composition

The Board of Directors' Internal Rules as amended by the Board of Directors on October 1, 2018 stipulate that the Nominations and Compensation Committee shall comprise four members, the majority of whom shall be appointed from among the Board's independent Directors (as defined by the AFEP-MEDEF Code or, if applicable, the governance principles agreed by Essilor and Delfin in the Combination Agreement).

The Committee shall be chaired by an independent Director (as defined by the AFEP-MEDEF Code or, if applicable, the governance principles agreed by Essilor and Delfin in the Combination Agreement) appointed from among the Directors designated by Essilor or their successors.

As at March 18, 2019, the Nominations and Compensation Committee was chaired by Olivier Pécoux, qualified in the Combination Agreement as an independent Director. The other committee members were Romolo Bardin, Bernard Hours and Gianni Mion.

Role

As described in the Board's Internal Rules, the main duties of the Nominations and Compensation Committee within the work of the Board of Directors are as follows:

Nominations:

- it recommends the appointment of Directors and of the Committees' members, as well as the Chairperson of each special Committee, in accordance with the provisions of the Combination Agreement and the governance principles agreed upon between Essilor and Delfin in the Combination Agreement. The Nomination and Compensation Committee shall strive to ensure that at least (i) one-half of the Directors, (ii) two-thirds of the members of the Audit and Risk Committee and (iii) a majority of the members of the Nomination and Compensation Committee are independent Directors, determined as specified in the AFEP/MEDEF Code (and/or, in the case of the Nomination and Compensation Committee, pursuant to the governance principles agreed upon between Essilor and Delfin in the Combination Agreement);
- it expresses its own prior recommendation to the Board in respect of any joint proposal regarding the designation of EssilorLuxottica's Key Executives which the Executive Chairman and the Executive Vice-Chairman intend to present to the Board;
- it issues recommendations to the Board (or in the first place to the Executive Chairman and the Executive Vice-Chairman as regards the appointment of the Chief Operating Officer, if applicable) on the selection of the Company's Executive Corporate Officers (the Executive Chairman, the Executive Vice-Chairman and the Chief Operating Officer) (the "corporate officers") in line with the governance principles agreed by Essilor and Delfin in the Combination Agreement;
- it is responsible to develop a succession plan for the corporate officers in line with the governance principles agreed upon between Essilor and Delfin in the Combination Agreement;
- it is responsible to study any major developments in the organization.

Assessment:

- it assists the Board in its periodic assessments;
- it prepares the Board's annual assessment of its membership, organization and operation (which involves a corresponding review of the Board's Committees), and leads the self-assessment of the Board in compliance with the provisions of the AFEP/MEDEF Code and Section 7 of the Board Rules of Procedure;
- it is responsible for the assessment of the possible candidates to fill any vacancy within the Board of Directors of the Company, in particular for unforeseen vacancies or in the case of appointment of additional Board's members;
- it puts forward proposals to improve the functioning of the Board (*i.e.*, organization of meetings, evaluation of the performance of each Director and managing the evolution process of the Board); in particular, it proposes to the Board improvements to these Board Rules of Procedure, if the procedures for disclosing, dealing with, and monitoring of, conflicts of interest situations turn out to be inappropriate or insufficient;
- it puts forward proposals for creation of Committees and assignment for each of them;
- it monitors changes in the Company's shareholdings structure and Company's awareness of such changes with a view to monitor the representation of shareholders (including employee shareholders) in the governance;
- it gives its prior approval before any corporate officer or Director accepts a new directorship or a management position in another Third Party Company, before any corporate officer or Director accepts a consulting agreement with a Competitor or with a company operating in a sector with reputation issues, and before any corporate officer or any EssilorLuxottica Key Executive or any Director takes a direct or indirect significant interest giving them control or a significant influence over a Competitor of the Group (it being specified that such prior approval cannot be refused, conditioned or delayed without reasonable legitimate reason relating to a potential conflict of interest, an overboarding situation, or reputation issues); if no prior approval can be given as a result of a confidential process undertaken by a Director, the Director shall immediately upon his/her appointment inform the Nominations and Compensation Committee so that it may determine whether the new directorship, management position in, or consulting engagement with, the other company is compatible with the role of Independent Director with the Company. "Third Party Company" shall be defined as any company other than companies consolidated by the Company and "Competitor" shall refer to any Third Party Company having an activity in the ophthalmic optics business or the design, manufacture and distribution of eyewear, which represents a significant part of its business or which is significant on the market;
- it conducts yearly a case-by-case assessment of each Director with regard to the independence criteria set forth in the AFEP/MEDEF Code and these Board Rules of Procedure;
- it is informed by the Executive Chairman and/or the Executive Vice-Chairman or the Chairperson of the concerned committee, each time a Director cannot attend nor vote as the result of a Conflict of Interest situation, it also reviews the Directors' periodic statements relating to their respective Conflict of Interest situations (if any), prepares a list of the issues likely to give rise to Conflicts of Interest, and it reports to the Board accordingly;
- it provides every year the Board of Directors with a report assessing the roles of the Executive Chairman, the Executive Vice-Chairman and of the Directors, as well as the actions of Deputy CEO (if applicable) and EssilorLuxottica's Key Executives, notably with a view to determine their compensation;
- Each year, EssilorLuxottica's Key Executives shall meet with the Committee.

Compensation:

- putting forward proposals on the compensation policy and the compensation of the corporate officers of the Company and Deputy CEO (if applicable) (including all components of the compensation and its structure and, if applicable, EssilorLuxottica's Key Executives);
- ensuring compliance of the compensation policy, its structure and components with legal requirements and the AFEP/MEDEF Code;
- considering termination provisions and financial conditions of departure for any corporate officers of the Company and EssilorLuxottica's Key Executives;
- putting forward proposals to the Board of Directors on the general policy and terms and conditions for granting stock-options and/or free performance shares, the allocation of free shares and the setting-up of employee share ownership plans, profit-sharing measures as well as any other incentive schemes for the Company's or Group's employees;
- putting forward proposals on the allocation of stock options and/or free performance shares for corporate officers of the Company, EssilorLuxottica's Key Executives (and such other persons as it deems appropriate, including the main managers of Luxottica and Essilor International, after considering the recommendations of the Boards of Directors of those two companies) as well as the number of shares resulting from the exercise of stock options or performance shares that they will be required to retain until the termination of their office;
- putting forward proposal on Directors' fees amount and their allocation taking into account Directors' attendance rate;
- reviewing the terms and conditions of any service agreement to be entered into with any member of the Board of Directors or any corporate officers of the Company or EssilorLuxottica's Key Executives prior to their entering into;
- informing itself on general compensation policies in the Company or the Group;
- submit annually to the Board of Directors the draft report on compensation policy and on awarded compensation and give an opinion on the related draft resolutions on which the Shareholders' General Meeting is called upon to decide in accordance with French regulations.

Governance:

- putting forward recommendation on best corporate governance practices;
- assessing whether corporate governance practices within the Group comply with the AFEP/MEDEF Code and recommendations of the AMF and proxy agencies and monitoring of their compliance thereto;
- pointing out deviations from the AFEP-MEDEF Code and preparing explanations for reasons for doing so.

The Nomination and Compensation Committee shall be associated in the preparation of any report (including the annual report) for the sections pertaining to its areas of expertise and duties.

It may consult external advisors, consultants, counsels or experts at the Company's expenses if necessary for the completion of its duties (including to identify directorship's candidates or to assess the membership and functioning of the Board of Directors), within the limits of the budget approved by the Board of Directors for the Nomination and Compensation Committee.

Major accomplishments in 2018 achieved by the Nomination and Compensation Committee and the Executive Compensation Committee

Between October 1 and September 30, 2018, the Committee met six times (with an attendance rate of 100% for the year).

It reviewed the following matters:

- **Compensation:**
  - applicable to executives prior to the date of the Combination with Luxottica: review of the performance of Hubert Sagnières and Laurent Vacherot for the 2017 fiscal year; determination of the structure and targets for the variable compensation components of Hubert Sagnières and Laurent Vacherot for the 2018 fiscal year; validation of the resolutions on the compensation of Executive Corporate Officers to be submitted to the shareholders for approval at their meeting of April 24, 2018,
  - applicable to executives after the Combination Date: proposed budget for EssilorLuxottica Directors' fees and rules for its allocation; structure and targets for the variable component of the annual compensation of EssilorLuxottica's Executive Corporate Officers; compensation policy for EssilorLuxottica's Executive Corporate Officers; compensation of EssilorLuxottica's Executive Corporate Officers; review of draft resolutions in respect of EssilorLuxottica employee share ownership to be submitted to the first EssilorLuxottica Shareholders' Meeting;
- **Governance:** review of the Company's structure following the hive down of operating activities within Essilor International (SAS); review of reasons for deviating from the AFEP-MEDEF Code regarding the composition of the committees; follow-up of training for the Directors representing employees; information on the draft shareholders' agreement law; review of the appointment of the Company's main senior executives and their compensation;
- **Employee share ownership:** revue of the exceptional allocation of performance shares; review of the above-mentioned planned 2018 "Boost" employee shareholding program.

Note dans la VF absente dans la VA.

Between October 1 and December 31, 2018, the Committee met once (with an attendance rate of 100%) to review the following matters:

- **Compensation:** setting of the targets for the variable component of the compensation of EssilorLuxottica's Executive Corporate Officers for the period from October 1 to December 31, 2018; appointment and compensation of EssilorLuxottica's Key Executives; social benefits granted to Leonardo Del Vecchio and Hubert Sagnières included in the scope of related-party agreements;
- **Employee share ownership:** recognition of the achievement of the performance conditions applicable to past performance share and stock option plans; grant of the 2018 Performance Share and Stock Option Plan pursuant to the 7th and 8th resolutions of the Shareholders' Meeting of November 29, 2018; approval of a capital increase reserved for members of the Company Savings Plan and authority granted to the two Executive Corporate Officers.

Strategy Committee

Composition

The Board of Directors' Internal Rules stipulate that the Strategy Committee shall be composed of four members appointed by the Board from among its members. Unless otherwise determined by a joint decision of the Executive Chairman and the Executive Vice-Chairman, the Chairman of the Strategy Committee must invite all members of the Board of Directors to attend (but not to vote at) the meetings of the Strategy Committee, except for meetings convened to discuss sensitive and significant acquisition projects.

The Strategy Committee meets four times per year, unless otherwise jointly decided by the Executive Chairman and the Executive Vice-Chairman.

The chair of the Committee will be held by a Director chosen among the Directors designated by Delfin.

As at March 18, 2019, the Strategy Committee was chaired by Francesco Milleri (Non Independant Director). The other committee members were Hubert Sagnières, Bernard Hours and Gianni Mion.

Role

As described in the Board's Internal Rules, the main duty of the Strategy Committee within the work of the Board of Directors consists of regularly reviewing the Group's overall strategy, including, but not limited to, acquisition, divestment and M&A matters, products and technology, growth and financial strategy as well as geographical and marketing strategies, including the decisions set forth in paragraphs d) and j) to n) of Article 4.2 of these Board's Internal Rules, and making recommendations to the Board of Directors in this respect.

The Executive Chairman, the Executive Vice Chairman and, where applicable, the Chief Operating Officer, assisted as needed by members of their choice, are responsible for making presentations on these matters on a regular basis. The Executive Chairman, the Executive Vice Chairman and the Deputy CEO (if any) personally give a presentation on the Group's strategy to the Strategy Committee annually.

This Committee submits proposals to the Board, which approves any major strategic decisions.

This Committee should be coordinated with the Corporate Social Responsibility Committee which is in charge of monitoring the sustainable development and corporate social responsibility, fully integrated in the strategy.

Major accomplishments in 2018

Between January 1 and September 30, 2018, the Strategy Committee met four times (with an attendance rate of 100% for the year).

The Committee mainly focused on examining the proposed combination between Essilor and Luxottica, which it monitored throughout 2018.

After each of its meetings, a summary of the reports and discussions was presented to the Board of Directors by the Chairman and Chief Executive Officer.

Between October 1 and December 31, 2018, the Strategy Committee met once (with an attendance rate of 100%) to review the main planned acquisitions.

Corporate Social Responsibility (CSR) Committee

Composition

The Internal Rules stipulate that the CSR Committee shall comprise four members, two of whom must be Independent Directors.

The CSR Committee is chaired by an Independent Director, appointed from among the Directors of the former Essilor or their successors.

As at March 18, 2018 the CSR Committee was chaired by Jeanette Wong (independent Director). The other committee members were Giovanni Giallombardo, Hubert Sagnières and Cristina Scocchia.

Role

The main role of the CSR Committee, within the duties of the Board of Directors, is to ensure that Group effectively addresses its mission to "improve lives by improving sight", which is fully integrated into our strategy. Consequently, the Company designs, manufactures and markets an extensive range of vision care solutions intended to correct, protect and prevent risks to visual health for the planet's 7 billion inhabitants.

The role of the CSR Committee goes beyond philanthropy, inclusive business and compliance, and also focuses on how Group manages its economic, social and environmental impacts and its relations with all stakeholders (workplace, community, public policy, etc.). Its missions encompass the areas of corporate social responsibility associated with Group's mission, which consists of improving visual health in the world by manufacturing the best possible lenses, to protect and correct the vision of each individual whilst meeting their personal tastes and expectations.

This CSR policy extends to all Group's stakeholders: customers, shareholders, suppliers, employees, associations, governmental authorities and institutions, multilateral agencies, financial analysts and rating agencies, consumers and the media. This policy is anchored in Group's shared values and principles [(1)], which are the foundations for the corporate culture and shared throughout the Group. Thus, they are reflected in Essilor group's way of operating as a community of entrepreneurs, the importance given by Group to employee shareholding and the correction and protection of vision for health and social life, to enable each person to both learn and work to the best of his/her ability and to be an integral part of the world that surrounds him/her.

In this context, the CSR Committee, under the authority of the Board, is responsible for the following duties:

- Sustainable development:

  The Committee reviews and assess the Company's strategy, policies and procedures on corporate responsibility issues and sustainable development, such as those described below, and provides insight to the Board about the Group's long-term development, including economic development through its CSR initiatives in the areas of vision and its improvement.

  As part of its work, the Committee is responsible for the following duties:

  - review of the Group's environmental policies and management systems,
  - review the policies towards the different stakeholders (customers, suppliers, local communities),
  - review the rollout of inclusive business,
  - review of the Group's not-for-profit policies and philanthropy initiatives carried out directly or via entities or partnerships with not-for-profit organizations,
  - review the human resources and risk management policies for the following areas: health and safety, diversity, employment equality, employee relations and other associated subjects,
  - review the social impacts of the main restructuring and/or reorganization plans,
  - review the Group's human rights policy,
  - receive the annual presentation of the corporate responsibility and sustainable development risk mapping; it reviews the identified risks and opportunities and is kept informed of their change and the characteristics of the associated management systems,
  - review and assess the reporting and control procedures for non-financial indicators (environment, health and safety, social reporting and indicators),
  - review the rankings and assessments made by rating and non-financial agencies,
  - review the reporting, assessment and control systems, in order to enable the Company to provide reliable non-financial information and issue an opinion on the non-financial performance disclosure that must be published under legal requirements (article L. 225-102-1 of the French Commercial Code);
- Ethics and Compliance:

  The Committee reviews and controls the Company's policies on compliance and ethics as well as the procedures and systems in place to implement these policies and provides insight to the Board on these subjects.

  As part of its work, the Committee is responsible for the following duties:

  - review the definition of the Group's values, ethics and compliance policy,
  - review and make recommendations in order to promote corporate culture and employee shareholding,
  - promote ethics and ensure the harmonization of ethics rules within the Group group entities, and monitor their application,
  - review the organization of the compliance function and make recommendations if required,
  - review the Group's Code of ethics, its rules and procedures,
  - receive the annual presentation of the ethics and compliance risk mapping; it reviews the identified risks and is kept informed of their change and the characteristics of the associated management systems;
- The CSR Committee must coordinate its work with:
  - the Audit and Risk Committee for all questions pertaining to the role of the CSR Committee, particularly internal control, compliance, the management and review of risks and non-financial information and the main disputes; the CSR Committee may also be consulted, jointly with the Audit and Risk Committee, on the management procedures applicable to non-recurring risks,
  - the Strategy Committee for all questions pertaining to the role of the CSR Committee, particularly CSR policy and sustainable development.

The CSR Committee should be involved in the drafting of all reports (including the Registration Document) for the sections related to its expertise and remit, and specifically the non-financial performance disclosure.

(1) Working Together, Innovation, Respect and Trust, Entrepreneurial Spirit and Diversity.

Major accomplishments in 2018

Between January 1 and September 30, 2018, the Committee met three times (with an attendance rate of 100% for the year) and reviewed the following:

- the measures taken by Essilor to prevent sexual harassment and abuse;
- the monitoring of CSR and compliance as part of the combination with Luxottica to ensure compliance with the regulatory framework of the EssilorLuxottica Group;
- non-financial reporting and the related performance, as well as the published reports regarding CSR, especially pursuant to regulatory obligations under the French Grenelle 2 Law;
- the progress made with Mission activities, and, in particular, the development of innovative new "inclusive" socio-economic models, and philanthropy initiatives;
- Vision Impact Institute activities, the aim of which is to raise public awareness of the importance of correcting and protecting eyesight and to make good vision a global priority;
- the policy for managing suppliers which includes the SSP "Supplier Sustainability Program": policy regarding sustainable practices implemented by its suppliers in the interests of sustainability. The goal is to involve Group's suppliers in the Mission and in the approach to sustainable development;
- the performance of the Environment, Hygiene and Safety (EHS) Department.

Between October 1 and December 31, 2018, the CSR Committee met once to review the following:

- the importance to strategy of the Mission roll-out;
- the role of the CSR Committee in the context of EssilorLuxottica's governance structure;
- the respective business activities of Essilor and Luxottica;
- information about the law applicable to EssilorLuxottica and especially the European directive amending non-financial reporting requirements.

2.1.3 Organization of the powers of management and control of the Company and powers of the Chief Executive Officer

At its meeting of October 1, 2018, the Board of Directors decided to appoint:

- Leonardo Del Vecchio as EssilorLuxottica Executive Chairman; and
- Hubert Sagnières as EssilorLuxottica Executive Vice-Chairman.

Pursuant to the Combination Agreement entered into by Delfin and Essilor, the Executive Chairman and the Executive Vice-Chairman of EssilorLuxottica have equal powers and neither has the casting vote. Consequently, both the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman are vested with full and equal powers to act in all circumstances in the name of EssilorLuxottica. They shall exercise these powers within the limits of the corporate purpose and subject to the powers expressly granted to the EssilorLuxottica shareholders' meetings and to the EssilorLuxottica Board of Directors by law, as well as to the limitations set forth by the bylaws of EssilorLuxottica and by the proposed internal rules of the EssilorLuxottica Board of Directors.

Decisions relating to the management of EssilorLuxottica shall be made jointly by, or with the approval of, the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, failing which, by the EssilorLuxottica Board of Directors, except for certain decisions or specific matters: a) which – except as otherwise jointly decided by the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman – may be made either by the EssilorLuxottica Executive Chairman or the EssilorLuxottica Executive Vice-Chairman, acting individually, or by the person to whom such power or authority is delegated; (b) for which the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman subsequently (i) agree in writing that they can act individually, or (ii) jointly delegate powers or authority to a manager of EssilorLuxottica or to another person; or (c) which fall within the scope of the powers, or require the approval, of the EssilorLuxottica Board of Directors pursuant to the Board's internal rules.

However, in application of Article 3 of the Board of Directors' Internal Rules, a certain number of decisions require prior approval from the Board of Directors, after review by the competent committee if required (See Section 2.1.2.2).

2.2 Special procedures for shareholder participation in Shareholders' Meetings

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided all payments due for such shares have been met.

The rights of shareholders to be represented by proxy at Shareholders' Meetings and to participate in the vote are exercised in accordance with the relevant laws and regulations.

On May 11, 2017, Essilor's shareholders' meeting approved amendments to Essilor's bylaws introducing a 31% limit on voting rights for any shareholder, subject to a formula contained in the bylaws (see Section 5.1 and 5.3 of this Registration Document). Such bylaws came into effect as from the Contribution Completion Date (*i.e.* October 1, 2018), when Essilor's legal name was changed to EssilorLuxottica.

In addition, on May 11, 2017, the special meeting of shareholders holding double voting rights approved the cancellation of double voting rights, which also came into effect as from the Contribution Completion Date.

EssilorLuxottica's bylaws (Section V –, Shareholders' Meetings) include the following provisions concerning the organization of shareholders' meetings, the meetings' main powers and the rights of shareholders, which are in compliance with the law.

2.2.1 Ordinary Shareholders' Meetings (Article 24)

The Ordinary Shareholders' Meeting has the powers defined by law and the bylaws of the Company.

The Ordinary Shareholders' Meeting votes under the rules of quorum and majority required by law. It is reminded that provision 23 of the bylaws, which provides for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws.

2.2.2 Extraordinary Shareholders' Meetings (Article 25)

The Extraordinary Shareholders' Meeting has the powers defined by law and these bylaws. Under no circumstances may it increase the commitments of the shareholders or undermine the equality of their rights unless the shareholders unanimously approve such a decision, subject to the obligation imposed on shareholders to buy or sell fractional shares, in the event of a reverse stock split, capital increase or reduction, merger or demerger.

The Extraordinary Shareholders' Meeting votes under the rules of quorum and majority required by law. Notwithstanding the foregoing, an Extraordinary Shareholders' Meeting that decides to carry out a capital increase through the capitalization of reserves, profits or issue premiums, votes under the rules of quorum and majority required for Ordinary Shareholders' Meetings. It is reminded that provision 23 of the bylaws, which provides for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws.

The Extraordinary Shareholders' Meeting may also, where appropriate, amend the rights of various classes of shares. However, in the event that a decision by the Extraordinary Shareholders' Meeting would affect the rights attached to a class of shares, this decision will only become final after it has been ratified by a Special Shareholders' Meeting for the relevant class. Regarding the specific capital that it represents, said Special Meeting will be subject to the legal and regulatory provisions governing Extraordinary Shareholders' Meetings. If none of the Company's Directors holds shares in the class giving rise to said Special Meeting, that Special Meeting elects its own Chairman.

2.2.3 Delegations and authorizations granted by the Shareholders' Meeting to the Board of Directors

Share capital issued and non-issued authorized share capital[1]: the table below summarizes the current delegations granted by the Shareholders' Meetings of May 11, 2017 and November 29, 2018 to the Board of Directors in respect of share capital and the use made of these delegations.

Type of delegation	Date of Shareholders' Meeting (resolution no.)	Duration (Date of expiration)	Maximum authorized amount	Use as of 12/31/2018
INCREASE IN SHARE CAPITAL FOR THE BENEFIT OF EMPLOYEES AND EXECUTIVE CORPORATE OFFICERS				
Increase in share capital reserved for employees (members of a Company savings plan) [1]	November 29, 2018 (6th)	26 months (January 28, 2021)	0.5% of the share capital (at the date of issue)	0.07%
AUTHORIZATIONS RELATED TO THE EMPLOYEE SHARE OWNERSHIP POLICY TO ALLOT EXISTING SHARES (USE OF VESTED SHARES UNDER THE SHARE BUYBACK PROGRAM – NO INCREASE IN SHARE CAPITAL)				
Bonus share award (performance shares) for the benefit of employees and Executive Corporate Officers	November 29, 2018 (7th)	38 months (January 28, 2022)	2.5% of the share capital (at the award date)	0.39%
Award of stock options for the benefit of employees	November 29, 2018 (8th)	38 months (January 28, 2022)	0.5% of the share capital (at the award date)	0.03%
Authorization to award existing bonus shares to certain Luxottica employees, as a replacement for the cash retention plan granted by Luxottica	November 29, 2018 (9th)	38 months (January 28, 2022)	(deductible from the authorized limit on bonus shares that may be awarded)	None
INCREASE IN THE SHARE CAPITAL ASSOCIATED WITH THE PROPOSED COMBINATION WITH LUXOTTICA				
Capital increase by issuance of shares as consideration for the Contribution	May 11, 2017 (22th)		October 1, 2018: Issuance in favor of Delfin, as consideration for the Contribution, of 139,703,301 new shares of the Company with a par value of €0.18 each	
Increase in the share capital by issue of shares in consideration for securities contributed as part of a public exchange offer initiated by the Company	May 11, 2017 (23rd)	26 months (July 10, 2019)	Maximum amount: a total maximum par value amount of 20 million euros Used on December 3, 2018: a share capital increase of an aggregate par value amount of 11,939,318.64 euros by issuing 66,329,548 new ordinary shares with a par value of 0.18 euro each as consideration, the Luxottica shares tendered to the Exchange Offer	
BUYBACK BY THE COMPANY OF ITS OWN SHARES				
Purchase by the Company of its own shares	November 29, 2018 (4th)	18 months (May 28, 2020)	10% of the share capital at the date of purchase	None
REDUCTION IN THE SHARE CAPITAL BY CANCELLATION OF SHARES				
Cancellation of shares acquired by the Company under Article L. 225-209 of the French Commercial Code	November 29, 2018 (5th)	26 months (January 28, 2021)	10% of the share capital at the date of cancellation by 24-month periods	None

(1) For the record, under the employee share ownership policy, employees based abroad are also entitled to an international "Boost" offer; this program, launched in 2018, did not result in an increase in share capital as existing treasury shares were used to deliver shares to employees..

(1) Article L. 225-37-4 of the French Commercial Code.

2.2.4 Factors that may have an impact in the event of a public offering

In accordance with Article L. 225-37-5 of the French Commercial Code, the factors that may have an impact in the event of a public offering are presented below:

2.2.4.1 Structure of the Company's share capital

The structure of the Company's share capital is detailed in Chapter 5, Section 5.2.1 "Company's share capital at December 31, 2018"

Pursuant to the terms of the Combination Agreement, Delfin has agreed not to file a tender offer for shares of EssilorLuxottica for a period of ten (10) years as from the signature date of the Combination Agreement, provided that no third party (acting alone or in concert) comes to hold, directly or indirectly, more than twenty percent (20%) of the share capital or voting rights of EssilorLuxottica, or announces its intention to file a tender offer for all of the shares of EssilorLuxottica (the "**Standstill Undertaking**").

2.2.4.2 Statutory restrictions in the exercise of voting rights

- **Obligation to disclose threshold crossings**

  The Company's bylaws stipulate a disclosure requirement for any person who owns or ceases to own a fraction equal to 1% of the voting rights; this disclosure requirement is renewed each time an additional 2% threshold is crossed.

  If this disclosure requirement is not complied with, at the request of one or several shareholders owning at least 5% of the share capital, the shares exceeding the fraction that should have been declared shall be denied voting rights under the conditions stipulated by law. This mechanism is described in Chapter 5, Section 5.1.

- **Pursuant to the Combination Agreement, it has been established a 31% cap on voting rights (...), applicable to any shareholder based on a formula described in Article 23 of the Company's bylaws.**

  Consequently, no shareholder may exercise, either personally or through a proxy holder, voting rights of shares that they hold, directly or indirectly, representing more than 31% of the total number of voting rights of the Company, calculated as indicated above.

  Given the share capital structure as of December 31, 2018, this cap is applicable to Delfin (see Chapter 5, Section 5.2.1 of this Registration Document).

Reminder of the statutory calculation formula (Article 23 of the prevailing bylaws)

"When no more than one natural person or legal entity, acting alone or in concert with one or more natural persons or legal entities, directly or indirectly holds more than ten percent (10%) of the capital or voting rights of the Company on the Shareholder Record Date for the Shareholders' Meeting in question or exercises more than ten percent (10%) of the voting rights of the Company for themselves or as a proxy holder, the number of voting rights that any shareholder may exercise, either personally or through a proxy holder, in respect of the voting rights attached to the shares or to the divisions of share ownership (for the rights they are authorized to exercise depending on the case) that they hold, directly or indirectly, alone or in concert, cannot exceed the number resulting from the formula below:

31* (N-P-D)/100

where

- (N) the total number of voting rights of the Company existing on the Shareholder Record Date for the Shareholders' Meeting in question and reported to the shareholders on the date of the Shareholders' Meeting;
- (P) the total number of voting rights attached to the treasury shares within the limits of a maximum amount of treasury shares corresponding to 1% of the Company's share capital;
- (D) the total number of voting rights of the concerned shareholder neutralized by this statutory clause limiting voting rights for the fraction of voting rights attached to the shares that they hold and exceeding 34% of the Company's share capital.

When at least two natural persons or legal entities, each acting alone or in concert with one or more natural persons or legal entities, each hold more than ten percent (10%) of the share capital or voting rights of the Company on the Shareholder Record Date for the Shareholders' Meeting in question or each exercise more than ten percent (10%) of the voting rights of the Company for themselves or as proxy holders on the Shareholder Record Date for the Shareholders' Meeting in question, the above voting right limitation will apply with the exception of elements (P) and (D), which will not be deducted."

As at the date of this Registration Document, the Company has no knowledge of any agreement clauses that provide for preferential disposal or acquisition rights concerning at least 1% of the Company's share capital or voting rights.

2.2.4.3 Direct or indirect investment in the Company's share capital, to the Company's knowledge

The Company's shareholder structure is presented in detail in Chapter 5, Section 5.2.1 "Change in the Company's share capital at December 31, 2018 and change over the last three fiscal years".

The crossing of legal thresholds occurred in 2018, which are listed in the Chapter 5 section 5.3, are also reproduced below:

Crossing of legal thresholds in 2018

In connection with the Combination with Luxottica, Delfin, a company controlled by Mr. Leonardo Del Vecchio, disclosed that:

- On October 1, 2018, it exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 30% and one-third of the Company's share capital and voting rights and held 139,738,506 shares representing 38.94% of the share capital and voting rights. This threshold crossing resulted from Delfin's contribution of its entire stake in Luxottica Group S.p.A. to EssilorLuxottica in consideration for 139,703,301 newly issued EssilorLuxottica shares.

  It should be noted that Delfin's crossing of the threshold of 30% of the Company's share capital and voting rights was the subject of a decision to waive the obligation to file a proposed public offer, published in D&I 217C0806 posted on the AMF website on April 12, 2017.
- On December 5, 2018, it dropped below the thresholds of one-third of the Company's share capital and voting rights and held 139,738,506 shares representing 32.77% of the Company's share capital and voting rights. This downward threshold crossing was the result of an increase in the total number of shares and voting rights of EssilorLuxottica following the issue of new shares in consideration for Luxottica Group S.p.A. shares tendered into the mandatory exchange offer launched by EssilorLuxottica for the shares of Luxottica Group S.p.A.

  In accordance with Article L.233-7, Section VII and Article 223-17 of the AMF General Regulations, on October 8, 2018, Delfin made the disclosures about its intentions for the next six months as such set out in chapter 5, section 5.3.

During the fiscal year 2018, BlackRock Inc. disclosed that it had crossed the threshold of 5% of the Company's share capital both upwards and downwards:

Date of crossing	Upwards/downwards	% of the share capital	% of the voting rights
01/09/2018	Upwards	5.07	4.70
01/10/2018	Downwards	4.94	4.58
01/16/2018	Upwards	5.08	4.72
01/17/2018	Downwards	4.95	4.15
01/18/2018	Upwards	5.10	4.74
04/19/2018	Downwards	4.99	4.64
05/09/2018	Upwards	5.01	4.66
05/16/2018	Downwards	4.99	4.64
05/21/2018	Upwards	5.06	4.70
05/23/2018	Downwards	4.99	4.64
05/24/2018	Upwards	5.00	4.65
05/25/2018	Downwards	4.91	4.56

2.2.4.4 Rules applicable to the appointment and replacement of members of the Board of Directors or Management Board and to amendments to the Company's bylaws;

Pursuant to the Combination Agreement, the members of EssilorLuxottica's Board of Directors during the Initial Term (*i.e.* from October 1, 2018 until the Shareholders' Meeting that will meet in 2021 to approve the financial statements for the year ended December 31, 2020) are as follows:

i. Luxottica's current Executive Chairman, Leonardo Del Vecchio, is appointed as Executive Chairman *(Président-Directeur Général)* of EssilorLuxottica (the "**EssilorLuxottica Executive Chairman**");

ii. The Chairman and Chief Executive Officer of Essilor International (Compagnie Générale d'Optique) before October 1, 2018, Hubert Sagnières, is appointed as Executive Vice-Chairman *(Vice-Président-Directeur Général Délégué)* of EssilorLuxottica (the "**EssilorLuxottica Executive Vice-Chairman**");

iii. The Board of Directors of EssilorLuxottica is composed of **16 members**;

iv. **eight members nominated by Essilor,** comprising the EssilorLuxottica Executive Vice-Chairman, two employee representatives, one representative of Valoptec Association, four independent members from Essilor International (Compagnie Générale d'Optique)'s Board of Directors before October 1, 2018 (for more information on the independent qualification for the purpose of the Combination Agreement, please refer to the summary table on deviations from the recommendations of the AFEP-MEDEF Code); and

v. **eight members nominated by Delfin,** comprising the EssilorLuxottica Executive Chairman, three representatives of Delfin and four independent members appointed by Delfin after consultation with Essilor.

Following the Initial Term, (i) the members of the Board of Directors of EssilorLuxottica will be appointed for a term of office of three years; and (ii) any new member of the Board of Directors of EssilorLuxottica will be proposed for election at EssilorLuxottica's Shareholders' Meeting by the Board of Directors of EssilorLuxottica on the recommendation of the EssilorLuxottica Nominations and Compensation Committee or any EssilorLuxottica shareholder in accordance with applicable law, without any regard to the provenance of the nominees from Luxottica or Essilor.

Please refer to Section 2.1.1.2 "Changes in the composition of the Company's Board of Directors as at the Contribution completion date" of this 2018 Registration Document for a description of the expected composition of the EssilorLuxottica Board of Directors effective as from the Contribution Completion Date.

2.2.4.5 Powers of the Board of Directors

The Company's current authorization to buy back its own shares excludes any buyback during a public offering on the Company's shares. In addition, the delegations set out above in Section 2.2.3, granted to the Board of Directors, stipulate that they may not be used during public offerings.

2.2.4.6 Control mechanisms provided for by any staff shareholding system, when control rights are not exercised by the latter

Internal shareholders and partners own 4.4% of the share capital and 4.5% of the voting rights. They may exercise voting rights individually, with the possibility of delegating this power to representatives of the seven-year mutual fund (FCPE); they may also give power to the Chairman of Valoptec Association who will issue a vote in accordance with the vote by the Shareholders' Meeting of Valoptec Association held prior to the Shareholders' Meeting of the Company.

2.2.4.7 Significant agreements that may be amended or ended if the Company has a change in control

- the joint venture contract with Nikon Corporation includes a clause allowing Nikon Corporation, under certain conditions, to purchase the Company's 50% stake in the Nikon-Essilor joint venture or to request the liquidation of the joint venture in the event of a change in the Company's control;
- certain licensing agreements for the production and distribution of eyewear products include clauses allowing the relevant licensor, under certain conditions, to terminate the respective agreement in the event of a direct or indirect change of Luxottica's control;
- financing agreements entered into by the Company (or some of its subsidiaries) include acceleration clauses in the event of a change in the Company's control.

To the Company's knowledge, there is no other significant agreement which may, if implemented at a future date, lead to a change in control.

Please refer to the prospectus that received AMF approval No. 18-460 on September 28, 2018, the additional note to the aforementioned prospectus that received AMF approval No. 18-494 on October 23, 2018, and the press releases issued by EssilorLuxottica on December 5 and 10, 2018.

2.3 Compensation and benefits

2.3.1 Board of Directors compensation policy

Directors' fees

The Combined Shareholders' Meeting of November 29, 2018, voted to award Directors' fees of €2 million. At its meeting of November 29, 2018, the Board of Directors decided to allocate this sum as shown in the table below, giving priority to the variable component in accordance with the AFEP-MEDEF Code recommendations:

Directors' fees	Annual Fixed component	Annual Variable component based on attendance
All Board members	€40,000	€60,000
Chairman of the Audit and Risk Committee	€20,000	€15,000
Member of the Audit and Risk Committee	€10,000	€15,000
Chairman of the Nomination and Compensation Committee	€15,000	€15,000
Member of the Nomination and Compensation Committee	€5,000	€15,000
Chairman of the CSR Committee	€15,000	€10,000
Member of the CSR Committee	€5,000	€10,000
Chairman of the Strategy Committee	€15,000	€10,000
Member of the Strategy Committee	€5,000	€10,000
Guest of the Strategy Committee	No fees	€5,000

2.3.2 Report on the compensation policy for Executive Corporate Officers

This report describes the principles and criteria for the determination, distribution and award of fixed, variable and exceptional components comprising the total compensation and benefits of any kind attributable, owing to the nature of their office, to the Executive Corporate Officers of EssilorLuxottica, currently the Executive Chairman and the Executive Vice-Chairman. These principles and criteria for the determination, distribution and award of compensation and benefits will be submitted to shareholders for approval at the Shareholders' Meeting on May 16, 2019, pursuant to Article L. 225-37-2 of the French Commercial Code.

Without predicting the development of the governance of EssilorLuxottica, these principles and criteria will apply, where appropriate, to any successor to the Executive Chairman and Executive Vice-Chairman, until the next Shareholders' Meeting called to approve the compensation policy for Executive Corporate Officers. Similarly, these principles and criteria will apply, where appropriate, to any additional Executive Corporate Officers appointed during fiscal year 2019, until the next Shareholders' Meeting called to approve the compensation policy for Executive Corporate Officers. In addition, in the event that EssilorLuxottica has to appoint a Non-executive Corporate Officer, it will strictly comply with the recommendations set out in the AFEP-MEDEF Code.

It is specified that the payment of the variable remuneration components and exceptional components, if any, for fiscal year 2019 is subject to approval by the Shareholders' Meeting which will be called to approve the financial statements for fiscal year 2019.

When drafting the compensation policy for the Executive Corporate Officers, the Nomination and Compensation Committee considered any changes to be made to the policy in the spirit of ongoing improvement. The Committee relied in particular on the AFEP-MEDEF Code, the report of the High Committee for Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*), the AMF report on corporate

governance and executive compensation at listed companies, the expectations expressed by all stakeholders, the approval rates for resolutions on the Company's Executive Corporate Officers' compensation compared with those of other companies, and analysis of the market practices of comparable European and international companies. Accordingly, while this policy, like previous versions, is designed to encourage the creation of lasting value, the following changes have been made:

- publication of the composition of the panels used to benchmark market practices and the compensation levels of those panels;
- change in the structure of the annual variable component with a return to a predominant weighting of financial indicators in the annual variable component structure, and non-financial/CSR criteria incorporated into specific objectives;
- explanation of the long-term incentive philosophy and reduction in the annual cap on performance shares that can be awarded to Executive Corporate Officers;
- details of the performance conditions for the severance payment.

2.3.2.1 General principles

The compensation of Executive Corporate Officers is set by the Board of Directors on the recommendation of the Nomination and Compensation Committee, on the basis of the following key principles:

- compensation must be aligned with shareholder interests and foster the creation of long-term shareholder value;
- compensation must be considered as a whole: all components (cash compensation, long-term compensation, social benefits and supplementary pension) and the balance of those components must be taken into account;
- compensation must be competitive with regard to the practices of comparable European and international companies in similar markets;
- compensation must be consistent with that of the other senior executives and employees of EssilorLuxottica;
- the variable compensation must support the strategy of EssilorLuxottica and must be closely linked to its performance;
- compensation must reflect the culture and values of EssilorLuxottica;
- compensation must be governed by simple, clear, transparent rules.

2.3.2.2 Use of external consultants and market practices benchmark

The Nomination and Compensation Committee uses independent specialist firms to measure the competitiveness of the compensation for Executive Corporate Officers.

Compensation surveys cover European and international multinationals comparable to EssilorLuxottica in terms of revenue, number of employees, market capitalization, business sector, degree of internationalization, and performance profile.

These surveys provide the Nomination and Compensation Committee with external insight into the competitive positioning of the compensation paid to the Executive Corporate Officers and market trends. They are one of the elements used to determine the compensation of Executive Corporate Officers.

The composition and characteristics of the panels used in 2018 are described below:

WTW panel **21 companies: 14 European and 7 American**	**Mercer Panel** **16 companies: 12 European and 4 American**
Adidas	
Associated British Foods	
Astrazeneca	
Colgate Palmolive	**Colgate Palmolive**
	Continental
Costco	
Danone	**Danone**
Diageo	
Estée Lauder	**Estée Lauder**
Fresenius	
General Mills	
	GSK
Heineken	
Henkel	**Henkel**
Kering	**Kering**
	Kimberly Clark
L'Oréal	**L'Oréal**
	LVMH
Merck	
Mondelez International	
	Nike
Novo Nordisk	
Pernod Ricard	
	Philips
	Reckitt Benckiser
	Richemont
Sanofi	
Starbucks	
	Swatch Group
The Kraft Heinz Company	
	Unilever

Median	**WTW panel**	**Mercer panel**	**EssilorLuxottica**
Revenue (a)	€20 billion	€20 billion	€16.6 billion*
Market cap. (b)	€49.2 billion	€49.1 billion	€48.7 billion*
Ratio (b)/(a)	2.5	2.4	2.9
Number of employees	55,000	63,000	152,000*

* Data as at December 31, 2017, proforma combined revenue.

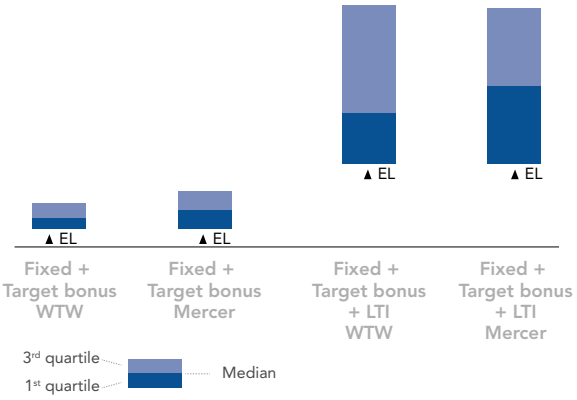
Each panel is mainly composed of European companies. Given the predominant weighting of the United States in the EssilorLuxottica Group's activities (around 50% of revenue and 35% of the number of employees), US companies were also included in the panels.

Six companies feature in both comparison panels.

The two comparison panels established for 2018 are likely to evolve in the future, notably to take into account key events likely to affect any of the companies in the panel or to include other companies with a comparable profile to EssilorLuxottica.

The compensation levels in the lower quartile and the median of each panel are shown below:

	Cash compensation		Total compensation	
	Lower quartile	**Median**	**Lower quartile**	**Median**
WTW Panel	€2,625,000	€2,985,000	€4,825,000	€6,505,000
Mercer Panel	€2,662,100	€3,285,000	€4,837,500	€7,415,100
EssilorLuxottica	€2,300,000		€4,582,500	



The Board of Directors, on the recommendation of the Nomination and Compensation Committee, approved a target total compensation (fixed compensation + target annual variable component + performance shares valued under IFRS) around the lower quartile of the two comparison panels. This positioning is not prescriptive and is therefore likely to be reviewed.

2.3.2.3 Executive Corporate Officers

a) Sign-on premium for an Executive Corporate Officer (recruited externally)

A sign-on premium may be granted, in accordance with the principles established for these purposes by the AFEP-MEDEF Code to an Executive Corporate Officer recruited externally to compensate for the loss of benefits for which he/she was eligible in his/her previous position.

b) Determination, structure and distribution of annual compensation (fixed and variable)

Annual compensation consists of fixed compensation, an annual variable component and a long-term incentive in the form of performance shares.

The compensation structure for Executive Corporate Officers must reward performance, predominantly with long-term compensation in the form of performance shares.

The total compensation is made up as follows:

- fixed compensation: around 25% of total compensation;
- annual variable component: around 25% of total compensation;
- long-term compensation in the form of performance shares: around 50% of total compensation.

Therefore, almost 75% of the compensation of Executive Corporate Officers is performance-related.

This compensation structure and the performance criteria adopted by the Board of Directors must contribute to the achievement, year after year, of a high level of performance by the Company and the creation of lasting value that benefits shareholders and, to a greater extent, all stakeholders.

On October 1, 2018, in light of the governance of EssilorLuxottica with an Executive Chairman and an Executive Vice-Chairman with equal powers, the Board of Directors approved the principle of strictly identical compensation for the Executive Chairman and the Executive Vice-Chairman, on the recommendation of the Nomination and Compensation Committee.

Executive Corporate Officers are eligible for Directors' fees for their term of office as Director.

c) Fixed compensation

Fixed compensation must help attract talented individuals from within EssilorLuxottica, or from outside the Group if necessary, to the most senior management positions. It must also be sufficient to engage their commitment and loyalty to a long-term project.

It reflects the level of responsibility of the incumbent and must be consistent with market practices.

The matter of changes to fixed compensation is reviewed annually. The criteria taken into account when deciding on an increase are changes in the scope and level of responsibility, the incumbent's performance and development in the role, the positioning relative to the market for equivalent positions in multinational companies of comparable size, and the economic and social environment in the EssilorLuxottica Group's main countries.

On March 18, 2019, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, decided to maintain the annual fixed compensation of the Executive Chairman and the Executive Vice-Chairman at €1,150,000.

d) Annual performance compensation (annual variable component)

The annual variable component rewards the achievement of the year's strategic financial and extra-financial targets.

The variable component is equal to 100% of the fixed compensation if targets are achieved in full. It may reach 200% (absolute cap) of the fixed compensation if the targets are very significantly exceeded.

Through its compensation philosophy, EssilorLuxottica wants to encourage incumbents to exceed targets and strive for outperformance, while limiting excessive risk-taking and focusing on sustainable performance.

The structure of the variable component and the nature of the targets are established at the start of each fiscal year, or in some exceptional cases during the year, for example if an Executive Corporate Officer is recruited during the year. The achievement of said targets is assessed at the start of the following fiscal year after the Audit and Risk Committee has approved the results.

The variable component must be based predominantly on quantifiable indicators, selected from those that allow the best possible implementation of the EssilorLuxottica strategy. The weighting of each indicator is reviewed annually according to the fiscal year's priorities.

For fiscal year 2019, 80% of the target variable component for Executive Corporate Officers is composed of financial objectives and 20% of specific objectives.

Financial targets regain a predominant weighting in the performance-based variable structure compared to the performance-based variables set for 2017 and 2018. With regard to specific targets, given the exceptional nature of fiscal 2017 and 2018, which were characterized by the announcement of the combination of Essilor and Luxottica, these accounted for 50% of the performance-based variable in fiscal years 2017 and 2018.

	Executive Chairman and Executive Vice-Chairman
FINANCIAL OBJECTIVES	**80%**
• Restated net EPS*	50%
• Growth*	30%
SPECIFIC OBJECTIVES	**20%**

* Mainly due to the currency effect.

Financial objectives

A target level (corresponding to 100% achievement of the target) is set for each objective. The target level is set such that it represents an ambitious yet achievable goal. A minimum and maximum level is set based on that target level. The minimum level is the threshold that triggers achievement of the target: below this minimum level, no variable compensation is paid. The maximum level corresponds to the cap on the target achievement rate.

The level of achievement required for these targets is designed to be precise, strict and challenging, and for confidentiality reasons cannot be disclosed publicly.

To assess the achievement of financial targets, indicators are calculated by neutralizing factors outside the Executive Corporate Officer's control (such as exchange rate fluctuations)

e) Long-term compensation plan

The long-term compensation plans are designed to encourage the creation of lasting value for shareholders and to align the interests of the Executive Corporate Officers with those of shareholders.

EssilorLuxottica's long-term compensation plans have primarily taken the form of performance share awards pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code and the authorizations approved by the Shareholders' Meeting.

Performance share awards are a key component of EssilorLuxottica's compensation policy and are part of the strong culture of employee shareholding that the Group wishes to pursue.

Terms for performance share awards

Performance shares awarded to Executive Corporate Officers must comply with the following ceilings:

- valued in accordance with IFRS applied when preparing the consolidated financial statements, an award may not represent an amount greater than 75% of target total compensation (corresponding to the sum of annual fixed compensation, target annual variable component for the fiscal year and the long-term incentive valued in accordance with IFRS);
- in accordance with the commitment made at the Shareholders' Meeting of November 29, 2018, the Board of Directors decided to reduce the maximum annual award for each Executive Corporate Officer. Therefore, an Executive Corporate Officer may not receive an award exceeding 3.5% (compared with 7% previously) of the total awards (stock options + performance shares) granted each year.

These awards are made during the same calendar periods. In exceptional circumstances, the Board of Directors may, on the recommendation of the Nomination and Compensation Committee, revise the award schedule. In this case, these changes are made public after the Board Meeting that approved them and will be disclosed in the Registration Document, in the summary table of the AFEP-MEDEF recommendations not applied.

Vesting conditions for performance shares

The vesting of performance shares is wholly subject to the achievement of performance conditions measured over a period of at least three years and an employment condition:

- The performance criteria selected are designed to ensure the creation of lasting value for shareholders and align the interests of all grantees (employees and Executive Corporate Officers) with those of the shareholders on the basis of the following principles:
  - **Correlation between the gains for shareholders and grantees:** the vesting of the shares is directly linked to the growth in share price. If the growth in share price is insufficient, the grantees will receive no shares. As EssilorLuxottica has a long-term growth strategy and a strong culture of employee shareholding, this criterion has been considered the most relevant and best for sharing value creation.
  - **Sustainable performance:** performance is measured over a period of three to six years. The number of shares received by grantees thus reflects the gains that would have been made over a medium-term period by a shareholder who invested at the award date. By extending the performance measurement period beyond three years if necessary, the scheme takes into account stock market volatility, seeks to promote sustainable performance by avoiding excessive and "short-term" risk-taking, and limits the dilution for the shareholder (compared to the dilution of stock options).
  - **Transparency and simplicity:** performance can be measured in real time (by calculating the annualized growth in share price between two periods).
  - **Additional requirements for Executive Corporate Officers:** additional performance conditions are imposed on Executive Corporate Officers. These are linked to the rate of achievement of the annual variable component of executives during the performance measurement period. Sustainable performance comes from achieving annual objectives year after year. If the average rate of achievement of annual objectives during the performance measurement period is less than 100%, a discount is applied to the number of shares received by the Executive Corporate Officers.
- A condition of employment for a minimum of three years is also stipulated to ensure grantees' long-term commitment to serve EssilorLuxottica. In cases of retirement, disability or death, this employment condition is lifted.

Other obligations

To strengthen alignment with shareholders' interests, the Executive Corporate Officers are required to keep one-third of the performance shares vested throughout their term of office. This requirement to hold shares no longer applies when they hold a number of EssilorLuxottica shares representing an amount equivalent to two years' target cash compensation (fixed + target annual variable component). The target cash compensation used is that for the year during which an Executive Corporate Officer intends to sell performance shares.

In accordance with the AFEP-MEDEF Code, the Executive Corporate Officers have pledged not to use any hedging strategies, until the expiration of their term of office, to manage the risk related to the shares awarded under long-term incentive plans.

Pursuant to the Directors' Charter, the Executive Corporate Officers are required, *inter alia*, to refrain from trading in EssilorLuxottica securities during:

- the period prior to the publication of any inside information of which they are aware;
- the 30 calendar days preceding the publication of the annual consolidated financial statements, semi-annual consolidated financial statements and, where applicable, quarterly consolidated financial statements, and the 15 calendar days preceding the publication of quarterly financial information. The Executive Corporate Officers are permitted to trade in EssilorLuxottica securities only from the day after the publication of the information concerned, provided they do not use any inside information. The Executive Corporate Officers are given the dates of blackout periods at the start of each year.

f) Exceptional compensation

Based on the recommendation of the Nomination and Compensation Committee, the Board of Directors may decide to award Executive Corporate Officers exceptional compensation under exceptional circumstances that must be disclosed in detail and justified. The payment of such compensation can only be made subject to the approval of shareholders pursuant to Article L. 225-37-2 of the French Commercial Code.

This exceptional compensation may not exceed 100% of the fixed compensation of the Executive Corporate Officer.

g) Supplementary pension

The supplementary pension plan is designed to reward the loyalty of executives who have spent a significant portion of their careers with the EssilorLuxottica Group by entitling them to a retirement pension in line with market practices.

The supplementary pension plan is built around the following principles:

- a minimum length of service condition of ten years with the EssilorLuxottica Group must be met in order to benefit from the plan;
- the pension benefit is proportional to the length of service with the EssilorLuxottica Group;
- the reference compensation on which the calculation of the final pension is based is calculated according to the gross compensation (fixed + annual variable component) paid over the last three years;
- the potential annual entitlement is below the statutory maximum of 3% and is subject to performance conditions;
- the final pension benefit is capped.

EssilorLuxottica reserves the right to adjust the supplementary pension plan to take account of legislative developments and market practices.

h) Death/disability and health insurance plans and defined contribution pension plan

The Executive Corporate Officers are eligible for the same death/disability, health insurance and defined contribution pension plans in force within EssilorLuxottica Group as managers and executives.

The defined contribution pension plan is based on a flat employer-contribution rate, currently set at 1% of gross compensation paid.

i) Benefits in kind

Executive Corporate Officers are eligible for:

- a company car, in accordance with the internal rules of EssilorLuxottica;
- unemployment insurance.

j) Suspension of the employment contract

Developing an effective long-term strategy means not only having a thorough knowledge of the market, customers, competitors and technologies, but also of the culture of EssilorLuxottica. For that reason, EssilorLuxottica prioritizes internal talent development as much as possible.

When an employee with at least ten years' service with the EssilorLuxottica Group is promoted to an Executive Corporate Officer position, the EssilorLuxottica Group's policy provides for the possibility of suspending his or her employment contract. This avoids an employee's potential resignation or the initiation of a mutually agreed termination procedure for an employee who has been successful with the EssilorLuxottica Group.

k) Severance payment for Executive Corporate Officers

EssilorLuxottica's policy is to adhere strictly to the law and the recommendations of the AFEP-MEDEF Code. Thus, in the case of an Executive Corporate Officer eligible for a severance payment:

- this payment must be capped at two years' cash compensation (corresponding to the average of annual fixed and variable compensation received in the last three years prior to departure);
- this may only be paid in the event of a forced departure and is fully subject to the achievement of performance conditions.

In the event that the Board of Directors decides to include a non-compete clause in the employment contract of an Executive Corporate Officer, the combined amount of the resulting non-compete payment and severance payment, if any, may not exceed the limit of two years' cash compensation stipulated above in accordance with the AFEP-MEDEF Code.

In the specific case of an Executive Corporate Officer with a suspended employment contract that includes a severance payment, it will comprise:

- a severance payment required under law or related to the collective bargaining agreement (not subject to performance conditions); and
- a supra-legal severance payment that is wholly subject to performance conditions.

In any event, the total of both payments may not exceed two years of the aforementioned planned cash compensation, in accordance with the AFEP-MEDEF Code.

This employment contract severance payment may only be made within one year of the termination of the corporate office, at EssilorLuxottica's initiative. In the event of gross negligence or serious misconduct, no payment shall be due.

Performance is measured using the average rate of target achievement for the annual variable component of Executive Corporate Officers over the three years prior to their departure. These annual targets are set by the Board of Directors for Executive Corporate Officers in respect of their role as Corporate Executive Directors, and are used to calculate their annual variable component. For an average performance rate of at least 50%, the termination benefit is calculated on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the termination benefit will be paid). If the average performance rate is less than 50%, no termination benefit will be paid.

2.3.3 2018 compensation of Executive Corporate Officers

2.3.3.1 Situation of Executive Corporate Officers

SUMMARY OF EXECUTIVE CORPORATE OFFICES IN 2018	ESSILOR JANUARY 1 - OCTOBER 1, 2018	ESSILORLUXOTTICA AS FROM OCTOBER 1, 2018*
Leonardo DEL VECCHIO	--	Executive Chairman
Hubert SAGNIÈRES	Chairman and Chief Executive Officer	Executive Vice-Chairman
Laurent VACHEROT	President and Chief Operating Officer	--

* Leonardo Del Vecchio and Hubert Sagnières were appointed as from October 1, 2018 for a term that wil expire at the end of the Shareholders' Meeting convened to approve the financial statements for fiscal year 2020.

From January 1 to October 1, 2018, Hubert Sagnières served as Chairman and Chief Executive Officer of Essilor and Laurent Vacherot as President and Chief Operating Officer of Essilor.

On the date of Essilor and Luxottica's combination (October 1, 2018), Leonardo Del Vecchio was appointed Executive Chairman of EssilorLuxottica and Hubert Sagnières was appointed Executive Vice-Chairman of EssilorLuxottica with powers equal to those of the Executive Chairman (refer to section 2.1.1. Composition of the Board of Directors).

In addition, Leonardo Del Vecchio remains in his role as Executive Chairman of Luxottica and Hubert Sagnières continues as Chairman of Essilor International (SAS).

Laurent Vacherot's term of office as President and Chief Operating Officer expired on October 1, 2018, concurrently with his term as a Director.

Reminder of the situation of Executive Corporate Officers at the completion date of the combination with Luxottica

Hubert Sagnières was an employee of the Group for 21 years before being appointed Chief Executive Officer of Essilor on January 1, 2010. He was appointed Chairman and Chief Executive Officer of Essilor on January 2, 2012.

His employment contract was suspended on January 1, 2010, when he became Chief Executive Officer of Essilor, in accordance with the Group's policy (see Section 2.4). Note that the hive-down of Essilor's businesses led to the automatic transfer of Hubert Sagnières' suspended employment contract to the Essilor International subsidiary, effective on November 1, 2017.

Laurent Vacherot, Chief Operating Officer of Essilor since 2010, was appointed to the role of President and Chief Operating Officer of Essilor on December 6, 2016, after being an employee in the Group for 25 years. Laurent Vacherot served as President and Chief Operating Officer of Essilor until October 1, 2018.

His employment contract was suspended on December 6, 2016, when he became President and Chief Operating Officer of Essilor, in accordance with the Group's policy (see Section 2.4). Note that the hive-down of Essilor's businesses led to the automatic transfer of Laurent Vacherot's suspended employment contract to the Essilor International subsidiary, effective on November 1, 2017.

2.3.3.2 2018 Compensation structure

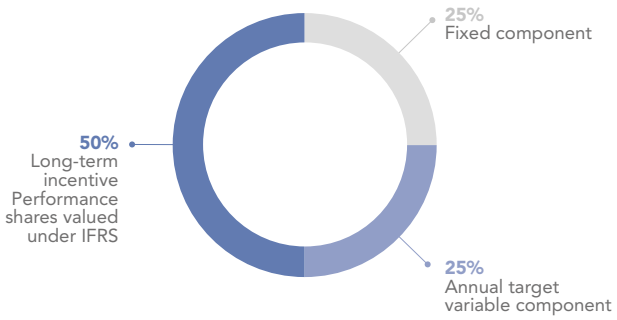
By way of illustration, the graphs below show the structure of the 2018 compensation of the Executive Chairman and the Executive Vice-Chairman (based on a full year).

The first graph is based on the target annual variable compensation and the second on maximum annual variable compensation.

Nearly 75% of overall compensation is directly contingent on performance, with a preponderant portion in long-term incentives.

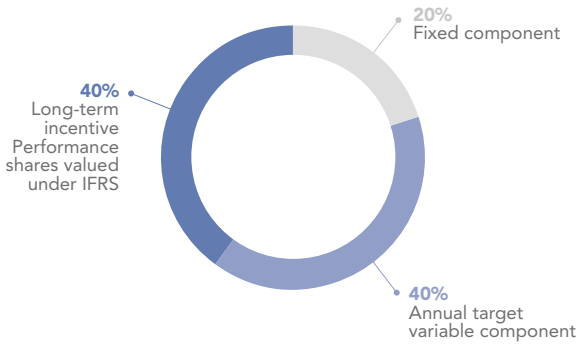
Structure of 2018 compensation of Leonardo Del Vecchio, Executive Chairman, and Hubert Sagnières, Executive Vice-Chairman

Target compensation



75% performance-related

Maximum compensation



80% performance-related

2.3.3.3 Summary of 2018 compensation

	Leonardo Del Vecchio Executive Chairman As from October 1, 2018	Hubert Sagnières Executive Vice-Chairman As from October 1, 2018 Chairman and Chief Executive Officer Until October 1, 2018			Change	Change	Laurent Vacherot President and Chief Operating Officer Until October 1, 2018	
	2018 [a]	**2016**	**2017**	**2018 [c]**	**2017/2016**	**2018/2017**	**2017**	**2018 [d]**
ANNUAL CASH COMPENSATION								
Fixed	€287,500	€800,000	€800,000	€887,500	+0.0%	+10.9%	€650,000	€487,500
Target variable component	€287,500	€800,000	€800,000	€887,500			€650,000	€487,500
Target cash compensation	**€575,000**	**€1,600,000**	**€1,600,000**	**€1,775,000**	**+0.0%**	**+10.9%**	**€1,300,000**	**€975,000**
Variable component due	€215,625 [b]	€960,000	€1,214,400	€1,184,625 [b][c]			€988,650	€741,000 [b][d]
% achievement against target	75%	120%	152%	133%			152%	152%
Maximum % (for reference)	200%	200%	200%	200%			200%	200%
Cash compensation due	**€503,125**	**€1,760,000**	**€2,014,400**	**€2,072,125**	**+14.5%**	**+2.9%**	**€1,638,650**	**€1,228,500**
LONG-TERM INCENTIVE PLAN								
Performance shares awarded *(number)*	**50,000**	**35,000**	**50,000**	**50,000**			**32.045 [f]**	**35.000 [e]**
As a % of total number of shares awarded [f]	2.8%	2.2%	2.9%	2.8%			1.9%	2.0%
As a % of share capital at December 31 for the year	0.012%	0.016%	0.023%	0.012%			0.015%	0.008%
IFRS valuation of performance shares	€2,282,500	€2,202,900	€2,703,000	€2,282,500			€1,615,388	€1,597,750
OTHER COMPENSATION								
Directors' fees	€25,000	€0	€0	€33,000			€0	€0
EMPLOYEE BENEFITS								
Benefits in kind	€0	€7,514	€7,633	€7,731			€7,324	€5,935
Type		Unemployment insurance	Unemployment insurance	Unemployment insurance			Company car	Company car
Employer contributions to group plans (health insurance, death/disability insurance, defined contribution pension plan)	€2,455	€17,042	€15,166	€16,958			€19,155	€19,599
DEFERRED BENEFIT OBLIGATIONS								
Supplementary defined benefit "loyalty-based" pension plan	Yes	Yes	Yes	Yes			Yes	Yes
Severance payment	In accordance with the corporate office	In accordance with the suspended employment contract	In accordance with the suspended employment contract	In accordance with the suspended employment contract			In accordance with the suspended employment contract	In accordance with the suspended employment contract

(a) Leonardo Del Vecchio was appointed as Executive Chairman of EssilorLuxottica on October 1, 2018 with fixed annual gross compensation of €1,150,000 and target variable annual gross compensation of €1,150,000.
The amounts shown in the table above for fiscal year 2018 correspond to compensation due pro rata for the period of executive corporate office, *i.e.* from October 1 until December 31, 2018.
(b) Variable component due for fiscal year 2018 subject to approval by the Shareholders' Meeting.
(c) Hubert Sagnières was Chairman and Chief Executive Officer of Essilor from January 1 until October 1, 2018, with fixed annual gross compensation of €800,000 and target variable annual gross compensation of €800,000. He was appointed as Executive Vice-Chairman of EssilorLuxottica on October 1, 2018 with fixed annual gross compensation of €1,150,000 and target variable annual gross compensation of €1,150,000.
The amounts carried over for fiscal year 2018 in the table above correspond to the pro rata compensation due in respect of the two executive corporate offices held (Chairman and CEO of Essilor and Executive Vice-Chairman of EssilorLuxottica). Variable component due for the period of Chairman and CEO of Essilor amounts to €900,000, *i.e.*: 150% of achievement against target and variable component due for the period of Executive Vice-Chairman of EssilorLuxottica amounts to €284,625, *i.e.*: 99% of achievement against target.
(d) Laurent Vacherot was President and Chief Operating Officer of Essilor from January 1 until October 1, 2018, with fixed annual gross compensation of €650,000 and target variable annual gross compensation of €650,000.
The amounts shown in the table above for fiscal year 2018 correspond to prorated compensation due for the period of the corporate office of President and Chief Operating Officer of Essilor, *i.e.*, from January 1 to October 1, 2018.
For the period from October 1 to December 31, 2018 compensation due to in accordance with the employment contract of Laurent Vacherot amounts to €411,497 of which:
- fixed compensation: €162,500
- variable compensation: €247,000
- benefits in kind (car): €1,997

(e) The award of performance shares during fiscal year 2018 took place after the expiration of Laurent Vacherot's term of office as President and Chief Operating Officer.
(f) As a % of the total number of shares awarded, including the collective award of performance shares.
(g) Leonardo Del Vecchio will not begin to accrue entitlements until after January 1, 2019. Those entitlements are subject to performance conditions. Conditional accrued entitlements will be strictly proportional to the rates of achievement of the annual variable compensation up to a limit of 100% and may equal no more than 1.25% of his reference base compensation per year.

Notes on the compensation of Leonardo Del Vecchio and Hubert Sagnières

Hubert Sagnières' fixed compensation and target annual variable component remained unchanged between 2012 to october 1, 2018.

On October 1, 2018, in the light of the governance of EssilorLuxottica with an Executive Chairman and an Executive Vice-Chairman with equal powers, the Board of Directors of EssilorLuxottica approved the principle of strictly identical compensation for the Executive Chairman and the Executive Vice-Chairman, on the recommendation of the Nomination and Compensation Committee.

Leonardo Del Vecchio and Hubert Sagnières received Directors' fees in respect of their role as Directors of EssilorLuxottica, from October 1 to December 31, 2018.

Note on Laurent Vacherot's compensation

Laurent Vacherot's fixed compensation and target annual variable component have remained unchanged since 2016 until October 1, 2018.

2.3.3.4 2018 compensation appendices

Four explanatory appendices are provided in addition to this summary table on 2018 compensations. These pertain to:

1. the 2018 variable component;
2. the 2018 performance share plan;
3. the supplementary defined benefit pension plan;
4. corporate office or employment contract-related severance payment.

Appendix 1: 2018 variable component

Prior to the effective completion of the combination with Luxottica

Hubert Sagnières

As Chairman and Chief Executive Officer of Essilor from January 1 to October 1, 2018.

Hubert Sagnières pro-rated target bonus came in at €600,000.

Weighting	Description	% achievement *from 0 to 200% of the target*	Weighted % achievement	Achievement in €
W		**A**	**W x A**	**W x A x target** *in €*
50%	**Financial objectives Essilor**	**140%**	**70%**	**€420,000**
25%	Essilor organic growth	200%	50%	€300,000
25%	Essilor adjusted EPS*	80%	20%	€120,000
50%	**Specific objectives Essilor**	**160%**	**80%**	**€480,000**
100%			**150%**	**€900,000**

* Adjusted from the exchange rate impact.

Laurent Vacherot

As President and Chief Operating Officer of Essilor from January 1 to October 1, 2018.

Laurent Vacherot's pro-rated target bonus came in at €487,500.

Weighting	Description	% achievement *from 0 to 200% of the target*	Weighted % achievement	Achievement in €
W		**A**	**W x A**	**W x A x target** *in €*
60%	**Financial objectives Essilor**	**225%**	**84%**	**€409,500**
30%	Essilor organic growth	200%	60%	€292,500
30%	Essilor adjusted EPS*	80%	24%	€117,000
40%	**Specific objectives Essilor**	**170%**	**68%**	**€331,500**
100%			**152%**	**€741,000**

* Adjusted from the exchange rate impact.

For the period from from January 1 to October 1, 2018, the specific quantitative and qualitative objectives, which account for respectively 50% of the annual targets for Hubert Sagnières and 40% of the annual targets for Laurent Vacherot, concerned

Specific objective	2018 results
Finalize the combination project with Luxottica with a view to optimizing future development of the combined group	Planned combination authorized by the antitrust authorities, including the European Commission, the Federal Trade Commission (United States) and SAMR (China); Delfin, Luxottica's majority shareholder, contributed its 62.42% interest in Luxottica to Essilor on October 1, 2018.
Ensure the continuity of Essilor's culture (Mission, Principles & Values, Employee Shareholding)	**Raising awareness about the importance of good eyesight** Partnership formed with the Australian government to roll out the Eye Mitra program in Bangladesh, with the Queen Elizabeth Diamond Jubilee Trust in order to meet the Commonwealth's visual care needs, and with the Royal Government of Bhutan "Road Safety Starts with Good Vision" campaign launched in partnership with the Fédération International de l'Automobile (FIA) "Put Vision First™" campaign rolled out in 55 countries on World Sight Day **Inclusive business models** At end-2018, the Group had created 8,963 vision care providers (achieving over 35% of its target for 2020) and 2,385 "Vision Ambassadors" in nine countries 2.5NVG products now distributed in over 50 countries. 8 million people were wearing 2.5NVG eyewear in 2018 (3.3 million in 2017) **Strategic charitable initiatives** Vision For Life™ fund injected with €49 million (2020 target = €30 million) to support the charitable initiatives of Essilor's foundations in the United States, China, India and Australia At end-2018, the Group had achieved more than 46% of its 2020 target, with over 23 million people having received a pair of glasses since 2013 **Employee shareholding** Boost 2018 international offering rolled out in 43 countries: at end-2018, over 46,000 employees had subscribed, i.e., 68% of Essilor International's workforce (2020 target = 35%) External recognition: GEO and FAS Grand Prix for efficient employee shareholding plans **Commitment** Community of 21 "Engagement Champions" created. 280 meetings organized with 8,000 employees Essilor's Principles and Values presented to nearly 45,000 Group employees
Continue building Essilor's long-term growth drivers (including Online, China, Bolon & MJS)	Organic growth: Online business up 15%, Sun & Readers division up 8.1%, above 10% in Greater China

Specific objective	2018 results
Continue strengthening compliance and internal control to support the growth	20% increase in audits carried out in 2018 vs 2017, thanks to expansion of teams Department scope extended, with an increase in the number of correspondents (20 in 2018 versus 15 in 2017) IT tool deployed for real-time monitoring of action plan progress Quarterly meetings chaired by Laurent Vacherot set up to monitor internal control and compliance across the Group Two new audit procedures introduced in the area of compliance (anti-corruption, OFAC) and sustainable development (non-financial reporting and human rights protection) Project rolled out to ensure continuous improvement in personal data protection (GDPR) across the Group

After the effective completion of the combination with Luxottica

NB: Since the combination between Essilor and Luxottica took effect relatively late in 2018 (at the start of the fourth quarter), the Board of Directors of EssilorLuxottica considered it neither relevant nor possible to set combined Essilor and Luxottica targets.

Consequently, the Board of Directors of EssilorLuxottica decided, on the recommendation of the Nomination and Compensation Committee, that the financial criteria included in the variable compensation of each Executive Corporate Officer for the period from October 1 to December 31, 2018 would be calculated separately and independently on the basis of the targets set at the beginning of the year for Essilor, on the one hand, and Luxottica, on the other.

Leonardo Del Vecchio

As Executive Chairman of EssilorLuxottica from October 1 to December 31, 2018.

Leonardo Del Vecchio's pro-rated target bonus came in at €287,500.

Weighting	Description	% achievement *from 0 to 200% of the target*	Weighted % achievement	Achievement in €
W		**A**	**W x A**	**W x A x target** *in €*
50%	**Financial objectives Luxottica**	**75%**	**40%**	**€115,000**
20%	Luxottica growth	50%	10%	€28,750
30%	Luxottica restated EPS*	100%	30%	€86,250
50%	**Specific objectives EssilorLuxottica**	**70%**	**35%**	**€100,625**
100%			**75%**	**€215,625**

* Restated from the exchange rate impact.

Hubert Sagnières

As Executive Vice-Chairman of EssilorLuxottica from October 1 to December 31, 2018.

Hubert Sagnières's pro-rated target bonus came in at €287,500.

Weighting	Description	% achievement *from 0 to 200% of the target*	Weighted % achievement	Achievement in €
W		**A**	**W x A**	**W x A x target** *in €*
50%	**Financial objectives Essilor**	**175%**	**64%**	**€184,000**
20%	Essilor organic growth	200%	40%	€115,000
30%	Essilor restated EPS*	80%	24%	€69,000
50%	**Specific objectives EssilorLuxottica**	**70%**	**35%**	**€100,625**
50%			**99%**	**€284,625**

* Adjusted from the exchange rate impact.

For the period from October 1 to December 31, 2018, the specific quantitative and qualitative objectives, which account for 50% of the annual targets for Leonardo Del Vecchio and Hubert Sagnières, concerned:

Specific objective	2018 Results
EssilorLuxottica holding company organization	Appointment of two Co-CFOs and the Secretary of the Board of Directors Organization of the Finance function
Preparation of the synergy plan to be implemented from 2019	Appointment of two Chief Integration Officers Organization of 20 workstreams
Successful implementation of EssilorLuxottica's new governance structure via the effective cooperation of each company's teams	Approval of all the resolutions submitted to the November 29, 2018 Shareholders' Meeting thanks to the combined work of the Essilor and Luxottica teams Holding of three EssilorLuxottica Board of Directors' meetings
Implementation of the principle of equal powers between two executive corporate officers and ability to solve problems effectively	
Roll-out within the future group of EssilorLuxottica's Mission and employee shareholding	Approval of the employee shareholding policy for the next three years at the Board of Directors' meeting of October 1, 2018 Approval of resolutions authorizing the implementation of the employee shareholding policy at the November 29, 2018 Shareholders' Meeting Implementation of employee shareholding plans for Essilor and tentative approval to convert the Luxottica cash retention plan prior to the combination

Summary of variable compensation for 2018

SUMMARY OF 2018 VARIABLE COMPONENTS	In respect of Essilor executive corporate office January 1 - October 1, 2018	In respect of EssilorLuxottica executive corporate office October 1 - December 31, 2018	Total
Leonardo DEL VECCHIO	--	€215,625	€215,625
Hubert SAGNIERES	€900,000	€283,625	€1,184,625
Laurent VACHEROT	€741,000	--	€741,000

Calculation method

Essilor financial criteria

The EPS is restated:

- at constant exchange rates;
- for all new strategic acquisitions carried out during the fiscal year;
- for the impact of non-recurring expenses that cannot be budgeted.

The restated EPS is calculated by taking into account the average number of shares budgeted for the fiscal year.

The level of achievement required for these targets is designed to be precise, strict and challenging, but for confidentiality reasons cannot be disclosed publicly. It seems prejudicial to the successful implementation of the strategy to disclose details of this performance measurement and assessment.

Luxottica financial criteria

The EPS is restated:

- at constant exchange rates;
- for the impact of restructuring costs related to acquisitions that cannot be budgeted;
- for the impact of restructuring charges that the Remuneration Committee can judge as extraordinary;
- for the impact of extraordinary expenses that cannot be budgeted and not related to core business.

The restated EPS is calculated by taking into account the actual average number of shares for the fiscal year.

Appendix 2: Performance share plan

In 2018, the award of performance shares benefited more than 13,000 employees of Essilor International.

The approval of Resolutions 6, 7, 8 and 9 at the Shareholders' Meeting on November 29, 2018 authorizes the Board of Directors of EssilorLuxottica to instigate a culture of employee shareholding throughout the EssilorLuxottica Group over the next three years. Performance share awards will remain a key aspect of the Company's culture and enable employees to be fully involved in the Company's value creation and success. The significant level of employee shareholding boosts the Company's competitiveness and is a source of pride among all EssilorLuxottica employees.

Performance share awards are based on the key principles presented in Section 2.3.2.3, E) Long term compensation plan.

General performance condition

In year N, grantees will be awarded a maximum number of performance shares.

As of N + 3, the number of shares vested is determined on the basis of the annualized growth [(1)] in the EssilorLuxottica share price, measured as follows:

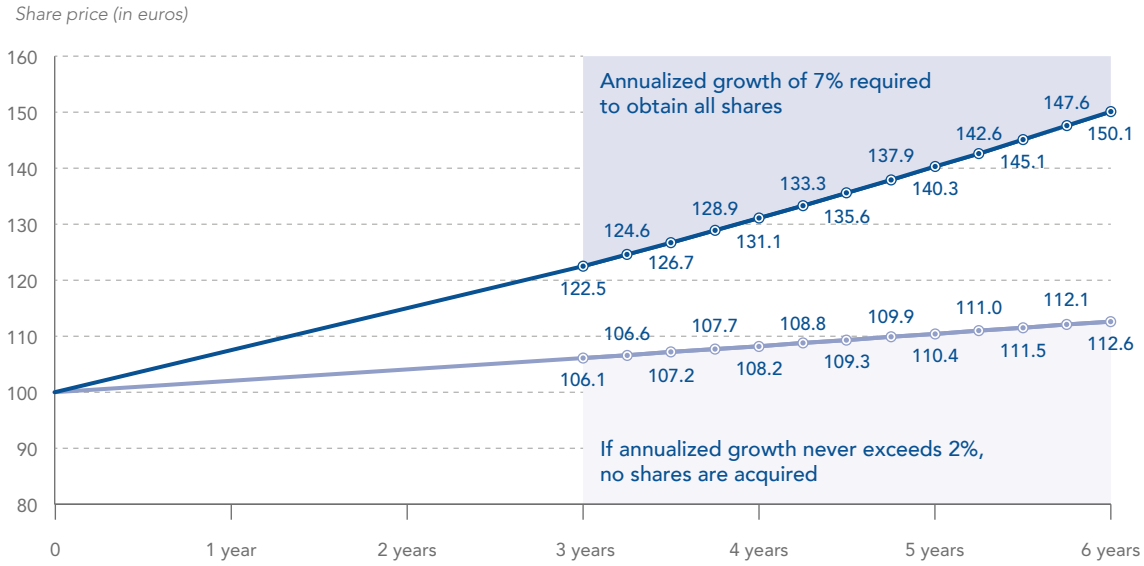
- on the award date, the Initial Reference Share Price is determined (corresponding to the average of the 20 opening prices preceding the award date);
- three years after the award (N + 3), an Average Share Price is calculated, corresponding to the average opening share price for the three months preceding the third anniversary of the award date;
- if the increase in the Average Share Price over the Initial Reference Share Price is:
  - 22.5% or more (*i.e.*, annualized growth of 7%), all shares initially awarded will vest provided that the employment condition is met (see "Employment condition"),
  - 6.1% or more, but less than 22.5% (corresponding to annualized growth of 2% or more but less than 7%), some of the shares initially awarded will vest provided that the employment condition is also met (see "Employment condition"). The vesting rates based on annualized growth in the EssilorLuxottica share price are shown in the table below,
  - less than 6.1% (*i.e.*, annualized growth of less than 2%), no shares will vest on the third anniversary of the award date. In this case, a further performance assessment is carried out three months later using the same method (based on an annualized share price growth target of between 2% and 7%). This performance assessment may be repeated every three months and until the sixth anniversary of the award date (N + 6). If the minimum annualized growth target of 2%, which corresponds in absolute terms to an increase of 12.6% on the Initial Reference Share Price, is not met at this time, the plan lapses and grantees receive no EssilorLuxottica shares;
- between N + 3 and N + 6, the first measurement of the annualized increase in the Average Share Price over the Initial Reference Share Price that exceeds the threshold of 2% definitively determines the number of shares vested, even if a higher annualized increase is subsequently observed. As time goes by, so the Average Share Price required to receive the minimum number of shares increases: +6.1% in N + 3, +8.2% in N + 4… and +12.6% in N + 6.

As the general performance condition is based on the performance of the EssilorLuxottica share price, this system helps to partially mitigate the impact of the volatility inherent in the financial markets by extending the period over which performance is measured. This volatility can, in fact, cause the performance of the share price to differ significantly from the Company's intrinsic performance in the short term. It should also be noted that, in the event of annualized growth of 7% or more, the percentage of shares vested is capped at 100%.

Annualized growth:	Vesting rate:
Less than 2%	0%
2% or more and less than 3%	60%
3% or more and less than 4%	68%
4% or more and less than 5%	76%
5% or more and less than 6%	84%
6% or more and less than 7%	92%
7% or more	100%

(1) Calculation formula: (Average share price/Initial Reference Share Price)^ (1/N)-1 where N is the number of years between the award date and the performance measurement date. N = 3 then, if the performance condition is not achieved, 3.25 and so on up to a maximum of 6.

Application of the performance condition is illustrated in the diagram below. In the interest of simplicity, the share price is assumed to be 100 on the award date.



Specific additional performance conditions applicable to Executive Corporate Officers

In addition to the performance condition applicable to all grantees, there is a second performance condition for Executive Corporate Officers. It is measured by means of an Average Ratio which corresponds to the average target achievement rate for their annual variable compensation during the performance measurement period (from three to six years). When the Average Ratio is less than 100%, the number of shares vested under the first performance condition is reduced proportionally. When it is greater than 100%, it is automatically capped at 100% and therefore does not change the number of shares obtained under the first performance condition.

Employment condition

The vesting of shares is subject to the grantee still being employed in the Group on the date that the performance condition is achieved, which may occur between the third and the sixth anniversary of the award (see the detailed description of performance conditions above).

This employment condition is waived in the event of the grantee's death, disability or retirement.

Appendix 3: Supplementary defined benefit "loyalty-based" pension plan

The current scheme is based on a supplementary defined benefit pension plan (Article 39 of the French Tax Code) which is open to category IIIC and HC Group executives under the Metalworking Industry Collective Bargaining Agreement.

At least 10 years' service (*versus* the two years recommended by the AFEP-MEDEF Code) with the EssilorLuxottica Group (including, as it existed prior to the completion of the combination with Luxottica) is required in order to receive supplementary defined pension plan benefits.

Grantees must also be employees of EssilorLuxottica (or a member company) at the time they cease their professional activity. In accordance with the applicable regulations, an executive whose employment is terminated after reaching the age of 55 and who does not accept any other paid position is considered as having retired from the Company.

The supplementary pension is based on length of service in the Group and the average gross compensation (annual fixed and variable) paid for the three years preceding the last day worked (reference compensation).

More specifically, if the eligibility conditions are met, the supplementary pension is determined as follows:

- 10% of the reference compensation;
- plus, for each year of service in excess of 10 years and up to and including 20 years:
  - 1% of the reference compensation,
  - 1.5% of the portion of the reference compensation that exceeds the "tranche C" ceiling for Social Security contributions or 5% of the reference compensation, whichever is lower.

Accordingly, category IIIC and HC executives with at least 20 years' service with the Group may be eligible for a maximum pension benefit of up to 25% of their reference compensation (*versus* a maximum of 45% provided for in the AFEP-MEDEF Code). The increase in potential rights is therefore a maximum of 1.25% per year (*versus* a maximum of 3% provided by law).

Note:

The benefit obligation is accrued in the balance sheet during the vesting period (*i.e.*, the period during which the Executive Corporate Officer remains in office) and, upon the grantee's retirement, the liability will be fully outsourced to an insurance company which is responsible for paying the benefits.

Leonardo Del Vecchio, Executive Chairman

At its meeting on November 29, 2018, the Board of Directors of EssilorLuxottica decided, on the recommendation of the Nomination and Compensation Committee and in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code, to make Leonardo Del Vecchio eligible for the supplementary defined benefit pension plan established by the Company for the benefit of senior executives.

Leonardo Del Vecchio will start to accrue rights from January 1, 2019. These rights are subject to performance conditions, similar to those to which he is subject in respect of his annual variable compensation. The vested conditional rights will be strictly proportional to the achievement rates of the annual variable compensation, subject to a maximum of 100%. They may not exceed 1.25% of the annual reference compensation.

In accordance with the procedure relating to regulated agreements and commitments referred to in Article L. 225-42-1 of the French Commercial Code, the terms and conditions for granting and calculating the supplementary defined benefit pension plan set up by the Company for Leonardo Del Vecchio will be submitted to the vote of the Shareholders' Meeting of May 16, 2019 (9th resolution) due to his appointment as the Company's Executive Chairman by the Board of Directors on October 1, 2018.

Hubert Sagnières, Executive Vice-Chairman

Hubert Sagnières recorded 20 years of service in the Group on January 1, 2009, prior to his appointment as an Executive Corporate Officer of the Company. Consequently, he has acquired no additional rights since that date. The pension benefit obligations that are applicable to him are therefore not subject to the procedure stipulated by Article L. 225-42-1 of the French Commercial Code, in compliance with the provisions of the Macron law dated August 6, 2015.

Under this scheme, in view of his length of service in the Group (which stood at 30 years as of December 31, 2018), the theoretical calculation of the annual benefits due to Hubert Sagnières on that date would be 25% of the average compensation actually received in fiscal years 2016, 2017 and 2018 (around EUR 503,000).

In accordance with the procedure relating to regulated agreements and commitments referred to in Article L. 225-42-1 of the French Commercial Code, the terms and conditions for granting and calculating the supplementary defined benefit pension plan set up by the Company for Hubert Sagnières will be submitted to the vote of the Shareholders' Meeting of May 16, 2019 (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018.

Laurent Vacherot, President and Chief Operating Officer (until October 1, 2018)

Laurent Vacherot recorded 20 years of service in the Group on December 2, 2011, prior to his appointment as an Executive Corporate Officer of the Company. Consequently, he has acquired no additional rights since that date. The pension benefit obligations that are applicable to him are therefore not subject to the procedure stipulated by Article L. 225-42-1 of the French Commercial Code, in compliance with the provisions of the Macron law dated August 6, 2015.

Under this scheme, in view of his length of service in the Group (which stood at 27 years as of December 31, 2018), the theoretical calculation of the annual benefits due to Laurent Vacherot on that date would be 25% of the average compensation actually received in fiscal years 2016, 2017 and 2018 (around EUR 356,000).

Appendix 4: Termination benefits

Leonardo Del Vecchio, Executive Chairman

At its meeting on November 29, 2018, the Board of Directors of EssilorLuxottica decided, on the recommendation of the Nomination and Compensation Committee and in accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code, to make Leonardo Del Vecchio eligible for a severance payment in the event of his forced departure.

Performance conditions

The potential payment of this benefit is subject to the following performance condition:

Performance will be measured using Leonardo Del Vecchio's average achievement rate of his target annual variable component over the three years prior to his departure. These annual targets are set by the Board of Directors in respect of Leonardo Del Vecchio's role as an Executive Corporate Officer and are used to calculate his annual variable compensation.

For an average performance rate of at least 50%, the severance payment will be determined on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the severance payment will be paid).

If the average performance rate is less than 50%, no benefit will be paid.

In the event of Leonardo Del Vecchio's departure before the end of the period envisaged for the assessment of the performance criteria, the severance payment will be at the reasonable discretion of the Board of Directors and will be substantiated.

This benefit is capped at two years' cash compensation (corresponding to the average of annual fixed and variable compensation received in the last three years prior to departure).

In accordance with the procedure relating to regulated agreements and commitments referred to in Article L. 225-42-1 of the French Commercial Code, the terms and conditions for granting and calculating the severance pay for Leonardo Del Vecchio will be submitted to the vote of the Shareholders' Meeting of May 16, 2019 (9th resolution) due to his appointment as the Company's Executive Chairman by the Board of Directors on October 1, 2018.

The conditions for granting the severance pay, its maximum amount as well as the calculation methods were defined in accordance with the recommendations contained in the AFEP-MEDEF Code.

Hubert Sagnières, Executive Vice-Chairman

An amendment to the suspended employment contract was signed in 2018 to align the basis for calculating Hubert Sagnières' severance payment with the compensation policy applied to the Company's Executive Corporate Officers, approved by the shareholders at the Shareholders' Meeting on November 29, 2018 and adapted for the new EssilorLuxottica Group.

Note that the hive-down of Essilor's businesses led to the automatic transfer of Hubert Sagnières' suspended employment contract to the Essilor International subsidiary, effective on November 1, 2017.

A termination benefit may be paid to Hubert Sagnières if, following the termination of his corporate office, his employment contract is terminated at the Company's initiative within a year of its reactivation, except for serious or gross misconduct, subject to the following conditions:

- his termination benefit is in any event capped at two years' cash compensation (annual fixed + variable) effectively received during the three years preceding the date of notification of departure; and
- the portion of the termination benefit that exceeds the legal or collective bargaining agreement limits is subject to performance conditions described below.

Performance conditions

The potential payment of this supplementary benefit is subject to the following performance condition:

Performance will be measured using Hubert Sagnières's average achievement rate of his target annual variable component over the three years prior to his departure. These annual targets are set by the Board of Directors in respect of Hubert Sagnières' role as an Executive Corporate Officer and are used to calculate his annual variable compensation. For an average performance rate of at least 50%, the severance payment will be determined on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the severance payment will be paid).

If the average performance rate is less than 50%, no supplementary benefit will be paid.

In accordance with the procedure relating to regulated agreements and commitments referred to in Article L. 225-42-1 of the French Commercial Code, the terms and conditions for granting and calculating the severance pay for Hubert Sagnières will be submitted to the vote of the Shareholders' Meeting of May 16, 2019 (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018.

The conditions for granting the severance pay, its maximum amount as well as the calculation methods were defined in accordance with the recommendations contained in the AFEP-MEDEF Code.

Laurent Vacherot, President and Chief Operating Officer (until October 1, 2018)

Until the end of his corporate office as President and Chief Operating Officer on October 1, 2018, Laurent Vacherot had no benefit related to the termination of his corporate office as President and Chief Operating Officer.

Note that the hive-down of Essilor's businesses led to the automatic transfer of Laurent Vacherot's suspended employment contract to the Essilor International subsidiary, effective on November 1, 2017. To this end, Laurent Vacherot held a suspended employment contract and could therefore be entitled to payment of a termination benefit in the event his employment contract is terminated.

This benefit would be an amount equivalent to two years' contractual compensation if the contract is terminated by the Company (except for serious or gross misconduct). The benefit would only be paid if termination of the employment contract were to occur within one year following termination of the corporate office of Laurent Vacherot.

Performance conditions

The potential payment of this supplementary benefit is subject to the following performance condition:

Performance will be measured using Laurent Vacherot's average achievement rate of his target annual variable component over the three years prior to his departure. The annual targets for Laurent Vacherot are set in accordance with his term of office and/or his employment contract, and they are used in calculating the annual variable component of his compensation. For an average performance rate of at least 50%, the severance payment will be determined on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the severance payment will be paid).

If the average performance rate is less than 50%, no supplementary benefit will be paid.

The conditions for granting the departure benefit, its maximum amount as well as the calculation methods were defined in accordance with the recommendations of the AFEP-MEDEF Code.

2.3.3.5 Maturity of the performance share award plan of November 25, 2014

On November 25, 2014, the Board of Directors granted 40,000 performance shares to Hubert Sagnières, Chairman and Chief Executive Officer of Essilor until October 1, 2018 and Executive Vice-Chairman of EssilorLuxottica from October 1, 2018, according to the following terms and conditions.

The vesting of these shares was linked to an employment condition and the achievement of a double performance condition.

1) The first performance condition related to annualized growth in share price, which had to be at least 7% in order to obtain 100% of the allocated rights.

This was measured on November 25, 2016:

Initial reference share price: average of the 20 opening prices prior to November 25, 2014	€87.16
Average share price: average of the share prices from August 25 to November 25, 2016	€109.60
Annualized growth =	+12%

As the annualized growth thus calculated was more than +7% per year, the first performance condition was met.

2) The second performance condition, applicable only to Executive Corporate Officers, consisted of determining an Average Ratio corresponding to the average rate of achievement of the targets for annual variable compensation during the performance measurement period.

When the Average Ratio is greater than 100%, it is automatically capped at 100% and therefore does not change the number of shares obtained under the first performance condition. When it is less than 100%, the number of shares obtained is reduced proportionally.

The Average Ratio for the period 2014-2015 was measured as follows:

Rate of target achievement for the 2014 annual variable portion	147.3%
Rate of target achievement for the 2015 annual variable portion	168.8%
AVERAGE RATIO	**158.1%**

The Average Ratio for the period 2014-2015 was 158%. As the Average Ratio was greater than 100%, no reduction was applied to the number of shares vested by Hubert Sagnières.

Since both performance conditions and the employment condition had been fulfilled, on November 27, 2018 Hubert Sagnières became the holder of 40,000 EssilorLuxottica shares, placed in a registered account. Half of the shares are immediately transferrable, with the other half having to be retained for at least two years. In the event of international mobility, grantees under the plan are authorized to sell the shares before November 27, 2020.

Additional lock-up period for Executive Corporate Officers

Hubert Sagnières must retain one third of the shares vested on November 27, 2018, *i.e.* 13,334 shares, for the duration of his term of office. This requirement to retain the shares will no longer apply once Hubert Sagnières permanently holds an aggregate number of shares (as performance shares are vested or options exercised) equivalent to two years' target cash compensation (fixed compensation + target annual variable compensation).

2.3.4 AFEP-MEDEF compensation and benefits tables

Table 1 – Directors' fees and other compensation due to Non-Executive Board Directors

In euros (gross amount))	2018 Essilor/ EssilorLuxottica	2018 Essilor International*/ Luxottica	2017 Essilor
Romolo BARDIN [(a)]	€36,000		
Leonardo DEL VECCHIO [(a)]	€25,000		
Giovanni GIALLOMBARDO [(a)]	€29,000		
Juliette FAVRE	€65,650	€7,950	€54,400
Bernard HOURS	€96,461	€6,500	€90,600
Annette MESSEMER	€108,150	€18,450	€77,338
Lucia MORSELLI [(a)]	€34,000		
Francesco MILLERI [(a)]	€31,000	€644,201 [(b)]	
Gianni MION [(a)]	€34,000		
Olivier PÉCOUX	€109,912	€11,000	€74,400
Léonel PEREIRA ASCENCAO [(a)]	€25,000		
Sabrina PUCCI [(a)]	€25,000	€31,250 [(c)]	
Hubert SAGNIÈRES	€33,000		
Cristina SCOCCHIA [(a)]	€26,000	€33,750 [(d)]	
Jeannette WONG	€94,800	€18,067	€46,757
Delphine ZABLOCKI	€73,650	€9,950	€8,849
TOTAL	**€846,623**	**€781,118**	**€352,344**
COMPANY'S DIRECTORS WHOSE TERM OF OFFICE EXPIRED ON THE DATE OF COMBINATION			
Philippe ALFROID	€56,361		€71,600
Antoine BERNARD DE SAINT-AFFRIQUE	€57,800		€71,540
Maureen CAVANAGH	€48,650		€50,200
Louise FRÉCHETTE	€62,900		€70,200
Ludovic MATHIEU [(a)]	NA		
Marc ONETTO	€45,000		€66,400

(a) Director whose term of office started or expired in 2018.
(b) Francesco Milleri received, as of October 1, 2018, €619,201 as Vice-Chairman and CEO of Luxottica and €25,000 as Board member of Luxottica
(c) Sabrina Pucci received, as of October 1, 2018, €31,250 as Board and Committee member of Luxottica
(d) Cristina Scocchia received, as of October 1, 2018, €33,750 as Board and Committee member of Luxottica
* No fees have been paid to Board members of Essilor International until the Date of Combination

Juliette Favre, director representing employee shareholders, pays her Directors' fees to the Valoptec association, net of tax and any applicable social security contributions.

Table 2 – Summary of compensation, options and shares awarded to each Executive Corporate Officer

In euros	2018	2017
Leonardo DEL VECCHIO	**Executive Chairman (since October 1, 2018)**	
Compensation due for the year (detailed in Table 3) [a]	528,125	
Value of options granted during the year		
Value of performance shares awarded during the year [b]	2,282,500	
Hubert SAGNIÈRES	**Chairman and Chief Executive Officer (until October 1, 2018) and Executive Vice-Chairman (from October 1, 2018)**	**Chairman and Chief Executive Officer**
Compensation due for the year (detailed in Table 3) [a]	2,212,856	2,022,033
Value of options granted during the year		
Value of performance shares awarded during the year [b]	2,282,500	2,703,000
Laurent VACHEROT	**President and Chief Operating Officer (until October 1, 2018)**	**President and Chief Operating Officer**
Compensation due for the year (detailed in Table 3) [a]	1,234,435	1,645,974
Value of options granted during the year		
Value of performance shares awarded during the year [b] [c]	1,597,750	1,615,388

(a) Amount of compensation due in respect of the 2018 fiscal year, subject to approval by the Shareholders' Meeting.

For Leonardo Del Vecchio, prorated compensation due for the period of his executive corporate office, namely October 1 to December 31, 2018. Variable component due for the period of Executive Chairman of EssilorLuxottica amounts to €215,625.

For Hubert Sagnières, prorated compensation due for the period of both executive corporate offices (Chairman and Chief Executive Officer of Essilor from January 1 to September 30, 2018, Executive Vice-Chairman of EssilorLuxottica from October 1 to December 31, 2018). Variable component due for the period of Chairman and Chief Executive Officer of Essilor amounts to €900,000 and variable component due for the period of Executive Vice-Chairman of EssilorLuxottica amounts to €284,625.

For Laurent Vacherot, prorated compensation due for the period of his executive corporate office, namely January 1 to October 1, 2018. Variable component due for the period of President and Chief Operating Officer of Essilor amounts to €741,000.

(b) The amounts shown correspond to the accounting fair value of the shares in accordance with IFRS. Accordingly, they are not the actual amounts that may be received at vesting, if this occurs. In addition, share awards are contingent on employment and performance conditions.

(c) The award of performance shares to Laurent Vacherot for fiscal year 2018 occurred after his term of office as President and Chief Operating Officer of Essilor expired.

Table 3 – Summary of compensation paid to each Executive Corporate Officer

	2018		2017	
Leonardo DEL VECCHIO [a]	**Executive Chairman *(since October 1, 2018)***			
(In euros)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	287,500	287,500		
Variable compensation [b]	215,625			
Exceptional compensation				
Directors' fees	25,000	25,000		
Benefits in kind:				
• car				
• unemployment insurance				
• other				
TOTAL	**528,125**	**312,500**		

(a) Leonardo Del Vecchio was appointed as Executive Chairman of EssilorLuxottica on October 1, 2018 with fixed annual gross compensation of €1,150,000 and target variable annual gross compensation of €1,150,000.

The amounts shown in the table above for fiscal year 2018 correspond to compensation due pro rata for the period of executive corporate office, i.e. from October 1 until December 31, 2018.

(b) Leonardo Del Vecchio's variable compensation for fiscal year 2018: 75% target achievement. Variable component due subject to approval by the Shareholders' Meeting.

	2018		2017	
Hubert SAGNIÈRES [c]	**Chairman and Chief Executive Officer *(until October 1, 2018)* and Executive Vice-Chairman *(from October 1, 2018)***		**Chairman and Chief Executive Officer**	
(In euros)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	887,500	887,500	800,000	800,000
Variable compensation [d]	1,184,625	1,214,400	1,214,400	960,000
Exceptional compensation				
Directors' fees	33,000	33,000		
Benefits in kind:				
• car				
• unemployment insurance	7,731	7,731	7,633	7,633
• other				
TOTAL	**2,112,856**	**2,142,631**	**2,022,033**	**1,767,633**

(c) Hubert Sagnières was Chairman and Chief Executive Officer of Essilor from January 1 until October 1, 2018, with fixed annual gross compensation of €800,000 and target variable annual gross compensation of €800,000. He was appointed as Executive Vice-Chairman of EssilorLuxottica on October 1, 2018 with fixed annual gross compensation of €1,150,000 and target variable annual gross compensation of €1,150,000.

The amounts carried over for fiscal year 2018 in the table above correspond to the pro rata compensation due in respect of the two executive corporate offices held (Chairman and CEO of Essilor and Executive Vice-Chairman of EssilorLuxottica).

(d) Hubert Sagnières' variable compensation for fiscal year 2018: 150% target achievement for the period of Chairman and Chief Executive Officer of Essilor and 99% target achievement for the period of Executive Vice-Chairman of EssilorLuxottica. Variable component due subject to approval by the Shareholders' Meeting.

	2018		2017	
Laurent VACHEROT [e]	**President and Chief Operating Officer *(until October 1 2018)***		**President and Chief Operating Officer**	
(In euros)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	487,500	487,500	650,000	650,000
Variable compensation [f]	741,000	988,650	988,650	55,561
Exceptional compensation				
Directors' fees				
Benefits in kind:				
• car	5,935	5,935	7,324	7,324
• unemployment insurance				
• other				
TOTAL	**1,234,435**	**1,482,085**	**1,645,974**	**712,885**

(e) Laurent Vacherot was President and Chief Operating Officer of Essilor from January 1 until October 1, 2018 with fixed annual gross compensation of €650,000 and target variable annual gross compensation of €650,000.

The amounts shown in the table above for fiscal year 2018 correspond to compensation due pro rata for the period of executive corporate office of the President and Chief Operating Officer, i.e. from January 1 until October 1, 2018.

(f) Laurent Vacherot's variable compensation for fiscal year 2018: 152% target achievement.

Table 4 – Performance shares awarded to each Executive Corporate Officer during the fiscal year

Rights to performance shares granted	**Total number**	**Valuation (method applied in the consolidated financial statements)** *(in euros)*	**Vesting date**	**End of lock-up period**	**Plan**	**Performance conditions**
Leonardo DEL VECCHIO	50,000	45.65	Between 11/29/2021 & 11/29/2024	Between 11/29/2021 & 11/29/2024	11/29/2018	Share price + special performance condition for Executive Corporate Officers [a]
Hubert SAGNIÈRES	50,000	45.65	Between 11/29/2021 & 11/29/2024	Between 11/29/2021 & 11/29/2024	11/29/2018	Share price + special performance condition for Executive Corporate Officers [a]
Laurent VACHEROT	35,000	45.65	Between 11/29/2021 & 11/29/2024	Between 11/29/2021 & 11/29/2024	11/29/2018	Share price [b]

(a) In addition to the employment condition, the number of shares that vest is contingent on a performance condition based on the annualized growth in the EssilorLuxottica share price. A second performance condition applies specifically to Executive Corporate Officers: the number of shares that vest may be reduced if the average rate of target achievement for the annual variable component of compensation is less than 100% during the performance measurement period.

(b) Since the 35,000 performance shares were awarded after Laurent Vacherot's term of office as President and Chief Operating Officer had expired, the second performance condition specific to Executive Corporate Officers does not apply.

Table 5 – Performance shares that became available during the year for each Executive Corporate Officer

Performance shares awarded that became available	Total number	Plan	Performance conditions
Hubert SAGNIÈRES	45,000 [(a)]	11/27/2012	Share price + special performance condition for Executive Corporate Officers [(c)]
Laurent VACHEROT	35,000 [(b)]	11/27/2012	Share price [(d)]

(a) 45,000 performance shares out of the 45,000 vested under the November 27, 2012 plan became available on November 27, 2018, subject to the specific lock-up condition applicable to Executive Corporate Officers.

(b) 35,000 performance shares out of the 35,000 vested under the November 27, 2012 plan became available on November 27, 2018.

(c) In addition to the employment condition, the vesting of shares and their number are subject to a performance condition based on the annualized growth in the share price of EssilorLuxottica. A second performance condition applies specifically to Executive Corporate Officers: the number of shares that vest may be reduced if the average rate of target achievement for the annual variable component of compensation is less than 100% during the performance measurement period.

(d) Since these 35,000 performance shares were awarded before Laurent Vacherot was appointed President and Chief Operating Officer on December 6, 2016, the performance condition specific to Executive Corporate Officers does not apply.

Table 6 – Stock subscription or purchase options granted during the year to each Executive Corporate Officer

No stock subscription or purchase options were granted in fiscal year 2018.

Table 7 – Stock subscription or purchase options exercised by each Executive Corporate Officer during the fiscal year

Leonardo Del Vecchio, Executive Chairman (since October 1, 2018)

Leonardo Del Vecchio has no stock subscription options to exercise. Consequently, no options were exercised in fiscal year 2018.

Hubert Sagnières, Chairman and Chief Executive Officer (until October 1, 2018) and Executive Vice-Chairman (from October 1, 2018)

Hubert Sagnières has not had any stock subscription options to exercise since 2014. Consequently, no options were exercised in fiscal year 2018.

Laurent Vacherot, President and Chief Operating Officer (until October 1, 2018)

Laurent Vacherot has not had any stock subscription options to exercise since 2012. Consequently, no options were exercised in fiscal year 2018.

Table 8 – History of capped performance stock subscription option awards

Information regarding capped performance stock subscription options (excluding collective awards)

Plan	2011	2012	2013	2014	2015	2016	2017	2018
Date of Shareholders' Meeting	05/11/2010	05/11/2012	05/11/2012	05/11/2012	05/05/2015	5/5/2015	05/05/2015	11/29/2018
Date of Board of Directors' Meeting	11/24/2011	11/27/2012	11/25/2013	11/25/2014	12/02/2015	09/22/2016	10/03/2017	11/29/2018
Total number of shares that can be subscribed	85,620	81,760	87,880	121,505	100,023	119,392	132,016	133,203
Number of shares that can be subscribed by the Executive Corporate Officers:								
Starting point for the exercise of options	11/25/2013	11/27/2014	11/25/2015	11/25/2016	12/02/2018	Not yet known, depends on performance	Not yet known, depends on performance	Not yet known, depends on performance
Date of expiration	11/24/2018	11/27/2019	11/25/2020	11/25/2021	12/02/2022	09/22/2023	10/03/2024	11/29/2025
Subscription price (average of the 20 opening prices prior to the Board of Directors' Meeting)	€52.27	€71.35	€77.29	€87.16	€121.32	€114.88	€105.80	€116.74
Exercise procedures [(a)]	Subject to conditions: 50% after two years, 100% one year later	Subject to conditions: 50% after two years, 100% one year later	Subject to conditions: 50% after two years, 100% one year later	Subject to conditions: 50% after two years, 100% one year later	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years
Number of shares subscribed at 12/31/2018	72,158	63,500	59,859	45,817	0	0	0	0
Cumulative number of options cancelled or expired	13,462	7,345	5,443	15,888	26,723	38,298	21,988	0
Options remaining at 12/31/2018	-	10,915	22,578	59,800	73,300	81,094	110,028	133,203

(a) The vesting of subscription options is subject to an employment condition and to a performance condition based on the annualized growth of the EssilorLuxottica share price. Within the framework of the proposed combination between Essilor and Luxottica, the Board of Directors at its meeting of January 15, 2017 decided to remove the performance conditions for the employee grantees of the 2015 and 2016 plans in advance.

Table 9 – History of performance share awards

Information on performance shares (excluding collective awards)

Plan	2012	2013	2014	2015	2016	2017	2018
Date of Shareholders' Meeting	05/11/2012	05/11/2012	05/11/2012	05/05/2015	05/05/2015	05/05/2015	11/29/2018
Date of Board of Directors' Meeting	11/27/2012	11/25/2013	11/25/2014	12/02/2015	09/22/2016	10/03/2017	11/29/2018
Total number of shares awarded	1,176,340	1,279,460	1,448,464	1,251,533	1,372,233	1,481,219	1,565,862
Number of shares awarded to the Executive Corporate Officers:	80,000	80,000	75,000	65,000	67,005	82,045	135,000
• Leonardo Del Vecchio							50,000
• Hubert Sagnières	45,000	45,000	40,000	35,000	35,000	50,000	50,000
• Laurent Vacherot	35,000	35,000	35,000	30,000	32,005	32,045	35,000
Date of vesting of shares	Resident on 11/27/2014 Non-resident on 11/27/2016	Resident on 11/25/2015 Non-resident on 11/25/2017	Resident on 11/25/2016 Non-resident on 11/25/2018	Resident on 12/02/2018 Non-resident on 12/02/2019	Not yet vested	Not yet vested	Not yet vested
Date of end of lock-up period	Resident on 11/27/2018 Non-resident 50% on 11/27/2016 and 50% on 11/27/2018	Resident on 11/25/2019 Non-resident 50% on 11/25/2017 and 50% on 11/25/2019	Resident on 11/25/2020 Non-resident 50% on 11/25/2018 and 50% on 11/25/2020	Resident on 12/02/2020 Non-resident 100% on 12/02/2019	According to vesting date	According to vesting date	According to vesting date
Number of shares vested [(a)] at 12/31/2018	1,076,300	1,178,535	1,337,985	396,290	1,947 [(b)]	2,486 [(b)]	0
Cumulative number of shares cancelled or expired	100,040	100,925	110,479	118,046	121,025	59,481	-
Shares remaining at 12/31/2018				737,197	1,249,261	1,419,252	1,565,862

(a) In addition to the employment condition, the vesting of shares and their number are subject to a performance condition based on the annualized growth in the EssilorLuxottica share price. Within the framework of the proposed combination between Essilor and Luxottica, the Board of Directors at its meeting of January 15, 2017 had decided to waive the performance conditions for the employee grantees of the 2015 and 2016 plans in advance. With regard to Executive Corporate Officers, the Board of Directors at its meeting of January 15, 2017 had decided to modify the performance conditions of the 2015 and 2016 plans. The performance condition in respect of the 2015 and 2016 plans became the successful completion of the proposed combination, *i.e.* the completion of Delfin's contribution to the Company of its stake in Luxottica (approximately 62%).

Starting from the 2010 award, a second performance condition applies specifically to Executive Corporate Officers: the number of shares that vest may be reduced when the average rate of achievement of variable compensation targets is less than 100%.

(b) Shares become fully vested in the case of death or disability.

Table 10 – Executive Corporate Officers – Detailed table

Leonardo DEL VECCHIO

Executive Chairman from October 1, 2018	
Start of term	2018
End of term	2021
Employment contract	No
Compensation relating to a non-compete clause	No
Supplementary pension plan	Yes [(a)]
Compensation or benefits that are or may be owed due to termination or change of functions	Yes [(b)]

(a) Leonardo del Vecchio has began to accrue entitlements from January 1, 2019.

(b) Details of the severance payment provided for in respect of the corporate office are given in Section 2.3.3.

Hubert SAGNIÈRES

President and Chief Operating Officer until December 31, 2009, Chief Executive Officer from January 1, 2010, Chairman and Chief Executive Officer from January 2, 2012, and Executive Vice-Chairman from October 1, 2018	
Start of term	2018
End of term	2021
Employment contract	Yes – suspended as of January 1, 2010
Compensation relating to a non-compete clause	No
Supplementary pension plan	Yes
Compensation or benefits that are or may be owed due to termination or change of functions	No [(a)]

(a) There is no provision for any severance payment for this executive corporate office. Details of the severance payment provided under the suspended employment contract are given in Section 2.3.3.

2.3.5 "Say on Pay" compensation of Executive Corporate Officers

Resolutions 11 to 14: "Say on Pay" compensation of Executive Corporate Officers

The purpose of the **11th resolution** is to submit for shareholder approval the compensation components due or awarded to Leonardo Del Vecchio, Executive Chairman of the Company since October 1, 2018 (date of Essilor and Luxottica's combination.

The purpose of the **12th resolution** is to submit for shareholder approval the compensation components due or awarded to Hubert Sagnières, Executive Vice-Chairman of the Company since October 1, 2018 (date of Essilor and Luxottica's combination) and Chairman and Chief Executive Officer of the Company from January 1 to October 1, 2018 (prior to the date of Essilor and Luxottica's combination).

The purpose of the **13th resolution** is to submit for shareholder approval the compensation components due or awarded to Laurent Vacherot, President and Chief Operating Officer of the Company until October 1, 2018 (date of Essilor and Luxottica's combination).

These votes are required in accordance with Article L. 225-100 of the French Commercial Code as amended by Law N°2016-1691 of December 9, 2016 ("the Sapin II Law").

These components are presented in a table prepared in accordance with the recommendations contained in the AFEP-MEDEF Code Application Guide issued by the High Committee for Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*).

Pursuant to Article L. 225-37-2 of the French Commercial Code as amended by the Sapin II Law, the purpose of the **14th resolution** is to submit for the approval of the Shareholders' Meeting the compensation policy that applies to the current Executive Corporate Officers, Leonardo Del Vecchio and Hubert Sagnières.

As such, it is hereby specified that the compensation policy for Executive Corporate Officers, which is subject to an annual vote, is set by the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, based on the following key principles:

- compensation must be aligned with shareholder interests and foster the creation of long-term shareholder value;
- compensation must be considered as a whole: all components of compensation (cash compensation, long-term incentives, social benefits and supplementary pension) and the balance of those components must be taken into account;
- compensation must be competitive with regard to the practices of comparable European and international companies in similar markets;
- compensation must be consistent with that of EssilorLuxottica's other senior executives and employees;
- the variable component must support EssilorLuxottica's strategy and must be closely linked to EssilorLuxottica's performance;
- compensation must reflect EssilorLuxottica's culture and values;
- compensation must be governed by simple, clear, transparent rules.

To take into account the concerns expressed by shareholders at the Combined Shareholders' Meeting of November 29, 2018, the compensation policy for Executive Corporate Officers, as described in the report on corporate governance, includes the following clarifications:

- publication of the composition of the panels used to benchmark market practices and the compensation levels of those panels;
- change in the structure of the annual variable component with a return to a predominant weighting of financial indicators in the annual variable component structure, and non-financial/CSR criteria incorporated into specific objectives;
- explanation of the long-term incentive philosophy and reduction in the annual cap on performance shares that can be awarded to Executive Corporate Officers;
- details on the performance conditions for the severance pay.

Details of all compensation can be found in the report on corporate governance in Chapter 2 (Section 2.3 "Compensation and benefits") of the 2018 Registration Document.

Eleventh resolution

Approval of the fixed, variable and exceptional compensation components comprising the total compensation and benefits of any kind paid or awarded in respect of the 2018 fiscal year to Leonardo Del Vecchio, Executive Chairman since October 1, 2018

The Shareholders' Meeting, voting with the quorum and majority conditions required for Ordinary Shareholders' Meetings, pursuant to Article L. 225-100 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded in respect of the 2018 fiscal year to Leonardo Del Vecchio, owing to the nature of his office of Executive Chairman since October 1, 2018, as shown in the 2018 Registration Document, and reproduced below.

Compensation components paid or awarded in respect of the 2018 fiscal year	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€287,500	Gross fixed annual compensation of €1,150,000 with effect from October 1, 2018, approved by the Board of Directors on October 1, 2018 on the recommendation of the Nomination and Compensation Committee. The amount indicated corresponds to the gross fixed annual compensation prorated for the period from October 1 to December 31, 2018.

Variable compensation	€215,625	At its meeting of March 18, 2019, the Board of Directors, on the recommendation of the Nomination and Compensation Committee and after approval of the financial items by the Audit and Risk Committee, assessed the variable compensation payable to Mr. Leonardo Del Vecchio in respect of the 2018 fiscal year.
		In light of the financial and specific objectives approved by the Board at its meeting of November 29, 2018 and the achievements recorded as at December 31, 2018, the amount of the variable component was assessed as follows:
		• in respect of financial objectives:
		  • Luxottica growth, 50% of target achieved;
		  • Luxottica restated net EPS, 100% of target achieved.
		• in respect of specific objectives: the Board deemed that Mr. Leonardo Del Vecchio had met 70% of the objectives set by the Board, *i.e.*, the holding company organization, the preparation of the synergy plan to be implemented from 2019, the successful implementation of EssilorLuxottica's new governance structure thanks to effective cooperation between the companies' respective teams, the implementation of the principle of equal powers between the two executive corporate officers and ability to solve problems effectively and the roll-out within the future group of EssilorLuxottica's Mission and employee shareholding.
		Consequently, the amount of Mr. Leonardo Del Vecchio's variable compensation for 2018 was approved at €215,625, *i.e.*, 75% of his 2018 annual fixed compensation.
		Details of these criteria, their respective weighting and their assessment scales are provided in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."

Deferred variable compensation	N/A	Mr. Leonardo Del Vecchio does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Mr. Leonardo Del Vecchio does not benefit from any multi-year variable compensation.
Directors' fees	€25,000	Mr. Leonardo Del Vecchio received €25,000 in Directors' fees in respect of his directorship at EssilorLuxottica.
Exceptional compensation	N/A	Mr. Leonardo Del Vecchio did not benefit from any exceptional compensation.
Award of stock subscription and share purchase options	N/A	Mr. Leonardo Del Vecchio does not benefit from stock options.
Award of performance shares	Number: 50,000 and accounting valuation: €2,282,500	At its November 29, 2018 meeting, the Board of Directors, in accordance with the authorization granted by the 7th resolution of the Shareholders' Meeting of November 29, 2018, and acting on the recommendation of the Nomination and Compensation Committee, awarded a maximum number of 50,000 performance shares to Mr. Leonardo Del Vecchio, valued at €2,282,500 according to the method used for the consolidated financial statements, *i.e.*, 2.8% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.012% of share capital at December 31, 2018. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."

Compensation components paid or awarded in respect of the 2018 fiscal year	Amount or accounting valuation submitted to the vote	Comments
Sign-on premium	N/A	Mr. Leonardo Del Vecchio did not benefit from any sign-on premium.
Termination benefits	No payment	At its meeting of November 29, 2018, and acting on the recommendation of the Nomination and Compensation Committee, EssilorLuxottica's Board of Directors approved the commitments made by the Company to Mr. Leonardo Del Vecchio regarding severance pay. In accordance with the procedure regarding regulated agreements and commitments, this commitment is submitted to the vote of this Shareholders' Meeting (7th resolution) due to his appointment as the Company's Executive Chairman by the Board of Directors on October 1, 2018. Mr. Leonardo Del Vecchio is entitled to severance pay in respect of his executive corporate office, in the event of forced departure, in an amount of two years' cash compensation (corresponding to the average of annual fixed and variable compensation received in the last three years prior to departure). Severance pay is wholly subject to performance conditions. Details of the award criteria for this benefit are provided in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."
Non-compete payment	N/A	Mr. Leonardo Del Vecchio does not benefit from any non-compete payment.
Supplementary pension plan	No payment	At its meeting of November 29, 2018, and acting on the recommendation of the Nomination and Compensation Committee, EssilorLuxottica's Board of Directors approved the commitments made by the Company to Mr. Leonardo Del Vecchio regarding the supplementary defined benefit pension plan. Mr. Leonardo Del Vecchio is eligible for the supplementary defined benefit pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs for the purpose of determining employee benefits and other ancillary items of his compensation. In accordance with the procedure regarding regulated agreements and commitments, this commitment is submitted to the vote of this Shareholders' Meeting (9th resolution) due to his appointment as the Company's Executive Chairman by the Board of Directors on October 1, 2018. Mr. Leonardo Del Vecchio did not begin to accrue benefits until after January 1, 2019. These benefits are subject to performance conditions similar to those to which he is subject in respect of his annual variable compensation. Conditional accrued benefits will be strictly proportional to the rates of achievement of the annual variable compensation up to a limit of 100% and may equal no more than 1.25% of his base compensation per year.
Employee death/ disability and health insurance plans and defined contribution pension plan		Mr. Leonardo Del Vecchio is eligible for the Group death/disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs for the purpose of determining employee benefits and other ancillary items of his compensation.
Benefits in kind	No payment	Mr. Leonardo Del Vecchio did not benefit from any benefits in kind in 2018.

Twelfth resolution

Approval of the fixed, variable and exceptional compensation components comprising the total compensation and benefits of any kind paid or awarded in respect of the 2018 fiscal year to Hubert Sagnières, Executive Vice-Chairman since October 1, 2018, and Chairman and Chief Executive Officer from January 1 to October 1, 2018

The Shareholders' Meeting, voting with the quorum and majority conditions required for Ordinary Shareholders' Meetings, pursuant to Article L. 225-100 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded in respect of the 2018 fiscal year to Hubert Sagnières, owing to the nature of his office of Executive Vice-Chairman since October 1, 2018 and Chairman and Chief Executive Officer from January 1 to October 1, 2018, as shown in the 2018 Registration Document, and reproduced below.

Compensation components paid or awarded in respect of the 2018 fiscal year	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€887,500	Gross fixed annual compensation of €800,000 with effect from January 2, 2012, approved by the Board of Directors on November 24, 2011 on the recommendation of the Executive Officers and Compensation Committee. Amount remained unchanged until October 1, 2018. Gross fixed annual compensation of €1,150,000 with effect from October 1, 2018, approved by the Board of Directors on October 1, 2018 on the recommendation of the Nomination and Compensation Committee. The amount indicated corresponds to gross fixed annual compensation of €800,000 prorated for the period from January 1 to October 1 2018, and gross fixed annual compensation of €1,150,000 prorated for the period from October 1 to December 31, 2018.

Variable compensation	€1,184,625	At its meeting of March 18, 2019, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee and after approval of the financial items by the Audit and Risk Committee, assessed the variable compensation payable to Mr. Hubert Sagnières in respect of the 2018 fiscal year.
		In light of the financial and specific objectives approved by the Essilor Board at its meeting of February 28, 2018 and by the EssilorLuxottica Board at its meeting of November 29, 2018, and the achievements recorded as at December 31, 2018, the amount of the variable component was assessed as follows:
		For the period from January 1 to October 1, 2018,
		• in respect of financial objectives:
		  • Essilor organic growth, 200% of target achieved;
		  • Essilor restated net EPS, 80% of target achieved.
		• in respect of specific objectives: the Board deemed that Mr. Hubert Sagnières had met 160% of the objectives set by the Board, *i.e.*, the successful completion of the proposed combination with Luxottica, the sustainability of Essilor's culture (Mission, Principles & Values, employee shareholding), the ongoing development of Essilor's long-term growth drivers (online sales, China, Bolon, MJS), and the strengthening of compliance and internal control to support growth.
		Consequently, the amount of Mr. Hubert Sagnières' variable compensation for the period from January 1 to October 1, 2018 was approved at €900,000, *i.e.*, 150% of his 2018 annual fixed compensation.
		For the period from October 1 to December 31, 2018,
		• in respect of financial objectives:
		  • Essilor organic growth, 200% of target achieved;
		  • Essilor restated net EPS, 80% of target achieved.
		• in respect of specific objectives: the Board deemed that Mr. Hubert Sagnières had met 70% of the objectives set by the Board, i.e., the holding company organization, the preparation of the synergy plan to be implemented from 2019, the successful implementation of EssilorLuxottica's new governance structure thanks to effective cooperation between the companies' respective teams, the implementation of the principle of equal powers between the two executive corporate officers and ability to solve problems effectively and the roll-out within the future group of EssilorLuxottica's Mission and employee shareholding.
		Consequently, the amount of Mr. Hubert Sagnières' variable compensation for the period from October 1 to December 31, 2018 was approved at €284,625, *i.e.*, 99% of his 2018 annual fixed compensation.
		Consequently, the total amount of Mr. Hubert Sagnières' variable compensation for 2018 was approved at €1,184,625.
		Details of these criteria, their respective weighting and their assessment scales are provided in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."

Compensation components paid or awarded in respect of the 2018 fiscal year	Amount or accounting valuation submitted to the vote	Comments
Deferred variable compensation	N/A	Mr. Hubert Sagnières does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Mr. Hubert Sagnières does not benefit from any multi-year variable compensation.
Directors' fees	€33,000	Mr. Hubert Sagnières received €33,000 in Directors' fees in respect of his Company's directorship, and member of the Corporate Social Responsibility Committee and Strategy Committee.
Exceptional compensation	N/A	Mr. Hubert Sagnières did not benefit from any exceptional compensation.
Award of stock subscription and share purchase options	N/A	Mr. Hubert Sagnières does not benefit from stock options.
Award of performance shares	Number: 50,000 and accounting valuation: €2,282,500	At its November 29, 2018 meeting, the Board of Directors, in accordance with the authorization granted by the 7th resolution of the Shareholders' Meeting of November 29, 2018, and acting on the recommendation of the Nomination and Compensation Committee, awarded a maximum number of 50,000 performance shares to Mr. Hubert Sagnières, valued at €2,282,500 according to the method used for the consolidated financial statements, *i.e.*, 2.8% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.012% of share capital at December 31, 2018. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."
Sign-on premium	N/A	Mr. Hubert Sagnières did not benefit from any sign-on premium.
Termination benefits	No payment	At its meeting of November 29, 2018, and acting on the recommendation of the Nomination and Compensation Committee, EssilorLuxottica's Board of Directors approved the commitments made by the Company to Mr. Hubert Sagnières regarding severance pay. In accordance with the procedure regarding regulated agreements and commitments, this benefit obligation was authorized by the Board on March 4, 2009, reiterated on March 3, 2010 and ratified at the Shareholders' Meetings of May 5, 2011 (4th resolution) and will be submitted to this Shareholders' Meeting (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018. Details of the award criteria for this benefit are provided in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."
Non-compete payment	N/A	Mr. Hubert Sagnières does not benefit from any non-compete payment.
Supplementary pension plan	No payment	At its meeting of November 29, 2018, and acting on the recommendation of the Nomination and Compensation Committee, EssilorLuxottica's Board of Directors approved the commitments made by the Company to Mr. Hubert Sagnières regarding the supplementary defined benefit pension plan. Mr. Hubert Sagnières is eligible for the supplementary defined benefit pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs for the purpose of determining employee benefits and other ancillary items of his compensation. In accordance with the procedure regarding regulated agreements and commitments, this benefit obligation was authorized by the Board on November 26, 2009 and ratified at the Shareholders' Meetings of May 11, 2010 (5th resolution) and May 11, 2017 (4th resolution), and will be submitted to this Shareholders' Meeting (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018. As an example, if the calculation were made on December 31, 2018, the annual pension provided by this plan would amount to 25% of the average total compensation (fixed + variable) actually paid to Mr. Hubert Sagnières during the 2016, 2017 and 2018 fiscal years (see 2018 Registration Document, Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers").
Employee death/ disability and health insurance plans and defined contribution pension plan		Mr. Hubert Sagnières is eligible for the employee death/disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs for the purpose of determining employee benefits and other ancillary items of his compensation.
Benefits in kind	€7,731	Mr. Hubert Sagnières is covered by an unemployment insurance plan for which the Company paid a premium of €7,731 in 2018.

Thirteenth resolution

Approval of the fixed, variable and exceptional compensation components comprising the total compensation and benefits of any kind paid or awarded in respect of the 2018 fiscal year to Laurent Vacherot, President and Chief Operating Officer until October 1, 2018

The Shareholders' Meeting, voting with the quorum and majority conditions required for Ordinary Shareholders' Meetings, pursuant to Article L. 225-100 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or awarded in respect of the 2018 fiscal year to Laurent Vacherot, owing to the nature of his office of President and Chief Operating Officer until October 1, 2018, as shown in the 2018 Registration Document, and reproduced below.

Compensation components paid or awarded in respect of the 2018 fiscal year	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€487,500	Gross fixed annual compensation of €650,000 with effect from December 6, 2016, approved by the Board of Directors on December 6, 2016 on the recommendation of the Executive Officers and Compensation Committee. Amount unchanged since 2016. The amount indicated corresponds to gross fixed annual compensation of €650,000 prorated for the period from January 1 to October 1, 2018.

Variable compensation	€741,000	At its meeting of March 18, 2019, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee and after approval of the financial items by the Audit and Risk Committee, assessed the variable compensation payable to Mr. Laurent Vacherot in respect of the period from January 1 to October 1, 2018.
		In light of the financial and specific objectives approved by the Essilor Board at its meeting of February 28, 2018 and the achievements recorded as at December 31, 2018, the amount of the variable component was assessed as follows:
		• in respect of financial objectives:
		  • Essilor organic growth, 200% of target achieved;
		  • Essilor restated net EPS, 80% of target achieved.
		• in respect of specific objectives: the Board deemed that Mr. Laurent Vacherot had met 170% of the objectives set by the Board, *i.e.*, the successful completion of the proposed combination with Luxottica, the sustainability of Essilor's culture (Mission, Principles & Values, employee shareholding), the ongoing development of Essilor's long-term growth drivers (online sales, China, Bolon, MJS), and the strengthening of compliance and internal control to support growth.
		Consequently, the amount of Mr. Laurent Vacherot's variable compensation for the period from January 1 to October 1, 2018 was approved at €741,000, *i.e.*, 152% of his 2018 annual fixed compensation.
		Details of these criteria, their respective weighting and their assessment scales are provided in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."

Deferred variable compensation	N/A	Mr. Laurent Vacherot does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Mr. Laurent Vacherot does not benefit from any multi-year variable compensation.
Directors' fees	N/A	Mr. Laurent Vacherot does not receive any Directors' fees.
Exceptional compensation	N/A	Mr. Laurent Vacherot did not benefit from any exceptional compensation.
Award of stock subscription and share purchase options	N/A	Mr. Laurent Vacherot does not benefit from stock options.
Award of performance shares	Number: 35,000 and accounting valuation: €1,597,750	At its November 29, 2018 meeting, the Board of Directors, in accordance with the authorization granted by the 7th resolution of the Shareholders' Meeting of November 29, 2018, and on the recommendation of the Nomination and Compensation Committee, awarded a maximum number of 35,000 performance shares to Mr. Laurent Vacherot, valued at €1,597,750 according to the method used for the consolidated financial statements, *i.e.*, 1.9% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.008% of share capital at December 31, 2018. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."

Compensation components paid or awarded in respect of the 2018 fiscal year	Amount or accounting valuation submitted to the vote	Comments
Sign-on premium	N/A	Mr. Laurent Vacherot did not benefit from any sign-on premium.
Termination benefits	No payment	Under a clause in his employment contract, suspended during his term of office as an Executive Corporate Officer, Mr. Laurent Vacherot is entitled to a severance payment in a maximum amount of two years' contractual compensation. In accordance with the procedure regarding regulated agreements and commitments, this benefit obligation was authorized by the Board of Directors on December 6, 2016 and ratified at the Shareholders' Meetings of May 11, 2017, (12th resolution) and April 24, 2018 (11th resolution). Details of the award criteria for this benefit are provided in the 2018 Registration Document in Chapter 2, Section 2.3.3, "2018 compensation of Executive Corporate Officers."
Non-compete payment	N/A	Mr. Laurent Vacherot does not benefit from any non-compete-payment.
Supplementary pension plan	No payment	Mr. Laurent Vacherot is eligible for the defined benefit supplementary pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs for the purpose of determining employee benefits and other ancillary items of his compensation. In accordance with the procedure regarding regulated agreements and commitments, this benefit obligation was authorized by the Board on December 6, 2016 and ratified at the Shareholders' Meeting of May 11, 2017 (4th resolution). As an example, if the calculation were made on December 31, 2018, the annual pension provided by this plan would amount to 25% of the average total compensation (fixed + variable) actually paid to Mr. Laurent Vacherot during the 2016, 2017 and 2018 fiscal years (see 2018 Registration Document Chapter 2 Section 2.3.3, "2018 compensation of Executive Corporate Officers").
Employee death/ disability and health insurance plans and defined contribution pension plan		Mr. Laurent Vacherot is eligible for the employee death/disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs for the purpose of determining employee benefits and other ancillary items of his compensation.
Company car	€5,935	Mr. Laurent Vacherot benefits from a company car valued as a benefit in kind at €5,935 annually.

Fourteenth resolution

Approval of the compensation policy applicable to Executive Corporate Officers

Pursuant to Article L. 225-37-2 of the French Commercial Code, the Board of Directors submits for approval of the Shareholders' Meeting the principles and criteria for the determination, distribution and award of the fixed, variable and exceptional components making up total compensation and benefits of any kind attributable to the Executive Corporate Officers for the performance of their duties for the 2019 fiscal year, representing the compensation policy applicable to them.

These principles and criteria approved by the Board of Directors on the recommendation of the Nomination and Compensation Committee are set out in the report under the above article and appear in Chapter 2, Section 2.3 of the 2018 Registration Document. Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from the implementation of these principles and criteria will be submitted to the approval of shareholders at the meeting convened to approve the financial statements for fiscal year 2019.

The Shareholders' Meeting, voting with the quorum and majority conditions for Ordinary Shareholders' Meetings, and having reviewed the report on corporate governance, approves the principles and criteria for the determination, distribution and award of the fixed, variable and exceptional components making up total compensation and benefits of any kind presented in the aforementioned report which may be awarded to Executive Corporate Officers by virtue of their terms of office in fiscal year 2019, as presented in the report on corporate governance that can be found in Chapter 2, Section 2.3 of the 2018 Registration Document.

2.3.6 Summary statement of transactions in Company securities carried out by corporate officers in 2018

(Article 223-26 of the AMF General Regulations)

First name	Last name	Title	Description of the financial instrument	Transaction type	Transaction date	Transaction amount	Shares
Romolo	BARDIN	Director	Shares	Contribution to the public exchange offer initiated by EssilorLuxottica	12/05/2018	-	2 313
Maureen	CAVANAGH	Director	Shares	Acquisition	05/28/2018	$ 2,963.59	21
					01/22/2018	$ 1,656.11	12
Juliette	FAVRE	Director	Shares	Subscription	12/21/2018	23,067.33 €	247
				Acquisition plan 2015	12/02/2018	-	765
				Acquisition collective plan 2015	12/18/2018	-	20
Gianni	MION	Director	Shares	Subscription	12/13/2018	111,049.90 €	1,000
Hubert	SAGNIÈRES	Executive Vice-Chairman	Shares	Disposal	12/21/2018	2,463,750.00 €	22,500
				Acquisition plan 2014	11/26/2018	-	40,000
Delphine	ZABLOCKI	Director	Shares	Subscription	12/21/2018	2,614.92 €	28
				Acquisition collective plan 2015	12/18/2018	-	20
Nicoletta	ZAMPILLO	Person linked to Mr. Leonardo Del Vecchio, Executive Chairman	Shares	Contribution to the public exchange offer initiated by EssilorLuxottica	12/05/2018	-	351,471

2.4 Appendix: Summary table of recommendations of the AFEP-MEDEF Code that have not been applied

Reminder of the corporate governance code of reference

The Board of Directors of the Group declared that, as of March 4, 2009, the AFEP and MEDEF Corporate Governance Code for listed companies of December 2008, which was last revised in November 2016 (hereinafter the "AFEP-MEDEF Code") and is available on the AFEP and MEDEF websites, will be the Code to which EssilorLuxottica refers, especially for the preparation of the report provided for in article L. 225-37 of the French Commercial Code.

Pursuant to the Combination Agreement, the parties confirmed that the composition of the Board of Directors and Committees of EssilorLuxottica shall comply with applicable laws and regulations and with the AFEP-MEDEF Code (subject to limited exceptions).

Implementation of the "apply or explain" rule

With regard to the "Apply or Explain" rule provided for in article L. 225-37 of the French Commercial Code and referred to in article 27.1 of the AFEP-MEDEF Code, the Company considers that its practices comply with the recommendations of the AFEP-MEDEF Code.

However, certain provisions have been disregarded for the reasons explained in the table below:

References AFEP-MEDEF Code	Recommendations	Indicative deviations within EssilorLuxottica's governance
9.3	**Annual self-assessment of the Board of Directors' operating procedures**	In the context of the Combination with Luxottica, effective as from October 1, 2018, and given the complete overhaul of the governance structure and composition of the Board of Directors, it was not considered opportune for the Company's Board to conduct a self-assessment of its operating procedures in 2018. The last self-assessment was therefore performed in 2017, following the procedure described above (see Section 2.1.2.3 regarding the self-assessment of the Board's operating procedures).
13.2	**Directors' terms of office** *"Terms of office are staggered to avoid all reappointments happening at once and to make the reappointment process smoother."*	• During the Initial Term, the terms of office of the Directors of EssilorLuxottica will not be staggered, to ensure a smooth transition and seamless integration of the two companies in the context of the Combination.
15.1	**Composition of Audit and Risk Committee** *"The proportion of independent Directors on the Audit Committee must be at least equal to two-thirds, and the committee should not include any Executive Corporate Officers."*	• The combination of Luxottica and Essilor, two major international groups, constitutes a transaction on an exceptional scale and entails the implementation of a particular governance structure requiring certain committees to comprise a majority of non-independent members with extensive, precise and in-depth knowledge of the combination, of the new governance structure of the Company, and of Luxottica, Essilor International and their respective groups. For these reasons, the Combination Agreement provides that the Audit and Risk Committee will not comprise at least two-thirds of independent Directors.

References AFEP-MEDEF Code	Recommendations	Indicative deviations within EssilorLuxottica's governance
17.1	**Composition of the Nominations and Compensation Committee** *"It is recommended that the Chairman of the Nominations and Compensation Committee be independent and that one of its members be an employee Director."*	• Pursuant to the Combination Agreement, Mr. Olivier Pécoux, Chairman of the Nomination and Compensation Committee, was appointed as a Board member of EssilorLuxottica nominated by Essilor; the latter was considered by the parties as independent for the purpose of the Combination Agreement, this constitute a deviation with regard to this recommendation of the AFEP-MEDEF Code. • The Combination Agreement provides for an equal number of members from Delfin and Essilor in each Committee. AFEP-MEDEF recommends that at least one employee Director be a member of the Compensation Committee. Since the Nominations Committee and the Compensation Committee have been combined into one committee and both of the two employee Directors are included in the number of Directors appointed by Essilor, EssilorLuxottica deviates from this recommendation in order to respect the intention underlying the rule of a balanced number of committee members, namely the freedom of Delfin and Essilor to choose their respective committee members. Continuing the policy of Essilor, EssilorLuxottica gives considerable voice to employee Directors (Directors representing employees and Directors representing employee shareholders), particularly regarding decisions taken by the EssilorLuxottica Board of Directors, which includes two Directors representing employees and one Director representing employee shareholders. The EssilorLuxottica Group submitted a three-year employee share ownership plan (consistent with Essilor's prior practice) to the first EssilorLuxottica Shareholders' Meeting held on November 29, 2018 The presence of a strong internal share ownership structure, which is independently represented and managed worldwide by the French non-profit association "Valoptec Association," is a major factor in the Group's long-term performance, strategic alignment and excellence. The Association brings together a significant proportion of employee shareholders who can express their views and vote once a year on the Human Resources strategy, compensation and decisions such as the appointment and reappointment of Executive Corporate Officers.
21	**Suspension of the employment contract of the Executive Corporate Officer** It is recommended that, when an employee becomes an Executive Corporate Officer of the Company, the employment contract between them and the Company or a Group company be terminated, either by means of contractual termination by mutual consent or by means of resignation.	On the recommendation of the Executive Officers Committee, the Board Meeting of November 27, 2008 expressed reservations on the "requirement" for an Executive Corporate Officer to terminate their employment contract on appointment as Chairman and Chief Executive Officer or Chief Executive Officer. While this provision would make sense for a Director hired externally or newly arrived within the Group, it is difficult to justify it for a manager who has had a long and successful career within the Company and is called to higher responsibilities. By reducing the protection afforded to Executive Corporate Officers at a time when they are taking on increased risks by virtue of their new responsibilities, this could lead internal candidates to turn down the promotion or to ask for a bigger increase in their compensation, which is obviously not in line with the spirit of the AFEP-MEDEF recommendations. This measure would detach the Executive Corporate Officers from the Company and would be out of line with the policies of internal promotion and "sustainable management" that are, for the Company, the key to building strong and stable groups. Consequently, the Board of Directors of the Combination decided to continue to "suspend" the employment contracts of senior executives upon their appointment as Chairman and Chief Executive Officer or Chief Executive Officer when they have been with the Company for at least 10 years.
24.3.3	**Frequency of awards of stock options and performance shares** The Board must ensure that such awards are made in the same calendar periods, for instance after the publication of the preceding year's financial statements and ideally on an annual basis.	Given the Closing Date of the Contribution effective as from October 1, 2018, the stock option and performance share award plans were approved by the EssilorLuxottica Board of Directors at its meeting held on November 29, 2018, immediately following the first Shareholders' Meeting which authorized the award of stock options and performance shares. This award usually takes place at end September/early October each year.

2.5 Appendix: List of offices and responsibilities at December 31, 2018

Leonardo Del Vecchio

Chairman and Chief Executive Officer ("Executive Chairman")

83 years old
(Country of citizenship: Italy)

Number of shares:
1,000

Main position held within the Company:
Executive Chairman (since October 1, 2018)

Business address:
EssilorLuxottica – 147, rue de Paris – 94220 Charenton-Le-Pont – France (Registered Office)
1-6, rue Paul Cézanne – 75008 Paris (Headquartier)

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Mr. Leonardo Del Vecchio is the founder of Luxottica Group and he has been appointed Chairman of Luxottica's Board since it was formed in 1961. He has been granted executive powers as Chairman of Luxottica's Board on January 29, 2016 and then on April 19, 2018.

Mr. Del Vecchio is also Chairman of Delfin, Aterno S.a.r.l. and the Leonardo Del Vecchio Foundation, Deputy Chairman of Covivio S.A., and Director of GiVi Holding S.p.A.

In 1986, the President of the Republic of Italy conferred on Mr. Del Vecchio the honor of *Cavaliere dell'Ordine al* "Merito del Lavoro" (Knight of the Order for Labor Merit).

In May 1995, he received an honorary degree in Business Administration from the Venice Cà Foscari University. In 1999, he received a Master *honoris causa* in International Business from MIB – Management School in Trieste, and in 2002 he received an honorary degree in Managerial Engineering from the University of Udine. In March 2006, Mr. Del Vecchio received another honorary degree in Materials Engineering from Politecnico of Milan.

In December 2012, the Foundation CUOA awarded him an honorary master's degree in Business Administration.

Mr. Del Vecchio will bring his visionary business approach to the industry and his experience as a lifelong entrepreneur and innovator to the Board.

Positions and terms of office held as of December 31, 2018

Main position

Executive Chairman EssilorLuxottica*

Other EssilorLuxottica group companies

Chairman of the Board of Directors
- Luxottica Group S.p.A. (Italy)*

External companies (non EssilorLuxottica group)

Vice-Chairman of the Board of Directors
- Covivio (France)*

President
- Delfin Sàrl (Luxembourg)
- Aterno Sàrl (Luxembourg)
- Leonardo Del Vecchio Fondation (Italy)

Director
- Beni Stabili S.p.A. SIIQ (Italy)*
- Givi Holding S.p.A. (Italy)

Past positions and terms of office held over the five past years

External companies (non EssilorLuxottica group)

Director
- Kairos Partners SGR S.p.A. (Italy)
- Kairos Juluis Baer Sim S.p.A. (Italy)
- Gianni Versace S.p.A. (Italy)
- Instituto Europeo di Oncologia srl (Italy) (2)

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.

(2) Term of office expired during the fiscal year

* Listed company.

Hubert Sagnières

Executive Vice-Chairman

63 years old
(Countries of citizenship: Canada and France)

Number of shares:
355,625

Main position held within the Company:
Executive Vice-Chairman (since October 1, 2018)

Business address:
EssilorLuxottica – 147, rue de Paris – 94220 Charenton-Le-Pont – France (registered office)
1-6, rue Paul Cézanne – 75008 PARIS (Headquarter)

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Hubert Sagnières is Executive Vice-Chairman of EssilorLuxottica since October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. He joined Essilor in 1989 as President of International Marketing. He was appointed President of Essilor Canada from 1991 to 1996 and President of Essilor Laboratories of America in 1996, then President of Essilor of America, a position he held until 2005.

From 2006 to 2009, he was President of Essilor Europe and North America before being named Chief Operating Officer in August 2008, then Chief Executive Officer from January 1, 2010 before taking office as Chairman and Chief Executive Officer of Essilor on January 2, 2012.

Hubert Sagnières brings to the Board his experience as a top Executive Officer of a world leading company as well as his expertise of the ophthalmic industry acquired for 30 years.

Hubert Sagnières is member of the Strategy Committee and the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Executive Vice-Chairman of EssilorLuxottica*

Other EssilorLuxottica group companies

President
- Essilor International (SAS)**
- Essilor of America, Inc. (USA)

Chairman of the Board of Directors
- Essilor International (SAS)**

Director
- Essilor of America, Inc. (United-States)
- Essilor AMERA Pte Ltd (Singapore)

Past positions and terms of office held over the five past years

Essilor group companies

Director
- Transitions Optical Inc. (USA)
- Frames for America, Inc. (USA)
- Transitions Optical Holdings B.V. (Netherlands)

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of his term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non-listed company 100% controlled by EssilorLuxottica.

Romolo Bardin

Director representing Delfin [1]

40 years old
(Country of citizenship: Italy)

Number of shares:
3,464

Main position:
Chief Executive Officer of Delfin Sàrl (Luxembourg)

Business address:
7, rue de la Chapelle – 1325 Luxembourg

First appointment as Director: October 1, 2018 [2]
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Romolo Bardin is member of the Board of Directors and Chief Executive Officer of Delfin. He began his career in Luxottica in 2002.

Romolo Bardin also holds positions in the following organizations:

- Assicurazioni Generali S.p.A. as Independent Director, Member of the Risk and Control Committee and Member of the Related Party Transactions Committee;
- Covivio S.A. as Member of the Board of Directors, member of the Audit Committee and the Strategic and Investment Committee;
- Member of the following Boards: Aterno S.à r.l., DFR investment S.à r.l., Delfin Finance S.A., Leonardo Del Vecchio Foundation, Vast Gain Limited Ltd S.à r.l., Immochapelle S.A.

Romolo Bardin will bring to the Board his high-level expertise in terms of strategy, management and finance, acquired during these years.

Romolo Bardin is member of Audit and Risks Committee and member of the Nomination and Compensation Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Chief Executive Officer of Delfin Sarl (Luxembourg)

EssilorLuxottica group companies

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Assicurazioni Generali S.p.A. (Italie)*
- Covivio S.A. (France)*
- Delfin Sàrl (Luxembourg)

External companies (Delfin Sarl group)

Director

- Aterno S.à r.l.
- DFR Investment S.à r.l.
- Delfin Finance S.A.
- Fondation Leonardo Del Vecchio
- Vast Gain Limited Ltd S.à r.l.
- Immochapelle S.A.

Past positions and terms of office held over the five past years

External companies (Covivio SA group)

Director

- Batisica S.A.
- Immeo Berlin I
- Immeo Berlin V
- Immeo Lux S.à r.l.
- Immeo Berlin Prime S.à r.l.
- Berlin Prime Commercial S.à r.l.
- Immeo Valore 4 S.à r.l.
- Immeo Valore 6 S.à r.l.

(1) Director representing Delfin in the meaning of the Combination Agreement.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

Juliette Favre

Director representing Valoptec Association

46 years old
(Country of citizenship: France)

Number of shares:
3,485

Main position:
Strategic projects Executive, Global Operation Support at Essilor International

Business address:
81, boulevard Jean-Baptiste Oudry – 94000 Créteil (France)

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Juliette Favre is Strategic projects executive, Global Operation Support at Essilor, after having launched the Lab 4.0 program at Satisloh (Essilor's Equipment division) and President of Valoptec Association. She began her career at SEITA as engineer in the industrial sector. She joined Essilor in 2000 on Europe distribution sector to manage organization and support projects. In 2005, she joined the Research and Development Department as project manager in charge of New Products. In 2007, she was sent to Singapore to provide technological advisory to Asia-Pacific zone, then to Bangkok in 2009 in charge of Asia industrial engineering teams. In 2012, she is appointed as Industrial Director and comes back to France to ensure industrial development of the Instruments Division and implement new service activities with high added value by developing the customer service and the supply chain.

Juliette Favre contributes to the Board her deep familiarity with Essilor and its manufacturing and sales operations. She has been proposed as a candidate by Valoptec Association. Her membership of the Board of Directors is a strong signal of the importance Essilor attaches to employee share ownership.

Positions and terms of office held as of December 31, 2018

Main position

Strategic projects Executive, Global Operation Support at Essilor International (SAS)**

EssilorLuxottica Group companies

Director
- EssilorLuxottica*
- Essilor International (SAS)**

President of the Board of Directors
- Valoptec Association

President of the Supervisory Board
- Fonds Valoptec International

Past positions and terms of office held over the five past years

EssilorLuxottica Group companies

Director
- Essilor International (Compagnie Générale d'Optique) (1)

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of her term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Giovanni Giallombardo

Director representing Delfin [1]

62 years old
(Country of citizenship: Italy and Luxembourg)

Number of shares:
1,000

Main position:
Senior Vice-President-Managing Director of the Luxembourg branch of Unicredit bank AG

Business address:
8-10, rue Jean-Monnet, L-2180 Luxembourg

First appointment as Director: October 1, 2018 [2]
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Giovanni Giallombardo is Senior Vice-President-Managing Director of the Luxembourg, branch of Unicredit bank AG.He is Member of the Board of Delfin, Immochapelle S.A., Member of the Supervisory Board of Luxair S.A., and member of the Management and Finance Committee of the MUDAM Foundation.

In 2011, Giovanni Giallombardo has been nominated as Insurance Broker by the Luxembourg Ministry of Finance.

Previously Giovanni Giallombardo has been Member of the Management Board of Unicredit Luxembourg S.A. (until July 1, 2018) after being member of the Committee (2009-2012), Chairman of the Board of Directors and CEO of Unicredit Luxembourg Finance S.A. (2005-2009), General Manager of Unicredit International Bank S.A. (2004-2009), General Manager of the Luxembourg Branch of Unicredito Italiano S.p.A. (2001-2004), General Manager of the Luxembourg Branch of Rolo Banca 1473 S.p.A. (1991-2001), Chairman of the Board of Directors of Rolo Pioneer Luxembourg S.A. (1998-2001), Deputy – Managing Director of the Luxembourg Branch Rolo Banca 1473 S.p.A. (1988-1999) and Manager at Citicorp Investment Bank S.A. (1984-1988).

From 1998 to 2001 Giovanni Giallombardo has also been Chairman of the Commission for Financial Market at ABBL and Member of the Group "Security Market" at *Commission de Surveillance du Secteur Financier*.

Giovanni Giallombardo graduated in Economics at the European School of Luxembourg and he completed a PhD in Economics and Commerce at the University of Florence.

Giovanni Giallombardo will bring to the Board his high-level expertise in terms of finance gained through his functions within international financial institutions.

Giovanni Giallombardo is member of the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Senior Vice-President-Managing Director of the Luxembourg branch of UniCredit bank AG

EssilorLuxottica group companies

Director
- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director
- Delfin Sàrl (Luxembourg)
- Immochapelle S.A. (Luxembourg)

Member of the Supervisory Board
- Luxair S.A. (Luxembourg)

Member of the Management and Finance Committee
- MUDAM (Luxembourg)

Past positions and terms of office held over the five past years

External companies (non EssilorLuxottica group)

Member of the Management Board
- UniCredit Luxembourg S.A. [a]

(1) Director representing Delfin as per the Combination Agreement.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.
(a) Term of Office expired during the fiscal year.

Bernard Hours

Independent Director

62 years old
(Country of citizenship: France)

Number of shares:
5,661

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Bernard Hours held the position of Chief Operating Officer of Danone from January 2008 to September 2014 and Vice-Chairman of the Board of Directors from April 2011 to October 2014. He joined Danone in 1985, working first in sales and marketing for Evian and Kronenbourg, then as Marketing Director for Danone France in 1990. He was then President of Danone Hungary (1994) and Danone Germany (1996) before becoming President of LU France in 1998. In 2001, he joined the Dairy Division as President of Business Development and became Vice President of that Division in 2002.

Bernard Hours will bring to the Board his experience as a senior manager of a major international group and his knowledge notably in the field of governance, corporate social responsibility, marketing and sales.

Bernard Hours is member of the Strategic Committee and member of the Nomination and Compensation Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

EssilorLuxottica group companies

Director
- EssilorLuxottica*
- Essilor International (SAS)**

External companies (non-EssilorLuxottica group companies)

President
- Andros (Spain)

Director
- Medved Ltd (United-Kingdom)
- Verlinvest (Belgium)
- Vitacoco (USA)

Past positions and terms of office held over the five past years

EssilorLuxottica Group companies

Director
- Essilor of America, Inc. (USA)
- Essilor International (Compagnie Générale d'Optique) (1)

Danone Group companies

Chief Operating Officer and Vice President of the Board of Directors
- Danone (S.A.)*

Managing Director
- Danone Trading B.V. (Netherlands)
- Member of the Supervisory Board
- Ceprodi

Director
- Danone (S.A.)*
- Flam's
- Danone Industria (Russia)
- OJSC Unimilk Company (Russia)
- Fondation d'Entreprise Danone (Association)

Permanent Representative
- Danone (S.A.) (Spain)

External companies (non-Danone Group companies)

Member of the Supervisory Board
- Somfy SA*

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of his term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Annette Messemer

Independent Director

54 years old
(Country of citizenship: Germany)

Number of shares:
1,000

Business address:
Kaiserstrasse 16 – 60311 Francfort (Germany)

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Annette Messemer held the position of Group Executive/Divisional Board Member, Corporate Clients until June 2018 at Commerzbank AG in Frankfurt am Main (Germany). During her tenure, she had various responsibilities encompassing the capital markets client franchise and the performance and steering of the division. She also served an all the relevant bank committees such as the group credit committee.

Furthermore, Annette Messemer was a member of the Supervisory Board of K+S AG until May 2018 (Kassel, Germany) and served on the Supervisory Board of Commerzreal (Wiesbaden, Germany) until 2016 and of WestLB AG until 2011 (Düsseldorf, Germany).

She started her career in investment banking at J.P. Morgan in New York in 1994 to continue her career in Frankfurt and London. During the 12 years of her career at J.P. Morgan she gained extensive experience in finance, leading strategic M&A and financing transactions as well as risk management transactions. She left J.P. Morgan as Senior Banker in 2006 to join Merrill Lynch as Managing Director and member of German Executive Committee. In 2010, she accepted the nomination to the Supervisory Board of WestLB by the German ministry of finance, to support one of the most significant bank restructurings in Germany during the financial crisis before joining Commerzbank in February 2013.

Annette Messemer will bring to the Board her extensive experience in strategy, finance, accounting and risk management having worked for over 20 years with leading multinational corporations and financial institutions, including regulators.

Annette Messemer is member of the Audit and Risks Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

EssilorLuxottica group companies

Director
- EssilorLuxottica*
- Essilor International (SAS)**

Past positions and terms of office held over the five past years

Commerzbank group companies

Divisional Director, "Corporate Clients"(a)
- Commerzbank AG (Germany)

Member of the Supervisory Board
- Commerzreal AG (Germany)

External companies (non-Commerzbank group)

Member of the Supervisory Board
- K+S Aktiengesellschaft (Germany) (a)

Director
- Essilor International (Compagnie Générale d'Optique) (1)

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of her term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

(a) Term of office expired during the fiscal year.

Francesco Milleri

Director representing Delfin [1]

59 years old
(Country of citizenship: Italy)

Number of shares:
1,000

Main position:
Deputy Chairman and CEO of Luxottica Group S.p.A.

Business address:
Luxottica Group S.p.A – Piazzale Luigi Cadorna 3 – Milan, MI 20123 – Italy

First appointment as Director: October 1, 2018 [2]
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Coopted on March 1, 2016, as Director with deputy functions, on April 29, 2016, Francesco Milleri was appointed Deputy Chairman of Luxottica, to assist the Executive Chairman in carrying out the various functions associated with his current role. On December 15, 2017, he was appointed CEO of the Luxottica Group, maintaining the position of Deputy Chairman, and he was confirmed in the same capacities on April 19, 2018.

Francesco Milleri graduated with honors in Law at the University of Florence, where he worked as Assistant Professor of political economy from 1984 until 1986. He later earned in 1987 an MBA in Business Administration with high merit at the school of management at the Bocconi University in Milan, followed by two years of specialization in Corporate Finance at the Stern School of Business at New York University as the assignee of the "Donato Menichella" scholarship from Banca d'Italia.

Francesco Milleri began his career as a business consultant for Italian groups and multinationals in 1988. He gained international experience working in a variety of industries, from mechanics to consumer goods, from financial institutions to pharmaceuticals.

Alongside business Milleri consulting activities, he founded and currently leads since 2000 a group of companies focused on technology and digital automation platforms. He is also a Director of the Leonardo Del Vecchio Foundation and of the IEO European Institute of Oncology.

Francesco Milleri will bring to the Board his extensive expertise as a strategist for global companies and his proven ability to futurize business through digital technology and infrastructure.

Francesco Milleri chairs the Strategy Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Deputy Chairman and CEO of Luxottica Group S.p.A.*

EssilorLuxottica group companies

Director
- EssilorLuxottica*
- Luxottica of America Inc. (USA)

External companies (non EssilorLuxottica group)

Director
- Instituto Europeo di Oncologia s.r.l. (Italy)
- SO.GE.DI s.r.l. (Italy)

Past positions and terms of office held over the five past years

EssilorLuxottica group companies

President
- Salmoiraghi & Viganò S.p.A. (Italy) [a]

External companies (non EssilorLuxottica group)

President and CEO
- IDOQ s.r. (Italy)

President
- MEA s.r.l. (Italy)

Sole Director
- Fast Immobiliare di Milleri Stefano e Francesco s.n.c. (Italy) [a]

Director
- Delfin H s.r.l. (Italy) [a]

(1) Director representing Delfin in the meaning of the Combination Agreement.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.
(a) Term of office expired during the fiscal year.

Gianni Mion

Independent Director

75 years old
(Country of citizenship: Italy)

Number of shares:
1,000

Main position:
Chairman of FILA Fabbrica Italiana Lapis ed Affini S.p.A. (Italy)

Business address:
Via XXV Aprile 5, 20016 Pero – Milan (Italy)

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Mr. Mion is Chairman of FILA Fabbrica Italiana Lapis ed Affini S.p.A.

He started his career in Peat Marwick Mitchell (now KPMG), where he worked from 1966 to 1973 as auditor in the offices of Rome and Chicago.

In 1973 he entered in McQuay Europa S.p.A. with a role of controller and after one year he moved in Gepi S.p.A., where he held various managerial positions until 1983 when he joined the Board of Directors of Fintermica S.p.A. In 1985, he started to work for the Marzotto S.p.A. as Chief Financial Officer.

From 1986 to December 2016 was CEO and Executive Deputy Chairman of Edizione Holding (Holding of the Benetton family).

Gianni Mion has been in the Board of Directors of several companies: Edizione, Atlantia, Autogrill, Telecom Italia, Benetton Group, among them.

Gianni Mion will bring to the Board his business leadership experiences as well his commitment to the development of successful international organizations.

Gianni Mion is member of the Strategy Committee and of the Nomination and Compensation Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Chairman of FILA Fabbrica Italiana Lapis ed Affini SpA*

Other EssilorLuxottica group companies

Director
- EssilorLuxottica*

External companies (non EssilorLuxottica group companies)

Chairman of the Board of Directors
- Venezia Terminal Passeggeri S.p.A.

Director
- Prelios S.p.A.

Past positions and terms of office held over the five past years

External companies (non EssilorLuxottica group companies)

Director
- Edizione Holding
- Autogrill S.p.A.*
- Benetton Group

President
- Banca Popolare Vicenza S.p.A.

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.

* Listed company.

Lucia Morselli

Independent Director

62 years old
(Country of citizenship: Italy)

Number of shares:
1,000

Main position:
Telecom Italia Board Director

Business address:
Via Gaetano Negri 1 Milan, MI 20123

First appointment as Director: October 1, 2018[1]
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Lucia Morselli is Member of the Board of Fondazione Snam, Sisal S.p.A., Ital Brokers S.p.A. and Snam (Cassa Depositi e Prestiti), and she is member of the Advisory Board of «Veneranda Fabbrica del Duomo di Milano».

Lucia Morselli is member of the World Economic Forum for Climate Change.

Lucia Morselli is also Chief of Economic Degree Studies of University Link Campus in Rome.

After graduating with the highest grades in Mathematics at the University of Pisa, Lucia Morselli completed a PhD in Mathematical Physics at the University of Rome and she earned two master degrees, the first one in Business Administration at the University of Torino and the second one in European Public Administration at the University of Milan.

She started her career at Olivetti S.p.A. as collaborator of the CFO in 1982; from 1985 to 1990 she has been Senior Manager of the Strategic and Manufacturing Service at Accenture; from 1990 to 1995 she has been CFO of the Aircraft Division Department at Finmeccanica S.p.A.

Subsequently she has been Chief Executive Officer of Telepiù Group (1995-1998), of News Corporate Europe and Stream (Sky) S.p.A. (1998-2003), of Tecnosistemi S.p.A. (2004), of Mikado S.p.A. and Compagnia Finanziaria S.p.A. (2009), of Bioera S.p.A. (2010-2011), of Berco Group (2013-2014), of Acciai Speciali Terni S.p.A. (2014-2016) and of Acciaitalia S.p.A. (2016-2018).

She also served as Chairman of the Board and Chief Executive Officer of Magiste International S.A. and Scorpio Shipping Group Ltd.

Lucia Morselli has been also a member of the Board of Directors of NDS and IPI S.p.A.

In 2003 she founded the consulting firm Franco Tatò & Partner.

Lucia Morselli will bring to the Board her extensive expertise in terms of management and business turnaround acquired during these years.

Lucia Morselli chairs the Audit and Risks Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Director, Chairwoman of the "Related Parties" Committee, Member of the Audit Committee of Telecom Italia

EssilorLuxottica group companies

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Snam S.p.A. (Cassa Depositi e Prestiti) (Italy)*
- Fondazione Snam
- Sisal S.p.A (Italy)
- Ital Brokers S.p.A. (Italy)

Past positions and terms of office held over the five past years

EssilorLuxottica group companies

Managing Director

- Acciaitalia S.p.A. (Italia)
- Berco spa (Italia)
- Acciai Speciali Terni spa (Italia)

Chairwoman and Managing Director

- Scorpio Shipping Group Ltd. (United Kingdom)

Director

- Dharamthar Harbour - Mumbai (India)
- Italbrokers S.p.A. (Italia)

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.

* Listed company.

Olivier Pécoux

Non-Independent Director (Independant pursuant the Combination agreement)

60 years old
(Country of citizenship: France)

Number of shares:
1,000

Main position:
Group Vice Chairman
Rothschild & Co

Business address:
ROTHSCHILD & Co – 23 bis, avenue de Messine – 75008 Paris – France

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Olivier Pécoux is Vice Chairman of the Rothschild & Co group after holding positions as Chief Executive Officer – Managing Partner of the Rothschild group, which he joined in 1991.

Since June 2012, he has been Executive Director of Rothschild & Co Gestion and General Partner of Rothschild & Co SCA. He began his career at Peat Marwick then at Schlumberger as a financial advisor in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice-Chairman of the investment bank's New York office in 1988.

Olivier Pécoux will bring to the Board his experience in financial and banking matters and his extensive knowledge of the optical industry and of Essilor that he has accompanied since 2001.

Olivier Pécoux chairs the Nomination & Compensation Committee and is member of the Audit and Risks Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Group Vice Chairman Rothschild & Co*

EssilorLuxottica Group companies

Director
- EssilorLuxottica*
- Essilor International (SAS)**

Rothshild Group companies

Executive Director
- Rothschild & Co Gestion

Director
- Rothschild España (Spain)
- Rothschild Italia (Italy)
- Rothschild GmbH (Germany)

External companies (non- Rothschild Group) companies

Director
- Extend Capital

Past positions and terms of office held over the five past years

Rothshild Group companies

Chief Executive Officer – Managing Partner Rothschild & Co

Member of the Executive Board
- Paris-Orléans

Member of the Supervisory Board
- Financière Rabelais

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of his term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Léonel Pereira Ascencao

Director representing employees

46 years old
(Countries of citizenship: France and Portugal)

Number of shares:
781

Main position:
Workshop Manager for surfacing and lenses at Essilor International

Business address:
Usine Les Battants – 55500 Ligny-en-Barrois

First appointment as Director: October 1, 2018 (1)
Current term ends: General Meeting 2021

Personal information – Experience and expertise

Léonel Pereira Ascencao is head of surfacing and glasses workshop at Essilor "Les Battants" plant in Ligny-en-Barrois (France), he began working at Essilor on May 22, 1996.

With 23 years of seniority at Essilor, Mr. Léonel Pereira Ascencao started as an operator at the Essilor laboratory based in Lyon (France), where he had the opportunity to work on the production at many different positions, both surfacing and coating. He kept progressing and was appointed as Team Leader. In 2007, he applied to an offer for a surfacing workshop manager position in Ligny-en-Barrois (France) and was selected. Léonel Pereira Ascencao has been in this position since then. In 2010, his scope was extended to Special Lenses, an activity that has experienced a strong growth over the past four years at Essilor.

Positions and terms of office held as of December 31, 2018

Main position

Skilled operator at Essilor International**

EssilorLuxottica Group companies

Director representing employees

- EssilorLuxottica*

Past positions and terms of office held over the five past years

None

(1) Appointement by the Central Work Council of Essilor International on September 20, 2017 effective from the of the Contribution between Essilor International (Compagnie Générale d'Optique) and Luxottica on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Sabrina Pucci

Independent Director

51 years old
(Country of citizenship: Italy)

Number of shares:
1,000 (1)

Main position:
Professor of Accounting and Financial Reporting at Roma Tre University (Italy)

Business address:
Roma Tre University, Via Silvio d'Amico 77, 00154 Rome (Italy)

First appointment as Director: October 1, 2018 (2)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Sabrina Pucci is an independent Board member of Luxottica and Assicurazioni Generali S.p.A.

Sabrina Pucci embarked on an academic career after graduating in Economics and Business from La Sapienza University in Rome. Her fields of research include international accounting standards, risk, insurance, banks, financial instruments, intangible assets and pension funds. She has published extensively in these fields of expertise.

From 1990 to 1998, she was employed with ISVAP (today IVASS), first as accountant in the life office and then as manager of the actuarial non-life office.

Consultant for courts as accounting expert, she is a Full Professor of Accounting and Financial Reporting in the Department of Business Studies (Roma Tre University). Since 2006, she is member, and later Chairman, of the Insurance Commission constituted by the OIC (the Italian Accounting Standard Setter) in Rome.

Since November 2008, she has been a member of the Insurance Accounting Working Group of EFRAG (European Financial Reporting Advisory Group).

From May 2013, she has been an Independent non executive Board member of Assicurazioni Generali S.p.A., member of the Audit and Risk Committee and member of the Appointing Committee (from 2016).

Sabrina Pucci will bring to the Board her accounting and financial expertise acquired during these years.

Positions and terms of office held as of December 31, 2018

Main position

Professor of Accounting and Financial Reporting at Roma Tre University

Member of the Insurance Accounting Working Group of EFRAG (European Financial Reporting Advisory Group)

EssilorLuxottica group companies

Director

- EssilorLuxottica*
- Luxottica Group S.p.A. (Italy)*(a)

Member of the Human Resources Committee (a)

- Luxottica Group S.p.A. (Italy)*

External companies (non EssilorLuxottica group)

Director

Member of the Risk and Control Committee

Member of the Nomination Committee

- Assicurazioni Generali S.p.A. (Italy)*

Past positions and terms of office held over the five past years

External companies (non EssilorLuxottica group)

Member of the Related Party Transactions Committee

- Assicurazioni Generali S.p.A. (Italy)*

(1) Shares acquired in March, 2019.

(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.

* Listed company.

(a) Term of office started during the fiscal year.

Cristina Scocchia

Independent Director

44 years old
(Country of citizenship: Italy)

Number of shares:
1,000 (1)

Main position:
Chief Executive Officer of Kiko S.p.A. (Italy)

Business address:
Via Paleocapa 20 – 24122 Bergame (Italie)

Current term ends: Shareholders' Meeting 2021
First appointment as Director: October 1, 2018 (2)

Personal information – Experience and expertise

Cristina Scocchia is Member of the Board of Luxottica and Pirelli S.p.A.

After graduating with the highest grades in Management of International Firms at Luigi Bocconi University, she completed a PhD in Business Administration at the University of Torino.

She started her career at Procter&Gamble, where since 1997 she held positions of increasing responsibility working on mature and emerging markets until she was appointed in September 2012 as Cosmetics International Operations Division leader, with the responsibility of supervising the brands in her portfolio in over 70 countries throughout the world. From 2014 to 2017, she served as Chief Executive Officer of L'Oréal Italia S.p.A. and she lead the return to growth of the company in a challenging economic environment. From 2016 to 2017, she also acted as Chairman of the same company. Since July 2017 she has acted as Chief Executive Officer of Kiko S.p.A.

Cristina Scocchia will bring to the Board her extensive expertise in terms of strategy and management acquired during these years.

Cristina Scocchia is member of the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Chief Executive Officer of Kiko S.p.A. (Italy)

EssilorLuxottica group companies

Director

- EssilorLuxottica*
- Luxottica Group S.P.A. (Italy)*

External companies (non EssilorLuxottica group)

Director

- Pirelli S.p.A. (Italy)*

Past positions and terms of office held over the five past years

Chief Executive Officer

- L'Oréal Italia S.p.A (Italie)*

Director

- Valtur S.p.A. (Italy) (a)
- Elica S.p.A. (Italy) (a)

(1) Shares acquired in March, 2019.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.
(a) Term of office ended during the fiscal year.

Jeanette Wong

Independent Director

58 years old
(Country of citizenship: Singapore)

Number of shares:
1,000

Main position:
Group Executive, DBS Group (until March 2019)

Business address:
DBS BANK – 12 Marina Boulevard – Level 45 – DBS Asie Central @ Marina Bay Financial Centre Tower 3 – 018982 – Singapore

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Jeanette Wong is DBS Group Executive (until March 2019) responsible for Institutional Banking, which encompasses Corporate Banking, Global Transaction Services, Strategic Advisory and Mergers & Acquisitions.

Previously, she was Chief Financial Officer of DBS Group from 2003 to 2008. Prior to joining DBS Bank, Jeanette Wong was at JP Morgan for 16 years (1986-2002). During her tenure at JP Morgan, she had regional responsibilities for the Global Markets and Emerging Markets Sales and Trading business in Asia and was also JP Morgan's head for Singapore from 1997 to 2002. Beforehand Jeanette Wong worked at Citibank from 1984 to 1986 and began her career in 1982 at Banque Paribas.

Jeanette Wong will bring to the Board her extensive expertise in terms of finance as well as her knowledge on corporate social responsibility, on global markets and primarily on Asian markets.

Jeanette Wong chairs the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2018

Main position

Group Executive, DBS Group

EssilorLuxottica group companies

Director
- EssilorLuxottica*
- Essilor International (SAS)**

DBS group companies

President
- DBS Bank (Taiwan) Limited

Director
- DBS Bank (China) Limited

External companies (non-DBS group)

Director
- Jurong Town Corporation (Singapore)
- Fullerton Fund Management Company Ltd. (Singapore)
- FFMC Holdings Pte. Ltd. (Singapore)
- PSA International Pte. Ltd. (Singapore)

Member of the Advisory Board
- National University of Singapore Business School Management
- Asia Cabinet, University of Chicago Booth School of Business

Member
- Securities Industry Council of the Monetary Authority of Singapore

Past positions and terms of office held over the five past years

External companies (non-DBS group)

Director
- Singapore International Arbitration Centre (Singapore)
- Neptune Orient Lines Limited
- Essilor International (Compagnie Générale d'Optique)

Advisory Council Member
- Singapore's Alternate APEC Business Advisory Council (ABAC) (Singapore) (a)

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica; it is specified that the Essilor's general shareholders' meeting of April 24, 2018 appointed Ms. Jeanette Wong as Director of EssilorLuxottica in replacement of Ms. Henrietta Fore. The expiration of her term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

(a) Term of office expired during the fiscal year.

Delphine Zablocki

Director representing employees

43 years old
(Country of citizenship: France)

Number of shares:
217

Main position:
Skilled operator at Essilor International

Business address:
1, rue Fernand-Holweck – 21000 Dijon

First appointment as Director: October 28, 2017 (1)
Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Delphine Zablocki is a skilled operator at the Dijon factory (France) of Essilor, she began working at Essilor on June 1, 2004.

Delphine Zablocki started working at Essilor in Dijon (France) as an interim worker in 2003 and she was hired in 2004. Her career at Essilor has allowed her to experience several workshops. She worked as a verifier at the Polycarbonate workshop, where she spent six years and then at the Orma workshop for one year. Later, Delphine Zablocki left the production and worked, still as a verifier, on the "lamination" project, a glass polarization technology. She continued for five years before being transferred to the TSV (vacuum treatment) center in Dijon (France), in 2016.

Positions and terms of office held as of December 31, 2018

Main position

Skilled operator at Essilor International (SAS)**

EssilorLuxottica Group companies

Director representing employees

- EssilorLuxottica*
- Essilor International (SAS)**

Past positions and terms of office held over the five past years

None.

(1) Delphine Zablocki has been appointed by the Central Work Council of Essilor International on September 20, 2017, *i.e.* prior to the Closing date of the Contribution between Essilor International (Compagnie Générale d'Optique) and Luxottica on October 1, 2018, for a four-year term as of October 28, 2017.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

2.6 Statutory Auditors' report on related-party agreements and commitments

Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2018

This is a free translation into English of the statutory auditors' report on related-party agreements and commitments issued in French and it is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the General Meeting of EssilorLuxottica,

In our capacity as your Company's statutory auditors, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying Company's interest of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

In accordance with article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorized by the Board of Directors.

Corporate officer involved: Mr. Léonardo Del Vecchio, Chairman and Chief Executive Officer of EssilorLuxottica since October 1, 2018

As of November 29, 2018, the Board of Directors authorized the implementation of the following benefits:

- Supplementary defined benefit pension plan;
- Group defined contribution retirement plan;
- Group insurance scheme;
- Group reimbursement plan for health expenses;
- Termination benefits;
- Social guarantee for executives.

Nature, purpose and modality

1. Supplementary defined benefit pension plan

Mr. Leonardo Del Vecchio, in his capacity as Chairman and Chief Executive Officer, has since January 1, 2019, the supplementary defined benefit pension plan put in place by the Company for the benefit of senior executives, under the same conditions as the latter as described below.

The current system is based on an additional defined benefit pension plan (Article 39 of the French General Tax Code) open to senior executives of the EssilorLuxottica category IIIC and HC group within the meaning of the Collective Agreement on Metallurgy.

A seniority of at least 10 years (against two years recommended by the AFEP-MEDEF Code) within the EssilorLuxottica group is required to benefit from the supplementary defined benefit pension. In addition, you must be present at EssilorLuxottica (or a member company) at the time of termination of your professional activity in order to benefit from the additional pension. In the particular case of Mr. Leonardo Del Vecchio, it is specified that no seniority within Luxottica can be taken into account in accordance with the provisions of Article L.225-42-1 of the French Commercial Code.

The amount of the supplementary pension depends on the length of service in the EssilorLuxottica group and the average gross remuneration (annual fixed and variable) actually received during the three years preceding the last working day (hereinafter the reference compensation).

More specifically, when the conditions of eligibility are fulfilled, the supplementary pension is determined as follows:

- 10% of the reference compensation;
- to which are added for each year of seniority beyond 10 years and less than or equal to 20 years:
  - 1% of the reference remuneration,
  - 1.5% of the fraction of the reference remuneration above the C tranche of Social Security up to 5% of the reference remuneration.

Mr. Leonardo Del Vecchio began acquiring contingent rights as of January 1, 2019.

The supplementary group pension scheme is thus likely to provide beneficiaries with at least 20 years of seniority in the EssilorLuxottica group with an additional retirement pension of up to 25% of their reference earnings (compared to a maximum of 45% provided for by the AFEP-MEDEF Code). The increase in potential duties is therefore at most 1.25% per year (compared to a maximum of 3% provided for by law).

In addition, it is recalled that in accordance with the provisions set out in Article L.225-42-1 of the French Commercial Code, the grant of conditional rights under the supplementary pension plan must comply with performance conditions. Compliance with these performance conditions is assessed in relation to those of the Company.

The performance conditions taken into account for the grant of additional contingent rights to supplementary pension correspond to those to which the Chairman and Chief Executive Officer is subject in respect of his variable compensation and in a similar calendar.

It is specified that your Board of Directors will verify, annually, the respect of these conditions, before the Ordinary General Meeting called to rule on the accounts of the last financial year closed. On this occasion, your Board of Directors will determine the increase of rights for each financial year, which may not exceed 1.25%.

The acquired conditional rights will be strictly proportional to the rate of achievement of performance within the limit of 100%.

Similarly, before the grant of the plan, your Board of Directors will verify that these conditions are met.

2. Group defined contribution retirement plan

As the entire college of executives, it is proposed to

Mr. Leonardo Del Vecchio to benefit from the defined contribution pension plan applied within the Company.

The defined contribution pension is based on a single employer contribution rate currently set at 1% of the gross remuneration received.

3. Group insurance scheme

As the entire college of executives, it is proposed to

Mr. Leonardo Del Vecchio to benefit from the insurance scheme applied within the Company.

This plan offers guarantees of full or partial salary maintenance in the event of a work stoppage or disability. For example, the guarantee in case of temporary incapacity for work is equal to 30% of salary Tranche A and 80% of salary Tranches B and C.

In addition, it provides for the payment of increased death capital or, at the option of the beneficiary, lower death benefits and spouse's or education annuities. For example, the guarantee in the event of death without annuities is equal to 350% of the salary for a married employee without dependent children.

The contributions are equal to 1.50% of Tranche A and 1.56% of Tranche B of salary limited to 8 ceilings of the Social Security and financed at 100% by the employer.

4. Group reimbursement plan for health expenses

As the entire college of executives, Mr. Leonardo Del Vecchio benefits from the reimbursement system for health expenses applied within the Company.

This scheme offers a reimbursement of health expenses complementary to those of the Social Security, in particular for hospitalization, optics or dental expenses.

The contributions are equal to 2.62% of Tranches A and B, Tranche B being limited to 1 annual Social security ceiling. Employer financing is equal to 78% on Tranche A and 60% on Tranche B.

5. Termination benefits

In the event of a forced departure of the Company's Chairman and Chief Executive Officer, the latter would be eligible for severance pay. This allowance is fixed at two years of monetary remuneration (corresponding to the average annual fixed and variable remuneration received during the last three years preceding departure).

The eventual payment of the indemnity is subject to the following performance condition:

The performance would be measured by the average rate of achievement of the objectives of Mr. Leonardo Del Vecchio over the three years prior to his departure. The annual objectives are those set by your Board of Directors for Mr. Leonardo Del Vecchio in his capacity as corporate officer, and used to calculate the annual variable portion of his compensation. For an average rate of performance greater than or equal to 50%, compensation is calculated strictly in proportion to this rate within the limit of 100% (*e.g.* if average performance rate reaches 90%, compensation is paid up to 90%).

For an average performance rate of less than 50% no compensation would be paid.

In the event of the departure of Mr Leonardo Del Vecchio before the expiry of the period set for the assessment of the performance criteria, the payment of severance pay will be subject to the assessment of this Board of Directors and will be motivated.

6. Social guarantee for executives

It is specified that Mr. Leonardo Del Vecchio is not eligible for the social guarantee for executives ("Garantie Sociale des Chefs et des dirigeants d'entreprise" (GSC)).

Reasons for his interest in the Company

In application of the law, the prior authorization given by your Board of Directors motivated the interest of the agreements and commitments for the Company provided for by Article L.225-38 of the French Commercial Code as follows:

- Considering the governance of EssilorLuxottica led by a Chairman and Chief Executive Officer and a Deputy Chairman and Chief Executive Officer with equal powers, the Board of Directors applied the principle approved by the Board of October 1, 2018 following which the Chairman and Chief Executive Officer and the Vice-Chairman and Chief Executive Officer receive a strictly identical remuneration.
- The pursuit of the same policy implemented in the Company by awarding corporate officers a level of benefits similar to that granted to senior executives

Corporate officer involved: Mr. Hubert Sagnières, Vice-Chairman and Chief Executive Officer of EssilorLuxottica since October 1, 2018

Mr. Hubert Sagnières held a salary position within the Group for twenty-one years before joining Essilor as Chief Executive Officer on January 1, 2010, before becoming Chairman and Chief Executive Officer.

As part of his change of function effective on October 1, 2018, date at which Mr. Hubert Sagnières was appointed Vice-Chairman and Chief Executive Officer of the Company, your Board of Directors decided, on November 29, 2018, to continue to benefit Mr. Hubert Sagnières, the following benefits.

- Supplementary defined benefit pension plan;
- Group defined contribution retirement plan;
- Group insurance scheme;
- Group reimbursement plan for health expenses;
- Termination benefits;
- Social guarantee for executives.

Nature, purpose and modality

1. Supplementary defined benefit pension plan

The plan is based on a supplementary defined benefit pension plan (Article 39 of the French General Tax Code) open to senior executives of the EssilorLuxottica category IIIC and HC group within the meaning of the Collective Agreement on Metallurgy.

A seniority of at least 10 years (against two years recommended by the AFEP-MEDEF Code) within the EssilorLuxottica group is required to benefit from the supplementary defined benefit pension. In addition, you must be present at EssilorLuxottica (or a member company) at the time of termination of your professional activity in order to benefit from the additional pension.

The additional pension depends on the length of service in the EssilorLuxottica group and the average gross remuneration (annual fixed and variable) actually received during the three years preceding the last day worked (the reference compensation).

More specifically, when the conditions of eligibility are fulfilled, the supplementary pension is determined as follows:

- 10% of the reference compensation;
- to which are added for each year of seniority beyond 10 years and less than or equal to 20 years:
  - 1% of the reference remuneration,
  - 1.5% of the fraction of the reference remuneration above the C tranche of Social Security up to 5% of the reference remuneration.

The supplementary group pension scheme is thus likely to provide beneficiaries with at least 20 years of seniority in the EssilorLuxottica group with an additional retirement pension of up to 25% of their reference earnings (compared to a maximum of 45% provided for by the AFEP-MEDEF Code). The increase in potential duties is therefore at most 1.25% per year (compared to a maximum of 3% provided for by law).

In the particular case of Mr. Hubert Sagnières, given his seniority in the EssilorLuxottica group which will be 30 years as of December 31, 2018, the theoretical calculation of the annual pension he would receive at that date would be 25% of the average of the remuneration actually received during the 2016, 2017 and 2018 financial years.

Mr. Hubert Sagnières has reached 20 years of seniority in the EssilorLuxottica group on January 1, 2009, before his appointment as head of the EssilorLuxottica group. He has therefore not acquired any additional rights since these dates. The retirement obligations applicable to it are therefore not subject to the procedure provided for in Article L.225-42-1 of the French Commercial Code, as amended by the "Macron" law of August 6, 2015. Consequently, no performance condition is required as such.

2. Group defined contribution retirement plan

As the entire college of executives, Mr. Hubert Sagnières benefits from the defined contribution pension plan applied within the Company.

The defined contribution pension is based on a single employer contribution rate currently set at 1% of the gross remuneration received.

3. Group insurance scheme

As the entire college of executives, Mr. Hubert Sagnières benefits from the insurance scheme applied within the Company.

This plan offers guarantees of full or partial salary maintenance in the event of a work stoppage or disability. For example, the guarantee in case of temporary incapacity for work is equal to 30% of salary Tranche A and 80% of salary Tranches B and C.

In addition, it provides for the payment of increased death capital or, at the option of the beneficiary, lower death benefits and spouse's or education annuities. For example, the guarantee in the event of death without annuities is equal to 350% of the salary for a married employee without dependent children.

The contributions are equal to 1.50% of Tranche A and 1.56% of Tranche B of salary limited to 8 ceilings of the Social Security and financed at 100% by the employer.

4. Group reimbursement plan for health expenses

As the entire college of executives, Mr. Hubert Sagnières benefits from the reimbursement system for health expenses applied within the Company.

This scheme offers a reimbursement of health expenses complementary to those of the Social Security, in particular for hospitalization, optics or dental expenses.

The contributions are equal to 2.62% of Tranches A and B, Tranche B being limited to 1 annual Social security ceiling. Employer financing is equal to 78% on Tranche A and 60% on Tranche B.

5. Termination benefits

The mechanism set up under the terms of the termination of his employment contract prior to the date of the combination with Luxottica has been maintained for the benefit of Mr. Hubert Sagnières. An addendum was concluded on July 26, 2018 in order to bring the compensation calculation base in line with the compensation policy applicable to executive corporate officers approved by the Company's General Meeting on November 29, 2018, which was adapted to the context of the new EssilorLuxottica group. This endorsement was authorized by your Board of Directors on June 7, 2018.

It is recalled that the hive-down of Essilor's activities led to the automatic transfer to the Essilor International subsidiary (SAS) of the suspended employment contract of Mr. Hubert Sagnières with effect from November 1, 2017.

The employment contract, currently suspended, and as amended on July 26, 2018, provides that the compensation is capped at two years of monetary remuneration (corresponding to the average annual fixed and variable remuneration received during the three years last years before departure).

Thus, in the particular case of Mr. Hubert Sagnières, who benefits from a suspended employment contract, a termination indemnity may be paid if, following the termination of his corporate office, his employment contract was to be terminated on the initiative of the Company in the year following its reactivation, except in the case of gross negligence, subject to the following conditions:

- his severance pay is in any case limited to two years of monetary remuneration actually received during the last three years preceding the date of notification of departure;
- the fraction of severance pay that goes beyond its legal indemnity or the indemnity related to the Collective Agreement is subject to performance conditions following:
  - Performance is measured by the average achievement rates of the objectives used as a basis for calculating gross annual variable compensation during the last three (3) fiscal years ended before the termination of the Employment Contract (hereinafter the "Performance Rate") in respect of the corporate offices held within the group and / or the Employment Contract.
  - For an average rate of performance greater than or equal to 50%, compensation is calculated strictly in proportion to this rate within the limit of 100% (*e.g.* average performance rate reaches 90%, compensation is paid up to 90%).
  - For an average performance rate of less than 50% no additional compensation would be paid.

6. Social guarantee for executives

Hubert Sagnières continues to benefit from the social guarantee for executives ('Garantie Sociale des Chefs et des dirigeants d'entreprise' (GSC)).

Reasons for his interest in the Company

In application of the law, the prior authorization given by your Board of Directors motivated the interest of the agreements and commitments for the Company provided for by Article L.225-38 of the French Commercial Code as follows:

- Considering the governance of EssilorLuxottica led by a Chairman and Chief Executive Officer and a Deputy Chairman and Chief Executive Officer with equal powers, the Board of Directors applied the principle approved by the Board of October 1, 2018 following which the Chairman and Chief Executive Officer and the Vice-Chairman and Chief Executive Officer receive a strictly identical remuneration.
- The pursuit of the same policy implemented in the Company by awarding corporate officers a level of benefits similar to that granted to senior executives.

Agreements and commitments previously approved by the Shareholders' Meeting

a) Agreements and commitments approved through previous financial years which have been pursued during the last year

In accordance with article R.225-31, al.5 and 7 of the French Commercial Code, we have been informed of the following agreements and commitments approved in prior years and which remained current during the last year.

Agreements concluded between your Company and Mr. Olivier Pécoux, Executive Officer of the group Rothschild & Co and member of your Board of Directors

At its meeting of January 15, 2017, the Board of Directors authorized the signing of an agency agreement with the bank Rothschild & Co to negotiate the terms and conditions of the combination with the Luxottica Group. The conditions of Rothschild & Co's assignment are consistent with usual market practices as are customary for this type of agreement. No compensation was paid in 2016 and 2017, as the commission was only payable if the planned combination with Luxottica was successfully completed.

Following the completion of the combination between Essilor and Luxottica on October 1, 2018 and pursuant to the terms and conditions set by agreement with Rothschild & Co, the remuneration due under this agreement amounts to €24,108,735 including taxes has been paid in January 2019.

b) Agreements and commitments approved through previous financial years which gave rise to no transactions during the last year

In addition, we have been informed of the continuation of the following agreements and commitments approved by Shareholders' Meetings in prior years, which had no effect during the year ended December 31, 2018.

Corporate officer involved: Mr. Hubert Sagnières, Chairman and Chief Executive Officer of Essilor International (Compagnie Générale d'Optique) until October 1, 2018

1. Suspension of his employment contract

At its meeting of November 26, 2009, the Board of Directors authorized the suspension of Mr. Hubert Sagnières' employment contract, as of January 1, 2010, upon his appointment as Chairman and Chief Executive Officer of Essilor International.

2. Termination benefits

Pursuant to his employment contract, which is suspended during his term as corporate officer, Mr. Hubert Sagnières is contractually entitled to termination benefits. This commitment was authorized by the Board of Directors at its meeting of March 4, 2009 and confirmed at its meeting of March 3, 2010. Shareholders' Meeting of May 11, 2017, approved this resolution in application of article L.225-42-1 of the French Commercial Code.

3. Supplementary pension plan

Mr. Hubert Sagnières is a member of the supplementary defined benefit pension plan in force in the Company, under the same terms and conditions applicable to the employee category to which he belongs for setting social benefits and other complementary components of compensation. This commitment was authorized by the Board of Directors at its meeting of November 26, 2009.

The commitments made to Hubert Sagnières were confirmed by your EssilorLuxottica's Board of Directors at its meeting of November 29, 2018, as an extension of his appointment as Vice-Chairman. Deputy Chief Executive Officer of your Company (see above).

Corporate officer involved: Mr. Laurent Vacherot, Chief Operating Officer of Essilor International (Compagnie Générale d'Optique) until October 1, 2018, end date of his mandate

1. Addendum to the employment contract of Mr. Laurent Vacherot formalising the terms and conditions of suspending his employment contract and the termination benefits that would be awarded as a result of terminating said contract in certain circumstances

At its meeting of December 6, 2016, the Board of Directors authorized the modification of Mr. Laurent Vacherot's employment contract upon his appointment as Chief Operating Officer. The addendum formally sets out the terms and conditions of suspending his employment contract and the termination benefits that would be awarded as a result of terminating said contract in certain circumstances. This agreement, consistent with market practices, was authorized in accordance with Article L.225-42-1 of the French Commercial Code. It specifies that:

- it is Group policy to suspend the employment contract of an employee with more than 10 years seniority within the Group when he or she is promoted to the position of corporate officer;
- the conditions for awarding termination benefits in the event of his departure at the Company's initiative (except in the event of serious or gross misconduct), the maximum amount and the calculation methods used have been set in accordance with the recommendations of the AFEP MEDEF Code of Corporate Governance. The termination benefits would be equal to two years of his contractual compensation, up to a maximum of €2,713,000, it being specified that the benefits will be calculated based on the compensation package in force at the time the employment contract is suspended.

This commitment was approved by the Shareholders' Meeting of May 11, 2017 and April 24, 2018.

2. Continuation of the defined benefit pension plan with which Mr. Laurent Vacherot was already registered as an employee

At its meeting of December 6, 2016, the Board of Directors authorized to maintain the defined benefit pension plan, with which Mr. Laurent Vacherot was already registered as an employee, upon his appointment as Chief Operating Officer, consistent with market practices.

Mr. Laurent Vacherot's potential pension entitlement, under this supplementary pension plan, has been capped since December 2, 2011, and given that the entitlement cannot

increase in respect of his term as Chief Operating Officer, the award of a defined benefit pension commitment is only subject to paragraph 1 of Article L.225-42-1 of the French Commercial Code only, and not to the French "Macron" Act.

This commitment was approved by the Shareholders' Meeting of May 11, 2017 and of April 24, 2018.

The commitments made to Mr. Laurent Vacherot in connection with his mandate as Chief Executive Officer of the Company and in particular those relating to the suspension of his employment contract, the eligibility for severance pay in respect of a clause of his suspended employment contract and the supplementary pension plan did not give rise to any executing act during the 2018 financial year. The term of office of Mr. Laurent Vacherot ended on the date of the combination with Luxottica on October 1, 2018. The latter is therefore no longer executive officer of the Company since that date.

Neuilly-sur-Seine and Courbevoie, March 29, 2019

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT		MAZARS	
Olivier Lotz	Cédric Le Gal	Daniel Escudeiro	Jean-Luc Barlet


BOLON
EYEWEAR
Hailey Bieber

CHAPTER

3

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2018 Results

Consolidated statement of profit or loss *pro forma* (1) adjusted (2)

In € millions	**2018 Adjusted (2)**	**2017 Adjusted (2)**	**Change**
Revenue	**16,160**	**16,349**	**-1.2%**
Operating profit	**2,572**	**2,703**	**-4.8%**
As a % of revenue	*15.90%*	*16.50%*	-
Net profit	**1,871**	**1,904**	**-1.7%**
As a % of revenue	*11.60%*	*11.60%*	-

(1) *Pro forma* consolidated profit or loss statement on a twelve months basis for Essilor and Luxottica.

(2) 2018 and 2017 profit or loss is presented on an adjusted basis in accordance with the Unaudited *Pro Forma* Consolidated Financial Information. The reported accounts and a reconciliation of the reported accounts to the adjusted accounts is included in the Unaudited *Pro Forma* Consolidated Financial Information. A description of the adjusting items is reported in the paragraph *Adjusted measures* in Section 3.1.1.

Date of the latest financial information

The latest audited financial information corresponds to fiscal years 2017 and 2018 (periods from January 1 to December 31).

Selected financial information for interim periods

The Company has elected not to restate financial information for interim periods in this document.

Documents incorporated by reference

Pursuant to Article 28 of Regulation (EC) No 809/2004 of the European Commission, the following information is incorporated by reference in this Registration Document:

- the consolidated financial statements for the year ended December 31, 2016 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 110 to 163 and 164 of the 2016 Registration Document filed with the AMF on Thursday, March 30, 2017 under number D.17-0264.
- the consolidated financial statements for the year ended December 31, 2017 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appears respectively on pages 136 to 188 and 189 of the 2017 Registration Document filed with the AMF on Tuesday, March 27, 2018 under number D.18-0193.

3.1 Comments on the Group's earnings and financial position

3.1.1 Statement of profit or loss

EssilorLuxottica consolidated statement of profit or loss reported

€ millions	2018	2017	Change
Revenue	10,799	9,184	+17.6%
Gross profit	6,836	5,962	+14.7%
As a % of revenue	*63.3%*	*64.9%*	--
Operating expenses	(5,478)	(4,616)	+18.7%
Operating profit	1,358	1,347	+0.8%
As a % of revenue	*12.6%*	*14.7%*	--
Financial result	(63)	(91)	-30.8%
Share of profit of associates	-	1	-
Profit before taxes	1,295	1,257	+3.0%
Income taxes	(139)	(215)	-35.4%
Effective tax rate	*10.7%*	*17.1%*	--
Net profit	1,156	1,042	+10.9%
As a % of revenue	*10.7%*	*11.3%*	--

As a consequence of the combination between Essilor and Luxottica, the structure of the consolidated financial statements is the following:

Statements	Year ended December 31, 2017	Year ended December 31, 2018	
Profit or loss	Luxottica's 12 months (Jan-Dec)	Luxottica's 12 months (Jan-Dec)	Essilor's 3 months (Oct-Dec)
Financial position	Luxottica's historical cost	Luxottica's historical cost	Essilor's fair value at Oct. 1 and subsequent movements (Oct-Dec)

Therefore, the information presented as comparative information for the year ended December 31, 2017 in the 2018 consolidated financial statements is not fully comparable and as a result, the financial information deemed relevant to comment the performance of the Group is based on the Unaudited *Pro Forma* Consolidated Financial Information. The Unaudited *Pro Forma* Consolidated Financial Information has been produced with the aim to provide comparative information for the year ended December 31, 2017 and the year ended December 31, 2018.

The tables in Section 3.6. present the reconciliation between the consolidated statement of profit or loss reported, the consolidated statement of profit or loss *pro forma* and the consolidated statement of profit or loss *pro forma* adjusted. Management comments on EssilorLuxottica consolidated statement of profit or loss *pro forma* adjusted are described hereafter.

EssilorLuxottica consolidated statement of profit or loss *pro forma* (1) adjusted (2)

Notes

(1) *Pro forma* consolidated profit or loss statement on a twelve months basis for Essilor and Luxottica. The Unaudited *Pro Forma* Consolidated Financial Information has been prepared for illustrative purposes only and does not take into account the results of operations that EssilorLuxottica would have achieved if the contribution of Luxottica shares by its majority shareholder had actually been realized on January 1, 2018 or January 1, 2017. There can be no assurance that the assumptions used to prepare the Unaudited *Pro Forma* Consolidated Financial Information are accurate in all respects or that the trends disclosed in the Unaudited *Pro Forma* Consolidated Financial Information are indicative of the future performance of EssilorLuxottica. As a result, EssilorLuxottica's performance in the future may differ materially from that presented in the Unaudited *Pro Forma* Consolidated Financial Information.

(2) 2018 and 2017 profit or loss is presented on an adjusted basis in accordance with the Unaudited *Pro Forma* Consolidated Financial Information. The reported accounts and a reconciliation of the reported accounts to the adjusted accounts is included in the Unaudited *Pro Forma* Consolidated Financial Information. A description of the adjusting items is reported in paragraph *Adjusted measures.*

(3) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

	2017				2018				
€ millions **(At current exchange rate)**	**Essilor adjusted (2)**	**Luxottica adjusted (2)**	**Elimination of intercompany transactions**	**EssilorLuxottica *Pro forma* (1) adjusted (2)**	**Essilor adjusted (2)**	**Luxottica adjusted (2)**	**Elimination of intercompany transactions**	**EssilorLuxottica *Pro forma* (1) adjusted (2)**	**Change 2018 *vs.* 2017**
Revenue	7,402	9,184	(237)	16,349	7,460	8,929	(228)	16,160	-1.2%
Cost of sales	(3,096)	(3,164)	225	(6,035)	(3,088)	(3,125)	225	(5,988)	-0.8%
GROSS PROFIT	**4,306**	**6,020**	**(13)**	**10,314**	**4,372**	**5,804**	**(4)**	**10,172**	**-1.4%**
% of revenues	*58.2%*	*65.5%*		*63.1%*	*58.6%*	*65.0%*		*62.9%*	
Total operating expenses	(3,031)	(4,580)	0	(7,611)	(3,139)	(4,461)	0	(7,600)	-0.1%
OPERATING PROFIT	**1,275**	**1,440**	**(13)**	**2,702**	**1,233**	**1,343**	**(4)**	**2,572**	**-4.8%**
% of revenues	*17.2%*	*15.7%*		*16.5%*	*16.5%*	*15.0%*		*15.9%*	
Financial result	(60)	(61)		(121)	(56)	(50)		(106)	-12.8%
Share of profits of associates		1	(1)	0		1	(1)	(0)	n.c.
PROFIT BEFORE TAXES	**1,215**	**1,380**	**(14)**	**2,581**	**1,177**	**1,294**	**(5)**	**2,466**	**-4.5%**
% of revenues	*16.4%*	*15.0%*		*15.8%*	*15.8%*	*14.5%*		*15.3%*	
Income taxes	(273)	(407)	3	(677)	(254)	(343)	1	(595)	-12.2%
NET PROFIT	**942**	**973**	**(11)**	**1,904**	**923**	**951**	**(3)**	**1,871**	**-1.7%**
Effective tax rate	*-22.5%*	*-29.5%*		*-26.3%*	*-21.6%*	*-26.5%*		*-24.1%*	

EssilorLuxottica reported *pro forma* (1) revenues of €16,160 million, up 3.2% at constant exchange rates (3). Essilor and Luxottica both contributed to the positive performance. Business improved across all regions, proof that the strategic initiatives and growth projects are paying off. The *pro forma* (1) gross margin on an adjusted (2) basis was slightly down to 62.9%. The *pro forma* (1) operating profit on an adjusted (2) basis reached €2,572 million in 2018, an increase of 1.2% at constant exchange rates (3). *Pro forma* (1) adjusted (2) operating margin ended the year at 15.9% almost flat at constant exchange rates (3). The *pro forma* (1) net profit on an adjusted (2) basis was down by 1.7% to €1,871 million. Adjusted (2) net margin held at 11.6%.

Essilor performance for the full year 2018

Notes

(a) **Like-for-like growth:** Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements of the 2017 Registration Document of Essilor.

(b) For a definition of 2017 and 2018 adjusted figures, please refer to the paragraph *Adjusted measures* below.

In 2018, Essilor revenue reached €7,459 million, up 5.1% at constant exchange rates and 4.6% on a like-for-like [(a)] basis.

Gross margin improved by 40 basis points from 58.2% to 58.6% of revenue to reach €4,372 million, due to favorable product mix along with efficiency gains. Product mix improvement was driven by increased volume growth for branded lenses including Transitions®, Varilux®, Crizal® and Eyezen™ lenses. New product introductions, mainly the new Crizal® Sapphire 360°™ lens along with the finalization of the Varilux® X Series™ lens rollout further added to the gains.

On a *pro forma* basis, the adjusted operating profit [(b)] reached €1,233 million in 2018 or 16.5% of revenue compared to 17.2% in 2017. This decline reflects increased investment in selling, advertising and marketing. Selling expenses focused mainly on service level enhancement programs. The increase in advertising and marketing expenses enabled several initiatives. Firstly, customer acquisition and scale up costs to support rapid growth in the company's e-commerce businesses. In addition, resources were allocated to drive the growth of Transitions® products as well as the prescription lens business in the US. Lastly, the company intensified its investments in new wearer segments, including programs for myopia management and activities related to the company mission such as the "2.5 New Vision Generation™" program.

The improvement in the effective tax rate by 90 basis points to 21.6% is due to the tax on dividends, which ceased in 2018, and a favorable country mix.

The company's adjusted [(b)] net profit declined by 1.9% from €942 million in 2017 to €923 million in 2018.

Free cash flow generation was Euro 906 million, slightly below 2017 level. Excluding foreign exchange impact, it would have increased by +2%.

Luxottica performance for the full year 2018

Notes

(1) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

(2) For a definition of 2017 and 2018 adjusted figures, please refer to the paragraph *Adjusted measures* below.

In 2018, Luxottica revenues reached €8,929 million, up 1.5% at constant exchange rates [(1)] (-2.8% at current exchange rates) with net sales accelerating in the second half of the year, thanks to progressive improvement in Europe's wholesale business.

Favorable price mix and cost discipline positively contributed to 2018 results. This is noteworthy given that these results were achieved despite a lower contribution from volumes due to the change in Luxottica's distribution strategy in key regions. The strategy change was aimed at promoting quality of sales, consistency and transparency in commercial policies and a more direct relationship with consumers.

Both Luxottica's divisions contributed to the positive sales performance of the year, with the Wholesale segment showing a strong acceleration in the second part of the year and Retail confirming solid growth.

The company's operating profit on an adjusted basis [(2)] was down by 6.8% to €1,343 million in 2018 (+1.2% at constant exchange rates [(1)]), with an adjusted [(2)] operating margin at 15.1% down 60 bps (flat at constant exchange rates [(1)]). The adjusted [(2)] operating margin of the Wholesale division was 22.6% down by 60 bps (+40 bps at constant exchange rates [(1)]). The adjusted [(2)] operating margin of the Retail division declined by 20 basis points (+20 bps at constant exchange rates [(1)]). and amounted to 14.6%.

Net profit for the fiscal year 2018 on an adjusted [(2)] basis was down by 2.0% to €951 million (+6.7% to over €1 billion at constant exchange rates [(1)]) due in part to the tough comparison over last year's record level. In 2017, net profit results benefited from non-recurring income related to Luxottica's Italian Patent Box agreement covering 2015 and 2016 and from the impact of US tax reform. Excluding the €159 million impact of these non-recurring items on 2017 results, 2018 net margin would have been 90 bps accretive, benefiting from effective business and financial management. For the second consecutive year, net margin was over the 10% threshold in 2018.

Free cash flow generation was €923 million for the twelve-month period ending on December 31, 2018; net of exchange rate headwinds [(1)], it would have been around €1.1 billion. Net debt as of December 31, 2018 was €428 million, down by approximately 42% compared to the same period last year, with a net debt/adjusted EBITDA [(2)] ratio going down to 0.2x.

Adjusted measures

In this document, management presented certain performance indicators that are not envisioned by the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and endorsed by the European Union. Such measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica consolidated financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group and should be read in conjunction with EssilorLuxottica consolidated financial statements. Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors.

The combination of Essilor and Luxottica (the "EL Combination"), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted ("adjusted measures"). In particular, management adjusted the following measures: *Gross profit, Operating expenses, Operating profit, Profit before taxes* and *Net profit*.

Moreover, to take into account the EL Combination that occurred in 2018, the adjusted measures for the years 2017 and 2018 are presented on a *pro forma* basis. Such adjusted *pro forma* measures are explained in detail and reconciled to their most comparable *pro forma* measures in the Unaudited *Pro Forma* Consolidated Financial Information.

In 2017 and 2018, adjusted *pro forma* measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination; and (ii) other adjustments related to transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group's performance. These adjustments are described below.

For the year 2018

- Non-recurring *Cost of sales* for €27 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *Selling expenses* for €7 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *General and administrative* expenses for €271 million associated with the following impacts:
  - transaction costs related to the EL Combination for €150 million: of which €128 million incurred in 2017 (€109 million by Essilor and €19 million by Luxottica) and €22 million incurred in 2018 (€11 million by Essilor and €11 million by Luxottica);
  - non-recurring costs of €77 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the €5 million adjustment related to the valuation of Essilor's share based payments;
  - restructuring and reorganization expenses for €49 million (of which €33 million incurred by Essilor and €16 million by Luxottica).
- Non-recurring expenses for €36 million accounted for in *Other income / (expenses)* including:
  - loss on assets disposal for €5 million following the request from the Turkish Antitrust authorities to divest Essilor's subsidiary, Merve, as a condition precedent to approve the EL Combination;
  - net loss impact of the change in Essilor's consolidation scope of one entity for €24 million;
  - net negative impact of €5 million related to Essilor's other non-recurring transactions;
  - distribution by Essilor of exceptional bonuses to French employees for €2 million.
- *Cost of net debt* is adjusted for €5 million corresponding to a non-recurring financial expense linked to early repayment of Luxottica's debt.
- *Income taxes* are adjusted for an amount of €(72) million corresponding to the tax effect of the above-mentioned adjustments for €(25) million and to a non-recurring tax income of €(47) million recorded by Essilor.

For the year 2017

- Non-recurring *Cost of sales* for €58 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *Selling* expenses for €38 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *General and administrative* expenses for €259 million associated with the following impacts:
  - transaction costs related to the EL Combination for €150 million: of which €128 million incurred in 2017 (€109 million by Essilor and €19 million by Luxottica) and €22 million incurred in 2018 (€11 million by Essilor and €11 million by Luxottica);
  - non-recurring costs of €45 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the €2 million adjustment related to the valuation of Essilor's share based payments;
  - restructuring and reorganization expenses for €53 million (of which €33 million incurred by Essilor and €20 million by Luxottica);
  - other non-recurring expenses for €13 million mainly related to Essilor's one-time contribution to mission-related programs focused on eradicating poor vision worldwide for €5 million and to Luxottica's top management departure indemnities for €8 million.

- Non-recurring net income of €35 million accounted for in *Other income / (expenses)* including the following items:
  - capital gain for €57 million on the sale of two properties owned by the Group (of which €9 million recognized by Essilor and €49 million by Luxottica);
  - one-time Essilor's contribution for €14 million to mission-related programs focused on eradicating poor vision worldwide;
  - other Essilor's non-recurring with net negative impact for €8 million.
- *Cost of net debt* is adjusted for €30 million corresponding to a non-recurring financial expense linked to the early repayment of Luxottica's loans.
- *Income taxes* are adjusted for an amount of €(345) million corresponding to the following:
  - tax effects of the above-mentioned adjustments amounting to €(94) million;
  - a one-time deferred tax profit linked to the US Tax reform adopted by the US Congress in December 2017 for a total amount €(172) million for the Group (of which €73 million recognized by Essilor and €99 million by Luxottica);
  - a one-time tax benefit from the Patent box for €(60) million arising from an agreement signed by Luxottica with the Italian Revenue Agency in November 2017;
  - a one-time gain from the refund of the 3% dividend tax in France, net of one exceptional tax for €(19) million recorded by Essilor.

The adjusted measures referenced above are not required by International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and endorsed by the European Union. The Group believes that these adjusted measures: (i) are useful for management and investors to assess the operating performance of the Group and to compare it to other companies operating in the same sector, and (ii) provide an additional view of the results, excluding the effect of elements that are unusual, infrequent or unrelated to normal operations. Furthermore, adjusted measures may not be comparable to similarly titled measures used by other companies.

Free cash flow information is also included in this document. Free cash flow is a non-IFRS measure the Group believes useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in the industry. Free cash flow is not meant to be considered in isolation or as a substitute for items appearing in the Group's financial statements prepared in accordance with IFRS. Free cash flow is defined as net cash from operating activities less purchases of property, plant and equipment and intangible assets.

Policies and other external factors

The Company is not aware of any governmental, economic, fiscal, monetary or political policies or factors that could materially affect, directly or indirectly, its future operations.

3.1.2 EssilorLuxottica balance sheet and cash flow statement

Goodwill and intangible assets arising from the combination of Essilor and Luxottica

The consolidated financial statements of EssilorLuxottica reflect the acquisition of Essilor by Luxottica (cd *reverse acquisition*), therefore Essilor's assets and liabilities were measured at fair value as of the date of the contribution of Delfin's shares (October 1, 2018). Any difference between the consideration transferred and the fair value of Essilor's assets acquired and liabilities assumed has been recorded as goodwill (€19.5 billion). Intangible assets amounting to €10.8 billion were also recognized as a result of the combination. They mainly refer to technologies, trade names, trademarks, brands and customer relationships.

Net debt

The procedures for calculating the net debt are explained in Note 22 – Financial debt to the consolidated financial statements.

EssilorLuxottica's net debt reached €1.9 billion at December 31, 2018 *versus* €2.4 billion at the end of 2017, leading to a material reduction in financial leverage. Net debt at the end of 2017 was calculated starting from the unaudited *pro forma* condensed financial information included in the Update to the 2017 Registration Document filed on September 28, 2018.

Free *cash flow*

The combined free *cash flow* of the Group for the year ended December 31, 2018 is €1,829 million.

3.2 Trend Information

3.2.1 Recent trends

The Company is not aware of any trends affecting production, sales, inventories, costs or selling prices since the end of the last fiscal year.

3.2.2 Subsequent events

Public exchange offer for Luxottica shares

See Section 1.7.1.

Acquisitions and partnerships

No significant transactions.

Since January 1, Essilor has pursued its strategy of forging partnerships with local optical market leaders with 2 transactions. See section 1.7.3.4

Events after the date of the approval by the Board of the 2018 financial statements, until the filing of this Registration Document

EssilorLuxottica has been informed on March 27, 2019 by Delfin S.à.r.l. that Delfin has submitted a request for arbitration with the International Chamber of Commerce against Hubert Sagnieres and EssilorLuxottica SA in connection with alleged violations of the Combination Agreement dated January 15, 2017 and to obtain an injunction to comply with such agreement.

Regarding the litigation between Essilor and the College of Optometrists of Ontario, together with the College of Opticians (see section 1.8.3), the Court of Appeal, on April 4, 2019 reversed the previous decision, confirming that Essilor may home deliver its products. Colleges might appeal this decision.

3.2.3 2019 Outlook

In 2019, the Group is projecting the following, including synergies and at constant exchange rates [(1)]:

- sales growth: +3.5-5%;
- adjusted [(2)] operating profit growth: 0.8-1.2x sales;
- adjusted [(2)] net profit growth: 1-1.5x sales.

Notes

(1) Figures at constant exchange rates are calculated using the average exchange rates in effect for the corresponding period in the previous year.

(2) For a definition of the adjusted figures, please refer to paragraph *Adjusted measures in Section 3.1.1.*

3.2.4 Mid-term Outlook

EssilorLuxottica has the opportunity for significant value creation through revenue and cost synergies which, with the current set up, are expected to range from €420 to €600 million as a net impact on operating profit *per annum* within the next five years. Revenue synergies are expected in the €200-300 million range, as a result of the capability of EssilorLuxottica to develop innovative and high-quality products optimizing the interaction between frames and lenses, serve the industry better through a broader distribution and a more efficient logistics platform. Cost synergies are expected to come in the range of €220-300 million from the combined supply chain optimization, G&A rationalization and sourcing savings. EssilorLuxottica expects synergies to further accelerate once the Group is operating as a fully integrated structure.

Strategic and business integration matters, along with governance topics, are being considered and worked upon by the management teams of Essilor International and Luxottica, in order to ensure a seamless execution of the synergy plan and the growth strategy of EssilorLuxottica.

3.3 Consolidated Group Financial Statements

3.3.1 Consolidated statement of profit or loss

€ millions	Notes	2018	Restated 2017 [a]
Revenue	5	10,799	9,184
Cost of sales		(3,963)	(3,222)
GROSS PROFIT		**6,836**	**5,962**
Research and development		(190)	(60)
Selling		(3,391)	(3,070)
Royalties		(157)	(164)
Advertising and marketing		(746)	(630)
General and administrative		(989)	(738)
Other income/(expenses)	6	(5)	45
TOTAL OPERATING EXPENSES		**(5,478)**	**(4,616)**
OPERATING PROFIT		**1,358**	**1,347**
Cost of net debt	7	(54)	(81)
Other financial income/(expenses)	7	(9)	(10)
Share of profits of associates	12	-	1
PROFIT BEFORE TAXES		**1,295**	**1,257**
Income taxes	8	(139)	(215)
NET PROFIT		**1,156**	**1,042**
Of which attributable to:			
• Owners of the parent		1,087	1,040
• Non-controlling interests		69	2
Weighted average number of shares outstanding:	9		
• Basic		260,699,711	220,533,089
• Diluted		266,246,307	220,662,106
Earnings per share (EPS) for net profit attributable to owners of the parent:	9		
• Basic		4.17	4.72
• Diluted		4.08	4.71

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements.*

3.3.2 Consolidated statement of comprehensive income

€ millions	Notes	2018	Restated 2017 [(a)]
NET PROFIT		**1,156**	**1,042**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		(2)	-
Net investment hedges		-	-
Foreign currency translation differences		140	(589)
Related tax effect	8	1	-
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		**139**	**(589)**
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on employee benefits	23	(18)	55
Related tax effect	8	4	(49)
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		**(14)**	**6**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**125**	**(583)**
TOTAL COMPREHENSIVE INCOME		**1,281**	**460**
Total comprehensive income attributable to:			
• owners of the parent		1,208	458
• non-controlling interests		72	2

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements.*

3.3.3 Consolidated statement of financial position

Assets

€ millions	Notes	December 31, 2018	Restated December 31, 2017 [a]
Goodwill	10	23,241	3,608
Intangible assets	10	11,873	1,246
Property, plant and equipment	11	3,368	1,809
Investments in associates	12	22	4
Other non-current assets	13	390	92
Deferred tax assets	14	336	130
TOTAL NON-CURRENT ASSETS		**39,230**	**6,889**
Inventories	15	2,045	832
Trade receivables	16	2,357	944
Tax receivables	17	128	66
Other current assets	18	667	174
Cash and cash equivalents	19	1,829	1,159
TOTAL CURRENT ASSETS		**7,025**	**3,175**
Assets held for sale	20	14	-
TOTAL ASSETS		**46,269**	**10,064**

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements.*

Equity and liabilities

€ millions	Notes	December 31, 2018	Restated December 31, 2017 [a]
Share capital	21	77	40
Share premium reserve	21	20,931	570
Treasury shares reserve	21	(92)	-
Other reserves	21	10,821	4,158
Net profit attributable to owners of the parent		1,087	1,040
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**32,823**	**5,808**
Equity attributable to non-controlling interests	21	438	6
TOTAL EQUITY		**33,262**	**5,814**
Non-current borrowings	22	2,582	1,671
Employee benefits	23	459	122
Non-current provisions	25	428	130
Other non-current liabilities	26	278	77
Deferred tax liabilities	14	2,245	157
TOTAL NON-CURRENT LIABILITIES		**5,993**	**2,157**
Current borrowings	22	1,184	228
Trade payables	27	1,746	907
Tax payables	17	99	22
Current provisions	25	211	171
Other current liabilities	28	3,775	765
TOTAL CURRENT LIABILITIES		**7,015**	**2,093**
TOTAL EQUITY AND LIABILITIES		**46,269**	**10,064**

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements.*

3.3.4 Consolidated statement of changes in equity

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2017	**29**	**563**	**(270)**	**365**	**4,238**	**851**	**5,776**	**6**	**5,782**
Impacts from the application of IFRS 15	-	-	-	-	6	-	6	-	6
EQUITY AT JANUARY 1, 2017 RESTATED [(a)]	**29**	**563**	**(270)**	**365**	**4,244**	**851**	**5,782**	**6**	**5,788**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD RESTATED [(a)]	**-**	**-**	**-**	**(589)**	**7**	**1,040**	**458**	**2**	**460**
Issue of ordinary shares and changes in ownership interests									
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-
Acquisition of NCI without a change in control	-	-	-	-	-	-	-	-	-
Other changes related to NCI	-	-	-	-	-	-	-	-	-
Employee share issues and exercise of stock options	-	7	-	-	-	-	7	-	7
Share-based payments	-	-	-	-	1	-	1	-	1
Net sale / (net purchase) of treasury shares	-	-	13	-	(13)	-	-	-	-
Allocation of net profit	-	-	-	-	851	(851)	-	-	-
Dividends paid	-	-	-	-	(440)	-	(440)	(2)	(442)
EQUITY AT DECEMBER 31, 2017 RESTATED [(a)]	**29**	**570**	**(257)**	**(224)**	**4,650**	**1,040**	**5,808**	**6**	**5,814**

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements.*

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2018 RESTATED	**29**	**570**	**(257)**	**(224)**	**4,650**	**1,040**	**5,808**	**6**	**5,814**
Adjustments due to the reverse acquisition	11	-	257	-	(268)	-	-	-	-
EQUITY AT JANUARY 1, 2018 ADJUSTED	**40**	**570**	**-**	**(224)**	**4,382**	**1,040**	**5,808**	**6**	**5,814**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**135**	**(14)**	**1,087**	**1,208**	**72**	**1,281**
Issue of ordinary shares and changes in ownership interests									
Acquisition of subsidiary with NCI	*25*	*13,149*	*(111)*	-	*12,539*	-	*25,602*	*2,679*	*28,281*
Acquisition of NCI without a change in control	*12*	*7,188*	-	-	*(6,638)*	-	*562*	*(2,263)*	*(1,701)*
Other changes related to NCI	-	-	-	-	12	-	12	(48)	(36)
Employee share issues and exercise of stock options	-	24	-	-	-	-	24	-	24
Share-based payments	-	-	-	-	76	-	76	-	76
Net sale / (net purchase) of treasury shares	-	-	19	-	(4)	-	15	-	15
Allocation of net profit	-	-	-	-	1,040	(1,040)	-	-	-
Dividends paid	-	-	-	-	(484)	-	(484)	(7)	(491)
EQUITY AT DECEMBER 31, 2018	**77**	**20,931**	**(92)**	**(89)**	**10,910**	**1,087**	**32,823**	**438**	**33,262**

The equity as of January 1, 2018 is that of Luxottica Group S.p.A. ("Luxottica") except for the share capital retroactively adjusted to reflect the share capital of Essilor International (*Compagnie Générale d'Optique*) SA ("Essilor"); the balances of *Retained earnings and other reserves* and *Treasury shares reserve* have also been adjusted accordingly (see paragraph *Basis of preparation of the financial statements* and Note 21 – Equity for additional details).

The line *Acquisition of subsidiary with NCI* presents the effects of the **Contribution** as defined in the Notes to the Consolidated Group Financial Statements, *i.e.* the contribution of Delfin's entire stake in Luxottica to Essilor in return for newly-issued ordinary shares of EssilorLuxottica SA (see Note 3 – Business combinations, paragraph 3.1.1 and 3.1.2, for additional details). The Contribution is treated as the reverse acquisition of Essilor by Luxottica with the following impacts:

- the consideration transferred for the acquisition of Essilor was recognized in *Share capital*, *Share premium reserve* and *Retained earnings and other reserves*;
- Essilor's historical non-controlling interests were recognized for their proportionate shares in the fair value of the net assets of the corresponding subsidiaries;
- Luxottica's shareholders other than Delfin were reclassified as non-controlling interests at their proportionate interest in the carrying amounts of the net assets of Luxottica;
- EssilorLuxottica treasury shares were recognized for €111 million at the date of the Contribution.

The line *Acquisition of NCI without a change in control* presents the effects of:

- the mandatory tender offer launched by EssilorLuxottica after the Contribution upon which non-controlling interests contributed their shares in Luxottica in exchange for newly-issued ordinary shares of EssilorLuxottica with the difference recorded in *Retained earnings and other reserves*;
- the obligation of EssilorLuxottica, as of December 31, 2018, to offer a cash consideration to the remaining shareholders of Luxottica in exchange for their shares in Luxottica. See Note 3 – Business combinations, paragraph 3.1.1 and 3.1.3, for additional details.

3.3.5 Consolidated statement of cash flows

€ millions	Notes	2018	Restated 2017 [a]
NET PROFIT		**1,156**	**1,042**
Depreciation and amortization		759	541
(Gains) / losses from disposal of assets		2	(49)
Expense arising from share-based payments		76	1
Income taxes	8	139	215
Finance result, net	7	63	91
Other non-cash items		30	42
Changes in provisions and other		(173)	165
Changes in working capital		259	(24)
Taxes paid, net		(352)	(320)
Interest paid, net		(78)	(101)
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		**1,881**	**1,603**
Purchase of property, plant and equipment and intangible assets	11	(710)	(664)
Disposal of property, plant and equipment and intangible assets		-	100
Acquisitions of businesses, net of cash acquired	3	753	(136)
Changes in other non-financial assets		(5)	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**38**	**(700)**
Share capital increase		31	17
(Purchase)/sale of treasury shares		15	-
Dividends paid:			
• to the owners of the parent	21	(484)	(440)
• to non-controlling interests	21	(7)	(2)
Transactions with non-controlling interests		(13)	-
Issuance of bonds (and private placement)	22	-	500
Repayment of bonds (and private placement)	22	(293)	(469)
Changes in other current and non-current borrowings	22	(504)	(137)
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**(1,255)**	**(531)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**664**	**372**
Cash and cash equivalents at the beginning of the financial year	19	1,159	867
Effects of exchange rate changes on cash and cash equivalents		5	(80)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**19**	**1,829**	**1,159**

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements.*

3.4 Notes to the Consolidated Group Financial Statements

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General information

EssilorLuxottica SA (hereinafter the "Company", "EssilorLuxottica" or, together with its subsidiaries, the "Group") is a public limited company ("Société Anonyme") with a Board of Directors and is governed by the laws of France. The Company is headquartered in Paris, 1-6 rue Paul-Cézanne, while its registered office is located in Charenton-le-Pont, 147, rue de Paris.

The Company originates from the combination that occurred between Essilor International (*Compagnie Générale d'Optique*) SA ("Essilor" or, together with its subsidiaries, "Essilor Group") and Luxottica Group S.p.A. ("Luxottica" or, together with its subsidiaries, "Luxottica Group"). This combination is referred hereinafter as the "EL Combination". The Board of Directors meeting of the Company held on October 1, 2018 acknowledged, among others, the change of the Company name from Essilor International (*Compagnie Générale d'Optique*) SA to EssilorLuxottica SA.

The Group is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses.

These consolidated financial statements are prepared under the responsibility of the Board of Directors and presented to the Shareholders' Meeting for approval. The 2018 consolidated financial statements were approved and authorized for issue by the Board of Directors on March 7, 2019.

Basis of preparation of the financial statements

In accordance with European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter also IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The principles and standards utilized in preparing these consolidated financial statements have been consistently applied through all periods presented, with the exception of the new standards and interpretations that are effective for reporting periods beginning on January 1, 2018. Some reclassifications related to the presentation of comparative figures have also been realized in order to be compliant with the presentation of the current period (refer to the information presented at the end of this paragraph).

These consolidated financial statements are composed of a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a consolidated statement of cash flows and related notes to the consolidated financial statements.

The Group presents its consolidated statement of profit or loss using the function of expense method. The Group presents current and non-current assets and liabilities as separate classifications in its consolidated statements of financial position. This presentation of the consolidated statement of profit or loss and of the consolidated statement of financial position is believed to provide the most relevant information. The consolidated statement of cash flows was prepared and presented utilizing the indirect method.

The Group's functional and reporting currency is the euro. All amounts are expressed in millions of euros, unless otherwise specified. Certain numerical figures contained in this document, including financial information and certain operating data, have been subject to rounding adjustments.

The financial statements are prepared on a going concern basis. Management believes that there are no financial or other indicators presenting material uncertainties that may cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

These consolidated financial statements represent the first set of financial statements after the EL Combination. This transaction together with its accounting impact are described in Note 3 – *Business combinations*.

Since this transaction is considered a reverse acquisition according to the requirements of IFRS 3 – Business Combinations, the comparative information provided in respect of the year ended December 31, 2017 is that of Luxottica except for the share capital retroactively adjusted to reflect the share capital of the Company. The balances of *Retained earnings and other reserves* and *Treasury shares* reserve have also been adjusted accordingly.

As a result, the consolidated financial statements reflect the following structure:

Statements	Year ended December 31, 2017	Year ended December 31, 2018	
Profit or loss Other comprehensive income Cash flows	Luxottica's 12 months [(a)] (Jan-Dec)	Luxottica's 12 months (Jan-Dec)	Essilor's 3 months (Oct-Dec)
Financial position Changes in equity	Luxottica's historical cost [(a)]	Luxottica's historical cost	Essilor's fair value at Oct. 1 and subsequent movements (Oct-Dec)

(a) Restated to reflect the application of the new accounting standard IFRS 15 – *Revenue from Contracts with Customers* (see Note 2 – New accounting standards) and the finalization of Óticas Carol purchase price allocation (see Note 3 – Business combinations). Some reclassifications have also been realized in order to be compliant with the presentation of the current period.

Therefore, the information presented as comparative information in 2018 consolidated financial statements is not fully comparable.

As stated above, some reclassifications related to the presentation of Luxottica's figures for the year ended December 31, 2017 have been realized in order to be compliant with the presentation of the current period. The main reclassifications were performed in the statement of profit or loss and relate to:

- research and development costs classified within *Costs of sales* in Luxottica 2017 published consolidated financial statements, reclassified in a dedicated line within operating expenses, *Research and development*, for an amount of €60 million;
- amortization of intangible assets recognized in business combinations classified within *General and administrative expenses* in Luxottica 2017 published consolidated financial statements, reclassified in the lines *Selling* for an amount of €45 million and *Advertising and marketing* for an amount of €44 million;
- personnel and personnel related costs classified within *General and administrative expenses* in Luxottica 2017 published consolidated financial statements, reclassified in the line *Advertising and marketing* for an amount of €56 million;
- *Other income and expenses* classified below the *Operating profit* in Luxottica 2017 published consolidated financial statements, reclassified within the operating expenses; and
- the presentation of financial result: in Luxottica 2017 published consolidated financial statements *Financial income* was presented separately from *Financial expenses*, whereas in EssilorLuxottica consolidated financial statements the *Cost of net debt* is isolated from the *Other financial income / (expenses)*.

The table reported below provides a reconciliation of Luxottica's 2017 published consolidated statement of profit or loss with the comparative information reported in the EssilorLuxottica 2018 consolidated statement of profit or loss.

€ millions	**2017 FY reported [a]**	**IFRS 15 [b]**	**Oticas Carol**	**Reclassifications**	**2017 FY restated**
Revenue	9,157	27	-	-	9,184
Cost of sales	(3,282)	-	-	60	(3,222)
GROSS PROFIT	**5,875**	**27**	**-**	**60**	**5,962**
Research and development	-	-	-	(60)	(60)
Selling	(3,026)	1	-	(45)	(3,070)
Royalties	(164)	-	-	-	(164)
Advertising and marketing	(502)	(27)	-	(101)	(630)
General and administrative	(883)	-	(1)	146	(738)
Other income/(expenses)	-	-	-	45	45
TOTAL OPERATING EXPENSES	**(4,575)**	**(26)**	**(1)**	**(15)**	**(4,616)**
OPERATING PROFIT	**1,301**	**1**	**(1)**	**45**	**1,347**
Cost of net debt	-	-	-	(81)	(81)
Other financial income/(expenses)	-	-	-	(10)	(10)
Share of profits of associates	-	-	-	1	1
Financial income/(expenses)	(90)	-	-	90	-
Other income/(expenses)	45	-	-	(45)	-
PROFIT BEFORE TAXES	**1,256**	**1**	**(1)**	**-**	**1,257**
Income taxes	(216)	1	-	-	(215)
NET PROFIT	**1,040**	**2**	**-**	**-**	**1,042**

(a) As reported in Luxottica's 2017 annual consolidated financial statements.
(b) See Note 2 - New accounting standards.

Note 1 Significant accounting principles

1.1 Use of estimates

The preparation of financial statements requires Management's use of estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses in the financial statements, as well as the disclosures in the notes concerning contingent assets and liabilities at the balance sheet date.

Estimates are based on historical experience and other factors. The resulting accounting estimates could differ from the related actual results. Estimates are periodically reviewed and the effects of each change are reflected in the consolidated statement of profit or loss or in the statement of comprehensive income in the period in which the change occurs.

The most significant estimates and assumptions concern, in particular:

- fair values of assets and liabilities acquired in business combinations;
- the recoverable amount of goodwill;
- depreciation period for intangible assets with a definite useful life;
- put options over non-controlling interests;
- provisions for risks;
- pension and other employee-benefit obligations;
- receivables and inventories.

The Group is subject to different tax jurisdictions. The determination of tax liabilities for the Group requires the use of assumptions with respect to transactions whose fiscal consequences are not yet certain at the end of the reporting period. Calculation of taxes on a global scale requires the use of estimates and assumptions based on the information available at the balance sheet date.

1.2 Consolidation principles

Subsidiaries

Subsidiaries are any entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is generally presumed with an ownership of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated statement of profit or loss.

The accounting policies and methods applied by subsidiaries comply with IFRS and are consistent with the policies adopted by the Group.

Intercompany transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Unrealized losses are eliminated to the extent that there is no evidence of impairment.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates

Associates are any entities over which the Group has significant influence, generally with ownership of between 20% and 50% of the voting rights. Equity investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Goodwill arising on acquisitions of associates is included in the carrying amount of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's equity investment in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cumulative post-acquisition movements are adjusted against the carrying amount of the equity investment. When the Group's share of losses in an associate equals or exceeds its equity investment in the associate, the Group does not recognize further losses, unless it has incurred obligations to make payments on behalf of the associate.

Other companies

Equity investments in entities in which the Group does not have either control or significant influence, generally with ownership of less than 20%, are originally recorded at fair value. Any ancillary costs incurred on initial recognition of the investments are immediately recognized through consolidated profit or loss. After initial recognition, the investments are measured at fair value. Gains and losses deriving from changes in fair value are recognized through other comprehensive income in the period in which they occur. Amounts presented in other comprehensive income will not subsequently transferred to the statement of profit or loss.

Transactions with equity owners

Transactions such as contributions from equity owners are recorded in equity.

Transactions with non-controlling interests in controlled entities are treated as transactions with equity owners of the Group. For purchases from non-controlling interests, any difference between the consideration paid and the relevant share acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in the subsidiary's functional currency. The functional currency is defined as the currency of the primary economic environment in which the subsidiary operates.

The results and financial position of all the Group subsidiaries that have a functional currency different from the presentation currency (*i.e.* euro) are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- all resulting exchange differences are recognized in other comprehensive income within the line item *Foreign currency translation differences*;
- accumulated translation differences are reclassified to the statement of profit or loss when the foreign investments to which they relate are sold or wound up.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The main exchange rates used in translating the results and financial position of foreign operations are reported in Appendix 1.

1.3 Consolidated statement of cash flows

The statement of cash flows has been prepared applying the indirect method, whereby net profit is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing activities.

Working capital comprises inventories, operating receivables and payables, other receivables and payables, deferred income and prepaid expenses. Changes in working capital are stated before the effect of changes in the scope of consolidation.

Cash flows of foreign subsidiaries are translated at the average exchange rate for the period, except for significant transactions if difference is material.

The effect of changes in exchange rates on net cash and cash equivalents corresponds to the effect of: (i) changes in exchange rates between the beginning and end of the period on cash at the opening; and (ii) the difference between the closing exchange rate and the average rate on movements over the period.

The amounts reported in *Acquisitions of businesses, net of cash acquired* represents the consideration transferred adjusted by the net cash and cash equivalents of the acquired business at the acquisition date.

1.4 Revenue

The Group's revenue includes:

- considerations for the sales of goods to customers;
- considerations for the rendering of services;
- considerations for the sales of goods to franchisees along with other revenue from franchisees, such as royalties based on sales and initial franchise fee revenue.

In accordance with IFRS 15, the Group recognizes revenue after identifying the contracts with its customers and the relevant performance obligations (transfer of goods and/or services), determining the consideration to which it expects to be entitled in exchange for performing each of said obligations, and assessing how to perform these obligations (at a specific point in time *versus* over time).

The Group recognizes revenue only if the following requirements are met (so-called requirements for identifying the "contract" with the customer):

- the parties have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance; and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for goods or services transferred to the customer.

If the above requirements are not met, the relevant revenue is recognized when the Group has already transferred goods and/or rendered services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable or the contract has been terminated and the consideration received from the customer is non-refundable.

If the above requirements are met, the main recognition rules by nature of revenue are as follows:

Sale of goods

Revenue from the sale of goods is recognized when control of the asset is transferred to the buyer, *i.e.* when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset.

If the sales contract includes retrospective volume-related discounts, the Group estimates the relevant impact and treat it as variable consideration. In addition, the Group estimates the impact of potential returns from customers based on the Group's right of return policies and practices along with historical data on returns. There are no post-delivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation and are accounted for applying IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Any advance payments or deposits from customers are not recognized as revenue until the product is delivered.

Rendering of services

Revenue is recognized when the service is rendered to the customer.

The Retail segment's revenue includes the consideration arising from vision care services which is also recognized when the service is rendered to the customer. As for the fixed-fee insurance plans offered to customers, the Group acts through a sponsor. The plan sponsor pays the Group a monthly premium for each subscriber. Premium revenue is recognized as earned during the benefit coverage period. Any unearned premium revenue is recognized as deferred revenue in the consolidated statement of financial position. For plans with fees varying according to the service, the sponsor pays the Group a fee to process claims. For these programs, the sponsor is responsible for the cost associated with claims. The Group makes provisions for the receivables accrued under these agreements based on an estimate of the amounts considered uncollectible.

As part of the provision of administrative services related to the vision care business, the Group bears costs for the acquisition and performance of long-term contracts, which typically have a term of four years. These costs, which can be specifically referred to new individually identifiable contracts, generate resources used to comply with the contract and will be recovered by means of revenue deriving from the contracts. Therefore, these costs are recognized as a contractual asset and amortized over the term of the relevant contracts.

Franchising and licensing agreements

Within the Retail segment, revenue from franchising agreements is recognized based on the sales accrued and accounted for by unconsolidated franchisees.

Upfront franchise fees may refer to: (i) fees paid for the franchising agreement and/or the improvement of retail premises which are recognized along with license fees throughout the term of the franchising agreement; and (ii) franchising fees associated with the sale of tangible assets necessary for business operations (*e.g.* furniture) recognized as revenue when control of the asset is transferred to the buyer.

The franchising agreement may also include: (i) fees associated with the ongoing rendering of services to the franchisee throughout the term of the franchising agreement, recognized at the time the service is rendered; and (ii) fees associated with the management and implementation of advertising and marketing initiatives, recognized upon realization of the related separate performance obligation.

The Group licenses the rights to certain intellectual property to third parties and recognizes royalty revenue based on the characteristics of the agreements with customers.

Financing components

The payment terms offered to the Group's customers normally do not exceed 12 months; in case of payment term above 12 months the Group recognizes adjustments to the transaction price to account for financing components.

1.5 Research and development costs

Research costs are recognized as an expense for the year in which they are incurred.

Research and development costs that are recognized in operating expenses include the operating costs of the Group's research centers and engineering costs for the development of new production processes.

Development costs are recognized as an intangible asset if the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Group's intention to complete the intangible asset and use or sell it;
- the Group's ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the intangible asset; and
- the reliable measurement of development expenditures.

For ophthalmic lens development projects, due to the risks and uncertainties concerning market developments and the large number of projects undertaken, the above criteria are considered as not being fulfilled; consequently, the related development costs are recognized as an expense.

For instrument and laboratory equipment projects, development costs are capitalized when the above criteria are fulfilled.

1.6 Share-based payments

Share-based payments are classified as equity-settled or cash-settled depending on the terms of the arrangements. The classification determines the accounting for the arrangement.

Stock subscription options and share awards

The fair value of stock options and share awards, which are accounted for as equity-settled share-based payments, is determined based on methods adapted to their characteristics. Both performance-based stock subscription options and performance shares, which are subject to vesting conditions based on the change in the share price compared with the reference price on the grant date, are valued using the Monte Carlo model; whereas for share award without performance conditions, the valuation reflects the face value of the awards as at the date of grant discounted by the estimated value of dividends to be paid during the course of the vesting period.

The fair value of stock subscription options on the grant date is recognized as an expense over the vesting period of the awards, taking into account the probability of such options being exercised earlier, with a corresponding increase in consolidated reserves.

For performance share awards, the vesting period is considered as being the most probable period over which the performance conditions will be fulfilled, determined using the Monte Carlo model.

The model parameters are determined at the grant date:

- share price volatility is determined by reference to historical volatilities;
- the risk-free interest rate corresponds to the government bond rate;
- the impact of dividends is taken into account in the model by applying a yield assumption, determined by reference to the dividends distributed in the previous year; and
- the options' expected life is determined based on the vesting period and the exercise period.

At the end of each reporting period, the probability of options or performance shares being forfeited is assessed by the Group. The impact of any adjustments to these estimates is recognized in the statement of profit or loss, with a corresponding adjustment to consolidated reserves.

Employee share issues

For employee share issues, the difference between the market price of the shares on the transaction date and the price at which the shares are offered to employees is recognized directly as an expense when the shares are issued.

Cash-settled share-based payments

The fair value of the amount payable to the employee in respect to cash-settled share-based payments is recognized as an expense with a corresponding increase in liabilities, within *Employee benefits*, over the period during which the employee becomes unconditionally entitled to payments. The liability is remeasured at each reporting date and at settlement date based on the fair value of the awards. Any change in the recognized liability is recognized in profit and loss.

1.7 Other income/(expenses)

Income and expenses that, because of their nature, cannot be classified in any of the functions detailed in the operating expenses, are recognized under *Other income/(expenses)*. They might include, among others, changes in price supplements for acquisitions (*e.g.* earn-out), net income on disposals of a business, as well as net income realized on business combination achieved in stages (*i.e.* step acquisition), impairment losses on goodwill and investments and net gain/losses on disposal of fixed assets.

1.8 Financial results

Interest receivable or payable is recognized on an accrual basis in the period in which it is earned or due, using the effective interest method.

Dividend income is recognized in the statement of profit or loss on the date on which the Group's right to receive payment is established.

The *Cost of net debt* consists of interest on debt, borrowings and finance leases, net of income from cash and cash equivalents. The *Cost of net debt* also includes interest on derivatives related to financing operations. Income from cash and cash equivalents includes interest received and accrued on investments made by Group companies (bank deposits) and gain or loss on money market funds.

1.9 Foreign currency transactions

On initial recognition of foreign currency transactions, the assets and liabilities are translated into the entity's functional currency using the exchange rate on the transaction date. At the period-end, monetary items mainly including receivables and payables are re-translated using the closing date rate. The resulting gains and losses are recognized in *Other financial income / (expenses)*.

1.10 Current and deferred income taxes

Income taxes for the period comprise current and deferred income taxes. They are recognized in the statement of profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current taxes are calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Group operates and generates taxable income. Current tax receivables and payables are measured at the amount expected to be recovered or paid to the tax authorities.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, based on tax rates (and tax laws) that have been enacted (or substantively enacted) at the reporting date, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax liability is recognized for all taxable temporary differences, whereas a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred tax assets and liabilities are not accounted for if they arise from: (i) the initial recognition of goodwill; and (ii) the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Adjustments to deferred taxes resulting from changes in tax rates are recognized in the statement of profit or loss. However, when the deferred tax relates to items recognized in equity, the adjustment is also recognized in equity.

Deferred taxes are provided on temporary differences arising on equity investments in subsidiaries and associates, except for deferred taxes where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for deferred taxes on tax-suspended reserves subject to taxation in the event of distribution and/or use, where distribution or use is not envisioned.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.11 Earnings per share

Basics earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period excluding treasury shares.

Awards of performance shares are taken into account in the weighted average number of shares outstanding over the fiscal year on the basis of the number of shares granted, as soon as the performance criteria have been met before the period-end.

Diluted earnings per share

Diluted earnings per share are calculated by taking into account dilutive potential shares, as follows:

- stock subscription options: the dilution arising from stock subscription options is calculated based on the average number of shares plus the number of shares that would be issued or sold if the options were issued at market price instead of at the adjusted exercise price. The exercise price of the stock subscription options is adjusted for the cost to be recognized in future periods for options that have not yet vested at the period-end;
- performance share grants: the number of shares used for the calculation is determined based on the number of shares that would have been granted if the performance criterion had been applied at the balance sheet date;
- share grants without performance condition: the number of shares used for the calculation is determined based on the number of shares that will be granted at the end of the vesting period.

1.12 Business combination and goodwill

In accordance with the IFRS 3 – *Business Combinations* the Group applies the acquisition method of accounting to account for business combinations.

The acquired company's identifiable assets, liabilities and contingent liabilities meeting the recognition criteria of the IFRS 3 are recognized at fair value determined at the acquisition date, with the exception of non-current assets held-for-sale which are recognized at fair value less costs to sell. A restructuring liability is not recognized as a liability if the acquired company is not obligated, at the acquisition date, to undertake such restructuring.

The fair values for the acquired assets and liabilities can be determined on a provisional basis. After the acquisition, the Group may adjust the provisional amounts recognized. However, the measurement period shall not exceed one year from the acquisition date. Any differences compared to the provisional amounts are recognized as a retrospective adjustment against goodwill if recorded within twelve months of the acquisition date and related to facts existing before the acquisition date.

During the measurement period, the Group recognizes adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the Group revises comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other profit and losses effects recognized in completing the initial accounting.

Any adjustments made more than twelve months after the acquisition date are recognized directly in profit and loss, unless they correspond to corrections of errors.

The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities assumed or the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Goodwill represents the excess of (i) the consideration transferred and the amount of any non-controlling interest in the acquiree, over (ii) the fair value of the identifiable net assets acquired.

When a put option is granted to non-controlling shareholders of a subsidiary, if the option provides for settlement in cash, a liability is recognized for the present value of the exercise price of the option. This liability is classified as *Other non-current liabilities* or *Other current liabilities* in the consolidated statement of financial position based on its due date. Subsequent changes in the liability's fair value are recognized through Group equity. When the put option provides the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, profit or loss and changes in other comprehensive income are still allocated to the non-controlling interests. However, in the statement of financial position, the non-controlling interests are derecognized as if they were acquired at the closing date. When the put option does not provide the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, the Group derecognizes the non-controlling interests accounted for at the acquisition date.

The Group can measure non-controlling interests acquired in a business combination either at the fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net assets (partial goodwill method). This option applies on an individual transaction basis.

Acquisitions of non-controlling interests or sales without loss of control are considered to be transactions between shareholders and are recognized directly in equity without impacting goodwill.

For acquisition in which the Group obtains control in stages (step acquisitions), the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the statement of profit or loss.

Costs that are directly attributable to the acquisition are recognized as expenses for the period.

Impairment of goodwill

Goodwill is not subject to amortization but is tested at least annually for impairment.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs corresponding to the analytical focus and return on investment followed by the Group's Management. If the initial accounting for a business combination can be determined only provisionally by the end of the reporting period, it might not be possible for the Group to complete the initial allocation of the goodwill before the end of the annual period in which the combination is effected. When this is the case, the Group disclosed the amount of the unallocated goodwill together with the reasons why that amount remains unallocated.

Impairment test consists in the comparison of the recoverable amount of each group of CGUs with their corresponding carrying amount of net assets including goodwill. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The fair value less costs to sell is the price that would be received from the sale of an asset or group of assets in an orderly transaction between market participants at the measurement date, less costs to sell. These values are determined on the basis of market data (stock market prices or comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions) or, in the absence of such data, on the basis of discontinued cash flows as determined by a market participant.

The value in use is based on discounted future cash flows net of income taxes, calculated as follow:

- future cash flows are estimated based on actual cash flows for the current year, the annual budget for the following year and mid-term projections based on previous years' cash flows, management expectations and plans, and past experience; subsequent years are extrapolated with a perpetuity growth rate;
- the Group discount rate is determined on the basis of market information on the cost of capital and the specific risk of the industry (Weighted Average Cost of Capital, WACC).

An impairment loss is recognized if the recoverable amount is lower than the carrying amount. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

1.13 Other intangible assets

Separately acquired intangible assets are accounted for at cost.

Trademarks, tradenames, brands, licenses, contractual customer relationships, technologies and other intangible assets acquired in a business combination are recognized at their fair value at the acquisition date.

The directly attributable costs of producing identifiable and separable intangible assets are recognized as an intangible asset when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. They are reported under *Other intangible assets*.

All intangible assets have a finite useful life and are amortized on a straight-line basis over the assets' useful lives:

- trademarks, tradenames and brands are amortized on a straight-line basis over periods ranging from 15 to 25 years;
- technologies are amortized on a straight-line basis over periods ranging from 6 to 10 years;
- distributor network, contractual customer relationships and franchise agreements are amortized on a straight-line basis over periods ranging between from 8 to 25 years;
- patents are amortized on a straight-line basis over the period of legal protection;
- other intangible assets are amortized on a straight-line basis over periods ranging between 1 and 7 years.

The useful life and residual value of intangible assets are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

All intangible assets with a finite useful life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

A review is carried out at each period-end to determine whether there is an indication that an impairment loss recognized in prior periods may no longer exist or has decreased. If such an indication exists, the loss is reversed and the carrying amount of the asset is increased to its recoverable amount, which may not exceed the carrying amount that would have been determined if no impairment loss had been recorded.

1.14 Property, plant and equipment

Property, plant and equipment are reported on the statement of financial position at their acquisition price, net of accumulated depreciation and impairment losses.

The directly attributable costs of producing identifiable and separable items of property, plant and equipment are recognized as property, plant and equipment when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The depreciable amount of the items of property, plant and equipment, measured as the difference between their historical cost and their residual value, is allocated on a straight-line basis over their estimated useful lives as follows:

Category	Useful life
Buildings	From 3 to 40 years
Machinery and equipment	From 3 to 20 years
Other equipment	From 2 to 20 years
Leasehold improvements	The lower of useful life and the residual duration of the lease contract

Land is not subject to depreciation.

Depreciation ceases when property, plant and equipment is classified as held for sale, in compliance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations.*

The useful life and residual value of property, plant and equipment are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

Where an item of property, plant and equipment comprises several parts with different useful lives, each part is recognized as a separate item and depreciated over its useful life.

Where there are any internal or external indications that the value of an item of property, plant and equipment may be impaired, the Group assesses its recoverable amount and records an impairment loss if the carrying amount is more than the recoverable amount. A review is carried out at each period-end to determine whether such indications exist.

Upon disposal or when no future economic benefits are expected from the use of an item of property, plant and equipment, its carrying amount is derecognized. The gain or loss arising from derecognition is included in the consolidated statement of profit or loss.

1.15 Operating and finance leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the lease term.

Finance leases

Leases where the Group bears substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included, split by current and non-current liabilities, in the consolidated statement of financial position.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the recognized asset reflects the fact that the Group will exercise a purchase option, the Group depreciates the recognized asset over its useful life in accordance with the depreciation policy used for comparable owned assets. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

1.16 Financial assets

The Group's financial assets are classified based on the business model for managing them and the contractual cash flow characteristics of the financial assets. The Group has identified the following categories.

Financial assets measured at amortized cost

This category includes financial assets that meet the following requirements: (i) the financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These are mainly trade receivable, loans, and other receivables (as described in the paragraph *1.19 Trade receivable and other receivables*). Loans and receivables are included in current assets, except for those with contractual maturities greater than 12 months compared to the reporting date, which are classified as non-current assets. Except for trade receivables that do not contain a significant financing component, other loans and receivables are initially recognized at fair value plus directly attributable transaction costs. Trade receivables that do not contain a significant financing component are recognized at the transaction price (determined in accordance with IFRS 15 – *Revenue from Contract with Customers*). After initial recognition, the assets included in this category are measured at amortized cost, using the effective interest method. The effects of this measurement are recognized within the financial result. These assets are subject to the impairment model introduced by IFRS 9 – *Financial Instruments*.

Equity investments that the Group designates as FVOCI on initial recognition

These are mainly investments in non-consolidated companies over which the Group does not have significant influence. These assets are recognized under *Other non-current assets*. The Group made an irrevocable election to present in other comprehensive income changes in the fair value of those investments. Amounts presented in other comprehensive income will not subsequently transferred to the statement of profit or loss. Moreover, investments included in this category are not subject to the impairment model required by IFRS 9.

Financial assets at fair value through consolidated profit or loss (FVPL)

This category includes financial assets not classified in any of the previous categories (*i.e.* residual category). These are mainly derivative instruments and money market funds. Assets in this category are classified as current or non-current assets based on their maturity and are initially recognized at fair value. Any ancillary costs incurred on initial recognition of the assets are immediately recognized through consolidated profit or loss. After initial recognition, financial assets at FVPL are measured at fair value. Gains and losses deriving from changes in fair value are recognized through consolidated profit or loss in the period in which they occur, within financial result.

Applicable to all financial assets

Purchases and sales of financial assets are recognized at the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the instrument have expired and the Group has transferred substantially all risks and rewards of ownership.

The fair value of listed financial instruments is based on the current bid price. If the market for a financial asset is not active (or if it refers to unlisted securities), the Group defines the fair value by utilizing valuation techniques such as recent arms' length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flows analysis and pricing models based on observable market inputs.

1.17 Assets held for sale

Non-current assets and disposal groups of assets are classified as held for sale if their carrying amounts will be recovered principally through a disposal rather than through continuing use.

When they are being classified, non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell, with an impairment recorded where applicable. Assets held for sale are not amortized.

1.18 Inventories

Inventories are accounted for at the lower of the weighted-average cost and the net realizable value. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

The net realizable value represents the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write-downs for raw materials, work in process and finished goods which are considered obsolete or slow moving are computed taking into account their expected future utilization and their net realizable value. The Group also considers other reasons that the cost of inventories may not be recoverable such as damage, obsolescence, declines in selling price. The cost of inventories may not be recoverable if the estimated costs of completion or the estimated costs incurred to make the sale exceed that cost.

1.19 Trade receivable and other receivables

Trade receivables and other receivables are recognized at amortized cost and measured on the basis of the impairment model introduced by IFRS 9 – *Financial instruments* (see the paragraph 1.16 *Financial assets for the measurement on initial recognition*).

In the case of trade receivables, the Group adopts the *simplified approach* that does not require assessing changes in credit risk on a regular basis, allowing instead to recognize an Expected Credit Loss ("ECL") calculated over the entire lifetime of the receivables. Specifically, trade receivables are analyzed based on the number of days past due and the counterparty's solvency. The Group applies different impairment percentages that reflect the relevant expectations for recovery. Trade receivables are fully written down in the absence of a reasonable expectation of recovery.

The other receivables, for which the Group estimates a low credit risk, are measured using the *general approach* which requires to monitor at each reporting date changes in credit risk compared to the initial measurement and adjust the loss allowance accordingly.

The amount of receivables is reported in the statement of financial position net of the relevant bad debt provisions. The impairment losses reported pursuant to IFRS 9 – *Financial instruments* (including reversals of impairment losses or impairment gains) are recognized in the consolidated income statement within the line item *Selling expenses*.

1.20 Cash and cash equivalent

Cash comprises cash on hand and at bank, carried at nominal amount, equal to fair value.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Investments qualify for cash equivalents only when they have a maturity of three months or less from the date of the acquisition.

1.21 Equity

Share premium reserve

Share premium reserve represents the excess of the capital increases price over the par value of the shares issued.

Treasury shares reserve

Treasury shares are deducted from equity at cost, including directly attributable transaction expenses. Capital gains and losses on sales of treasury shares are recorded directly in equity, for their amount net of tax.

Translation reserve

Translation differences are generated by the translation into euro of consolidated entities' financial statements prepared in currency other than euro.

Retained earnings and other reserves

This includes undistributed earnings of the Group, the cumulated amount of items recognized in other comprehensive income (such as actuarial gains and losses, cash-flow hedge reserves, etc.), equity-settled share-based payments and other reserves.

Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity. Income taxes relating to transaction costs of an equity transaction are accounted in accordance with IAS 12 – *Income Taxes*.

Dividends

Dividends are deducted from equity when they are approved by the Shareholders' Meeting.

Negative equity

Where a consolidated company has negative equity, non-controlling interests are treated as being attributable to the non-controlling shareholders unless they are not liable for their share of the losses or are not capable of fulfilling this obligation.

Non-controlling interests

Non-controlling interests represent the portion of the net assets and net profit of a consolidated entity that is not attributable to the Group, directly or indirectly.

When a put option is granted to non-controlling shareholders of a subsidiary, if the option provides for settlement in cash, a liability is recognized for the present value of the exercise price of the option. This liability is classified as *Other non-current liabilities* or *Other current liabilities* in the consolidated statement of financial position based on its due date. Subsequent changes in the liability's fair value are recognized through Group equity. When the put option provides the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, profit or loss and changes in other comprehensive income are still allocated to the non-controlling interests. However, in the statement of financial position, the non-controlling interests are derecognized as if they were acquired at the closing date. When the put option does not provide the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, the Group derecognizes the non-controlling interests accounted for at the acquisition date.

1.22 Borrowings

Borrowings are initially recorded at fair value, less directly attributable transaction costs, and subsequently measured at their amortized cost by applying the effective interest method.

If there is a change in expected cash flows, the carrying amount of the liability is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate.

Borrowings are classified among current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reporting date.

Borrowings are removed from the statement of financial position when they are extinguished, *i.e.* when the obligation specified in the contract is discharged, canceled or expires.

1.23 Employee benefits

Short-term employee benefits are expensed as the related services is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group has both defined benefit and defined contribution plans.

Where obligations are payable under defined contribution plans, the Group has no further payment obligations once the contributions have been paid. These contributions are recognized as expenses when they are due.

A defined benefit plan is a pension plan or an incentive plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually based on one or more factors such as age, years of service and compensation. The Group also has long-term incentive plans ("LTI") in place with its employees, which, depending on their characteristics, are included in the category of other long-term benefits.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation ("DBO") at the end of the reporting period less the fair value of plan assets, if any, together with adjustments for unrecognized past-service costs.

The defined benefit obligation is calculated annually based on actuarial valuations performed by independent actuaries using the "projected unit credit method".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the company concerned (staff turnover rates, rate of future salary increases).

Actuarial gains and losses due to changes in actuarial assumptions or to changes in the plan's conditions are recognized as incurred in other comprehensive income.

If the Group introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan, the related change in the Group's obligation (past service cost) is immediately recognized in the statement of profit or loss.

Other long-term benefits are discounted to determine their present value. Remeasurements are recognized in the statement of profit or loss in the period in which they arise.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

1.24 Provision for risks

Provisions for risks are recognized when:

- the Group has a present obligation, legal or constructive, as a result of a past event;
- it is probable that the outflow of resources will be required; and
- the amount of the obligation can be reliably estimated.

Provisions are determined by the Group based on facts and circumstances, historical risk data and the information available at the balance sheet date.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time value of money is recognized as a financial expense.

Contingent liabilities are not recognized in the statement of financial position – except in connection with business combinations – but are disclosed in the notes to the financial statements unless the probability of an outflow of resources embodying economic benefits is remote.

Restructuring provisions are recognized when the Group has a detailed formal plan for the restructuring and has announced its main features to those affected by the plan.

Provisions for warranty costs are recognized when the products are sold. The corresponding expense is recognized in *Cost of sales*.

1.25 Trade payables and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost.

1.26 Other current and non-current liabilities

Other current and non-current liabilities include, among the others, liabilities related to put options over non-controlling interests and other liabilities related to financial investments (*e.g.* earn out).

For the accounting of put options over non-controlling interests of subsidiaries, refer to paragraph 1.12 *Business combination and goodwill*.

Earn out are recognized as a liability from the acquisition date at their fair value. Subsequent changes in price supplements are recognized in *Other income / (expenses)*.

1.27 Derivative financial instruments

Derivative financial instruments are accounted for in accordance with IFRS 9 – *Financial instruments*. At the inception of the contract, derivative instruments are initially recognized at fair value as financial assets at FVPL when the fair value is positive, or financial liabilities at FVPL when the fair value is negative.

The Group designates certain derivatives as instruments for hedging to cover specific risks associated with highly probable transactions (hedge accounting). For each derivative financial instrument designated as a hedging instrument, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives, the hedging strategy and the methodology to measure the hedging effectiveness. The hedging effectiveness of the instruments is assessed both at the hedge inception date and on an ongoing basis.

Changes in the fair value of derivative instruments are accounted for as follows:

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows or highly probable forecasted transactions, the effective portion of the changes in fair value of the derivative financial instrument is recognized directly in the statement of other comprehensive income, whereas the gain or loss related to the ineffective portion of the derivative instrument is recognized in the consolidated statement of profit or loss. The amount that has been accumulated in the cash flow hedge reserve is recycled into the statement of profit or loss in the period when the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of profit or loss.

Hedge of the net investment in a foreign operation

The Group might hedge the amount of its interest in the net assets of a foreign operation. In that case, the effective portion of the changes in the fair value of the instrument is recognized directly in the statement of other comprehensive income in the line *Forreign currency translation differences*. The amount recognized in the *Translation reserve* is reclassified to the statement of profit or loss when the investment in the foreign operation is sold or the entity is wound up. The ineffective portion of the changes in the fair value is recognized in the statement of profit or loss.

Fair value hedge

When a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability, both the changes in fair value of the derivative instrument as well as changes in the hedged item are recorded in the consolidated statement of profit or loss.

Financial instruments not qualifying for hedge accounting

Certain derivatives financial instruments that in substance are used for hedging purposes do not qualify for hedge accounting under IFRS 9 – *Financial instruments*. Gains and losses resulting from the changes in the fair value of these financial instruments are recognized directly in the statement of profit or loss.

1.28 Fair value

In accordance with IFRS 13 – *Fair Value Measurement*, the fair value of financial instruments accounted for in the Group's financial statements is determined using different valuation techniques. The Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities;
- level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (*i.e.* as a prices) or indirectly (*i.e.* derived from prices);
- level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Note 2 New accounting standards

2.1 New endorsed standards, amendments and interpretations that are effective for annual periods beginning on January 1, 2018

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* that replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the project for the recognition of financial instruments: classification and measurement, impairment, and hedge accounting. IFRS 9 was endorsed by the European Union in November 2016 and is effective for annual periods beginning on January 1, 2018 (the Group chose not to early adopt the new standard).

Except for the provisions relating to hedge accounting, which the Group applied prospectively, the Group applied IFRS 9 retrospectively, identifying January 1, 2018 as the date of initial application. In addition, as permitted by IFRS 9, the Group elected not to restate comparative information.

The adoption of IFRS 9 did not significantly impact the Group's financial statements and did not require making adjustments to the consolidated statement of financial position as of the date of initial application of the standard.

The changes introduced by the new standard concerned the three main macro-areas described below:

- *Classification & Measurement*: IFRS 9 introduced new rules governing the classification and measurement of financial instruments, which mainly impact financial assets.

  Below is a reconciliation of the classes of financial assets and liabilities introduced by IFRS 9 to the classes disclosed in the financial statements as of December 31, 2017 (which are those of Luxottica as required by the reverse acquisition accounting described in Note 3 – Business combinations) applying IFRS 7 – *Financial Instruments: Disclosures*.

IAS 39 (columns) IFRS 9 (rows) *€ millions*	Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity investments	Available for sale financial assets	Financial liabilities at fair value through profit or loss	Derivatives documented in hedging relationships	Total
Financial assets at fair value through profit or loss	5	-	-	-	-	-	5
Financial liabilities at fair value through profit or loss	-	-	-	-	(3)	-	(3)
Equity investments that the Group designates as FVOCI on initial recognition	-	-	-	11	-	-	11
Financial assets at amortized cost	-	2,259	-	-	-	-	2,259
Financial liabilities at amortized cost	-	(3,572)	-	-	-	-	(3,572)
Derivatives documented in hedging relationships	-	-	-	-	-	-	-
TOTAL	**5**	**(1,313)**	**-**	**11**	**(3)**	**-**	**(1,300)**

- *Impairment:* under IFRS 9, the impairment of financial assets measured at amortized cost must be calculated according to an expected loss approach, replacing the current IAS 39 framework usually based on the measurement of incurred losses. Based on the analyses carried out, due to the nature of the receivables, the impact of the new approach required by IFRS 9 is not material. Thus, the consolidated statement of financial position has not been restated as of the date of initial application of the standard.
- *Hedge Accounting:* concerning the accounting for derivative instruments designated as hedging instruments, IFRS 9 introduces a major overhaul of the requirements and the underlying rules, partially streamlining the current IAS 39 framework and broadening the eligibility criteria for hedge accounting. However, the standard allows entities to elect to continue applying the requirements of IAS 39 or adopt the requirements of IFRS 9. The Group elected to adopt the requirements of IFRS 9. The Group applies hedge accounting mainly to interest rates swaps used to hedge interest rate risk. Based on the analyses carried out, IFRS 9 had no impact given the nature of derivatives in portfolio.

IFRS 15 – Revenue from Contracts with Customers and clarifications to IFRS 15

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, a new revenue recognition standard that replaces IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*. In April 2016 IFRS 15 was supplemented by additional guidance clarifying its application. The European Union endorsed the new standard and the clarifications in September 2016 and October 2017, respectively.

IFRS 15 introduces a new five-step model that applies to all revenue arising from contracts with customers (unless the contracts are in the scope of other standards). The new standard requires recognizing revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer.

The standard is effective for annual periods beginning on January 1, 2018. For the purposes of the transition, the Group adopted a full retrospective approach, which required restating the comparative amounts for the year 2017 (which are those of Luxottica, due to the reverse acquisition accounting described in Note 3 - Business combinations).

Below is a summary of the impact of the adoption of IFRS 15.

a) *Recognition of advertising fees paid by franchisees* – the franchise agreements entered into by the Group, with a special reference to the Pearle and OPSM chains, envisage the charging of a fee for the management and carrying-out of advertising and marketing initiatives to the franchisees. Following the analyses carried out, this service was considered to be a separate performance obligation over which the Group exercises control before transferring it to the customer; therefore, the Group operates as principal in these transactions. Pursuant to IFRS 15, the Group reclassified €27 million in fees arising from this service for the full year 2017 to *revenue*. These fees had been previously classified as a deduction from *advertising and marketing expenses*. The reclassification did not require adjustments to the Group's income from operations or changes in net profit for the period.

b) *Accounting for renovation and/or improvement fees* – these fees are charged to franchisees for the renovation and/or improvement of retail premises (so-called Site Development Services Addendum, or "SDSA"), and were entirely recognized as revenue in the year in which the work was performed. Following the analyses carried out, this service was considered not to be a separate performance obligation under the franchising agreement. Pursuant to IFRS 15, the Group recognized the relevant revenue over the term of the franchising agreement, recognizing a liability corresponding to the portions of revenue attributable to subsequent years in the statement of financial position. The costs incurred for this work are recognized as a contractual asset when first applying the standard. The overall negative impact on the income from operations and net income for the period was immaterial. As of December 31, 2017, the Group recognized a €2.4 million liability (of which €1.9 million under non-current liabilities and €0.5 million under current liabilities) as well as €0.9 million in capitalized costs.

c) *Recognition of certain costs incurred for the acquisition and performance of contracts* – as part of the provision of administrative services related to the vision care business, the Group bears costs for the acquisition and performance of long-term contracts with customers, which typically have a term of four years. These costs, which can be specifically referred to new individually identifiable contracts, generate resources used to comply with the contract and will be recovered by means of revenue deriving from the contracts. For this reason, these costs are capitalized in accordance with IFRS 15 and were recognized as a contractual asset when first applying the standard. As of January 1, 2017, the Group recognized a €7.0 million impact on shareholders' equity. As of December 31, 2017, the costs capitalized among intangible assets, less the relevant accumulated amortization, totaled €11.7 million, while the positive impact on the income from operations and net income for the year, before taxes, was immaterial.

d) *Presentation of contractual assets and liabilities in the financial statements* – IFRS 15 requires a separate presentation of contractual assets and liabilities in the financial statements. This required identifying the component associated with the returns expected from customers within the line item Short-term provisions for risks as well as the corresponding asset within the line item Other current assets. In addition, in the notes to the financial statements on Other current assets and Other non-current assets, the Group separately identified the costs for the acquisition and performance of long-term contracts with customers.

e) *Other adjustments* – as a result of the above adjustments, with the adoption of IFRS 15, other line items in the main financial statements were restated as needed. These include deferred taxes, taxes, and retained earnings. In addition, the Group restated the exchange differences arising from the translation of foreign financial statements.

f) *Presentation and disclosure requirements* – pursuant to IFRS 15, the Group disaggregated the revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors (see Note 5 – Revenue).

Impacts on consolidated statement of profit or loss for the year ended December 31, 2017:

€ millions	Published [(a)]	Adjustment	Under IFRS 15
Revenue	9,157	27	9,184
Cost of sales	(3,222)	-	(3,222)
GROSS PROFIT	**5,935**	**27**	**5,962**
Research and development	(60)	-	(60)
Selling	(3,070)	1	(3,069)
Royalties	(164)	-	(164)
Advertising and marketing	(602)	(27)	(630)
General and administrative	(738)	-	(738)
Other income/(expenses)	45	-	45
TOTAL OPERATING EXPENSES	**(4,589)**	**(26)**	**(4,615)**
OPERATING PROFIT	**1,346**	**1**	**1,347**
Cost of net debt	(81)	-	(81)
Other financial income/(expenses)	(10)	-	(10)
Share of profits of associates	1	-	1
PROFIT BEFORE TAXES	**1,256**	**1**	**1,258**
Income taxes	(216)	1	(215)
NET PROFIT	**1,040**	**2**	**1,043**
Of which attributable to:			
• Owners of the parent	1,038	2	1,041
• Non-controlling interests	2	-	2

(a) Some reclassifications have been realized in order to be compliant with the presentation of the current period, refer to the *Basis of preparation of the financial statements* for additional details.

Impact on consolidated statement of comprehensive income for the year ended December 31, 2017:

€ millions	Published [(a)]	Adjustment	Under IFRS 15
NET PROFIT	**1,040**	**2**	**1,043**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	-	-	-
Net investment hedges	-	-	-
Foreign currency translation differences	(588)	(1)	(589)
Related tax effect	-	-	-
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(588)**	**(1)**	**(589)**
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on employee benefits	55	-	55
Related tax effect	(49)	-	(49)
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**6**	**-**	**6**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**(582)**	**(1)**	**(583)**
TOTAL COMPREHENSIVE INCOME	**459**	**2**	**460**
Of which attributable to:			
• Owners of the parent	457	2	458
• Non-controlling interests	2	-	2

(a) Some reclassifications have been realized in order to be compliant with the presentation of the current period, refer to the *Basis of preparation of the financial statements* for additional details.

Impact on the consolidated statement of financial position as of December 31, 2017:

Assets

€ millions	Published [(a)]	Adjustment	Under IFRS 15
Goodwill	3,622	-	3,622
Intangible assets	1,225	-	1,225
Property, plant and equipment	1,809	-	1,809
Investment in associates	4	-	4
Other non-current assets	85	7	92
Deferred tax assets	130	-	130
TOTAL NON-CURRENT ASSETS	**6,875**	**7**	**6,883**
Inventories	832	-	832
Trade receivables	944	-	944
Tax receivables	66	-	66
Other current assets	167	7	174
Cash and cash equivalents	1,159	-	1,159
TOTAL CURRENT ASSETS	**3,167**	**7**	**3,175**
Assets held for sale	**-**	**-**	**-**
TOTAL ASSETS	**10,043**	**14**	**10,057**

Equity and liabilities

€ millions	Published [(a)]	Adjustment	Under IFRS 15
Share capital	29	-	29
Share premium reserve	570	-	570
Treasury shares reserve	(257)	-	(257)
Other reserves	4,420	5	4,425
Net profit attributable to owners of the parent	1,038	2	1,041
Equity attributable to owners of the parent	**5,801**	**8**	**5,809**
Equity attributable to non-controlling interests	5	-	5
TOTAL EQUITY	**5,807**	**8**	**5,814**
Non-current borrowings	1,671	-	1,671
Employee benefits	122	-	122
Non-current provisions	130	-	130
Other non-current liabilities	75	2	77
Deferred tax liabilities	148	3	150
TOTAL NON-CURRENT LIABILITIES	**2,146**	**5**	**2,150**
Current borrowings	228	-	228
Trade payables	907	-	907
Tax payables	22	-	22
Current provisions	169	2	171
Other current liabilities	764	1	765
TOTAL CURRENT LIABILITIES	**2,091**	**2**	**2,093**
TOTAL EQUITY AND LIABILITIES	**10,043**	**14**	**10,057**

(a) Some reclassifications have been realized in order to be compliant with the presentation of the current period, refer to the *Basis of preparation of the financial statements* for additional details.

Impact on opening equity as of January 1, 2017 and 2018:

€ millions	
Impact on the balance as of January 1, 2017	-
Accounting for renovation and/or improvement fees	(1)
Recognition of certain costs incurred for the acquisition and performance of contracts	7
Impact on the balance as of January 1, 2018	-
Accounting for renovation and/or improvement fees	(1)
Recognition of certain costs incurred for the acquisition and performance of contracts	9

Other impacts

There was no impact on the cash flows reported in the statement of cash flows and on earnings per share.

Other standards and interpretations

The Group also adopted the following amendments and interpretations endorsed by the European Union and effective for annual periods beginning on January 1, 2018. The adoption of these amendments and interpretations by the Group did not require changes to accounting policies or retrospective adjustments.

- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*;
- Annual Improvements to IFRS – Standards 2014-2016 Cycle;
- Amendments to IAS 40 – *Transfers of Investment Property*;
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*;
- Amendments to IFRS 4 – Applying IFRS 9 - *Financial Instruments* with IFRS 4 – *Insurance Contracts*.

2.2 New endorsed standards, amendments and interpretations effective for annual periods beginning on January 1, 2019 and not yet adopted by the Group

IFRS 16 – Leases

IFRS 16 was published in January 2016 and replaces IAS 17 – *Leases*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC 15 – *Operating Leases – Incentives* and SIC 27 – *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to recognize all leases based on a single model similar to the one used for finance leases under IAS 17. The standard includes two exemptions to the application of the model: leases of "low value" assets and short-term leases. Except for the leases falling within the scope of the above exemptions, at the commencement date, the lessee shall recognize a liability for the future lease payments (so-called lease liability) and an asset representing the right to use the underlying asset for the lease term (so-called right-of-use asset). Lessees shall separately recognize interest expense on the lease liability and depreciation on the right-of-use asset in their income statements.

IFRS 16 was endorsed by the European Union in October 2017 and is effective for annual periods beginning on January 1, 2019 (*i.e.* date of initial application). The standard allows to elect whether to apply the new provisions using a full retrospective or a modified retrospective approach. To ensure comparability between the information presented in the financial statements, the Group decided to apply the full retrospective approach (paragraph C5 (a) of IFRS 16) which will require to restate 2018 information and account for the cumulative impact of applying IFRS 16 as an adjustment to equity as at January 1, 2018 (*i.e.* the beginning of the earliest period presented in the 2019 financial statements). As a practical expedient, the Group decided not to reassess whether a contract is, or contain, a lease at the date of initial application and relied on the assessment performed applying IAS 17 and IFRIC 4 (paragraph C3 of IFRS 16).

IFRS 16 will have a material impact on the Group's consolidated financial statements. Accordingly, different departments within the Group (finance, IT, real estate, controlling, etc.) have been involved in the implementation project. The Group has substantially completed its analysis of the population of lease contracts. The leases analyzed mainly concern leased stores, plants, warehouses and offices. The expected amount of lease liabilities at January 1, 2019 estimated by the Group, ranges from €1.9 to €2.0 billion. The Group does not expect the IFRS 16 impact on the operating profit to be material.

These estimates should be read in light of the off-balance sheet commitments disclosed in Note 30 – Contingencies and commitments, considering that differences between this amount and the estimated IFRS 16 lease liability exist because of the following factors:

- unlike off-balance sheet commitments, lease liabilities will not include liabilities under leases with an initial term of one year or less (cd. short term lease) nor liabilities under leases of low-value assets;

- the estimated term of certain leases under IFRS 16 may differ from that used to calculate off-balance sheet commitments (*e.g.* extension options are not considered in the calculation of off-balance sheet commitments); and
- off-balance sheet commitments do not reflect the impact of discounting lease liabilities.

The application of IFRS 16 will change the presentation of the consolidated financial statements as from June 30, 2019 and might require an update to the Group's key performance indicators to effectively monitor the Group's operating performance.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

These amendments are intended to clarify the classification of financial assets with particular prepayment features when applying IFRS 9. The interpretation was endorsed by the European Union in March 2018 and is effective for annual periods beginning on January 1, 2019. The Group does not expect significant impacts from the adoption of these amendments.

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation provides guidance on how to reflect uncertain tax treatments in accounting for income taxes. The interpretation was endorsed by the European Union in October 2018 and is effective for annual periods beginning on January 1, 2019. The impact of this interpretation on the consolidated financial statements of the Group is currently being assessed.

Note 3 Business combinations

3.1 Combination between Luxottica and Essilor

3.1.1 Description of the transaction

On January 15, 2017, Essilor and Delfin S.à r.l. ("Delfin"[(1)]) entered into a combination agreement (the "Combination Agreement").

Pursuant to the Combination Agreement (as subsequently amended, supplemented, clarified and/or implemented):

- Delfin irrevocably agreed to contribute its entire stake in Luxottica (representing 302,846,957 ordinary shares of Luxottica or 62.42% of Luxottica's share capital), to Essilor in return for newly-issued ordinary shares of Essilor to be approved by the Essilor's shareholders' meeting, on the basis of the Exchange Ratio of 0.4613 Essilor shares for 1 Luxottica share (the "**Contribution**");
- Essilor undertook to contribute substantially all of its operating activities and its shareholdings into a wholly-owned subsidiary within the framework of a partial asset contribution transaction – apport-scission regime – (the "**Hive-Down**") in order for Essilor (to be renamed EssilorLuxottica upon completion of the Contribution) to become the parent company of the new group; and
- EssilorLuxottica subsequently making an offer, in accordance with the Italian Law, to acquire all of the remaining issued and outstanding shares of Luxottica pursuant to the same Exchange Ratio and with a perspective to delist those shares from the Milan Stock Exchange (Italy) (the "**Offer**").

On May 11, 2017, the general meeting of Essilor's shareholders approved the resolutions concerning: (i) the Contribution as mentioned in the Combination Agreement, (ii) the amendment of Essilor's articles of association, (iii) the appointment of new Directors among the Board of EssilorLuxottica, (iv) the approval of the issue of Essilor shares in consideration for the Luxottica Contribution to the Offer and (v) the Hive Down.

On November 1, 2017, following the approval of the Hive Down, Essilor transferred substantially all of its operating activities and shareholdings to a newly named subsidiary Essilor International S.A.S.

On October 1, 2018, Delfin successfully completed the Contribution. Essilor was consequently renamed EssilorLuxottica and became the parent company of Luxottica.

As consideration for the Contribution by Delfin of its stake in Luxottica to Essilor, Essilor issued 139,703,301 new ordinary shares through a capital increase without preferential subscription rights.

As of the closing of the Contribution:

- EssilorLuxottica had a share capital composed of 358,840,853 shares; at that date, its main shareholders were Delfin (38.93% of capital with voting rights capped at 31%) and EssilorLuxottica employees (4.9%), the remaining 56.8% of the shares being publicly held;
- EssilorLuxottica stake in Luxottica amounted to 63.67% (302,846,957 ordinary shares contributed by Delfin and 6,071,922 treasury shares held directly by Luxottica representing, respectively, 62.42% and 1.25% of Luxottica's share capital at that date);
- EssilorLuxottica's obligation to launch a mandatory exchange offer for the remaining issued and outstanding Luxottica shares (176.276.154 shares in total) arose on the same date, October 1, 2018.

(1) Delfin is the Luxembourg based holding company of the Del Vecchio family.

Since October 2, 2018, EssilorLuxottica shares are traded on Euronext Paris (France); they are part of the CAC 40 and Euro Stoxx 50 indices.

On October 25, 2018, EssilorLuxottica communicated the calendar of the Offer, further confirmed on October 27, 2018. In particular, the agreed tender period began on October 29, 2018 and ended on November 28, 2018 ("**First phase of the MTO**").

During the First phase of the MTO, 143,788,312 ordinary shares of Luxottica were tendered. Such tendered shares represented 29.64% of the Luxottica's share capital (as updated at the end of the First phase of the MTO) and 81.57% of the Luxottica ordinary shares subject to the Offer. The consideration due to the holders of the ordinary shares of Luxottica tendered in the First phase of the MTO consisted of 0.4613 newly-issued ordinary shares of EssilorLuxottica per each Luxottica share (*i.e.* 66,329,548 EssilorLuxottica shares with a par value of €0.18 each).

On November 29, 2018, the final result of the First phase of the MTO was officially communicated to the financial community, whereas the newly issued EssilorLuxottica shares were admitted to trading on the Euronext Paris on December 5, 2018.

Taking into account (a) the 143,788,312 ordinary shares of Luxottica tendered in the Offer, and (b) the 302,846,957 ordinary shares of Luxottica already held by EssilorLuxottica prior to the beginning of the tender period, following the First phase of the MTO EssilorLuxottica directly held 446,635,269 ordinary shares of Luxottica, equal to 92.05% of Luxottica's share capital. Combined with the 6,071,922 treasury shares held by Luxottica as of the same date, the aggregate stake in the share capital of Luxottica held by EssilorLuxottica consisted of 452,707,191 shares, representing 93.30% of the Luxottica's share capital.

Having reached the 90% threshold, EssilorLuxottica decided to further offer, pursuant to article 108, Paragraph 2, of the Italian Legislative Decree No. 58 of 24 February 1998 (TUF), to purchase from any shareholder of Luxottica so requesting, the remaining outstanding ordinary shares of Luxottica not already held by EssilorLuxottica, which amounted in aggregate to 32,487,842 shares, equal to 6.70% of Luxottica's share capital.

To comply with the mentioned obligation and according to the requirements of the Italian Law, EssilorLuxottica offered to the remaining non-controlling shareholders of Luxottica either: (i) a consideration equalling 0.4613 EssilorLuxottica shares for each Luxottica share (similar to the First phase of the MTO); or, alternatively (ii) only to those shareholders so requesting, a cash consideration per Luxottica share equal to €51.64, which corresponds to the weighted average of the closing prices of EssilorLuxottica shares recorded on Euronext Paris during the five trading days prior to the payment date of the First phase of the MTO (*i.e.* on November 28, 29 and 30, and December 3 and 4, 2018) multiplied by the Exchange Ratio (*i.e.* 0.4613).

The period agreed for the submission of the request by the holders of the remaining shares started on December 12, 2018 and ended on January 18, 2019 ("**Second phase of the MTO**").

During the Second phase of the MTO, 20,561,815 ordinary shares of Luxottica were tendered. Such tendered shares represented 4.24% of the Luxottica's share capital. The consideration due to the holders of the ordinary shares of Luxottica tendered in the Second phase of the MTO consisted of:

- for 14,313,208 Luxottica shares, 0.4613 newly issued EssilorLuxottica shares per each Luxottica share (*i.e.* 6,602,682 EssilorLuxottica shares with a par value of €0.18 each);
- for 6,248,607 Luxottica shares, a cash consideration amounting to €51.64 per each Luxottica share (*i.e.* €322.7 million).

Following the completion of the Second phase of the MTO, EssilorLuxottica owned 97.542% of the share capital of Luxottica (including treasury shares).

Having reached the 95% threshold, EssilorLuxottica exercised its right to purchase all of the 11,926,027 outstanding shares of Luxottica not already held (amounting to 2.458% of Luxottica's share capital) through a specific joint procedure agreed upon with CONSOB and Borsa Italiana S.p.A. (the "Joint Procedure" or "Squeeze-out"). The Squeeze-out results in the transfer to EssilorLuxottica of the ownership of all outstanding shares of Luxottica not already held for a consideration equal to that set for the Second phase of the MTO (*i.e.* (i) a consideration equalling 0.4613 EssilorLuxottica shares for each Luxottica share; or, alternatively (ii) only to those shareholders so requesting, a cash consideration per Luxottica share equal to €51.64).

The period agreed for the submission of the request by the holders of the remaining shares started on January 28, 2019 and ended on February 26, 2019 ("**Third phase of the MTO**"). Any Luxottica's shareholder holding residual shares that did not submit any request received EssilorLuxottica shares.

During the Third phase of the MTO, 11,926,027 ordinary shares of Luxottica were tendered. The consideration due to the holders of the ordinary shares of Luxottica tendered in the Third phase of the MTO consisted of:

- for 5,758,817 Luxottica shares, 0.4613 newly issued EssilorLuxottica shares per each Luxottica share (*i.e.* 2,656,542 EssilorLuxottica shares with a par value of €0.18 each);
- for 6,167,210 Luxottica shares, a cash consideration amounting to €51.64 per each Luxottica share (*i.e.* €318.5 million).

Borsa Italiana S.p.A. suspended the trading of Luxottica shares on March 1 and 4, 2019 then ordered the delisting of the Luxottica shares from the MTA (*Mercato Telematico Azionario* managed by Borsa Italiana S.p.A.) as from March 5, 2019, corresponding to the settlement date of the Joint Procedure.

Following the completion of the Third phase of the MTO, EssilorLuxottica owns 100% of Luxottica's share capital whereas the interest held by Delfin decreased to 32.05% of the share capital of EssilorLuxottica.

The EL Combination benefits Essilor, Luxottica and their respective shareholders by pooling together two highly complementary businesses. As a result of the EL Combination,

the Company would be present in every segment of the eyecare and eyewear industry from vision to fashion to retail. This would allow it to provide an unprecedented set of comprehensive solutions to consumers, eyecare professionals and retail chains, and ultimately to grow in revenues faster than its reference market on a global scale.

3.1.2 Accounting for the Contribution

The Contribution of Delfin's stake in Luxottica to Essilor meets the definition of business combination as provided for in IFRS 3 – *Business Combinations*.

For accounting purposes, Luxottica is deemed to acquire Essilor on October 1, 2018 (*i.e.* the acquisition date) based on the guidance in IFRS 3, paragraphs 6-7 and B13-B18. On the basis of consideration of all facts and circumstances (including the EL Combination terms and provisions of the Combination Agreement), Essilor and Luxottica management and Essilor Board of Directors determined that, in the EL Combination, Luxottica is the deemed acquirer for accounting purposes. Therefore, for accounting purposes, the EL Combination is treated as the acquisition of Essilor by Luxottica even though, legally, Essilor is the acquirer and is the entity that issues new shares to Luxottica's shareholders ("reverse acquisition").

In determining the accounting treatment for the Contribution, Luxottica and Essilor management considered the factors of the above-mentioned guidance. While the acquirer is usually the entity that issues the equity interests, Essilor and Luxottica management also considered other pertinent facts and circumstances, including the following:

- the existence of a large minority voting interest (held by Delfin in EssilorLuxottica), considered as the strongest indicator of Luxottica being the accounting acquirer;
- the composition of the senior management and governance of EssilorLuxottica, considered neutral;
- the terms on which the equity interests were exchanged and the relative voting rights, considered neutral;
- Luxottica having larger revenue, EBITDA and number of employees, considered as additional relevant indicator of Luxottica being the accounting acquirer.

Accordingly, the consolidated financial statements of EssilorLuxottica reflect the acquisition of Essilor by applying IFRS 3 including the acquisition method of accounting on Essilor's identifiable assets acquired and liabilities assumed.

As consented by IFRS 3, the Contribution has been accounted on a provisional basis. The Group may adjust the provisional amounts recognized as soon as it receives the additional information about facts and circumstances that existed as of the acquisition date within one year from the acquisition date. Any differences compared to the provisional amounts will be recognized as a retrospective adjustment against goodwill if recorded within twelve months from the acquisition date.

Essilor contributed revenue of €1,877 million and profit of €258 million to the Group's 2018 results, *i.e.* Essilor's results for the three months ended December 31, 2018. On an unaudited *pro forma* basis, if the acquisition had occurred on January 1, 2018, management estimates that consolidated *revenue* would have been €16,160 million, and consolidated *profit for the year* would have been €1,154 million.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

€ millions	
Equity instruments issued	27,517
Share-based payments adjustment	351
TOTAL CONSIDERATION TRANSFERRED	**27,868**

Equity instruments issued

In a transaction in which the consideration is not in the form of cash, its amount is measured based on the fair value of the consideration given at the date of the business combination at the then-current market price.

In accordance with IFRS 3, the acquisition-date fair value of the consideration transferred by the accounting acquirer is based on the number of shares that Luxottica as the accounting acquirer (the legal subsidiary) would have had to issue to the shareholders of Essilor as the accounting acquiree (the legal parent) to give them the same percentage of equity interests in EssilorLuxottica that results from the reverse acquisition.

The fair value of the Luxottica shares to be issued is determined as follows:

[A] Number of Luxottica shares contributed by Delfin at October 1, 2018	302,846,957
[B] Percentage shareholding of Essilor shareholders after the EL Combination (see computation below)	60.92%
[C] Number of Luxottica shares theoretically to be issued to Essilor shareholders = [A/(1-B)*B]	472,152,198
Luxottica share price at October 1, 2018 *(in €)*	58.28
FAIR VALUE OF THE SHARES DEEMED TO BE ISSUED *(in € million)*	**27,517**

The shareholding percentage of Essilor shareholders in EssilorLuxottica after the Contribution is determined as follows:

[A] Number of Luxottica shares contributed by Delfin at October 1, 2018	302,846,957
[D] Exchange Ratio	0.4613
[E] Equivalent in Essilor shares = [A*D]	139,703,301
[F] Number of Essilor shares at October 1, 2018 (excluding treasury shares)	217,803,809
SHAREHOLDING PERCENTAGE OF ESSILOR SHAREHOLDERS AFTER CONTRIBUTION IN ESSILORLUXOTTICA = [F/(E+F)]	**60.92%**

Share-based payment adjustment

The acquisition-date market-based value of the share-based payments granted by Essilor to its employees (also referred as "awards") has to be allocated to equity, as part of the consideration transferred, for the vested portion of the awards at that date and to post-combination expense for the unvested portion of the awards. As of October 1, 2018, the market-based value of the vested portion of the awards amounts to €351 million.

Acquisition-related costs

The Group incurred acquisition-related costs on non-recurring legal, advisory, accounting, valuation, banking and other professional or consulting fees attributable to the EL Combination. Those costs were accounted for in accordance with IFRS 3, *i.e.* recognized as expenses in the periods in which they were incurred and the services were received. Acquisition-related costs accounted for in *General and administrative expenses* in the consolidated statement of profit or loss for the year ended December 31, 2018 amounted to €16 million before tax.

Costs incurred in issuing equity instruments have been accounted for as a deduction from equity to the extent they were deemed as incremental costs directly attributable to the equity transactions that otherwise would have been avoided.

Identifiable assets and liabilities assumed

The following table summarises the recognized assets acquired and liabilities assumed determined on a provisional basis at the date of acquisition:

€ millions	Notes	Fair Value
Intangible assets		10,842
Of which trade names, trademarks and brands	*10*	*2,914*
Of which technologies	*10*	*2,833*
Of which customer relationships	*10*	*4,830*
Of which other intangible assets	*10*	*265*
Property, plant and equipment	11	1,289
Investment in associates		23
Other non-current assets		195
Deferred tax assets	14	214
Inventories		1,276
Trade receivables		1,420
Tax receivables		64
Other current assets		394
Cash and cash equivalents		809
Asset held for sale		17
TOTAL IDENTIFIABLE ASSETS		**16,543**
Non-current borrowings		1,620
Employee benefits	23	305
Non-current provisions	25	335
Other non-current liabilities	26	176
Deferred tax liabilities	14	2,286
Current borrowings		995
Trade payables		714
Tax payables		99
Current provisions	25	51
Other current liabilities		1,210
TOTAL IDENTIFIABLE LIABILITIES		**7,791**
TOTAL NET IDENTIFIABLE ASSETS		**8,752**

The description of the intangible assets recognized on a provisional basis in the context of the purchase price allocation is as follows:

Assets acquired	Description
Trade names, trademarks and brands	In the sunglasses & readers glasses businesses, brands are key assets that attract customers and justify price differences. Essilor owns various fashion brands that have been identified and valued. Some optical trade names refer to Essilor's technological advantages. In the ophthalmic sector, brands generate barriers to entry by building a reputation and an image. Essilor operates premium optical brands (umbrellas that include various trademarks) that have been identified and valued.
Technologies	Specific technologies (currently used or developed) on the lenses activities are separately valued as they can be considered as barriers to entry in the eyecare industry and are expensive to replicate. Among the specific technologies, the following technology portfolios have been valued: (i) design technology portfolio; (ii) coating technology portfolio; (iii) photochromic technology portfolio.
Customer relationships	Essilor benefits from strong relationships with eyecare professionals generating recurring profits. Essilor customers are (i) opticians / optometrists, directly or indirectly through distributors and (ii) prescription laboratories for glasses and cutting-fitting instruments. Essilor maintains long-term relationships with its clients. These relationships have been recognized and valued by geographical area.
Other intangible assets	Essilor benefits from favourable licensing agreements that have been identified and valued.

According to IFRS 3 paragraph 24, EssilorLuxottica recognized and measured the deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination in accordance with IAS 12 – *Income Taxes*, considering the applicable tax rate of the entities/area to which the assets and liabilities belong.

The valuation techniques used for measuring the fair value of main assets acquired and liabilities assumed were as follows:

Assets acquired/ liabilities assumed	Valuation techniques
Property, plant and equipment	*Market comparison technique and cost technique.* The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate.
Intangible assets	*Relief-from-royalty method and multi-period excess earnings method.* The relief-from-royalty method considers the discounted royalty payments that are expected to be avoided as a result of the patent / technology / brand / trade names being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationship, by excluding any cash flows related to contributory asset.
Inventories	*Market comparison technique and cost technique.* The fair value of work in progress, finished and semi-finished goods is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. The fair value of raw materials, spare parts and consumables is determined based on replacement costs.
Financial liabilities	For listed debt, fair value is computed using quoted market prices. For non-listed debt, fair value is computed as the present value of future cash flows, discount rate used to discount future cash flows equals the risk-free rate plus the credit spread associated with Essilor.
Employee benefits	The assets and liabilities related to Essilor's employee benefit arrangements are recognised and measured in accordance with IAS 19 – *Employee Benefits*.

At the acquisition date, the fair value of the trade receivables amounts to €1,420 million whereas the gross contractual amount equals to €1,563 million.

The amounts described above have been measured on a preliminary basis and reflect the provisional outputs from the valuation work performed by EssilorLuxottica with the support of an independent valuation expert.

If new information obtained within one year of the date of the acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the Contribution has been recognized as follows:

€ millions	**Fair Value**
Consideration transferred	27,868
Non-controlling interests based on the proportionate interest in the recognized net assets of the subsidiaries of Essilor	416
Identifiable assets acquired and liabilities assumed	8,752
GOODWILL	**19,532**

The goodwill is attributable mainly to the ability of the Group to renew its customer base and its premium brand portfolio, to the skills and technical talent of Essilor's work force and the synergies and potential new business expected to be achieved from integrating the operations of Essilor and Luxottica.

Non-controlling interests

As at the acquisition date, the Group recognized the historical non-controlling interests of the Essilor Group at an amount equal to their proportionate interest in the fair value of net assets of the relevant Essilor subsidiaries, €416 million.

Moreover, at the date of the Contribution, Luxottica's shareholders, other than Delfin, have also been treated as a non-controlling interest in EssilorLuxottica consolidated financial statements. This is because at that date those shareholders had an interest in the results and net assets of only Luxottica, and not in the results and net assets of EssilorLuxottica, the combined group. Conversely, even though Essilor is the acquiree for accounting purposes, the shareholders of Essilor have an interest in the results and net assets of the combined group. Therefore, as of October 1, 2018, the Luxottica's shares not held directly or indirectly by Delfin (amounting to 176,234,154 shares and representing 36.33% of Luxottica's share capital at that date) were recognized as non-controlling interests of EssilorLuxottica at an amount equal to their proportionate interest in the pre-combination carrying amounts of Luxottica Group's net assets (€2,263 million).

3.1.3 Accounting of the Offer

As stated in paragraph 3.1.2, the Contribution of Delfin's stake in Luxottica to Essilor has been accounted for as the acquisition by Luxottica of the 100% of Essilor. Therefore, the purchases of additional interests in Luxottica in the context of the Offer cannot be treated as the acquisition of incremental interests in the acquiree. Those purchases have been considered as separate equity transactions and, for accounting purposes, they are not considered part of the initial acquisition.

In particular, the First phase of the MTO (*i.e.* the acquisition of 143,788,312 Luxottica shares representing the 29.6% of Luxottica's share capital) has been accounted for as a change in ownership interests not resulting in a change of control. As of November 29, 2018 (date on which the final result of the First phase of the MTO was officially communicated) EssilorLuxottica accounted for:

- the issuance of 66,329,548 EssilorLuxottica shares, with a par value of €0.18 each, as consideration due to the holders of the ordinary shares of Luxottica tendered in the First phase of the MTO; EssilorLuxottica's share capital and share premium reserve were increased accordingly (€12 and €7,188 million respectively); and
- the reclassification from *Equity attributable to non-controlling interests* to *Equity attributable to the parent* of Luxottica's non-controlling interests acquired in the transaction (*i.e.* 29.6% of Luxottica's share capital) for an amount equal to their historical value (*i.e.* 29.6% of the pre-combination carrying amounts of Luxottica Group's net assets), of €1,846 million.

The resulting difference was recognized in *Retained earnings and other reserves*.

Finally, for the Second and Third phase of the MTO still on-going at December 31, 2018, the Group had to recognize in 2018 consolidated financial statements its obligation or potential obligation as at December 31, 2018 to purchase against cash all remaining Luxottica shares not already held by EssilorLuxottica (which amounted in aggregate to 32,487,842 shares, equal to 6.7% of Luxottica's share capital) pursuant to article 108, paragraph 2, of the TUF. Therefore, as of December 31, 2018, EssilorLuxottica accounted for:

- the put liability over the remaining 32,487,842 Luxottica shares not already held, for the maximum amount of €1,677 million (*i.e.* €51.64 per share); the liability was accounted for in *Other current liabilities*; and
- the reclassification from *Equity attributable to non-controlling interests* to *Equity attributable to the parent* of Luxottica's non-controlling interests outstanding as of that date (*i.e.* 6.7% of Luxottica's share capital) for an amount equal to their historical value (*i.e.* 6.7% of the pre-combination carrying amounts of Luxottica Group's net assets), €417 million.

The resulting difference was recognized in *Retained earnings and other reserves*.

Following the finalization of the Second and Third phase of the MTO, the actual amount that the Group had to recognize in cash to Luxottica's shareholders in 2019 was €641 million. This event has been considered as a non-adjusting event after the reporting period pursuant to IAS 10 – *Events after the Reporting Period*, therefore the amount of the put liability recognized as at December 31, 2018 was not adjusted.

3.2 Other business combinations

Business combinations, other than the EL Combination, that occurred during the year are listed in the table below (also referred as "Other business combinations"):

Name	Country	Acquisition date	Consolidation method	% interest	% consolidated
Ottica Gecele	Italy	05/2018	Fully consolidated	100%	100%
Fukui Megane	Japan	05/2018	Fully consolidated	67%	100%
Spectacle Hut	Singapore	10/2018	Fully consolidated	60%	100%
Expert Optics	United States	10/2018	Fully consolidated	100%	100%
Indulentes	Ecuador	11/2018	Fully consolidated	60%	100%
Spectera	United States	11/2018	Fully consolidated	100%	100%
MOA	Argentina	12/2018	Fully consolidated	88%	100%

The impact of the 2018 consolidated statement of financial position of the Other business combinations is presented in the table below:

€ millions	**Total other business combinations**
Intangible assets	22
Property, plant and equipment	13
Other non-current assets	6
Current assets	23
Cash and cash equivalents	5
TOTAL ASSETS ACQUIRED AT FAIR VALUE (A)	**70**
Non-current borrowings	12
Other non-current liabilities	7
Current borrowings	10
Other current liabilities	13
TOTAL LIABILITIES ASSUMED AT FAIR VALUE (B)	**41**
NET ASSETS ACQUIRED (C=A-B)	**29**
CONSIDERATION FOR THE ACQUISITIONS (D)	**57**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS (E)	**5**
FAIR VALUE OF NET ASSETS ACQUIRED (C)	**29**
GOODWILL RECOGNIZED (F=D+E-C)	**33**
Consideration for the acquisition (D)	(57)
Deferred payments (G)	3
Acquired cash (H)	5
CASH FLOW FROM THE ACQUISITIONS, NET OF CASH ACQUIRED (I=D+G+H)	**(48)**
CONTRIBUTION TO 2018 CONSOLIDATED REVENUE	**20**
CONTRIBUTION TO 2018 NET PROFIT	**(1)**

The amount recognized as *Goodwill* is not tax deductible and primarily reflects the expected synergies and growth's outlook of the acquired companies within the Group.

If the combination agreements provided for obligation to purchase, or put options on, any remaining non-controlling interest in the acquired companies, the Group applied the accounting policy described in Note 1 – Significant accounting principles and recognized a corresponding liability in *Other current liabilities* or *Other non-current liabilities* based on its due date.

The fair value used for the acquired assets and assumed liabilities of acquisitions for the period is calculated on a provisional basis and may be reviewed at a later date. Any discrepancies resulting from the final valuation will be recognized as a retrospective adjustment against goodwill if they take place within twelve months of the acquisition date.

The closing of the Other business combinations did not cause the Group to incur any significant acquisition costs towards third parties.

On an unaudited *pro forma* basis, had those Other business combinations occurred at the beginning of the year, revenue and net profit contributed by the acquisitions to the consolidated financial statements would have been, respectively, €93 and €2 million.

Óticas Carol (restatement of 2017 comparative figures)

On July 6, 2017, Luxottica Group completed the acquisition of 100% of Óticas Carol, one of the most important optical franchise chains in Brazil.

As of December 31, 2017, the fair value of the identifiable assets and liabilities acquired was determined on a provisional basis. As of December 31, 2018, the valuation processes had been completed and, consequently, the comparative figures for the financial information as of December 31, 2017 were restated on the basis of the final estimates.

The restatement caused a decrease in *Goodwill* and an increase in *Intangible assets*, and specifically the Óticas Carol brand. Therefore, in accordance with the provisions of IFRS 3, the comparative information as of December 31, 2017 was retrospectively restated to reflect the above changes. Specifically, excluding translation differences: (i) goodwill declined by €14 million; (ii) intangible assets increased by €21 million, excluding the relevant amortization recognized during the period; and (iii) deferred tax liabilities increased by €7 million. Net profit for the year 2017 was also restated to account for the higher amortization of the Óticas Carol brand since the acquisition date until the end of the year as well as the relevant tax impact (€0.6 and €0.2 million, respectively).

Note 4 Segment information

4.1 Information by segment

In accordance with IFRS 8 – *Operating Segments*, the Group's segment information is presented in line with the information provided internally to the Executive Chairman Leonardo Del Vecchio and the Executive Vice Chairman Hubert Sagnières, in their role of Chief Operating Decision Makers, for the purpose of managing operations, taking decisions and analyzing operational performance.

Such information is prepared in accordance with the IFRS used by the Group in its consolidated financial statements.

The criteria applied to identify the operating segments are consistent with the way the Group is currently managed. Following the EL Combination, which occurred on October 1, 2018, the Group structure reflects the organizational structures of the two combined groups, Luxottica and Essilor. The operating segments for the year ended December 31, 2018 have been identified accordingly.

The Group operates in five segments:

- Wholesale: manufacturing and wholesale distribution of high-end luxury and sports eyewear operated by Luxottica Group entities;
- Retail: retail distribution of high-end luxury and sports eyewear operated by Luxottica Group entities;
- Lenses and optical instruments: production, prescription, distribution and trading of lenses and small equipment used by opticians and relating to the sale of lenses, operated by Essilor Group entities;
- Equipment: production, distribution and sale of high capacity equipment, such as digital surfacing machines and lens coating machines, operated by Essilor Group entities; and
- Sunglasses and readers: production, distribution and sale of both non-prescription sunglasses and non-prescription reading glasses, operated by Essilor Group entities.

Following the EL Combination that occurred on October 1, 2018, (see Note 3 – Business combinations), the Wholesale and Retail operating segments reflect Luxottica's performance for 2017 and 2018 whereas the Lenses and optical instruments, Equipment and Sunglasses and readers reflect Essilor's performance for the three-month period ended December 31, 2018.

Information by operating segment is as follows:

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Elimination and other adjustments	Total 2018
Revenue	**3,187**	**5,735**	**1,591**	**73**	**214**	**-**	**10,799**
Operating profit before depreciation of intangible assets acquired in business combinations [(a)]	716	807	187	12	53	(155)	1,620
Depreciation of intangible assets acquired in business combinations							(262)
OPERATING PROFIT							**1,358**
Cost of net debt							(54)
Other financial income/(expenses)							(9)
Share of profits (loss) of associates							-
Income tax							(139)
NET PROFIT							**1,156**
Acquisitions of property, plant and equipment and intangible assets	344	239	100	3	15	-	701
Amortization and depreciation of property, plant and equipment and intangible assets	(168)	(258)	(223)	(3)	(18)	(89)	(759)

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Elimination and other adjustments	Total 2017
Revenue	**3,371**	**5,813**	**-**	**-**	**-**	**-**	**9,184**
Operating profit before depreciation of intangible assets acquired in business combinations [(a)]	721	808	-	-	-	(93)	1,436
Depreciation of intangible assets acquired in business combinations							(89)
OPERATING PROFIT							**1,347**
Cost of net debt							(81)
Other financial income/(expenses)							(10)
Share of profits (loss) of associates							1
Income tax							(215)
NET PROFIT							**1,042**
Acquisitions of property, plant and equipment and intangible assets	415	248	-	-	-	-	663
Amortization and depreciation of property, plant and equipment and intangible assets	(174)	(277)	-	-	-	(89)	(541)

(a) Operating profit from the Wholesale segment is related to the revenue generated with third-party customers only, excluding the "manufacturing profit" generated on the intercompany revenue with the Retail segment. Operating profit from operations of the Retail segment is related to retail revenue, considering the cost of goods acquired from the Wholesale segment at manufacturing cost, thus including the relevant 'manufacturing profit' attributable to this revenue.

4.2 Information by geographical area

The geographic segments include North America, Europe (including Turkey and Russia), Asia, Oceania, Africa (including Middle East) and Latin America.

Revenue is attributed to geographical area based on customers' location, whereas non-current assets are based on geographical area where the legal entities are located.

Information by geographical area is as follows:

	Revenue		Non-current assets [(a)]	
€ millions	**2018**	**2017**	**2018**	**2017**
North America	5,971	5,276	5,520	1,768
Europe	2,466	1,966	8,182	820
Asia, Oceania, Africa	1,671	1,326	1,842	494
Latin America	692	616	445	199
TOTAL	**10,799**	**9,184**	**15,989**	**3,281**

(a) Non-current assets excluding goodwill.

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Note 5 Revenue

The breakdown of revenue by category is as follows:

€ millions	**2018**	**2017**
Sales of products	9,864	8,250
Vision care business	741	745
Eye-exam and related professional fees	118	112
Income from franchisee royalties	77	77
TOTAL REVENUE	**10,799**	**9,184**

For 2018, the reconciliation between the breakdown by category of the Group's revenue and its five operating segments is as follows:

€ millions	**Wholesale**	**Retail**	**Lenses and Optical Instruments**	**Equipment**	**Sunglasses & Readers**	**Total 2018**
Sales of products	3,175	4,811	1,591	73	214	9,864
Vision care business	-	741	-	-	-	742
Eye-exam and related professional fees	-	118	-	-	-	118
Income from franchisee royalties	12	64	-	-	-	77
TOTAL REVENUE	**3,187**	**5,735**	**1,591**	**73**	**214**	**10,799**

For 2017, the reconciliation between the breakdown by category of the Group's revenue and its five operating segments is as follows:

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Total 2017
Sales of products	3,363	4,887	-	-	-	8,250
Vision care business	-	745	-	-	-	745
Eye-exam and related professional fees	-	112	-	-	-	112
Income from franchisee royalties	7	70	-	-	-	77
TOTAL REVENUE	**3,371**	**5,813**	**-**	**-**	**-**	**9,184**

For information on contractual assets and contractual liabilities, see Notes 13-Other non-current assets, 18–Other current assets, 26-Other non-current liabilities and 28–Other current liabilities.

Note 6 Income and expenses

For the period ended December 31, 2018, the depreciation, amortization and impairment loss of property, plant and equipment and intangible assets amount to €771 million (€540 million for 2017). Operating lease expenses amount to €750 million (€744 million for 2017). Personnel costs amount to €3,259 million (€2,702 million for 2017) including €85 million of share based payment expenses (€1 million for 2017).

In the consolidated statement of profit or loss, share based payment expenses are mainly included into the *general and administrative* line item.

The number of employees is as follows:

Number of employees at closing date	2018	2017
Wholesale	31,482	32,437
Retail	50,876	52,713
Lenses and Optical Instruments	55,629	-
Equipment	8,437	-
Sunglasses & Readers	4,192	-
TOTAL NUMBER OF EMPLOYEES	**150,616**	**85,150**

Other operating income and expenses are as follows:

€ millions	2018	2017
Capital gains/(losses) on disposals of operations and assets	(2)	49
Other	(3)	(4)
OTHER INCOME/(EXPENSES)	**(5)**	**45**

The item "Capital gains / (losses) on disposals of operations and assets" related to 2017 mainly refers to the capital gains on the sale of a property owned by the Group and sold in March 2017.

Note 7 Financial income and expenses

Financial income and expenses are as follows:

€ millions	2018	2017
Interest on debt and borrowings and related derivatives	(71)	(89)
Interest on finance leases	(1)	(3)
Interest income	18	11
COST OF NET DEBT	**(54)**	**(81)**
Dividend income	-	1
Foreign exchange gains or losses	(8)	(8)
Other	(1)	(3)
OTHER FINANCIAL INCOME/(EXPENSES)	**(9)**	**(10)**
TOTAL FINANCIAL RESULT	**(63)**	**(91)**

Note 8 Income taxes

The amount of income tax recognized in the statement of profit or loss is as follows:

€ millions	2018	2017
Current year tax (expense) benefit	(332)	(362)
Deferred taxes	193	147
TOTAL INCOME TAXES	**(139)**	**(215)**

The amount of income tax recognized in other comprehensive income is as follows:

	2018			2017		
€ millions	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that may be reclassified subsequently to profit or loss						
Cash flow hedges	(2)	1	(1)	-	-	-
Net investment hedges	-	-	-	-	-	-
Foreign currency translation differences	140	-	140	(589)	-	(589)
TOTAL (A)	**138**	**1**	**139**	**(589)**	**-**	**(589)**
Items that will not be reclassified to profit or loss						
Actuarial gain/(loss) on employee benefits	(18)	4	(14)	55	(49)	6
TOTAL (B)	**(18)**	**4**	**(14)**	**55**	**(49)**	**6**
TOTAL (A+B)	**120**	**5**	**125**	**(534)**	**(49)**	**(583)**

The reconciliation between the statutory tax rate and the effective rate is as follows:

As a % of profit before tax	2018	2017 [b]	2017 [a]
Statutory income tax rate in %	34.43%	34.43%	27.9%
Non-taxable income and tax incentives	-5.1%	-8.2%	-8.2%
Tax rate changes	-12.2%	-7.7%	-7.7%
Aggregate effect of different tax rates in foreign jurisdictions (subsidiaries within the group)	0.5%	5.2%	5.2%
Aggregate effect of different tax rates (from Italian to French tax rate)	-6.2%	-6.5%	-
Others (net)	-0.7%	-	-
EFFECTIVE INCOME TAX RATE	**10.7%**	**17.2%**	**17.2%**

(a) Percentages as presented in Luxottica 2017 published annual consolidated financial statements – *i.e.* using the Italian statutory tax rate.

(b) Percentages of Luxottica 2017 annual consolidated financial statements using the French statutory tax rate.

Due to the fact that the EL Combination is a reverse acquisition (see Note 3 – Business combinations), the comparative information presented in the template above is the one of Luxottica. In 2017, in its annual consolidated financial statements, Luxottica presented a reconciliation between the Italian statutory tax rate of 27.9% and the effective rate of 17.2%. For 2018, since the legal acquirer is EssilorLuxottica which is domiciled in France, the template above presents the reconciliation between the French tax rate of 34.43% and the effective rate of 10.7%. To be comparable, the template above also presents the reconciliation presented in Luxottica's 2017 annual consolidated financial statements but restated using the French tax rate – *i.e.* reconciliation between the French statutory tax rate of 34.43% and the effective rate of 17.2%.

Note 9 Earnings per share

The net profit used for the calculation of earnings per share is €1,087 million (€1,040 million in 2017).

At December 31, 2018 the average number of ordinary shares outstanding used for the calculation of basic earnings per share is 260,699,711.

In 2018 and until the EL Combination effective date October 1, 2018, the average number of ordinary shares is 165,691,424. This is based on the average number of ordinary shares outstanding of Luxottica multiplied by the Exchange ratio of 0.4613 Essilor shares for 1 Luxottica share as established in the Combination Agreement (see Note 3 – Business combinations).

From the EL Combination effective date October 1, 2018 and until December 31,2018, the average number of ordinary shares is 95,008,287. This is based on the average number of ordinary shares outstanding of EssilorLuxottica.

In 2017, the calculation of basic earnings per share was based on an average number of 478,068,696 Luxottica ordinary shares. Using the Exchange ratio of 0.4613 Essilor shares for 1 Luxottica share as established in the Combination Agreement (see Note 3 – Business combinations), the restated basic earnings per share is based on 220,533,089 ordinary shares.

The average number of ordinary shares outstanding used to calculate diluted earnings per share is as follows:

€ millions	2018	Restated 2017	2017
Weighted average number of ordinary shares	260,699,711	220,533,089	478,068,696
Dilutive effect of stock subscription options	36,211	129,017	279,681
Dilutive effect of performance share grants	5,510,385	-	-
DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**266,246,307**	**220,662,106**	**478,348,377**

At December 31, 2018, 206,503 options (2017: 220,097) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive [(1)].

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period October 1, 2018 – December 31, 2018.

(1) Options not included in the calculation of dilutive shares as the average value was greater than the average price during the respective period or performance measures related to the awards have not yet been met.

Note 10 Goodwill and other intangible assets

Changes in goodwill and intangible assets for the year ended December 31, 2018 are as follows:

€ millions	Goodwill	Trade names, trademarks and brands	Technologies	Customer relationships	Other	Total
Balance as of January 1, 2018						
Historical cost	3,608	1,765	-	268	1,150	6,791
Accumulated amortization and impairment	-	(1,062)	-	(156)	(718)	(1,936)
NET BOOK VALUE AS OF JANUARY 1, 2018	**3,608**	**702**	**-**	**112**	**432**	**4,854**
Additions	-	-	-	-	105	105
Business combinations	19,565	2,915	2,833	4,851	265	30,429
of which EL Combination	*19,532*	*2,914*	*2,833*	*4,830*	*265*	*30,374*
of which other business combinations	*33*	*1*	-	*21*	-	*54*
Amortization	-	(105)	(66)	(91)	(145)	(407)
Impairment losses	-	-	-	-	-	-
Divestments and assets classified as held for sale	-	(11)	-	-	(4)	(15)
Translation differences and other	68	30	-	35	15	148
Total changes	**19,633**	**2,829**	**2,767**	**4,796**	**235**	**30,259**
Balance as of December 31, 2018						
Historical Cost	23,241	4,723	2,834	5,162	1,496	37,456
Accumulated amortization and impairment	-	(1,192)	(67)	(255)	(829)	(2,342)
NET BOOK VALUE AS OF DECEMBER 31, 2018	**23,241**	**3,532**	**2,767**	**4,907**	**667**	**35,114**

Changes in goodwill and intangible assets for the year ended December 31, 2017 are as follows:

€ millions	Goodwill	Trade names, trademarks and brands	Technologies	Customer relationships	Other	Total
Balance as of January 1, 2017						
Historical cost	3,865	1,884	-	303	1,191	7,243
Accumulated amortization and impairment	-	(1,079)	-	(164)	(659)	(1,901)
NET BOOK VALUE AS OF JANUARY 1, 2017	**3,865**	**805**	**-**	**139**	**533**	**5,342**
Additions	-	-	-	-	85	85
Business combinations	89	38	-	-	3	130
Amortization	-	(72)	-	(14)	(145)	(231)
Impairment losses	-	-	-	-	-	-
Divestments and assets classified as held for sale	-	-	-	-	(1)	(1)
Translation differences and other	(346)	(69)	-	(13)	(43)	(471)
Total changes	**(257)**	**(103)**	**-**	**(27)**	**(101)**	**(488)**
Balance as of December 31, 2017						
Historical Cost	3,608	1,765	-	268	1,150	6,791
Accumulated amortization and impairment	-	(1,063)	-	(156)	(718)	(1,937)
NET BOOK VALUE AS OF DECEMBER 31, 2017	**3,608**	**702**	**-**	**112**	**432**	**4,854**

Most significant intangible assets of Luxottica Group are related to the brands Oakley, Salmoiraghi & Vigano and Sunglass Hut, with a corresponding carrying amount of €420 million as of December 31, 2018 (€431 million as of December 31, 2017). Their residual useful life as of December 31, 2018 is 14, 23 and 7 years respectively.

In 2018, the main increase in goodwill and intangible assets resulted, from the EL Combination. For information on the effect of business combinations on goodwill and intangible assets, see Note 3 – Business combinations.

During 2017, the main increase in goodwill mainly resulted from the acquisition of Óticas Carol, as described in Note 3 – Business combinations.

Goodwill for companies acquired during the year is based on the provisional accounting and may be adjusted during the 12-month period from the acquisition date.

Impairment test of goodwill

Impairment test of goodwill – Luxottica Group

The carrying amount of goodwill excluding the one arising from the EL Combination is allocated to the following different groups of cash generating units (groups of CGUs):

€ millions	Net goodwill December 31, 2017	Changes in goodwill [(a)]	Net goodwill December 31, 2018 [(b)]
Wholesale	1,371	16	1,387
Retail Optical	1,125	17	1,142
Retail Sun & Luxury	947	48	995
Retail Oakley	165	8	174
TOTAL	**3,608**	**89**	**3,697**

(a) Changes arising from business combinations excluding the EL Combination.
(b) Goodwill excluding the one arising from the EL Combination.

Impairment tests are performed using the methodology described in Note 1 – Significant accounting principles. No goodwill impairment losses were recognized in 2018 and in 2017.

The recoverable amount for each group of CGUs has been determined by reference to the value in use, based on the parameters described below.

The weighted average cost of capital (WACC) for 2018 is 6.4% (6.2% for 2017). The post-tax discount rates allocated to the respective group of CGUs are as follows:

In %	December 31, 2018	December 31, 2017
Wholesale	6.7%	6.5%
Retail Optical	6.3%	5.9%
Retail Sun & Luxury	6.5%	6.1%
Retail Oakley	6.0%	5.9%

The growth rates used to determine terminal values were set between 1.9% and 2.2% (2017: between 2% and 2.3%), with the highest rate applying to emerging markets. The growth rates used to determine terminal values are in line with the long-term expected inflation in the countries where the Group operates.

In percentages, the surplus of recoverable amount over the net carrying amount of the Wholesale, Retail Optical, Retail Sun & Luxury and Retail Oakley CGUs equals respectively to 496%, 75%, 117% and 154% (2017: 551%, 81%, 81% and 50%). Please note that, holding all else constant: (i) the discount rate that makes the recoverable amount of the groups of CGUs in question equal to their carrying amount is approximately 28.5% for the Wholesale group of CGUs, approximately 9.3% for Retail Optical, approximately 11.4% for Retail Sun & Luxury and approximately 12% for Retail Oakley, (ii) the growth rate that makes the recoverable amount of the groups of CGUs equal to their carrying amount should be negative for all groups of CGUs.

In addition, in view of the significant surplus described above, potential reasonable changes to the above-mentioned assumptions used to determine the recoverable amount (*i.e.*, growth rate changes of +/−0.5% and discount rate changes of +/−0.5%) would not significantly affect the impairment test results.

Impairment test of goodwill – goodwill arising from the EL Combination

The carrying amount of goodwill arising from the EL Combination is allocated to the following segments:

€ millions	Goodwill December 31, 2018 [(a)]
Lenses and Optical Instruments	17,392
Equipment	581
Sunglasses & Readers	1,559
TOTAL	**19,532**

(a) Goodwill arising from the EL Combination.

As noted in Note 3 – Business combinations, the acquisition accounting resulting from the EL Combination, which include the determination of goodwill, is regarded provisional. Therefore, the allocation shown above is also provisional.

No indication of impairment has been identified since the EL Combination on October 1, 2018. This is confirmed by the outcome of the impairment test that was carried out as at December 31, 2018. Accordingly, no goodwill impairment loss was recognized.

The impairment test has been performed based on the provisional purchase price allocation and the provisional allocation to groups of CGUs of the provisional goodwill and net assets.

While performing the impairment test, management did not identify any trigger event which would require to adjust the key assumptions used at the business combination date for the purchase allocation exercise.

The recoverable amount of groups of CGUs has been determined by reference to the value in use, based on a discounted cash flow methodology using the parameters described below.

The post-tax discount rates allocated to the respective groups of CGUs can be summarized as follows, leading to a weighted average cost of capital (WACC) used of 6.5%.

In %	December 31, 2018
Lenses and optical Instruments	6.2%-8.1%
Equipment	6.5%
Sunglasses & Readers	6.5%

The growth rate used to determine terminal values was set at 2.2%.

Note 11 Property, plant and equipment

Changes in items of property, plant and equipment in 2018 are as follows:

€ millions	Land, Buildings and related leasehold improvements	Plant, equipment, machinery	Other	Total
Balance as of January 1, 2018				
Historical cost	1,364	1,637	1,067	4,068
Accumulated depreciation and impairment	(660)	(1,065)	(535)	(2,260)
NET BOOK VALUE AS OF JANUARY 1, 2018	**704**	**572**	**532**	**1,809**
Additions	115	153	333	601
Business combinations	522	529	252	1,302
of which EL Combination	*517*	*523*	*249*	*1,289*
of which other business combinations	*5*	*6*	*3*	*13*
Depreciation	(83)	(175)	(94)	(353)
Impairment losses	-	-	-	-
Disposals and assets classified as held for sale	(3)	(22)	(9)	(34)
Translation differences and other	150	106	(213)	43
TOTAL CHANGES	**700**	**590**	**269**	**1,559**
Balance as of December 31, 2018				
Historical cost	2,131	2,395	1,376	5,903
Accumulated depreciation and impairment	(727)	(1,233)	(575)	(2,535)
NET BOOK VALUE AS OF DECEMBER 31, 2018	**1,405**	**1,163**	**801**	**3,368**

Changes in items of property, plant and equipment in 2017 are as follows:

€ millions	Land, Buildings and related leasehold improvements	Plant, equipment, machinery	Other	Total
Balance as of January 1, 2017				
Historical cost	1,271	1,678	1,025	3,974
Accumulated depreciation and impairment	(683)	(1,101)	(517)	(2,301)
NET BOOK VALUE AS OF JANUARY 1, 2017	**588**	**577**	**508**	**1,673**
Additions	232	108	238	578
Business combinations	-	5	26	31
Depreciation	(82)	(140)	(88)	(310)
Impairment losses	-	-	-	-
Disposals and assets classified as held for sale	(7)	(7)	(10)	(24)
Translation differences and other	(27)	31	(143)	(139)
TOTAL CHANGES	**116**	**(4)**	**24**	**136**
Balance as of December 31, 2017				
Historical cost	1,364	1,637	1,067	4,068
Accumulated depreciation and impairment	(660)	(1,064)	(535)	(2,259)
NET BOOK VALUE AS OF DECEMBER 31, 2017	**704**	**573**	**532**	**1,809**

The Group's property, plant and equipment mainly include:

- buildings consisting mainly of plants, prescription laboratories and administrative offices. Their locations reflect the Group's broad international presence;
- production plants and equipment including machines and equipment for producing semi-finished and finished lenses.

The prescription laboratories also have machines and equipment for surfacing, coating, edging and mounting lenses.

Other mainly includes assets under construction with a corresponding carrying amount of €345 million as at December 31, 2018 (€267 million as at December 31, 2017).

For information on the effect of business combinations on tangible assets, see Note 3 – Business combinations. In 2018, the main increase in property, plant and equipment resulted from the EL Combination.

Except for business combinations mentioned above, investments in 2018 mainly relate to routine technology upgrades to the manufacturing infrastructure, opening of new stores and the remodeling of older stores, whose lease contracts were renewed in 2017 and 2018. In 2018, the Group purchased land and buildings for a consideration of €107 million, mainly in relation to the acquisition of the building hosting Luxottica offices in New York.

In 2017, the main increase in property, plant and equipment resulted, among other things, from the acquisitions of land and buildings mainly in relation to the acquisition of the building hosting Luxottica offices in Milan and the area where the Brazilian manufacturing site is located.

No adjustments to the value of property, plant and equipment were performed in 2018 and 2017 since no impairment indicators were brought to management's attention.

Note 12 Investments in associates

Investments in associates amount to €22 million as at December 31, 2018 (€4 million as at December 31, 2017).

For the period ended December 31, 2018, the Group's share of profits in associates amounts to €0.3 million (€1.1 million for 2017).

Note 13 Other non-current assets

Other non-current assets are described as follows:

€ millions	December 31, 2018	December 31, 2017
Other non-financial assets	230	81
Other financial assets	160	11
TOTAL OTHER NON-CURRENT ASSETS	**390**	**92**

Other non-current non-financial assets mainly include security deposits with a corresponding carrying amount of €70 million (€36 million in 2017) and the long term portion of the upfront payment related to a distribution agreement signed by Luxottica in 2018 (Bass Pro agreement) for €66 million.

Contractual assets included in other non-financial assets amount to €64 million (€7 million in 2017).

Other financial assets mainly include loans.

For information on the effect of business combinations on other non-current assets, see Note 3 – Business combinations.

Note 14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

€ millions	December 31, 2018	December 31, 2017
Deferred tax assets	336	130
Deferred tax liabilities	2,245	157
DEFERRED TAX ASSETS/LIABILITIES (NET)	**(1,909)**	**(27)**

Change in deferred taxes is as follows:

€ millions	2018	2017
POSITION AS OF JANUARY 1	**(27)**	**(124)**
Tax charged/credited to profit or loss	193	147
Tax charged/credited to other comprehensive income	5	(49)
Tax charged/credited to equity	8	(6)
Business combinations	(2,070)	(13)
of which EL Combination	*(2,072)*	-
of which other business combinations	*2*	*(13)*
Exchange rate difference and other movements	(18)	18
POSITION AS OF DECEMBER 31	**(1,909)**	**(27)**

Deferred taxes by nature is as follows:

€ millions	December 31, 2018	December 31, 2017
Elimination of inter-company profits	61	-
Differences in depreciation periods	(362)	(313)
Temporarily non-deductible provisions	101	-
Actuarial gains and losses	58	38
Assets and liabilities recognized on an acquisition	(2,119)	-
Assets recognized on tax loss carryforward	119	29
Other	233	219
TOTAL	**(1,909)**	**(27)**

Deferred tax assets are recognized for tax losses carried forward and other temporary differences to the extent that the realization of the related tax benefit through future profit is probable. As at 31 December, 2018, the Group did not recognize deferred tax assets of €139 million (€33 million in 2017) in respect of losses and other temporary differences.

The Group does not recognize deferred tax liabilities on undistributed earnings of its subsidiaries to the related parent company that are intended to be permanently invested.

Note 15 Inventories

The composition of inventories is as follows:

€ millions	December 31, 2018	December 31, 2017
Raw material, supplies and packaging	451	182
Work in progress	65	34
Finished Goods	1,705	782
INVENTORIES - GROSS	**2,221**	**998**
Inventory obsolescence reserve	(176)	(166)
INVENTORIES – NET	**2,045**	**832**

For information on the effect of the EL Combination on inventories, see Note 3 – Business combinations.
For the period ended December 31, 2018, a provision on inventories has been booked for €10 million (€23 million for 2017).

Note 16 Trade receivables

Trade receivables are as follows:

€ millions	December 31, 2018	December 31, 2017
Trade receivables – gross	2,436	1,018
Bad debt provision	(78)	(74)
TRADE RECEIVABLES - NET	**2,357**	**944**

For information on the effect of the EL Combinations on trade receivables, see Note 3 – Business combinations.

For the period ended December 31, 2018, the impairment loss of trade receivables in accordance with IFRS 9 amounted to €11 million (€40 million for 2017).

Note 17 Tax receivables and tax payables

Tax receivables and tax payables are as follows:

€ millions	December 31, 2018	December 31, 2017
Tax receivables	128	66
Tax payables	99	22

For information on the effect of the EL Combinations on tax receivables and payables, see Note 3 – Business combinations.

Note 18 Other current assets

Other current assets are as follows:

€ millions	December 31, 2018	December 31, 2017
Social and sales tax receivable	189	51
Advances to suppliers	64	14
Prepaid expenses	145	52
Other	219	43
TOTAL NON FINANCIAL	**616**	**160**
Derivative instruments	39	5
Other	11	9
TOTAL FINANCIAL	**50**	**14**
OTHER CURRENT ASSETS – NET	**667**	**174**

For information on the effect of the EL Combinations on other current assets, see Note 3 – Business combinations.
As at December 31, 2018, contractual assets included in other current assets amount to €72 million (€5 million in 2017).

Note 19 Cash and cash equivalents

Cash and cash equivalents are as follows:

€ millions	December 31, 2018	December 31, 2017
Cash in hand and at bank	1,344	756
Time deposits and money market funds	485	404
TOTAL CASH AND CASH EQUIVALENTS	**1,829**	**1,159**

The Group is located in some countries where cash and cash equivalents are subject to legal restrictions. The respect of preliminary formalities in these countries is mandatory before transferring these funds with some delay and eventually some tax payment. Cash and cash equivalents can also be held by some subsidiaries where the initial approval of our partners is required to transfer any funds.

Note 20 Assets held for sale

On October 1, 2018, the Turkish Competition Authority ("TCA") approved the combination between Essilor and Luxottica after the Group agreed to dispose of a Turkish subsidiary active in the distribution of frames and sunglasses before the end of 2019.

Note 21 Equity

21.1 Number of shares

The changes in number of shares between January 1st and December 31 for the years 2018 and 2017 are as follows:

In number of shares	2018	2017
NUMBER OF SHARES AS OF JANUARY 1	**219,125,439**	**484,176,083**
Issued for cash	310,591	-
Acquisition of subsidiaries with NCI	139,703,301	-
Acquisition of NCI without a change in control	66,329,548	-
Delivery of performance shares	1,308,339	839,950
NUMBER OF SHARES AS OF DECEMBER 31	**426,777,218**	**485,016,033**

Due to the reverse acquisition accounting (see Note 3 – Business combinations), the amount of share capital as at January 1, 2018 is that of Essilor (accounting acquiree but legal acquirer) while the total amount of net equity at the same date being the amount of Luxottica (accounting acquirer), with any relevant difference with Luxottica published financial statements accounted in retained earnings. Therefore, the number of shares indicated at January 1, 2018 is the number of shares of Essilor and the number of shares indicated at December 31, 2018 is the number of shares of EssilorLuxottica.

21.2 Share capital

The share capital of the Company amounted to €77 million as of December 31, 2018 and was comprised of 426,777,218 ordinary shares with a par value of €0.18 each.

The share capital presented as of December 31, 2017 amounted to €29 million and was comprised of 485,016,033 ordinary shares with a par value of €0.06 each and is related to the Luxottica Group S.p.A.

The share capital presented as of January 1, 2018 adjusted, which includes the adjustments due to the reverse acquisition, amounted to €40 million and was comprised of 219,125,439 ordinary shares with a par value of €0.18 each and is related to Essilor International (*Compagnie Générale d'Optique*) S.A.

The changes in share capital and share premiums (issue of ordinary shares) are described below:

- shares issued for cash: refers to the subscription of 277,926 shares in the context of the Essilor Group FCP mutual fund and to the exercise of stock subscription option for 32,665 shares;
- acquisition of subsidiaries with NCI: on October 1, 2018, Delfin successfully completed the contribution of its entire share in Luxottica to Essilor (previously defined as the "Contribution"). Essilor was consequently renamed EssilorLuxottica and became the legal parent company of Luxottica. As consideration for the Contribution, EssilorLuxottica issued 139,703,301 new ordinary shares through a capital increase without preferential subscription rights for an increase in share capital of €25 million and in share premiums of €13,149 million;
- acquisition of NCI without a change in control: as a consequence of the Contribution, EssilorLuxottica launched a mandatory tender offer ("MTO") for the remaining issued and outstanding Luxottica shares. During the First phase of the MTO ended November 28, 2018, 143,788,312 ordinary shares of Luxottica were tendered. The consideration due to the holders of the ordinary shares of Luxottica tendered in the First phase of the MTO consisted of 0.4613 newly-issued ordinary shares of EssilorLuxottica per each Luxottica share (*i.e.* 66,329,548 EssilorLuxottica shares with a par value of €0.18 each, for an increase in share capital of €12 million and in share premiums of €7,188 million);
- delivery of performance shares: refers to the delivery of 1,308,339 shares in the context of performance share plan.

Additional information on the effect of the EL Combination are included in Note 3 – Business combinations.

21.3 Treasury shares reserves

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group.

The changes in number of Treasury shares as of December 31, 2018 are as follows:

	December 31, 2017	Reverse acquisition effect	EL Combination effect	Cancellations	Options excercised	Performance Shres vested	Share Purchase (Sale)	December 31, 2018
NUMBER OF TREASURY SHARES	**6,518,689**	**(6,518,689)**	**1,336,830**	**-**	**-**	**-**	**(237,073)**	**1,099,757**

At December 31, 2018, the Group held 1,099,757 of the Company's shares valued at €92 million.

At December 31, 2017, Luxottica Group held 6,518,689 treasury shares valued at €257 million. Following the reverse acquisition, in the net equity as at December 31, 2017 adjusted, these treasury shares were netted off against Retained earnings and other reserves as Luxottica Group (accounting acquirer) did not owe any shares of Essilor International (*Compagnie Général d'Optique*) S.A.

In the context of the EL Combination, the Group accounted an increase of €111 million in the treasury shares reserves as 1,336,830 treasury shares were held by Essilor International (*Compagnie Générale d'Optique*) S.A. on October 1, 2018.

During the period from October 1, 2018 to December 31, 2018 the Group accounted for a decrease of €19 million in treasury shares reserve due to a sale of 237,073 treasury shares to Essilor employees as part of employee shares plans.

21.4 Retained earnings and other reserves

The retained earnings and other reserves amount to €10,909 million as of December 31, 2018 (€4,650 as of December 31, 2017 and €4,382 as of December 31, 2017 as adjusted to reflect the accounting of the EL Combination as a reverse acquisition).

The movements in retained earnings and other reserves of 2018 reflect those of Luxottica until September 30, 2018 and those of EssilorLuxottica starting from October 1, 2018.

The main changes accounted in the period are:

- *Acquisition of subsidiaries with NCI:* the accounting of the Contribution as a reverse acquisition (see Note 3 – Business combinations, paragraph 3.1.2) determined a net increase of retained earnings and other reserves for €12.542 million as follows:
  - an increase of €14.694 million related to the accounting of the acquisition of Essilor. The amount represents the difference between the total consideration transferred of €27.868 million and the increase in share capital and share premiums of €25 million and €13.149 million, respectively,
  - an increase of €111 million due to the accounting the treasury shares reserves related to 1,336,830 treasury shares held by Essilor International (*Compagnie Générale d'Optique*) S.A. on October 1, 2018,
  - a decrease of €2.263 million which represents the amount of the Luxottica's shares not held directly or indirectly by Delfin (amounting to 176,234,154 and representing 36.33% of Luxottica's share capital at that date and 36.79% of Luxottica's share capital net of treasury shares) that have been considered as non-controlling interest and have been measured at their proportionate interest in the carrying amounts of the net assets of Luxottica as of October 1, 2018;
- *Acquisition of NCI without a change in control*:
  - the accounting of the First phase of the MTO (see Note 3 – Business combinations, paragraph 3.1.3) determined a net decrease of retained earnings and other reserves for €5.354 million. The amount represents the difference between the proportionate interest in the carrying amounts of non-controlling interests acquired with first phase of the MTO and equal to €1.846 million related to the net assets of Luxottica as of October 1, 2018 and the related amount of the increase in share capital and share premiums of €12 million and €7,188 million, respectively,
  - the obligation or potential obligation to purchase against cash all the outstanding Luxottica's shares pursuant to article 108, Paragraph 2 of TUF (see Note 3 – Business combinations, paragraphs 3.1.1 and 3.1.3) have been accounted as a put liability granted to Luxottica's non-controlling shareholders. Even if the Second and Third phase of the MTO were finalized after December 31, 2018, the Group had to recognize in 2018 consolidated financial statements its obligation or potential obligation to purchase all remaining Luxottica shares not already held by EssilorLuxottica (which amounted in aggregate to 32,487,842 shares, equal to 6.7% of Luxottica's share capital) and accounted for: (i) the put liability over the remaining 32,487,842 Luxottica shares not already held, measured at the maximum amount of the cash consideration to be recognized to Luxottica's shareholders, €1,677 million (*i.e.* €51.64 per share), accounted for in *Other current liabilities*; and (ii) the reclassification from *Equity attributable to non-controlling interests* to *Equity attributable*

to the parent of Luxottica's non-controlling interests outstanding as of that date (*i.e.* 6.7% of Luxottica's share capital) for an amount equal to their historical value (*i.e.* 6.7% of the pre-combination carrying amounts of Luxottica Group's net assets), €417 million. The difference was recognized as a decrease of €1,260 million in *Retained earnings and other reserves*;

- *Allocation of net profit*: net profit attributable to owners of the parent of the Luxottica Group accounted as of December 31, 2017 increased the amount of *retained earnings and other reserves* for 1,040 million.

Costs incurred in issuing equity instruments have been accounted for, net of tax, as a deduction from equity to the extent they were deemed as incremental costs directly attributable to the equity transactions that otherwise would have been avoided. Costs related to the EL Combination accounted for as a reduction of equity as of December 31, 2018 amounted to €37 million before tax.

21.5 Dividends

Dividend presented in 2018 statement of changes in equity represent dividends paid during 2018 by Luxottica, which distributed aggregate dividends to its shareholders of €484 million. Dividends distributed to non-controlling interests total €7 million during 2018.

Dividends distributed by Essilor in 2018 reduced the net assets as part of the EL Combination.

No dividends have been distributed after October 1, 2018 by EssilorLuxottica.

Dividends presented in 2017 statement of changes in equity represent dividends paid during 2017 by Luxottica, which distributed aggregate dividends to its shareholders of €440 million. Dividends distributed to non-controlling interests by Luxottica totaled to €2 million during 2017.

21.6 Non-controlling interests

The following table provides a reconciliation of the changes in non-controlling interests:

€ millions	2018	2017
POSITION AS OF JANUARY 1	**6**	**6**
Total comprehensive income of the period	72	2
Effect related to the EL Combination	416	-
of which acquisition of subsidiaries with NCI	*2,679*	-
of which acquisition of NCI without a change in control	*(2,263)*	-
Other changes related to NCI	(48)	-
Dividends paid	(7)	(2)
POSITION AS AT DECEMBER 31	**438**	**6**

The aggregate effect related to EL Combination amounts to €416 million and is related to the amount of historical Essilor's non-controlling interests valued based on their proportionate interest in the recognized amounts of the assets and liabilities of Essilor. Luxottica's shareholders other than Delfin, recognized as non-controlling interest in EssilorLuxottica at October 1, 2018 (€2,263 million), were entirely reclassified from *Equity attributable to non-controlling interests* to *Equity attributable to the parent* as a consequence of the accounting of the First, Second and Third phase of the MTO (as described in Note 3 – Business combinations, paragraph 3.1.3).

Note 22 Financial debt

Total financial debt is €3,767 million and €1,899 million as of December 31, 2018 and 2017, respectively.

The changes in financial debt as of December 31, 2018 and 2017, are as follows:

€ millions	Balance as of January 1, 2018	Change in financing flows [(a)]	EL Combination	Other scope effect	Translation differences	Other	Balance as of December 31, 2018
Long-term borrowings	1,648	(85)	1,618	12	6	(635)	2,564
Finance lease liabilities	23	-	2	-	1	(7)	19
TOTAL NON-CURRENT BORROWINGS	**1,671**	**(85)**	**1,620**	**12**	**7**	**(642)**	**2,582**
Short-term borrowings	217	(710)	992	10	(3)	669	1,175
Finance lease liabilities	11	(1)	3	-	-	(4)	9
TOTAL CURRENT BORROWINGS	**228**	**(711)**	**995**	**10**	**(3)**	**665**	**1,184**
TOTAL FINANCIAL DEBT	**1,899**	**(797)**	**2,615**	**22**	**5**	**23**	**3,767**

(a) The total change in financing flow corresponds to the repayment of bonds (and private placement) and changes in other current and non-current borrowings as stated in the consolidated statement of cash flows.

€ millions	Balance as of January 1, 2017	Change in financing flows [(a)]	Other scope effect	Translation differences	Other	Balance as of December 31, 2017
Long-term borrowings	1,651	(365)	4	(44)	404	1,648
Finance lease liabilities	30	-	-	(3)	(4)	23
TOTAL NON-CURRENT BORROWINGS	**1,681**	**(365)**	**4**	**(48)**	**400**	**1,671**
Short-term borrowings	351	(236)	4	(13)	112	217
Finance lease liabilities	12	-	-	(1)	-	11
TOTAL CURRENT BORROWINGS	**363**	**(236)**	**4**	**(15)**	**112**	**228**
TOTAL FINANCIAL DEBT	**2,044**	**(602)**	**7**	**(62)**	**512**	**1,899**

(a) The total change in financing flow corresponds to the repayment of bonds (and private placement) and changes in other current and non-current borrowings as stated in the consolidated statement of cash flows.

22.1 Long-term borrowings

The Group uses debt financing to raise financial resources for medium-/long-term business operations and to finance acquisitions.

The table below summarizes the Group's long-term borrowings as of December 31, 2018.

€ millions	December 31, 2018	December 31, 2017	Face value	Currency	Nominal interest rate	Issue date	Maturity
US private placement	-	63	75	USD	5.39%	01/29/2010	01/29/2019
Eurobond	-	500	500	EUR	3.625%	03/19/2012	03/19/2019
US private placement	44	42	50	USD	5.75%	01/29/2010	01/29/2020
US private placement	-	50	50	EUR	4.25%	09/30/2010	09/15/2020
US private placement	61	-	70	USD	2.79%	11/05/2013	11/04/2020
US private placement	57	-	65	USD	3.07%	11/05/2013	11/04/2020
Eurobond	520	-	500	EUR	1.75%	04/09/2014	04/09/2021
US private placement	167	-	200	USD	2.05%	01/05/2017	01/05/2022
Bank Loan	250	250	250	EUR	Euribor 3m + 0.7%	03/10/2017	03/10/2022
Bank Loan	250	250	250	EUR	Euribor 3m + 0.62%	03/10/2017	03/10/2022
Eurodollar bond	257	-	300	USD	2.50%	06/30/2017	06/30/2022
US private placement	26	-	30	USD	3.40%	11/05/2013	11/04/2023
Eurobond	500	500	500	EUR	2.625%	02/10/2014	02/10/2024
Eurobond	335	-	300	EUR	2.375%	04/09/2014	04/09/2024
US private placement	79	-	100	USD	2.65%	01/05/2017	01/05/2027
Other	18	(6)					
TOTAL LONG-TERM BORROWINGS	**2,564**	**1,648**					

As at 31 December 2018 long-term borrowings increased of €916 million compared to 31 December 2017, mainly due to the effect of the EL Combination (€1,620 million) partially offset by the reclassification to short term borrowings of the amount due to within 12 months.

For information on the effect of business combinations on financial debt, see Note 3 – Business combinations.

In 2018, the Group carried out the main following transactions:

- on July 1, 2018, Luxottica US Holdings repaid the Series C private placement contracted on July 1, 2008 for a total of USD 128 million (€112 million);
- on October 29, 2018, Luxottica Group repaid in advance the Series H private placement contracted on September 30, 2010 for a total of €50 million as a result of the trigger of the "Change of Control" clause.

The Group's debt agreements contain certain financial covenants (for more details see Note 29 – Financial instruments and management of market risks). As of December 31, 2018, the Company was in compliance with these financial covenants.

22.2 Short-term borrowings

At December 31, 2018, the Group's short-term funding structure was as follows:

€ millions	December 31, 2018	December 31, 2017	Face value	Currency	Nominal interest rate	Issue date	Maturity
US private placement	-	107	128	USD	6.77%	07/01/2008	07/01/2018
US private placement	66	-	75	USD	5.39%	01/29/2010	01/29/2019
US Commercial Paper	223	-	250	USD	2.549%	Q4-2018	Q1-2019
US private placement	87	-	100	USD	3.1%	11/05/2013	03/15/2019
Eurobond	500	-	500	EUR	3.625%	03/19/2012	03/19/2019
US private placement	118	-	135	USD	2.79%	11/05/2013	11/04/2019
Other	181	110					
TOTAL SHORT-TERM BORROWINGS	**1,175**	**217**					

The commercial paper programs (US Commercial Paper) are backed by long-term committed credit facilities, totaling €2.3 billion at December 31, 2018.

The other short-term borrowings correspond to short term bank borrowings, overdraft and accrued interest and amount to €181 million as of December 31, 2018 (€110 million as of December 31, 2017).

22.3 Net debt

The table below summarizes the Group's net debt as of December 31, 2018 and 2017.

€ millions	December 31, 2018	December 31, 2017
Long-term borrowings	2,564	1,648
Short-term borrowings	1,175	217
Finance lease liabilities	28	34
TOTAL LIABILITIES	**3,767**	**1,899**
Cash and cash equivalents	(1,829)	(1,159)
TOTAL ASSET	**(1,829)**	**(1,159)**
Interest Rate Swap measured at fair value	(25)	-
NET DEBT	**1,913**	**740**

Note 23 Employee benefits

As at December 31, 2018, net recognized employee benefit obligations amount to €459 million (€122 million as at December 31, 2017).

In accordance with laws and regulations in each country in which it operates, the Group has legal obligation with regard to employees post-employment benefits.

The major post-employment plans granted by Luxottica are the followings:

TFR (post-employment benefits of the Italian companies' employees):

- The provision for employee severance pay ("TFR"), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from January 1, 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to National Social Insurance Agency (INPS). Liabilities related to severance pay pre-dating January 1, 2007 remain a defined-benefit plan to be valued using actuarial methods.

US Pension plan:

- **Lux Pension Plan** – US Holdings sponsors a qualified non-contributory defined benefit pension plan, the Luxottica Group Pension Plan ("Lux Pension Plan"), which provides for the payment of benefits to eligible past and present employees of US Holdings upon retirement. Pension benefits are gradually accrued based on length of service and annual compensation excluding non-cash components. Participants become vested in the Lux Pension Plan after three years of vesting service as defined by the Lux Pension Plan. In 2013, the Lux Pension Plan was amended so that employees hired on or after January 1, 2014 would not be eligible to participate.
- **Lux SERP** – US Holdings also maintains a non-qualified, unfunded supplemental executive retirement plan ("Lux SERP") for participants of its qualified pension plan to provide benefits in excess of amounts permitted under the provisions of prevailing US tax law. This plan's liability mirrors the actuarial methods and assumptions used for the Lux Pension Plan.

  US Holdings also sponsors the Cole National Group, Inc. (hereinafter "Cole") Supplemental Pension Plan. This plan is a non-qualified unfunded SERP for certain employees of the above-mentioned US companies who were designated by the Board of Directors of Cole on the recommendation of Cole's chief executive officer at such time. This plan provides benefits in excess of amounts permitted under the provisions of the prevailing tax law. This plan's liability mirrors the actuarial methods and assumptions used for the Lux Pension Plan.
- All plans operate under the US regulatory framework. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Luxottica Group ERISA Plans Compliance and Investment Committee controls and manages the operation and administration of the plans. The plans expose the Group to actuarial risks, such as longevity risk, exchange rate risk, and interest rate risk.

Other:

- In Australia and Hong Kong, the Group makes mandatory contributions to retirement funds. The plans provide benefits on a defined contribution basis for employees upon retirement, resignation, injury or death. Contributions to defined contribution superannuation plans are recognized as an expense as the contributions are paid or become payable to the fund. Contributions are accrued based on legal rates and annual compensation.

The major post-employment plans granted by the Essilor Group are the followings:

France:

- **Article 39:** Since its inception in December 1997, the Essilor Group provides to its senior management teams (category IIIC and HC in accordance with the definition of the French metallurgy collective agreement) the opportunity to reward seniority to remain with the group through a supplementary pension scheme (article 39 of the French tax code) in addition to the general requirements applicable to all other employees. As of 31st December 2018, 30 senior team members are eligible to the plan.

  Eligible personnel need to demonstrate at least 10 years of service within the group to benefit from the scheme. In addition, they are required to still be working for the group at their retirement date. The additional pension will be calculated based on the number of years of service within the group as well as an average of the yearly gross salary (fixed and variable) based on the three highest years of compensation throughout their employment history with the group.

  A provision is recorded in the consolidated financial statements for active members to the scheme. The present value of the defined benefit obligation is determined by an actuary based on the projected unit credit method at each yearly reporting date. When an active member to the plan retires, the liability is transferred to an external insurance company.

  This supplementary pension plan falls in the scope of the Fillon Tax. It means an additional contribution of 24%. The current pay out conditions may be modified unilaterally by Essilor Group to adjust for potential future regulatory changes as well as peers and market practices.

- **Jubilee and termination benefits:** jubilee and termination benefits schemes are regulatory and compulsory schemes applicable to all companies incorporated in France.

  Upon retirement, employees are eligible to receive a lump sum payment depending on the number of years of service within the group. Rights are acquired based on legal requirements (French labor law), general collective agreements, as well as company specific agreements in place when the employee first joined the group.

  A provision is recorded in the consolidated financial statements to cover for the defined benefit obligation. The most significant plan is carried by Essilor International SAS. For this entity, rights are calculated based on the metallurgy collective agreement (in additional salary).

No assets are associated to this liability and represent the defined benefit obligation for the 2,848 French permanent contract employees working for the group as of December 31, 2018.

Germany: There are several different types of defined benefit plans in Germany. The most significant plan is carried by Essilor GmbH. As of December 31, 2018, this plan had 277 active members and 723 non active members (including 288 retired members). This plan is closed to new members and rights are currently frozen. Before its change of status, to join the plan, employees were required to hold a permanent contract, be younger than 55 years old and have a specified number of years of service. Rights offered by this plan are based on a final salary type of scheme. Payouts are based on 0.4% of the base salary for each eligible year of service, plus an additional 12%. No assets are currently associated to this defined benefit plan.

USA: There are several types of defined benefit plans in the U.S. The most significant plan is carried by Essilor USA.

- **Essilor USA: supplementary retirement plans for Executives:** Essilor USA provides the opportunity to reward seniority to remain with the group for Executives through a supplementary pension plan. As of December 31, 2018, there are five active members and eight non active members to this defined benefit plan.

  To be eligible to join the plan, Executives need to be at least 62 years old, have held for at least 5 years an executive position, and have at least 10 years of service within the group. Additionally, they are required to still be working for the Group at their retirement date. The additional payout represents 40% of the base salary received over the last three years preceding retirement.

  Additionally, other post-employment benefits are paid out in case of early retirement, death, or end of employment resulting in lower accessibility conditions and a lower payout.

  There are no assets associated to this defined benefit plan.

Changes in the defined benefit obligation are as follows:

€ millions	2018 Defined benefit obligation	2018 Fair value of plan assets	2018 Net liability (asset)	2017 Defined benefit obligation	2017 Fair value of plan assets	2017 Net liability (asset)
BALANCE AS OF JANUARY 1	**923**	**802**	**122**	**913**	**775**	**138**
Included in profit or loss						
Cost of services rendered in the period	45	-	45	54	-	54
Cost of past services	-	-	-	-	-	-
Interest cost (income)	33	26	6	29	23	6
TOTAL MOVEMENTS IN PROFIT OR LOSS	**77**	**26**	**51**	**83**	**23**	**60**
Included in OCI						
Remeasurement loss (gain):	-	-	-	-	-	-
Actuarial loss (gain) arising from:						
demographic assumptions	*5*	-	*5*	*(11)*	-	*(11)*
financial assumptions	*(63)*	-	*(63)*	*55*	-	*55*
experience adjustment	*10*	-	*10*	*18*	-	*18*
Return on plan assets excluding interest income	-	(67)	67	-	116	(116)
Translation differences and other movements	41	37	4	(99)	(111)	12
TOTAL MOVEMENTS IN OCI	**(9)**	**(30)**	**22**	**(38)**	**5**	**(43)**
Other						
Contributions to plan assets	-	35	(35)	-	31	(31)
Benefits paid	(49)	(42)	(8)	(35)	(33)	(2)
Business combinations	513	206	307	-	-	-
of which EL Combination	*504*	*200*	*304*	-	-	-
of which other business combinations	*9*	*6*	*3*	-	-	-
TOTAL OTHER MOVEMENTS	**464**	**199**	**265**	**(35)**	**(2)**	**(33)**
BALANCE AS OF DECEMBER 31	**1,456**	**997**	**459**	**923**	**802**	**122**

A major assumption taken into account in the valuation of pension and other post-employment benefit obligations is the discount rate. In accordance with IAS 19 – *Employee Benefits*, the rates were determined by currency area and by reference to the return on high-quality private bonds with a maturity equal to the term of the plans or the return on government bonds when the private market has insufficient liquidity.

The return on plan assets is determined based on the allocation of the assets and the discount rates used.

The main rates used by the Group are as follows:

	2018			2017		
%	Eurozone	United States	United Kingdom	Eurozone	United States	United Kingdom
Discount rate	1.6%-1.8%	4.2%-4.4%	2.8%	1.3%	3.7%	N.A.
Inflation rate	1.5%-1.8%	2.5%-3.5%	3.1%	1.5%	2.5%	N.A.
Weighted average rate of return on plan assets	3.4%	4.6%	6.6%	N.A.	N.A.	N.A.
Weighted average rate of salary increases	2.4%-2.5%	4.8%	1.6%	2.5%	4.8%	N.A.

The composition by type of plan assets is as follows:

%	December 31, 2018	December 31, 2017
Shares and equity funds	31%	61%
Bonds and fixed income funds	46%	33%
General insurance funds	12%	-
Real estate / property	4%	5%
Other	7%	1%
TOTAL	**100%**	**100%**

The Plan's long-term investment objectives are to generate investment returns that provide adequate assets to meet the Plan's benefit obligations and to maintain sufficient liquidity to pay benefits and administrative expenses.

Plan assets are invested in pension funds or insurance companies for which invested assets are managed directly by pension fund managers or insurance companies. They determine appropriate investment strategies and funding allocations.

Plan assets are also invested in diversified portfolios across various asset classes based on the targets envisioned for the allocation of resources, using a mix of active management strategies, for which various consultants have been employed. Risk management is ensured by investment diversification across various asset classes, managers, strategies, market capitalizations (equity investments) and individual securities. Certain transactions and securities are not authorized to be conducted or held in the pension funds, such as purchase or sale of commodity contracts, real estate investments, excluding in trust funds, and American Depositary Receipts ("ADR") or treasury shares of the Company. Risk is further controlled both at the asset class and manager level by assigning benchmarks and performance objectives. The investment managers are monitored on an ongoing basis to evaluate performance against these benchmarks and performance objectives.

Investments comply with local regulations in the countries in question.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Discount rate [a]		Compensation increase	
€ millions	-0.50%	0.50%	-1.00%	1.00%
DBO at year end	1,572	1,309	1,402	1,461

(a) Except for Luxottica US plan for which +1%/-1% discount rate is used to determine the sensitivity analysis.

Note 24 Share-based payment

Compensation costs on share based-payments are measured by the methods described in Note 1-Significant accounting principles and break down as follow:

€ millions	2018	2017
Performance shares	(35)	-
Restricted shares	(26)	-
Stock options subscriptions	(3)	(1)
Employee share issues	(22)	-
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**(85)**	**(1)**

24.1 Performance shares

Since 2006, Essilor Group has launched performance-based bonus share allotment plans (performance shares). In particular, these plans allow the beneficiaries to be awarded a certain amount of performance share based on the annualized growth in the average share price of the Company, depending on the performance of the Company's share price compared with the price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board Meeting at which the grant is decided).

The maximum number of performance shares that would vest assuming that the vesting conditions were met is 1,659,042 shares for the 2018 awards.

The following table analyzes changes in the number of performance shares at each period-end:

Number of shares	
PERFORMANCE SHARES AT OCTOBER 1, 2018	**5,207,258**
Performance shares vested	(1,308,339)
Performance shares canceled	(47,576)
Awards for the fiscal year	1,659,042
PERFORMANCE SHARES AT DECEMBER 31, 2018	**5,510,385**

The main assumptions used to measure costs related to performance shares granted in 2018 are as follows:

- share volatility: 19.21%;
- risk-free interest rate: -0.23%;
- yield: 1.43%.

Based on these assumptions, the fair value of a share awarded in 2018 was €45.65.

24.2 Restricted shares

At the end of December 2017, Luxottica Board of Directors approved a long-term cash retention plan (Long-Term Incentive plan or "LTI") vesting on March 30, 2021. The term of the arrangement provided Luxottica with the choice of whether to settle in cash or by issuing Luxottica or EssilorLuxottica shares, subject to the approval of the relevant governance bodies.

EssilorLuxottica shareholders' meeting held on November 29, 2018, authorized Luxottica's corporate bodies to proceed with the award of free existing shares (without any performance condition) to Luxottica Group's employees, replacing cash retention bonuses.

In accordance with IFRS 2 – *Share-Based Payment*, in EssilorLuxottica's consolidated financial statements the plan has been accounted for as a cash-settled share-based payment until November 29, 2018; on that date the plan changed its classification from cash-settled to equity-settled. The liability accounted for the cash-settled plan has been recognized in equity; the impact of the reclassification on the statement of profit or loss was immaterial.

The main assumption used to measure the fair value of the plan are as follows:

- risk-free rate: -0.528%;
- future dividend yield: 1.57%.

24.3 Stock subscription option

With regard to the stock option plans related to the Luxottica Group, as of December 31, 2017 the number of options outstanding amounted to 631,329, of which 179,000 exercisable at that date. In 2018, all unexercised options that have exceeded the vesting period have been forfeited. As for the remaining options, since the expiry of the exercise period as originally contemplated (May 2021) was not compatible with the contemplated completion schedule of the EL Combination,

on May 16, 2017 the Board of Directors of Luxottica resolved to reduce the exercise period for such options, allowing the beneficiaries to exercise them before, or during, the First phase of the MTO. Notably, the new expiry date of the stock options was the 55th day following the closing date of the Contribution (*i.e.* November 25, 2018). Any stock options not exercised within this period of time expired.

During 2018, the total number of options exercised is 625,767 (of which 42,000 options exercised after the Contribution). The weighted average share price of Luxottica shares in 2018 was equal to €53.5. The Company did not record expenses for the ordinary stock option plans in 2017 and 2018. For the extraordinary plans and the 2014 and 2015 PSPs, the Company recorded expenses of €27 million and €1 million in 2018 and 2017, respectively.

With regards to the stock option plans related to Essilor Group, as of October 1, 2018 the number of options outstanding amounted to 370,080. During the three-month period starting from October 1, 7,450 options were vested, 4,915 options were cancelled and 133,203 options were awarded. As such, the total number of options outstanding as of December 2018 amounts to 490,918.

With regards to the options exercised during the course of 2018, the weighted average share price of Essilor shares in 2018 was equal to €73. The total cost accounted during the period amount to €0.5 million.

24.4 Employee share issues

The 2018 total expense for employee share issues amount to €22 million including €12 million related to the Boost Plan (an offer to subscribe to existing shares of EssilorLuxottica to employees of foreign subsidiaries of the Group).

During the period the Group issued 277,926 shares to its employees with a weighted average fair value, based on listed prices of the shares of the Company, of €93.39.

In addition, the Group transferred 237,073 treasury shares to its employees as part of the Boost plan.

Note 25 Provisions (current and non-current)

The balances of December 31, 2018 and 2017 are detailed below:

€ millions	December 31, 2018	December 31, 2017
Warranty and returns	108	72
Litigations	86	21
Self-insurance	32	30
Tax	326	101
Restructuring and other	87	77
TOTAL PROVISIONS	**639**	**301**
Of which current provisions	*211*	*171*
Of which non-current provisions	*428*	*130*

The changes in provision as of December 31, 2018 are as follows:

€ millions	Warranty and returns	Litigations	Self-insurance	Tax	Restructuring and other	Total
BALANCE AS OF JANUARY 1, 2018	**72**	**21**	**30**	**101**	**77**	**301**
Provisions for the period	19	8	11	18	21	78
Utilization	(21)	(7)	(11)	(27)	(47)	(112)
Releases	-	-	-	(23)	(20)	(43)
Translation differences and other changes	-	(1)	1	32	(4)	28
Business combinations	38	65	-	224	59	386
of which EL Combination	*38*	*65*	-	*224*	*59*	*386*
of which other business combinations	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
TOTAL CHANGES	**36**	**65**	**2**	**224**	**9**	**337**
BALANCE AS OF DECEMBER 31, 2018	**108**	**86**	**32**	**326**	**87**	**639**
Of which current provisions	*100*	*3*	*6*	*76*	*26*	*211*
Of which non-current provisions	*8*	*84*	*26*	*250*	*60*	*428*

The changes in provision as of December 31, 2017 are as follows:

€ millions	Warranty and returns	Litigations	Self-insurance	Tax	Restructuring and other	Total
BALANCE AS OF JANUARY 1, 2017	**63**	**16**	**34**	**83**	**71**	**268**
Provisions for the period	30	12	14	18	43	117
Utilization	(19)	(8)	(14)	(1)	(35)	(77)
Releases	-	-	-	-	-	-
Translation differences and other changes	(5)	1	(4)	1	(2)	(9)
Business combinations	-	-	-	-	-	-
Other movements	2	-	-	-	-	2
TOTAL CHANGES	**9**	**5**	**(4)**	**18**	**6**	**34**
BALANCE AS OF DECEMBER 31, 2017	**72**	**21**	**30**	**101**	**77**	**301**
Of which current provisions	*64*	*2*	*6*	*54*	*45*	*171*
Of which non-current provisions	*8*	*19*	*24*	*47*	*33*	*130*

Litigations include provisions for various legal disputes that have occurred in the ordinary course of business of the Group.

The item self-insurance includes provisions made since the Group insures itself against certain risks. The Group is self-insured for certain losses relating to workers' compensation, general liability, own risk, and employee medical benefits for claims incurred but not reported. The Group's liability is estimated using historical claims experience and industry averages; however, the final cost of the claims may not be known for over five years.

The tax provision include additional liabilities mainly related to fiscal litigation in various countries in which the Group operates.

The Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operates. These audits may result in assessment of additional taxes. The Group pursues all legal remedies, through the relevant courts, in order to contest these tax assessments.

Other provisions mainly include the effect of the EL Combination and the accruals for sale agents termination indemnity ("Fondo Indennità Suppletiva di Clientela") of certain Italian companies and for contingent liabilities related to companies subject to former purchase price allocation.

For information on the effect of business combinations on provisions, see Note 3 – Business combinations.

Note 26 Other non-current liabilities

Other non-current liabilities as of December 31, 2018 and 2017 are detailed below:

€ millions	December 31, 2018	December 31, 2017
Liabilities related to long-term put options over non-controlling interests	152	-
Trade payables and liabilities related to long-term financial investments	50	-
Other	76	77
TOTAL OTHER NON-CURRENT LIABILITIES	**278**	**77**

In 2018, the main increase in other non-current liabilities resulted, among other things, from the EL Combination for a total amount of €176 million (see Note 3 – Business combinations) and is mainly related to long-term put options over non-controlling interests and trade payable and liabilities related to long-term financial investments.

The other non-current liabilities include also contract liabilities for a total amount of €5 million (€2 million as at 31 December 2017).

Note 27 Trade payables

Trade payables amount to €1,746 million (€907 million as of December 31, 2017).

€ millions	December 31, 2018	December 31, 2017
TRADE PAYABLES	**1,746**	**907**

In 2018, the main increase in trade payables resulted, among other things, from the EL Combination for a total amount of €714 million (see Note 3 – Business combinations).

The book value of trade payables is approximately equal to their fair value.

Note 28 Other current liabilities

Other current liabilities as of December 31, 2018 and 2017 are detailed below:

€ millions	December 31, 2018	December 31, 2017
Liabilities related to short-term put options over non-controlling interests	1,898	-
Liabilities related to short-term financial investments	25	-
Personnel expenses, social contribution, VAT and other indirect tax payables	895	473
Premium and discount	290	8
Derivative financial instruments	10	3
Other current liabilities	657	281
TOTAL OTHER CURRENT LIABILITIES	**3,775**	**765**

In 2018, the main increase in other current liabilities resulted, among other things, from the EL Combination for a total amount of €1,677 million (see Note 3 – Business combinations) and is related to short-term put options over non-controlling interests, representing EssilorLuxottica's obligation or potential obligation to purchase against cash all remaining Luxottica shares not already held by the Group as December 31, 2018 and liabilities related to short-term financial investments.

The other current liabilities include also contract liabilities for a total amount of €58 million (€1 million as at 31 December 2017).

Note 29 Financial instruments and management of market risks

29.1 Financial instruments recognized in the consolidated statement of financial position

€ millions	Notes	Total	Financial assets / (liabilities) at fair value through profit or loss	Equity investments at fair value through other comprehensive income	Financial assets / (liabilities) at amortized cost	Other financial liabilities	Derivatives documented in hedging relationships
Other non-current financial assets	13	160	-	17	143	-	-
Trade receivables	16	2,357	-	-	2,357	-	-
Other current financial assets (excluding derivatives)	18	11	-	-	11	-	-
Derivative financial instruments	18	39	8	-	-	-	31
Cash and cash equivalents	19	1,829	18	-	1,811	-	-
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS		**4,396**	**26**	**17**	**4,322**	**-**	**31**
Long-term borrowings	22	2,564	-	-	2,564	-	-
Other non-current financial liabilities [(a)]	26	273	-	-	76	197	4
Finance lease liabilities	22	28	-	-	28	-	-
Short-term borrowings, overdraft and accrued interest	22	1,175	-	-	1,175	-	-
Trade and other payables	27	1,746	-	-	1,746	-	-
Other current financial liabilities (excluding derivatives) [(b)]	28	1,923	-	-	2	1,921	-
Derivative financial instruments (liabilities)	28	10	6	-	-	-	4
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES		**7,718**	**6**	**-**	**5,591**	**2,118**	**8**

(a) Excluding IFRS 15 contract liabilities.

(b) Excluding personnel expenses, social contribution, VAT and other indirect tax payables, premium and discount, other current liabilities and IFRS 15 contract liabilities.

The carrying value of assets and liabilities recorded at amortized cost is close to its fair value, except for long-term borrowing for which fair value is €2,628 million.

The fair value hierarchy of the relevant financial assets and liabilities is as follows:

- borrowings: the fair value of listed debt is equal to their market price. The level of the hierarchy used for determining this fair value is Level 1. The fair value of the non-listed debt equals the present value of future cash flows, calculated by utilizing the market rate currently available for similar debt and adjusted in order to take into account the Company's current credit rating. The level of the hierarchy used for determining this fair value is Level 2;
- cash and cash equivalent: the level of the hierarchy used for determining the fair value of money market mutual funds is level 1;
- derivatives financial instruments: the fair value of the derivatives financial instruments equals the present value of future cash flows, calculated by utilizing the market inputs currently available. The level of the hierarchy used for determining this fair value is Level 2;
- equity investments at fair value through other comprehensive income: the level of the hierarchy used for determining this fair value is Level 3.

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 2 – New accounting standards. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements. However, a reconciliation of the classes of financial assets and liabilities introduced by IFRS 9 to the classes disclosed in the financial statements as of December 31, 2017 (which are those of Luxottica as required by the reverse acquisition accounting described in Note 3 – Business combinations) is presented in Note 2 – New accounting standards.

Other financial liabilities include the put liability over the remaining 32,487,842 Luxottica shares not already at December 31, 2018 and other put liabilities and liabilities related to earn-out clauses. Changes in put liability's fair value are recognized through Group equity.

29.2 Counterparty risk

Credit risk related to financial counterparties

The Group is exposed to counterparty risk, *i.e.*, the risk that a bank defaults on its contractual obligations (short term investment, hedge or credit facility), which would result in a financial loss for the Group.

Default by a counterparty may result in loss in value (the case of non-payment of a financial asset) or liquidity (the case of inability to draw on an unused line of credit).

In order to limit this risk, the Group only deals with top-tier banks with the best credit ratings, while pursuing diversification. The first financial counterparty holds 14% of the Group liquidity and has a BBB+ rating.

Available cash is invested in accordance with the principles of security and liquidity. The Group sets limits on investment periods, vehicles, concentrations and counterparty risk.

The Group enters into derivative transactions under various master agreements, which contain clauses for the offsetting of amounts payable and receivable only on the occurrence of future events, such as a default or other credit event by one of the contracting parties. Since the Group does not have any currently legally enforceable right to offset recognized amounts, the mentioned agreements do not meet the criteria of offsetting in the statements of financial position.

Based on the information available to the Group, during the course of the year, there were no potential losses deriving from the inability of the above-mentioned counterparties to meet their contractual obligations.

Credit risk related to commercial counterparties

The credit risk is managed locally and monitored centrally by the Group. Nevertheless, a portion of the Group's sales is realized directly with the end customer and those sales do not expose the Group to any credit risk.

The Group does not have a significant concentration of credit risk. In any case, there are proper procedures in place to ensure that the sales of products and services are made to reliable customers on the basis of their financial position as well as past experience. Credit limits are defined according to thresholds that take into consideration internal and external evaluation of the customer's reliability. The utilization of credit limits is regularly monitored through automated controls.

As of December 31, 2018, non-provisioned outstanding trade receivables due amount to €310 million (€83 million at the end of 2017). The difference compared to December 31, 2017 is mainly related to trade receivables acquired in the EL Combination.

€ millions	2018	2017
Trade receivables due within one year [(a)]	2,357	944
Trade receivables beyond one year [(b)]	38	-
of which:		
Trade receivables not yet due	*2,085*	*860*
Past due trade receivables	*310*	*83*

(a) In line item Trade receivables in the consolidated statement of financial position.

(b) In line item Other non-current assets in the consolidated statement of financial position.

29.3 Liquidity risk

The Group's activities expose it to the risk that its sources of liquidity may be insufficient to cover its financing needs. The Group aims to maintain a permanent source of liquidity in order to ensure its independence and growth. The funding policy is based on the diversification of funding sources, the use of medium- and long-term financing, the distribution of debt maturities over time and the establishment of committed credit facilities.

As of December 31, 2018, most of the Group's long-term financing and credit facilities are concentrated on EssilorLuxottica and on Luxottica Group S.p.A., which then refinances their subsidiaries. Some companies may, however, need to arrange their own local financing when local regulations hamper intra-Group arrangements.

At December 31, 2018, the Group has €2,290 million of committed credit facilities with leading banks. Drawing down these lines is not subject to any covenant. At December 31, 2018 none of these lines had been used.

EssilorLuxottica credit ratings are:

	Long term	Short term	Outlook	Last confirmation
Moody's	A2	Prime-1	Positive	December 5, 2018
Standard & Poors	A	A-1	Stable	October 2, 2018

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The distribution of the Group's net financial debt and available credit facilities by contractual maturity at the end of 2018 was as follows:

€ millions	2019	2020	2021	2022	2023	2024	2025	>2025	Total
Bonds	500	-	520	257	-	835	-	-	2,112
Commercial Paper	223	-	-	-	-	-	-	-	223
Bank loans	18	2	-	502	-	-	-	-	522
Private placement	271	162	-	167	27	-	-	79	705
Overdraft	59	-	-	-	-	-	-	-	59
Leases	9	8	6	3	-	-	-	-	28
Others debt	104	11	1	5	-	(4)	-	-	118
GROSS DEBT	**1,185**	**183**	**527**	**934**	**27**	**832**	**-**	**79**	**3,767**
Cash & cash equivalent	(1,829)	-	-	-	-	-	-	-	(1,829)
NET DEBT	**(644)**	**183**	**527**	**934**	**27**	**832**	**-**	**79**	**1,938**
Available committed syndicated credit facilities	-	-	-	900	-	-	-	-	900
Available committed bilateral bank facilities	100	731	318	240	-	-	-	-	1,390

Please also refer to Note 22 – Financial debt.

Negative pledges and financial covenants

Some of the financing agreements of the Group (see Note 22 – Financial debt) require compliance with negative pledges and financial covenants, as set forth in the respective agreements, with the exception of Luxottica's bond issues due March 19, 2019 and February 10, 2024, which require compliance only with negative pledges.

With regards to negative pledges, in general, the clauses prohibit Luxottica and other Luxottica Group companies from granting any guarantees or security interests on any of their assets in favor of third parties without the consent of the lenders over a threshold equal to 20% of the Luxottica consolidated stockholders' equity. In addition, the sale of assets of the Luxottica Group companies is limited to a maximum threshold of 10% of Luxottica Group consolidated assets.

Default with respect to the above-mentioned clauses, following a grace period during which the default can be remedied, would be considered a breach of the contractual obligations pursuant to the financing agreements of the Luxottica Group, which may be called upon to pay the outstanding debt.

Financial covenants require the Group to comply with specific levels of financial ratios. The most significant covenants establish a threshold for the ratio of net debt to EBITDA as well as EBITDA to financial expenses and priority debt to stockholders' equity.

In the case of a failure to comply with the above-mentioned ratios, the Group may be called upon to pay the outstanding debt if it does not correct such default within the period indicated in the applicable agreement.

Compliance with these covenants is monitored by the Group at the end of each quarter and, as of December 31, 2018, the Group was fully in compliance with these covenants.

29.4 Currency risk

Due to its international presence, the Group is naturally exposed to risks related to fluctuations in foreign currencies. This international presence impacts its operations, its financing, and the conversion into euros of the financial statements of foreign subsidiaries denominated in other currencies.

In particular, the Group operations and sales are disseminated in several countries with multiple currencies. As a consequence, Group results could be materially affected by foreign exchange rate fluctuations.

The primary exchange rate to which the Group is exposed is the EUR/USD parity.

At December 31, 2018, most of the currency hedging is managed by EssilorLuxottica and by Luxottica Group S.p.A. The Group seeks to limit currency risk with natural hedges, by hedging residual transactional exposure through currency forwards or options. Foreign exchange derivatives are entered into solely to hedge currency risks arising on business and financing operations. The Group does not carry out any currency trading transactions without any underlying transaction.

29.5 Interest rate risk

The purpose of the interest rate management policy is to minimize the cost of financing while limiting the volatility of financial expenses linked to changes in interest rates. The major part of financing is therefore kept at fixed rates, either in the initial agreement or *via* hedging.

As almost all of the Group's financing is concentrated on EssilorLuxottica and Luxottica Group S.p.A., interest rate risk management is therefore centralized on those companies.

The interest rate position before and after hedging is as follows:

	Net debt		Derivatives			Net IR position		
€ millions	Fixed rate	Floating rate	Fixed rate	Floating rate	Cap	Fixed rate	Floating rate	Capped floating rate
Gross debt	2,077	1,689	100	(213)	87	2,177	1,477	87
Cash and cash equivalents	-	(1,829)	-	-	-	-	(1,829)	-
NET DEBT	**2,077**	**(139)**	**100**	**(213)**	**87**	**2,177**	**(352)**	**87**

The interest rate position, by currency, before and after hedging is as follows:

	Net debt		Derivatives			Net IR position		
€ millions	Fixed rate	Floating rate	Fixed rate	Floating rate	Cap	Fixed rate	Floating rate	Capped floating rate
EUR	1,356	474	275	(297)	-	1,630	177	-
USD	706	(37)	(175)	115	87	531	78	87
Other	15	(576)	-	(30)	-	15	(606)	-
NET DEBT	**2,077**	**(139)**	**100**	**(213)**	**87**	**2,177**	**(352)**	**87**

29.6 Derivatives financial instruments

Market value by nature

	2018		2017	
€ millions	**Fair value**	**Nominal**	**Fair value**	**Nominal**
Forward contracts	5	1,270	2	672
Interest rate swaps	21	1,249	-	500
Interest rate options (caps)	-	87	-	-
TOTAL DERIVATIVES	**27**	**2,606**	**2**	**1,172**

Market value by hedge strategy

€ millions	**2018**	**2017**
CASH FLOW HEDGE		
Interest rate swaps	(5)	-
Forward contracts	3	-
FAIR VALUE HEDGE		
Interest rate swap	25	-
NOT ALLOCATED TO A HEDGING RELATIONSHIP		
Forward contracts	2	2
MARKET VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS		
of which derivative financial instruments (assets)	*39*	*6*
of which derivative financial instruments (liabilities)	*(13)*	*(3)*

Foreign exchange derivatives hedging commercial and financing exposures at December 31, 2018 (nominal amount)

	Currency purchased											
	EUR	**USD**	**CNY**	**HKD**	**GBP**	**JPY**	**THB**	**MXN**	**CHF**	**PHP**	**Others**	**Total**
Currency sold												
USD	321	-	1	1	6	21	32	8	-	10	7	407
EUR	-	13	47	17	45	27	2	8	10	-	52	221
GBP	96	5	-	-	-	-	-	-	-	-	5	106
CAD	43	56	-	-	-	-	-	-	-	-	-	99
HKD	44	26	19	-	-	-	-	-	-	-	7	97
MXN	43	2	-	-	-	-	-	-	-	-	-	45
JPY	24	9	-	10	-	-	-	-	-	-	-	43
AUD	13	1	-	25	-	-	-	-	-	-	-	39
BRL	20	12	-	-	-	-	-	-	-	-	-	32
SEK	28	-	-	-	-	-	-	-	-	-	-	28
INR	5	20	-	-	-	-	-	-	-	-	-	25
CNY	2	6	-	3	-	2	-	-	-	-	1	15
SGD	9	0	-	4	-	-	-	-	-	-	0	14
NOK	12	1	-	-	-	-	-	-	-	-	-	13
THB	7	2	-	5	-	-	-	-	-	-	-	13
Others	63	8	-	1	1	-	-	-	-	-	2	75
TOTAL	**730**	**160**	**68**	**64**	**53**	**50**	**33**	**17**	**10**	**10**	**75**	**1,270**

Note 30 Contingencies and commitments

30.1 Commitments

At December 31, 2018, the Group's contractual obligations and commitments was as follows:

€ millions	December 31, 2018	December 31, 2017
Guarantees and endorsements	111	8
Licenses	744	896
Operating leases	1,813	1,502
Other	205	280
TOTAL COMMITMENTS GIVEN	**2,873**	**2,686**

Guarantees and endorsements

Guarantees and endorsements mainly consist of parent company guarantees of Group subsidiaries.

Licenses

The Group has entered into license agreements with certain designers for the production, design and distribution of sunglasses and prescription frames. Under these license agreements, which typically have terms ranging from 4 to 10 years, the group is also required to pay a royalty generally ranging from 5% to 14% of net sales of the related collection. Certain agreements also provide for the payment of minimum annual guaranteed amounts and a mandatory marketing contribution (the latter typically amounts to between 5% and 13% of net sales of the related collection). These agreements can typically be terminated early by either party for several reasons, including but not limited to non-payment of royalties, failure to reach minimum sales thresholds, and unauthorized changes to products.

The minimum payments related to these agreements are, as follows:

€ millions	December 31, 2018	December 31, 2017
Due within 1 year	139	145
Due in 1 to 5 years	435	501
Due in more than 5 years	170	249
TOTAL	**744**	**896**

Operating leases

The Group leases through its worldwide subsidiaries various retail stores, plants, warehouses and office facilities as well as certain of its data processing and automotive equipment under operating lease arrangements. These agreements provide for renewal options under various conditions. The lease arrangements for the Group's US retail locations often include escalation clauses and provisions requiring the payment of incremental rentals, in addition to any established minimum contingent upon the achievement of specified levels of sales volume. The Group also operates departments in various host stores, paying occupancy costs solely as a percentage of sales. Certain agreements, which provide for operations of departments in a major retail chain in the United States contain short term cancellation clauses.

Future minimum operating lease commitments are as follows:

€ millions	December 31, 2018	December 31, 2017
Due within 1 year	455	369
Due in 1 to 5 years	1,063	868
Due in more than 5 years	296	265
TOTAL	**1,813**	**1,502**

30.2 Litigation and contingent liabilities

Alleged anti-competitive practices

French Competition Authority Investigation

In July 2014, the French competition authority's investigation department made unannounced visits to selected Essilor entities in France and other actors in the ophthalmic lens industry involved in the online sale of ophthalmic lenses. The enquiry is ongoing.

In 2015, the French competition authority's investigation department issued a statement of objections against Luxottica, its subsidiary Alain Mikli and other competitors alleging certain anti-competitive practices. In 2017 the French competition authority determined that the preliminary investigation was insufficient and sent the case back to the investigative department. The evaluation of the risk profile for the Group may be updated, as necessary, based on the analysis of the contents and the merits of further statements of objections that may be issued by the French competition authority in the next few months.

Investigations

In 2016, the US Department of Justice and the Insurance Commission of the State of California questioned Essilor of America with regard to certain promotional activities. Essilor of America continues working with the authorities in connection with this ongoing investigation.

Class actions

Certain US subsidiaries of Essilor are defendant in class actions and putative class actions brought before US Federal and State courts alleging suppression of competition, false and misleading advertising, misleading representations, warranty claims and unlawful control of optometrists. The relevant Essilor subsidiaries dispute the merits of all of these actions.

E-commerce

The College of Optometrists of Ontario, together with the College of Opticians, have obtained on January 11, 2018 an injunction declaring illegal all home deliveries of ophthalmic products. Essilor has filed an appeal and obtained a stay of the injunction while the appeal is pending.

Tax disputes

EssilorLuxottica is part of various tax litigations, for which provisions have already been made.

Other existing proceedings

EssilorLuxottica and its subsidiaries are defendants in other legal proceedings arising in the ordinary course of business. EssilorLuxottica disputes the merits of all such outstanding claims, which it will vigorously pursue.

As of the date of this Document, such other ongoing legal proceedings known to the Group are not at present likely to have significant impacts on the Group's financial position or profitability.

3

Note 31 Related party transactions

Main related parties are:

- members of EssilorLuxottica's Board of Directors and their close family members;
- companies over which members of the Board of Directors, key management personnel or their close family members have control or significant influence;
- companies over which the Group exercises joint control or significant influence; and
- people and companies which exercise significant influence over the Group.

31.1 Remuneration paid to members of the Board of Directors

€ millions	2018
Total compensation and benefits paid	6
Directors' fees paid	3
TOTAL	**9**

The Board of directors consisted of 16 members as of December 31, 2018. Compensation of the members of the Board of Directors include salaries, non-cash benefit, stock options and performance share awards and contribution to post-employment defined benefit plan.

Because of the reverse acquisition accounting (see Note 3 – Business combinations), the information related to remuneration paid to the Board of Directors members in the prior year is not comparable and therefore not disclosed. No transactions outside the normal course of business were concluded during the year with the Board of Directors members.

31.2 Related parties' transactions

A summary of related party transactions carried out in 2018 and 2017 is provided below.

As a result of the reverse acquisition accounting (see Note 3 – Business combinations), 2017 information corresponds to the information reported by Luxottica in its 2017 published consolidated financial statements.

	Consolidated statement of income		Balance outstanding as at December 31	
€ millions	**Revenue**	**Costs**	**Assets**	**Liabilities**
December 31, 2018				
Brooks Brothers Group Inc	-	1	-	-
Milleri's Group	-	5	20	10
Euclid [(a)]	22	8	3	1
Visionweb [(a)]	14	2	1	-
Others	1	-	-	-
TOTAL	**36**	**16**	**24**	**11**

(a) Group's associates.

	Consolidated statement of income		Balance outstanding as at December 31	
€ millions	**Revenue**	**Costs**	**Assets**	**Liabilities**
December 31, 2017				
Brooks Brothers Group, Inc.	0	1	0	0
Eyebiz Laboratories Pty Limited [(a)]	0	43	8	7
Milleri's Group	-	2	25	16
Others [(b)]	0	9	121	-
TOTAL	**1**	**55**	**154**	**24**

(a) Eyebiz Laboratories Pty Limited has been fully consolidated in the financial statements as at December 31, 2018 following the EL Combination.

(b) The amount of assets includes €115 million related the building acquired by Luxottica Group S.p.A. during 2017 from Beni Stabili.

License agreements

The Group executed an exclusive worldwide license for the production and distribution of Brooks Brothers brand eyewear. The brand is held by Brooks Brothers Group, Inc. ("BBG"), which is owned and controlled by Claudio Del Vecchio. The license expired on December 31, 2015 and has been renewed until December 31, 2019.

Technology advisory agreements

The Group has IT technology advisory agreements in place with some companies owned and controlled by Francesco Milleri, board member of EssilorLuxottica and CEO and Vice-Chairman of Luxottica. These contracts refer mainly to the implementation/ development of the Group's IT platforms.

Note 32 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue, as a going concern, to provide returns to its shareholders and benefit to other stakeholders, balancing the capital structure and lowering the cost of capital in order to reach a strong financial position.

One way the management use to monitor the capital is observing the ratio between "Net debt" and "Total equity".

The net debt is calculated as total debt less cash and cash equivalents (see Note 22 – Financial debt), while the total equity comprises all components of equity (see Note 21 – Equity).

The Group's net debt to total equity ratio at December 31, 2018 and 2017 was as follow:

€ millions	Notes	2018	2017
Net debt (A)	22	1,913	740
Total equity (B)	21	33,262	5,814
NET DEBT TO EQUITY RATIO (A) / (B)		**6%**	**13%**

As at December 31, 2018 the ratio amounted to 6%, showing a 7% decrease in comparison with the value as at December 31, 2017. As stated in the *Basis of preparation of the financial statements* the 2017 ratio is that of Luxottica, while the 2018 ratio results from the EL Combination.

Note 33 Independent auditors' fees

The fees shown below represent the fees invoiced by PricewaterhouseCoopers Audit France & Mazars France to the French fully consolidated entities, since October 1, 2018 for the Essilor entities and for the full year 2018 for Luxottica entities.

€ thousands	PricewaterhouseCoopers Audit	Mazars
Certifcation of accounts (I)	**2,307**	**1,630**
Services required by law	160	38
Services provided during the acquisition or disposal of Companies	-	-
Other services	29	38
Audit related services other than certification (II)	**189**	**76**
TOTAL (I) + (II)	**2,496**	**1,706**

Services required by law include especially auditors' reports related to Non-Financial Statements and transactions relating to share capital.

Note 34 Subsequent events

Subsequent events described below refer to the period from January 1st, 2019 until March 7th, 2019, the date of approval by the Board of these Group consolidated financial statements.

EssilorLuxottica group is actively pursuing its acquisition and partnership strategy with the completion of two transactions worldwide, representing combined full-year revenue of around €34 million. Local partnerships are a key component of EssilorLuxottica's mission of "improving lives by improving sight".

EssilorLuxottica further strengthens its development strategy in Germany, the fifth largest ophthalmic optics industry in the world. To speed up the development of a drive-to-store model that gives consumers access to the latest digital technologies combined with the expertise of independent opticians, EssilorLuxottica signed an agreement to acquire 100% of Brille24 GmbH. The latter is one of the leading online retailers of optical products in Germany with annual revenue of close to €25 million. The acquisition of Brille24 is subject to approval of the German competition authority (*Bundeskartellamt*).

The Group reinforces its presence in Greece, where EssilorLuxottica partner Shamir acquired Union Optic, a prescription laboratory that also distributes optical instruments. Union Optic generates annual sales of about €9 million and operates four branches across Greece and Cyprus. Union Optics acquisition by Shamir will strengthen.

As described in Note 3 – Business combinations in paragraph 3.1.1, the period agreed for the submission of the request by the holders of the remaining Luxottica shares ended on February 26, 2019 ("**Third phase of the MTO**"). Luxottica's shareholder holding residual shares that did not submit any request received solely EssilorLuxottica shares.

During the Third phase of the MTO, 11,926,027 ordinary shares of Luxottica were tendered. The consideration due to the holders of the ordinary shares of Luxottica tendered in the Third phase of the MTO consisted of:

- for 5,758,817 Luxottica shares, 0.4613 newly issued EssilorLuxottica shares per each Luxottica share (*i.e.* 2,656,542 EssilorLuxottica shares with a par value of €0.18 each);
- for 6,167,210 Luxottica shares, a cash consideration amounting to €51.64 per each Luxottica share (*i.e.* €319 million).

Borsa Italiana S.p.A. suspended the trading of Luxottica shares on March 1 and 4, 2019 then ordered the delisting of the Luxottica shares from the MTA (*Mercato Telematico Azionario* managed by Borsa Italiana S.p.A.) as from March 5, 2019, corresponding to the settlement date of the Joint Procedure.

Following the completion of the Third phase of the MTO, EssilorLuxottica owns 100% of Luxottica's share capital whereas the interest held by Delfin amounts to 32.05% of the share capital of EssilorLuxottica.

Appendix 1

Exchange Rates

		Closing rate			Average rate		
Per EUR 1		12/31/2018	10/01/2018	12/31/2017	2018 (FY)	2018 (Q4)	2017 (FY)
AUD	Australian dollar	1.6220	1.6048	1.5346	1.5797	1.5902	1.4732
CAD	Canadian dollar	1.5605	1.5064	1.5039	1.5294	1.5059	1.4647
BRL	Brazilian real	4.4440	4.6535	3.9729	4.3085	4.3439	3.6054
CNY	Chines yuan	7.8751	7.9662	7.8044	7.8081	7.8953	7.6290
GBP	British pound	0.8945	0.8873	0.8872	0.8847	0.8867	0.8767
HKD	Hong Kong dollar	8.9675	9.0579	9.3720	9.2559	8.9371	8.8045
JPY	Japanese yen	125.8500	131.2300	135.0100	130.3959	128.8158	126.7112
INR	Indian rupee	79.7298	83.9160	76.6055	80.7332	82.3529	73.5324
MXN	Mexican peso	22.4921	21.7800	23.6612	22.7054	22.6080	21.3286
TRY	Turkish lira	6.0588	6.9650	4.5464	5.7077	6.2981	4.1206
USD	US dollar	1.1450	1.1576	1.1993	1.1810	1.1414	1.1297

Appendix 2

Interest in Group companies

Listed below are the main Group companies. The complete list of consolidated companies is available on request at the registered office of the Group.

			2018	2017
Company	**Country**	**Consolidation method**	**% interest**	**% interest**
ESSILORLUXOTTICA	France	Legal parent [(a)]		
LUXOTTICA GROUP SPA	Italy	Accounting parent [(a)]		
ESSILOR LABORATORIES PTY LTD	Australia	Full consolidation	100%	EL Combination
EYEBIZ LABORATORIES PTY LTD	Australia	Full consolidation	70%	EL Combination
LUXOTTICA RETAIL AUSTRALIA PTY LTD	Australia	Full consolidation	100%	100%
LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	Australia	Full consolidation	100%	100%
BRASILOR COMÉRCIO DE PRODUTOS ÓPTICOS E PARTICIPACOES LTDA	Brazil	Full consolidation	100%	EL Combination
ESSILOR DA AMAZONIA E COMERCIO LTDA	Brazil	Full consolidation	100%	EL Combination
LUXOTTICA BRASIL PRODUTOS OTICOS E ESPORTIVOS LTDA	Brazil	Full consolidation	100%	100%
MULTI-OPTICA DISTRIBUIDORA LTDA	Brazil	Full consolidation	100%	EL Combination
OTICAS CAROL SA	Brazil	Full consolidation	100%	100%
SGH BRASIL COMERCIO DE OCULOS LTDA	Brazil	Full consolidation	100%	100%
ESSILOR GROUP CANADA LTD.	Canada	Full consolidation	100%	EL Combination
ESSILOR NETWORK IN CANADA INC.	Canada	Full consolidation	100%	EL Combination
LUXOTTICA OF CANADA INC	Canada	Full consolidation	100%	100%

(a) EssilorLuxottica is the legal parent of the Group. However, for accounting purposes the EL Combination has been accounted for as a reverse acquisition (see Note 3 – Business combinations), *i.e.* the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the accounting acquirer, Luxottica Group S.p.A.

Company	Country	Consolidation method	2018 % interest	2017 % interest
NIKON OPTICAL CANADA INC	Canada	Full consolidation	50%	EL Combination
OPTICAS GMO CHILE SA	Chile	Full consolidation	100%	100%
OPTICAS OPV SPA	Chile	Full consolidation	100%	EL Combination
CHEMILENS (JIAXING) CO. LTD	China	Full consolidation	50%	EL Combination
ESSILOR (CHINA) HOLDING CO LTD	China	Full consolidation	100%	EL Combination
JIANGSU WANXIN OPTICAL CO LTD	China	Full consolidation	80%	EL Combination
LUXOTTICA (CHINA) INVESTMENT CO LTD	China	Full consolidation	100%	100%
LUXOTTICA (SHANGHAI) TRADING CO LTD	China	Full consolidation	100%	100%
LUXOTTICA COMMERCIAL SERVICE (DONGGUAN) CO LTD	China	Full consolidation	100%	100%
LUXOTTICA TRISTAR (DONGGUAN) OPTICAL CO LTD	China	Full consolidation	100%	100%
SHANGHAI ESSILOR OPTICAL COMPANY LIMITED	China	Full consolidation	100%	EL Combination
XIAMEN ARTGRI OPTICAL CO LTD	China	Full consolidation	50%	EL Combination
XIN TIANHONG OPTICAL COMPANY LIMITED	China	Full consolidation	50%	EL Combination
LUXOTTICA COLOMBIA SAS	Colombia	Full consolidation	100%	100%
SERVIOPTICA S.A.S.	Colombia	Full consolidation	100%	EL Combination
BBGR	France	Full consolidation	100%	EL Combination
ESSIDEV	France	Full consolidation	100%	EL Combination
ESSIHOLDING	France	Full consolidation	100%	EL Combination
ESSILOR INTERNATIONAL	France	Full consolidation	100%	EL Combination
INVOPTIC	France	Full consolidation	100%	EL Combination
LUXOTTICA FRANCE SASU	France	Full consolidation	100%	100%
MEGA OPTIC DESIGN	France	Full consolidation	75%	EL Combination
MIKLI DIFFUSION FRANCE SASU	France	Full consolidation	100%	100%
NOVACEL OPHTALMIQUE	France	Full consolidation	75%	EL Combination
SUNGLASS HUT FRANCE SASU	France	Full consolidation	100%	100%
ESSILOR GmbH	Germany	Full consolidation	100%	EL Combination
LUXOTTICA GERMANY GMBH	Germany	Full consolidation	100%	100%
RUPP + HUBRACH OPTIK GMBH	Germany	Full consolidation	100%	EL Combination
SATISLOH GmbH	Germany	Full consolidation	100%	EL Combination
LUXOTTICA HELLAS AE	Greece	Full consolidation	70%	70%
LUXOTTICA HONG KONG SERVICES LIMITED	Hong Kong	Full consolidation	100%	100%
ESSILOR INDIA PRIVATE LIMITED	India	Full consolidation	100%	EL Combination
GKB RX LENS PRIVATE LIMITED	India	Full consolidation	76%	EL Combination
LUXOTTICA INDIA EYEWEAR PRIVATE LIMITED	India	Full consolidation	100%	100%
SUNGLASS HUT IRELAND LIMITED	Ireland	Full consolidation	100%	100%
TRANSITIONS OPTICAL LIMITED	Ireland	Full consolidation	100%	EL Combination
ESSILOR ISRAELI HOLDINGS LTD	Israel	Full consolidation	100%	EL Combination
LUXOTTICA OPTICS LTD	Israel	Full consolidation	100%	100%
SHAMIR OPTICA HOLDING LTD	Israel	Full consolidation	50%	EL Combination
SHAMIR OPTICAL INDUSTRY LTD	Israel	Full consolidation	50%	EL Combination
ESSILOR ITALIA	Italy	Full consolidation	100%	EL Combination

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Company	Country	Consolidation method	2018 % interest	2017 % interest
L.T.L. Spa	Italy	Full consolidation	100%	EL Combination
LUXOTTICA ITALIA SRL	Italy	Full consolidation	100%	100%
LUXOTTICA SRL	Italy	Full consolidation	100%	100%
SALMOIRAGHI & VIGANO' SPA	Italy	Full consolidation	100%	100%
FUKUI MEGANE INDUSTRY CO LTD	Japan	Full consolidation	67%	Acquisition 2018
MIRARI JAPAN CO LTD	Japan	Full consolidation	100%	100%
NIKON ESSILOR CO LIMITED	Japan	Full consolidation	50%	EL Combination
CHEMIGLAS CORP.	Korea	Full consolidation	50%	EL Combination
LUXOTTICA KOREA LTD	Korea	Full consolidation	100%	100%
LUXOTTICA WHOLESALE MALAYSIA SDN BHD	Malaysia	Full consolidation	100%	100%
ESSILOR MEXICO S.A DE C.V.	Mexico	Full consolidation	100%	EL Combination
LUXOTTICA MEXICO SA DE CV	Mexico	Full consolidation	100%	100%
SUNGLASS HUT DE MEXICO SAPI DE CV	Mexico	Full consolidation	100%	100%
LUXOTTICA HOLLAND BV	Netherlands	Full consolidation	100%	100%
LUXOTTICA THE NETHERLANDS BV	Netherlands	Full consolidation	100%	100%
ESSILOR NEDERLAND BV	Netherlands	Full consolidation	100%	EL Combination
ESSILOR NEDERLAND HOLDING BV	Netherlands	Full consolidation	100%	EL Combination
OPTICAS GMO PERU SAC	Peru	Full consolidation	100%	100%
LUXOTTICA POLAND SP ZOO	Poland	Full consolidation	100%	100%
ESSILOR PORTUGAL - Sociedade Industrial de óptica, Lda	Portugal	Full consolidation	100%	EL Combination
LUXOTTICA PORTUGAL SA	Portugal	Full consolidation	100%	100%
COMPANY GRANDVISION LLC	Russia	Full consolidation	75%	EL Combination
LABORATORI MEKK LLC	Russia	Full consolidation	80%	EL Combination
LUXOTTICA RUS LLC	Russia	Full consolidation	100%	100%
OPTIC CLUB LLC	Russia	Full consolidation	75%	EL Combination
ESSILOR AMERA PTE LTD	Singapore	Full consolidation	100%	EL Combination
LUXOTTICA SOUTH EAST ASIA PTE LTD	Singapore	Full consolidation	100%	100%
OSA INVESTMENTS HOLDINGS PTE LTD	Singapore	Full consolidation	100%	EL Combination
SPECTACLE HUT PTE LTD	Singapore	Full consolidation	60%	Acquisition 2018
SUNGLASS HUT (South East Asia) PTE LTD	Singapore	Full consolidation	100%	100%
TRANSITIONS OPTICAL (S) PTE. LTD.	Singapore	Full consolidation	100%	EL Combination
LUXOTTICA SOUTHERN AFRICA PTY LTD	South Africa	Full consolidation	100%	100%
ESSILOR ESPANA	Spain	Full consolidation	100%	EL Combination
ESSILOR OPTICA INTERNATIONAL HOLDING SL	Spain	Full consolidation	100%	EL Combination
LUXOTTICA SPAIN SLU	Spain	Full consolidation	100%	100%
LENSCO AB	Sweden	Full consolidation	100%	EL Combination
ESSILOR SUISSE SA	Switzerland	Full consolidation	100%	EL Combination
SATISLOH AG	Switzerland	Full consolidation	100%	EL Combination
SATISLOH HOLDING AG	Switzerland	Full consolidation	100%	EL Combination
ESSILOR MANUFACTURING (THAILAND) CO LTD	Thailand	Full consolidation	100%	EL Combination
LUXOTTICA WHOLESALE (THAILAND) LTD	Thailand	Full consolidation	100%	100%
LUXOTTICA GOZLUK ENDUSTRI VE TICARET ANONIM SIRKETI	Turkey	Full consolidation	100%	100%

(a) EssilorLuxottica is the legal parent of the Group. However, for accounting purposes the EL Combination has been accounted for as a reverse acquisition (see Note 3 – Business combinations), *i.e.* the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the accounting acquirer, Luxottica Group S.p.A.

Company	Country	Consolidation method	2018 % interest	2017 % interest
SUNGLASS HUT TURKEY GOZLUK TICARET ANONIM SIRKETI	Turkey	Full consolidation	100%	100%
CLASSIC OPTICAL LABORATORIES, INC.	U.S.A.	Full consolidation	95%	EL Combination
COSTA DEL MAR, INC	U.S.A.	Full consolidation	100%	EL Combination
DAC VISION INC	U.S.A.	Full consolidation	100%	EL Combination
EOA HOLDING CO., INC.	U.S.A.	Full consolidation	100%	EL Combination
ESSILOR LABORATORIES OF AMERICA HOLDING CO INC	U.S.A.	Full consolidation	100%	EL Combination
ESSILOR LABORATORIES OF AMERICA INC	U.S.A.	Full consolidation	100%	EL Combination
ESSILOR LABS COMPANY	U.S.A.	Full consolidation	100%	EL Combination
ESSILOR LATIN AMERICA & CARIBBEAN, INC	U.S.A.	Full consolidation	100%	EL Combination
ESSILOR OF AMERICA, INC	U.S.A.	Full consolidation	100%	EL Combination
EYEBUY DIRECT, INC	U.S.A.	Full consolidation	100%	EL Combination
EYEMED INSURANCE COMPANY	U.S.A.	Full consolidation	100%	100%
EYEMED VISION CARE LLC	U.S.A.	Full consolidation	100%	100%
FGX INTERNATIONAL INC.	U.S.A.	Full consolidation	100%	EL Combination
FRAMES FOR AMERICA, INC.	U.S.A.	Full consolidation	100%	EL Combination
I-COAT COMPANY, LLC	U.S.A.	Full consolidation	100%	EL Combination
INTERSTATE OPTICAL CO.	U.S.A.	Full consolidation	80%	EL Combination
K.B. CO. LLC, THE POLARIZED LENS COMPANY	U.S.A.	Full consolidation	100%	EL Combination
LUXOTTICA OF AMERICA INC	U.S.A.	Full consolidation	100%	100%
LUXOTTICA US HOLDINGS CORP	U.S.A.	Full consolidation	100%	100%
MOC ACQUISITION CORPORATION	U.S.A.	Full consolidation	84%	EL Combination
NASSAU LENS CO, INC.	U.S.A.	Full consolidation	100%	EL Combination
NEXTORE INC	U.S.A.	Full consolidation	60%	60%
OAKLEY INC	U.S.A.	Full consolidation	100%	100%
OOGP, INC.	U.S.A.	Full consolidation	100%	EL Combination
PECH OPTICAL CORP.	U.S.A.	Full consolidation	100%	EL Combination
SATISLOH NORTH AMERICA	U.S.A.	Full consolidation	100%	EL Combination
SHAMIR INSIGHT INC	U.S.A.	Full consolidation	50%	EL Combination
SIGNET ARMORLITE, INC.	U.S.A.	Full consolidation	100%	EL Combination
STYLEMARK, LLC	U.S.A.	Full consolidation	100%	EL Combination
TRANSITIONS OPTICAL INC	U.S.A.	Full consolidation	100%	EL Combination
TRI-SUPREME OPTICAL, LLC	U.S.A.	Full consolidation	100%	EL Combination
VISION SOURCE	U.S.A.	Full consolidation	100%	EL Combination
LUXOTTICA MIDDLE EAST FZE	United Arab Emirates	Full consolidation	100%	100%
BBGR LIMITED	United Kingdom	Full consolidation	100%	EL Combination
ESSILOR LIMITED	United Kingdom	Full consolidation	100%	EL Combination
LUXOTTICA NORTH EUROPE LTD	United Kingdom	Full consolidation	100%	100%
LUXOTTICA RETAIL UK LTD	United Kingdom	Full consolidation	100%	100%
TRIFLE HOLDINGS LIMITED	United Kingdom	Full consolidation	100%	EL Combination
VISION DIRECT LIMITED	United Kingdom	Full consolidation	100%	EL Combination

(a) EssilorLuxottica is the legal parent of the Group. However, for accounting purposes the EL Combination has been accounted for as a reverse acquisition (see Note 3 – Business combinations), *i.e.* the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the accounting acquirer, Luxottica Group S.p.A.

3.5 Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2018

This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of EssilorLuxottica,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of EssilorLuxottica for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics *(Code de déontologie)* for Statutory Auditors.

Emphasis of matter

We draw attention to the following matters:

- Note 3.1 "Combination between Luxottica and Essilor" to the consolidated financial statements which describes the transaction, the different steps and related accounting treatment; and
- Note 2 – New accounting standards – IFRS 15 "Revenue from Contracts with Customers" to the consolidated financial statements which provides the impact of the first time adoption of IFRS 15.

Our opinion is not modified in respect of these matters.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Accounting for the combination between Luxottica and Essilor

Risk identified

On October 1, 2018, Delfin contributed its entire stake in Luxottica (representing 302,846,957 ordinary shares of Luxottica or 62.42% of Luxottica's share capital), to Essilor in return for newly-issued ordinary shares of Essilor, on the basis of the exchange ratio of 0.4613 Essilor shares for 1 Luxottica share. Essilor International (Compagnie Générale d'Optique) was renamed EssilorLuxottica upon completion of the contribution and became the parent company of Luxottica. EssilorLuxottica subsequently made an exchange offer, in accordance with the Italian Law, to acquire all of the remaining issued and outstanding shares of Luxottica pursuant to the same Exchange Ratio.

The contribution of Delfin's stake in Luxottica to Essilor meets the definition of a business combination as provided for in IFRS 3 – Business Combinations. For accounting purposes, Luxottica has been assessed as the accounting acquirer of Essilor on October 1, 2018 (the acquisition date) based on the guidance in IFRS 3, paragraphs 6-7 and appendices B13-B18. Therefore, the EssilorLuxottica combination is treated as the acquisition of Essilor by Luxottica from an accounting standpoint, even though, legally, Essilor is the acquirer and is the entity that issues new shares to Luxottica's shareholders ("reverse acquisition"). Accordingly, in accordance with the requirements of IFRS 3 –Business Combinations in the context of a reverse acquisition, the comparative information provided in respect of the year ended December 31, 2017 is that of Luxottica.

In this context, the opening balance sheet of Essilor was produced as at October 1, 2018. In addition, procedures to ensure the consistency of the Luxottica and Essilor accounting policies, presentation principles and disclosure practices have been completed by Management.

As part of the provisional purchase price allocation exercise, the acquisition of Essilor for a total consideration of €27.9 billion has led to the recognition of intangible assets for €10.8 billion and goodwill for €19.5 billion. Judgement is involved in allocating the purchase price to the identified assets acquired and liabilities assumed. The identification and valuation exercise also requires valuation specialist skills and knowledge.

Due to (i) the materiality of the transaction, the judgement involved in the identification of the accounting acquirer and the purchase price allocation, (ii) the complexity of the related accounting treatment, presentation and disclosures, we have considered the accounting of the combination between Luxottica and Essilor as a key audit matter.

Our response

We have evaluated Management's assessment that Luxottica is the acquirer from an accounting standpoint, even though Essilor is the ultimate parent company and legal acquirer (reverse acquisition).

We have carried out audit procedures on the Essilor opening balance sheet as at October 1, 2018. We have also reviewed Management's assessment of the comparative accounting policies and practices of Luxottica and Essilor.

We have verified the principles applied and tested the mathematical accuracy of the determination of the consideration transferred. We have corroborated the main underlying inputs (share prices and exchange ratio) to independent data sources.

We have obtained the report issued by the independent valuation specialist engaged by Management to assist in identifying and valuing the Essilor main assets acquired. With the support of our own valuation experts, we have assessed the process and methodologies applied and the main underlying assumptions and tested the mathematical accuracy of the valuation models.

We have reviewed the supporting documentation relating to the accounting for the exchange of shares and validated the related impacts on share capital and other equity balances.

We have verified that the consolidated financial statements disclosures in respect of the combination (in particular Consolidated statement of changes in equity, Note 3.1 "Combination between Luxottica and Essilor" and Note 21 "Equity") are appropriate.

Impairment test of goodwill and other intangible assets

Risk identified

As of 31 December 2018, goodwill and finite lives intangible assets net book values total €23.2 billion and €11.9 billion respectively.

The Group performs at least once a year an impairment test on goodwill, by reference to market data or to value in use calculations based on discounted cash-flows as described in Note 1. "Significant accounting policies – Impairment of goodwill" to the consolidated financial statements. The determination of the recoverable value and the sensitivity to key data and assumptions used, require significant management judgement and estimates.

Intangible assets with a finite useful life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount. Management has assessed whether impairment indicators existed as at December 31, 2018 and, where necessary, performed an impairment test. The recoverable amount has been determined as the higher of the value in use, calculated consistently with the basis explained above for goodwill, and the fair value less costs to sell.

The significant value of goodwill and intangible assets, the sensitivity to the fluctuation of certain key data, and assumptions and judgement applied by Management have led us to consider the measurement of the recoverable value of goodwill and intangible assets as a key audit matter.

Our response

We have performed an understanding of the impairment testing procedures adopted by Management, policies applied in measuring goodwill and finite lives intangible assets and key estimates developed.

We have assessed the adequacy of the groups of Cash Generating Units used for the allocation of goodwill and their consistency with the Group organizational structure, the internal level at which return on investments is monitored and internal decision-making processes and internal reporting.

We have examined methodologies applied in developing cash flows projections used to determine the value in use and the approach adopted in applying the discounted cash flow mathematical model, with the support of our valuation experts. We have also verified the mathematical accuracy of the calculations and consistency of the information used with relevant data source.

We have analysed the consistency of the projections with Management business plans. We have also carried out, when possible, a retrospective analysis comparing estimates developed by Management in previous years with the actual results, in order to confirm Management's ability in developing reliable estimates.

With reference to measurement of finite lives intangible assets, we have reviewed and discussed Management's assessment of the existence of impairment indicators and relevant assumptions.

We have assessed the information disclosed in Note 10 "Goodwill and other intangible assets" to the consolidated financial statements.

Revenue recognition

Risk identified

The Group has adopted and follows a revenue growth strategy. This is, in particular, illustrated by the different acquisitions made in recent years, its geographical footprint and expansion, the large number of commercial agreements and related terms and conditions, its innovation activities (including research and development) and advertising and marketing approach. Revenue and revenue growth are part of the Group key performance measures.

Revenue recognition accounting policies are described in Note 1. Significant accounting policies - Revenue to the notes to the consolidated financial statements. Certain business agreements are complex and require specific attention to ensure accuracy of the related accounting entries, in particular in the context of the first time adoption, effective January 1, 2018, of IFRS 15 – Revenue from contracts with customers.

The recognition of revenues, given the large number of transactions, carried out on a global basis, through various sales channels, has been considered as a key audit matter.

Our response

We have assessed the appropriateness of the accounting policies applied by the Group with respect to revenue recognition, in the specific context of the first time adoption of IFRS 15 – Revenue from contracts with customers.

We have gained an understanding of the Revenue process, including relevant controls implemented by the Group and tested, on a sample basis, the main controls.

We have performed detailed substantive tests on revenue transactions and tested journal entries relating to revenue, based on samples as deemed appropriate.

We have obtained customer external confirmations to support trade receivables and related revenue recognized.

We have verified the appropriate disclosure in Note 2 – New accounting standards of the impact of the first time adoption of IFRS 15 – Revenue from contracts with customers.

IFRS 16 – Leases, new accounting standard applicable in 2019

Risk identified

The new standard IFRS 16 – Leases requires the lessees to recognize a liability for the future lease payments and an asset representing the right to use the underlying asset for the lease term.

The Group discloses in Note 2 "New accounting standards", IFRS 16 – Leases to the consolidated financial statements, the currently estimated impact of the application of the new standard as at January 1, 2019 (additional lease liability ranging from €1.9 to 2.0 billion).

This matter was considered as a key audit matter due to the materiality of the estimated impact, the large scope of the implementation process and the degree of judgement involved.

Our response

We have performed specific procedures to gain an understanding of the procedures implemented by the Group to analyze its lease contracts and to address the IFRS 16 – Leases requirements.

We have confirmed the reasonableness of the accounting estimates and key assumptions developed by Management in the process of adopting IFRS 16 - Leases. We have carried out specific procedures to assess the completeness of the contracts in scope, the consistency of the data inputs used and the mathematical accuracy of the quantifications.

We have verified the appropriateness of the disclosures included in Note 2 "New accounting standards" to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group information given in the Management Report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code is included in the Group's Management Report, it being specified that, in accordance with Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Essilor International (Compagnie Générale d'Optique), subsequently renamed EssilorLuxottica by the Annual General Meeting held on June 14, 1983 for PricewaterhouseCoopers Audit and on May 11, 2007 for Mazars.

As at December 31, 2018, PricewaterhouseCoopers Audit was in its thirty-sixth year of uninterrupted engagement and Mazars in its twelfth year of uninterrupted engagement.

Responsibilities of Management and those charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Risk Committee

We submit to the Audit and Risk Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 29, 2019

The Statutory Auditors

French original signed by

PRICEWATERHOUSECOOPERS AUDIT		MAZARS	
Olivier Lotz	Cédric Le Gal	Daniel Escudeiro	Jean-Luc Barlet

3.6 Unaudited *Pro Forma* Consolidated Financial Information

Introduction

The Unaudited *Pro Forma* Consolidated Financial Information of EssilorLuxottica (also referred as the "**Group**") includes the unaudited *pro forma* consolidated statements of profit or loss for the years ended December 31, 2018 and December 31, 2017 with the related explanatory notes (together the "**Unaudited *Pro Forma* Consolidated Financial Information**"). It has been prepared to represent the *pro forma* effects of the combination between Essilor and Luxottica (the "**EL Combination**"), which occurred as at October 1, 2018, as a result of the contribution by Delfin of its entire stake in Luxottica to Essilor (the "**Contribution**"). The Contribution was followed by a mandatory exchange offer on all the remaining issued and outstanding Luxottica shares aimed to acquire 100% of Luxottica's share capital (the "**Offer**").

The Unaudited *Pro Forma* Consolidated Financial Information has been produced for illustrative purposes only and with the aim to provide comparative information.

The *pro forma* adjustments related to the Unaudited *Pro Forma* Consolidated Financial Information are limited to those that are (i) directly attributable to the EL Combination, and (ii) factually supportable.

The unaudited *pro forma* statements of profit or loss do not include the following items:

- any restructuring and integration costs that may be additionally incurred as a result of the EL Combination;
- any synergies, operating efficiencies and cost savings that may result from the EL Combination.

In addition,

- unaudited adjusted *pro forma* consolidated statements of profit or loss for the years ended December 31, 2018 and December 31, 2017 are disclosed in Note 7 to the Unaudited *Pro Forma* Consolidated Financial Information. They are intended to (i) reverse the impact of the EL Combination and other transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group's performance and (ii) present, on a *pro forma* basis, the adjusted indicators expected to be regularly produced by EssilorLuxottica for the purpose of its financial communication. These adjustments are described in Note 7 to the Unaudited *Pro Forma* Consolidated Financial Information;
- unaudited *pro forma* consolidated revenue by operating segment for the years ended December 31, 2018 and December 31, 2017 are disclosed in Note 8 to the Unaudited *Pro Forma* Consolidated Financial Information.

The consolidated financial information of the Group reflects the continuation of Luxottica and the reverse acquisition of Essilor by Luxottica as at October 1, 2018, as a result of the Contribution. Accordingly, Essilor identifiable assets acquired and liabilities assumed have been measured at fair value in accordance with IFRS 3 – *Business Combinations* as at October 1, 2018. The Unaudited *Pro Forma* Consolidated Financial Information had been prepared assuming that the Contribution and the Offer (*i.e.* the EL Combination) occurred at the same date.

The unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2018 has been prepared assuming that the EL Combination had occurred on January 1, 2018. The unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2017 has been prepared assuming that the EL Combination had occurred on January 1, 2017. Because of its nature, the Unaudited *Pro Forma* Consolidated Financial Information addresses a hypothetical situation and is neither intended to represent or to be indicative of the result of operations or the financial position that EssilorLuxottica would have achieved had the EL Combination occurred as of January 1, 2018 or as of January 1, 2017 respectively, nor is the Unaudited *Pro Forma* Consolidated Financial Information indicative of the future operating results of the Group. The Unaudited *Pro Forma* Consolidated Financial Information is based upon certain assumptions that EssilorLuxottica believes reasonable at the date of this Document.

The Unaudited *Pro Forma* Consolidated Financial Information is derived from:

- for the year ended December 31, 2018,
  - EssilorLuxottica's annual consolidated statement of profit or loss for the year ended December 31, 2018 (the "**EssilorLuxottica 2018 P&L**"), as disclosed in the EssilorLuxottica's annual audited consolidated financial statements as of and for the year ended December 31, 2018 prepared in accordance with IFRS as endorsed by the European Union (the "**EssilorLuxottica 2018 FS**"). These consolidated financial statements are included in this document and have been subject to an audit report issued by PricewaterhouseCoopers Audit and Mazars dated March 29, 2019, which does not include any qualification,
  - the accounting records (neither audited nor reviewed) of Essilor for the nine-month period ended September 30, 2018 used for the preparation of the Essilor consolidated financial information (the "**Essilor 9m 2018 accounting records**");

- for the year ended December 31, 2017,
  - the comparative consolidated statement of profit or loss for the year ended December 31, 2017 (the "**Luxottica 2017 P&L**"), as disclosed in the EssilorLuxottica 2018 FS;
  - Essilor historical annual consolidated statement of profit or loss for the year ended December 31, 2017 restated to reflect the application of *IFRS 15 – Revenue from Contracts with Customers* (the "**Essilor 2017 P&L**"), as disclosed in Note 2 of Essilor's historical half-year financial statements as of and for the six-month period ended June 30, 2018. This statement of profit or loss is prepared in accordance with IFRS as endorsed by the European Union and is included in Essilor's 2018 half-year financial report. PricewaterhouseCoopers Audit and Mazars issued a limited review report on these half-year financial statements dated July 26, 2018, which does not include any qualification.

For the purpose of the EL Combination, an unaudited *pro forma* condensed consolidated statement of profit or loss for the year ended December 31, 2017 was included in the Update to the 2017 Registration Document filed on September 28, 2018. This *pro forma* statement of profit or loss was prepared on the basis of the information available and that could be reasonably shared between Essilor and Luxottica prior to the completion of the Contribution, whereas the Unaudited *Pro Forma* Consolidated Financial Information included in this Document has been prepared having full access to the financial information of the two groups. Moreover, the *pro forma* statement of profit or losss has been prepared without taking in consideration the effects coming from the implementation of *IFRS 15 – Revenues from Contracts with Customers* nor the additional valuation work performed as of the date of this Document.

The Unaudited *Pro Forma* Consolidated Financial Information is prepared on a basis that is consistent with the accounting policies used in the preparation of EssilorLuxottica 2018 FS, including the application of new accounting standards.

Furthermore, the Unaudited *Pro Forma* Consolidated Financial Information for the years ended December 31, 2018 and December 31, 2017 has not been restated to reflect the full year effect of the business combinations; other than the EL Combination, finalized by Luxottica or Essilor during the course of 2018 and 2017, as they are not significant and do not represent a variation of more than 25 per cent relative to one or more indicators of the size of the Group.

The Unaudited *Pro Forma* Consolidated Financial Information is presented in millions of Euro.

Regulatory framework

This Unaudited *Pro Forma* Consolidated Financial Information is presented pursuant to the annex I of Commission Regulation (EC) n°809/2004, since the EL Combination involves a change of more than 25 per cent of the key indicators of size.

This Unaudited *Pro Forma* Consolidated Financial Information has been prepared in accordance with Annex II of Commission Regulation (EC) n°809/2004 "*Pro Forma* Financial Information Building Block", the recommendations issued by ESMA (formerly CESR) (ESMA/2013/319 of March 20, 2013) and the recommendation n°2013-08 issued by the AMF on *pro forma* financial information.

Unaudited *pro forma* consolidated statement of profit or loss

for the year ended December 31, 2018

	2018				
€ millions	EssilorLuxottica 2018 P&L	Essilor 9m 2018 accounting record	PPA adjustments for the period from January 1, 2018 to September 30, 2018	Other adjustments	EssilorLuxottica *pro forma* information
	Note 1	Note 1	Note 2	Note 3	
Revenue	10,799	5,537	-	(176) (a)	16,160
Cost of sales	(3,963)	(2,287)	(60) (a)	176 (a)	(6,134)
GROSS PROFIT	**6,836**	**3,250**	**(60)**	**-**	**10,026**
% of revenue	*63.3%*	*58.7%*			*62.0%*
Research and development	(190)	(149)	(193) (a)	-	(531)
Selling	(3,391)	(997)	(200) (a)	-	(4,588)
Royalties	(157)	(6)	-	-	(163)
Advertising and marketing	(746)	(392)	(68) (a)	-	(1,206)
General and administrative	(989)	(883)	(8) (a)	(123) (b)	(2,003)
Other income/(expenses)	(5)	(42)	-	-	(47)
TOTAL OPERATING EXPENSES	**(5,478)**	**(2,469)**	**(469)**	**(123)**	**(8,539)**
OPERATING PROFIT	**1,358**	**781**	**(528)**	**(123)**	**1,487**
% of revenue	*12.6%*	*14.1%*			*9.2%*
Cost of net debt	(54)	(39)	5 (b)	(5) (c)	(94)
Other financial income/(expenses)	(9)	(8)	-	6 (d)	(11)
Share of profits of associates	0	-	-	(1) (e)	(0)
PROFIT BEFORE TAXES	**1,295**	**734**	**(524)**	**(124)**	**1,382**
% of revenue	*12.0%*	*13.3%*			*8.6%*
Income taxes	(139)	(217)	103 (c)	24 (f)	(228)
Effective tax rate	*10.7%*	*29.5%*			*16.5%*
NET PROFIT	**1,156**	**518**	**(420)**	**(99)**	**1,154**

See accompanying notes to the Unaudited *Pro Forma* Consolidated Financial Information.

Notes to the Unaudited *Pro Forma* Consolidated Financial Information

Unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2018

Note 1 EssilorLuxottica consolidated statement of profit or loss for the year ended December 31, 2018 and Essilor accounting records for the nine-month period ended September 30, 2018

These columns include (i) the EssilorLuxottica 2018 P&L, derived from the EssilorLuxottica 2018 FS and (ii) the Essilor 9m 2018 accounting records. Both statements of profit or loss are consistent with the presentation applied in EssilorLuxottica 2018 FS.

Note 2 Purchase price allocation adjustments

The EL Combination is accounted for using the acquisition method of accounting in accordance with IFRS 3.

The consideration transferred has been allocated to Essilor assets acquired and liabilities assumed as of October 1, 2018 based upon provisional estimates of their fair values at that date ("purchase price allocation"). These amounts have been measured on a provisional basis. If new information obtained within one year of the date of the acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to these fair values, then the accounting for the acquisition may be revised.

The adjustments related to the purchase price allocation ("PPA adjustments") correspond to the incremental profit or loss impacts (for the period from January 1, 2018 to September 30, 2018) resulting from the measurement of Essilor's assets acquired and liabilities assumed at their fair value at the date of the Contribution (October 1, 2018). Those impacts are already reflected in the EssilorLuxottica 2018 P&L for the three-month period from October 1, 2018 to December 31, 2018.

(a) Provisional fair value step-up on assets acquired

For the purpose of the unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2018, the PPA adjustments related to the provisional fair value step-up on assets acquired consisted in:

- adding the nine-month period (from January 1, 2018 to September 30, 2018) amortization related to the fair value of intangible assets (technologies, brands, trade names, customer relationships, others) – including new intangibles recognised as a result of EL Combination after eliminating the nine-month period amortization impacts relating to historical intangible assets recognised in the Essilor 9m 2018 accounting records;
- adding the nine-month period (from January 1, 2018 to September 30, 2018) depreciation of the fair value step-up of properties, plant and equipment;
- adding the nine-month period (from January 1, 2018 to September 30, 2018) impact related to the use of the inventories subject to fair value step-up.

The provisional purchase price allocation reflects the provisional outputs from the valuation work performed by EssilorLuxottica with the support of an independent valuation expert. Fair values have been determined as of October 1, 2018 and have been used, as they stand, for the purpose of the Unaudited *Pro Forma* Consolidated Financial Information.

The following is a description of each significant provisional fair value step-up on assets acquired.

€ millions	Fair value step-up	Estimated weighted avg remaining useful life (years)	12 month P&L impact	Of which 9 month P&L impact reflected in the *pro forma*
Customer relationships	4,830	15.6	(310)	(233)
Technologies	2,833	10.6	(266)	(200)
Premium optical brands	2,425	25.0	(97)	(73)
Trade names	489	19.0	(26)	(19)
Other intangibles	265	3.7	(81)	(60)
+ Estimated preliminary fair value of intangible assets	10,842	14.1	(780)	(585)
- Less the net historical carrying value of intangible assets	(1,682)		166	124
ESTIMATED PRELIMINARY FAIR VALUE STEP-UP ON INTANGIBLE ASSETS	**9,160**		**(613)**	**(460)**
ESTIMATED PRELIMINARY FAIR VALUE STEP-UP ON PP&E	**191**		**(11)**	**(8)**
+ Estimated preliminary fair value step-up on inventories	119		(119)	(119)
- Less the fair value step-up reversal recognized in EssilorLuxottica 2018 P&L	n.a.			59
ESTIMATED PRELIMINARY FAIR VALUE STEP-UP ON INVENTORIES	**119**			**(60)**
• of which accounted for in *Cost of sales* (1)	n.a.			(60)
• of which accounted for in *Research and development* (2))	n.a.			(193)
• of which accounted for in *Selling* (3)	n.a.			(200)
• of which accounted for in *Advertising and marketing* (4)	n.a.			(68)
• of which accounted for in *General and administrative* (5)	n.a.			(8)

(1) Represents the impact related to the use of inventories subject to a fair value step-up. For the purpose of the unaudited *pro forma* consolidated statement of profit or loss, it is assumed that all inventories owned by Essilor as of January 1, 2018 are sold during the financial year 2018 and thus the remeasurement fully impacts the 2018 unaudited *pro forma* consolidated statement of profit or loss. These costs will not have a recurring impact on the results of the Group. In order to reflect a full year impact, a *pro forma* adjustment of €(60) million has been added on top of the €(59) million already included in the EssilorLuxottica 2018 P&L.

(2) Represents the nine-month amortization related to the fair value of technologies taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of technologies recognised in the Essilor 9m 2018 accounting records.

(3) Represents the nine-month amortization related to the fair value of customer relationships taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of customer relationships recognised in the Essilor 9m 2018 accounting records.

(4) Represents the nine-month amortization related to the fair value of brands and trade names taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of these intangible assets recognised in the Essilor 9m 2018 accounting records.

(5) Represents the nine-month depreciation related to the fair value step-up of property, plant and equipment taking into account their estimated weighted average useful life.

(b) Fair value step-up on financial debt

The PPA adjustment related to the fair value step-up on financial debt consisted in a decrease in the *Cost of net debt* for €5 million.

As for the PPA on assets acquired, the fair value of financial debt has been determined as of October 1, 2018 and has been used, as it stands, for the purpose of the Unaudited *Pro Forma* Consolidated Financial Information.

(c) Tax effect on PPA adjustments

Based on the prevailing tax rate of each entity/area where the PPA adjustments have been recognised, the tax effect on fair value step-up corresponds to the tax effects of the fair value step-up on intangible, PP&E and inventories for €104 million and of the fair value step-up on financial debt for €(1) million.

Note 3 Other adjustments

(a) Reflects the elimination of the intercompany transactions between Essilor and Luxottica for the nine-month period ended September 30, 2018. Some transactions between Essilor and Luxottica (approximately €130 million for the nine-month period ended September 30, 2018) were not eliminated as considered third-party sales according to requirements of *IFRS 15 – Revenues from Contracts with Customers*.

(b) Represents the following:

- Additional transaction costs, compared to the amount recorded in EssilorLuxottica 2018 P&L and in Essilor 9m 2018 accounting records, recognised in *General and administrative* expenses for €(128) million (total costs accounted for in the Luxottica 2017 P&L and Essilor 2017 P&L). The transaction costs are composed of non-recurring legal, advisory, accounting, valuation, banking and other professional or consulting fees attributable to the EL Combination. Total transaction costs amount to €(150) million before tax.

€ millions	
Total costs in General and administrative expenses	(150)
- Total costs accounted for in 2018 statements of profit or loss *	(22)
ADDITIONAL TRANSACTION COSTS ADJUSTED IN GENERAL AND ADMINISTRATIVE	**(128)**

* Both in EssilorLuxottica 2018 P&L and in Essilor 9m 2018 accounting records.

These costs are not expected to have a recurring impact on the results of the Group.

- *Pro forma* adjustments relating to Essilor's share based payments for €5 million:
  - the terms of the share-based payments granted by Essilor to its employees (also referred as "awards") remained unchanged as a result of the EL Combination. However, those share-based payments have been measured at their market-based value at the acquisition date. The acquisition-date market-based value of the original awards has been allocated to equity for the vested portion of the awards and to post-combination expense for the unvested portion of the awards over the remaining vesting period;
  - for purposes of the unaudited *pro forma* consolidated statement of profit or loss, the remeasurement of share-based payments at January 1, 2018, results in a reduction of €5 million of the *General and administrative* expenses.

(c) Corresponds to the preliminary estimation of an incremental *Cost of net debt* of €(5) million the Group could incur related to the Luxottica shares transferred against cash consideration during the Offer.

(d) Reflects the elimination of €6 million of *Other financial income/(expenses)* related to the effect of undiscounting related to the put options granted by Essilor to its non-controlling interests. In accordance with the accounting policy applied by EssilorLuxottica, these effects are accounted for in equity in EssilorLuxottica 2018 FS whereas they were accounted for in *Other financial income/(expenses)* in the Essilor 9m 2018 accounting records.

(e) Reflects the elimination of €(1) million of income recognised by Luxottica for the *Share of profits of associates* in Essilor subsidiaries (Eyebiz Laboratories Pty Ltd and Eyebiz Laboratory Co Ltd) for the nine-month period ended September 30, 2018. As a result of the EL Combination, the Group gained 100% control over these subsidiaries.

(f) Based on prevailing tax rates, represents the following:

- €22 million for the tax effect on the additional transaction costs recognised in *General and administrative* expenses, as explained in Note 3 (b);
- €2 million for the tax effect on the additional *Cost of net debt* related to the acquisition of the Luxottica remaining outstanding shares, as described in Note 3 (c).

Unaudited *pro forma* consolidated statement of profit or loss

For the year ended December 31, 2017

	2017				
€ millions	Luxottica 2017 P&L	Essilor 2017 P&L	PPA adjustments for the period from January 1, 2017 to December 31, 2017	Other adjustments	EssilorLuxottica *pro forma* information
	Note 4	Note 4	Note 5	Note 6	
Revenue	9,184	7,402	-	(237) (a)	16,349
Cost of sales	(3,222)	(3,096)	(119) (a)	225 (a)	(6,212)
GROSS PROFIT	**5,962**	**4,306**	**(119)**	**(13)**	**10,137**
% of revenue	*64.9%*	*58.2%*			*62.0%*
Research and development	(60)	(217)	(255) (a)	-	(532)
Selling	(3,070)	(1,306)	(261) (a)	-	(4,637)
Royalties	(164)	(10)	-	-	(174)
Advertising and marketing	(630)	(494)	(90) (a)	-	(1,213)
General and administrative	(738)	(1,192)	(11) (a)	(20) (b)	(1,961)
Other income / (expenses)	45	(18)	-	-	28
TOTAL OPERATING EXPENSES	**(4,616)**	**(3,237)**	**(617)**	**(20)**	**(8,490)**
OPERATING PROFIT	**1,347**	**1,069**	**(736)**	**(33)**	**1,647**
% of revenue	*14.7%*	*14.4%*			*10.1%*
Cost of net debt	(81)	(52)	6 (b)	(5) (c)	(132)
Other financial income/(expenses)	(10)	(12)	-	9 (d)	(13)
Share of profits of associates	1	-	-	(1) (e)	-
PROFIT BEFORE TAXES	**1,257**	**1,005**	**(730)**	**(30)**	**1,502**
% of revenue	*13.7%*	*13.6%*			*9.2%*
Income taxes	(215)	(131)	76 (c)	13 (f)	(257)
Effective tax rate	*17.1%*	*13.0%*			*17.1%*
NET PROFIT	**1,042**	**874**	**(655)**	**(17)**	**1,244**

See accompanying notes to the Unaudited *Pro Forma* Consolidated Financial Information.

Notes to the Unaudited *Pro Forma* Consolidated Financial Information

Unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2017

Note 4 Essilor and Luxottica historical consolidated statement of profit or loss for the year ended December 31, 2017

These columns include the unaudited consolidated statement of profit or loss of Luxottica and Essilor for the year ended December 31, 2017, derived from (i) the Luxottica 2017 P&L, as disclosed in the EssilorLuxottica 2018 FS and (ii) Essilor 2017 P&L. Both statements of profit or loss are consistent with the presentation applied in EssilorLuxottica 2018 FS.

Note 5 Purchase price allocation adjustments

The accounting method of the EL Combination is described in the Note 2 of the Unaudited *Pro Forma* Consolidated Financial Information.

The PPA adjustments correspond to the incremental profit or loss impacts (for the period from January 1, 2017 to December 31, 2017) resulting from the measurement of Essilor's assets acquired and liabilities assumed at their fair value at the date of the Contribution (October 1, 2018). Those impacts were neither reflected in the Luxottica 2017 P&L nor in the Essilor 2017 P&L.

(a) Provisional fair value step-up on assets

The provisional purchase price allocation reflects the latest outputs from the valuation work performed by EssilorLuxottica with the support of an independent valuation expert. Fair values have been determined as of October 1, 2018 and have been used, as they stand, for the purpose of the Unaudited *Pro Forma* Consolidated Financial Information.

€ millions	Fair value step-up	Estimated weighted avg. remaining useful life (years)	12 month P&L impact reflected in the *pro forma*
Customer relationships	4,830	15.6	(310)
Technologies	2,833	10.6	(266)
Premium optical brands	2,425	25.0	(97)
Trade names	489	19.0	(26)
Other intangibles	265	3.7	(73)
+ Estimated preliminary fair value of intangible assets	10,842	14.1	(772)
- Less the net historical carrying value of intangible assets	(1,825)		166
ESTIMATED PRELIMINARY FAIR VALUE STEP-UP ON INTANGIBLE ASSETS	**9,017**		**(606)**
ESTIMATED PRELIMINARY FAIR VALUE STEP-UP ON PP&E	**191**		**(11)**
ESTIMATED PRELIMINARY FAIR VALUE STEP-UP ON INVENTORIES	**119**		**(119)**
• of which accounted for in *Cost of sales* (1)	n.a.		(119)
• of which accounted for in *Research and development* (2)	n.a.		(255)
• of which accounted for in *Selling* (3)	n.a.		(261)
• of which accounted for in *Advertising and marketing* (4)	n.a.		(90)
• of which accounted for in *General and administrative* (5)	n.a.		(11)

(1) Represents the impact related to the use of inventories subject to a fair value step-up for €(119) million. For the purpose of the unaudited *pro forma* consolidated statement of profit or loss, it is assumed that all inventories owned by Essilor as of January 1, 2017 are sold during the financial year 2017 and thus the remeasurement fully impacts, the 2017 unaudited *pro forma* consolidated statement of profit or loss. These costs will not have a recurring impact on the results of the Group.

(2) Represents the twelve-month amortization related to the fair value of technologies taking into account their estimated weighted average useful life after the cancellation of the historical amortization of technologies recognised in the Essilor 2017 P&L.

(3) Represents the twelve-month amortization related to the fair value of customer relationships taking into account their estimated weighted average useful life after the cancellation of the historical amortization of customer relationships recognised in the Essilor 2017 P&L.

(4) Represents the twelve-month amortization related to the fair value of brands and trade names taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of these intangible assets recognised in the Essilor 2017 P&L.

(5) Represents the twelve-month depreciation related to the fair value step-up of property, plant and equipment taking into account their estimated weighted average useful life.

(b) Fair value step-up on financial debt

The PPA adjustment related to the fair value step-up on financial debt consisted in a decrease in the *Cost of net debt* for €6 million.

As for the PPA adjustments on assets acquired, the fair value of financial debt has been determined as of October 1, 2018 and has been used, as it stands, for the purpose of the Unaudited *Pro Forma* Consolidated Financial Information.

(c) Tax effect on PPA adjustments

Based on the prevailing tax rate of each entity/area where the PPA adjustments have been recognised, the tax effect on fair value step-up corresponds to the tax effects of the fair value step-up on intangible, PP&E and inventories for €77 million and to the fair value step-up on financial debt for €(1) million.

Note 6 Other Adjustments

(a) Reflects the elimination of the intercompany transactions between Essilor and Luxottica, including the elimination of internal profits on inventories resulting from intercompany sales, for the year ended December 31, 2017. In the future, this impact will be limited to the fluctuation year over year of these internal profits to be eliminated. Some transactions between Essilor and the Luxottica (approximately €159 million for the twelve-month period ended December 31, 2017) were not eliminated as considered third-party sales according to requirements of *IFRS 15 – Revenues from Contracts with Customers*.

(b) Represents the following:

- Additional transaction costs, compared to the amount recorded in Luxottica 2017 P&L and in Essilor 2017 P&L, recognised in *General and administrative* expenses for €(22) million (total costs accounted for in the EssilorLuxottica 2018 P&L and in the Essilor 9m 2018 accounting records). The transaction costs are composed of non-recurring legal, advisory, accounting, valuation, banking and other professional or consulting fees attributable to the EL Combination. Total transaction costs amount to €(150) million before tax.

€ millions	
Total costs in General and administrative expenses	(150)
- Total costs accounted for in 2017 historical statement of profit or loss *	(128)
ADDITIONAL TRANSACTION COSTS ADJUSTED IN GENERAL AND ADMINISTRATIVE	**(22)**

* Both in the Luxottica 2017 P&L and in the Essilor 2017 P&L.

These costs are not expected to have a recurring impact on the results of the Group;

- *Pro forma* adjustments relating to Essilor's share based payments for €2 million.
  - the terms of the share-based payments granted by Essilor to its employees (also referred as "awards") remain unchanged as a result of the EL Combination. However, those share-based payments have been measured at their market-based value at the acquisition date. The acquisition-date market-based value of the original awards has been allocated to equity for the vested portion of the awards and to post-combination expense for the unvested portion of the awards over the remaining vesting period.
  - for purposes of the unaudited *pro forma* consolidated statement of profit or loss, the remeasurement of share-based payments at January 1, 2017, results in a reduction of €2 million of the *General and administrative* expenses.

(c) Corresponds to the preliminary estimation of an incremental *Cost of net debt* of €(5) million the Group could incur related to the Luxottica shares transferred against cash consideration during the Offer.

(d) Reflects the elimination of €9 million of *Other financial income / (expenses)* related to the effect of undiscounting related to the put options granted by Essilor to its non-controlling interests. In accordance with the accounting policy applied by EssilorLuxottica, these effects are accounted for in equity in EssilorLuxottica 2018 FS whereas they were accounted for in *Other financial income/(expenses)* in the Essilor 2017 P&L.

(e) Reflects the elimination of €(1) million of income recognised by Luxottica for the *Share of profits of associates* in Essilor subsidiaries (Eyebiz Laboratories Pty Ltd and Eyebiz Laboratory Co Ltd). As a result of the EL Combination, the Group gained 100% control over these subsidiaries.

(f) Based on the prevailing tax rate, represents the following:

- €8 million for the tax effect on the additional transaction costs recognised in *General and administrative* expenses, as explained in Note 6 (b);
- €3 million for the deferred tax due to the elimination of the inventory profit, as explained in Note 6 (a);
- €2 million for the tax effect on additional *Cost of net debt* related to the acquisition of the Luxottica remaining outstanding shares, as described in Note 6 (c).

Note 7 Unaudited adjusted *pro forma* consolidated statements of profit or loss for the years ended December 31, 2018 and December 31, 2017

The unaudited adjusted *pro forma* consolidated statement of profit or loss for the years ended December 31, 2018 and December 31, 2017 are intended to (i) offset the impact of the EL Combination and other transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group's performance and (ii) present, on a *pro forma* basis, the adjusted indicators expected to be regularly produced by EssilorLuxottica for the purpose of its financial communication. These adjustments are limited in numbers, well-identified and significant at the level of the EssilorLuxottica's consolidated performance.

	2018			
€ millions	**EssilorLuxottica *pro forma* information**	**Elimination of 12 months PPA adjustments (inventory step-up, PP&E step-up, intangible assets amortization expenses…)**	**Other non-GAAP adjustments (i.e. restructuring charges, etc.)**	**EssilorLuxottica *pro forma* adjusted information**
Revenue	16,160	-	-	16,160
Cost of sales	(6,134)	119	27	(5,988)
GROSS PROFIT	**10,026**	**119**	**27**	**10,172**
% of revenue	*62.0%*			*62.9%*
Research and development	(531)	257	-	(275)
Selling	(4,588)	266	7	(4,315)
Royalties	(163)	-	-	(163)
Advertising and marketing	(1,206)	91	-	(1,115)
General and administrative	(2,003)	11	271	(1,722)
Other income/(expenses)	(47)	-	36	(11)
TOTAL OPERATING EXPENSES	**(8,539)**	**624**	**315**	**(7,600)**
OPERATING PROFIT	**1,487**	**744**	**341**	**2,572**
% of revenue	*9.2%*			*15.9%*
Cost of net debt	(94)	(6)	5	(95)
Other financial income/(expenses)	(11)	-	-	(11)
Share of profits of associates	(0)	-	-	(0)
PROFIT BEFORE TAXES	**1,382**	**738**	**346**	**2,466**
% of revenue	*8.6%*			*15.3%*
Income taxes	(228)	(296)	(72)	(595)
Effective tax rate	16.5%			24.1%
NET PROFIT	**1,154**	**442**	**274**	**1,871**

	2017			
€ millions	**EssilorLuxottica *pro forma* information**	**Elimination of 12 months PPA adjustments (inventory step-up, PP&E step-up, intangible assets amortization expenses…)**	**Other non-GAAP adjustments (i.e. restructuring charges, etc.)**	**EssilorLuxottica *pro forma* adjusted information**
Revenue	16,349	-	-	16,349
Cost of sales	(6,212)	119	58	(6,035)
GROSS PROFIT	**10,137**	**119**	**58**	**10,314**
% of revenue	*62.0%*			*63.1%*
Research and development	(532)	255	-	(277)
Selling	(4,637)	261	38	(4,338)
Royalties	(174)	-	-	(174)
Advertising and marketing	(1,213)	90	-	(1,123)
General and administrative	(1,961)	11	259	(1,691)
Other income/(expenses)	28	-	(35)	(8)
TOTAL OPERATING EXPENSES	**(8,490)**	**617**	**262**	**(7,611)**
OPERATING PROFIT	**1,647**	**736**	**320**	**2,703**
% of revenue	*10.1%*			*16.5%*
Cost of net debt	(132)	(6)	30	(108)
Other financial income/(expenses)	(13)	-	-	(13)
Share of profits of associates	-	-	-	-
PROFIT BEFORE TAXES	**1,502**	**730**	**349**	**2,581**
% of revenue	*9.2%*			*15.8%*
Income taxes	(257)	(76)	(345)	(678)
Effective tax rate	*17.1%*			*26.3%*
NET PROFIT	**1,244**	**655**	**4**	**1,904**

The adjustments include:

- the impact of the purchase price allocation related to the EL Combination for the years ended December 31, 2018 and December 31, 2017 as disclosed in Notes 2 and 5 respectively. For the purpose of the 2018 and 2017 unaudited adjusted *pro forma* consolidated statements of profit or loss, the full year impacts of (i) the impact related to the use of the inventories subject to a fair value step-up, (ii) the incremental amortizations of intangible assets recognised as a result of the EL Combination compared to existing intangible assets, (iii) the depreciation of PP&E fair value step-up and (iv) the *Cost of net debt* impact related to the fair value step-up of the financial liabilities were eliminated, including associated tax effect. Those effects will be eliminated through the adjusted indicators that will be regularly produced by EssilorLuxottica;

• other non-GAAP adjustments, as described below.

The other non-GAAP adjustments reflected into the unaudited adjusted *pro forma* consolidated statement of profit or loss for the year ended December 31, 2018 are related to the following transactions:

(i) non-recurring *Cost of sales* for €27 million associated with restructuring and reorganization expenses;

(ii) non-recurring *Selling expenses* for €7 million associated with restructuring and reorganization expenses;

(iii) non-recurring *General and administrative* expenses for €271 million associated with the following impacts:
- transaction costs related to the EL Combination for €150 million (see Note 3 (b) of the Unaudited *Pro Forma* Consolidated Financial Information),
- non-recurring costs of €77 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the €5 million adjustment described in Note 3 (b),
- restructuring and reorganization expenses for €49 million;

(iv) non-recurring expenses for €36 million accounted for in *Other income/(expenses)* including:
- loss on assets disposal for €5 million following the request from the Turkish Antitrust authorities to dispose of a Turkish subsidiary of the Essilor Group active in the distribution of frames and sunglasses as a condition precedent to approve the EL Combination,
- net loss impact of the change in consolidation scope of one entity for €24 million,
- net negative impact of €5 million related to other non-recurring transactions,
- distribution of exceptional bonuses to French employees for €2 million;

(v) *Cost of net debt* is adjusted for €5 million corresponding to a non-recurring financial expense linked to early repayment of Luxottica's debt;

(vi) *Income taxes* are adjusted for an amount of €(72) million corresponding to the tax effect of the above mentioned adjustments listed from Notes (i) to (v) for €(25) million and to a non-recurring tax income of €(47) million.

The other non-GAAP adjustments reflected into the unaudited adjusted *pro forma* consolidated statement of profit or loss for the year ended December 31, 2017 are related to the following transactions:

(i) non-recurring *Cost of sales* for €58 million associated with restructuring and reorganization expenses;

(ii) non-recurring *Selling* expenses for €38 million associated with restructuring and reorganization expenses;

(iii) non-recurring *General and administrative* expenses for €259 million associated with the following impacts:
- transaction costs related to the EL Combination for €150 million (see Note 6 (b) of the Unaudited *Pro Forma* Consolidated Financial Information),
- non-recurring costs of €45 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the €2 million adjustment described in Note 6 (b),
- restructuring and reorganization expenses for €53 million,
- other non-recurring expenses for €13 million mainly related to one-time contribution to mission-related programs focused on eradicating poor vision worldwide for €5 million and top management departure indemnities for €8 million;

(iv) non-recurring income and expenses, net for €(35) million accounted for in *Other income/(expenses)* including the following items:
- capital gain for €(57) million on the sale of two properties owned by the Group,
- one-time contribution for €14 million to mission-related programs focused on eradicating poor vision worldwide,
- other non-recurring with net negative impact for €8 million;

(v) *Cost of net debt* is adjusted for €30 million corresponding to a non-recurring financial expenses linked to the early repayment of loans;

(vi) *Income taxes* are adjusted for an amount of €(345) million corresponding to the following:
- a one-time deferred tax profit linked to the US Tax reform adopted by the US Congress in December 2017 for a total amount €(172) million for the Group,
- a one-time tax benefit from the Patent box for €(60) million arising from an agreement signed by Luxottica Group S.p.A. with the Italian Revenue Agency in November 2017,
- a one-time gain from the refund of the 3% dividend tax in France, net of one exceptional contribution for €(19) million,
- tax effects of the above mentioned adjustments listed from Notes (i) to (v) amounting to €(94) million.

Note 8 Unaudited *pro forma* consolidated revenue by operating segment for the years ended December 31, 2018 and December 31, 2017

The *pro forma* financial consolidated revenue by operating segment are prepared on the basis of the segment structure presented in the EssilorLuxottica 2018 FS.

€ millions	**2018 EssilorLuxottica *pro forma* information**	**2017 EssilorLuxottica *pro forma* information**
Lenses and optical instruments	6,283	6,257
Equipment	210	199
Sunglasses & Readers	787	765
Wholesale	3,145	3,315
Retail	5,735	5,813
REVENUE	**16,160**	**16,349**

3.7 Statutory Auditors' report on the *pro forma* financial information included in the 2018 Registration Document

This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

To the Executive Chairman,

To the Executive Vice-Chairman and Chief Executive Officer,

In our capacity as Statutory Auditors of your company and in accordance with the French financial markets authority (*Autorité des marchés financiers* – "AMF") Instruction n°2016-04 and the Commission Regulation (EC) n°809/2004, we hereby report to you on the *pro forma* financial information of EssilorLuxottica, formerly Essilor International (Compagnie Générale d'Optique), for the years ended December 31, 2018 and December 31, 2017 set out in section 3.6 Unaudited *Pro Forma* Financial Consolidated Information of the 2018 Registration Document.

The *pro forma* financial information has been prepared for the sole purpose of illustrating the impact that the contribution by Delfin of its entire stake in Luxottica to Essilor, and the mandatory exchange offer on all of the remaining outstanding shares of Luxottica might have had on the consolidated statement of profit or loss for the year ended December 31, 2018 of EssilorLuxottica had it taken place with effect from January 1, 2018 and on the consolidated statement of profit or loss for the year ended December 31, 2017 of EssilorLuxottica had it taken place with effect from January 1, 2017. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the operation and the event taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the *pro forma* financial information in accordance with the provisions of the AMF Instruction n°2016-04 and of the Commission Regulation (EC) n°809/2004 and ESMA's recommendations on *pro forma* financial information.

It is our responsibility to express an opinion, based on our work, in accordance with Annex II, item 7 of Commission Regulation (EC) n°809/2004, as to the proper compilation of the *pro forma* financial information.

We performed those procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of statutory auditors *(Compagnie nationale des commissaires aux comptes)* relating to such engagements. These procedures, which did not include an audit or a review of the financial information used as a basis to prepare the *pro forma* financial information, mainly consisted in ensuring that the information used to prepare the *pro forma* information was consistent with the underlying financial information, as described in the introduction and the notes to the *pro forma* financial information, reviewing the evidence supporting the *pro forma* adjustments and conducting interviews with the management of EssilorLuxottica to obtain the information and explanations that we deemed necessary.

In our opinion:

a) the *pro forma* financial information has been properly compiled on the basis stated; and

b) that basis is consistent with the accounting policies of the issuer.

This report has been issued solely for the purpose of filing the registration document with the AMF.

Neuilly-sur-Seine and Paris-La Défense, on April 8, 2019

The Statutory Auditors

French original signed by

PRICEWATERHOUSECOOPERS AUDIT		MAZARS	
Olivier Lotz	Cédric Le Gal	Daniel Escudeiro	Jean-Luc Barlet

3.8 Fees paid to the Auditors and the members of their network

In € Thousands *Amounts excluding VAT*	2018 EssilorLuxottica and Essilor Group PricewaterhouseCoopers	2018 EssilorLuxottica and Essilor Group Mazars	2018 Luxottica Group PricewaterhouseCoopers	2017 Luxottica Group PricewaterhouseCoopers
AUDIT				
STATUTORY AUDITORS, CERTIFICATION, REVIEW OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS:				
• Legal Parent company*	955	750	-	901
• Fully consolidated subsidiaries	5,493	5,145	8,498	7,002
SUB-TOTAL	**6,448**	**5,895**	**8,498**	**7,903**
NON AUDIT SERVICES**				
• Services required by law	160	38	175	490
• Services provided on the acquisition or disposal of companies (due diligences)	-	-	75	-
• Legal, tax and social	145	27	49	172
• Other services	29	60	377	580
SUB-TOTAL	**334**	**124**	**676**	**1,242**
TOTAL	**6,782**	**6,019**	**9,174**	**9,145**

* EssilorLuxottica is the legal parent of the Group. However, for accounting purposes the EL Combination has been accounted for as a reverse acquisition (see Note 3–Business combinations), *i.e.* the 2017 fees reported in the Parent company line are those of the accounting acquirer, Luxottica Group S.p.A

** For the EssilorLuxottica parent company and the Essilor Group, the amounts related to non audit services above represent the fees due since october 1st 2018.

3.9 Financial statements of EssilorLuxottica formerly Essilor International *(Compagnie Générale d'Optique)*

The statutory financial statements for 2018 include the income statement, balance sheet, cash flow statement and notes presented below.

The statutory auditors' report on the annual financial statements for 2018 is included in Chapter 3.11 of this Registration Document.

3.9.1 Key figures at December 31, 2018

€ millions, except per share data, which is in euros	2018	2017
Income Statement		
Operating income (loss)	24	(24)
Profit (loss) before non-operating items and tax	405	(54)
Profit	395	9
Balance Sheet		
Share capital	77	39
Shareholders' equity	24,012	3,566
Net debt	1,891	1,786
Non-current assets, net	26,153	5,790
TOTAL ASSETS	**26,537**	**6,082**
Net dividend per ordinary share (in euros)	2.04 [(a)]	1.53

(a) Subject to the decision of Shareholders at their Annual General Meeting on May 16, 2019.

The merger between Essilor and Luxottica was completed in the second half of 2018.

As at December 31, 2018, EssilorLuxottica held a 93.30% stake in Luxottica Group S.p.A. as a result of the following transactions:

- Contribution of Delfin S.à.r.l.'s equity interests in Luxottica Group S.p.A. on October 1, 2018;
- Mandatory exchange offer to acquire all outstanding shares of Luxottica Group S.p.A., closed on November 28, 2018.

The tender offer for outstanding Luxottica Group S.p.A. shares (sell-out) was initiated on December 12, 2018 and closed on January 18, 2019.

Following the tender offer, EssilorLuxottica's stake in the share capital of Luxottica Group S.p.A. increased to 97.54% (including treasury shares). The tender offer was followed by a squeeze-out. As at March 5, 2019, EssilorLuxottica holds 100% of Luxottica Group S.p.A. shares, which have been delisted from the Electronic Stock Market (*Mercato Telematico Azionario*) ("MTA") managed by Borsa Italiana S.p.A.

In 2018, EssilorLuxottica generated a net profit of €395 million. Operating income amounted to €24 million. Financial income amounted to €381 million, mainly comprising €388 million in dividends received, net of interest on loans (€14 million).

3.9.2 Income Statement at December 31, 2018

€ millions	Notes	2018	2017
Reversals of depreciation, amortization and provisions, expenses transferred	2	200	166
Other income		2	
TOTAL OPERATING PROFIT		**202**	**166**
Other external purchases and expenses		6	1
Taxes and duties			2
Personnel expenses		3	176
Depreciation, amortization and provisions			4
Other expenses	3	169	7
TOTAL OPERATING EXPENSES		**178**	**190**
OPERATING INCOME (LOSS)		**24**	**(24)**
Financial income (expense)	4	381	(30)
PROFIT (LOSS) BEFORE NON-OPERATING ITEMS AND TAX		**405**	**(54)**
Non-operating income (expense)	5	(10)	44
Income tax (income) expense	6	0	(19)
PROFIT		**395**	**9**

3.9.3 Balance Sheet at December 31, 2018

Assets

€ millions	Notes	2018 Gross amount	2018 Depreciation, amortization & provisions	2018 Net amount	2017 Net amount
Intangible assets	7				17
Property, plant and equipment		4		4	
Financial assets	8	26,154	5	26,149	5,773
NON-CURRENT ASSETS		**26,158**	**5**	**26,153**	**5,790**
Trade and related receivables					47
Other receivables	9	366		366	240
Cash		11		11	
CURRENT ASSETS		**377**		**377**	**287**
Bond redemption premium		2		2	2
Prepaid expenses	10	5		5	3
TOTAL		**26,542**	**5**	**26,537**	**6,082**

Shareholders' equity & liabilities

€ millions	Notes	2018	2017
Share capital	12.1	77	39
Additional paid-in capital		20,978	635
Legal reserves		4	4
Other reserves		2,554	2,862
Retained earnings			17
Profit for the year		395	9
Tax-driven provisions		4	
SHAREHOLDERS' EQUITY	**12.2**	**24,012**	**3,566**
PROVISIONS FOR CONTINGENCIES AND LIABILITIES	**13**	**49**	**201**
Other bonds	14.2	1,693	1,757
Bank borrowings (including loans from subsidiaries)	14.2	223	1
Other financial debt	14.2		28
FINANCIAL LIABILITIES		**1,916**	**1,786**
Trade and related payables	14.3	10	2
Accrued taxes and personnel expenses	14.3	3	1
Other liabilities	14.3	478	446
OPERATING AND OTHER LIABILITIES		**491**	**449**
Foreign currency translation adjustment	11	69	80
TOTAL		**26,537**	**6,082**

3.9.4 Cash Flow Statement at December 31, 2018

€ millions	2018	2017
Profit for the fiscal year	395	9
Adjustments of non-cash items	(132)	116
Cash flow	263	125
Change in working capital [(a)]	(61)	(153)
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**202**	**(28)**
Purchases of property, plant & equipment and intangible assets	(1)	
Acquisition of shares in subsidiaries and affiliates and other investments	(26)	(35)
Proceeds from disposals of fixed assets		12
NET CASH FLOW USED IN INVESTING ACTIVITIES	**(27)**	**(24)**
Capital increase	28	44
Purchases and sales of treasury stock	12	
Dividends paid	(333)	(324)
Increase and decrease in borrowings	129	(91)
Exceptional transaction – Impact of the asset contribution (hive down)		339
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(164)**	**(32)**
Change in cash and cash equivalents	11	(84)
Cash and cash equivalents at beginning of year		84
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11**	**0**

(a) Changes in working capital are as follows:

€ millions	2018	2017	Change
Operating receivables		(47)	47
Other receivables	(365)	(242)	(123)
Operating liabilities	13	3	10
Other liabilities	474	469	5
TOTAL WORKING CAPITAL	**122**	**183**	**(61)**

Cash is defined as available cash and short-term deposits net of current bank overdrafts.

3.10 Notes to the 2018 financial statements of EssilorLuxottica

These notes include the balance sheet, with total assets of €26,537 million before appropriation of profit or loss for the year ended December 31, 2018, and the income statement posting a profit of €395 million.

The fiscal year covers a 12-month period, from January 1, 2018 to December 31, 2018.

EssilorLuxottica, formerly known as Essilor International (*Compagnie Générale d'Optique*) is a French limited liability company. Its registered office is located at 147, rue de Paris, in Charenton-le-Pont, France, and it is listed on the Euronext stock exchange.

Figures are provided in millions of euros, unless otherwise stated.

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Significant events of the fiscal year

Completion of the merger between Essilor and Luxottica

On January 15, 2017, Essilor and Delfin signed a Combination Agreement involving Essilor and Luxottica to create an integrated, global player in the optical and eyewear industry. The merger was successfully completed in the second half of 2018.

The main stages of the merger, covering fiscal years 2017 and 2018, are described below.

In 2017:

- Essilor's shareholders approved the merger between Essilor and Luxottica in May 2017.
- Hive-down, through the transfer of assets representing almost all of Essilor International's business activities (*Compagnie Générale d'Optique*) to its subsidiary Delamare Sovra, renamed Essilor International (SAS).

In 2018:

- Clearance from the antitrust authorities whose approval was a condition precedent to closing the transaction.
- Contribution of Delfin S.à.r.l.'s equity interests in Luxottica Group S.p.A. to EssilorLuxottica.
- Mandatory exchange offer to acquire all outstanding shares of Luxottica Group S.p.A., closed on November 28, 2018. After completion of the exchange offer, EssilorLuxottica held a 93.30% stake in Luxottica Group S.p.A. (including treasury shares).
- Public tender offer followed by a mandatory squeeze-out for outstanding Luxottica Group S.p.A. shares. The tender offer was initiated on December 12, 2018 and ended on January 18, 2019. The subsequent mandatory squeeze-out ended on March 5, 2019.

Hive-down of Essilor's business activities – transfer of assets

The hive-down, through the transfer of assets representing almost all of the business activities of Essilor International (*Compagnie Générale d'Optique*) as set out in the Contribution Agreement of March 27, 2017 and approved by shareholders at their Extraordinary general meeting on May 11, 2017 was applied with retroactive effect from January 1, 2017. Net assets amounting to €5,484 million were contributed by Essilor to its subsidiary Delamare Sovra, renamed Essilor International (SAS). As consideration for the hive-down, Essilor International (SAS) granted 27,754,245 new shares with a par value of €10.

Contribution of Delfin S.à.r.l.'s equity interests to EssilorLuxottica

On October 1, 2018, Delfin S.à.r.l. contributed its 62.42% stake in Luxottica Group S.p.A. to Essilor International (*Compagnie Générale d'Optique*). Essilor International (*Compagnie Générale d'Optique*) became the parent company of Luxottica Group S.p.A., and was renamed EssilorLuxottica.

As consideration for Delfin S.à.r.l.'s contribution of its stake in Luxottica Group S.p.A., EssilorLuxottica issued 139,703,301 new ordinary shares through a capital increase without preferential subscription rights pursuant to a resolution approved by EssilorLuxottica shareholders on May 11, 2017.

Upon completion of the transaction, EssilorLuxottica's share capital comprised 358,840,853 shares. Its main shareholders are Delfin S.à.r.l. (38.93% of capital with voting rights capped at 31%) and EssilorLuxottica employees (4.9%). The remaining 56.8% of shares are publicly held.

Mandatory exchange offer

On October 1, 2018, in accordance with Italian stock exchange regulations, EssilorLuxottica launched a mandatory exchange offer an all Luxottica Group S.p.A. outstanding shares. Upon completion of the exchange offer, which took place from October 29 to November 28, 2018, EssilorLuxottica's direct or indirect (treasury shares) stake in the share capital of Luxottica Group S.p.A. increased to 93.30%. As consideration for the contribution, EssilorLuxottica issued 66,329,548 new shares on December 5, 2018.

Public tender offer followed by a mandatory squeeze-out

Pursuant to Italian stock exchange regulations, on December 12, 2018, EssilorLuxottica launched a public tender offer to acquire all outstanding Luxottica Group S.p.A. shares (6.7% of share capital). The offer ended on January 18, 2019. In line with the terms and conditions of the offer, the shares tendered were paid either in cash (€322.7 million) or in newly-issued EssilorLuxottica shares (6,602,682 shares). Following the tender offer, EssilorLuxottica's stake in the share capital of Luxottica Group S.p.A. increased to 97.54% (including treasury shares).

The tender offer was followed by a squeeze-out, in accordance with Italian stock exchange regulations, as EssilorLuxottica held more than 95% of Luxottica Group S.p.A. shares. As a result, EssilorLuxottica has acquired all outstanding Luxottica shares from shareholders under the same conditions as for the mandatory exchange offer. As at March 5, 2019, EssilorLuxottica holds 100% of Luxottica shares. The latter have been delisted from the Electronic Stock Market (*Mercato Telematico Azionario*) (MTA) managed by Borsa Italiana S.p.A.

To guarantee the cash payment of the shares surrendered in the tender offer and squeeze-out, first-demand bank guarantees were provided by a consortium of four banks with which EssilorLuxottica took out a €3,200 million bridge loan on October 30, 2018. The first-demand guarantees and the bridge loan became obsolete after the expiration of the tender offer.

Note 1 Accounting policies

The financial statements have been prepared in accordance with the provisions of French accounting standards Board (ANC) amended Regulation no. 2014-03 on the French Chart of Accounts.

Regulation ANC no. 2018-01 of April 20, 2018, amending Regulation no. 2014-03 of June 5, 2014, is implemented by the Order of October 8, 2018, published in the French Official Journal of October 9, 2018.

The new regulation provides additions both to previously published regulations and to generally accepted accounting principles.

1.1 Intangible assets

External fees costs incurred in the context of operations that qualify as costs related to shares issue are recognized as "intangible assets in progress".

These costs are subsequently deducted from the share premium to be paid when share capital increase is completed.

1.2 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost (purchase price and associated transaction costs). Property, plant and equipment mainly comprise fixtures and fittings and other property, plant and equipment depreciated using the straight-line method over the assets' estimated useful lives.

Property, plant and equipment are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

When the test shows that an asset's recoverable amount is less than its carrying amount, an impairment loss is recorded. The recoverable amount of an asset is the higher of its fair value and value in use.

The initial cost of assets includes directly-related transaction costs.

1.3 Financial assets

Equity investments are reported in the balance sheet at their acquisition cost or contribution value. The initial cost of equity investments includes their acquisition cost.

- Concerning the Luxottica Group S.p.A. and Essilor International (SAS) shares, they were valued as at December 31, 2018 based on an estimate deriving from the quoted market price.
- Other investments are valued at their value in use based on the proportion value of said investments in the subsidiary equity or based on future cash flow projections.

If value in use falls below gross value, an impairment loss is recognized. Impairment is recorded under financial income.

Loans and receivables are measured at nominal value. An impairment loss is recorded to cover any risk of non-recovery.

When the company buys back its own shares, they are recognized as treasury shares at their acquisition cost under other long-term investments. An impairment loss is recorded for shares whose acquisition cost is greater than their average price for the last month of the fiscal year, except for shares repurchased for cancelation and shares covered by provisions for performance shares and stock options.

External expenses reflecting the professional fees incurred in the business combination that qualify as share issuance costs are recorded under "Other long-term financial investments". They are then reallocated to "Equity investments" upon completion of the business combination.

1.4 Receivables and payables

Receivables and payables are stated at nominal value.

Receivables are written down when their present value, estimated based on collection risk, falls below their carrying amount.

1.5 Financial instruments and foreign curency transactions

EssilorLuxottica applies the provisions of ANC Regulation No. 2015-05 on financial futures and hedging transactions.

Foreign exchange derivative instruments

The Company uses derivative instruments solely for hedging purposes. Derivative instruments are handled within predetermined management limits with the purpose of optimizing exchange rate risk hedging.

EssilorLuxottica manages an exchange rate risk position that includes all monetary assets and liabilities in foreign currencies. Gains and losses on foreign exchange derivative instruments are used to offset re-measurement at the closing rate of balance sheet positions in foreign currencies. The swap points relating to derivative financial instruments are recognized in financial income over the life of the hedging instrument.

EssilorLuxottica also uses forward to hedge future foreign currency transactions. Foreign exchange losses and gains related to these derivatives are recognized in the income statement symmetrically with the hedged items.

In principle, EssilorLuxottica uses derivative financial instruments solely for hedging purposes. In exceptional cases where derivative financial instruments do not qualify for hedge accounting, the following accounting method is used:

- the fair value of the derivatives is recorded in the balance sheet to offset an adjustment account;
- a provision is recognized for unrealized losses (unrealized gains are not recognized in the income statement);
- realized gains and losses are recognized in profit or loss.

Interest rate derivative instruments

With regard to interest rate risk, the Company's policy is to protect itself against unfavorable rate changes. To hedge interest rate risk, EssilorLuxottica uses interest rate swaps.

Financial income and expenses relating to interest rate derivatives are recognized in the income statement in the same period as the hedged item.

1.6 Pension and other post-employment benefit obligations

In accordance with ANC Recommendation no. 2013-02 of November 7, 2013 on the measurement and recognition of pension and other post-employment benefit obligations, the Company recognizes provisions for its retirement, long-service awards and other long-term benefits.

Where the benefits are payable under defined contribution plans, the contributions are expensed as incurred.

In the case of defined benefit plans, provisions are recognized based on the following actuarial assumptions:

- the projected benefit obligation, corresponding to the vested rights of the Company's current and retired employees, is determined based on estimated final salaries (projected unit credit method) and actuarial assumptions relating to the discount, inflation, staff turnover and salary increase rates;
- the discount rate corresponds to the interest rate of top-tier issuers for periods corresponding to the estimated average duration of the benefit obligation;
- when all or part of the obligation is funded by the Company contributing to an external plan, the provision is decreased by the market value of the plan assets;
- actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in profit and loss using the corridor method. This method entails amortizing in the income statement, over the expected average remaining service lives of plan participants, only the portion of the net cumulative gain or loss that exceeds 10% of the greater of the pension benefit obligation or the fair value of plan assets;
- if the Company amends an existing plan or introduces a new one and the rights under the new or amended plan are unvested, the related change in the Company's obligation is recognized in profit or loss on a straight-line basis over the expected average remaining service lives of the plan participants. If rights under the new or amended plan vest immediately, the resulting change in the Company's obligation is recognized immediately in profit or loss;
- the provision recorded in the balance sheet corresponds to the projected benefit obligation less the market value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service costs.

1.7 Income tax (tax consolidation regime)

EssilorLuxottica is the head of the consolidated tax group in France, and the only entity liable to pay corporate income tax.

Each company in the tax group calculates and recognizes income tax expense as if it were taxed separately.

Consolidated tax income or expense is included in EssilorLuxottica's financial statements.

The tax savings arising from use of the losses of tax group members, which are refundable to them by EssilorLuxottica, are recognized as a liability on the Company's balance sheet.

1.8 Recognition and measurement of provisions

Provisions for contingencies and liabilities

Provisions for contingencies and liabilities are recognized when there is an obligation towards a third party that can be measured with sufficient reliability and it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation without any benefit of at least equivalent value being expected in return.

Contingent liabilities are not recognized on the balance sheet but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Provisions for performance shares granted over the fiscal year

When a performance share plan is decided to grant existing shares, a provision is recognized. The provision is based on an estimate of the number of shares definitely granted, taking into account staff turnover and share price assumptions. The provision is calculated based on the weighted average price of treasury shares at year-end. The provision is measured at the stock market price for commitments not covered by treasury shares.

Since French accounting board (CRC) Regulation no. 2008-15 of December 4, 2008, the provision for performance shares has been allocated over the performance share vesting period, as vesting is conditional on the grantee's employment by the Company.

Since performance shares are compensation items, the related provisions are recognized as personnel expenses for those related to the company's beneficiaries. For transactions with other Group beneficiaries, a provision on the whole commitment is recorded at the grant date, and the equivalent amount is recharged to the corresponding subsidiaries. Those impacts are recorded in non-operating income and expenses.

Provisions for contingencies for subsidiaries and affiliates

An impairment loss is recognized for equity investments whose present value is less than their carrying amount. Where applicable, the provision is allocated in the following order: to securities, non-current receivables, current accounts, and the provision for contingencies. However, the latter is only recognized:

- if the legal form makes EssilorLuxottica indefinitely and jointly and severally responsible for the liability; or
- up to the amount of commitments given by EssilorLuxottica for all other legal forms.

Tax-driven provisions

Tax-driven provisions mainly reflect additional tax depreciation.

1.9 Borrowing costs

Borrowing costs may be:

- fully expensed in the year they are incurred; or
- allocated over the term of the loan.

The choice of method is made upon issuance of the debt and cannot be later changed.

Note 2 Reversals of amortization and provisions, expenses transfered

€ millions	2018	2017
Reversals of provisions for contingencies and operating expenses [a]	200	16
Operating expenses transferred [b]		150
TOTAL	**200**	**166**

(a) For fiscal year 2018, the line item "Reversals of provisions for contingencies and operating expenses" corresponds to the reversal of provisions for contingencies on performance shares for €200 million following the decision to modify the form of delivery of the 2013-2017 plans, namely to deliver new shares only (refer to Note 12.3).

(b) For fiscal year 2017, the line item "Operating expenses transferred" mainly relates to invoicing performance shares to Company subsidiaries for a total of €149 million.

Note 3 Other expenses

The item "Other expenses" mainly comprises €165 million in the reversal of unbilled revenue from group subsidiaries for costs relating to free share grant plans with performance criteria, following the decision to modify the form of delivery of the 2013-2017 plans, namely to deliver new shares only (refer to Note 12.3).

Note 4 Financial income

€ millions	2018	2017
Interest expenses	(14)	(27)
Dividends [a]	388	4
Impairment (loss) reversal	(2)	2
Currency exchange [b]	11	(7)
Other	(2)	(2)
TOTAL	**381**	**(30)**

(a) The line item "Dividends" comprises €350 million in payments by Essilor International (SAS) and €38 million by Essilor Korea Co., Ltd.

(b) The line item "Currency exchange" mainly comprises the reversal of a portion of the unrealized currency gain from the partial contribution of assets in 2017.

Note 5 Non-operating income (expense), net

€ millions	2018	2017
NON-RECURRING INCOME (EXPENSE) FROM FINANCING AND INVESTING ITEMS	**(1)**	
Other non-recurring income and expense	(1)	
PROVISION ALLOWANCES & REVERSALS AND EXPENSES TRANSFERRED	**(9)**	**44**
Tax-driven provisions & reversals of provisions [(a)]	(52)	44
Expenses transferred [(b)]	43	
TOTAL	**(10)**	**44**

(a) For fiscal year 2018, the line item "Tax-driven provisions & reversals of provision" comprises €48 million of risk provision for the performance share plan granted to the employees of group subsidiaries on November 29, 2018. This line items also includes €4 million in provisions for additional tax depreciation of share issuance costs.
For fiscal year 2017, this line item comprises the reversal of additional depreciation and amortization, which was recognized by the company to which the associated assets were contributed, and amounted to €44 million.
(b) The line item "Expenses transferred" relates to expected income from rebilling subsidiaries for the performance share plans awarded on November 29, 2018.

Note 6 Corporate income tax

6.1 Profit excluding tax assessments

€ millions	2018	2017
Profit for the year	395	9
Corporate income tax		(19)
Pre-tax profit (loss)	395	(10)
Change in tax-driven provisions	4	(44)
Pre-tax profit (loss), excluding tax assessments	399	(54)

6.2 Breakdown of corporate income tax

The breakdown of corporate income tax between ordinary and non-recurring items is the following:

2018

€ millions	Before tax	Corresponding tax	After tax
Profit from ordinary operations	405		405
Profit (loss) from non-recurring items	(10)		(10)
PROFIT			**395**

2017

€ millions	Before tax	Corresponding tax	After tax
Profit (loss) from ordinary operations	(54)	19	(35)
Profit from non-recurring items	44		44
PROFIT			**9**

6.3 Increases and reductions in future tax liabilities

Assets

No deferred tax assets were recognized in the balance sheet.

€ millions	2018	2017
Provisions for retirement obligations	1	1
TOTAL	**1**	**1**
LOSS CARRY-FORWARDS [a]	**234**	**270**
Corporate income tax (at 32.02% for fiscal year 2018 and 34.43% for fiscal year 2017)	75	93

(a) This is the cumulative loss carry-forward of the consolidated tax group. Tax savings arising from the losses of subsidiaries included in the consolidated tax scope, which may be returned to them by EssilorLuxottica, are recognized as a liability on the balance sheet. The total liability amounted to €7 million at December 31, 2018. EssilorLuxottica expects to use its loss carry-forwards.

Liabilities

No deferred tax liabilities were recognized in the balance sheet.

€ millions	2018	2017
Additional tax depreciation	4	
TOTAL	**4**	
Future tax liabilities (at 32.02% for fiscal year 2018 and 34.43% for fiscal year 2017)	1	

3

Note 7 Intangible assets

2018 *€ millions*	Carrying amount at January 1, 2018	Increases	Decreases	Other changes	Provisions for the year	Reversals for the year	Carrying amount at December 31, 2018
Other intangible fixed assets [a]	17	16		(33)			0
GROSS VALUE	**17**	**16**		**(33)**			**0**
Amortization and impairment							
NET VALUE	**17**	**16**		**(33)**			**0**

(a) The €16 million increase during the fiscal year includes external expenses relating to professional fees in connection with the mandatory public exchange offer. These costs are qualified as share issuance expenses and are recognized under 'Intangible assets in progress'.

These expenses of €33 million were subsequently deducted, net of tax, from the share premium of the share capital increase resulting from the mandatory exchange offer, for amount, net of tax, of €22 million.

2017 *€ millions*	Carrying amount at January 1, 2017	Increases	Decreases	Other changes	Provisions for the year	Reversals for the year	Carrying amount at December 31, 2017
Other intangible fixed assets [a]		17					17
GROSS VALUE		**17**					**17**
Amortization and impairment							
NET VALUE							**17**

(a) The €17 million increase during the fiscal year includes external expenses relating to professional fees in connection with the combination agreement between Essilor and Delfin. These costs are qualified as share issuance expenses and are recognized under "Intangible assets in progress".

Note 8 Financial assets

8.1 Summary

2018 *€ millions*	Carrying amount at January 1, 2018	Increases	Decreases	Other changes	Provisions for the fiscal year	Reversals for the fiscal year	Carrying amount at December 31, 2018
Equity investments [(a)]	5,589	20,384		88			26,061
Other long-term investments (treasury shares) [(b)]	112		19				93
Other long-term financial investments [(c)]	74	14		(88)			0
GROSS VALUE	**5,775**	**20,398**	**19**	**0**			**26,154**
Impairment	2					3	5
NET VALUE	**5,773**						**26,149**

(a) Increase in equity investments due to the business combination between Essilor and Luxottica during the 2018 fiscal year, which contributed €20,374 million in Luxottica Group S.p.A. shares from Delfin S.à.r.l. as well as shares from the public exchange offer.

(b) Transfer of treasury shares reserved to group employees under the international employee stock ownership plan.

(c) The €88 million in other changes during the fiscal year correspond to the reclassification of acquisition costs for equity investments after finalization of Delfin S.à.r.l.'s contribution of Luxottica Group S.p.A. shares.

2017 *€ millions*	Carrying amount at December 31, 2016	Effect of the Hive-Down	Carrying amount at January 1, 2017	Increases	Decreases	Other changes	Provisions for the fiscal year	Reversals for the fiscal year	Carrying amount at December 31, 2017
Equity investments [(a)]	4,621	(4,504)	117	5,484	12				5,589
Receivables from equity investments	2,690	(2,690)							
Other long-term investments (treasury shares) [(b)]	170	(2)	168		56				112
Other loans	3	(3)							
Other long-term financial investments [(c)]	4	(4)		74					74
GROSS VALUE	**7,488**	**(7,203)**	**285**	**5,558**	**68**				**5,775**
Impairment	137	(132)	5					2	2
NET VALUE	**7,351**	**(7,071)**	**280**						**5,773**

(a) Increases in equity investments correspond to the capital increase of Delamare Sovra (renamed Essilor International (SAS)) as consideration for the Hive-Down. Decreases in equity investments correspond to the reduction in capital of a South Korean entity for €12 million.

(b) The decrease of €56 million in other long-term investments reflects the issue of performance share during fiscal year 2017.

(c) The increase of €74 million in external costs for professional fees in connection with the business Combination between Essilor and Delfin which qualify as acquisition costs, have been recognized as "Other long-term financial investments in progress".

8.2 Subsidiaries and equity investments

Subsidiaries and equity investments held by EssilorLuxottica at December 31, 2018 (all at least a 50% interest):

€ millions	Share capital	Other equity	Carrying amount of shares held – Gross	Carrying amount of shares held – Net	Net revenue of last fiscal year	Profit for last fiscal year	Dividends received by the Company during the fiscal year
Luxottica Group S.p.A. [a]	29	2,828	20,462	20,462	2,797	475	0
Essilor International (SAS) [b]	278	6,074	5,487	5,487	929	633	350
Other international subsidiaries	103	68	112	107	139	85	38

(a) Luxottica Group S.p.A. is an Italian company and holding of the Luxottica Group. As a vertically integrated group, Luxottica designs, manufactures, distributes and retails its eyewear brands. Its best known brands are Ray-Ban, Persol, and Oakley. Luxottica employs more than 85,000 employees and owns more than 9,000 retail stores all over the world.

(b) Essilor International S.A.S. is a French-based company holding directly or indirectly the companies comprising the Essilor Group. Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. It also develops and markets equipment for prescription laboratories and instruments and services for eye care professionals. Essilor is the North American leader in non-prescription reading glasses and also sells non-prescription sunglasses. Essilor employs more than 80,000 people around the world.

3

Note 9 Current assets

9.1 Maturities of receivables

€ millions	2018
MORE THAN ONE YEAR	
LESS THAN ONE YEAR	**323**
Trade and related receivables	
Other receivables [a]	323
TOTAL	**323**

(a) The line item "Other receivables" primarily comprises a €224 million negative current account balance between EssilorLuxottica and Essilor International (SAS), tax receivables of €63 million and the hedging position described in Note 14.1.

9.2 Accrued income

€ millions	2018	2017
Receivables:		
• Unbilled revenue (trade receivables)		1
• Other receivables [a]	43	16
TOTAL	**43**	**17**

(a) For fiscal year 2018, the line item "Other receivables" comprises income from rebilling the cost of the performance share plans awarded on November 29, 2018. For fiscal year 2017, the line item "Other receivables" comprises one receivable from the State, following the claim for the refund of the 3% levy on dividends paid.

Note 10 Prepaid expenses

€ millions	2018	2017
Prepaid expenses:		
• Operating income	3	
• Financial income	2	3
TOTAL	**5**	**3**

Note 11 Foreign currency translation adjustments

€ millions	2018	2017
Foreign currency translation adjustment – unrealized currency gain [(a)]	69	80
TOTAL	**69**	**80**

(a) The partial asset contribution in 2017 generated an €80 million unrealized currency gain, which was partially reversed in 2018 in the amount of €11 million.

Note 12 Shareholders' equity

12.1 Changes in share capital

	Number of shares					Par value
	At January 1, 2018	Issued	Cancelled	Exchanged	At December 31, 2018	
Ordinary shares	219,125,439	207,651,779			426,777,218	0.18
TOTAL	**219,125,439**	**207,651,779**			**426,777,218**	**0.18**

Of which treasury shares

	Number of shares			
	At January 1, 2018	Group employee stock transfer plan	Performance shares vested	At December 31, 2018
Other long-term investments	1,344,427	(237,073)	(7,597)	1,099,757
TOTAL	**1,344,427**	**(237,073)**	**(7,597)**	**1,099,757**

12.2 Statement of changes in shareholders' equity

€ millions	Share capital	Additional paid-in capital	Reserves and retained earnings	Profit (loss) for the year	Tax-driven provisions	Share-holders' equity
SHAREHOLDERS' EQUITY AT JANUARY 1, 2018	**39**	**635**	**2,883**	**9**		**3,566**
Capital increases:						
• Contribution of Luxottica shares	37	20,337				20,374
• Allocation of public exchange offer expenses against share premium		(22)				(22)
• Stock options	0	2				2
• Performance share plans	1		(1)			
• FCP mutual funds	0	26				26
Other changes in the fiscal year					4	4
Profit appropriation			9	(9)		
Dividends paid			(333)			(333)
Profit for the fiscal year				395		395
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**77**	**20,978**	**2,558**	**395**	**4**	**24,012**

2018

Share capital amounted to €76,819,899 reflecting an increase of 207,651,779 ordinary shares as a result of:

- transactions relating to the Essilor-Luxottica business combination:
  - issue of 139,703,301 shares and recognition of a €13,149 million share premium as consideration for the contribution of Luxottica Group S.p.A. shares by Delfin S.à.r.l.,
  - issue of 66,329,548 shares and recognition of a €7,188 million share premium relating to the public exchange offer. €22 million of the related net share issuance expenses were deducted from the share premium;
- transactions from stock option plans, performance share plans and employee share ownership plans:
  - stock options (32,665 shares),
  - delivery of new shares for performance share plans (1,308,339 shares),
  - subscriptions to Essilor group FCP mutual funds (277,926 shares).

Cash dividends paid to shareholders amounted to €333 million.

2017

Share capital amounted to €39,442,579, reflecting an increase of 617,738 ordinary shares as a result of:

- stock options (130,548 shares);
- stock purchase plan for Essilor group employees (173,629 shares);
- subscriptions to Essilor group FCP mutual funds (313,561 shares),

The new shares started bearing dividend rights as of January 1, 2017.

Cash dividends paid to shareholders amounted to €324 million.

12.3 Stock options, performance shares and employee share issuance

Stock options

The exercise price of stock options is based on the average share price quoted over 20 trading days preceding the date of the Board Meeting at which the decision is taken to grant the options. Gains on stock options granted from 2004 onwards (corresponding to the difference between the average share price during the three calendar months prior to the month when the option is exercised and the exercise price) are capped at 100% of the exercise price.

Stock options are subject to performance conditions based on the share price over a period of two to six years after the grant date, as well as the 100% cap on gains.

The following table shows changes in the number of outstanding stock options at year-end:

	Number of stock options at January 1, 2018	Stock options exercised	Stock options cancelled or expired	Options granted	Number of stock options at December 31, 2018
Stock options	437,372	(32,665)	(46,992)	133,203	490,918
TOTAL	**437,372**	**(32,665)**	**(46,992)**	**133,203**	**490,918**

Performance shares

The Company has granted performance-based bonus shares.

For Plans from November 2010 to November 2014, or from September 2017 onward, the number of fully vested shares, two to six years after the grant date, ranges from 0%-100% of the number of shares originally granted. The number depends on changes in EssilorLuxottica's share price during the period compared with the benchmark price at the grant date (corresponding to the average price quoted over the 20 trading days preceding the Board Meeting at which the grant was decided).

Following the signature of the Combination Agreement with Luxottica, and after approval by the Shareholders' General Meeting on May 11, 2017, the Company modified the vesting rights relating to share-based payments granted in 2015 and 2016 in order to:

- cancel the market performance criteria for all employees, with the exception of two executive officers as at December 31, 2017; and
- replace the market performance criteria by other criteria for the two executive officers.

During the fiscal year, the Company Board of Directors moved to modify the delivery of performance share plans, which are now delivered by issuing new shares. The plans concerned are those that were open as at December 31, 2017 as well as the plan awarded on May 23, 2018. The impact of this decision is a net gain of €35 million corresponding to the reversal of the €200 million provision and the reversal of unbilled revenue from group subsidiaries as at December 31, 2017 amounting to €165 million in plan-related expenses.

In accordance with the decision of the Extraordinary Shareholders' Meeting of November 29, 2018, the new performance share plans issued from that date onward concern the vesting of existing shares.

The maximum number of performance shares that would vest assuming that share performance conditions were met is as follows:

- 2018 awards: 1,975,680 shares;
- 2017 awards: 1,572,419 shares;
- 2016 awards: 1,440,063 shares;
- 2015 awards: 1,343,153 shares.

The following table shows changes in the number of outstanding performance shares over the fiscal year:

	Number of performance shares at January 1, 2018	Fully vested performance shares	Performance shares cancelled	Performance shares granted in the period	Number of performance shares at December 31, 2018
Performance shares	5,084,367	(1,315,936)	(233,726)	1,975,680	5,510,385
TOTAL	**5,084,367**	**(1,315,936)**	**(233,726)**	**1,975,680**	**5,510,385**

Employee stock purchase plan

The main characteristics of the Essilor group employee stock purchase plan are as follows:

In €	2018	2017
Share subscription price	93.39	85.71
Total discount amount	23.35	17.14
Number of shares subscribed	277,926	313,561

Note 13 Provisions

2018 *€ millions*	Carrying amount at January 1, 2018	Provision allowances for the fiscal year	Reversals for the fiscal year (used)	Reversals for the fiscal year (not used)	Carrying amount at December 31, 2018
Provisions for pensions	1				1
Provisions for performance shares [(a)]	200	48		200	48
TOTAL	**201**	**48**		**200**	**49**

(a) The provision for risk related to performance shares as at December 31, 2017 was wholly reversed for 2018 fiscal year following the decision to change the form of delivery for plans open at December 31, 2017.

2017 *€ millions*	Carrying amount at January 1, 2017	Provision allowances for the fiscal year	Reversals for the fiscal year (used)	Reversals for the fiscal year (not used)	Carrying amount at December 31, 2017
Provisions for pensions	14	3	16		1
Provisions for performance shares [(a)]	81	175	56		200
TOTAL	**95**	**178**	**72**		**201**

(a) The change in the provision for risk relating to performance shares takes into account the change in vesting rights to share-based payments, following the signature of the Combination Agreement with Luxottica Group S.p.A. and after approval by the Shareholders' General Meeting on May 11, 2017.

Note 14 Financial liabilities

14.1 Cash instruments

2018 *€ millions*	**2018**
Hedging instruments ("other receivables") [a]	(14)
TOTAL	**(14)**

(a) This line item corresponds to the reassessment of the hedging instruments put in place to hedge the foreign exchange risk associated with the Company's US dollar denominated debt. The reclassification from "financial liabilities" to "other receivables" is related to the appreciation of the Euro against the US dollar between December 31, 2017 and December 31, 2018.

2017 *€ millions*	**2017**
Hedging instruments ("financial liabilities")	28
TOTAL	**28**

14.2 Maturities of financial liabilities

Breakdown of financial liabilities by maturity and category

€ millions	**2018**	**2017**
DUE IN LESS THAN ONE YEAR	**448**	**153**
US private placements [a]	205	104
Interest on bonds and US private placements [a]	20	20
US commercial paper programs	222	
Other financial liabilities	1	29
DUE BETWEEN ONE AND FIVE YEARS	**1,081**	**1,308**
US private placements [a]	319	558
Bonds [a]	762	750
DUE IN MORE THAN FIVE YEARS	**387**	**325**
US private placements [a]	87	25
Bonds [a]	300	300
TOTAL	**1,916**	**1,786**

(a) Corresponds to the balance sheet line item "Other bonds" amounting to €1,693 million.

Breakdown of financial liabilities by currency

€ millions	**2018**	**2017**
EUR	812	840
USD	1,104	946
TOTAL	**1,916**	**1,786**

Covenants

The Company's finding arrangements are not subject to specific financial covenants. Only the US private placements of USD 100 and USD 300 million issued in 2012 and 2013 have a specific financial ratio requirement, which was maintained at December 31, 2018.

14.3 Maturities of other liabilities

Breakdown of operating liabilities and other liabilities by maturity and category

€ millions	2018	2017
DUE IN LESS THAN ONE YEAR	**491**	**449**
Operating liabilities	13	3
Other liabilities [(a)]	478	446
DUE IN ONE TO FIVE YEARS		
DUE IN MORE THAN FIVE YEARS		
TOTAL	**491**	**449**

(a) The line item "Other liabilities" primarily comprises a €378 million current account balance between EssilorLuxottica and Essilor International (SAS).

14.4 Accrued expenses

€ millions	2018	2017
Accrued interest on borrowings	20	20
Accrued taxes and personnel expenses	2	1
Other operating liabilities	44	52
TOTAL	**66**	**73**

Note 15 Off balance sheet commitments

15.1 Financial commitments

Confirmed undrawn credit lines at December 31, 2018 amounted to €2,290 million.

In connection with the public tender offer and squeeze-out, EssilorLuxottica set up a bridge loan of €3,200 million on October 30, 2018 with a six-month term, renewable two times. The credit facility had not been used at December 31, 2018.

Foreign exchange instruments

The Company uses cross currency swaps (CCS) to hedge its exposure to transactions denominated in USD. The derivative instruments were entered into with Essilor International (SAS) to balance the USD positions.

At December 31, 2018, forward foreign exchange contracts were as follows:

€ millions	Contract amount (initial price)	Market value at December 31, 2018
Cross currency swaps (Buy USD / Sell EUR)	859	6
Foreign currency forward purchases	1	0
TOTAL	**860**	**6**

Interest rate instruments

In millions of currency units	Notional in USD	Notional in EUR	Market value at December 31, 2018 *(€)*
Interest rate swaps – pay variable rate	300	300	17
TOTAL	**300**	**300**	**17**

These instruments are used to hedge the fixed rate debt held by EssilorLuxottica.

15.2 Finance lease commitments

There are no commitments regarding finance leases.

15.3 Future payment commitments

Contractual obligations 2018

	Payments due by period			
€ millions	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Operating leases	1	6	6	13
TOTAL	**1**	**6**	**6**	**13**

15.4 Commitments relating to put options written on non-controlling interests

On December 12, 2018, in accordance with Italian stock exchange regulations, EssilorLuxottica launched a public tender offer to purchase all outstanding shares of Luxottica Group S.p.A., representing 6.70% of share capital. According to the tender arrangements, the shares were paid for either in cash or in newly-issued EssilorLuxottica shares.

The offer ended on January 18, 2019. The outcome is presented in Note 18 – Subsequent events.

3

Note 16 Information on employees

16.1 Pension and other post-employment benefit obligations

Supplementary pension plan

The actuarial assumptions used for fiscal year 2018 were the inflation rate (1.8%), staff turnover rate, salary increase rate (between 1.8% and 4%) and the discount rate (1.75%).

The total benefit obligation was estimated at €20 million.

€ millions	**2018**	**2017**
Present value of the obligation	20	16
Market value of fund assets	(16)	(16)
Deferred items [(a)]	(7)	
PROVISION (ASSETS) RECOGNIZED IN THE BALANCE SHEET	**(3)**	

(a) Deferred items include actuarial gains or losses. The asset is classified under prepaid expenses on the balance sheet.

Lump sum payment on retirement

Benefit obligations relating to lump sum payments on retirement amounted to €1 million at December 31, 2018. They were estimated using a retrospective approach, based on a 1.75% discount rate.

€ millions	**2018**	**2017**
Present value of the obligation	1	1
PROVISION RECOGNIZED IN THE BALANCE SHEET	**1**	**1**

Expense for the fiscal year

€ millions	2018	2017
Current service cost		
Interest on benefit obligation		
Contributions paid		
Benefits paid		
Actuarial (gains) losses	(3)	
EXPENSE FOR THE FISCAL YEAR	**(3)**	

16.2 Average number of employees

Breakdown of average number of employees	2018	2017
Managerial personnel	9	
Supervisors and employees	1	
TOTAL	**10**	

16.3 Compensation of executive officers

€ millions	2018	2017
Executive bodies [(a)]		
Compensation received [(b)]	2	2
Benefit payable on retirement (actuarial value)	1	1
Supplementary retirement benefit (actuarial value)	15	18
Value of performance shares granted during the year [(c)]	1	4
ADMINISTRATIVE BODIES		
Compensation received	1	1

(a) Comprising executive officers.

(b) Compensation paid by EssilorLuxottica or all other consolidated subsidiaries.

(c) The amounts indicated are the fair value carrying amounts of the performance shares in accordance with IFRS. They are not the actual amounts that may be generated upon acquisition of the shares, if fully vested. Share grants are subject to employment and performance conditions.

Note 17 Related party transactions

During the fiscal year, there were no related party transactions, within the meaning of Article R.123-198 11 of the French Commercial Code, involving significant amounts or which were not conducted at arm's length.

Note 18 Subsequent events

Completion of the tender offer and squeeze-out procedure

The tender offer to purchase all outstanding Luxottica Group S.p.A. shares, representing 6.70% of share capital, ended on January 18, 2019. According to the tender arrangements, the shares were paid for either in cash or newly-issued EssilorLuxottica shares, representing €322.7 million in cash and 6,602,682 newly-issued shares. As a result, EssilorLuxottica held a 97.54% stake in Luxottica Group S.p.A.

In accordance with Italian stock market regulations, the tender offer was followed by a squeeze-out, which was mandatory as EssilorLuxottica held more than 95% of Luxottica Group S.p.A. shares. Consequently, EssilorLuxottica purchased all Luxottica Group S.p.A. shares under the same conditions as those applicable for the mandatory exchange offer. The remaining shares were paid for either in cash or newly-issued EssilorLuxottica shares, representing €318.5 million in cash and 2,656,542 newly issued shares.

When the squeeze-out is completed on March 5, 2019 EssilorLuxottica holds 100% of Luxottica Group S.p.A. shares, and the shares have been delisted from the Electronic Stock Market (*Mercato Telematico Azionario*) managed by Borsa Italiana S.p.A.

To guarantee the cash payment of shares purchased under the tender offer and squeeze-out, first-demand guarantees were given by the consortium of four banks with which EssilorLuxottica set up the bridge loan of €3,200 million, with a six-month term renewable two times, effective as of October 30, 2018. The first-demand guarantees and the bridge loan became obsolete after the expiration of the tender offer.

3.11 Other information related to the financial statement of EssilorLuxottica

3.11.1 Sumptuary expenses

Absence of sumptuary expenses.

3.11.2 Accounts payable and receivables payment term

As per article L.441-6-1 dated March 20, 2017 of the French Commercial Code, the following schedule provides details on invoices received not paid as at the ending date of the fiscal year, and which are overdue:

	Invoices ***received*** not paid as at the ending date of the fiscal year, and which are overdue					
En millions d'euros	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) RANGES OF PAYMENT DELAY						
Number of invoices concerned	41	25	43	23	55	146
Total amount of invoices concerned (tax excluded)	29	2	1	2	2	6
Percentage of total amount of purchases of FY (tax excluded)	44.3%	2.9%	1.2%	2.3%	2.8%	9.2%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DEBTS AND CLAIMS IN DISPUTE OR NOT RECORDED						
Number of excluded invoices	-	-	-	-	-	-
Total amount of excluded invoices	-	-	-	-	-	-
(C) STANDARD PAYMENT PERIOD USED (CONVENTIONAL OR LEGAL – ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)						
Standard payment period used to calculate payment delays	Conventional period and legal period					

3.11.3 Profit (and other characteristic items) of the last five fiscal years

Share capital at year-end *€ millions*	**2018**	**2017 (1)**	**2016**	**2015**	**2014**
Share capital	77	39	39	39	39
Number of ordinary shares outstanding	426,777,218	219,125,439	218,507,701	216,456,440	215,892,528
On which treasury shares	1,099,757	1,344,427	2,046,140	2,860,098	3,959,921

Transactions and results of the year *€ millions*	**2018 (1)**	**2017 (1)**	**2016**	**2015**	**2014**
Net revenue			888	897	830
Profit before tax and calculated expenses (amortization and provisions)	195	50	722	664	750
Corporate income tax	0	(19)	66	22	(0)
Profit after tax and calculated expenses (depreciation, amortization and provisions)	395	9	586	587	694
Dividends	887 (a)	333	237	216	216

(a) Including the proportion of distributable reserves and subject to the decision of Shareholders at their Annual General Meeting on May 16, 2019.

Earnings per share *In €*	**2018 (1)**	**2017 (1)**	**2016**	**2015**	**2014**
Earnings per share, after tax and employee profit-sharing, but before calculated expenses (depreciation, amortization and provisions), excluding treasury stock	0.45	0.32	3.03	3.01	3.54
Earnings per share, after tax and employee profit-sharing, calculated expenses (depreciation, amortization and provisions), excluding treasury stock	0.90	0.04	2.71	2.75	3.27
Net dividend per ordinary share	2.04 (a)	1.53	1.50	1.11	1.02

(a) Subject to the decision of Shareholders at their Annual General Meeting on May 16, 2019.

Personnel *€ millions, except for average number of employees*	**2018 (1)**	**2017 (1)**	**2016**	**2015**	**2014**
Average number of employees in the year	10		3,024	3,159	3,305
Total payroll	4	1	172	176	176
Total employee benefits	(2)	1	104	108	100

(1) The Hive-Down agreed on November 1, 2017 between Essilor and Delamare Sovra, which is retroactively effective as of January 1, 2017, limits the comparability of current and prior year financial statements.

3.12 Statutory Auditors' report on the financial statements

Year ended December 31, 2018

This is a free translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Annual General Meeting of EssilorLuxottica,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of EssilorLuxottica for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics *(Code de déontologie)* for Statutory Auditors.

Emphasis of matter

We draw attention to the matter described in the Note "Significant events of the fiscal year" to the financial statements relating to the Essilor Luxottica combination. Our opinion is not modified in respect of this matter.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Combination between Essilor and Luxottica

Risk identified

As described in the Note "Significant events of the fiscal year" to the financial statements, Delfin S.à.r.l ("Delfin") contributed, on October 1, 2018, its 62.42% stake in Luxottica Group S.p.A ("Luxottica") to Essilor International (Compagnie Générale d'Optique) which became the parent company of Luxottica and was renamed EssilorLuxottica.

Subsequently EssilorLuxottica launched a mandatory exchange offer for the remaining outstanding Luxottica shares. Upon completion of this exchange offer, which closed on November 28, 2018, EssilorLuxottica's stake in the share capital of Luxottica amounted to 93.30%.

As a result of both the Delfin's contribution and the mandatory exchange offer, EssilorLuxottica acquired Luxottica shares for a total consideration of €20.4 billion (€20,5 billion including acquisition costs) and its shareholders' equity increased by €20.4 billion.

On December 12, 2018, EssilorLuxottica launched a public tender offer to acquire the remaining outstanding Luxottica shares. The offer ended on January 18, 2019. Following this operation, EssilorLuxottica's stake in the share capital of Luxottica increased to 97.54%.

Due to the complexity of these operations and their significant impact on the financial statements, we have considered the accounting treatment of the combination between Essilor and Luxottica as a key audit matter.

Our response

Our procedures primarily consisted in:

- assessing the accounting treatment of the acquisition of the Luxottica shares and the related issuances of EssilorLuxottica new shares to Delfin and the other Luxottica shareholders who tendered their shares during the mandatory exchange offer;
- verifying the valuation of the shares exchanged following the contribution made by Delfin and the mandatory exchange offer;
- assessing the legal and tax treatment of these operations;
- ensuring that the notes to the financial statements fairly present the impact of the combination and its impact on the financial statements (in particular Note 8. Financial assets, Note 12. Shareholders' equity and Note 18. Subsequent events).

Valuation of investment in subsidiaries

Risk identified

As at December 31, 2018, net equity investments amount to €26.1 billion and represent circa 98% of EssilorLuxottica total assets. Equity investments are initially valued and recorded at their acquisition cost or contribution value.

As at December 31, 2018, the Luxottica Group S.p.A. and Essilor International (SAS) investments value (which accounts for 99.6% of the Equity investments) was derived from quoted share prices. If the latter valuation had been lower than the carrying amount, an impairment loss would have been recognized.

Given the weight of equity investments in the balance sheet and the judgment involved in the valuation methodology and the key assumptions used, we considered the determination of the carrying amount of equity investments to be a key audit matter.

Our response

Our procedures primarily consisted in:

- assessing the methodology used by management to determine the 2018 year-end value of equity investments;
- verifying the valuation derived from quoted share price for the Luxottica Group S.p.A. and Essilor International (SAS) investments;
- verifying the estimate of the value in use of the other investments, based on the share of net equity of these investments ;
- verifying the appropriateness of the information included in notes 1.3 Accounting policies – Financial assets and Note 8. Financial assets to the financial statements.

3

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to the deadlines mentioned in Article D.441-4 of the French Commercial Code *(Code de commerce)*.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code *(Code de commerce)*.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code *(Code de commerce)*, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Essilor International (Compagnie Générale d'Optique), subsequently renamed EssilorLuxottica by the Annual General Meeting held on June 14, 1983 for PricewaterhouseCoopers Audit and on May 11, 2007 for Mazars.

As at December 31, 2018, PricewaterhouseCoopers Audit was in its thirty-sixth year of uninterrupted engagement and Mazars in its twelfth year of uninterrupted engagement.

Responsibilities of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risk Committee

We submit to the Audit and Risk Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding to the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-Sur-Seine and Paris-La Défense, March 29, 2019

The Statutory Auditors

French original signed by

PRICEWATERHOUSECOOPERS AUDIT		MAZARS	
Olivier Lotz	Cédric Le Gal	Daniel Escudeiro	Jean-Luc Barlet


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CHAPTER

4

SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

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FOREWORD

At EssilorLuxottica, our mission is to help people See more, Be more and Live life to its fullest. It is this Mission that drives our strategy, defines who we are and what we do. We believe that being a global leader is about more than just successfully designing, manufacturing and distributing highest quality products. It's about leveraging our sphere of influence to make a positive impact in people's lives, in society as a whole and bring good vision to everyone everywhere in the world.

While our combined Company was born less than a year ago, ours has been a long-standing commitment towards sustainable development, with both Essilor and Luxottica having a rich history of sustainability in action, and a shared commitment to putting ethics and responsibility at the heart of everything we do.

Over the years, the commitment we share has won both companies various prestigious accolades, some of which we have in common: Essilor and Luxottica's inclusion in the FTSE4Good global index, which recognizes companies that demonstrate strong environmental, social and governance practices; and both companies' ranking in Forbes' list of the world's 100 "Most Innovative Companies" – testament to each's ability to constantly find new ways of solving the challenges we, and the world, are facing.

Four sustainability pillars are guiding EssilorLuxottica today in our efforts to create value in the communities where we do business around the globe: people – by developing a culture of learning, diversity and safety among our 150,000 employees; environment – by looking to optimize our use of natural resources across the value chain; society – through our direct relationship with suppliers and consumers around the world; and governance – by maintaining the most ethical business practices and being a role model for the industry.

Through our Group Mission, and building on the outstanding progress achieved by our two founding companies in this area, EssilorLuxottica will continue to contribute to the United Nations' Sustainable Development Goals, which today form the global agenda for the development of our societies. As part of this effort, we are in the process of defining our global sustainability roadmap, to ensure that we act in compliance with our core values, principles and sustainability-related regulations and that we maintain a regular and pro-active dialogue with all our stakeholders so that we can continuously respond to their needs and expectations.

We are pleased to share here an overview of EssilorLuxottica's sustainable development approach, as well as a first review of steps taken in 2018. We look forward to reporting more progress in the years to come.

Leonardo Del Vecchio
Executive Chairman

Hubert Sagnières
Executive Vice-Chairman

This Chapter 4 is constructed and integrated based on the information disclosed in the respective non-financial statements of Essilor and Luxottica, of which both are audited by PricewaterhouseCoopers, an independent third-party organization.

4.1 2018 Non-financial statement of EssilorLuxottica

4.1.1 EssilorLuxottica's approach to Sustainable Development

Company Overview

EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed in 2018, the Company brings together the complementary expertise of two industry pioneers, one in advanced lens technologies and the other in the craftsmanship of iconic eyewear, to create a vertically-integrated business that is uniquely positioned to address the world's evolving vision needs and the global demand of a growing eyewear industry. Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux® and Transitions®, and world-class retail brands including Sunglass Hut and LensCrafters are part of the EssilorLuxottica family.

For more details on EssilorLuxottica's business model and strategic vision, see Chapter 1 of this document.

Mission

The mission of EssilorLuxottica is to help people see more, be more and live life to its fullest. The Company's groundbreaking products correct, protect and frame the beauty of the most precious sensory organ: our eyes. By combining the expertise in lens technology and eyewear manufacturing, a portfolio of brands that consumers love and global distribution capabilities, EssilorLuxottica enables people everywhere to learn, to work, to express themselves and to fulfill their potential.

Lack of awareness and access have led to a global vision crisis with severe social and economic consequences for billions of people. EssilorLuxottica exists to give vision a louder voice and respond to the world's growing vision needs. The Group achieves this by meeting the changing lifestyles and tastes of its consumers and inventing new ways to reach the 2.5 billion people who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays.

The Company will be a powerful advocate for the vision cause, a passionate campaigner for greater awareness, and a pioneering eyewear innovator with solutions and styles that bring ever greater improvements so that everybody, everywhere can enjoy the life-changing benefits of good vision.

Powering sight

80% of what we learn is processed through our eyes. But one out of three people around the world still does not have the vision care they need, and billions more are at risk of deteriorating vision. Beyond essential vision correction, EssilorLuxottica seeks to respond to the vast need for vision protection from harmful UV rays and blue light.

Thanks to its portfolio of lens technologies combined with some of the world's most loved eyewear brands, EssilorLuxottica is uniquely positioned to make wearing eyeglasses and sunglasses both a desirable and life-improving experience.

The Company acts on many levels to elevate awareness on the importance of vision correction and vision protection, educating policy makers and consumers with dedicated campaigns but also supporting expert-to-expert knowledge sharing on vision science and patient needs.

EssilorLuxottica supports the Vision Impact Institute™ whose mission is to make good vision a global priority, developing and scaling up inclusive business models. The Company also supports several other non-profit organizations such as OneSight and the Essilor Vision Foundation™ whose focus is on providing free eye exams and eyeglasses to the people most in need.

Powering style

Combining the best in advanced lens technology with beautifully crafted and branded frames turns a necessary device that improves vision into an accessory that not only fits comfortably in form and function, but also serves as a true expression of personal style. Eyewear is one of the most visible of all fashion accessories and has become part of our cultural fabric. From the moment frame meets face, there is a sense of authenticity, creativity and confidence that consumers have come to love.

Because of the power they wield, we see each pair of frames as a little work of art, from its first sketches to the final handcrafted details. Within every frame lies the passion, skill and commitment of our people who pour their hearts into making the best eyewear possible.

Sustainability

EssilorLuxottica brings together both Essilor and Luxottica's long history of sustainable development in action and creates a shared value to all its stakeholders. Indeed, its business model requires and relies on natural, human and financial resources.

The Group believes business has a significant role to play in solving the main challenges which the world is facing today. With a mission to help people see more, be more and live life to its fullest, EssilorLuxottica naturally pledges to contribute to the UN Sustainable Development Goals which form the new global agenda for the development of our societies.

Four fundamental sustainability pillars support the Company's mission and guide us in our efforts to create value in the communities where we do business around the world.

- people: the Group's employees are the leading players in and contributors to EssilorLuxottica sustainable development. The Company seeks to develop a culture of learning, diversity and safety among its employees. See Section 4.1.3.1;
- environment: EssilorLuxottica strives to reduce its environmental impact and is committed to optimizing the use of natural resources across the value chain, from manufacturing to distribution. See Section 4.1.3.2;
- society: the Company through its powerful mission has an ambition to help everyone in the world see well and thereby contribute to the socio economic growth of individuals and societies. In addition, having a direct relationship with many stakeholders around the world, EssilorLuxottica asks its suppliers and customers to respect a common set of working principles. See Section 4.1.3.3;
- governance: the Group is deeply committed to maintaining the most ethical business practices and to being a role model for the industry. See Section 4.1.3.4.

EssilorLuxottica has chosen strong governance and management support to drive social, environmental, societal and corporate governance initiatives.

4.1.2 Management of Sustainable Development

4.1.2.1 EssilorLuxottica CSR Committee and sustainability team

The EssilorLuxottica Corporate Social Responsibility (CSR) Committee consists of four members, two of which are independent Directors. Its members are Jeanette Wong (Chairwoman), Giovanni Giallombardo, Hubert Sagnières and Cristina Scocchia.

The main duty of the CSR Committee, within the remit of the Board of Directors, is to ensure that the Group effectively addresses the deployment of the Group Mission which is fully integrated in the strategy. Accordingly, the Company exists to give vision a voice and to respond to the world's growing vision needs by meeting the changing lifestyles of existing consumers and inventing new ways to reach the 2.5 billion people who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays.

The CSR Committee's duties go beyond philanthropy, inclusive business and compliance to address the manner the Company manages its economic, social and environmental impacts as well as its relationships with stakeholders including customers, shareholders, suppliers, employees, associations, government authorities, institutions, multilateral agencies, ratings agencies, consumers and media. The CSR program is anchored in the common principles and values of the Group that form the basis of the corporate culture and are shared across EssilorLuxottica. For example, they are reflected in the way the Group works as a community of entrepreneurs, in the importance given by the Group to employee shareholding as well as in the emphasis put on vision correction and protection as enablers that allow people to learn and work to the best of their ability and to fully interact with the world around them.

The Committee shall notably be responsible under the authority of the Board of Directors for:

- sustainable development matters, including notably climate change, environmental policies and management systems, human rights, social impact, safety & well-being, diversity & inclusion, sustainability reporting & disclosure;
- ethics & compliance matters, including notably core values, principles, sustainability related regulations.

The CSR Committee also coordinates its works with the Audit and Risk Committee and the Strategy Committee for all matters related to the CSR Committee's areas of intervention.

For more details on EssilorLuxottica's CSR Committee, see Chapter 2 of this document.

Operationally, in support of the initial steps of the EssilorLuxottica sustainability program, a temporary taskforce has been set up comprised of both the sustainability teams of Essilor and Luxottica, under supervision of a steering committee co-led by the Chief Mission Officer of Essilor and the Investor Relations & Corporate Communications Director of Luxottica.

This operational organization is aimed to:

- guarantee compliance to non-financial disclosure and other major sustainability-related regulations;
- ensure that the progress of sustainability programs at both companies are consistent with EssilorLuxottica's Mission and values;
- facilitate dialogue and engagement of different corporate functions for supporting the initial joint sustainability-related initiatives;
- lay the foundation for next years sustainability roadmap.

4.1.2.2 Organization and shared standards of non-financial reporting

Non-financial reporting provides a tool to help the Group understand its status and progress on sustainability priorities and its associated impacts. It is also an opportunity to provide stakeholders with a complete and consistent overview of the Group's environmental, social and societal performance.

As a French listed company, EssilorLuxottica is taking European Directive no. 2014/95 (transposed into French law in August 2017, decree no. 2017-1265) as reference on its non-financial statement.

(i) Organization of reporting

As EssilorLuxottica was formed on October 1, 2018, all the information disclosed in this chapter is based on the combination of data collected and consolidated through the respective reporting organization of the two companies.

Despite the limitation of consistency in definition, scope and methodology, this first consolidation will provide a general overview of the social and environmental impact of the Group and build the first baseline of the Group's sustainability performance.

Sustainability reporting organization at Essilor

Essilor started to disclose its non-financial information in 2002, in accordance with the French NRE law of May 2001 and later, with the Article 225 of the French Grenelle 2 law in 2012. With the evolution in regulation, Essilor is now following the EU Directive no. 2014/95 transposed in French law in August 2017. Once a year, it collects non-financial data using a software application named "Sustain" that replicates the structure of Essilor's unified financial reporting system. "Sustain" has similar procedures for consolidating financial information, which helps the alignment between non-financial reporting and financial reporting. A specific protocol and glossary outlining the non-financial indicators and their definitions is shared with all contributors of the sustainability reporting. The reporting glossary is available in five languages: English, French, Chinese, Spanish and Portuguese. The indicators and the glossary are reviewed and updated every year according to changes of reporting standards, stakeholders' expectations and feedback on the previous reporting campaign. In 2018, a set of new indicators were added on human rights, climate change and supplier sustainability. A network of contributors across all entities of Essilor from a range of disciplines (human resources, environment-health-safety, procurement, etc.) reports information, which is reviewed by the Finance departments of each entity then checked and consolidated by Essilor's Sustainable Development Department.

Sustainability reporting organization at Luxottica

Luxottica began to disclose its non-financial performance and achievements in 2017 with the launch of the Sustainability section on www.luxottica.com. This section shared the Company's philosophy around sustainable business for the first time with customers, investors, employees and other stakeholders. This paved the way for Luxottica's first consolidated non-financial statement, prepared in accordance with Italian Legislative Decree 254/2016 (which implemented European Directive 2014/95/EU on the disclosure of non-financial information and information on diversity within administrative, management and supervisory bodies).

Also for this 2018 statement, Luxottica collected data purposefully and thoughtfully through a highly collaborative process managed centrally by its Investor Relations and Sustainability team. Quantitative and qualitative inputs were submitted by 15 different departments ranging from Operations to Finance to Human Resources in accordance with the GRI Standards framework. To do so, the Company used a combination of internal IT platforms, data collection spreadsheets and emails for CSR information gathering. At corporate level, the Investor Relations and Sustainability team formalized the sustainability data gathering, traceability and validation processes for the most critical sets of data, calculated KPIs and then outlined challenges to be tackled in the following year's non-financial reporting campaign. In 2018, Luxottica has further improved the organization of its non-financial reporting in order to expand the scope of the environmental indicators and include those indicators that were omitted in the 2017 non-financial statement.

(ii) Scope & standards of reporting

The reference scope of non-financial reporting is all entities and subsidiaries that are within the Group financial consolidation scope.

The coverage rate for each indicator varies and is specified in the disclosure of each indicator in Essilor and Luxottica's non-financial statements.

(iii) Reporting standards

EssilorLuxottica follows the guidelines of the Global Reporting Initiative (GRI) Standards and takes into consideration the global agenda of United Nations Sustainable Development Goals (SDGs). For indicators on GHG emissions, the Group follows the GHG Protocol.

For certain specific CSR topics (*e.g.* health and safety indicators), the information reported are those that the Group analyzes and monitors in the normal course of its business using company-specific KPIs and definitions of both Essilor and Luxottica entities.

The Group will continue to strengthen and synthesize the reporting protocol and glossary according to different reporting standards.

(iv) First set of common indicators

Both Essilor and Luxottica have their set of indicators to manage and measure the effectiveness of sustainable development initiatives.

This year, to start the aggregation of non-financial data, a first set of common indicators have been identified to get a basic overview of the Group's impacts. The common indicators include: workforce and breakdown, employee training, employee health and safety, energy and water consumption, GHG emissions and waste management.

EssilorLuxottica will continue to identify meaningful KPIs and start structuring a global reporting organization and IT infrastructure in the coming year.

The information presented in this chapter has been reviewed by PwC, an independent third-party organization, in accordance with the regulations resulting from European Directive no. 2014/95. See in Section 4.1.5 of this document the Report of the Independent Third-Party Organization for further details.

4.1.2.3 CSR Risk management

Risk is an integral part of doing business and can be defined as any uncertain event that could threaten the achievement of business objectives and strategies or the Group's tangible and intangible assets.

EssilorLuxottica faces an evolving landscape of environmental, social and governance related risks, also called CSR or Sustainability risks, that can impact its profitability, growth and reputation. Both companies are risk averse towards events that could negatively affect the safety or well-being of employees, consumers and other stakeholders.

CSR risk management is within both Essilor and Luxottica's existing risk management systems, of which the scoring is independent from the Group risk assessment. As part of their commitment to mitigate environmental and social risks, both companies conducted a CSR risk assessment in 2018. The outcomes of the two assessments are available in the CSR risk section of the respective non-financial statements.

In spite of the different evaluation methodologies, risk definitions and scoring methods that have been used, a preliminary analysis of the respective outcomes shows five common categories of potential CSR risks for EssilorLuxottica:

- *Human Rights:* the risk that the Group is not compliant with local and international regulations on human rights (*e.g.* Modern Slavery Act, GDPR, Devoir de Vigilance, etc.) (see Section 4.1.3.3 – Human Rights);
- *Business Ethics:* the risk that the Group is exposed to any legal proceedings or reputational damage due to corruption, bribery, inadequate commercial policies, breach of either Essilor's or Luxottica's Code of Ethics or regulatory frameworks, or any other unethical behavior (see Section 4.1.3.4 – Business Ethics);
- *Business Interruption:* the risk that business activity is interrupted (climate change events, act of nature, lack of key natural resources, social issues, man-made hazard...) and the Company is not able to serve the market in a proper way (see Section 4.1.3.2 – Energy management, Climate change, Water management);
- *Supplier Sustainability:* the risk that suppliers are not compliant with laws, international standards, either Essilor's and Luxottica's Code of Ethics, and EssilorLuxottica requirements on labor, health and safety, environmental and ethical matters and the risk of not meeting Licenses expectations on sustainability topics (see Section 4.1.3.3 – Supplier Sustainability);
- *Talent Management:* the risk that the Group is not attracting, retaining or developing enough talents to support growth (see Section 4.1.3.1 – Equal opportunities and people development).

In order to mitigate such risks, the Group is relying on both Essilor and Luxottica risk management organizations and is ensuring that there are specific CSR policies, procedures and controls in place.

Information about the above mentioned risks are marked with (*) in session 4.1.3 and are more detailed in the respective non-financial statements of Essilor and Luxottica.

As required by the regulation, the themes of "fighting against food waste and food poverty", "means in favor of responsible, fair and sustainable food" and "the respect of animal welfare" have been analyzed and none of them have been included in the common categories of potential CSR risks for EssilorLuxottica.

4.1.3 Fundamental Sustainability Pillars to Support EssilorLuxottica Mission

EssilorLuxottica's way of doing business is deeply connected to its vision of sustainable development and related four pillars, with the utmost concern for the development of people and protection of the environment and the communities in which the Group operates.

4.1.3.1 People

EssilorLuxottica seeks to develop a culture of learning, diversity and safety among its employees. Essilor and Luxottica's respective tangible advancements in the workplace, from women's leadership programs, training and talent development to focus on the prevention of work-related injuries, are examples of the two companies' actions to engage, grow and protect their employees.

As of December 31, 2018 EssilorLuxottica is estimated to have 152,740 employees of which women represent approximately 60%.

	EssilorLuxottica	Essilor	Luxottica
TOTAL NUMBER OF EMPLOYEES	**152,740**	**70,382**	**82,358**
Women	89,037	37,163	51,874
Men	63,703	33,219	30,484

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's numbers of employees as of December 31, 2018.
For more information on reporting methodology and scope, please refer to the non-financial statement of each company.

Besides, the Group shows an incredible youth employment rate, with over 40% of the population below 35 years old in both Essilor and Luxottica.

Equal opportunities and people development*

Both Essilor and Luxottica are known for ensuring equal opportunities to support the entry, the professional growth and development for all within their organizations worldwide and, therefore, they do not tolerate discrimination of any kind.

Training and development of skills and talents play a strategic role in both Essilor and Luxottica. To make sure the Group can attract, retain and develop talents to support the growth, both companies have strong training policies and talent development programs. For example, in 2018, Luxottica University launched its new e-learning platform which features online training courses available globally. Essilor University has further increased its reach to almost 45,000 employees by end of 2018, with different training and talent development programs continued and advanced during the year.

Health and Safety

Guaranteeing safety of employees is a common principle to Essilor and Luxottica and is rigorously pursued across the organization. 13 production plants of Essilor and 11 of Luxottica are OHSAS 18001 certified. Meanwhile, both companies are committed to a journey of zero work-related accidents with strong health and safety policy.

More information on policy, action plans and KPIs linked to People Management (training and talent management, health and safety, diversity and non-discrimination, etc.) is detailed in the respective non-financial statements of Essilor and Luxottica.

4.1.3.2 Environment

To mitigate the risk of business interruption due to a shortage of key resources or environmental issues such as loss of license to operate or climate change events, EssilorLuxottica is committed to optimizing the use of natural resources and reducing its environmental footprint across the value chain, from manufacturing to distribution. Among different environmental related topics, reducing energy and water consumption, addressing climate change and reducing waste are at the forefront of the Group's commitment and actions. The Group closely monitors its environmental footprint on different topics in order to assess the effectiveness of different initiatives and prioritize future actions.

Both Essilor and Luxottica have implemented environmental management systems that conform to the ISO 14001 standard. As a result, 13 production plants of Essilor and 12 of Luxottica are ISO 14001 certified.

Respective EHS policies of Essilor and Luxottica are also shared and implemented across the two Companies to ensure the application of EHS standards and practices.

* One of the five common categories of potential CSR risks for EssilorLuxottica. More details in the respective non-financial statements of Essilor and Luxottica.

Energy management*

Luxottica was the first Italian Company to obtain the ISO 50001 certification for its Italian manufacturing facilities and the Milan headquarters. In 2015, Essilor launched the "Reboost Energy" program, which aims to define and roll out performance standards and associated field projects in order to improve energy efficiency. The below table shows the Group energy consumption:

	EssilorLuxottica	Essilor	Luxottica
Total energy consumption *(Gwh)*	1,559.5	915.8	643.7

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's energy consumption data collected through their respective reporting campaigns. For more information on reporting methodology and scope, please refer to the non-financial statement of each company.

Climate change*

Both Essilor and Luxottica contribute to address climate change. As a fundamental, both companies have been extending the reporting scope for their greenhouse gas (GHG) emissions over the years, which are reported on the basis of the international classification proposed by the GHG Protocol standard.

Overall GHG emissions (Scope 1 and Scope 2) deriving from the Group's activities came to 736,358 tons CO_2eq in 2018.

	EssilorLuxottica	Essilor	Luxottica
TOTAL GHG EMISSIONS *(tCO_2eq)*	**736,358**	**457,034**	**279,324**
Scope 1	43,850	19,116	24,734
Scope 2	692,508	437,918	254,590

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica GHG emissions data calculated according to the methodology of each company. For more information on reporting methodology and scope, please refer to the non-financial statement of each company.

Water management*

Water is a key natural resource for the Group, notably within the lens manufacturing process. Essilor has been working actively on water reduction with significant achievement over the past 10 years. The commitments and actions have been further accelerated with the launch of the "Reboost Water" program in 2015, where each region has to define its own water roadmap based on water mapping of the main mass production plants and laboratories.

Over the years Luxottica has also invested in the management and optimization of the use of water resources in its manufacturing facilities. In particular, the gradual development of the main galvanizing plants in the Italian and Chinese manufacturing sites has led to a significant reduction in the consumption and flow of discharge water.

Below table shows the water footprint of the Group in 2018:

	EssilorLuxottica	Essilor	Luxottica
Total water use *(m^3)*	8,163,795	5,068,309	3,095,486

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's water data collected through the respective reporting campaign of the two companies. For more information on reporting methodology and scope, please refer to the non-financial statement of each company.

* One of the five common categories of potential CSR risks for EssilorLuxottica. More details in the respective non-financial statements of Essilor and Luxottica.

Waste management

To properly manage and reduce waste and to contribute to a circular economy is also an important pillar of the Group's commitment on reducing its environmental footprint.

	EssilorLuxottica	Essilor	Luxottica
TOTAL WASTE GENERATED *(tons)*	**92,016**	**41,956**	**50,060**
By type:			
Total non-hazardous waste	62,570	33,323	29,247
Total hazardous waste	29,446	8,633	20,813
By disposal method:			
Total waste recycled or recovered	34,931	24,954	9,977
Total waste not recycled or recovered	57,085	17,002	40,083

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's waste data collected through their respective reporting campaigns. For more information on reporting methodology and scope, please refer to the non-financial statement of each company.

To learn more on how the two companies address their environmental impacts (dedicated policy, actions and KPIs) please see their respective non-financial statements.

4.1.3.3 Society

Having a direct relationship with consumers around the world, it is EssilorLuxottica's innate responsibility to lead by example. Because every human being deserves to see clearly, the Group is fiercely committed to serving the evolving vision correction and vision protection needs with innovative solutions like inclusive business models, awareness campaigns and philanthropic activities such as providing eye exams and eyeglasses to people who are most in need.

The Group brings its stakeholders along in this societal mission by ensuring that they respect a common set of working principles.

Supplier sustainability*

For EssilorLuxottica the supply chain efficiency is fundamental for guaranteeing the high quality of its products and services and contributes to maintaining and enhancing the reputation of the Group.

The Group relies on the standards that each Essilor and Luxottica have defined and requests suppliers to adhere in the areas of ethics, labor, health, safety and the environment. In each Company, supplier's compliance with these ethical principles and environmental and social responsibilities is audited by a qualified third party. There are training initiatives at different levels to ensure there is alignment among suppliers on the standards. Examples in 2018 include:

- Luxottica launched the responsible sourcing classroom training. The workshop involved the Company's 50 strategic suppliers in China and covered the topics that are usually verified during the on-site audits: labor and ethics, health and safety, environment;
- to support Essilor's Supplier Sustainability Program, Sustainability Procurement training sessions for the entire Group Purchasing Department and for the sales teams of main suppliers have been set up in all regions.

Human rights*

EssilorLuxottica is committed to respecting and promoting human rights across its entire value chain. The Group abides by the International Labor Organization (ILO) Convention and the UN Global Compact Principles on Human Rights.

Both Essilor and Luxottica prohibit the exploitation of workers, and above all of minors, in all countries where they operate. In addition to complying with applicable laws and regulations in these countries, they promote the protection of the rights of workers, as well as union and association rights. Suppliers are also embarked on supporting the Group's commitment to ensure the respect for human rights.

4.1.3.4 Governance

As citizen of the world, EssilorLuxottica is deeply committed to maintaining the most ethical business practices and being a role model for the industry. Employees are called upon to act with integrity and professionalism inside and outside the Company, following not only the laws and regulations of the regions where they operate, but also the high standards of conduct that both Essilor and Luxottica have developed over the years.

Business ethics*

The respective Code of Ethics of Essilor and Luxottica set out common points of reference and guidelines to guide the decisions and actions of all EssilorLuxottica Group employees.

* One of the five common categories of potential CSR risks for EssilorLuxottica. More details in the respective non-financial statements of Essilor and Luxottica.

Both Essilor and Luxottica have activated global whistleblowing processes for the prompt communication of actual or presumed violations of their anti-bribery & corruption programs or any other related illegal behaviors. Doing the right thing, on behalf of the Company, the community and the consumer, is thus woven into the fabric of EssilorLuxottica.

Employee shareholding

EssilorLuxottica's commitment to employee shareholding, which aligns employees' interests directly with those of the business, would strengthen employee engagement, foster responsible and ethical business behaviors and contribute to a strong and balanced governance structure.

4.1.4 Next Steps of EssilorLuxottica Sustainability Program

As the EssilorLuxottica Group was formed on October 1, 2018, this first non-financial statement represents the baseline and the foundation stone of the Group Sustainability program. Next year, 2019, should be viewed as a transition year, where both Essilor and Luxottica sustainability roadmaps will co-exist and progress side by side for achieving the ongoing commitments while moving towards the construction of a specific CSR agenda, geared towards the EssilorLuxottica mission.

Following on the integration plan of EssilorLuxottica, with the intent to continue strengthening compliance (*i.e.* Decree 2017-1265 on non-financial disclosure, Duty of Care on Human Rights, Sapin II on anti-corruption and bribery, Energy transition with Climate Change) and guarantee consistency with both Essilor and Luxottica's Code of Ethics, corporate sustainability teams of Essilor and Luxottica will continue working together on the following priorities:

- identify and assess the Group CSR risks, in coordination with Risk Management and other departments involved in the Group's risk assessment;
- put in place the Group policies and mitigation processes on priority CSR risks;
- understand the most meaningful indicators for each CSR risk and related topic;
- define the necessary tools and systems to collect and validate the data.

The result will be a progressive expansion in the disclosure of sustainability achievements and goals year after year.

4.1.5 Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial statement included in the management report

For the year ended, 31st 2018

To the General Assembly of the company

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial statement included in the management report.

In our capacity as Statutory Auditor of EssilorLuxottica SA (hereinafter the "entity"), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial statement for the year ended, 31st 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code *(Code de commerce)*.

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and which are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics *(Code de déontologie)* of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R.225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R.225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax avoidance legislation;
- the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Articles A.225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, where applicable, the impact of these activities on compliance with human rights and anti-corruption and tax avoidance legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L.225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement includes an explanation for the absence of the information required under Article L.225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as its their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R.225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L.233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important (cf. annexes), we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities : Shanghai (Songjiang), Shanghai (2 sites), Jiaxing, Danyang (3 sites), Xiamen and Dongguan in China ; Atlanta in United States; Agordo and Sedico in Italia; Senai in Malaysia ; Karawang in Indonesia ; Sézanne, Paris and Créteil in France ; Varsovie in Poland ; Madrid in Spain ; Shamir in Israël ; and covers between 18% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important (cf. annexes);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of 11 people between October 2018 and March 2019 and took a total of about 10 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some 30 interviews with the people responsible for preparing the Statement, representing executive management, administration and finance, risk management, compliance, human resources, health and safety, environmental and purchasing departments.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Comments

Without qualifying our conclusion and in accordance with Article A.225-3 of the French Commercial Code, we have the following comments:

- EssilorLuxottica SA originates from the combination that occurred between Essilor International (Compagnie Générale d'Optique) SA and Luxottica Group S.p.A. As the combination became effective at October 1, 2018, the policies, due diligence procedures, outcomes and key performance indicators relating to the principal risks are not stated as consolidated information but broken down per legacy entity (Essilor International SAS and Luxottica).
- No key performance indicators are stated for the information on the risk in relation to business ethics.

Neuilly-sur-Seine, March 29th, 2019

One of the Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

Cédric Le Gal
Partner

Sylvain Lambert
Sustainable Development Partner

Appendix: List of the information we considered most important

Key performance indicators and other quantitative results

- % of strategic suppliers receive external CSR audit;
- % of preferred suppliers acknowledge Essilor's Supplier Charter;
- Number of audited supplier on CSR subject;
- Work-related injury frequency rate and severity rate;
- Reduction of water intensity and linked consumptions;
- Reduction of energy intensity and linked consumptions;
- Greenhouse gas emissions (scope 1, scope 2, scope 3);
- Waste amounts;
- Total workforce and different breakdowns;
- Training hours.

Qualitative information (actions and results)

- Developing inclusive business models ;
- Raising awareness of the importance of good vision;
- Sustainable innovation for customers' current and future needs;
- Training and the development of skills and talent;
- Employee integration and inclusion of all forms of diversity;
- Employee shareholding & management/employee consultation;
- Ensuring health and safety with a quality working environment;
- The Group's commitment and vigilant approach to human rights;
- Sustainable purchasing in supplier relations;
- Reducing water use;
- Energy efficiency in production and distribution;
- Adapting to the consequences of climate change;
- A circular economy approach to raw material optimization and waste management;
- Identification of CSR risks;
- Main initiatives for HR;
- Main initiatives for H&S;
- Main initiatives for Environment;
- Main initiatives for sustainable sourcing.

4.2 2018 Non-financial statement of Essilor International (SAS), a subsidiary of the EssilorLuxottica Group

Since October 1, 2018, Essilor International (SAS) has been part of the EssilorLuxottica Group.

This document is the Essilor International (SAS) Non-Financial Statement for 2018 in which the sustainable development program and all related social, environmental and societal information is presented.

It is a subpart of the EssilorLuxottica Non-financial Statement found in Chapter 4 of EssilorLuxottica's 2018 Registration Document.

As regards wording, the names "Essilor" and "the Group" refer to Essilor International (SAS). CSR is the acronym for Corporate Social Responsibility.

4.2.1 Essilor's approach to Sustainable Development

4.2.1.1 The Essilor value chain and stakeholders

Essilor's approach to sustainable development is based on consideration of the environmental, social and societal impacts of its business activities on the various stakeholders along the value chain.

Value chain

Throughout the Essilor value chain, from product design to marketing, the Group's business activities impact on the environment and on society at large. The nature and magnitude of these impacts differ according to the Group's five main business activities:

- *production plants:* the Group has 32 production plants in 17 countries. Each year, they produce more than 500 million lenses via lens polymerization or resin injection moulding. The production plants account for the majority of direct environmental impacts due to of the chemical products and raw materials that they use, the energy they consume, the emissions they generate and the waste they produce. Given the concentration of environmental impacts, Essilor places the emphasis on the management of water and energy and the processing of waste, as well as on occupational health and safety measures;
- *distribution centers:* Essilor has 14 distribution centers in 12 countries. Situated close to manufacturing units, the role of these centers is to coordinate the logistics flows between suppliers and customers. Most of the impacts of these centers are therefore felt in terms of greenhouse gas emissions from transportation (air and road freight, etc.). Furthermore, the high number of employees and the nature of their activities, requires extreme vigilance in terms of occupational health and safety;
- *prescription laboratories:* the Group has 481 laboratories, edging facilities and local distribution centers which are major sources of local employment. As the final link in the value chain, surfacing and coating finished lenses before they are marketed to professional customers, prescription laboratories are crucial for ensuring product quality and conformity. The environmental footprint of the prescription laboratories is fragmented and limited, and derives primarily from the use of chemical products and the consumption of energy and water;
- *optical retailers and chains:* the Group supplies optical retailers and chains in over 100 countries and sells optical products online (contact lenses, prescription spectacles and sunglasses) through several local websites, serving a rapidly expanding global distribution channel. Information security, data protection and product promotion have been identified as major issues for the Group;
- *operational, R&D and administrative divisions:* a limited portion of the Group's employees work in the registered offices, R&D centers and operational and administrative divisions. While the social impact of these facilities is very significant, the environmental impact is low (energy from buildings, paper, greenhouse gas emissions associated with business travel, electrical and electronic waste, etc.).

(*Note:* EssilorLuxottica business model and strategy are presented in Chapter 1 of the EssilorLuxottica 2018 Registration Document.)

Ecosystem

Essilor has daily interaction with a whole host of stakeholders throughout the world. Engaging with them is therefore at the heart of the Group's sustainable development strategy. Essilor strives to understand each component of its value chain and to adapt to the constant evolution of its ecosystem. As the significance and handling of social and environmental issues differ between countries, relations with stakeholders are generally managed locally, under the responsibility of the senior management of the legal entities. Essilor has introduced a "guide to partnership" for its business partners that formalizes Essilor's role and responsibilities and those of the partner, facilitating transparent and effective working relations. Moreover, all employees are actively encouraged to apply the Essilor Principles and Values in their interactions with stakeholders.

Depending on the situation, interactions between stakeholders and Essilor may serve a range of different purposes:

- to listen, by setting up a consultation process for the purpose of anticipating business developments, the market and regulations, and also manage risks and identify opportunities;
- to hold discussions to involve stakeholders in strategic decisions: customer satisfaction surveys, employee opinion surveys, organization of forums, training sessions, etc.;
- to inform, by providing reliable factual data using different kinds of communication methods made available to the relevant stakeholders (brochures, website, annual reviews, questionnaire responses, various requests, etc.);
- to contribute to growth via partnership projects, particularly in the fields of health and the environment: support for patients' associations, humanitarian aid programs and partnerships with universities.

Stakeholder relations are therefore key for the Group, as they bring and create positive impacts. The new issues arising from their needs and viewpoints fuel the Group's strategy and operations. Essilor is aware of what is at stake and strives for continuous improvement to maintain a relationship of trust with its stakeholders. The Group documents and addresses its stakeholders' main concerns. The table below presents the key points.

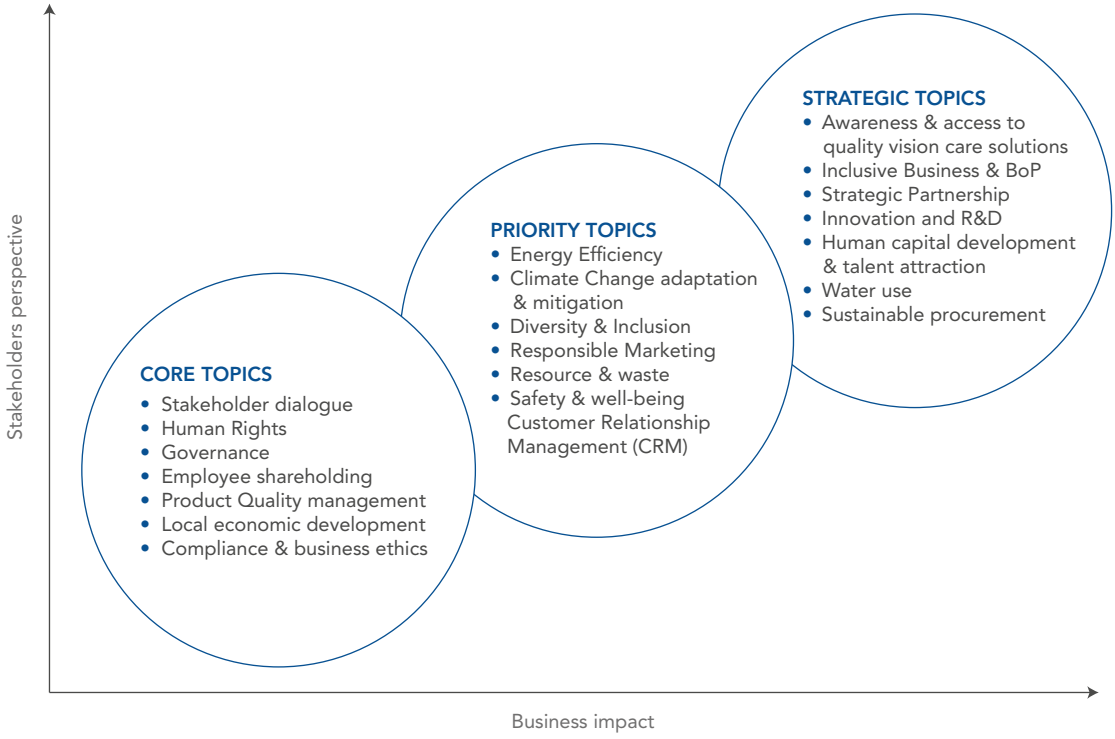
Main stakeholders	Main issues
Employees & representative organizations	Quality of working conditions Recruitment/Attracting and retaining talent Skills development Equal opportunities, diversity and inclusion
Business partners	Shared commitment to social and environmental concerns Collaboration on innovation and development Integrity in business relations
Clients & Prescribers	Offering high quality, innovative products Responsible marketing/Transparency and validation of the benefits of Essilor lenses Integrity in business relations Data protection Sustainable procurement
Consumers	Product quality and efficiency Responsible marketing Products meeting new visual health needs related to societal trends (digitalization, urbanization, etc.) Data protection
Shareholders, investors and rating agencies	Governance Transparency and evaluation of non-financial activity Management of CSR risks
Suppliers	Integrity in business and adherence to regulations Constructive collaboration/Co-innovation Sustainable procurement & supplier CSR audit
NGOs and consumer organizations	Dialogue & Partnership Communication – Transparency (on social initiatives, environmental footprint, product performance, etc.) Sponsorship & philanthropy
Educational institutions	Cooperation for research and innovation Attracting and developing talent
Public authorities & governments	Social and economic impact Contribution to visual health and the inclusive economy Fair business practices Dialogue & Education
Local Communities	Quality of life: provide quality vision for all Social and economic impact (jobs, support for the local economy and inclusive business) Raising awareness

4.2.1.2 Essilor's sustainable development priorities

Materiality assessment

The Group defines and develops its sustainable development strategy using a materiality assessment, so that it can continually assess and prioritize stakeholder requirements, identify new risks and opportunities related to social and environmental issues, focus non-financial reporting and publications on major issues and ensure the Group's reporting complies with international standards.

In recent years, regulatory changes and feedback from stakeholders (key account customers, investors, new UN development goals, etc.) have confirmed the priority and strategic dimensions of initiatives which directly aim to fulfil the Group's Mission, lead to a greater focus on sustainable procurement and the circular economy in the wider sense (see Section 4.2.5.5), and highlighted two major themes: climate change (see Section 4.2.5.4), and human rights (see 4.2.6.2). The Group has updated the materiality matrix below based on this information.



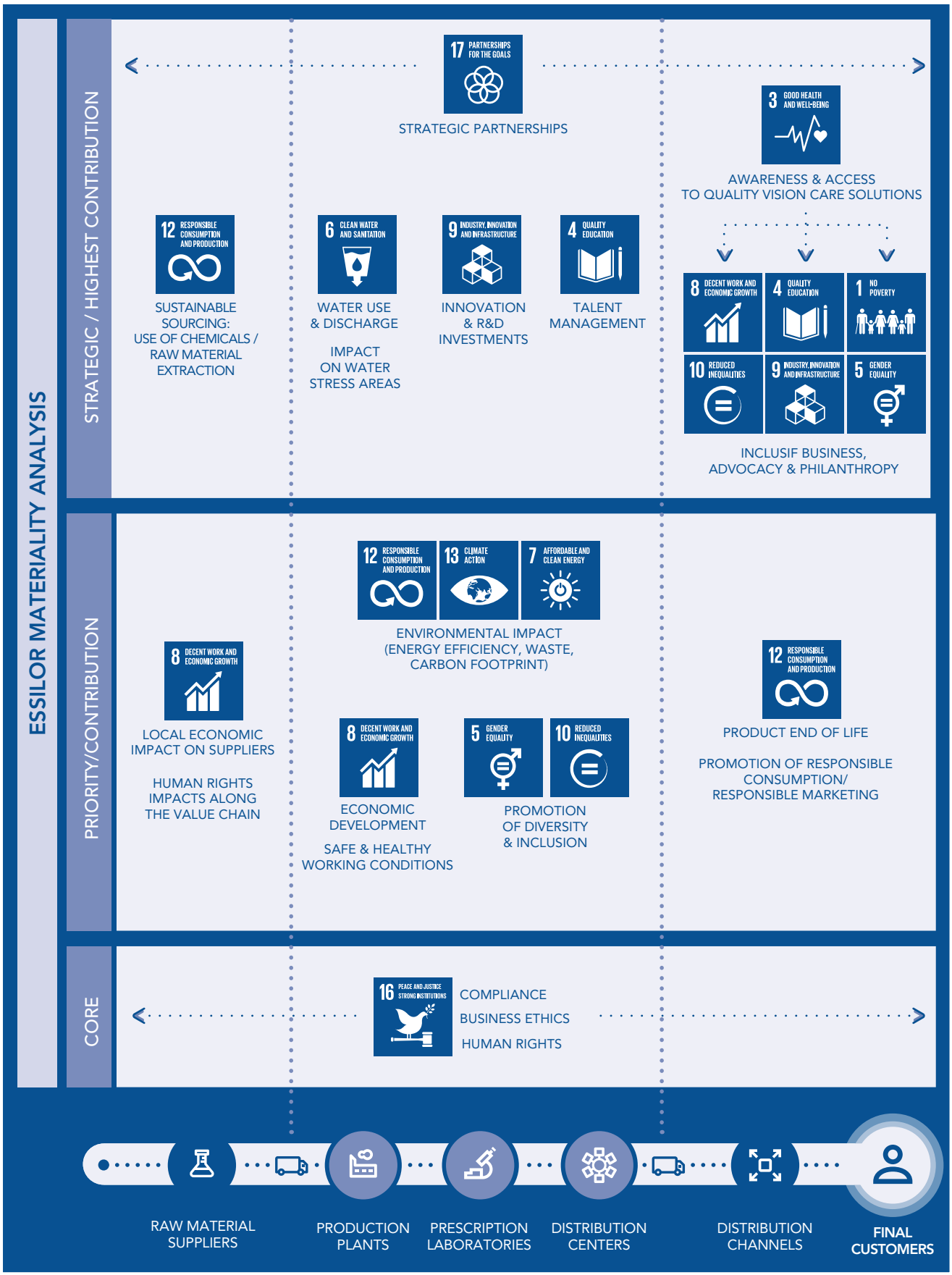
Note: Strategic: key themes linked to the development of Essilor business model.
Priority: key subjects for Essilor's short, medium and long term value creation.
Core: pillars of Essilor's business culture.

UN Sustainable Development Goals

At the end of 2015, 193 countries had adopted the United Nations 2030 Agenda for Sustainable Development. This Agenda has 17 core goals and 169 targets. The Sustainable Development Goals (SDGs), which entered into force in 2016, are a global call for action to eradicate poverty, protect the planet and ensure prosperity for all. The involvement of civil society, the private sector and ordinary citizens is crucial to the success of these goals.

Essilor is fully involved in this effort through its Mission. The Group has therefore assessed its contribution by mapping 13 SDGs according to two dimensions: the themes in its sustainable development program (see materiality matrix) and its value chain.

In 2017, Essilor published a specific report outlining the action plans and commitments it has entered into for each of the 13 selected SDGs. This document was updated in 2018. See Section "Sustainability" and "Mission" on www.essilor.com.


ESSILOR MATERIALITY ANALYSIS
STRATEGIC / HIGHEST CONTRIBUTION
PRIORITY/CONTRIBUTION
CORE
17 PARTNERSHIPS FOR THE GOALS
STRATEGIC PARTNERSHIPS
3 GOOD HEALTH AND WELL-BEING
AWARENESS & ACCESS TO QUALITY VISION CARE SOLUTIONS
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
SUSTAINABLE SOURCING: USE OF CHEMICALS / RAW MATERIAL EXTRACTION
6 CLEAN WATER AND SANITATION
WATER USE & DISCHARGE
IMPACT ON WATER STRESS AREAS
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
INNOVATION & R&D INVESTMENTS
4 QUALITY EDUCATION
TALENT MANAGEMENT
8 DECENT WORK AND ECONOMIC GROWTH
4 QUALITY EDUCATION
1 NO POVERTY
10 REDUCED INEQUALITIES
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
5 GENDER EQUALITY
INCLUSIF BUSINESS, ADVOCACY & PHILANTHROPY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY
ENVIRONMENTAL IMPACT (ENERGY EFFICIENCY, WASTE, CARBON FOOTPRINT)
8 DECENT WORK AND ECONOMIC GROWTH
LOCAL ECONOMIC IMPACT ON SUPPLIERS
HUMAN RIGHTS IMPACTS ALONG THE VALUE CHAIN
8 DECENT WORK AND ECONOMIC GROWTH
ECONOMIC DEVELOPMENT
SAFE & HEALTHY WORKING CONDITIONS
5 GENDER EQUALITY
10 REDUCED INEQUALITIES
PROMOTION OF DIVERSITY & INCLUSION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
PRODUCT END OF LIFE
PROMOTION OF RESPONSIBLE CONSUMPTION/ RESPONSIBLE MARKETING
16 PEACE AND JUSTICE STRONG INSTITUTIONS
COMPLIANCE
BUSINESS ETHICS
HUMAN RIGHTS
RAW MATERIAL SUPPLIERS
PRODUCTION PLANTS
PRESCRIPTION LABORATORIES
DISTRIBUTION CENTERS
DISTRIBUTION CHANNELS
FINAL CUSTOMERS

4.2.1.3 Sustainable development strategy driven by our Group Mission

On the basis of the materiality assessment, supplemented by an analysis of the Group's contribution to the SDGs, Essilor has strengthened its sustainable development strategy to serve the Group's Mission according to three supporting pillars, by specifying the actions it will take in certain key areas (see details on www.essilor.com/en/sustainability):

Group Mission: Improve lives by improving sight

The Group is committed to the global challenge of helping to correct, protect and prevent risks to the visual health of the planet's 7.4 billion inhabitants. To this end, Essilor has identified four key focus areas: raising awareness, product and service innovation, inclusive business and strategic giving. See Section 4.2.3.

1. Caring for and engaging our people

The Group's employees are the leading players in and contributors to Essilor's sustainable development. The Group's employee policy focuses on four areas: ensuring employee health and safety and providing quality working conditions; training, developing skills and talent; integrating employees and all forms of diversity; and finally, promoting employee shareholding along with their participation in the governance and employee consultation through social dialogue. See Section 4.2.4.

2. Optimizing the environmental footprint

Despite an environmental footprint that is fragmented and limited in comparison to industrial processing activities, Essilor strives to reduce its impacts. By continuously improving environmental management processes, the work focuses on reducing water use, improving energy efficiency, reducing the carbon footprint and adapting to climate change; and finally, reducing and recovering waste. See Section 4.2.5.

3. Working with society

As a leader in its sector, the Group has made a commitment to introducing preventive and vigilance mechanisms to ensure respect for human rights and the rules of integrity in the conduct of business. Essilor joins forces with its suppliers in its approach to sustainable development via a policy of sustainable procurement and also gets involved with local communities to contribute to their development. Furthermore, Essilor takes care to market products with stated levels of quality and performance that meet customers' needs most effectively. See Section 4.2.6.

4.2.1.4 Main objectives for 2020

Essilor has defined a "2020 roadmap" with specific internal objectives and is working on all levers of employee engagement. This approach enables the entire Group to be involved, with building of momentum, measuring of impacts and monitoring of progress. The Group published in 2017 the ten main objectives shown in the table below:

Aims	Ambition		Objectives for 2020	2018	% of progress to target
Creating wearers	Bring tangible social and economic benefits to individuals and their communities: "improving lives by improving sight"	1	Improve the lives of 50 million individuals "at the base of the pyramid" [(a)] *(cumulative, reference year 2013)*	+23 million	46%
		2	Create 25,000 primary vision care providers (cumulative, reference year 2013)	8,963	36%
		3	Invest €30 million in philanthropic visual health programs (reference year 2014)	€49 million	163%
Optimizing environmental footprint	Contribute to tackle climate change and its impacts through sustainable management of energy and water resources	4	Reduce water intensity by 20% compared to 2015 baseline [(b)]	-21%	107%
		5	Reduce energy intensity by 15% compared to 2015 baseline	-7%	45%
Caring for and engaging our people	Engage employees in the sustainable growth of our business & ensure a safe and rewarding working environment	6	Decrease by 30% work-related injury frequency rate (compared to 2015 baseline) towards a zero accident goal	-16%	53%
		7	Give 100% of employees access to Essilor University online training platform	63%	63%
		8	35% of employees as shareholders, with a longer-term ambition of 50%	68%	194%
Working with society	Lead sustainable business practices in our industry through responsible sourcing and procurement	9	100% of strategic suppliers undertake CSR assessments	78% [(c)]	78%
		10	100% of preferred suppliers acknowledge Essilor's Supplier Charter	95%	95%

(a) "Base of the pyramid" refers to underprivileged and high-risk populations characterized by high rates of poverty, living on less than $2.50 a day.

(b) Objectives measured on each "good" lens produced by a selection of the upstream plants with the highest environmental footprint.

(c) In 2018, Essilor has increased its strategic supplier base to expand the scope of its Supplier Sustainability Program – see Section 4.2.6.3.

In addition, Essilor's compensation policy aims to contribute to the achievement of the Group's objectives and the deployment of its Mission. Hence, in 2017, Essilor introduced specific criteria linked to its Mission, its Principles & Values and its sustainable development program in calculating the annual variable salary component of the members of the Management Committee and the business committees, as well as the key managers in each entity of the Group.

Ratings and recognition

In 2018, Essilor was listed on the following non-financial indices: DJSI World & Europe, MSCI World ESG & World Low Carbon Leader, FTSE4Good, STOXX Global ESG Leaders, Euronext Vigeo Europe 120, ECPI indices, and Ethibel Excellence & Pioneer.

Essilor also participates voluntarily in CDP (formerly the Carbon Disclosure Project), an international, independent non-profit organization that assesses companies' efforts to measure and reduce their greenhouse gas emissions and water footprint. In 2018, the CDP recognized the continuous progress Essilor has been making in these areas, awarding it an A- rating for its response to climate change and an A- rating for water management.

US magazine Forbes also ranked Essilor among the World's 100 Most Innovative Companies for the eighth year running.

4.2.2 Governance and management of Sustainable Development

4.2.2.1 The Essilor CSR Committee

Set up in 2013, the CSR Committee reports directly to the Board of Directors. It is chaired by an Independent Director and comprises three members (the Chairman and Chief Executive Officer and two Directors). The Chief Mission Officer is also invited to attend meetings as a guest.

The CSR Committee met three times in 2018, with an attendance rate of 100%. In its supervisory role, it was consulted primarily on:

- the progress of the new innovative, inclusive socio-economic models, through the 2.5 New Vision Generation entity, the philanthropy and all awareness-raising initiatives;
- review of the Group's sustainable development roadmap and the key measures to be implemented;
- evaluation of the direct and indirect economic and societal impacts of Mission activities;
- changes in the way Essilor's non-financial performance is perceived by recognized raters;
- assessment of the main CSR risks;
- review of the reports published regarding sustainability topics, particularly as regards current regulatory obligations.

4.2.2.2 The Sustainable Development department

Essilor has chosen strong management support to drive environmental, social and corporate governance challenges. Accordingly, the Sustainable Development department reports to the Chief Mission Officer, who in turn reports directly to the Chairman and Chief Executive Officer.

The role of the Sustainable Development department is to guarantee actions are consistent and to coordinate initiatives deployed within the various functional teams (Environment, Health and Safety, R&D, Human Resources, Marketing, etc.) and the three main geographical areas: North America, Europe and the rest of the world (Latin America, Asia, Middle East, Russia & Africa), with the following main responsibilities to:

- define and deploy the Group's Sustainable Development program;
- steer non-financial reporting and lead the community of correspondents within various countries and functions;
- provide expertise to Group entities in their deliberations on sustainability, the implementation of associated action plans and respond to questions from key accounts or other stakeholders;
- coordinate several cross-functional topics such as management of CSR risks, climate change, dialog with stakeholders or human rights;
- communicate Essilor's initiatives, contribute to the public debate on sustainable development challenges and engage in dialogue with stakeholders;
- engage employees in the approach to sustainable development through training and employee recognition measures.

The Sustainable Development department oversees a Global Steering Committee that brings together all the major functional and geographic divisions to coordinate the deployment of the Group's sustainable development roadmap, report best practices and discuss cross-functional issues (*e.g.* Human rights, non-financial reporting, climate change, etc.).

The Sustainable Development department is also regularly consulted by the CSR Committee.

4.2.2.3 Management of CSR risks

Essilor conducts its business in an ever-changing environment and is exposed to environmental, social and governance risks that, were they to materialize, could have a negative effect on its activities, its growth or its profitability. To ensure its development and to achieve its objectives, the Group aims to anticipate and manage the risks to which it is exposed in its various areas of business. The Group gives priority to those CSR risks that may be damaging to the health and safety of its employees, consumers and other stakeholders, or that may lead to non-compliance with local or international laws, have an impact on the environment or damage the reputation of the Group and its Mission.

Essilor uses a continuous process [(1)] to identify, assess and prioritize all its risks (financial, operating, legal, etc.). By means of this process, the main categories of CSR risk are specified under four types: strategic, operating, compliance, and reporting.

In 2018, the Sustainable Development department coordinated an exhaustive review of CSR risks. Dedicated governance was implemented to this end. Each of the Group's functional departments (EHS, Logistics, Human Resources, etc.) helped identify and assess their risks in connection with CSR. The overall analysis was then shared and discussed during quarterly sustainable development steering committees. Finally, the results were presented to the Group CSR Committee.

The approach was broken down into three steps:

- identification of the CSR risk universe based on the materiality assessment (see Section 4.2.1.2), dialog with stakeholders, the specific features of the Essilor business model, and regulatory monitoring;
- assessment of inherent risks via analysis of their impact and their probability of occurrence with each functional department in charge and the support of external experts;
- review of internal control and risk management measures.

(1) See Chapter 1 of the EssilorLuxottica 2018 Registration Document.

This analysis identified nine priority CSR risk topics:

- Business ethics;
- Supplier relations;
- Human rights;
- Talent management;
- Occupational health and safety;
- Water use;
- Climate change;
- CSR communication;
- Non-financial reporting.

Note: As required by Law L. 225-102-1, the themes of "fighting against food waste and food poverty", "Means in favor of responsible, fair and sustainable food" and "the respect of animal welfare" were incorporated into the CSR risk assessment process. They were not selected as part of the Group's priority CSR risks.

See in Section 4.2.7.2 correspondence table on priority CSR risks.

4.2.2.4 Organization of non-financial reporting

The aim of non-financial reporting is to provide Essilor with a tool for managing and measuring the effectiveness of its sustainable development program, as well as to ensure compliance with European Directive no. 2014/95, transposed into French law by the decree no. 2017-1265 of August 9, 2017.

Organization and protocol

To mitigate the risk that the Group cannot collect, consolidate and disclose relevant, reliable and accurate non-financial data, Essilor has put in place a robust global organization to manage its non-financial reporting.

Essilor collects its non-financial data once a year from all the Group subsidiaries, using a software application named "Sustain" that replicates the structure of the Group's unified financial reporting system. "Sustain" has similar procedures for consolidating financial information, which provides interoperability between the two reporting processes. A network of contributors from a wide range of disciplines (human resources, environment-health-safety, supply chain etc.) reports information that is reviewed by the finance departments of each entity then checked and consolidated at Group level by the Sustainable Development department. A specific glossary outlining the indicators with their associated definitions, rules of reporting and consolidation, consistency checks and supporting documents, available in five languages (French, Chinese, English, Portuguese and Spanish), are shared across the Group.

The indicators and the glossary are reviewed and updated every year according to changes of reporting standards, stakeholders' expectations and feedback on previous reporting campaign. In 2018, to take into account Essilor stakeholders expectations and to monitor the effectiveness of some of the top sustainability initiatives, a set of new indicators has been added on human rights, climate change, supplier sustainability and contribution to the Group Mission.

Scope of reporting

The reference scope of reporting is all Essilor entities and subsidiaries that are within the Group financial consolidation scope and have been in the Group for more than one year (as of June 30 of the reporting year). Against a backdrop of strong growth, the Group is continuing to gradually integrate recent financially consolidated companies to its non-financial reporting scope.

With a strong involvement of all the organization, this year non-financial reporting covers 100% [1] of the Group entities for the second year in a row. The coverage rate for each indicator can vary and is specified in the disclosure for each indicator. Essilor plans to maintain 100% engagement of all entities on the annual non-financial reporting, as well as to keep increasing the coverage rate for each indicator.

Reporting period

To optimize the organization, coordination and integration of financial and non-financial reports, Essilor collected the majority of its social, environmental and societal information over a period of 12 months from October 1, 2017 to September 30, 2018. However, certain information was collected during the calendar year from January 1, 2018 to December 31, 2018; this is followed in the text or the indicator tables by a superscript at sign (@).

Compliance and standards

Essilor has made public its social, environmental and societal information since 2002, in accordance with the French NRE law of May 2001. Since the 2012 fiscal year, the Group was compliant with Article 225 of the French Grenelle 2 law. Starting from this year, the Group follows the principles defined by decree no. 2017-1265 concerning transposition into French law of the European directive on non-financial reporting. Meanwhile, Essilor continues to follow the guidelines of the Global Reporting Initiative (GRI) Standards. See Section 4.2.7 of this document.

The information presented in this chapter has been reviewed by PwC, an independent third-party organization, in accordance with the existing law, regulations and standards. See in Section 4.1.5 for the Report of the Independent Third-Party Organization.

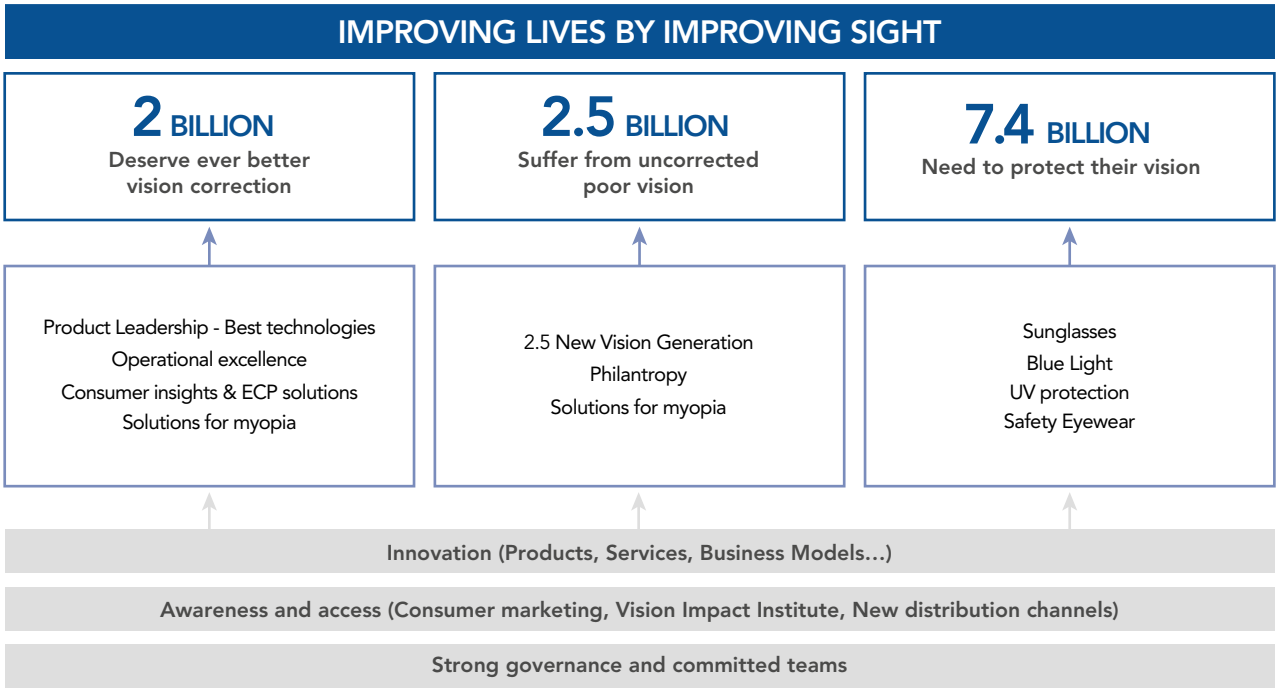
(1) Two entities were exempted from non-financial reporting in 2018. One entity in Japan experienced a fire at end of September and was in recovery process during the reporting campaign. One entity in Romania will participate in sustainability reporting starting from 2019. Given the specific cases above, Essilor considers that the 2018 non-financial reporting covers 100% of the Group's entities and workforce.

Essilor mission

4.2.3 Improving lives by improving sight

Providing everyone, everywhere, with access to quality vision care is Essilor's biggest challenge in terms of sustainable development. This challenge lies at the crossroads between the Group's economic activity and its social contribution through the positive impact on quality of life better vision brings. The desire to meet this challenge drives the Group's strategy and involves all of the Group's employees.

Essilor designs, manufactures and sells a wide range of solutions to correct, protect and prevent visual health risks. While 2 billion people enjoy vision correction today, uncorrected poor vision remains the world's most widespread unaddressed disability. It indiscriminately affects 2.5 billion – 1 in 3 – people around the world, yet 80% of vision problems can be solved with a simple pair of eye glasses. In line with the Group's mission to improve lives by improving sight, Essilor has the ambition to eradicate poor vision by 2050.



In 2013, Essilor considerably accelerated its efforts to meet the needs of the 2.5 billion people living with uncorrected poor vision by addressing all barriers to vision care: access and awareness. Essilor's actions on four fronts help to fulfil this Mission:

1. make as many people as possible aware of the importance of good vision;
2. innovate responsibly for current and future customer needs;
3. develop inclusive business models; and lastly;
4. drive strategic giving initiatives.

4.2.3.1 Raising awareness of the importance of good vision

The main reason for large numbers of people lacking the visual correction they need can be primarily explained by a lack of awareness of vision problems. Many people have never had an eyesight test, or have never been able to see properly in their life.

To address this, Essilor is investing locally, nationally and internationally to raise awareness of the importance of visual health and of having regular eyesight tests. Different initiatives are taken:

- In March 2018, Essilor became one of the first strategic partners of the Vision Catalyst Fund, an ambitious multi-stakeholder initiative spearheaded by the Queen Elizabeth Diamond Jubilee Trust in the UK to raise $1 billion for vision care. The Fund aims to provide sustainable solutions for eye health in the Commonwealth and around the world. Essilor committed the expansion of its inclusive business to create sustainable vision care infrastructure and employment opportunities for local communities and a first-of-its-kind donation of 200 million pairs of ophthalmic lenses to those most in need.
- In December 2018, Essilor signed Letters of Intent with the Royal Government of Bhutan and the Central Monastic Body to sustainably strengthen the country's vision care infrastructure. In line with the common ambition to eradicate unprotected and uncorrected poor vision, we will address the two biggest barriers to good vision, access and awareness, through training and capacity building, a philanthropic donation of 400,000 pairs of corrective and protective eyewear and awareness-raising.
- On World Sight Day 2018, Essilor's "Put Vision First™" campaign highlighted the importance of regular eyesight tests in 55 countries, screened over 80,000 people and provided a free online vision test as a first step to checking vision.
- In 2018, Essilor launched the "Road Safety Starts with Good Vision" campaign that served as a critical lever to create awareness on the importance of good vision for the safety of all road users (driver, biker, cyclist or pedestrian), reaching millions of people around the world. In partnership with the FIA, the campaign was deployed to global audiences through optical, sport and mobility events, including Mido, Formula 1, 24h Le Mans, Paris Motor Show, and the 1st African Road Safety Forum. As a high point, the Essilor World Sight Day campaign emphasized the crucial link between good vision and road safety, inviting all road users to adopt good behaviors to improve their sight on the road. In 2019, Essilor will continue launching new programs – such the collaboration announced in 2018 with TOTAL, a major player in mobility – in order to fight poor vision and improve road safety in Africa.
- Essilor continues to champion national public awareness raising campaigns, organized in partnership with industry players and other stakeholders such as:
  - "Think About Your Eyes™" in the United States,
  - "La Bonne Vue" – a consumer infomation wesbite and dedicated social media channels in France to educate people on the importance of visual health.

  Essilor supports initiatives to gather statistical data on the social and economic impact of poor vision to obtain government support to invest in visual health improvement programs. Examples include:
- Since 2016, Essilor has been part of the Eyelliance coalition and has been involved in drafting the World Economic Forum's Report, "Eyeglasses for Global Development: bridging the Visual Divide". This report demonstrated that investing in access to vision correction would lead to considerable gains in terms of economic and social development, entirely in line with the SDGs.
- In 2012, Essilor lent its support to the founding of the Vision Impact Institute (VII). The organization's mission is to raise awareness about the importance of vision correction and protection to make good vision a global priority. The Vision Impact Institute curates a unique database of scientific research, reports on the impact and prevalence of poor vision and advocates around the world to recommend changes to public health policy.
- The Institute is guided by an Advisory Board comprised of five independent international experts who inform the organization's strategic direction. The Institute's website – www.visionimpactinstitute.org – provides a single repository of 350 research studies and reports on numerous aspects of the impact of uncorrected vision and in 2018 more than 90 new studies were added. The website is available in five languages: English, French, Chinese, Spanish and Portuguese.
- In 2018 the Institute was actively engaged in raising awareness about the importance of good vision. The following two examples illustrate its work:
  - In India, the VII finalized a study with the Central Road Research Institute in four cities to evaluate the state of vision among a select group of commercial drivers. The results will be used to address policy change.
  - In the United States, is working with Optometry Giving Sight as founder of the *Kids See: Success* initiative to pass legislation in the state of New Jersey that requires a comprehensive eye exam for all children, aged six and under, entering school for the first time. Final adoption of the legislation is anticipated in early 2019.

4.2.3.2 Sustainable innovation for customers' current and future needs

Innovation at Essilor

Innovation is the linchpin of the Group's growth strategy and central to Essilor's model. It is a major differentiating factor and applies to products, services, business models and governance structure. As such, it characterizes the unique way the Group carries out its Mission.

Optical lenses are high-technology products. Although innovation is essential, it is also very important to continue working to improve existing solutions. This makes it possible to respond to all new needs which arise as a result of demographic and lifestyle changes.

Each year, Essilor devotes a significant part of its revenue for Research and Innovation, so that it can respond to market trends in visual health driven by several major social trends (ageing population, use of digital technology, new "Base of the Pyramid", or BoP, consumers, etc.). In that sense, the Group has notably step up its R&D efforts on Myopia by working on cause studies in collaboration with universities in different countries and associated control solutions.

In 2018, R&D investment amounted to €213 million before deduction of research tax credits.

Meeting consumer expectations

Innovation is everywhere within the Group, and it is now taking on new forms, combining technologies with an understanding of the whole range of consumer needs: across the following three dimensions: visual correction, eye protection and prevention of eye disease.

Essilor defines its innovation priorities by listening to consumers and paying attention to their unmet and specific needs, as well as their lifestyles.

In order to meet this challenge, marketing and innovation are inseparable. From the very beginning, the Group's Centers for Innovation and Technology work in direct contact with the markets. The centers detect "weak spots" by observing technology and competitors. Later on, researchers work with the marketing teams and the "Global Engineering" department to quickly make innovations available to consumers.

In order to place the consumer at the very heart of the innovation process, Essilor created in 2017 five "roadmaps" for different consumer types, each of which constitutes a specific market for the Company:

- Kids & teens;
- Young adults;
- Mid-life;
- Seniors;
- Next Generation Consumers.

Each "roadmap" is made up of multidisciplinary teams and uses Design Thinking methods to accelerate the ideation and innovation process. These roadmaps have started to deliver a high number of new ideas, some of them have been selected and are now included in the Consumer Innovation funnel, either in the concept or feasibility stages. After confirmation of the consumer benefit and the value creation, the best concept are converted into new product and services in the year to come.

A global organization

At Essilor, R&D is structured around four Centers for Innovation & Technologies, at the heart of major current and future markets and close to centers of international expertise. It operates as a collaborative, creative network, fostering synergies, speeding up execution and promoting the emergence of new applications.

This approach has resulted in Forbes magazine ranking Essilor as one of the 100 most innovative companies in the world since 2010.

Including sustainable development in innovation

Essilor has expanded its culture of global innovation through gradual integration of the challenges of sustainable development. For the Group, as well as being compliant with regulations, innovation must be:

- *Collaborative.* This means that stakeholders (universities, research centers, suppliers, customers, professional associations, etc.) can be involved from design through to the launch of the innovation. Essilor has forged over twenty partnerships with universities and public research bodies: *Institut de la Vision* in Paris, CNRS, Inserm, Polytechnique Montreal, Universities of Shanghai and Wenzhou in China, etc. Based on the results of the See Change Challenge open Innovation, a new solution for prescription measurement, Quickcheck, has been developed and will be launched in the year to come. The objective of QuickCheck is to be an affordable alternative to the retinoscope, and so give an approach value for the subjective refraction, that is done in general with trial lenses;
- *Eco-designed.* Essilor endeavors to develop products with an ever-decreasing impact on the environment by analyzing the product's life cycle, favoring eco-design, working with its subcontractors (purchasing raw materials with less environmental impact, etc.) and optimizing production processes. For example:
  - Essilor now only promotes lighter, more resistant and more environmentally-friendly corrective lenses that are manufactured from thermosetting resins or thermoplastic materials,
  - Costa brand has launched its "Untangle our oceans" initiative in partnership with the Bureo Company to create a collection of sunglasses with frames made from recycled fishing nets,

- The online optical group Clearly launched a new brand of environmentally-responsible glasses called "Main + Central". The frames are made of a highly durable and biodegradable material called "Natura", which can be returned to the Company for recycling when customers want to change their style.

Furthermore, no new chemical component requiring toxicology tests is used in the Group's innovations. Lastly, as part of animal welfare considerations, Essilor does not conduct any tests on animals;

- *Transparent.* To guide end users in their choices as effectively as possible, Essilor is careful to provide high quality, relevant information on new products. By working with visual health professionals, training them and providing them with technical documentation and informative materials, Essilor ensures that its products are promoted in a compliant way. See Section 4.2.6.4 of this document;
- *Accessible to all.* For the Group, any innovation must support its Mission. New products are therefore developed to address specific or even local issues (such as population aging, the emergence of a middle class in high-growth countries, or the development of digital technology) and reach as many people as possible. To provide more complete protection against harmful blue light and UV, both of which contribute to age-related vision loss, the Group introduced the Eye Protect System™ innovation. This innovative system integrates filtering properties directly into the lens itself for maximum protection. For the 2.5 billion people without visual correction living mainly in emerging countries with limited visual health structures and complex logistics chains, Essilor has developed an improved version of Ready-to-Clip™. This new solution provides a larger selection of frames with symmetrical lens shape, pre-edged lenses, interchangeable Left & Right lenses which allows different spherical prescription. This enables consumers on low incomes to buy an affordable pair of glasses locally, immediately after their eye test, avoiding any issues with logistics and order tracking.

4.2.3.3 Developing inclusive business models

A large number of individuals suffer from poor vision because they cannot access eye care professionals in the rural communities or urban areas where they live.

Reaching people on low incomes, often designated as "Base of the Pyramid" (BoP) consumers, requires a totally different and innovative approach in terms of products, pricing and distribution. Training micro-entrepreneurs in primary vision care is one of the keys to expanding access to good vision. It also helps create local jobs and combat poverty.

The challenge is to find sustainable economic models that will continue to support communities as they develop and their correction needs evolve.

Since 2013, Essilor has put in significant resources to develop and roll out inclusive business solutions that involve skill building of local youth and creating infrastructure to dispense Primary Vision care.

These solutions demand close collaboration with local organizations, hence Essilor is co-constructing partnerships with NGOs, social entrepreneurs and regional or national governments for its inclusive business models. This provides the Group with a better understanding of local needs and obstacles to build a framework for ensuring long-term sustainability projects.

To this end, Essilor has created two dedicated complementary structures:

- the "BoP Innovation Lab", the Innovation Laboratory for the Base of the Pyramid, supported by the Singapore Economic Development Board, is an internal incubator, accelerator and facilitator which works on inclusive business models with teams and foundations across the Group, to raise awareness and maximize impact. As an incubator, the Lab develops and evaluates inclusive business models tailored to the local context or customer needs. As an accelerator, the Lab provides strategic and operational support to on-site teams to implement the projects. As a facilitator, the Lab builds and strengthens relations with key partners, social enterprises, foundations and development agencies. It works in close collaboration with Essilor's inclusive business entity, 2.5 New Vision Generation™ (see description below), to select programs, evaluate their social impacts, make any adaptations that may be necessary and develop new products, solutions and business models in line with the needs of BoP consumers. As part of the Lab's efforts to develop a portable, robust and inexpensive tool to measure visual defects (the current devices like autorefractometers are expensive and complex), the team is developing a tool that will be able to provide primary vision care providers and NGOs working in the field the ability to conduct accurate measurements on-the-go, The device, developed in collaboration with startups that participated in an open innovation challenge in 2016-17, is expected to be available for launch in early 2019. On the product front, the team is also launching the next generation of its flagship Ready-2-Clip™ range of frames and lenses which allow for on-the-spot dispensing through pre-cut lenses and frames that can be assembled on the spot. The next generation of Ready-2-Clip™ will enable even better customization by allowing adjustments to pupillary distance and temple sizes. The Lab team is also working on new-age omnichannel business models that can leverage the rapid spread of mobile technology and e-commerce to bring sustainable vision care to the underserved;

- the "2.5 New Vision Generation™" ("2.5 NVG") business division leverages dedicated sales and logistics teams in key geographical areas of Asia, Latin America and Africa. It focuses on the adaptation and local deployment of solutions for BoP customers so as to create an initial network of infrastructure and vision care micro-entrepreneurs ("Primary Vision Care Providers"). These poorly served communities often lack access to vision care facilities. Essilor's goal is to create 25,000 primary vision care providers by 2020. At the end of 2018, the Group had created 8,963 primary vision care providers (more than 35% of its target) with solid plans in place to scale-up to the 2020 target numbers. This implies agile, scalable business models. For example, in India, where the 2.5 NVG structure originated, Essilor has developed the Eye Mitra™ ("friends of the eyes" in Sanskrit) program with the aim of training under-employed young people as vision technicians. They receive training and the equipment needed to start a "micro-business" carrying out eye exams and dispensing eyeglasses for the inhabitants of rural or semi-urban areas. In 2018, more than 6500 Eye Mitra™ partners have already been created to provide vision care services to their communities. An impact study conducted by the Dalberg practice highlighted the major socio-economic contributions this program has made (see Section 4.2.6.5). Inspired by the success of the Eye Mitra program in India, 2018 saw the flagship business model being expanded to Indonesia, Bangladesh, Kenya and China with other countries to follow.

Based on the expertise acquired from the Eye Mitra™ program, the 2.5 NVG teams also developed the Vision Ambassador™ program, which is designed to train individuals to screen for near-vision problems in adults over the age of 45 and sell over-the-counter reading glasses as a complementary business. At the end of 2018, this program had over 2,248 Vision Ambassador™ partners in nine countries: China, Brazil, India, Indonesia, Cambodia, Vietnam, Ivory Coast, Kenya and South Africa.

At the end of 2018, the 2.5 NVG products were being distributed in more than 50 countries. More than 8 million people were equipped with eyeglasses this year, majority of them first-time wearers, compared to almost 3.3 million people in 2017, 2.2 million in 2016, 1.2 million in 2015 and 300,000 in 2014.

4.2.3.4 Strategic Giving

Essilor continued to deploy its philanthropic initiatives around the world in 2018 providing disadvantaged communities and people, many of whom live below the international poverty line, with the vision care they need. Essilor's philanthropic activities include awareness-raising campaigns, screening events, donations of lenses and frames and funding for vision care programs led in collaboration with partner organizations from the public and private sectors and NGOs. The partners include; Ordre de Malte in Africa, Lions Clubs International, Brien Holden Vision Institute, Optometry Giving Sight, the Samu (social humanitarian emergency service in Paris), le Secours populaire français (a non-profit organization devoted to fighting poverty and discrimination in France and beyond), Emmaus Solidarité, the Rothschild Ophthalmology Foundation, Vision Aid Overseas, Sightsavers, Standing Voice and Orbis International.

To ensure the success of these initiatives, the Group established a Foundation (Essilor Vision Foundation), with legal entities in seven countries and in 2015 launched the Vision For Life™ funds in France and the United States. Endowed with €49 million Vision For Life™ finances philanthropic and sustainable programs to raise awareness and improve access to vision care in underserved regions. In 2018, the Group was involved in around 200 programs operating in 50 countries and over 3,000 employees volunteered for these initiatives. 3 million people got their eyes tested and 500,000 people were equipped with corrective glasses. The Group's subsidiaries have donated over 1 million pairs of glasses to the NGO "Restoring Vision", bringing the total number of people benefitting from a free pair of spectacles to over 1.5 million in 2018.

In 2016, Vision For Life™ co-founded Our Children's Vision, a global coalition with over 80 partners, which has reached 30 million children through free eye care programs and equipped close to 2 million with a free pair of glasses by end of 2018.

Essilor Vision Foundation™

Following the creation in 2007 of the Essilor Vision Foundation in the United States, the Group increased its impact by setting up foundations in India, Singapore (covering ASEAN) and China. In 2016 the Foundation was established in Canada, Australia and New Zealand.

Essilor Vision Foundation's activities in 2018 include:

- Essilor Vision Foundation US operates in every state through more than 175 NGO partnerships and has brought eye care to more than 20,000 schools. One of its flagship programs is Kids Vision For Life™, which allows students to be equipped with the glasses they need right on the spot thanks to mobile vision clinics. In 2018, Essilor Vision Foundation US launched three new programmes to increase its outreach:
  - See Kids Soar, an awareness campaign with the objective to engage parents, patients and employees by providing them with the necessary marketing and communication assets to raise funds for the foundation;
  - Changing Life through Lenses™, which allows eye doctors and charities to create an online account for no-cost prescription eyeglasses and access to resources for charitable engagement;
  - A community grants program through sponsorship of the AOA Foundation's Healthy Eyes Healthy Children program, offering up to $5K per optometrist focused on vision services for youth.
- Through these three programs, Kids Vision For Life, Changing Life through Lenses and Healthy Eyes Healthy Children, have 354,389 children have received a free pair of spectacles.

- Essilor Foundation China continued implementing school eye care programs in almost 20 provinces, reaching over 400,000 children. A new partnership with the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) and the local government of Xing County in Shanxi Province, was launched to cover an additional 41 schools, reach 23,000 kids, and ultimately contribute to eradicating poverty in this province.
- Essilor Vision Foundation India together with 25 partners in 16 provinces, screened over 600,000 people. 50,000 of them were disadvantaged children who received a free pair for glasses. In the state of Karnataka, together with the local government, the foundation launched a first of its kind pilot project to eradicate poor vision in Doddaballapura Taluk. The project will provide free vision care to 300,000 people.
- Essilor Vision Foundation ASEAN rolled out programs with 40 partners in 10 countries, raising awareness and providing 400,000 people with free vision screenings. Over 80,000 people were equipped with glasses to correct their eyesight.
- In Australia and New Zealand, Essilor Vision Foundation provided over 5,000 students with free eye tests thanks to a school screening campaign. These initiatives were reported in local media and helped educate millions of people about how important good eyesight is for academic success.

Furthermore, under the global partnership between Essilor and Special Olympics, since 2002, the vision program Special Olympics Lions Clubs International Opening Eyes program has screened more than 430,000 children and adults with intellectual disabilities participating in Special Olympics. In 2018, a total of 160 events took place around the world, with more than 25,000 Special Olympics athletes screened of which over 13,000 athletes received prescription eye wear equipped with Essilor lenses.

Vision For Life™

Vision For Life™ administered by two nonprofit entities, the Essilor Social Impact Fund, a nonprofit corporation in the US and the "Essilor Social Impact fonds de Dotation" (endowment fund) in France was created in 2015, and aims to accelerate initiatives targeting poor vision through awareness-raising, capacity-building and the creation of basic vision care infrastructure.

Essilor made an initial contribution of €30 million to these two organizations, making it the world's largest strategic giving program dedicated to eliminating Uncorrected Refractive Error. In 2017, the Group made an additional donation totaling €19 million to roll out new eye care programs worldwide.

In France, these philanthropic initiatives fall into four categories:

- access to eye tests and basic optical equipment for underprivileged people. These initiatives are delivered in partnership with humanitarian organizations such as; the Secours populaire français, (a non-profit organization devoted to fighting poverty and discrimination in France and beyond) Emmaus Solidarité, the Samu social, (a humanitarian emergency service) Médecins du Monde and public or private organizations such as the Assistance Publique – Hôpitaux de Paris (AP-HP) and the Rothschild Ophthalmology Foundation. Vision For Life™ was involved in setting up the first "PASS-O" unit in France, which provides access to ophthalmology care and eyeglasses for almost 5,000 people without medical insurance per year;
- initiatives for young people from disadvantaged communities, to raise awareness about the importance of visual health for their academic success and professional future. These initiatives reached over 20,000 young people, and over 5,000 received a free eye test;
- initiatives for refugees, at a refugee center in the Paris region, which offered free vision tests for 400 people, 200 of whom were equipped with glasses;
- a partnership with the French Ministry of Education, launched in 2017, to raise awareness and provide all involved parties with training on the importance of good eyesight for academic performance.

In Europe, Essilor launched multiple initiatives reaching more than 20,000 wearers. As an example in Kosovo, the Group started a program for school children in Kosovo in partnership with the Lions Club with the objective to screen 6,000 kids. This program will be continued in 2019 with a 2nd partnership to reach an additional 20,000 kids in 20 schools.

In 2018, a range of programs were implemented in Africa, including:

- renewal of a three year partnership in Ethiopia with the British NGO, Vision Aid Overseas, to provide 90,000 people with free eye care and equip 20,000 of them with glasses;
- in Ivory Coast Vision for Life entered into a new partnership with CBM International dedicated to children, to be continued in 2019. Vision for Life also contributed to the creation of an ophthalmology station in Kinbugo Hospital together with the organization Ordre de Malte;
- in Angola, together with Caritas, two new programs were launched with the objective to reach 800 people with free eye care;
- in Algeria, a large scale program was launched in the Cheraga district to be rolled out in 143 schools and reach 60,000 children. A first pilot to screen 10,000 children was completed in 2018 and the project will continue in 2019.

Combined impact of inclusive business and strategic giving initiatives

Essilor aims to improve 50 million lives at the base of the pyramid by 2020. At the end of 2018, the Group has reached more than 46% of its target, *i.e.* more than 23 million of people have been equipped with eyeglasses on a cumulative basis since 2013.

Social information

4.2.4. Caring for and engaging our people

Essilor's success is deeply intertwined with the 68,972 (full time equivalent) employees worldwide who, irrespective of their role and the work that they do, are committed to developing, producing and promoting the innovative products and services that contribute to the Group's Mission: to improve lives by improving sight.

With a history spanning 170 years, the Group has a unique corporate culture based on strong values established in all areas and subsidiaries of the business: entrepreneurship, respect for others and mutual trust, spirit of cooperation, diversity and innovation.

Essilor's employee shareholding structure is a key characteristic of the Group's social policy. It not only benefits employees but also shareholders by aligning their common interests regarding the Company's performance and the value created as a result.

Through its human resources policy, Essilor also hopes to encourage the development and personal fulfilment of its employees, by offering them opportunities for growth as part of a global, diversified, multicultural Group in multiple locations. This aim entails a working environment that respects their physical and moral integrity and ensures equal treatment at all times.

Ensuring these conditions are met means that Essilor is able to attract and retain talent as well as to improve the employability of its staff – in particular, by facilitating access to training throughout their career and by broadening their roles and experience so as to encourage increased autonomy and responsibility.

Total workforce and breakdown of employees by geographical area, gender, function and age

As of December 31, 2018, Essilor had 68,972 employees worldwide according to the financial consolidation method. The average workforce for 2018 was 68,333 employees (according to the consolidated personnel costs for the period).

		2018	2017	2016
Total workforce (FTEs) at the end of the period		68,972 [@]	66,918 [@]	63,676 [@]
Average workforce (FTEs) for the year		68,333 [@]	66,118 [@]	63,107 [@]
Breakdown of the workforce (FTEs) by geographical area	North America	14,642 [@] (21.2%)	14,123 [@] (21.1%)	13,476 [@] (21.2%)
	Europe	11,887 [@] (17.2%)	11,934 [@] (17.8%)	12,141 [@] (19.1%)
	Latin America/Africa/Asia/ Australia/Middle East/Russia	42,443 [@] (61.6%)	40,861 [@] (61.1%)	38,059 [@] (59.7%)

Note: FTE = Full Time Equivalent.

	2018	2017	2016
Reporting Coverage	100%	100%	91.9%
Workforce (headcount) covered by 2018 reporting (end of period)	70,382	69,400	61,995

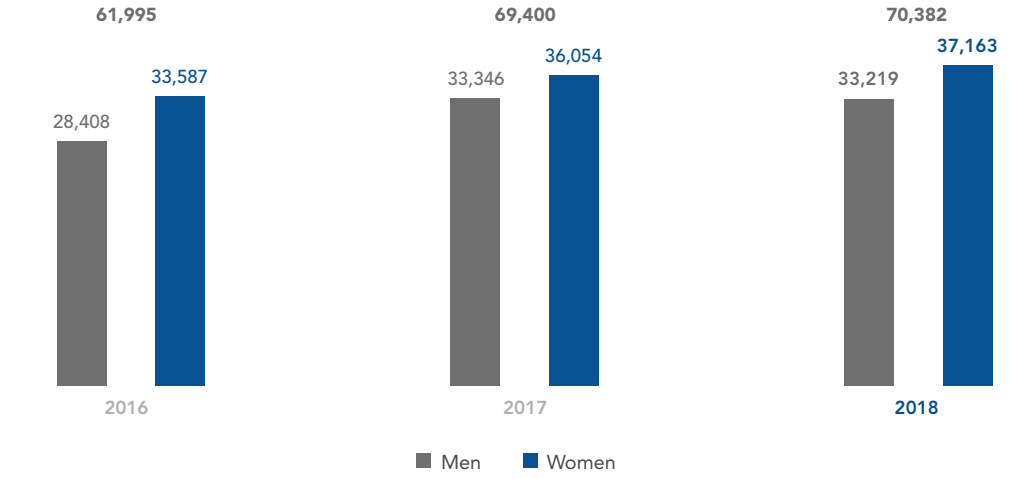
Note: Reporting coverage is calculated based on the workforce of the financial consolidation at end of 2018 and rule for scope of reporting (See in Section 4.2.2.4). The coverage is almost 100% for a second consecutive year thanks to strong engagement of all Essilor and partners teams. Two entities were exempted from non-financial reporting in 2018. One entity in Japan experienced a fire at end of September and was in recovery process during the reporting campaign. One entity in Romania will participate in sustainability reporting starting from 2019. Given the specific cases above, Essilor considers that the 2018 non-financial reporting covers 100% of the Group's entities and workforce.

Total number of employees reported has slightly increased by 1.4%, which is stable compared with last year.

Workforce breakdown by gender

		2018	2017	2016
Breakdown of the workforce by gender *(based on the workforce covered by reporting)*	Women	37,163 (53.0%)	36,054 (52.0%)	33,587 (54.2%)
	Men	33,219 (47.0%)	33,346 (48.0%)	28,408 (45.8%)

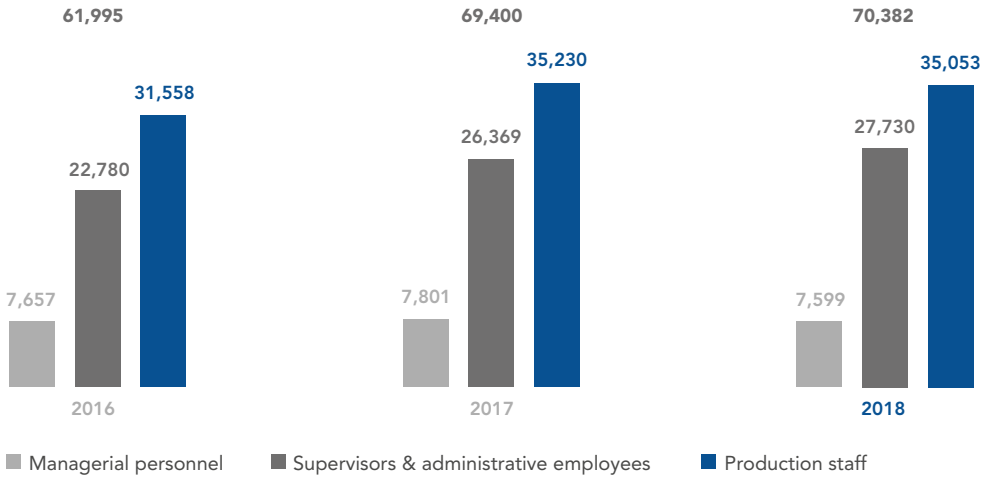
Note: There is no significant changes in distribution of employees by gender compared with previous year.



Workforce breakdown by function

		2018		2017		2016	
Breakdown of the workforce by function *(based on the workforce covered by reporting)*	Production staff	35,053	50.0%	35,230	50.8%	31,558	50.9%
	Supervisors and administrative employees	27,730	39.0%	26,369	38.0%	22,780	36.7%
	Managerial personnel	7,599	11.0%	7,801	11.2%	7,657	12.4%

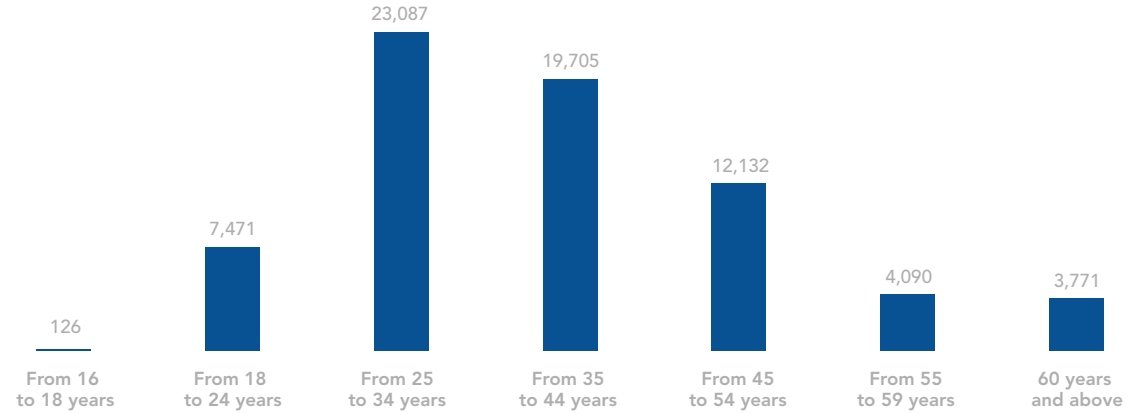
Note: According to the Group's definition, the "production staff" category includes employees working at production plants; "Supervisors and administrative employees" includes individuals who have management responsibility and/or are employed in an office. Lastly, "Managerial personnel" comprises Executive Directors, managers and experts. There is no significant changes in distribution of employees by category compared with previous year.



Workforce breakdown by age

	Age	2018		2017		2016	
Breakdown of the workforce by age group *(based on the workforce covered by reporting)*	16 to 18	126	(0.18%)	132	(0.19%)	167	(0.27%)
	18 to 24	7,471	(10.61%)	7,084	(10.21%)	6,297	(10.16%)
	25 to 34	23,087	(32.80%)	23,068	(33.24%)	20,245	(32.65%)
	35 to 44	19,705	(28.00%)	19,448	(28.02%)	17,065	(27.53%)
	45 to 54	12,132	(17.24%)	12,180	(17.55%)	10,968	(17.69%)
	55 to 59	4,090	(5.81%)	3,893	(5.61%)	3,769	(6.08%)
	60 and over	3,771	(5.36%)	3,595	(5.18%)	3,484	(5.62%)

Note: Employees below 18 years old are mainly from the entities in Brazil, China and USA, where the minimum legal working age is below 18 with specific conditions. The other few cases are apprentices in the Company. The employment of these people is compliant with local regulations.



New hires, layoffs and turnover

	2018	2017	2016
TOTAL NEW HIRES	**21,336**	**17,848**	**14,548**

Note: The data reported covers almost all the Group workforce reported. The increase of Group recruitments is linked to the higher number of recruitments in China and USA due to operational needs.

	2018	2017	2016
TOTAL LAYOFFS	**2,699**	**2,279**	**1,632**

Note: The data covers 90% of the Group workforce reported. The layoffs were mainly in Brazil, USA and Indonesia and were linked to the reorganization of the Group and local employment culture.

	2018	2017	2016
VOLUNTARY TURNOVER RATE	**9.1%**	**9.0%**	**10.0%**

Note: The turnover rate disclosed is based on the voluntary departures of the Group. It is calculated based on a sample of entities which represents 69% of the Group total workforce reported and covers all the geographic regions where the Group operates and all the Group's business activities.

4.2.4.1 Ensuring health and safety with a quality working environment

Maintaining the health of all employees and offering them a quality working environment are priorities for Essilor. This involves preventing accidents and occupational illnesses, taking measures to minimize the severity of accidents and the implementation of corrective action plans to prevent repetition. In addition to the human factor, the accident may involve significant direct costs (related to absences and temporary replacement staff, fines, contributions and increased insurance costs) and indirect costs (a drop in productivity and disruption to services). Essilor, its employees and their representatives therefore have a mutual interest in working together to reduce accidents to a minimum.

Health and safety targets in the workplace

As part of a continued drive to improve occupational health and safety conditions and reach the target of zero workplace accidents, the Group has set itself the target of decreasing the work-related injury frequency rate by 30% by 2020 (reference year 2015). At the end of 2018 and on this scope, the Group had already attained 53% of its target, with a 16% reduction.

Organization

In collaboration with the Human Resources department, the Global EHS (Environment-Health-Safety) department, leads the Group's approach to health and safety. It includes experts in occupational health and safety, as well as in the management of chemical products and in ergonomics. It is in charge of consolidating data relating to the Group's accident record and analyzing it to define priorities in terms of reducing the frequency and severity of accidents. It creates the risk management systems, establishes the annual targets and is supported by a network of EHS coordinators at the Group's main sites, to whom it provides assistance and technical operational support, such as standard procedures, action plans, and on-site audits. It also ensures that specific attention is paid on some sites to high-risk procedures such as the synthesis, storage and implementation of the catalyst (IPP) necessary for ORMA® lenses or the formulation, storage and implementation of the various monomers for high- and ultra-high index lenses.

Main preventive actions

For each of the procedures outlined above, a safety guideline was created with the participation of the French national institute for industrial environment and risks, INERIS, and the company Bureau Veritas. The Essilor sites implementing these procedures are audited and certified by Bureau Veritas every three years. The sites of Group partners implementing monomers for high-index lenses are also subject to an internal audit every two years based on an appropriate guideline. Lastly, the creation of a guideline dedicated to the storage and implementation of a specific form of IPP catalyst used by partners will complement the control system for all the Group's high-risk procedures in mid-2019.

Road risk management is another major concern at Essilor. The Group policy in this field was strengthened in 2018 with the help of an internal working group, based on the best practices of external companies (such as the International Automobile Federation's (FIA) golden rules, discussions with the Laboratory for accidentology, biomechanics and human behavior studies (Lab, etc.). In 2019, Essilor France will sign the national call by companies to promote road safety. Lastly, as part of the partnership signed between Essilor and FIA to promote the importance of vision in reducing road accidents, several in-house awareness-raising operations took place this year.

Occupational health and safety policies at the production plants are shaped by OHSAS 18001 guidelines, as well as Essilor's EHS guidelines. The key objectives are to improve awareness, training, and communication on health and safety issues. More specifically, the EHS guideline identifies and tracks all the typical risks of a given site depending on its activity (production, prescription laboratory, logistics center or tertiary site). This guideline includes minimum requirements applicable to all sites as well as advanced requirements that are implemented gradually to improve the EHS culture and maturity of these sites. As of December 31, 2018, the production plants in Brazil (1), China (1), the United States (1), France (2), Ireland (2), Mexico (1), the Philippines (3) and Thailand (2) were OHSAS 18001-certified. As a result, the percentage of certified health and safety management systems in the Group's upstream production plants was 76% (13/17).

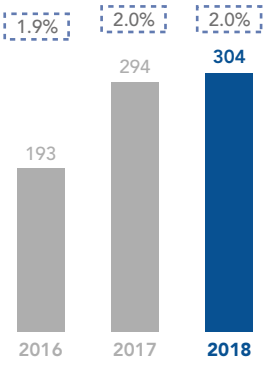
The development and launch of new products now include a process called Stages & Gates (see Section 4.2.3.2) which aims to coordinate the work of the various departments, from design to deployment at production plants. This process includes occupational health and safety and environmental requirements in an effort to prevent occupational illnesses and accidents and reduce their impact on the environment. These requirements pertain to safe machines and processes, ergonomic workstations, chemicals management, regulatory aspects and change management, among other topics.

Health and safety indicators

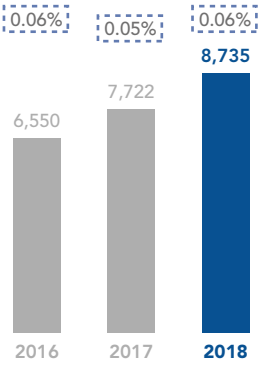
	2018	2017	2016
Work-related injuries with lost work time	304	294	193
Work-related injuries without lost work time	652	463	333
Fatal accidents	0	1	0
Lost days due to work-related injuries with lost work time	8,735	7,722	6,550
Frequency rate of work-related injuries with lost work time for the period	2.0	2.0	1.9
Severity rate of work-related injuries with lost work time for the period	0.06	0.05	0.06

Note: The number of injuries with absence is stable compared to 2017. The number of injuries without absence increased mainly due to due scope impact of 3 entities in Mexico. The frequency rate and severy rate is at similar level compared to 2017.

Accidents with lost work time (frequency rate for the period)



Lost days (severity rate for the period)



Occupational illnesses

Identifying and monitoring the possible occurrence of occupational illnesses is the task of each entity and the number of cases has not been consolidated due to the difference between local regulations. The vast majority of reported occupational illnesses fall within the category of musculoskeletal disorders (MSDs). An ergonomics position has been created within the Global EHS department to initiate and monitor programs set up to reduce the existing number of cases and prevent the occurrence of new cases. More specifically, Ergonomics Clubs have been launched within the main organizations to bring together experts or site ergonomics coordinators and to pool their best practices and standardize workstation analysis tools.

Because the manufacturing of lenses involves the use of numerous chemicals, including some hazardous substances, a special emphasis is placed on chemical management with a focus on preventing employee exposure. Based on a risk assessment approach, prevention and protection actions are underway, such as: Group-wide replacement program, technical systems to extract steam and fumes, automatic filling machines, adaptation of work stations, training sessions and specially adapted personal protective equipment. The effectiveness of these actions is verified by periodic sampling or via continuous monitoring, in addition to appropriate medical surveillance of employees. A "Critical Raw Materials and Consumables" steering committee is in charge of monitoring these substitution actions or programs to reduce exposure.

All these action programs were continued in 2018.

Absenteeism

	2018	2017	2016
ABSENTEEISM RATE	**3.0%**	**2.9%**	**3.4%**

Note: The absenteeism rate is calculated based on a weighted average of entities covering 93% of the Group total workforce.

Working time organization

Working hours vary considerably within the Essilor group. Each legal entity has the autonomy to decide the most appropriate working hours. For that reason, Essilor does not disclose the consolidated data regarding working hours.

The Group promotes flexibility initiatives in the organization of work (part-time, teleworking, etc.). Local decisions in terms of the organization of working hours are based primarily on adapting to customers' needs, discussions with employees and their representative bodies, compliance with local regulations and optimizing operational efficiency.

4.2.4.2 Training and the development of skills and talent

With a rapidly growing international business, a presence in emerging countries, areas of specific know-how and growth in new segments, training and the development of skills and talents are strategic challenges for the Group. It may be difficult to hire and retain trained, experienced employees, particularly in competitive areas of the labor market and in emerging countries. This situation affects all levels of employees (workers, supervisors and managers) and calls for specific measures. In consequence, such measures have a prominent role in Essilor's human resources policy.

Developing employees' skills and employability is both an essential criterion for operational efficiency to support the Group's growth, and a sustainable commitment by the employer towards its staff.

Training also supports internal mobility and helps to build fulfilling career paths. Essilor has a strong commitment to its employees in both these respects.

From very early on, Essilor created its training schemes and put in place means of identifying and developing talent. Today, a number of initiatives are lead regarding training and talent management.

Training and development

The Essilor group has designed and set up a flexible learning environment for employees by integrating digital learning and presential programs to acquire managerial and functional capabilities.

The global learning and development team is dedicated to design the corporate learning roadmap, to roll out and administrate the various learning campaigns. This means regularly adding new contents and courses to support the organization's evolving business challenges and transformation needs.

Training on Group level falls into three categories:

"EssilorU", the Essilor online training platform

"EssilorU" is the Group's digital training platform, which connects employees from all of the Group's entities across the world. As of end of 2018, 44,465 employees are connected and have access to more than 1300 training contents, some of them available in 20 languages. Additional partners had been selected for external contents such as LinkedIn, HMM, Go Fluent, HEC and Crossknowledge. In 2019, there will be a specific focus on the curation of new contents and the improvement of the learner experience. The Group will also select a new innovative learning system to extend the reach to the entire organization, pursuing Group's goal to ensure all employees have access to "EssilorU" by 2020.

More than 54,000 courses were completed in 2018 and this was largely supported by the launch of learning campaigns such as road safety awareness, code of ethics, business and human rights, mission insights series and compliance modules.

Essilor business management and leadership programs

Essilor's business management curriculum is based on three major management development programs available to employees:

- the General Management Program (GMP) focuses on the fundamentals of business topics (strategy, marketing, finance, innovation and change management) for executives and organized in five major countries. This program has been co-designed with prestigious business school across the globe such as ESSEC (France), Nanyang Business School (Singapore and China), McCombs School of Business (USA) and Indian Institute of Management Bangalore (India) and mainly targeting newcomers and middle managers;
- the Advanced Management Program (AMP) is designed to help business leaders to better support Essilor's strategy execution. In 2018, 35 participants, 11 women and 24 men from 15 countries, attended the program. For 2019, a new partnership have been signed with INSEAD, which will integrate new themes such as leading teams and digital transformation;
- for Essilor global senior leaders, a Senior Management Program (SMP) that is co-designed with INSEAD, offers a space for them to reflect, learn and share on their leadership effectiveness and efficiency. There is a specific focus on topics such as governance, value creation and senior leadership impact. It welcomes on a yearly basis between 25-30 executives.

Additional leadership programs are offered to address leadership challenge such as the Transition from Management to Leadership (TML). It is a leadership bootcamp for managers to observe, analyze and improve their leadership role. In 2018, four sessions of TML were successfully rolled out in Asia and Europe, with 86 participants, 33 women and 53 men from 20 countries. In 2019, a similar program will be offered in USA.

As one of the official sponsors of the "EVE" program, Essilor nominates a selected group of employees to participate yearly. In 2018, 22 employees took part in sessions held in France and Singapore. This intercompany leadership program engages women and inspires them to contribute to the development of strong, inspiring individuals to bring change to the business. It encourages them to build their network and reinforce their working identity.

"Vision Essilor" is a one-week global onboarding program held in Essilor's Paris headquarters for managers and executive levels. This immersion program offers participants an opportunity to share and interact with Essilor Top Management as well as with the international network of their group.

There are other programs available in Essilor such as "Grow Your Team" which consist of a combination of in-class sessions, digital and coaching modules to improve the capability of Group's managers to discover and enhance their leadership skills. These blended programs are highly appreciated as it gives leaders and their team opportunities to discuss and address key challenges and priorities to be engaged and motivated.

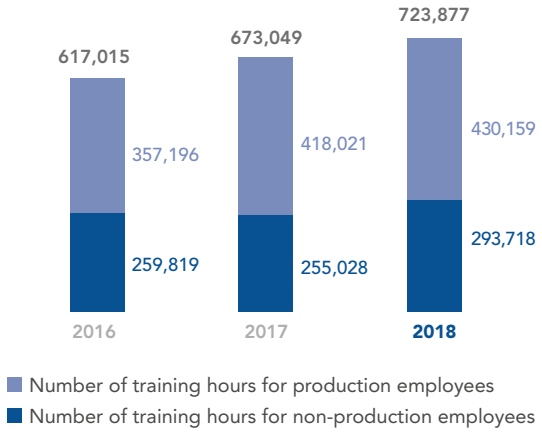
In total, more than 1000 employees and managers participated to corporate training programs in 2018. In 2019, in addition to current offers, there will be additional programs in the fields of Finance, Communication, Negotiation and Culture, and Business Acumen to complete the corporate offers and address business needs.

Total number of local training hours

To monitor overall training activity across all locations of the Group, the subsidiaries are asked to track the "number of local training hours" indicator for production staff and all other management positions (supervisors, administrative employees and managerial personnel).

	2018	2017	2016
Number of training hours for production employees	430,159	418,021	357,196
Number of training hours for non-production employees	293,718	255,028	259,819
TOTAL	**723,877**	**673,049**	**617,015**

Note: To avoid double counting of the training hours, training reporting is separated into two main parts: local trainings and Group online trainings.
Local trainings include trainings for production employees and trainings for non-production employees.
The reporting coverage of local training information covers 79% of the Group headcount, increased compared with 2017 scope, which led to an increase of the training hours reported.
The Group online training is collected and consolidated separately through "EssilorU", the Group online training platform.



Talent management

Essilor keeps improving its dedicated department, to focus efforts on Talent & Organization Management. A specific Talent Network in different geographies and business units of the Group has been set up in order to leverage on best practices and expertise for professionalizing Talent Management. The team collaborates with the Learning & Development department to provide support in designing programs with a Talent Management perspective. Three mains governance bodies has been created to manage this topic with monthly or bi-monthly meetings: *Group Human Ressources Committee*, *Global Mobility Committee* and *Talent Network*.

In order to attract, develop and retain talent, Essilor's Talent Management department continued in 2018 with the rollout of a comprehensive roadmap built on several initiatives:

- Deploying the Successfactor software (E-Talent) as a comprehensive talent management tool to appraise performance, review talent and prepare succession plans at the global level, and also to set growth targets to continue employees' development,
  - E-Talent has 15,000 users by end of 2018 (*vs.* 9,000 users by end of 2017), with a plan of reaching 25,000 employees in the Talent Processes by end of 2019. A CoreHR system is in development that will allow for more efficient management of employee data and HR processes;
- implementing a dedicated recruitment platform for internal and external use. This makes it easier for employees to find vacancies within the Group and, as such, provides more internal mobility opportunities. It also improves the efficiency of the external recruitment process and supports the Group's efforts to become an "Employer of Choice",
  - the E-Talent's E-Recruitment module has become the global reference platform for Essilor: with 15,000 current employees and 4,000 new comers from the USA division having access to the internal and external Essilor job boards, Essilor's employees are offered central and global visibility of internal positions,
  - providing visibility on these career opportunities also improves Diversity & Mobility – the Group's ambition in the years to come is to be able to provide visibility of these internal opportunities to the entire Essilor population;
- furthering Essilor's "Employer" brand:
  - maintaining a regular presence on the international campuses of top-ranking management schools (INSEAD, ESSEC, HEC, NUS, NTU, SMU, CEIBS, etc.) by hosting presentations on the Group's businesses, job and career fairs and presenting Essilor case studies,
  - developing comprehensive Employer Branding Strategy to attract Talent at all levels, that includes critical skills and capabilities,
  - developing external campaign roadmaps on social networks such as LinkedIn™;
- developing internal talent-acquisition capacity to create a uniform experience for candidates and fill vacancies more quickly; this was done in 2018 and will continue to be worked on through the following:
  - enhancing recruitment process with the support of IT systems,
  - piloting Shared Services solution and/or expansion of in-house talent acquisition teams to excel in talent acquisition activities,
  - upskilling the talent acquisition capabilities through training, best practice exchange and by building a strong talent acquisition community.

- globally launching the ETP ("Emerging Talent Program") which targets recruits from the best campuses, and offers students a rotation within a region or globally. The program has already been launched in Europe, AMERA and for the Finance function,
  - in 2018, a set of standard plug-and-play guidelines were developed to enable the easy development of ETP across the globe, to provide greater exposure to top-tier graduate talent,
  - for 2019, the Group's R&D team is exploring the opportunity of running an ETP across their major CIT labs in France, Singapore and the US;
- developing the COMET program, which is an accelerator for talented young employees in the Group, and supports them in their career plans;
- relaunching the Global Essilor Mentoring program to set the standard and establish a baseline for qualified mentors;
- developing the Step Up program, designed to tangibly accelerate the growth of key talents within the Group to become future successors for Country Management roles.

To monitor the effectiveness of the Talent Management program, Essilor has put in place a specific reporting process.

- For 2018, Essilor executive population remained largely steady with a total of 17 positions being staffed with internal successors and 21 positions filled externally due to the onset of new skills. As for manager and emerging talent populations, the Group had a significant growth of 7% and 20% respectively.
- As a Talent Management function Essilor has tracked the progress of various indicators (such as diversity, successor coverage, completion ratio, employee engagement growth, HR effectiveness) across different populations across the Group and drove concrete actions to move the needle. However, no formal targets have been set prior to 2018.
- For the next years, Talent Management Team has taken a long-term approach and has determined some key areas to focus upon:
  - create a culture of development to accelerate growth of employees across their careers, reduce skills shortage and invest in new skills;
  - diversify the workforce to enrich the talent pool and promote inclusiveness to boost creativity and innovation;
  - create an ecosystem to enable line leaders to execute effectively the talent strategy;
  - transform of HR experience by simplifying and digitalizing employees life cycle, increasing quality and productivity of the Group workforce;
  - inspire employees to unlock their performance and potential to improve the Group's business results.

4.2.4.3 Employee integration and inclusion of all forms of diversity

Diversity, one of Essilor's five core values, is a key priority for the Group and an integral part of its culture. The Group's efforts in promoting diversity in all its forms have, over the years, brought great value through innovation in products and services, international expansion and exceptional growth. The inclusive culture has also contributed to success in integrating newly acquired companies, as well as fostering personal initiative and the development and professional growth of Essilor's employees.

Essilor is firmly committed to building a work culture that is inclusive and that nurtures diversity to allow unique perspectives and novel ideas to flourish. The Group believes that inclusion is not an isolated effort by individuals, but is an embedded part of a culture which begins with the ability to welcome new talent, introduce them to the culture and strategy of the Group, respect the uniqueness of each individual and promote the value that the amalgamation of these varied profiles can create at Essilor.

In 2018, special emphasis was placed on Inclusion in light of Essilor's merger with Luxottica, as well as creation of more jobs and new positions to facilitate more internal as well as external mobility.

Onboarding new employees

At the Group level, the "EssilorU" training platform is used for the onboarding of new employees. The platform served almost 45,000 employees in 2018 with aims to increase this number even further in 2019. An induction program is available for new employees at the time of the creation of their accounts to equip them with Essilor's Business fundamentals. It details out the Group's Mission, Principles & Values and key health and safety compliance polices, allowing each new employee to feel fully immersed and involved towards achieving the Group's overall goals.

Additionally, "Vision Essilor" is the induction program offered to welcome new managers; it includes a full week in direct contact with General Management to explore the Group's core businesses, strategy and culture. In 2018, Vision Essilor attracted 117 participants from 27 countries and 16 partners.

There are a number of induction initiatives at the regional level, such as the Somos Essilor program in Brazil, the "Y.Essilor" initiative for trainees and interns in France, and the 90-day "Smart Start" program in the USA which is aimed at providing more information on the optics sector, the Essilor group, the Essilor of America subsidiary, and the participant's business area.

For the onboarding of Executives, Essilor conducted the first pilot of a more inclusive induction process in Paris. The new induction process, piloted in Q4 of 2018, combines business knowledge as well as better integration of key new leaders, including both internal and external hires.

Challenges, priorities and key themes of the diversity and inclusion policy

The Diversity & Inclusion (D&I) policy at Essilor covers several key priorities: ensuring equal opportunity; supporting geographical development and adaptation to local cultures; optimizing the organization; and using the Group's social, human and cultural richness to boost economic performance.

The Group's D&I strategy has four main aims:

- indicators: To create awareness for diversity and inclusion, internal indicators were established in 2018, and were also made part of the talent strategy. These were measured using results from the employee engagement survey, and will continue to be tracked and communicated in 2019;
- awareness: To illuminate the importance of diversity and inclusion and the elimination of unconscious bias is an important aim for the Group. In 2018, Essilor's Diversity & Inclusion Focus and Roadmap was communicated to executives, and a D&I toolkit was developed to facilitate speaking points for leaders for effective dissemination of D&I awareness. The Group plans to continue to promote D&I ambassadors and networks globally in 2019, and also create a D&I Global Council with business leaders to walk-the-talk;
- development: To educate and bring awareness to employees about the prevention of unconscious bias in the workplace, Train-the-Trainers, an unconscious bias training was conducted on "EssilorU" in 2018, which attracted over 1500 participants globally. D&I learning was further enhanced through implementing corporate development programs, attending diversity conferences and joining associations, with plans to continue and expand on these efforts in 2019;
- process:
  - to encourage local teams to take more action in their respective regions. 2018 marked the third year of celebrating the month of March as Diversity and Inclusion month at Essilor. As part of this celebration every year, many subsidiaries engage their employees in diversity-themed breakfasts, exhibitions to raise awareness on disability, and a special evening with traditional costumes and cuisines from different cultures, competitions and diversity quizzes, etc. Further, internal networks for women are being developed in the USA, France, within the e-commerce subsidiary Clearly in Canada and in Singapore,
  - to enhance the HR and management processes to further promote diversity and its associated benefits. For every new vacancy in a key position, be it external or internal, there must be at least one woman fitting the desired profile among the shortlisted candidates. Certain regional initiatives also include the requirement to first publicize a job opening with firms specializing in the recruitment of people with disabilities, an established practice in France and some other countries. Local initiatives include the setup of the IDEA (Inclusion & Diversity @ Essilor of America) Committee in the United States. At the Group level, a quarterly discussion committee (the Best Practices D&I Committee) comprising some 15 "local diversity ambassadors" has been introduced,
  - to implement initiatives to support the professional development of all employees: "Female leadership" program, such as the EVE program initiated at Danone in which Essilor has been involved since it was set up five years ago; specific courses to attract and develop talent in the United States, Europe and Asia; training on diversity and unconscious bias aimed at a wide variety of profiles within the Group, with pilot sessions for all managers in France and all US employees.

Measures taken to promote the employment and integration of people with disabilities

Essilor places emphasis on the issue of disability. Its efforts are reflected across countries, in awareness campaigns and training initiatives, actions to promote fair and sustainable recruitment job security for people with disabilities, and the development of a purchasing policy that involves the protected worker sector. Servioptica, an Essilor Business Partner in Colombia, was recently awarded recognition from the United Nations for its good practices of employing people with disabilities.

A guide to assist managers, who are key players in integrating people with disabilities, has been produced in France. Other Essilor entities have also introduced similar methods to promote the employment and integration of people with disabilities. The Group's recruitment procedures allow individuals with disabilities to access genuine job opportunities, and all reasonable efforts are made to make a workstation suitable for and accessible to an individual with a disability. Essilor does not engage in any discrimination based on a person's disability in respect of employment, the job itself or promotional opportunities.

	2018	2017	2016
Number of employees with a disability	655	617	523
Percentage of employees with a disability	0.9%	0.9%	0.8%
Number of associated jobs created	97	85	84

Note: 2018 disability hiring information covers 92% of the Group total headcount. Level of group employees with disability and disability job creation increased slightly compared to last years.

Over the years, Essilor has committed to the continued employment and integration of people with disabilities within the Group through signing four collective bargaining agreements. In France, the Group is a member of two non-profit associations, Club Handicap & Compétences and Club Être, which support the inclusion of people with disabilities through the sharing of best practices and organizing of think-tanks with other stakeholders. This commitment by the Company and its social partners to the practical implementation of a sustainable, coherent proactive policy, is reflected in an increase in the employment rate for employees with disabilities over the years.

Anti-discrimination policy

Essilor has implemented a specific procedure that is invoked in the event of employees reporting allegations of discrimination. Such issues may relate to a job or to an occupation.

4.2.4.4 Employee shareholding & engagement/employee consultation

Employee shareholding

Employee profit-sharing through the promotion of employee shareholding and the organization of social dialog is one of the founding principles of Essilor, as well as an essential feature of its governance model. In keeping with its history, its entrepreneurial spirit and significantly influenced by its dual economic and human objective, in 2018 Essilor continued to strengthen its employee shareholding

Since its establishment, Essilor has been committed to a strong internal employee shareholding policy. The Group's commitment in favor of employee shareholding has three objectives: to strengthen employees' commitment to the Group's mission and strategy, to align their long-term interests with those of the Group and other shareholders, and to give them the opportunity to contribute to value creation and the Group's success.

Employee share ownership has given rise to an original method of governance that encourages dialog and involves employees in the Group's key decisions. This involvement in strategic decisions is reflected in the governance model by the presence of a representative of employee shareholders on the Essilor Board of Directors. In fact, with more than 10,000 current and former employee shareholders of the Group, Valoptec Association, a non-profit association under the French 1901 law, has a representative on the Board of Directors.

The Group's ambition to have 35% of its employees as shareholders by 2020 was already greatly surpassed in 2017, thanks to the success of the first "Boost" international plan, which took the total to 54,2% of employee shareholders. Thanks to this success, the Group repeated the initiative in 2018, extending the scope of its offer to almost all the global workforce of Essilor, thus an additional thirty countries.

In 2018, Essilor's employees were accordingly invited to join the "Boost 2018" international plan alongside local investment plans. This plan saw a record subscription rate of 66%. It enabled some 36,000 employees in over 40 countries to become shareholders or increase their financial investment in the Group. The number of employee shareholders is above 46,000, representing 68% of the Group's employees.

As of December 31, 2018, employees and partners held 4.3% of share capital and 4.4% of voting rights.

	2018	2017	2016
Number of employee shareholders	46,481 (@)	35,866 (@)	13,557 (@)
Percentage of employee shareholders	68.0%	54.2%	21.5%

Note: Data concern only active employee shareholders as of December 31, 2018. Percentage calculation is based on an average of 68,333 employees for the full year 2018.

Employee Engagement

Since July 1st, 2017, the Group has created the Culture & Engagement department within the Global Human Resources department. Its main responsibility is to ensure that the Essilor fundamentals, as pillars of the Essilor Culture, are deployed in all Group entities and communicated to all employees. Meetings are organized directly with teams, in the field, to explain the Group Mission: "Improving lives by improving sight" and to make sure employees understand that, through their daily job, they all contribute to this Mission. These meetings explain as well how the Mission nourishes the Group Strategy, detail the importance of employee shareholding, promote the uniqueness of the governance model, in which employees shareholders members of the Valoptec association are involved, and share Essilor Principles and Values to guide behaviors and attitudes at work. Those fundamentals develop employee's pride and sense of belonging, as well as the understanding and support to the strategy and values, all of them being drivers of fulfillment and engagement.

In order to address 70,000 employee around the world, local correspondents called "engagement champions" have been nominated among the local teams. In direct contact with managers and local Human Resources teams, they animate meetings with local teams to develop the level of understanding and support in all countries and entities to Essilor fundamentals. In addition they facilitate the deployment of transversal projects such as employee shareholding development, Valoptec membership development, communication and training on Principles and Values, participation to the new global employee opinion survey.

In 2018, the group has launched a brand new global Employee Opinion Survey. In partnership with Peakon, specialized in the measure of employee engagement through an intuitive and interactive application, this survey allows to identify precisely the employee's drivers of engagement. A set of 33 questions related to employee well-being and engagement was sent to 54,000 employees in 78 countries. 100% digital and anonymous, this questionnaire was accessible from computer, tablet and smartphone, in 35 languages to ensure full understanding by any employee. Total participation has reached over 80% and more than 300,000 comments were collected. This survey has enabled us to identify our strengths, locally and at Group level, and areas to be improved to enhance employee well-being and engagement in the workplace. 3,000 managers have had access to a training to the new tool and have got access to their own dashboard a few days after the survey closing, with customized advices to support them to build action plans. The global survey is now a yearly process and the next round will happen in November 2019.

Organization of dialogue between management and employees

When it comes to dialogue between management and employees, Essilor promotes listening, discussion and transparency in local decision-making. It also encourages open communication with employees and strives to ensure that everyone can participate without hierarchical boundaries. Dialogue between management and employees varies widely within the Essilor group. Each legal entity has complete autonomy to decide on the most appropriate labor-related dialogue. Labor-related dialogue is generally organized by employee representatives through any means possible or directly for the smallest entities or those not wishing to be represented by one or more third-parties. Such dialogue covers more than 90% of the Group's total workforce.

The forms of representation include the following: Optical Union, in Brazil; Shanghai Essilor Optical Company Limited Trade Union, in China; Committee for Dialogue and Information Sharing within Essilor (CEDIE), in Europe; Group Committee in France, Karmika Sangha, in India; Confederation of Filipino Workers Essilor Manufacturing Philippines Incorporated Chapter, in the Philippines; Essilor Workers' Union of Thailand, in Thailand; as well as many activity committees, communication committees, employee committees, factory committees, safety committees, welfare committees and similar structures.

Numerous initiatives are conducted in the countries of operation in the spirit of labor-related dialogue that the Company embodies. Staff negotiations vary from one establishment to another, but Essilor consistently promotes these throughout the world as a factor in employee satisfaction. Global staff opinion polls continue to be conducted periodically within the Group.

In late 2018, the Group launched a new opinion poll at global level. More than 54,000 employees in 78 countries were invited to take part. Entirely digital and anonymous, the online questionnaire was accessible from a computer, tablet or smartphone, and available in 35 languages in order to facilitate its understanding by all Group employees. Participation was over 80% and more than 300,000 comments were posted.

Ongoing management/employee dialog also allows Essilor and its staff to manage necessary changes in the organizational structure with ease. This capacity for dialog is essential to safeguard the agility of the Group, its business continuity – even in case of grievances – and the excellent reputation that Essilor enjoys among all its stakeholders. All Group employees have access to social security; this varies depending on local characteristics.

Overview of collective agreements

There are a vast number of collective bargaining agreements per legal entity, each of which has the autonomy to implement collective bargaining agreements according to the regulations in force.

Most collective bargaining agreements relate to the provision of both long-term benefits (distribution of performance shares, medical cover, pensions, diversity and disabilities, life assurance, etc.) and short-term benefits (performance bonuses, shareholding, etc.) which attract and retain employees who contribute to the Group's performance through their expertise and talent. Agreements signed on such issues typically have a broader framework in respect of general working conditions and therefore include occupational health and safety.

Compliance with the freedom of association and the right to collective bargaining

Essilor recognizes the eight fundamental conventions of the International Labor Organization (ILO), particularly compliance with freedom of association and the right to collective bargaining, the abolition of all forms of forced or compulsory labor, abolition of child labor and removal of discrimination in employment and occupation. To date, no activity has been identified as presenting a compliance risk in this area.

Environmental information

4.2.5 Optimizing the environmental footprint

In the mid-20th century, Essilor both revolutionized the optics industry and, substantially reduced its environmental footprint by introducting ORMA lens (for ORganic MAterial®). This would replace the mineral lens and lead to the cessation of impactful manufacturing methods. Since this innovation, the environmental impact of production activities has been significantly reduced and is now limited to water and energy consumption, special-waste management and water discharge treatment. The materials and chemical products used in the production process are subject to stringent regulations in terms of environmental protection and are supplied by industries with good environmental practices allowing associated impacts to be controlled.

Essilor has set five priorities regarding the operational, financial and reputational challenges associated with the environment:

1. Strengthen environmental management processes.
2. Reduce water consumption and guarantee supply.
3. Improve the energy efficiency of manufacturing and transportation processes.
4. Decrease the carbon footprint and adapt to climate change.
5. Limit waste generation and optimize recycling.

Responsibility for overseeing the Group's environmental impact reduction program lies with the Global EHS department. To manage the operation of both environmental management and environmentally-friendly behavior on sites, it relies on a network of EHS coordinators present on production sites and at the main prescription laboratories. To develop and deploy reduction solutions and to improve effectiveness in water use and energy consumption, via the Reboost program, it coordinates a team of engineers, Global Engineering experts and Water or Energy specialists from the Group's various organizations.

4.2.5.1 Strengthening environmental management

Environmental assessment and certification

Given its industrial activities, historically, Essilor has implemented environmental management systems that conform to the ISO 14001: 2015 standard. As of end of December 31, 2018, the production plants in Brazil (1), China (1), the United States (1), France (2), Ireland (2), Mexico (1), the Philippines (3) and Thailand (2) have all been certified to ISO 14001.

As a result, the percentage of certified environmental management systems of the Group's upstream production plants was 76% (13/17). In 2018, inspection audits were carried out as planned.

Furthermore, some of the most significant prescription and service laboratories and distribution centers in terms of production volume have also introduced and maintain ISO 14001-certified environmental management systems where this is relevant.

Environmental training

In 2018, in addition to the training and awareness-raising initiatives inherent in ISO 14001-certified systems, the various entities saw the delivery of numerous training courses on aspects of environmental management. The Global Environment, Health and Safety (EHS) department continued with the rollout of a program to raise partners' awareness of the EHS policy and management tools via "EssilorU" (e-learning), train-the-trainer courses on the Reboost Water and Energy program, and dedicated seminars.

Provisions and guarantees for environmental risk

Essilor made no provision for environmental risks in 2018.

	2018	2017	2016
Monetary value of significant fines	0	0	0

Noise pollution

No complaints about noise, odor or any other form of specific pollution were received in 2018.

Biodiversity & land use

Finding potential significant impacts on biodiversity is one of the aims of the environmental management systems. Essilor performed biodiversity mapping on the majority of its sites worldwide; this was updated in 2017. Four sites are located within an area of biodiversity interest. The biodiversity audit of one of these sites by an external company showed that there was no significant potential impact and no significant dependency in respect of biodiversity and ecological services for this site and the activities taking place there.

Essilor carries out its business in industrial buildings, usually located in existing industrial areas or commercial premises. Land is therefore not used in the Group's operations *per se*, but rather is associated with the buildings the Group occupies.

4.2.5.2 Reducing water use

Management of water

The mass production plants and the prescription laboratories use considerable quantities of water for lens machining, surfacing and rinsing operations. However, net water consumption is not significant since the water used in the production processes is subsequently treated and returned in near-equal volume, excepting leaks, a low level of evaporation and everyday site consumption.

Access to high quality water for production operations is an essential factor in ensuring the quality of the finished and semi-finished lenses that the Company distributes. Most Group sites are generally located in industrial or urban areas where access to water is provided by local authorities. They are dependent on these local authority managed utilities.

Water is also used in sanitary networks. A number of entities use recycled production water or collected rainwater for sanitary networks.

The Group has 4 entities located in water stress areas in India and Mexico. The Group may be faced with restrictions on water withdrawals imposed by local authorities, an increase in the cost of water and potentially, questions from local stakeholders who are also dependent on water resources. To mitigate these water-related risks, sites are introducing more stringent water-management programmes and setting specific water-reduction targets. Meanwhile, the Group fosters and sustains the conditions for dialogue between public sector services, water suppliers and NGOs to anticipate changes in the availability and cost of water, so as to adjust production. This policy has enabled Essilor's production plant in Shanghai to be recognized as a "company attentive to water-saving" by the Shanghai government in 2017. Only 22 companies have received this distinction.

Aware of its impact on the environment, Essilor has voluntarily disclosed its water management approach and water footprint through the CDP [(1)] platform. In 2018, Essilor was awarded with the A- (leadership) score, positioning it among companies which have made ambitious commitments to optimize water use and improve the security of water resources. Finally, the Group aims to continue its efforts by cutting its water use per good lens produced by 20% by 2020 compared to 2015, on a scope that represents the majority of its water impacts. In 2018, on this same scope, and as part of the Reboost program, the Group has reduced 21% of water use, on track to reach this target.

Reduction program

To ensure a more effective rollout of initiatives to reduce the consumption of natural resources, Essilor has launched the "Reboost" program, which aims to define and roll out Group performance standards, along with associated field projects, to reduce the main environmental impacts. This "Reboost" program is supervised by a steering committee which ensures the deployment of action plans, the achievement of interim objectives, the development of remedial solutions, the preparation of new solutions and the monitoring of a specific Water & Energy projects budget, which is in addition to site budgets.

The following actions have been taken within the "Reboost Water" program:

- water mapping: drafting of network maps for water and equipment using water for the main laboratories and mass production sites;
- installation of several meters, including "smart" meters to allow more accurate, continuous measurement of water use by the various production lines, support equipment or sanitary water networks;
- comparison of sites' water performance with the benchmark process, or "water model";
- drafting of a medium-term plan to reduce each area of water use for sites.

As part of "Reboost Water", each region has to define its own Water roadmap, a process which is overseen at Group level.

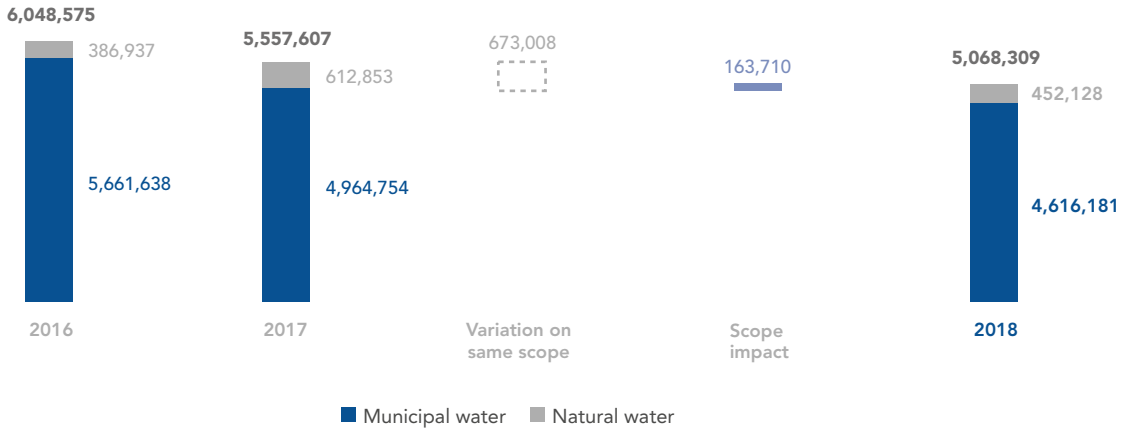
In 2018, water use on all sites participating in the Reboost program continued to fall. The scope of action for the Reboost program was also extended to include, in addition to all mass production sites, export laboratories and the twenty or so most significant prescription laboratories. The program has focused in particular on coating machines, implementing solutions to reduce and reuse water. The Group continued to install smart meters on these main sites and is nearing its objective of fitting around fifty sites with these solutions. In 2018, the Global EHS department continued to take account of eco-design solutions for new projects via the Group's "Stage & Gate" tool. It also ensured that the environmental friendliness of equipment is taken into account by sites within the "Reboost Water" scope.

(1) CDP is an organization which supports disclosure of the environmental impact of major corporations.

Water withdrawals *(m³)*

(m³)		2018	2017	2016
Water Withdrawals		5,068,309	5,577,607	6,048,575
Breakdowns by source	Municipal water	4,616,181	4,964,754	5,661,638
	Natural water	452,128	612,853	386,937

Note: With efforts to continuously improve the reporting data quality, a mistake was identified for 2017 reporting on water withdrawals. The 2017 data have been restated accordingly.
The decrease of water use of 2018 is mainly explained by the Group's strong effort on water reduction (-7% *vs* 2017) and change of reporting scope: 2 entities with siginificant water use in 2017 are not any more in the financial consolidation scope and 1 entity was exempt from reporting for 2018 (5% decrease). Meanwhile, the expansion of perimeter accounts for 3% of the total water use of 2018.
The coverage rate of 2018 water data is 90% of the Group headcount.



Water discharge control program

The prevention and reduction of water discharges are taken into account whenever relevant. This involves investing in wastewater treatment systems, from single or combined filtering, neutralization, settling and degreasing processes to complete processing units, purification plants or similar treatment facilities. These measures are designed to reduce loads in existing effluent, which, in the case of prescription laboratories, are essentially suspended solids related to surfacing that are filtered at the job site and sent to a dump as solid waste.

The Group controls the quality of its water discharges. Suspended materials, COD, five-day BOD, heavy metals and other general criteria like pH or other more specific indicators depending on the requirements of local water agencies are monitored locally through the environmental management systems. These parameters are also monitored as part of water use reduction projects in the "Reboost" program. In fact, actions to reduce water withdrawal consequently increase the concentration of pollutants. The Group must thus ensure that these projects do not have a negative impact on wastewater from sites where these solutions are fitted.

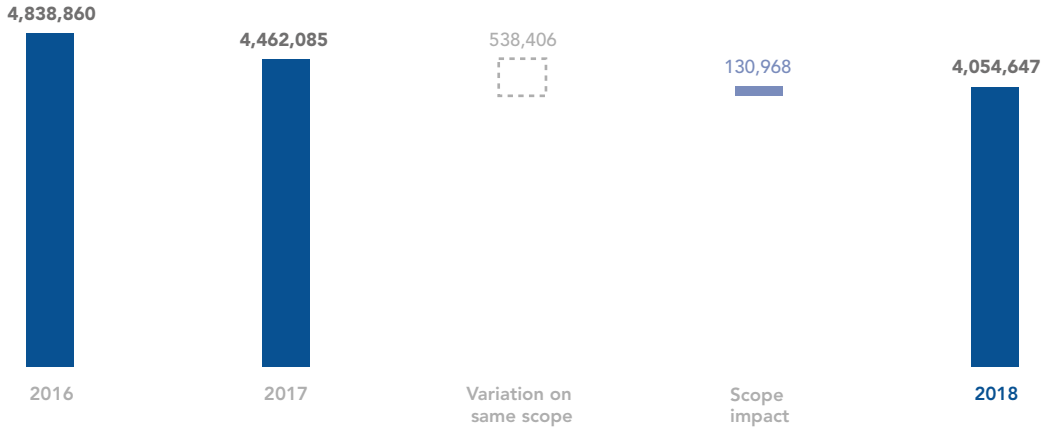
In 2018, the Group continued to implement actions for more accurate monitoring of wastewater by means of the "Wastewater Model" program, on the same scope as Reboost Water, in order to compare site performance with the benchmark process. This program helps to identify the actions needed to prevent water discharge incidents outside permitted limits.

Essilor completed the installation of water treatment plants, particularly in China, on the three production plants in Danyang. The Group had more than 130 water treatment plants in 2018.

	2018	2017	2016
TOTAL VOLUME OF WATER DISCHARGED *(m³)*	**4,054,647**	**4,462,085**	**4,838,860**

Note: The volume of water discharges is calculated from the difference between water withdrawals and water consumption. Essilor's water consumption is mainly due to evaporation during the manufacturing process. Knowing the percentage of water consumption of different manufacturing operations and geographic regions can vary from one mass production plant or prescription laboratory to another, we estimated the Group level of water consumption at 20% of the water withdrawals based on the Group's expertise. That is to say, the volume of water discharges of the Group is estimated to be 80% of the Group water withdrawals.
With the restate of 2017 water withdrawal data, water discharge data has been restated accordingly.

Water discharges *(m³)*



4.2.5.3 Energy efficiency in production and distribution

Energy & Production

Compared with industrial transformation processes, the energy requirement for manufacturing finished and semi-finished lenses is minimal. However, Essilor is committed to improving its energy efficiency, as reflected in a steady decrease in energy intensity over the last 15 years.

Beyond Essilor's corporate commitment, energy efficiency is also a lever for cost reduction, since energy accounts for a significant proportion of operational costs. The action plans implemented also allow the Company to control the rise in energy costs and increase its ability to avoid interruptions to or restrictions on energy supply in particular business regions. Lastly, energy efficiency helps to reduce direct greenhouse gas emissions.

As with water, energy efficiency initiatives are managed under the Reboost program by applying a similar methodology:

- "Energy mapping": mapping of energy networks and equipment that consumes energy for the main mass production sites and laboratories;
- rollout of meters, including smart meters, to accurately and continuously measure the direct and indirect energy consumption of the various production lines, support equipment or other site installations;
- establishment of benchmark energy performance of the various items of equipment to create site "Energy Models";
- preparation of medium-term plans to reduce each area of energy use.

Reboost Energy now incorporates several areas of focus:

- a review of the energy efficiency of manufacturing processes (heat chambers, vacuum processing machines, etc.) and peripheral units, such as compressed air, chilled water and air conditioning units, etc.;
- calibration of settings and usage of equipment, and its environment in terms of impact on support equipment consumption (cold water, air conditioning, fresh air renewal rate, etc.);
- improvement of the equipment efficiency ratio (EER) by the sites, redefinition of the stoppage or standby conditions for equipment with the highest consumption;
- raising awareness among technicians and maintenance teams and providing them with training. One of the three online training sessions available on the Essilor Academy – Save Energy (EASE) intranet site is designed to provide training and a continuous flow of information on good practices, and monitor energy-saving technological developments;
- improving the energy efficiency of existing buildings.

In order to specifically monitor support equipment that accounts for around 50% of the energy consumption of a given site, a committee comprises of experts and maintenance staff known as a "Utilities Techno-Club" was set up. Specific KPIs enable the energy consumption of equipment or its performance to be compared across sites. An equipment replacement program is currently being developed.

With regard to energy mix, to date it is still difficult for most sites to use renewable energy, except in countries where this is available and offered as an option to industrial customers by energy providers. For instance, the Export laboratory in India gets 70% of its energy from a neighboring solar farm.

In 2018 the Reboost Energy program continued, with the goal of achieving a 15% reduction in energy intensity per good lens produced by 2020 (compared with 2015) on a scope that represents the majority of the Group's energy consumption.

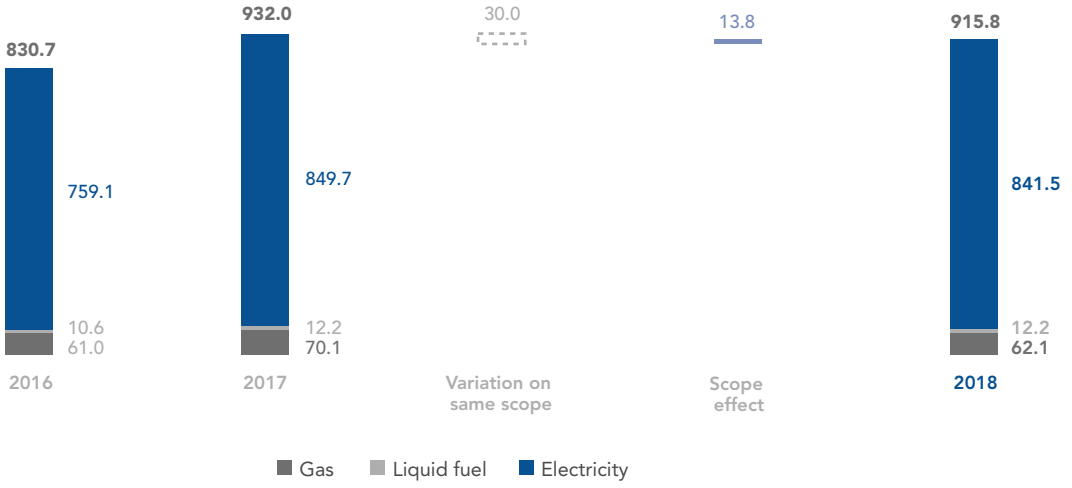
Essilor has also voluntarily contributed to the work of the CDP Climate. In 2018, the Group was again awarded an "A-" rating in recognition of its efforts and continuing investments, having shown leadership in this area.

Direct energy consumption by primary energy source

		2018	2017	2016
Total consumption *(GWh)*		915.8	932.0	830.7
Breakdown by type	Electricity	841.5	849.7	759.1
	Gas	62.1	70.1	61.0
	Liquid fuel	12.2	12.2	10.6
Renewable energy		190.6	193.7	174.8
	% of renewable energy	20.8	20.8	21.0

Note: Energy consumption has decreased by 2% compared to last year. Reporting coverage is upped to 93%. With the same scope of 2017, the consumption of energy decreased by around 3% thanks to the energy reduction programs of the Group. Increased participation rate and the expanded reporting perimeter have an impact of 2% of 2018 total energy use. Renewable energy is calculated based on the average percentage level of renewable energy within the global energy mix per country according to IEA database. The Group will strengthen the renewable energy reporting to have more accurate number in the future.

Energy consumption *(GWh)*



Energy & Transportation

Energy used by transportation is measured using three categories: primary (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin), secondary (flows to a subsidiary, regardless of the point of origin) and tertiary (flows to the customer, regardless of the point of origin). See details in Section 4.2.5.4.

4.2.5.4 A limited carbon footprint

Following the achievements of the Paris Agreement and the United Nations COP23 conference, Essilor signed up to the French Climate Pledge in 2017, along with 91 other French companies which have committed, over the following years, to limit their impact on the climate, notably by financing energy efficiency programs, optimizing their production equipment and logistics chains, and innovating in the field of low-carbon products and services.

Essilor has a clear climate strategy to not only being resilient to climate-related risks which is considered as one of main CSR risks of the Group, but also take climate actions as a driver of efficiency, innovation and competitiveness.

Specifically, Essilor manages its Climate Change program and associated risks through 3 main areas of actions:

- monitoring: measure the Group carbon footprint and identify main sources of greenhouse gas (GHG) emissions;
- mitigation: reduce GHG emissions to contribute mitigating climate change;
- adaptation: assess climate change related risks, adapt the business to climate change consequences and build business resilience.

In 2018, the Group has made improvements on each of the areas.

Monitoring the main sources of GHG emissions

Knowing monitoring is the foundation of all climate change related initiatives, with the risk of incorrect or limited measurement, the Group keeps improving its reporting capacity on GHG emissions, by strengthening the data collection process and by extending the reporting scope.

All this work follows the "Greenhouse Gas Protocol" (GHG Protocol), the international set of standards for greenhouse gas accounting. Under this Protocol, there are three categories:

- Scope 1 – Direct GHG emissions occur from sources that are owned or controlled by the Company;
- Scope 2 – GHG emissions from the generation of purchased energy (*e.g.*: purchased electricity) consumed by the Company;
- Scope 3 – all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

In 2017, Essilor performed its first global carbon assessment of its business by taken into account all sources of emissions along its value chain (raw materials, transportation to customers, depreciation of buildings, end of product life, etc.). The Group's carbon footprint has been estimated at 2.7 million tCO_2eq, across all scopes (Scopes 1, 2 & 3). This work has enabled the Group to:

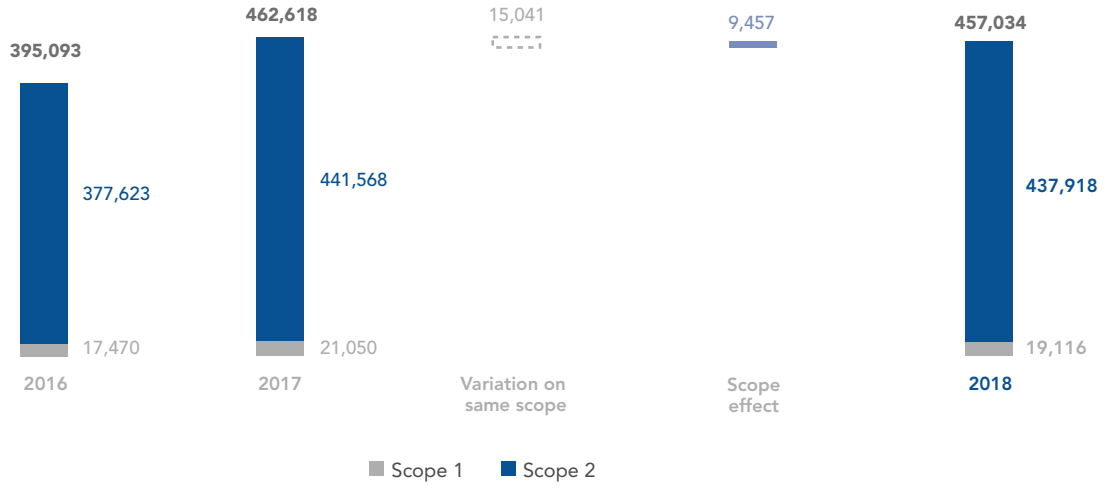
- confirm that the Group's current reference reporting scope, with a total of 752,103 tCO2eq, is consistent, representing 28% of the total estimated footprint (see details below);
- provide more detailed information on the largest sources of emissions;
- improve the Group's knowledge of Scope 3 so as to begin dialogue with stakeholders (transporters, suppliers, etc.);
- identify the next focus areas in terms of reporting and mitigation;
- confirm Essilor's positioning as a low-carbon company.

Direct and indirect greenhouse gas emissions deriving from energy consumption (scope 1 and 2)

Since 2015, Essilor has been working on an extended reporting scope for its greenhouse gas emissions, and has reviewed the associated calculation methodology. The Group uses the main emissions factors via the databases of the French Environment and Energy Management Agency (www.ademe.fr).

	2018	2017	2016
TOTAL SCOPE 1+2 EMISSIONS *(tCO_2eq)*	**457,034**	**462,618**	**395,093**
Scope 1	**19,116**	**21,050**	**17,470**
Gas	15,152	17,102	13,661
Liquid fuel	3,964	3,948	3,809
Scope 2	**437,918**	**441,568**	**377,623**
Electricity	437,918	441,568	377,623

Note: GHG emission (Scope 1+ Scope 2) of 2018 has decreased by 1.2%. With the same reporting scope, the GHG emission decreased by 3%, in line with the decrease in energy consumption. The 2018 scope impact accounts for 2% of the total Emission of Scope 1+ Scope 2.



Indirect greenhouse gas emissions deriving from transportation (scope 3)

While it is important to understand the global footprint of the Scope 3 emissions, the Group has a specific focus on the downstream transportations and distributions of the lenses, one of the most important carbon emission sources of the Group activities.

Downstream transportation emissions have been split in 3 categories:

- primary transportation: flows to a distribution center or offshore prescription laboratory, regardless of the point of origin;
- secondary transportation: flows to a subsidiary, regardless of the point of origin;
- tertiary transportation (so called "last miles"): flows to the customer, regardless of the point of origin.

Since 2015, to focus on the material impacts, the Group has been working with a reference reporting scope in terms of volume and geographical coverage, covering all three types of transportation and has been continuously integrating more subsidiaries and locations in the reporting scope.

The 2018 emissions data covers 33 mass production plants, seven offshore prescription laboratories and 14 distribution centers, representing almost all locations of the Group's lenses business with international transportation flows. In addition, the Group has expanded the scope of "last miles" reporting, notably for European subsidiaries.

(tCO_2eQ)		2018	2017	2016
TOTAL SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION		**295,068**	**281,988**	**226,371**
Development factors	Impact related to transported volume & reorganization of logistics flows	290,535	281,988	
	Impact of reporting scope expansion	4,533		

Note: GHG emission linked to logistics of 2018 has increased by 4.6%. With the same reporting scope as 2017, the GHG emission increased by 3%, mainly due to the increase of transported volume. The expanded scope accounts for 1.5% of the total 2018 emissions.

Mitigation

While implementing its growth strategy, the Group is committed to reducing the environmental impact of its operations, particularly its carbon footprint.

Reducing the Group's GHG emissions is also an opportunity to reduce the associated costs (energy, transportation), limit energy dependence (even if relatively moderately), anticipate the application of binding climate agreements (taxes, quotas) and meet the expectations of investors and financial institutions, as well as of key account customers in this area.

The analysis of GHG emissions shows that there are three main sources of emissions that are considered as priorities on mitigation projects:

- transportation between suppliers, plants, laboratories and customers.

  The Group continues to optimize its supply chain by favoring regional flows between the production plants and the prescription laboratories, by replacing the use of air transportation with other means such as sea or road transportation, by reducing the delivery frequency and by requiring logistics subcontractors to use more environmentally-friendly transportation methods;
- purchasing, including raw materials to manufacture the lenses.

  As part of its Supplier Sustainability Program (see 4.2.6.3), Essilor also works in partnership with its suppliers to improve the environmental profile of its products (*e.g.*: using less packaging, eco-design…) to reduce the associated carbon footprint;
- the energy used at the lens production plants and prescription laboratories.

  Essilor has implemented an ambitious energy efficiency program named "Reboost Energy" (see 4.2.5.3) at the production plants and significant laboratories. A public target has been issued to reduce energy intensity by 15% by 2020 compared with the 2015 level.

Adapting to the consequences of climate change

Essilor was one of the first signatories of the United Nations' Caring for Climate initiative in 2007, and – being aware from a very early stage of the effects of climate change – it has gradually included the potential natural hazards in its operations management. As such, analyzing the consequences of climate change on Essilor's operations is part of mitigating operational risks at the Group's manufacturing plants and those of its strategic suppliers. The Group assesses these risks and integrates them into its overall risk management strategy so that it can seek the most appropriate solutions.

In 2018, to better understand the potential physical risks linked to climate hazards and to improve Group resilience to climate change consequences, Essilor conducted an assessment on physical climate risks in the long term to build its first climate risk model and tested the model with a sample of 80 main sites, including production plants, laboratories and distribution centers.

Based on the assessment, five main climate hazards and risks have been identified:

- temperature and heat waves, which can increase the operational costs of facility management and can affect employees' well being at work;
- humidity, which can increase the operational costs of facility management and slow down production process;
- periods of extreme drought, which may affect water availability;

- flood and heavy rains, which may cause deterioration of the buildings and potentially threat employee security;
- storms (cyclones, hurricanes and typhoons) which can cause damage to the buildings and slow down the logistics chain;

In addition, fluctuating costs of energy and raw materials (*e.g.*: additional taxes on fossil energy, carbon tax levy, etc.) can also cause risks and additional costs to Essilor's operation.

Essilor has defined two focus areas in response to climate change:

1. Managing operational risks: a major focus area, broken down into three complementary components:
   - environmental audit prior to acquisition of any new business partner, to assess their exposure to climate change,
   - improvement to the environmental management system at the plants by implementing specific action plans to ensure better prevention of and adaptation to all climatic risks. As such, the Group pays close attention to the choice of location for its industrial facilities,
   - business continuity plan to ensure that production and business activity continues, even in the case of a weather event that could slow down a production plant or disrupt the logistics chain;
2. Developing the product range: eye protection needs in response to a context where climate change may impact the quantity or nature of harmful rays have not yet been evaluated with sufficient precision. However, the protective function of the corrective lens may be incorporated, particularly as a response to the harmful nature of ultraviolet light in general, which is filtered by Xperio® lenses and several other ranges of sun lenses with different E-SPF® index values.

4.2.5.5 A circular economy approach to raw material optimization and waste management

Essilor mainly uses resins, monomers, minerals and chemical products in the manufacture of lenses. It also buys in packaging products (cardboard, plastic casing, plastic film, etc.).

(tons)	2018	2017	2016
Raw materials used	21,970 (@)	21,110 (@)	18,000 (@)

Note: raw materials include resins, monomers and minerals.

Environmental impact studies, for the most part based on life-cycle analyses conducted in 2017, show that Essilor's operations do not present any risks of discharges into the air, water and ground which could seriously affect the environment. However, these activities generate special waste, which must be handled and processed in a particular way.

For many years now, Essilor has been committed to a strategy which combines improvement to manufacturing yields (quality management, continuous improvement, eco-design, etc.) with the promotion of the "3Rs": Reducing the volume of materials used in the various processes (manufacture, distribution), Reuse and Recycle raw materials and packaging.

To cite a few examples by way of illustration:

- the use of cupless cardboard boxes; these offer a number of benefits, including dispensing with the plastic cup previously used for the semi-finished lens, without altering the level of protection;
- the development by the Equipment Division of a system for blocking lenses in surfacing operations which breaks with existing technologies and paves the way for the gradual replacement by all market players of conventional blocking systems, some of which use metal alloys;
- the compacting of polycarbonate shavings and residues from the surfacing process to reduce the weight of waste and recover water, which is then filtered and reinjected into the prescription laboratory's in-house system;
- partnerships with waste managers for incineration of waste with recovery of the energy;
- recycling by subcontractors of certain used effluents (oils, acids etc.), for reuse in Group facilities.

Essilor is pursuing this as part of a more comprehensive circular economy approach. For example:

- the Group uses reusable shuttle packaging known as "Bulkpack" between certain production plants and laboratories, significantly reducing packaging waste;
- Essilor has completed the waste generation analysis of its main plants, export laboratories and a number of its most significant prescription laboratories. This work involved mapping the amount and type of waste, as well as the associated processing solutions. It became apparent that the structure of existing local waste treatment measures play an important role when it comes to managing waste sorting at Group sites;
- Essilor's environmentally-responsible paper policy has received recognition by WWF France. Essilor improved its performance, ranking fourth in the PAP50 2017 survey. Its paper use per employee has fallen by 19%; over 300 tons of paper have been recycled and its recycling rate is close to 100%.

In 2018, Essilor created a mapping of its main waste and established monitoring indicators to develop an initial roadmap. A Waste workshop was organized over several days with Essilor's Waste experts, specifically involving the Purchasing and Legal departments, to establish best practices for waste reduction, waste recycling and waste recovery. The most promising solutions will undergo pilot projects to validate their large-scale deployment.

The prevention and reduction of air discharges are taken into account whenever relevant. For example, the Group's entities invest in devices to treat volatile organic compound (VOC) emissions, ranging from simple on-site extractors to computer-controlled biofilters and activated carbon filters or similar

devices adapted as needed. They set objectives and targets for the reduction of existing discharges.

The possibility of discharges into soil that would be likely to impact the environment, even slightly, has been assessed and has led to the implementation of appropriate prevention measures, such as retention devices to deal with accidental spills or the outfitting and special management of chemical storage premises.

Essilor entities also have a waste sorting system to manage their ordinary and special industrial waste. This waste is recorded and taken away by certified specialist companies.

Lastly, Essilor believes that fighting food waste and food poverty is a collective challenge, even if it is not a challenge for the Group in the context of its own activities. However, the Group still educates its employees about this issue.

(tons)	2018	2017	2016
WASTE GENERATION	**41,956**	**43,994**	**34,683**
Ordinary (non-hazardous) waste	**33,323**	**36,825**	**27,328**
Sent to material recycling	11,116	15,322	10,875
Sent to incineration with energy recovery	9,012		
Sent to incineration without energy recovery	4,239	21,503	16,453
Sent to landfill	8,956		
Special (hazardous) waste	**8,633**	**7,169**	**7,355**
Sent to material recycling	2,191	3,378	2,434
Sent to incineration with energy recovery	2,635		
Sent to incineration without energy recovery	2,141	3,791	4,921
Sent to landfill	1,666		
Waste recover/recycle rate	59,5%	42,5%	38,4%

Note: To continuously improve the reporting data quality and relevancy, the waste breakdown has been updated in 2018 and new categories have been created. With this more demanding requirment, the waste reporting coverage has decreased to 74% of Group headcounts. The decrease of waste of 2018 is mainly due to this scope reduction, resulting in 6% decrease in waste compared to 2017 scope.



Chemical spills

	2018	2017	2016
Number of accidental chemical spills	2	1	2

Note: In 2018, there were two accidental chemical spills happened in Brazil. The 2 cases in total have less than 100 litres of impact and actions have been put in place.

Societal information

4.2.6 Working with society

As Essilor has grown internationally, it has based its success on the proper consideration of local impacts, dialogue with stakeholders and the creation of shared value with partners, suppliers, governments and local communities. The establishment of Essilor sites provides access to meaningful jobs in a buoyant sector and generates significant direct and indirect income. The Group's Principles and Values and its Code of Ethics are the foundation of all business relations, ensuring fair and honest collaboration which is transparent for stakeholders.

As a signatory of the Global Compact, Essilor has undertaken to promote the ten universally accepted principles relating to human rights, labor standards, the environment and the fight against corruption. Essilor also contributes to the United Nations Sustainable Development Goals through its Mission.

Within Essilor's scope of consolidation, this undertaking is reflected in internal control procedures to prevent, detect and remedy any situations that undermine integrity and the principle of free competition as well as in employee management procedures that comply with best practices. With its partners, the Group ensures that it does not work with entities that fail to respect the provision of decent working conditions for their employees, employ people below the local legal age or prohibit employee representation.

4.2.6.1 Fair business practices

Given the diversity of the countries in which Essilor operates, the Company has to remain vigilant to changes in local labor and environmental regulations.

This requires a specific organizational structure, ongoing monitoring and close collaboration between the Legal Affairs, Compliance, HR and Environment/Operations functions.

Given its business activity and its commitment as a responsible company, Essilor has to combat all forms of corruption and fraud, particularly in geographic areas that are sensitive to this type of risk. Tax evasion and money laundering, as well as the frauds that are often associated with it, are also given special attention. Essilor condemns these practices firmly and has put in place procedures to prevent the risk of occurrence.

This entails devising a system to prevent risks of corruption and training employees in how to apply it properly, in compliance with local regulations, the Code of Ethics, and the Essilor Principles and Values. In 2015, the Group decided to make improvements in this area by appointing a Chief Compliance Officer and putting together a network of local correspondents.

Finally, as an industry leader, Essilor is highly vigilant with regard to compliance with competition rules and takes care to prevent conflicts of interest.

To promote fairness in its business practices, Essilor International has introduced procedures which are formalized in a number of documents:

- the Essilor Principles and Values formalize the general conduct rules to be followed by every employee;
- a Code of ethics, available since the first quarter of 2018, reaffirms that Essilor is accomplishing its mission to "improve lives by improving sight", driven by its Principles and Values. This Code is being deployed through face-to-face training for managers and employees, supplemented by e-learning training on "EssilorU", offered in 21 languages. All employees with access to "EssilorU" will then be asked to acknowledge they have received and understood the Code
- the Minimum Control Standards (MCS) formally enshrine 80 internal controls which are generally considered to be the most crucial to have in place. Brochures explaining these procedures to employees have been translated into 32 languages. The MCS also form the basis of the annual self-assessment questionnaire for internal control;
- the Group Standards Guide, which brings together the various rules of internal control covering the main Group-level organizational processes;
- detailed rules and policies (local, regional and/or Group level);
- *ad hoc* working groups devoted to the implementation of specific regulations, such as REACH, UK Bribery Act, the Modern Slavery Act, "Devoir de vigilance" and California Proposition 65;
- development of a formal competition law compliance program;
- preparation and implementation of a formal Group corruption prevention guide, explaining the common rules and principles to be observed throughout the Group in addition to local laws. This guide was updated in early 2018 to take account of the requirements of the French Law on transparency, the fight against corruption and the modernization of economic life (known as Sapin II) and is available in 14 languages to facilitate its distribution within the Group.

Prevention of corruption

As a signatory to the Global Compact and member of Transparency International, Essilor complies with, supports and promotes the UN convention against corruption and ensures compliance with local regulations.

In terms of raising awareness about the various forms of corruption, training and awareness-raising tools have been rolled out by means of audio kits available on the intranet. Training in local languages is provided as a suite of awareness-raising programs that are gradually cascaded from the Group's Management Committee. With the odd exception as a result of very recent hires or other extraordinary events, all Directors of the Group have been made aware of and trained in the prevention of corruption

and conflicts of interest, through e-learning. The same is true of employees who, due to their role, may find themselves in risky situations. They are also requested to undertake training provided via e-learning modules, available since 2018 in 22 languages. These e-learning training courses are complemented by classroom-based training programs, where necessary.

These awareness-raising and training actions supplement the rollout and access to the corruption prevention Guide, updated in early 2018. They express the firm resolve of the Group's general management to promote the corruption prevention measures entrusted to the Group Compliance department. This department, created in 2015, relies on a dedicated team reporting to the Chief Compliance Officer and a local network of regional coordinators.

In addition to these awareness-raising activities, risk mapping on corruption, tax fraud, tax avoidance and money laundering was established at Group level. This is an essential tool that helps to determine priority actions in this area, and has allowed the Group to adapt its internal prevention procedures. To this end, compliance procedures have been drafted and made available within the Group, and integrated into the Group Standards Guide (GSG). Monitoring and compliance with the GSG are led by the Internal Control department. The deployment and effective implementation of these anti-corruption measures, combined with the implementation of other preventive measures, are then subject to specific audits, led by the Internal Audit department. This forms part of the Group's effort to continuously improve the effective implementation of risk prevention measures regarding corruption, tax avoidance, tax fraud and money laundering.

Accordingly, access to EthicsLine, the internal alert system for several years now which covers various areas (HR, CSR, legal, finance) within the limits set by local regulations, is a key part of the corruption prevention actions. Introduced initially in North America, EthicsLine has been rolled out since 2017 across the Group as a whole. The system can be accessed by each employee via a secure dedicated website or via a toll-free hotline. This system also allows all employees to request advice on other topics related to human rights (data protection, psychological or sexual harassment, health/safety, etc.). All alerts and requests for advice are processed by the Group Compliance department, which relies on a network of internal investigators trained in this respect (HR, Legal, Internal Audit, etc.). In 2018, several alerts resulted in disciplinary sanctions ranging from warnings to dismissal.

Compliance with competition rules

The Group's legal risk prevention policy is structured around the three main risks associated with its business activity. As such, for Essilor, a major player in its market, compliance with the rules of competition law and commercial practices is an essential pillar of its risk prevention policy. The compliance program has been formally established and its rollout allows the Group to promote and reinforce good competition law practices in trade relations with Group partners and stakeholders.

4.2.6.2 The Group's human rights vigilance plan

This section aims to present Essilor's approach to meeting the requirements of French Law No. 2017-399 relating to the duty of care of parent companies and contractors.

This vigilance plan covers the scope of the Essilor group represented by Essilor International and its subsidiaries within its scope of financial consolidation.

As the combination between Essilor International and Luxottica was only very recently finalized, thus in late 2018, Luxottica cannot be considered in respect of this vigilance plan.

Essilor attaches particular importance to identifying risks and preventing serious breaches of human rights and fundamental freedoms, health and safety at work (these are referred to below as "human rights"), as well as the environment, that could arise as a result of its activities, those of its subsidiaries, and those of its suppliers and subcontractors, whatever their position in the value chain.

The Group hearby reports on the progress of the operational implementation of its commitment and vigilance approach for each of the corresponding key themes, and according to any changes in its activities and structure. For the sole purposes of clarity and readability of this vigilance plan, if necessary, readers will be referred back to sections of this Non-Financial Performance Disclosure for further details.

An essential mission that helps provide access to visual health

Seeing well is essential for daily wellbeing and good quality of life. Having good vision allows an individual to acquire knowledge, access employment and integrate socially within their environment. That is why Essilor's teams are active worldwide in their drive to "improve lives by improving sight" with the aim of providing better vision to the world's 7.4 billion people. Through its mission, operations and organization, Essilor plays a role notably in providing access to visual health. Its expertise, global presence and capacity for innovation have resulted in more than a billion people worldwide already wearing Essilor products. See Section 4.2.3.

A mission that helps to promote human rights and protect the environment across the whole value chain

For nearly 170 years, Essilor has placed particular importance on respect for human rights and the environment, along with the applicable laws and regulations. This is an integral part of its culture and is fully at the core of the Principles, Values, and Mission of the Group.

This requirement was strengthened in recent years in a context of sharp growth: with lenses constantly evolving, new activities being developed, and the expansion of Essilor's presence in new countries.

Moreover, the development in recent years of international standards has informed the Group's approach. Since 2010 and the adoption of several international laws, human rights and the environment must in fact be a core focus of any responsible corporate policy. In addition, the Group ensures the application of the UK "Modern Slavery Act" and the French "Duty of Care" law. For illustration, Essilor has also decided to base its sustainable development approach on the United Nations Guiding Principles for Business and Human Rights as well as the OECD Guidelines for Multinational Enterprises.

As part of its Mission and commitment as outlined previously, Essilor develops its actions contributing towards stakeholder dialogue, the optimization of its environmental footprint, the development of various inclusive economy models and philanthropic actions and the promotion of employee shareholding.

Essilor's commitment to the respect and promotion of human rights and the environment was specifically marked by its signing of the United Nations Global Compact; a commitment which has been renewed every year since its first signing in 2003 and is supported at the highest level in the Company, by the Chairman and Chief Executive Officer. This is part of the commitment to the ten principles of the Global Compact relating to respect human rights, labor law, the environment, and the fight against corruption, of which the Group has now been a part for more than 15 years.

Generally speaking, Essilor endeavors to ensure that its activities comply with the International Bill of Human Rights and the principles on fundamental rights set out in the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO).

Essilor cares about the quality of its employees' working life. A human resources policy that entails respect of physical and moral integrity, and fair treatment under all circumstances, has thus been implemented. See Section 4.2.4. Essilor also recognizes the eight fundamental conventions of the ILO, thus freedom of association and the right to collective bargaining, the abolition of all forms of forced or compulsory labor, abolition of child labor and removal of discrimination in employment and occupation.

Furthermore, Essilor cares about reducing its environmental footprint, and attaches particular importance to complying with the corresponding laws and regulations, as well as applying environmental best practice that facilitates management of the related impacts. See Section 4.2.5.

In addition, the Group attaches particular importance to the proper application of the laws and regulations in force in the countries where it is established. However, it operates in geographic regions where the application of human rights and environmental legislation may be limited, and fall below international standards. In such situations, Essilor strives to perform its activities in accordance with international standards for the protection of human rights and the environment, and to implement actions designed to prevent any negative consequences in these areas, and to remedy them should they occur.

In addition, so as to strengthen its commitment and its action structure in 2018, Essilor published its Code of Ethics in which respect of human rights and the environment are among the themes outlined. Available since Q1 2018, this Code is deployed through face-to-face training for managers and employees, supplemented by e-learning training. It is also available on the Group's website, www.essilor.com. See Section 4.2.6.1.

The Group is committed to continuous progress, and is aware that its human rights and environmental approach requires monitoring, review and regular improvement in terms of identifying the associated risks, updating policies and internal procedures, making commitments and implementing actions "on the ground" to mitigate risks, preventing serious breaches, and taking corrective action where applicable, then remaining permanently vigilant about the consequences of its activities.

This continuous progress approach includes its value chain. Essilor attaches particular importance to ensuring that its suppliers and subcontractors contribute to this approach. See Section 4.2.6.3.

Organization and steering

In 2017, Essilor set up a Group-wide operational working group on human rights made up of the heads of Sustainable Development, Human Resources (HR), Purchasing, EHS, Compliance, and internal experts to improve its policy and vigilance plan in order to ensure the respect and promotion of human rights and the environment.

This working group meets each quarter to draft a roadmap, to assess its progress, and to review the associated action plans. It reports on its work to the Global Sustainable Development Steering Committee and prepares all items to ensure that the CSR Committee is informed of the application of the Group's commitments. This organization is intended to support the operational functions (mainly HR, EHS and Purchasing) at regional or local level in the application of the Group's policies and the implementation of reasonable vigilance measures.

In addition, the Group's Global Environment, Health and Safety department is responsible for managing the program to reduce its environmental impact and ensure the health and safety at work of all employees. It relies specifically on a network of correspondents present locally on production sites and the main prescription laboratories to manage the operation of environmental management.

Essilor has also joined the French association Entreprises pour les Droits de l'Homme – EDH (Companies for Human Rights) to share best practice and facilitate dialogue with stakeholders. EDH provides tools and advice on implementing the United Nations Guiding Principles on human rights.

Lastly, Essilor wishes to involve its stakeholders more and go beyond the actions already undertaken, reflected by its regular discussions with representatives from civil society, its support of NGOs and its participation in round table discussions.

For instance, the Group supports the RHSF *(Ressources Humaines Sans Frontières)* NGO, whose mission is to promote the respect of human rights at work and in the entire subcontracting chain, in compliance with the environment and communities; Essilor also contributes financially to the endowment fund established by RHSF and has launched several field projects with RHSF in Asia to improve practices on their production sites.

Risk mapping

Essilor carries out its activities in more than 100 countries in varied economic and sociocultural contexts, through businesses that may present risks relating to human rights and the environment. Identifying, assessing and managing these risks is thus an integral part of Essilor's corporate culture and is strengthened over time:

- in 2014, the Group undertook its first risk mapping in relation to human rights, within Essilor's scope alone. This gave a better understanding of the challenges faced by each type of business activity (Lenses, Equipment, Sunglasses & Readers), by geographic region, and by theme through which Essilor may have an impact. On the basis of this analysis and with help from experts and stakeholders, Essilor was able to further structure and strengthen its vigilance approach;
- in 2017, Essilor undertook a new risk mapping exercise, this time across two separate scopes: firstly all the Group's operations and core businesses, secondly its supply chain incorporating suppliers and subcontractors for Tier 1 direct and indirect purchases. The aim was to identify and analyze the priority risks of serious breaches in human rights and environmental matters, ranked on the basis of their impact on individuals, fauna and flora, their occurrence in recent years, their scope of impact, and their remediable nature.

When undertaking this recent risk mapping, Essilor used the United Nations Guiding Principles Reporting Framework (ILO, Amnesty International, Human Rights Watch), specific databases (Social Hotspots Database) specifically referring to the geographic sectors and businesses in question, and existing Group risk management tools, as well as external experts. Several working groups were also set up with the internal teams of the departments most concerned by these challenges (purchases, EHS, HR, internal audit).

Finalized in 2018, this mapping helped identify the Group's biggest challenges in human rights and the environment in its operations (at site level and concerning the nature of activities considered) and/or in terms of its Tier 1 subcontractors and suppliers, as follows:

- *Challenges relating to human rights and fundamental freedoms:* freedom of association, right to collective bargaining, excessive working hours, harassment, abuse, and disciplinary measures, equal opportunities and discrimination, remuneration methods that do not provide fair and equitable wages, and non-compliance with international labor standards for migrant workers, inadequate social benefits and social security.
- *Challenges relating to the health and safety of individuals:* accidents, occupational illnesses, death, exposure to toxic products, industrial accidents, and architectural integrity of buildings.
- *Environmental challenges:* waste management and water pollution.

Risk prevention and mitigation measures

Risk mapping has helped to raise awareness among operational teams and to prioritize action plans at both Group and regional level.

For each key theme, the functions involved coordinate the most appropriate approach in a continuous improvement process.

For more details on the measures of prevention, mitigation and/or remediation implemented, as well as on progress made in 2018, please refer, for clarity and readability purposes only, to the following sections:

Risk family	Sections
Challenges relating to human rights and fundamental freedoms	4.2.4.3 Employee integration and inclusion of all forms of diversity 4.2.4.4 Employee shareholding & management/employee consultation 4.2.6.3 Sustainable purchasing in supplier relations
Challenges related to the health and safety of individuals	4.2.4.1 Ensuring health and safety with a quality working environment 4.2.6.3 Sustainable purchasing in supplier relations
Environmental challenges	4.2.5.2 Reducing water use 4.2.5.5 A circular economy approach to raw material optimization and waste management 4.2.6.3 Sustainable purchasing in supplier relations

Regarding Tier 1 suppliers and subcontractors, Essilor developed and relies on the Supplier Sustainability Program since it attaches particular importance to ensuring that its Tier 1 suppliers and subcontractors act in an exemplary manner and in compliance with its Principles and Values.

The latter are required to comply with the general purchasing conditions, which include clauses on the obligation to comply with the ILO's Fundamental Conventions and local legislation, particularly as regards minimum wage, working hours, the environment and health and safety, and on the protection of human rights (forced labor, child labor, etc.). In addition, the Group's Supplier Charter, available from its website www.essilor.com, describes the four guidelines to be followed; one of which covers respect for human rights and labor standards. Another also relates to hygiene, the safety of individuals, and the environment.

Moreover, the Purchasing department assesses the CSR performance of suppliers by means of a shared assessment platform (managed by EcoVadis). In 2018, Essilor also strengthened its system by directly training suppliers for the Supplier Sustainability Program and implementing an exclusion procedure for suppliers deemed "not to meet our requirements" after an on-site social & environmental audit should said company not wish to implement corrective actions deemed necessary. Additionally, to facilitate the identification and management of these risks, Essilor will implement a Supplier Relationship Management (SRM) tool with existing suppliers and new suppliers to qualify them. See Section 4.2.6.3 for more details.

Furthermore, regular awareness-raising and training actions dispensed to employees on human rights are organized via dedicated e-learning modules on the "EssilorU" platform, and using face-to-face training. As previously explained, the Code of Ethics is also deployed through face-to-face training for managers and employees, supplemented by e-learning training, proposed in 21 languages. Many training courses were also dispensed in the various entities on environmental management aspects.

In addition, in 2018 the Internal Audit department created a specific "human rights" audit program on risks relating to human rights, fundamental freedoms, health and safety at work and the environment, likely to be generated by the Group's business and its Tier 1 suppliers and subcontractors. In 2018, five so-called "pilot" audits were launched in England, Thailand (2), Brazil and South Africa, covering approximately 10% of the Group's workforce. They helped to clarify and strengthen the methodology of said audit program. The sites were chosen according to three criteria: geographical distribution, activity, and number of employees. The results of these audits, included in the audit reports, will be monitored by the departments concerned to ensure that the corrective actions recorded in these reports have been implemented. In 2019, based on the results of its risk mapping, Essilor will continue to deploy this "human rights" audit plan across its entities most at risk and by covering the largest number of Group employees.

Regular assessment of subsidiaries, suppliers and subcontractors

The risk assessment as presented above is regularly updated on the basis of monitoring work carried out with third-party organizations specialized in human rights, internal audit reports, and/or audits conducted with Tier 1 suppliers and subcontractors. The development of new activities, the establishment of plants in new countries or the referencing of suppliers and subcontractors are also factors that contribute to the update of the risk mapping. In the long term, Essilor wishes to assess the risks of its suppliers and subcontractors across its entire supply chain.

Furthermore, all subsidiaries directly or indirectly controlled by the Group are subject to an annual report on sustainable development (see 4.2.2.4) in which key indicators relate to human rights, the environment, and associated risks are monitored. On this basis, the Sustainable Development department produces a performance report for each "business unit" or region so that departments can monitor changes in their key indicators and take corrective action if necessary, in terms of human rights and the environment.

Alert mechanisms

Essilor attaches particular importance to ensuring that all employees act in compliance with the applicable laws and regulations, in accordance with the Group's Principles and Values, and also that they are given the means to be heard when they have a question or concern about ethics, compliance, human rights, and the environment.

Various channels are available to employees who witness or fall victim to a situation that could prove to be risky in order to bring it to the attention of the Group's teams. Every Essilor employee can send an alert via:

- internal channels: the direct manager, the HR manager or the legal department, the country manager, the regional manager or their business manager, a staff representative of the entity;
- external channels: Essilor has deployed the so-called "EthicsLine" system throughout the Group, allowing employees to report any concerns, including those about human rights and the environment, via a secure website or a free hotline. The deployment of this alert system for employees (communication, face-to-face training) and the associated distribution of supporting documents (flyers, posters) were developed with the support of local Human Resources departments in subsidiaries in France, Europe and Asia. This alert system has been in place for several years in North America and Latin America.

Employees can use either of these options, subject to the same confidentiality rules (for instance, it is possible to submit an anonymous alert). The Compliance department is authorized to investigate any alerts it receives and, where applicable, to take the necessary action to remedy acts or situations in breach of the Code of Ethics. See Section 4.2.6.1.

Monitoring system

In addition to the assessment and monitoring mechanisms (audits, reports, participation in regional and local committees, etc.) outlined above, Essilor has developed an initial set of performance indicators related to human rights and the environment, inspired by those of the Global Reporting Initiative (GRI), which are published each year in the Registration Document.

By monitoring these indicators, Essilor evaluates the effectiveness of the initiatives implemented to prevent the related risks. Below is a summary of some key indicators:

Theme	Key indicators – 2018 status
ENVIRONMENTAL CHALLENGES	
• # of chemical spills	2
• # of entities in water stress area	4 in India and Mexico
CHALLENGES RELATED TO THE HEALTH AND SAFETY OF INDIVIDUALS	
• # Frequency rate and severity rate of work related injuries	Frequency rate: 2.0; servirity rate: 0.06
• # of work-related fatalities	0
CHALLENGES RELATED TO HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS	
• # of alerts raised through the whistleblowing system (EthicsLine)	156
Training	
• # of employees having completed the "Human Rights & Business" training	1,859
• # of employees assigned to the "Code of Ethics" training	43,000
Suppliers	
• % of Preferred suppliers acknowledging the Supplier Charter	95%
• % of Strategic suppliers undertake CSR assessments	78%

4.2.6.3 Sustainable purchasing in supplier relations

Essilor maintains mutually-beneficial relations with its suppliers and subcontractors: they are essential partners in its operations and growth, and the Group supports their performance by helping them, particularly in the field of international expansion. Essilor therefore seeks to establish constructive dialogue with them and develop a durable, balanced relationship with respect for ethics and social and environmental issues.

Dedicated organization

Since 2016, the Purchasing department has relied on the Supplier Sustainability Program (SSP) to manage its supplier relations and, reflecting the importance of this program, has set up a dedicated structure to deploy it.

A sustainable purchasing manager was appointed within the Group Purchasing department to run and monitor the implementation of the various parts of the program within the purchasing community. This function relies on regional purchasing managers to ensure it is deployed within the Group and to measure its effectiveness. Furthermore, regional SSP Leaders are appointed to ensure that the program is implemented and the process is monitored. Furthermore, the remuneration policy of purchasing teams is indexed in part on the achievement of objectives set as part of the SSP roadmap. In addition, the progress of the program is reviewed each year by the CSR Committee of the Group's Board of Directors.

Program contents

The program is composed of two parts. The first is sustainable purchasing, the goal of which is to assess suppliers' CSR performance by ensuring that:

- all listed suppliers and subcontractors comply with the principles set out in the Supplier Charter (see www.essilor.com), and from a contractual standpoint, comply with general purchasing conditions, which include clauses on the obligation to comply with the International Labor Organisation's Fundamental Conventions and local legislation, particularly as regards minimum wage, working hours, the environment and health and safety, and on the protection of human rights (forced labor, child labor, etc.). In 2018, 95% of spending with preferred suppliers complied with the principles and values of the Supplier Charter;
- the CSR performance of suppliers and subcontractors (representing 80% of overall expenditure) complies with the Group's requirements. In this regard, the Purchasing department assesses their performance by means of a shared evaluation platform run by EcoVadis. In 2018, 78% of strategic suppliers underwent CSR assessment. Furthermore, this approach will be extended to all Essilor's preferred suppliers.

  Methodology for classifying supplier CSR performance: When the results of their assessment are not satisfactory (<45), suppliers must design and implement remedial action to counter the weaknesses identified. To do so, they may call on Essilor's purchasing managers who are trained to support

them in their improvement process. Once the remedial action has been implemented, suppliers must undergo a new assessment. In the event that a non-compliant supplier does not wish to implement remedial actions or commit to make progress, Essilor may have to terminate its business relationship with said supplier;

- risk management is addressed by regular, systematic assessments of all listed suppliers. In the event of detected risk or suspicion, the Purchasing department will trigger on-site audits and require suppliers to implement remedial action.

  Furthermore, to comply with the Law of March 27, 2017 on the duty of care of parent companies and instructing companies (Law No. 2017-399 published in the Official Journal of March 28, 2017) and to further develop its assessment and support measures for suppliers on CSR aspects above and beyond preferred suppliers, Essilor has mapped the CSR risks within its supply chain. See Section 4.2.6.2.

  Once this human rights mapping was complete, the existing risk mitigation and prevention measures were assessed and, with a view to continuous improvement, those suppliers identified as priority 1 will be incorporated in the process defined above.

  Additionally, to facilitate the identification and management of these risks, Essilor will implement a Supplier Relationship Management (SRM) tool with existing suppliers and new suppliers to qualify them;
- lastly, the Group aims to undertake CSR assessments with all strategic suppliers, and to ensure that all preferred suppliers comply with the principles of the Essilor Supplier Charter by 2020.

The second component is responsible purchasing, the goal of which is to relay Essilor's Mission and encourage its suppliers to embark on initiatives, alone or with others that will have a positive impact on people and the environment. The following are some examples:

- promoting World Sight Day: in 2017, the Purchasing team held a series of events for suppliers and their employees to raise awareness about the importance of good eyesight and highlighted this issue on their own social networks. Over 160 suppliers in 32 countries (Europe, Asia, North and South America) across various sectors (*e.g.*: transportation, IT, catering services, etc.) took part in this initiative. This resulted in around 500 sight tests being carried out and over 2 million people being made aware of the issue via social media. In this context, the purchasing teams won an award at the Global Operations Awards for their major contribution to improving the societal impact and development of the Mission. The Group also offers awareness-raising actions through the Vision & Road Safety program (See Section 4.2.3.1), and endeavors to make equipment solutions available to ensure the safety of its employees and suppliers working in the transportation sector.
- local inclusive purchasing programs (developing business in the protected worker sector, local sourcing to boost the local economy in all countries where Essilor operates, increased purchasing from suppliers representing minorities);
- free services negotiated with one of Essilor digital marketing agencies to overhaul the website of Essilor Vision Foundation™;
- eco-design (development of cardboard-only packaging instead of a mix of cardboard and plastic, such as the "Cupless®" concept);
- use of bio-sourced materials in the manufacture of frames;
- fitting equipment at Group manufacturing plants to reduce water and energy use, or recycle it (solar panels, increased use of renewable energy, etc.);
- analysis of the life cycle of the main raw materials used to manufacture the lenses.

Training for purchasing and suppliers

To support the Supplier Sustainability Program, training courses in CSR Purchases intended for the whole Group Purchasing department and suppliers have been set up in all regions.

These programs are given in the form of face-to-face seminars or webinars, in different languages, to ensure that participants fully understand the approach taken by the program. In 2018, 63% of the team had already attended these training courses. Essilor extended this approach to its suppliers (approximately 160 took part in dedicated webinars) to further understanding of the Group's CSR objectives and challenges. In 2019, these training courses will continue to help gradually raise awareness among all stakeholders.

4.2.6.4 Sustainable product marketing

Essilor has to market products with stated levels of quality and performance that meet customers' needs most effectively.

Quality & Customer satisfaction

The ongoing improvement in the satisfaction of the Group's customers is driven in particular by product and service quality assurance. This is a major factor when it comes to guaranteeing stable costs, limiting legal risks and strengthening the Group's reputation.

The Quality and Customer Satisfaction Function reports directly to the Senior Vice President, Global Operations and liaises with the Group's commercial organisation. It is driven by 3 fundamentals: product safety, customer centric and compliance; and has three key aims:

- to satisfy customers, in terms of products and services, taking into account the diversity and variety of expectations according to customer segments;
- to improve the effectiveness and consistency of internal processes, aligning them with the overall strategic objectives and measuring their efficiency;
- to represent the Essilor group on standards bodies to promote the interests of consumers on these bodies (*e.g.*, ISO).

	2018	2017	2016
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	0	0	0

Responsible marketing

Essilor is committed to communicating with its customers and end consumers in a clear, sincere way about the performance of its products and services, in accordance with the regulations.

This transparency is at the heart of the relationship of trust that Essilor has built for many years with its customers, and is today one of the Group's major intangible assets.

For this purpose, Essilor was eager to specifically develop five areas of work:

- Essilor ensures, from manufacturing to marketing, that communication about products is accurate and complies with the applicable regulations in force, specifically as regards advertising. This may involve a link with the local authorities and/or consumer associations who wish to have more details about the specific features and characteristics of its products, in order to confirm that the performance and benefits outlined are genuine and proven;
- to facilitate uniform communications on this subject, and to maintain the consistency of its marketing statements, Essilor developed an internal platform named "The Media Place", where all communication elements, tools and marketing packs approved at Group level are accessible to partners in all regions worldwide. To ensure that the deployment of these tools remains compliant with the above principles, by validating and disseminating them at global and regional level, all Essilor teams pay particular attention to items of intellectual property, image rights, copyright, advertising law and any local regulations in effect;
- one of Essilor's main features, allowing it to assert its position as market leader, is that it has implemented a validation process for the marketing arguments of its products to ensure that for each of them (i) appropriate proof exists and (ii) the performance of the products in the laboratory can be taken into account within its production environment. Hence, most of Essilor's products and services are based on reliable wearer tests carried out with representative panels that take real-life and experimental conditions into account. For instance, Essilor has opened a House Lab and a Car Lab to test the performance of some of its products in real-life settings;
- in addition, in order to maintain the sincerity and transparency of its messages, right up to end consumers, Essilor is deeply involved with its sales networks, professional bodies and other interested authorities, remaining at their disposal to explain and raise awareness of the products they market. In this context, in some countries, training (face-to-face or e-learning) intended for the sales force and eye care professionals/optometrists may be given. It should be noted that due to the diversity of regulations in force around the world, each of the subsidiaries involved in marketing the Group's products, may undertake its own monitoring to comply with the local laws, standards and voluntary codes in force;
- lastly, honest communication also calls for transparency in the public positions that the Group adopts in its dealings with the authorities and professional associations and for the consistency of these positions with the targets for sustainable development. In accordance with French law, Essilor has no political involvement. It works with its local public sector stakeholders and participates in the development of international standards and in other work relating to its areas of business. It also belongs to professional associations for its industry whose mission is to improve awareness of the importance of good vision. The Group is a member of ASNAV, Association Interprofessionnelle pour l'Amélioration de la Vue (interprofessional association for improving vision), of GIFO, a French optical industry group, of the EUROM 1 European optical industry group and of the Vision Council in the United States.

4.2.6.5 Direct and indirect socioeconomic contribution

Essilor stimulates local economies with its industrial activities, purchasing, and business partnerships, creates direct and indirect employment, develops local skills and expertise, and generates taxes and duties.

The first lever for action was to priorities local employment. The Group encourages the local recruitment of management teams in its subsidiaries and, more generally, enforces the principle of local decision-making.

The Group also generates significant business flows with its local suppliers by preferring short supply chains for products and services outside the scope of central referencing.

Local distributors of products and services referenced by Group contracts also benefit from the local economic impact of the Group's purchasing. The result is a balanced situation, the Group estimating that 50% of its procurement is sourced centrally and 50% locally.

Essilor's economic value breaks down into many components (revenue, operating expenses, salaries and expenses, donations, taxes and duties, dividends, etc.) that are available in the EssilorLuxottica 2018 Registration Document.

Over and above its economic contribution, Essilor's Mission helps to improve the quality of life and the productivity of millions of individuals by correcting their sight. A key contributor to this shared value creation, the Group's 2.5 NVG Division deploys inclusive business models to provide local vision correction at an affordable price for low-income populations in more than 50 countries in Asia, Latin America and Africa (see Section 3).

Essilor has appointed a third-party expert to measure the social impact of its Eye Mitra™ program, which aims to provide primary eye care to populations in rural and semi-urban areas of India through the development of local micro-enterprises by individuals who are underemployed. The challenge is considerable: in 2013, it was estimated that 550 million people in India needed visual correction and the associated overall productivity loss was estimated at US$37 billion a year.

Conducted in six provinces of the Uttar Pradesh region in north-east India, the study identifies three main impacts:

- a boost to the local economy, with an average of US$770 in income generated for suppliers and SMEs for each participant in the Eye Mitra™ program;
- an increase in income of 64% for Eye Mitra™ partners, who also feel more respected in their community;
- growth in productivity for 59% of new eyeglass wearers [(1)], who gain an average of one-and-a-half hours a day in their daily tasks.

Lastly, besides the actions targeting its core business and led by the Mission teams (2.5 NVG and Essilor Vision Foundation), several Group entities conduct other charitable initiatives that generally involve issues of public health, education and integration.

4.2.7 Methodology note & correspondence tables

4.2.7.1 Methodology note

Scope of reporting

According to the Group reporting protocol, the scope of sustainability reporting is updated annually according to the finance consolidation scope as of June 30 of the year. New entities acquired for less than one year are granted one year before being integrated into the Group reporting system. This year, for the second consecutive year, the non-financial reporting covers 100% of the Group entities. Two entities were exempted from non-financial reporting in 2018 for the following reasons: One entity in Japan experienced a fire at end of September and was in recovery process during the reporting campaign. One entity in Romania will participate in sustainability reporting starting from 2019. Given the specific cases above, Essilor considers that the 2018 non-financial reporting covers all Group's entities and workforce. Reporting coverage of each indicator has been specified in the footnote of each indicator. Essilor is working on building specific indicators on CSR communication and fair practice. Performance of these indicators will be disclosed next year.

Calculated Indicators

As defined in the Group's reporting protocol:

- the frequency rate is calculated as: Number of work-related injuries with lost days x 1,000,000/total number of worked hours during the reporting period; the total number of worked hours is theoretical worked hours based on calculation of scheduled working days and average number of hours worked per day;
- the severity rate is calculated as: Total number of lost days (calendar days) x 1,000/total number of hours worked over the reporting period; the total number of worked hours is theoretical worked hours based on calculation of scheduled working days and average number of hours worked per day;
- the voluntary turnover rate is calculated as "total number of voluntary departures (resignation)/average number of employees during the reporting period" based on a representative sample;
- the absenteeism rate is calculated as "total number of lost days (working day)/total scheduled working days of all the employees during the reporting period".

(1) 75% of women who buy their glasses from an Eye MitraTM partner are doing so for the first time.

Method for calculating GHG emissions

In accordance with the GHG Protocol, the accounting and reporting standard for greenhouse gas emissions (http://www.ghgprotocol.org), information on GHG emissions is communicated on the basis of three scopes: Scope 1, 2 and 3.

In 2018, the Group continued to follow the GHG Protocol standard and used the databases of the Agence française de l'Environnement et de la Maîtrise de l'Énergie (www.ademe.fr/) for conversion factors.

Scope 1 – This corresponds to direct emissions resulting from the on-site combustion of fossil fuels such as gas or fuel oil. The GHG conversion factors were in accordance with the ADEME database (http://bilans-ges.ademe.fr):

- Gas: 244 gCO_2e/kWh LCV;
- Liquid fuel: 324 gCO_2e/kWh LCV.

Scope 2 – This relates to indirect emissions associated with the electricity consumption required for manufacturing and machining lenses. The Scope 2 emission was calculated according to the location-based method of the GHG Protocol. The conversion factors for electricity were updated in 2015 based on figures provided by the ADEME database.

The conversion factors for the main countries where Essilor is a consumer of electricity are:

- China: 766 gCO_2e/kWh;
- United States: 522 gCO_2e/kWh;
- France: 82 gCO_2e/kWh;
- Thailand: 513 gCO_2e/kWh;
- Philippines: 481 gCO_2e/kWh.

Scope 3 – This corresponds to other indirect emissions related to the transportation of lenses. For lens logistics, Essilor redefined the various types of transportation and freight in 2015 to include journeys between Essilor sites and airports, ports or railway stations.

Transportation is classified as follows:

- primary transportation: flows to a distribution center or offshore prescription laboratory, regardless of the point of origin;
- secondary transportation: flows to a subsidiary, regardless of the point of origin;
- tertiary transportation: flows to the customer, regardless of the point of origin.

The reporting scope covers all three types of transportation. Essilor has successfully integrated the transportation of new locations into the 2018 Report.

4.7.7.2 Correspondence table for priority CSR risks and mandatory topics

The correspondence table below indicates the section that detail the policy or program, action plan, organization and indicators for each priority risk or mandatory topic.

	Reference
PRIORITY CSR RISKS	
Business ethics	4.2.6.1
Supplier relations	4.2.6.3
Human rights	4.2.6.2
Talent management	4.2.4.2
Occupational health and safety	4.2.4.1
Water use	4.2.5.2
Climate change	4.2.5.4
CSR communication	4.2.1.4
Non-financial reporting	4.2.2.4
MANDATORY TOPICS	
Societal commitment to sustainable development	4.2.3
Societal commitment to the circular economy	4.2.5.5
Information on collective agreements	4.2.4.4
Information on actions to combat discrimination and promote diversity	4.2.4.3
Information on measures taken for the benefit of persons with disabilities	4.2.4.3

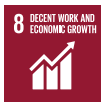
4.2.7.3 Correspondence table for topics considered in risk analysis (updated based on Grenelle 2 law)

	Reference
SOCIAL	
Employment	
Total headcount and distribution by gender, by age and by geographic zone	4.2.4
Recruitments and redundancies	4.2.4
Organization of labor	
Working time organization	4.2.4.1
Absenteeism	4.2.4.1
Health and safety	
Occupational health and safety conditions	4.2.4.1
Occupational accidents, including accident frequency and severity, and occupational illnesses	4.2.4.1
Social relations	
Organization of social dialogue including information procedures, consultation and negotiation with the employees	4.2.4.4
Summary of collective agreements signed with trade unions or worker representatives on work place health and safety	4.2.4.4
Training	
Policies implemented regarding training, notably with regard to the protection of the environment	4.2.4.2 and 4.2.5.1
Total number of training hours	4.2.4.2
Equal opportunities	
Measures implemented to promote gender equality	4.2.4.3
Measures implemented to promote employment and integration of disabled people	4.2.4.3
Policy against discriminations	4.2.4.3
ENVIRONMENT	
General environmental policy	
The organization of the Company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues	4.2.5.1
Resources allocated to prevention of environmental risks and pollution	4.2.5.1
Amount of provisions and guarantees for environmental risks, unless such information is likely to cause serious prejudice to the Company in an ongoing litigation	4.2.5.1
Pollution	
Measures of prevention, reduction or repair of discharges into the air, water and ground, impacting severely the environment	4.2.5.1, 4.2.5.2, 4.2.5.4 and 4.2.5.5
Consideration of any form of pollution specific to an activity, particularly noise and light pollution	4.2.5.1
Circular economy	
(i) Waste prevention and management	
Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste	4.2.5.5
Actions to fight against food waste and food poverty	4.2.5.5
ii) Sustainable use of resources	
Water consumption and water supply adapted to local constraints	4.2.5.2
Consumption of raw materials and measures implemented to improve efficiency in their use	4.2.5.5
Energy consumption and measures implemented to improve energy efficiency and renewable energy use	4.2.5.3
Land use	4.2.5.1

	Reference
Climate change	
Significant greenhouse gas emissions items generated as a result of the Group's activity, particularly by the use of goods and services they provide	4.2.5.4
Adaptation to consequences of climate change	4.2.5.4
Reduction targets set voluntarily in the medium and long term to reduce greenhouse gas emissions and the means used for this purpose	4.2.5.4
Biodiversity protection	
Measures implemented to protect and conserve the biodiversity	4.2.5.1
SOCIETAL	
Societal commitments for sustainable development	
Impact of the Company's activity on employment and local development	4.2.6.5, 4.2.3.3 and 4.2.3.4
Impact of the Company's activity on neighboring or local populations	4.2.6.5, 4.2.3.3 and 4.2.3.4
Relationships with the stakeholders of the Company and the dialogue with them	4.2.1.1
Actions of partnership and sponsorship	4.2.3.1, 4.2.3.3 and 4.2.3.4
Subcontractors and suppliers	
Integration of social and environmental issues into the Company procurement policy	4.2.6.3
Taking into account in relations with suppliers and subcontractors their social and environmental responsibility	4.2.6.3
Fair practices	
Measures implemented to promote consumers health and safety	4.2.6.4
Promotion and respect of the fundamental conventions of the International Labor Organization	
Respect for freedom of association and the right to collective bargaining	4.2.6.2 and 4.2.4.3
Fight against discrimination in employment and occupation	4.2.6.2 and 4.2.4.3
Fight against forced or compulsory labor	4.2.6.2
Fight against child labor	4.2.6.2
Other actions implemented to promote Human Rights	4.2.6.2 and 4.2.6.3
Fight against corruption and tax evasion	
Action implemented against corruption and tax evasion	4.2.6.1

4.2.7.4 Correspondence table for the Guidelines of the GRI, SDGs and UNGC

Following the recommendations of the Global Reporting Initiative Standards, United Nation Global Compact (UNGC) Principles and United Nation Sustainable Development Goals (SDGs), all the indicators and information disclosed in this chapter have been reviewed and audited by PwC according to the modalities explained in the ITO Report in appendix 8.

GRI Standards	UNGC Principles	SDGs	Topic	Reference
GENERAL DISCLOSURES (THE LIST OF GENERAL DISCLOSURES HAS BEEN PREPARED IN ACCORDANCE WITH THE "CORE" OPTION)				
Organizational profile				
102-1			Name of the organization.	5.1.1
102-2			A description of the organization's activities and primary trademarks, products, and services.	1.5
102-3			Location of the organization's headquarters.	5.1.1
102-4			Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	1.5.1
102-5			Nature of ownership and legal form.	5.1.4 and 5.2.1
102-6			Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	1.3 and 1.5
102-7			Scale of the organization, including total number of employees, number of operations, net sales, total capitalization, quantity of products or services provided.	Key figures in Chapter 1
102-8	Principle 6		Detailed information on employees and other workers.	4
102-9			A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	1.5
102-10			Significant changes to the organization's size, structure, ownership, or supply chain.	1.5
102-11			Whether and how the organization applies the Precautionary Principle or approach.	2.2.3.3 and 4.2.6.4
102-12			A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	4.2.6.1 and 4.2.7.1
102-13			A list of the main memberships of industry or other associations, and national or international advocacy organizations.	4.2.3.1 and 4.2.3.4

GRI Standards	UNGC Principles	SDGs	Topic	Reference
Strategy				
102-14			A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Introduction Chapter 4
Ethics and integrity				
102-16	Principle 10		A description of the organization's values, principles, standards, and norms of behavior.	4.2.6.1
Governance				
102-18			Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	2.1 and 4.2.2.1
Stakeholder engagement				
102-40			Provide a list of stakeholder groups engaged by the organization.	4.2.1.1
102-41	Principle 3		Report the percentage of total employees covered by collective bargaining agreements.	4.2.4.4
102-42			Report the basis for identification and selection of stakeholders with whom to engage.	4.2.1.1
102-43			Report the organization's approach to stakeholder engagement.	4.2.1.1
102-44			Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	4.2.1.1

GRI Standards	UNGC Principles	SDGs	Topic	Reference
Reporting practice				
102-45			a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not considered by the report.	Appendix 2 of Chapter 3.4
102-46			a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	4.2.2.4 and 4.2.7.1
102-47			A list of the material topics identified in the process for defining report content.	4.2.1.2
102-48			The effect of any restatements of information given in previous reports, and the reasons for such restatements.	4.2.5.2
102-49			Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	4.2.2.4
102-50			Reporting period for the information provided.	4.2.2.4
102-51			Date of the most recent previous report (if any).	2017 Registration Document covering fiscal year 2017
102-52			Reporting cycle (such as annual, biennial).	4.2.2.4
102-53			Provide the contact point for questions regarding the report or its contents.	invest@essilor.com
102-54			Claims of reporting in accordance with the GRI Standards.	4.2.7.4
102-55			The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	4.2.7.4
102-56			Report the organization's policy and current practice with regard to seeking external assurance for the report.	4.2.8

GRI Standards	UNGC Principles	SDGs	Topic	Reference
MANAGEMENT APPROACH				
103-1			a. An explanation of why the topic is material. b. The Boundary for the material topic, which includes a description of where the impacts occur and the organization's involvement with the impacts. c. Any specific limitation regarding the topic Boundary.	4.1 of the 2014 Registration Document
103-2	Principle 1 Principle 8		For each material topic, the reporting organization shall report. a. An explanation of how the organization manages the topic. b. A statement of the purpose of the management approach. c. A description of the following, if the management approach includes that component (Policies, Commitments, Goals and targets, Responsibilities, Resources, Grievance mechanisms, Specific actions, such as processes, projects, programs and initiatives).	Description of the management approach for each issue
103-3			For each material topic, the reporting organization shall report an explanation of how the organization evaluates the management approach.	Description of the management approach for each issue
TOPIC-SPECIFIC STANDARDS				
Economic performance				
201-1			Direct economic value generated and distributed.	4.2.6.5
201-2	Principle 7		Financial implications and other risks and opportunities for the organization's activities due to climate change.	4.2.5.4
Indirect Economic Impacts				
203-1			Infrastructure investments and services supported.	4.2.3, 4.2.3.1, 4.2.3.2, 4.2.3.3, 4.2.3.4 and 2017 "See Change Report"
203-2		 	Significant indirect economic impacts.	4.2.3, 4.2.3.1, 4.2.3.2, 4.2.3.3, 4.2.3.4 and 2017 "See Change Report"
Anti-corruption				
205-2	Principle 10		Communication and training on anti-corruption policies and procedures.	4.2.6.1

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GRI Standards	UNGC Principles	SDGs	Topic	Reference
Anti-competitive Behavior				
206-1		16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	Note 30.2 of Chapter 3.4
Materials				
301-1		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Materials used by weight or volume.	4.2.5.5
Energy				
302-1	Principle 7 Principle 8	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Energy consumption within the organization.	4.2.5.3
302-2	Principle 8	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Energy consumption outside of the organization.	4.2.5.3
302-5	Principle 8 Principle 9	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Reductions in energy requirements of products and services.	4.2.3.2
Water				
303-1	Principle 7 Principle 8	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Interactions with water as a shared resource	4.2.5.2
303-2	Principle 8	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Management of water discharge-related impacts	4.2.5.2
303-3	Principle 7 Principle 8	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Water withdrawal	4.2.5.2
303-4	Principle 7 Principle 8	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Water discharge	4.2.5.2
Biodiversity				
304-1	Principle 8	6 CLEAN WATER AND SANITATION	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	4.2.5.1
Emissions				
305-1	Principle 7 Principle 8	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Direct greenhouse gas (GHG) emissions (Scope 1).	4.2.5.4
305-2	Principle 7 Principle 8	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Energy indirect greenhouse gas (GHG) emissions (Scope 2). Report gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent, and gross market-based energy indirect (Scope 2) GHG emissions if applicable. Report standards, methodologies, assumptions, and/or calculation tools used.	4.2.5.4

GRI Standards	UNGC Principles	SDGs	Topic	Reference
305-3	Principle 7 Principle 8		Other indirect greenhouse gas (GHG) emissions (Scope 3).	4.2.5.4
Effluents and waste				
306-1	Principle 8		Total water discharge by quality and destination.	4.2.5.2
306-2	Principle 8		Total weight of waste by type and disposal method, with the breakdown of hazardous waste and non-hazardous waste; the breakdown of these figures by disposal methods (*e.g.*, reuse, recycling, composting) isto be reported where applicable.	4.2.5.5
306-3	Principle 8		Total number and volume of significant spills.	4.2.5.5
Environmental Compliance				
307-1	Principle 8		Non-compliance with environmental laws and regulations.	4.2.5.1
Employment				
401-1	Principle 6		New employee hires and employee turnover.	4.2.4
Occupational health and safety				
403-1			Occupational health and safety management system.	4.2.4.1
403-2			Hazard identification, risk assessment, and incident investigation.	4.2.4.1
403-3			Occupational health services.	4.2.4.1
403-5			Worker training on occupational health and safety.	4.2.4.1
403-9			Work-related injuries.	4.2.4.1
Training and education				
404-1	Principle 6		Average hours of training per year per employee by gender, and by employee category.	4.2.4.2
404-2			Programs for upgrading employee skills and transition assistance programs.	4.2.4.2

GRI Standards	UNGC Principles	SDGs	Topic	Reference
Diversity and equal opportunities				
405-1	Principle 6	5 GENDER EQUALITY, 10 REDUCED INEQUALITIES	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	2.1.1.1 and 4.2.4
Non-discrimination				
406-1	Principle 6	1 NO POVERTY, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES	Incidents of discrimination and corrective actions taken.	4.2.4.3
Child Labor				
408-1	Principle 5	8 DECENT WORK AND ECONOMIC GROWTH	Operations and suppliers at significant risk for incidents of child labor, and measures to contribute to the elimination of all forms of child labor.	4.2.6.2 and 4.2.6.3
Forced or Compulsory Labor				
409-1	Principle 4	8 DECENT WORK AND ECONOMIC GROWTH	Operations and suppliers at significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	4.2.6.2 and 4.2.6.3
Local Communities				
413-2	Principle 1	8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION	Operations with significant actual and potential negative impacts on local communities.	4.2.5.2 and 4.2.5.4
Supplier social assessment				
414-2	Principle 2	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Negative social impacts in the supply chain and actions taken.	4.2.6.2 and 4.2.6.3
Customer Health and Safety				
416-1		12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	4.2.3.2 and 4.2.6.4
416-2		8 DECENT WORK AND ECONOMIC GROWTH	Total number of incidents of non-compliance with the regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	4.2.6.4
Marketing and Labelling				
417-3		16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Total number of incidents of non-compliance with the regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	4.2.6.4
Socioeconomic Compliance				
419-1		16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Non-compliance with laws and/or regulations in the social and economic area.	4.2.6.4

4.3 2018 Non-financial statement of Luxottica Group S.p.A., a subsidiary of the EssilorLuxottica Group

Since October 1, 2018, Luxottica Group S.p.A. ("Luxottica") has been part of the EssilorLuxottica Group.

This document is the Luxottica Group Non-financial statement for 2018 in which the sustainable development program and all related social, environmental and societal information is presented.

It is a subpart of the EssilorLuxottica Non-financial Performance Disclosure found in Chapter 4 of EssilorLuxottica's 2018 Registration Document.

4.3.1 The Luxottica approach to sustainability

"To see the beauty of life". This is Luxottica's sustainability vision and has always been part of its DNA and business approach.

It stems from a notion of universal beauty, visible to everyone, that assumes a tangible form in the search for a balance between well-being, respect for the environment, ethics and the transparency of relations.

The eyewear created by Luxottica has an intrinsic social purpose: that of helping people to see. Making the best eyewear in the world, innovative in design and excellent in quality, represents the intersection between the Group's Sustainability vision, "To see the beauty of life", and its mission: the health and well-being of the eyes. Thanks to "made in Luxottica" eyewear people can enjoy the beauty of life in every aspect and of the world. A world to understand, protect and promote. For Luxottica, this is sustainability.

Sustainability in its wider meaning – environmental, social, economic – is indeed a principle that has deep roots in the Luxottica story, becoming part of the Company culture over the years and permeating the entire value chain.

The Group's distinctive, vertically integrated business model enables Luxottica to oversee the entire value chain. This guaranteed control of all phases – from design to distribution – also enables it to closely oversee environmental issues, health and safety and human rights along the value chain and, ultimately, to adopt socially responsible practices. Luxottica's business approach and the quality and excellence of its products and services are strongly linked to the promotion of sustainable development, with particular reference to environmental protection and its connection with the social contexts in which it operates.

Evidence of this vision is found in the Code of Ethics, which outlines the key principles and values that inspire Luxottica's ethical and responsible way of doing business. Due to its fundamental importance, the Code is applied to all companies, geographies and functions of the organization, and must be adopted by all stakeholders that have a direct relationship with Luxottica, including employees, partners and suppliers. With particular regard to its suppliers, the Luxottica Responsible Sourcing and Manufacturing program was launched in 2013 and requests that they meet specific standards in the areas of ethics, employment, health, safety and the environment. Their compliance is monitored through a dedicated auditing process.

The environment is a crucial factor in Luxottica's vision of sustainability. The Company was founded close to what is today the National Park of the Belluno Dolomites. The attention and respect the Group pays to this land of extraordinary beauty and universal value, declared a UNESCO World Heritage Site, is part of its DNA and has accompanied its growth over time. Therefore, the desire to preserve resources and promote the beauty of nature and the landscape, reducing the impact of its activities on the environment, has deep roots and strong reasons behind it.

Due to its pragmatic and uncompromising approach focused on excellence, the Group identified the social and environmental areas where it has made a medium to long-term commitment. In sharing the sustainable actions and initiatives done in the main business areas and geographies, Luxottica demonstrates its ability to create value over time, promoting the economic and social development of the communities in which the Group operates as well as the protection of the environment in those territories.

Luxottica's vision of sustainability is founded on four pillars that correspond to specific commitments and concrete initiatives and make up the chapters of this Statement: Commitment to excellence, Visual well-being, Social impact and Protecting the environment.

Luxottica's strategic approach to the Sustainable Development Goals

When defining its Sustainability pillars the Group took much of its inspiration from the international context, including the United Nations 2030 Agenda, which established the Sustainable Development Goals (SDGs) to be met by 2030, and the Paris Climate Change Conference (COP21), which defined a global action plan to avoid dangerous climate change by limiting global warming to well below 2°C. In particular, the four pillars of Luxottica's vision of sustainability are strictly connected to 10 out of 17 SDGs that the Group contributes to in the way it conducts business, aware of the fundamental contribution every company can make in the global transition towards sustainability.

Pillar	Sustainable Development Goals (SDGs)
Commitment to excellence Luxottica's continuous quest for excellence, its ability to reinvent itself and innovate are part of the company's story and characteristic of its business approach. This commitment can be seen everywhere and it shapes Luxottica's long-term goals and success. It is a reflection of the Group's untiring desire to keep evolving and improving while staying faithful to its principles. **Topics:** • "Made in": a common language in a company open to the world • Risk management & compliance	
Visual well-being Luxottica promotes the well-being and health of the eyes through the excellence of its products and its world-class customer service in stores and online. High quality glasses and lenses, the result of continuous design, material and technology innovations, are complemented by the cutting-edge ophthalmic treatments and eye exams available in the Group's over 5,100 optical retail stores around the world. **Topics:** • Eyecare • A culture of quality: at the service of customers, employees and the community • Sustainable product development • Protecting intellectual property and the struggle against counterfeiting	
Social impact Since the outset, Luxottica has stood out for being a socially responsible company, ready to respond with innovative solutions to the emergence of new standards and requirements and the interests of its communities and employees. This is a role it will play in an increasingly insightful manner to promote well-being and social equality in the countries where it operates, as well as the professional and personal growth, health and safety of its employees. **Topics:** • Creation and distribution of economic value • People, the real driving force of Luxottica • Commitment to employees • The responsible management of the supply chain	
Protecting the environment Luxottica's desire to preserve and protect natural resources and landscape, reducing the impact of its activities on the environment, is rooted in the company's bond with the communities where it operates. Since the construction of its first building in Agordo among the Belluno Dolomites, now a National Park, Luxottica has made preservation an important responsibility that involves the entire organization and guides sustainable actions and decisions throughout the year. **Topics:** • Environmental performance in the Operations • Environmental performance in the Retail division • Luxottica's environmental performance in 2018	

The sustainability reporting process

Materiality analysis: introducing stakeholder consultation into the risk assessment process

This Consolidated non-financial statement was made in follow-up to the 2017 disclosure, the first year this document was published.

Its content was identified and chosen by way of a materiality analysis that helped establish the priority environmental and social issues for the Group and its stakeholders.

The first materiality analysis, carried out between 2016 and 2017, was internal. The involvement of the top management in a direct discussion on the socio-environmental impact of the Group's activities proved to be very important in defining the sustainability strategy, never before communicated externally up to that point, and in identifying its key aspects for the purposes of non-financial reporting. Luxottica's sustainability vision, "To see the beauty of life", and its pillars are a natural reflection of the thoughts and ideas that surfaced during the conversations.

In 2018, Luxottica introduced two new elements: the identification of risks with potential environmental, health and safety, social and reputational impact during the Risk assessment process carried out by the Risk Management & Compliance department, and the direct consultation of the Group's internal and external stakeholders with an online questionnaire.

Risk assessment

The 90 interviews with the heads of departments and business areas around the world confirmed the strategic importance of sustainability. In addition to the biggest potential risks faced by the Group, the risk assessment process made it possible to identify and evaluate the risks to environmental sustainability and social responsibility values (so-called CSR – Corporate Social Responsibility risks).

Stakeholder engagement

The engagement of the main internal and external stakeholders made it possible to assess the degree to which sustainability issues can influence their evaluations and decisions, as well as to include their expectations in the materiality analysis process.

Sustainability questionnaire for external stakeholders

The questionnaire was designed to be answered by as many stakeholders as possible, so as to provide a clear understanding of the level of importance and interest they attribute to sustainability issues.

Beginning with the Group stakeholder map, 192 recipients representing the following categories were identified: financial community, licenses, main wholesale clients, suppliers, universities, non-profit organisations and institutions. The questionnaire was made available both online and in paper form in five languages (English, Spanish, French, Italian and German), ensuring a high level of international participation: the 98 questionnaires completed, a response rate of 51%, came from the main geographical areas in which the Group operates, i.e. North America, Latin America, Europe and the Asia-Pacific area, and substantially covered all categories of stakeholders.

Sustainability questionnaire for internal stakeholders

245 employees representing different company departments were involved with the aim of examining the organization's impact on the economy, the environment and society when carrying out its business activities. 178 questionnaires were filled out successfully, making for an overall response rate of 73%.

The combination of the risk assessment process and the direct consultation of stakeholders made it possible to verify the validity of the material issues previously identified and discussed in the 2017 Non-financial statement[1]. This also allowed the Company to focus the sustainability strategy and the reporting of relative performances on the topics that Luxottica's main stakeholders deemed to be the most relevant (the "material topics").

These topics were also assessed and evaluated through a structured process of analyzing internal and external information sources[2], such as:

- description of the Group business model and the goals and strategies stated in economic-financial documentation;
- the questionnaires sent by socially responsible investors, Sustainalytics and providers of indexes such as FTSE Russell;
- the main sectoral risks as identified by benchmark analyses and the "Global risks report 2018"[3];
- the Group's Code of Ethics and policies in the areas of the environment, health and safety, and the responsible management of the supply chain;
- press reviews, social listening reports and investigations carried out by the Reputation Institute on the Group's behalf;

(1) The six macro-areas of interest: 1) the central importance of the system of values represented by the Group's Code of Ethics; 2) the responsible management of energy resources, water and waste, and the use of alternative energy sources; 3) the responsible management of the supply chain; 4) the culture of quality and consumer satisfaction; 5) the welfare system, the management of talent and diversity, the protection of employee health and safety; 6) the initiatives in the areas and local communities in which the Group operates.

(2) The analysis was based on the indications of the European Commission as outlined in the "Guidelines on non-financial reporting" (2017/C 215/01).

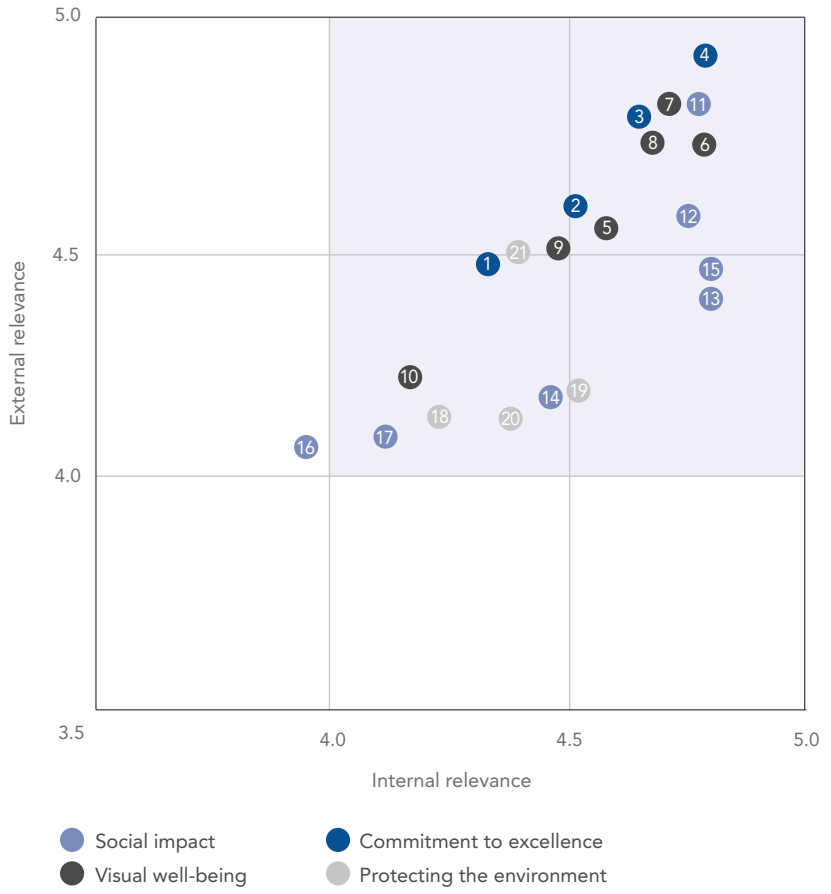
(3) The "Global Risks Report 2018" is a World Economic Forum publication now in its 13th year.

- the main sectoral trends as identified by benchmark analyses and the "Social megatrends and business" report published by the World Business Council for Sustainable Development in 2018;
- public policies, regulations and international standards, including European Parliament Directive 2014/95/EU, Italian Legislative Decree 254/2016, French Legislative Decree 2017-1265, GRI Standards and Sustainable Development Goals of the United Nations.

The materiality matrix: the priority areas for Luxottica and its stakeholders

The results of the materiality analysis are summarized in the matrix below, which reports the topics regarded as material, and therefore of priority importance for Luxottica and its stakeholders.

The vertical axis denotes the level of priority that external stakeholders give to the various topics, *i.e.* the issues that significantly influence their evaluations and decisions. The horizontal axis represents the degree of importance that internal stakeholders attribute to these topics as regards the Group's ability to create value over time.



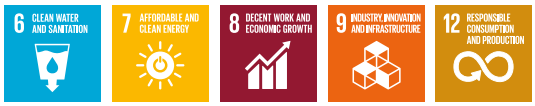
COMMITMENT TO EXCELLENCE
1. Corporate Governance
2. Risk management
3. Business ethics
4. Compliance & anti-corruption

VISUAL WELL-BEING
5. Eyecare & visual well-being
6. Product quality & safety
7. Consumer satisfaction
8. Innovation and R&D
9. Protection of intellectual property
10. Responsible marketing

SOCIAL IMPACT
11. Responsible sourcing
12. Employee well-being
13. Talent management
14. Diversity and inclusion
15. Employee health and safety
16. Industrial relations
17. Relationship with the communities

PROTECTING THE ENVIRONMENT
18. Energy efficiency
19. Climate change
20. Water consumption
21. Packaging and waste management

The materiality matrix therefore defines the key and necessary information of this non-financial disclosure and confirms the Sustainable Development Goals (SDGs), which the Group believes it can help achieve through its way of doing business.

Sustainability pillar	Material topics	Sustainable Development Goals (SDGs)
Commitment to excellence	• Corporate Governance • Risk management • Business ethics • Compliance & anti-corruption	
Visual well-being	• Eyecare & visual well-being • Product quality & safety • Consumer satisfaction • Innovation and R&D • Protection of intellectual property • Responsible marketing [a]	
Social impact	• Responsible sourcing • Employee well-being • Talent management • Diversity and inclusion • Employee health and safety • Relationship with the communities	
Protecting the environment	• Energy efficiency • Climate change • Water consumption • Packaging and waste management [b]	

(a) The topics relating to responsible marketing are addressed under the "Eyecare" and "A culture of quality: at the service of customers, employees and the community" sections.
(b) Packaging relates to manufacturing and logistics activities and is classified as non-hazardous waste as reported in the "Waste management" section.

Non-financial reporting scope

Luxottica began its non-financial reporting process in 2016, with the dual goal of beginning to communicate its sustainability initiatives and their results in a transparent and systematic way, and of laying the foundations for its compliance with the legal obligations outlined in Italian Legislative Decree 254/2016 through the launch of the Sustainability section on www.Luxottica.com in April 2017.

With regard to economic and social performance, the information in this Statement refers to the companies consolidated on a line-by-line basis in the Group consolidated financial statements as of 31 December 2018; any exclusions from the reporting scope are specified in the relevant paragraphs in this document.

In follow up to the process it launched during the 2017 financial year regarding the reporting of health and safety, environmental and supply chain management issues, in 2018 Luxottica extended the scope of its production and logistics (Operations) analysis to include the central laboratories dedicated to the production of ophthalmic lenses. Consistent with this gradual inclusion approach, the company also extended its environmental performance review to the Retail division, including 60% of directly-managed stores around the world. Finally, Luxottica undertook to report the information omitted from the previous Statement concerning health and safety and training initiatives.

On the basis of the coverage of the indicators associated with material topics, the Group's level of adherence to the GRI Standards in 2018 was "referenced".

The information on healthy and safety matters within the Operations reported in this Statement are those that the Group analyses and monitors in the normal course of its business. The indicators were developed in accordance with the "Workplace accident statistics" UNI 7249/2007 regulation and then integrated with additional Company-specific KPIs. Please refer to the Correspondence table at the end of this Statement for the list of GRI Standard topics and relative indicators used.

4.3.2 Commitment to excellence

Excellence is the distinctive trait of Luxottica and can be seen in its creation of top-quality products and its respect for the people and areas where the Group is present. Its eyewear collections are the result of continuous investments in research, design and innovation and developed according to high quality standards with stringent controls that are equal or superior to industry standards in terms of safety, performance and durability.

Excellence begins with qualified, specialized people who are committed every day to giving their best and to providing products of high technical and stylistic quality together with unparalleled levels of service.

Excellence is a constant quest: its ability to reinvent itself and innovate are part of the company's story and characteristic of its business approach. This commitment to keep evolving and improving while staying faithful to its principles shapes the Group's goals and success globally. In over 50 years, acute perception and strategic decisions have given rise to a Company which, today, has truly global reach, working in over 150 countries and employing more than 82,000 people of different cultures and nationalities.

Excellence is an ethical driving force: the continuous creation of value over time is a goal common to all of the Group's activities. It has long distinguished Luxottica's Corporate Governance, the set of values represented by the Code of Ethics, the internal control and risk management system and the Internal Audit activities.

"Made in": a common language in a company open to the world

This focus on excellence can be seen in the strategies undertaken to expand the business in new countries. As a global company, Luxottica interprets and values different cultures and the particular features of diverse markets and consumers. It promotes local development and, at the same time, takes new inspiration from it and exports the best values, innovation and creativity from all over the world.

The common denominators are its standards and "made in Italy" quality, an absolute and distinctive value shared by all of its sites in Italy, China, the US, Brazil, India and Japan. What is common to all plants are the technology, manufacturing processes and the same sense of belonging to the Group: a common language bringing the Group closer together over borders and across oceans.

Luxottica's presence in China, which dates back over 20 years, is an example of this. The desire to truly understand Chinese culture, constant and valuable interaction with institutions and the community enabled the Company to integrate perfectly and become a local manufacturer, while contributing to the social and economic development in the region. The production and distribution site in Dongguan is a perfect replication of Luxottica's Italian factories model while respecting the specific dimensions of the local culture. With a total surface area of around 250,000 square meters, approximately 11,600 employees, three plants and a logistics hub with integrated lens laboratory, the Chinese production and distribution hub is responsible for over 40% of the Group's production and is equipped with cutting-edge technologies and processes that make it a model of innovation and sustainability. These investments have proved successful because they are based on respect for diversity and the Group's values of excellence and enterprise, and over the years have made it possible to supplement the gradual expansion of its production capacity with the development of the retail and wholesale businesses.

Another model of integration is Brazil, where, in over 20 years, the Group has developed a world-class integrated platform driving the growth of the sector. The Campinas production plant, which manufactures 100% "made in Brazil" eyewear collections for some proprietary brands (Ray-Ban, Vogue Eyewear, Arnette and Oakley) and under license for A|X Armani Exchange, is complemented by an extensive wholesale network as well as Sunglass Hut, Oakley and Óticas Carol branded stores.

Risk management & compliance

Luxottica's investment in excellence and its ability to reinvent and innovate are part of the company's history and characterize its operations. A central role in its excellence is played by the Code of Ethics, which sets out the principles and fundamental values that inspire its conduct, and the ethical and responsible culture of Luxottica. The Code of Ethics is available in the major languages spoken by its employees and applies to all companies, geographies and functions in the Group.

The Code of Ethics, originally approved by the Board of Directors in 2004, has been updated three times over the years and its current version was approved by the Board of Directors, the principal guarantor of the Code, on January 29, 2016. The text has been amended and updated not only in compliance with the law to uphold safety, freedom and human dignity, but also to encourage Group employees to strive for continuous improvement and responsible action at all times.

Compliance with the Code of Ethics is the fundamental prerequisite for the long-term reputation, reliability and success of the Group and is promoted at all levels and in all countries through communication, training, prevention and control. An employee communications campaign for the new Code of Ethics featured Luxottica employees from around the world alongside the campaign slogan "Code of Ethics Luxottica Group: to see better who we want to become", to remind each employee of how important it is for the success of the Group to have a solid base and shared principles.

To guarantee compliance with the Code of Ethics, in 2016 a global classroom and e-learning training program was launched for all Group employees, including new hires.

In Italy, the Code of Ethics is an integral part of the Organization, Management and Control Model adopted by Luxottica in compliance with Italian Legislative Decree 231/2001, to prevent and manage the risks associated with criminal activity committed by directors, executives or other employees of the Company.

A key tool for protecting the Code is the procedure for the management of violation reports: the Board of Directors has ruled that any reports of alleged violations of the Code be communicated, through the relevant channels, to the Internal Audit Manager and the Chairman of the Supervisory Board

of Luxottica Group S.p.A. More specifically, the Internal Audit Manager informs the Supervisory Board of the complaints received and their status at least once every six months.

Risk management

Risk is an integral part of doing business and can be defined as any uncertain event that could threaten the achievement of business objectives and strategies or the Group's tangible and intangible assets.

Luxottica is risk adverse towards events that could:

- negatively affect the safety or well-being of employees, consumers and other stakeholders;
- lead to breaches of local laws or regulations;
- endanger the environment;
- negatively affect the Group's reputation.

Identifying and understanding risks allows for informed decision making when actively managing events that could potentially have a negative effect on:

- cash flow and profitability;
- strategic business objectives;
- tangible and intangible assets.

Within this context, the Group's Risk Management department supports the organization to:

- manage risks in terms of prevention and mitigation;
- proactively seize opportunities;
- disseminate a culture of risk evaluation across the Group's decision-making process, in particular, in the strategic planning process and significant business decisions;
- ensure that the Group's risk exposure is consistent with the Board of Director's risk appetite and does not exceed its financial and economic capacities given the objective of achieving long-term sustainable performance;
- assure transparency and adequate information on Luxottica's risk profile and risk management strategies to top managers, the Board of Directors and other relevant stakeholders.

In line with the principles of the Group's Corporate Governance, the Board of Directors plays a central role in governing the risk management process. The Board, acting upon the recommendation of the Control and Risk Committee, is responsible for the definition of risk management system guidelines in order to identify, measure, manage and monitor the principal risks impacting the Group and defining risk levels that are compatible with the strategic objectives of the Company.

The risk categories potentially applicable to Luxottica	Risk management objectives
External risks External factors, which are completely beyond the control of the Group and might have a negative effect on its business and assets	Monitor risk factors Measure Group resilience Mitigate the impact in case the risk occurs
Strategic risks Characteristic of the eyewear industry and/or strictly driven by Luxottica strategic decisions	Create awareness during the decision-making process Have a risk-reward analysis Consider the cost for risk mitigation and the impact of risks on the Group's economic and financial targets
Operational risks Generated by ineffective organizational structure, internal processes and systems	Reduce the impact and probability of risk through: • Continuous improvement of internal control systems • Adequate allocation of resources in strategic plan and budget

To meet these goals, in 2011 the Risk Management department launched a proactive, structured and coordinated Enterprise Risk Management (ERM) approach to identify, manage and monitor risks with potential negative impact on the future growth of the Group and its tangible and intangible assets. The approach is integrated into the Company's processes, supports its strategic and operating decisions and permeates the entire organization.

The five correlated phases of Luxottica's Enterprise Risk Management

Risk framework	The Group Risk Model defines the risks potentially applicable to Luxottica and the methodology used by the Risk Management department
Risk assessment	Carried out on a yearly basis, the Risk assessment makes it possible to identify the potential risks to which the Group is exposed, assess their impact and, on the basis of the probability of them occurring, establish action plans
Risk reporting	It consists of activities to share the mapping of risks and related mitigation plans with the management and Control and Risk Committee
Risk treatment	Implementation of the approved action plans and risk management strategies
Monitoring	The progress of the action plans and the Key Risk Indicators (KRIs) are periodically monitored in order to guarantee correct and prompt risk mitigation

For some risk categories, like protecting the environment and workplace safety, in terms of labor regulations (with particular reference to external stakeholders such as the supply chain), Risk Management may be tasked with carrying out an assurance function which ranges from the identification of the biggest potential exposure situations to the performance or coordination of auditing and inspections activities to ensure that protection measures comply with local regulations and, where these are less stringent, with international best practices.

Identification and evaluation of CSR risks within Risk assessment

Given their intrinsic goal of creating and protecting value for all its stakeholders, Luxottica believes that risk management activities are an integral part of sustainability strategies. The structured and proactive management of company risks makes it possible to reduce the volatility of the company's results over time and to protect its tangible and intangible assets, key elements for the Group's mid- to long-term sustainability.

In 2018, the Risk assessment process was duly carried out to identify priority risk areas for the Group. For the first time, environmental, social and governance risks (known as CSR risks) were defined in the risk model in order to facilitate their identification and evaluation during the 90 interviews conducted with managers in the company's main geographic locations (42 individuals in EMEA, 23 in North America, 10 in South America, 11 in China and four in Australia).

This process made it possible to identify, assess and compare the main CSR risk categories with the relative risks identified as priorities during the interviews:

1. Human rights: the risk that the Group is subject to theft or consumer or employee personal data being compromised, with a consequent impact on the reputation of the Group or the application of penalties pursuant to the GDPR or other local privacy laws;
2. Professional ethics: risks linked with employee/supplier/customer actions that do not conform with the Code of Ethics in terms of corruption, business policies and/or industry regulations, with a consequent impact on the reputation of the Group or the application of penalties;
3. Business disruption: the risk that critical processes in the Group's value chain are disrupted due to natural events, also brought about by climate change, the unavailability of systems and/or individuals to carry out activities, with the consequent inability to serve target markets in the correct manner and time frames;
4. Responsible management of the supply chain: the risk that the supply chain used by Luxottica does not completely comply with the local regulations and/or international standards that the Company requests be applied in the area of employment, health and safety and the environment. As well as having consequences for the Group's reputation, this risk could also result in a breach of contract with some licenses;
5. Intellectual property: reputational and economic risks due to the presence of counterfeit products on the market (mainly the Ray-Ban and Oakley brands);
6. Talent management: the risk that the Group is not always competitive, in all geographical locations in which it operates, when attracting and retaining talent, with a resulting potential impact on growth and development strategies.

It is also worth mentioning that in its sites and offices, Luxottica has always actively sought to mitigate social and environmental risks in the areas of health, workplace safety and the environment. While these were not evaluated as significant risks in 2018, the Group continued to improve its internal control system and to adopt policies, procedures and controls aimed at preventing potentially harmful events for stakeholders and the reputation of the Group.

With reference to the aforementioned risks, please consult:

- the "Compliance risk management" section to find out about the current programs designed to guarantee the mitigation of risk in the areas of privacy, corruption and antitrust;
- the "Responsible management of the supply chain" section for a description of the measures taken with regard to the supply chain;
- the "Main risks and uncertainties to which the Group is exposed" section of Luxottica's Management report for a description of the activities to mitigate the risk of business disruption;
- the "Protecting intellectual property and the struggle against counterfeiting" section for a description of current programs for the protection of intellectual property;
- the Social impact chapter for a description of talent management activities.

The following table lists the CSR risks and corresponding mitigation activities.

Sustainability pillar	CSR risks	Mitigation activities	Sustainable Development Goals (SDGs)
Commitment to excellence Material topics: • Corporate Governance • Risk management • Business ethics • Compliance & anti-corruption	**Risk of non-compliance with the GDPR and failure to protect personal data** Risk of potential privacy-related issues caused by leak or inappropriate use of personal data of consumers/employees with consequent reputational impact or sanctions as per the GDPR	Global privacy data program: • Policies and procedures design • Data mapping • Third parties management (data protection clauses and appointment of data processors) • Security and response measures • Classroom and online training	
	Risk of non-compliance with antitrust regulations Risk of increasing exposure to antitrust assessments	Global antitrust program: • Rules and operational guidelines • Risk assessment • Online training	
Visual well-being Material topics: • Eyecare & visual well-being • Product quality & safety • Consumer satisfaction • Innovation and R&D • Protection of intellectual property • Responsible marketing	**Risk linked to intellectual property protection** Reputational and economic risks due to the continuous increase of the presence of fake products on the market (mainly referred to Ray-Ban & Oakley)	• GLOW (Guaranteed Luxottica Origin Worldwide), a traceability system based on RFID technology which allows to verify the authenticity of the products as well as suitability of resellers • Online IP protection • Customs seizures, market raids, criminal or civil proceedings against stores, trademark litigation to obtain cancellation of registered TM, deep-dive investigations, factory raids	  

Sustainability pillar	CSR risks	Mitigation activities	Sustainable Development Goals (SDGs)
Social impact Material topics: • Responsible sourcing • Employee well-being • Talent management • Diversity and inclusion • Employee health and safety • Relationship with the communities	**Risk linked to supply chain sustainability** Risk that suppliers are not compliant with laws, international standards and Luxottica requirements on labor, health and safety, environmental and ethical matters with potential impact on the Company's reputation. This risk could also cause a breach of contract with licensors	Luxottica Responsible Sourcing and Manufacturing (LRSM) program: • Independent external audits and follow up on suppliers • Classroom training to suppliers • Suppliers self-assessment	
	Key people attraction and retention Risk of the Group's inability to attract and retain, in all geographical locations in which it operates, the best professionals on the market, with a resulting potential impact on its growth and development strategies	Talent management: • Talent & performance management • Long-term incentives • Non-competition agreements	
Protecting the environment Material topics: • Energy efficiency • Climate change • Water consumption • Packaging and waste management	**Business interruption** Risk of business interruption of one of Luxottica main facilities, both production or logistics, due to natural disasters, man-made hazard or IT Failures, that could lead to the inability for the Group to serve the market in the proper way, losing market share, credibility among customers, sales, etc.	• Launch of the Business Continuity program, which includes awareness initiatives, governance definition, definition of roles and responsibilities, critical process mapping, risk assessment and continuity plan • Loss prevention activities	

Compliance risk management

Luxottica's global dimension requires the constant alignment of the Company's processes, procedures, conduct and activities with the regulatory frameworks and the Group Code of Ethics. Below are the main compliance programs that Luxottica has been working on for some time.

The prevention of corruption

In terms of anti-corruption, the Compliance department oversees the definition of rules to prevent, identify and manage risks connected with corruption in the Group's businesses, in accordance with the law as well as applicable local and international regulations.

This commitment is outlined in the Code of Ethics and is further strengthened by the adoption of company policies and procedures that regulate the areas that could be exposed to corruption crimes.

In 2018, the Compliance department, in collaboration with the Internal Audit department, developed and distributed a new version of the procedure for reporting and managing accidents to all local internal representatives. This procedure complements the existing content of the Code of Ethics and the Organization, Management and Control Model adopted in 2005 in accordance with Italian Legislative Decree 231/2001 as amended, which addresses the issue of reporting corruption. The Model takes the form of a series of principles and rules of conduct, operating procedures and disciplinary systems designed to prevent the committing of illegal acts and to guarantee the ethical behavior of those that work on the Group's behalf.

Luxottica is part of Transparency International, the biggest global organization for the prevention and combating of corruption, and actively participates in conferences and meetings where it shares best practices in this area. In 2018, the Compliance department presented its anti-corruption programs at Transparency International's Business Integrity Forum and at the Italian Business Integrity Day held at the Embassy of Italy in Washington. Among these programs is the "Be transparent and keep it transparent" compliance program which Luxottica launched in 2017 and is dedicated to combating corruption. This program is applied at the global level and presents specific rules for the prevention, identification and

management of corruption risks in the Group's sphere of activities. It integrates initiatives already in progress and pre-existing company documents, such as the Code of Ethics, and is based on specific rules that all Group employees must adhere to in their daily activities.

For more information on the Luxottica's "Be transparent and keep it transparent" program see the document on the website www.luxottica.com.

In addition, in 2018 Luxottica performed a risk assessment involving all of the Group's legal entities around the world aimed at evaluating its exposure to the risk of corruption. Compliant with the provisions of the French Sapin II law, this process made it possible to assess and prioritize the risks considering both the legal entity and the potential scenario. A specific classroom training activity was organized for the legal entities most at risk, beginning in China in October 2018, with Brazil to follow in the first quarter of 2019.

At an international level, an online training activity was organized which involved around 4,500 participants, 1,300 of them from the countries most at risk according to the assessment.

Privacy

With over 7,100 directly operated stores around the world and a growing presence in the e-commerce sphere, Luxottica is aware of just how much its customers value their privacy. The company is committed to guaranteeing maximum levels of transparency in the way it collects, uses, communicates, transfers and retains information relating to them.

In 2018, Luxottica continued to implement the measures required to guarantee compliance with the General Data Protection Regulation (GDPR), effective across Europe since May 25, 2018:

- Creation of an organizational structure specifically dedicated to privacy. A Data Protection Officer (DPO) was appointed for the European companies of the Group that process significant quantities of personal data, and Privacy Data Owners (PDO) were identified within the various Company departments. They were assigned precise responsibilities connected with the processing of personal data within their respective departments (HR, IT, Marketing, Procurement);
- Continuation of activities relating to (i) the mapping of personal data processing (for the purposes of keeping records pursuant to Article 30 of the GDPR), (ii) the analysis of system conformities, (iii) the identification of critical third parties for privacy purposes. Regarding the third parties identified, with the support of the procurement office, a contractual review process was launched to define the relations between the parties as per Article 28 of the GDPR;
- Provision of an online training course on the basic concepts of the regulation to all Group employees in Europe.

A global approach to privacy protection is being studied which, in addition to the GDPR, also takes account of the personal data protection laws being transposed in non-European countries including Brazil, China and Australia.

Anti-money laundering

In 2017, Luxottica developed and disseminated at global level the "Anti-money laundering and terrorist financing policy", whose aim is to guarantee respect for all laws and regulations, actively prohibiting and preventing any activity that may be considered or which could facilitate money laundering and/or the financing of terrorist or criminal activities. The policy was subsequently reviewed in 2018 to better define the responsibilities surrounding prevention and monitoring activities at a local level. Building on the existing policy, the Compliance department organized specific training activities on the content of the policy and provided support for the implementation of the controls established by the document.

Antitrust compliance

In line with the Code of Ethics, Luxottica has had an Antitrust program since 2015 which defines principles of conduct in the management of business practices.

Implementation policies and programs are available to all Group employees and, as in previous years, a training activity involving around 700 people exposed to this type of risk was held in 2018.

4.3.3 Visual well-being

Eyesight is a precious resource. Caring for it is a key element in Luxottica's mission which it pursues through frames and lenses of the highest quality, the result of continuous innovation in design, materials and manufacturing technologies, as well as through cutting edge services inside its retail network.

Eyecare

Each pair of eyewear is the result of an ongoing research & development process where stylistic innovation is solidly linked to the need for functionality and comfort. Ensuring that people see clearly and can express their identity is a commitment Luxottica has been renewing daily for over 50 years with the same passion and devotion.

The customer can experience this commitment firsthand inside over 5,100 of the Group's optical stores worldwide, all equipped with advanced eye exam technologies such as Clarifye at LensCrafters in North America. These technologies make it easier for optometrists to detect health problems like high blood pressure, diabetes and other serious conditions early.

Outside of the exam room, Luxottica has revolutionized the in-store experience with digital windows and iPads that customers can use at its retail stores to view an endless aisle of brands, models and colors and to simulate the treatments available for sun and ophthalmic lenses. The complete, personalized pair purchased by the customer is the result of the integration between a brand-new frame and ophthalmic lenses customized according to the consumer's prescription. Luxottica's Service Centers in Atlanta (US), Sedico (Italy) and Dongguan (China), which assemble ophthalmic lenses and frames under the same roof, guarantee the highest level of service and quality in every eyewear component. These hubs then send the complete pairs to the Group's retail stores or directly to consumers through the Group's e-commerce platforms.

Luxottica has taken a leading role in the industry's efforts to raise awareness around the need for quality eyecare. In the United States, the Group is a founding sponsor of the "Think About Your Eyes" media campaign, promoted by The Vision Council and the American Optometric Association, which educates consumers on the benefits of vision health and the importance of an annual exam with an optometrist. Since its launch in 2010, the campaign has resulted in an increase in eye exams in the US and in 2018 it has contributed to driving 1.4 million eye exams. In Australia and New Zealand, the Group has a strong collaborative relationship with Optometry Australia (a non-profit organization representing about 90% of Australian optometrists) and is a keen supporter of its "Good Vison For Life" media campaign, which educates consumers on the benefits of maintaining good eye health and the importance of an annual eye exam. The campaign was launched in October 2018 and a major media launch is planned for early 2020.

The Group's commitment to eyecare extends to training initiatives specifically designed for optometry students in the US and for optometry graduates in Australia. Luxottica also makes available to its optical retail employees and wholesale clients continuous training and education courses through Luxottica University. The courses, available in person and online, cover topics ranging from the customer experience to frame and lens design innovation to the importance of quality and service.

Luxottica's eyeFWD program, launched in the US in 2017, is designed to give optometry students the tools they need to build and grow a successful practice when they graduate. This program is complemented by Luxottica EyeCare scholarships awarded to accomplished and community-focused optometry students. Similarly, in Australia and New Zealand Luxottica introduced EYE Launch, which is the two-year graduate induction program for all new optometrists joining OPSM and Laubman & Pank.

In 2018, Luxottica also selected 34 optometry students to travel on two separate OneSight clinics to Oaxaca (Mexico) in May in partnership with the American Optometric Student Association and 12 optometry students to participate in OneSight regional indigenous clinics in remote parts of Australia. On the OneSight clinics, optometry students worked under the supervision of Luxottica Retail affiliated doctors performing comprehensive eye exams and also helped a core team of Luxottica volunteers in the frame fitting, manufacturing and dispensing of new eyewear.

A culture of quality: at the service of customers, employees and the community

Luxottica's outstanding culture of quality can be seen in the manufacturing of every pair of glasses and in the way the Company looks after its customers, its employees and the community.

The quality laboratories

The Group applies the same "made in Luxottica" quality control system to every phase of the process, from product development to procurement, from distribution to analysis and monitoring of product performance. This meticulous quality control system has been developed by the Italian quality laboratory and is replicated, using the same equipment and procedures, in the rest of the world. As a result, the manufacturing sites in China, the United States and Brazil each have a quality laboratory that is able to monitor and maintain the quality that defines all of the Group's products.

All these laboratories are organized in three distinct verification areas:

- Mechanical: over 100 tests are conducted to evaluate the functionality and durability of the materials, lenses, frames, and other parts, such as the temples, cores, and hinges;
- Chemical: the safety and strength of materials and coatings are checked by raising the different environmental conditions eyewear normally encounters to extreme levels: massive quantities of solar UV radiation, heat, humidity, corrosive substances, sweat, and more;
- Optical: both ophthalmic and sun lenses are put to strict testing that evaluates their physical properties and structural characteristics. The tests carried out here verify lens performance under extreme weather conditions or incorrect use in order for consumers to be ensured the maximum protection safety and optimum vision every moment of the day.

Thanks to this quality control system the products designed and produced by Luxottica are equal to or exceed the sector's highest standards in terms of safety, performance and durability. During the development process, the products undergo strict acceptance testing to the standards established specifically for eyewear by ANSI (Z.80.3), ASTM, Standards Australia Limited (AS 1067) and the EU (ISO EN 12312 and ISO EN 12870). These standards refer to the safety and performance of the products and establish optical quality indexes, such as anti-UV protection, the degree of light transmission and impact resistance.

To guarantee its customers maximum product safety, Luxottica performs tests to check compliance with the main international regulations concerning chemical substances in medical and consumer products, using both in-house laboratories and expert external facilities.

The quality laboratories in Italy, China and the United States obtained certification from the American Association for Laboratory Accreditation (A2LA) in 2014 for the execution of the ISO 8624 and ISO 12870 tests on eyeglasses. In 2016, this certification was also extended to the ISO 12312 tests on sunglasses. This certification is testament to the high level of technical and managerial expertise possessed by all employees at Luxottica laboratories.

Following its work in the area of safety and Behavior-Based Safety in Italy, in 2018 Luxottica sought to underline the importance of quality based on the correct conduct of individuals. Beginning with production processes, audits were introduced at all Italian sites to check their compliance with quality procedures. These assessments are carried out directly by department heads and are added to the existing assessments.

Every year, cutting-edge technology and the internal development of new tests, with more stringent criteria than international regulations, enable Luxottica to improve the quality of its products. In 2018, new tests were introduced to guarantee enhanced performance in terms of both the durability of products and their resistance to mechanical strain and environmental stress, laying the basis for the automation of laboratory tests. This will allow to free operators from performing repetitive tests, while at the same time enabling them to quickly fine-tune the newly designed tests.

The quality control system has evolved in step with the complexity and richness of collections and models, ensuring that the percentage of defective returns remained below 1% in 2018 as well.

Customer relations

For Luxottica, promoting a culture of quality also means recognizing the needs of customers and end consumers, assisting them in all phases of the purchasing process, both offline and online, and supporting them via dedicated after-sales services.

In 2016, the Group's retail business launched a program to track the journey of every consumer, understanding their needs, anticipating their wishes and strengthening the relationship with them along the way. The goal of this effort is to continuously tweak and improve both the in-store and online purchasing experience. In 2018, this strategy encompassed the Group's main e-commerce websites as well as Sunglass Hut, LensCrafters, Target Optical, Sears Optical, OPSM, Laubman & Pank and David Clulow for a total of over 5,000 stores across the world.

Luxottica's Customer Service department, which includes the Contact Center and After Sales, manages technical and commercial assistance requests from the wholesale, retail and e-commerce channels.

The Contact Center is made up of over 800 qualified multilingual Group employees who respond to phone, email, social media and instant messaging requests from North America, Brazil, Europe and China. The Center provides a contact for customers and consumers in both the pre-sale phase (dealing with requests for information on specific eyewear styles, for example) and the after-sales phase, forwarding requests to the After Sales team if necessary.

The After Sales team supports customers and consumers that have purchased products made or marketed by Luxottica, from managing returns to warranty policies for eyewear collections, corrective lenses and Oakley's apparel, footwear and accessories (AFA), purchased by wholesale customers and end consumers in the Group's stores or e-commerce sites. To guarantee the prompt management of requests, After Sales is present at each logistics hub, providing customers in their respective geographical areas with the assistance they need: Sedico for EMEA, Atlanta for North America, Dongguan for Asia-Pacific and Jundiaí for Brazil.

At the beginning of 2019, a dedicated portal was launched to provide assistance to owners of Ray-Ban eyewear who needed to purchase spare parts, whether under warranty or not. Currently only available in the United States, it will soon be launched in the Group's other geographies.

Sustainable product development

For Luxottica respecting the environment and people means, first and foremost, carefully selecting the materials it uses for its manufacturing processes. All the materials are subjected to rigorous control operations on their chemical composition, physical and mechanical characteristics in order to ensure the respect of the quality standards and safety requirements prescribed by national and international certifications and Luxottica specifications.

The Group's unwavering focus on excellence and commitment to research has led to the introduction of innovative materials – defined as Biobased by international standards and regulations (such as ASTM D6866, ISO 16620 and EN 16640) – into its portfolio of raw materials. These materials also include the acetates M49, Biocell and ECA UV and the injection molding material BTR600, 56% of which is produced from renewable sources (castor oil).

The Biobased acetates are biodegradable thanks to their chemical composition, which is different from the acetate normally used in the Group's products. On the basis of the ISO 14855 certification, these materials are 97% biodegradable thanks to the presence of plasticizers completely free of phthalates in their composition, and for this reason are easily broken down by microorganisms found naturally, guaranteeing their biodegradability.

Additionally, during 2018 research projects have been launched to examine the possibility of recovering and regenerating obsolete polymeric materials deriving from warehouse stocks. The aim is to create a circular process that makes it possible to reintroduce waste materials into the production cycle, either in percentages that do not compromise the quality of the finished product, or by identifying possible new application areas.

Protecting intellectual property and the struggle against counterfeiting

Intellectual property is one of Luxottica's most important assets, and ensures the excellence, uniqueness, and incomparability of its products. It is based on the registration and maintenance of the Group's trademarks and patents across the world (over 950 utility, technology and design patents protected by policies, procedures and IT tools designed to identify any eventual anomalies in sensitive data flows).

Over the years, Luxottica has developed an intellectual property protection system that involves the entire Group in synergic actions in various areas in order to safeguard and enhance the work of suppliers and protect the rights of third parties at the same time. The Company is, in fact, careful to avoid infringing on the know-how or intellectual property of other players in the market. In order to prevent risk, it benefits from a sophisticated internal control system and support from specialized external companies.

The protection of intellectual property rights also involves combating counterfeiting. The worldwide proliferation of counterfeiting not only threatens official sales channels and company reputations, it also poses risks to the health and safety of consumers. Counterfeit products do not ensure the same elevated quality standards as the originals, whose excellence, in Luxottica's case, is certified by the most stringent quality tests, by the use of highly innovative materials, impossible to process or replicate without the necessary know-how, by the ongoing innovation in its production processes, and by the introduction of high-performance sunglasses lenses such as Prizm and Chromance.

For greater effectiveness in the battle against counterfeiting and the expansion of parallel markets that divert goods into unauthorized sales channels, Luxottica has developed GLOW (Guaranteed Luxottica Origin Worldwide), an innovative system capable of guaranteeing the traceability of its products. Based on RFID technology, it verifies the authenticity of its products and the legitimacy of its sales channels by means of a sensor (RFID TAG) built into the iconic Ray-Ban and Oakley models. This device contains the essential information required to unequivocally identify every pair of glasses from its production site to the wholesale client where it has been sold. Furthermore, it emits no radio signals, and as such is completely safe for health, and does not record personal data.

Luxottica is also very active in international cooperation in the battle against pirating. In addition to being a member of the leading anti-counterfeiting organizations, including the INTA (International Trademark Association) and the QBPC (Quality Brands Protection Committee), Luxottica collaborates all over the world with local institutions and authorities in intercepting counterfeit products and combating the entire illegal production chain as best permitted by law. Around 24 million counterfeit eyewear, cases and accessories, primarily Ray-Ban and Oakley, have been seized since 2015. In 2018, the Group carried out controls on products sold in 47 countries.

Lastly, the Group expends considerable effort in monitoring the online trafficking of counterfeit goods and is actively involved in removing these offers from some of the best-known platforms of online auctions and reporting the websites that sell counterfeit products or violate intellectual property rights. From 2014 to 2018, the Group succeeded in closing around 122,000 websites. In addition, on Luxottica's website it created a special section that informs consumers of the ways it monitors products, also enabling them to report counterfeit Ray-Ban and Oakley branded products by filling out an online form.

4.3.4 Social impact

A company of people, for people. This is Luxottica. Every day the Group strives to construct a business in which value creation and sustainable growth go hand in hand with a virtuous system of developing people and social relations right in all stages of its vertically integrated business model.

These actions are founded on essential values based on the fundamental human and employment rights [1] contained in the Group's Code of Ethics, such as the focus on people, the creation of a safe working environment that offers everyone the same opportunities, rewarding merit and prohibiting discrimination. Respecting the regulations in the individual countries in which it operates, Luxottica promotes the protection of workers' rights and freedom of association. In the Code of Ethics, Luxottica outlines its rejection of all forms of labor exploitation, particularly child labor.

Alongside respecting existing regulations, the Group seeks to raise awareness of all human rights issues with specific training activities designed to both protect and inform workers.

(1) Luxottica operates within the framework of the Universal Declaration of Human Rights and the fundamental ILO (International Labour Organisation) Conventions, and has committed to contribute to reaching the 10 SDGs identified.

Creation and distribution of economic value

The information on "Directly generated and distributed economic value" in the table below permits a different interpretation of the economic figures[1] and outlines the overall economic value generated by the Group's ordinary operations during the year and its breakdown in terms of the economic value distributed to its various stakeholders and the economic value retained within the organization.

(€/000)	**2018**	**2017 restated [a]**
Net sales	8,928,889	9,184,175
Interest income	18,344	18,199
ECONOMIC VALUE GENERATED	**8,947,233**	**9,202,374**
Operating expenses	4,464,162	4,627,893
Employee wages and benefits	2,651,486	2,701,229
Shareholders and providers of capital	553,246	547,441
Public authorities	305,523	344,577
Community investments (support for social, cultural and sports projects and partnerships with universities)	14,224	13,240
ECONOMIC VALUE DISTRIBUTED	**7,988,641**	**8,234,381**
ECONOMIC VALUE RETAINED	**958,593**	**967,992**

(a) 2017 Net sales and operating expenses have been restated to reflect the application of the new accounting standard IFRS 15, as explained in the Notes to Luxottica's 2018 consolidated financial statements.

In 2018, the economic value generated, represented by net sales and financial income, came to €8,947.2 million (-2.8% from 2017). Of these, €7,988.6 million were distributed to the Group's various internal and external stakeholders in the following ways:

- operating expenses towards suppliers of goods and services;
- employee wages and benefits;
- distribution of dividends to shareholders and interest payments on loans;
- income tax, distributed to the public authorities;
- support for social, cultural and sports projects and partnerships with universities in the reference communities.

The resources retained for the long-term development and growth of the Group came to €958.6 million in 2018 (€968 million in 2017) and are mainly represented by the items related to amortization expenses, the net income not distributed through dividends and the effect of deferred taxation.

Economic value distributed: the exclusive relationship with the communities

An analysis of the individual items that make up the economic value distributed makes it possible to quantify Luxottica's contribution to the well-being of its employees, to the economic and social progress of the communities in which it operates and to the promotion of the territory.

The economic value distributed to suppliers went from €4,627.9 million in 2017 to €4,464.2 million in 2018 following the organizational streamlining initiatives that the Group pursued during the year to speed up decision making and the implementation of strategies, as well as to improve the efficiency and integration of the various business areas. These included:

- the simplification of the entire organization, with the centralization of key functions and activities at Group headquarters in Milan, such as e-commerce, management of assortments, visual merchandising and real estate activities involving the Group's stores around the world;
- the strategy of internalizing some production processes in Italy, China and the United States;
- the gradual centralization of lens processing and finishing, moving from LensCrafters in-store labs and dedicated Oakley lens lab in Foothill Ranch to state-of-the-art central lens laboratories in Atlanta, Dallas and Columbus in the United States;
- the radical review of the distribution model in the Chinese market, increasingly oriented towards sales to the end consumer through the retail and e-commerce channels.

The economic value distributed by means of wages and benefits to its employees was equal to 33% of the economic value distributed (€2,651.5 million) in 2018, in line with the previous year.

(1) The calculation method suggested by Disclosure 201-1 of the GRI Standards was used.

The economic value distributed to shareholders and providers of capital came to €553.2 million, as compared with €547.4 million in 2017, mainly due to the higher dividends distributed. The economic value distributed to the public authorities in the form of taxes came to €305.5 million in 2018 from €344.6 million in 2017, benefiting from the effects of the Italian Patent Box and from American tax reform.

In 2018 Luxottica, driven by a strong sense of responsibility and corporate citizenship, pursued its commitment towards the local communities and territories where it operates, supporting social, sport and cultural initiatives for a total of €14.2 million (€13.2 million in 2017). The most significant initiatives are outlined below:

- the Luxottica welfare system, which since 2009 has involved not only employees but also their families and the community with initiatives ranging from educational support and healthcare to sustainable transport and a series of other services that meet people's needs in an innovative and tangible way;
- initiatives designed to offer access to quality eyecare and eyewear for less developed communities in the world. Examples include the 131 Sustainable Vision Centers opened since 2013 in Africa, China, India, South-East Asia and the US by OneSight, an independent non-profit organization of which Luxottica is the founding sponsor, and, in 2018, the second edition of the two weeks of free eye exams at a number of important accommodation facilities in Milan in parallel with World Sight Day;
- initiatives to promote and protect cultural, social and environmental heritage that embodies "made in Italy", the Group's most distinctive value and evident in all "made in Luxottica" products and services. "Made in Italy" encompasses the same values of awareness and passion for aesthetics and culture that Luxottica undertakes to support through:
  - the promotion of some of Italy's finest landmarks, such as the Teatro alla Scala in Milan, which it has supported since 2016, and the Ponte dell'Accademia in Venice, whose restoration it financed,
  - the organization, through the Alain Mikli brand, of initiatives that make art accessible to people with visual disabilities, such as the tactile exhibitions at the Quai Branly – Jacques Chirac museum in Paris (since 2010) and the creation of the audio descriptions of the plays performed at the Odéon theatre in Paris and the tactile models that faithfully reproduce the sets (since 2017);
- projects with universities in Italy and optometry schools in the US and Australia, including:
  - Bocconi University in Milan, which it has partnered with since 2014 to provide economic support to the most deserving students, for example by supporting three international study programs;
  - the second edition in 2018 of the eyeFWD training initiative, five days of training at the Luxottica premises in Cincinnati dedicated to 30 select optometry students in North America;
  - the opportunity for 34 American optometry students to accompany optometrists and Group volunteers to two eye clinics organized by OneSight in Mexico and the opportunity for 12 Australian optometry students to participate in OneSight regional indigenous clinics in remote parts of Australia;
- support for Valore D, the association of Italian businesses that Luxottica helped to create in 2009 to promote diversity, female talent and leadership;
- economic assistance for emergency situations, such as the supplementing of the salaries of all of the over 8,000 employees on the temporary lay-off scheme at the Agordo, Cencenighe, Sedico and Pederobba sites, forced to stay at home due to the closure of the plants following the bad weather that affected the area in late October;
- other initiatives aimed at local communities, from awareness campaigns on eyecare to collaboration with foundations active in developing countries:
  - Luxottica is one of the main supporters of "Think About Your Eyes", an advertising campaign on the importance of getting a comprehensive eye exam, which launched in the US in 2010 together with The Vision Council, The American Optometric Association and other partners;
  - support, through the Indian subsidiary, for the projects of Sightsavers, an international non-profit organization that seeks to prevent and eliminate blindness in developing countries, in rural areas of India;
  - support, through Oakley, for Qhubeka, the foundation of South African cycling team Dimension Data, with the aim of giving as many bicycles as possible to adults and children that live in rural areas of South Africa.

For more information on the social, cultural and sporting initiatives promoted and supported by Luxottica and its brands visit www.luxottica.com

People, the real driving force of Luxottica

Developing people is the focus of the Group's growth strategies. In this context, diversity in thinking is a source of cultural enrichment and is therefore promoted and rewarded. Having qualified, motivated and engaged employees is crucial for its long-term success. Whatever the geographical region, site or subsidiary, employment at Luxottica is regarded first and foremost as an opportunity for professional and personal fulfillment, rather than a duty or right.

Community with purpose. Those who work at Luxottica are not just part of a company but a genuine community where they are able to fulfill their professional and personal ambitions. Community is much more than just a value for the Group. Over time, Luxottica has strengthened its company welfare system and made an effort to listen to people in order to improve their lives at work and at home.

This is because the Company recognizes that every employee is a person that needs to feel a sense of satisfaction and accomplishment. The aim is therefore to make them feel part of a strong community and company that protects their interests, passions, dreams and needs in the most concrete way possible.

Being part of a true community also means feeling rewarded and appreciated for the value each employee brings to the table as part of a meritocracy. This concept is the base of the remuneration policy and performance assessment system and around it three organizational levers have been developed:

- organization and integration of support functions for the various businesses;
- a common company language that enables the various businesses to work in synergy;
- quality of the recruitment process, quality of the training process to improve existing company expertise and strong focus on talent development.

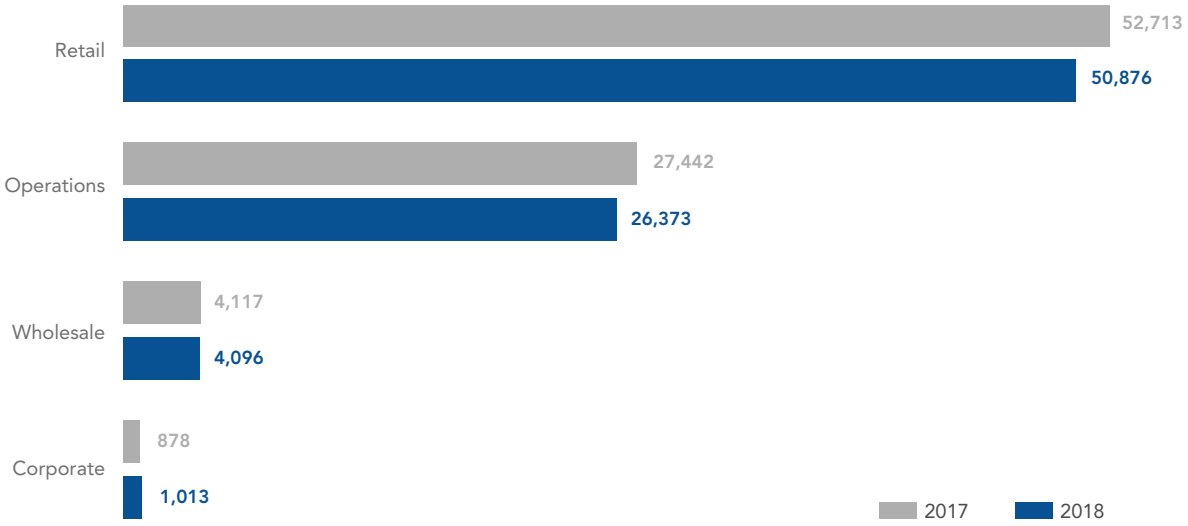
Talent management. Working at Luxottica means growing in a company that does not admit any discrimination or favoritism and invests in the future in an attentive and far-sighted way, introducing or developing new skills and expansive ways of thinking. In fact, talent development is a key element and comprises three areas:

- the process of reviewing resources to give employees the necessary margin for growth and fulfillment;
- talent development, with the possibility of participating in training and advanced courses that provide all of the tools necessary to face a fast-changing world;
- performance monitoring and evaluation of every individual, based on criteria of merit, professionalism and competence.

The Group's employees

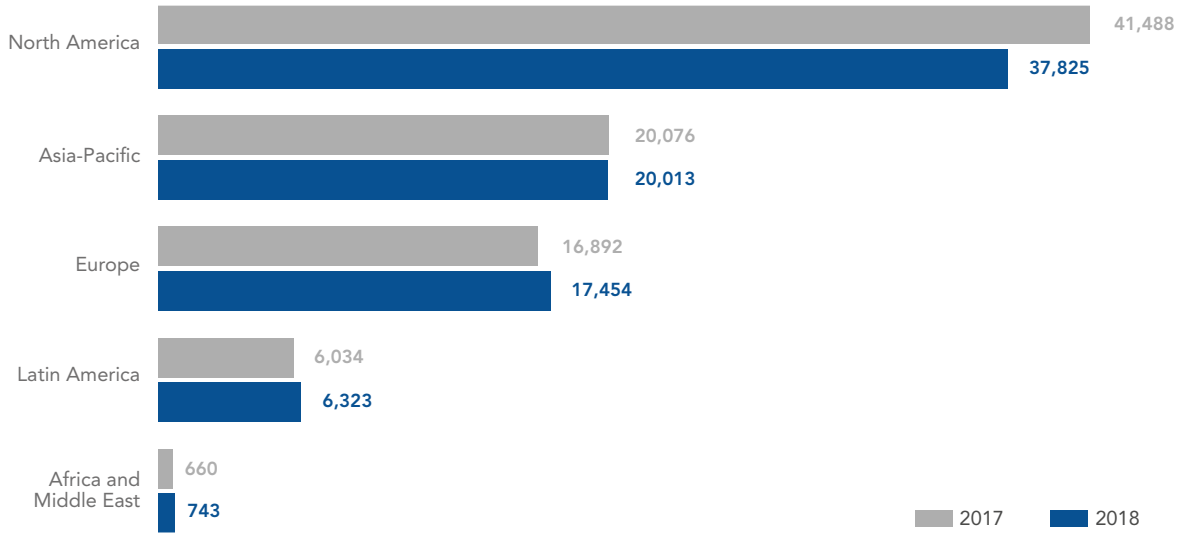
As to December 31, 2018 Luxottica Group has 82,358 employees, 62% of whom are in the retail business, 5% in the wholesale business and 32% in production and logistic activities. The Milan and US corporate offices employ the remaining 1% of the Group's total workforce.

Distribution of employees by business area (1)



(1) The breakdown of employees by business areas as to December 31, 2017 was reviewed in accordance with the methodological criteria adopted in 2018, which is more precise in dividing employees between the wholesale, retail, operations and corporate areas.

Distribution of employees by geographical area



In 2018 the total number of employees has decreased by 3%. This must be read in the context of the organizational simplification and strategic, operational, technological and managerial renewal started in 2015. The centralization of global business and product strategies has allowed Luxottica to think more centrally and perform rigorously at the regional and country level.

One example in North America is the gradual centralization of lens processing and finishing, moving from LensCrafters in-store labs and dedicated Oakley lens lab in Foothill Ranch to state-of-the-art central lens laboratories in Atlanta, Dallas and Columbus in 2018. Luxottica invested heavily in the Atlanta facility, which quadrupled in size with four buildings dedicated to logistics, the production and processing of ophthalmic lenses and the assembly of eyeglasses (the "complete pair"). Hiring or moving skilled employees, the Atlanta facility completely optimized operations in the region, improving productivity and flexibility. Today Atlanta is a beacon of innovation and service excellence in support of the Group's wholesale, retail and e-commerce activities in North America.

Similarly, a talent reorganization in LensCrafters and Oakley stores in North America helped to give part-time employees a chance to increase the number of hours they work, allowing the business to reply less upon seasonal and on-call contracts. While the closure of over 200 Sears Optical locations (due to the closing of those host stores by Sears Holdings) resulted in job losses, this was partly offset by the hiring of personnel to run the 170 new Sunglass Hut shop-in-shops opened in Bass Pro Shops and Cabela's stores in 2018. Staff were also hired for the new Ray-Ban and Sunglass Hut stores in China, South-East Asia, Europe and Latin America. This year, many of these new employees as well as existing ones, were given access to training and education courses on the new Luxottica University platform, boosting motivation and creating a sense of belonging to the Group.

On the Operations side, investments in automation and new production technologies did not impact employment levels in Italy, the Group's production and logistics nerve center. Italy is also the location of Luxottica's headquarters, home to the company's global business and product strategies, such as the real estate activities for the Retail division, digital marketing and e-commerce activities, which were further expanded in 2018. For instance, the e-commerce department grew from around 70 people at the end of 2017 to 100 at the end of 2018, further establishing itself as both the fastest growing and youngest department in the Group with an average age of 31. Women make up 60% of the team, which also stands out for its broad array of expertise.

A company with over 50 years of history and an incredible youth employment rate

Looking at the company population there is a clear dichotomy between employees under 35 years of age, who account for almost 60% of the workforce, and employees of over 50 who represent around 11% and are equally distributed across all professional levels in the Group. This examination of the data as to December 31, 2018, suitably compared with the data used in 2017 in accordance with GRI Standard 405-1 "Diversity of employee", confirms that employees between 30 and 35 years of age are appointed to managerial positions.

Group employees by professional category and age group

2018

	Blue-collars	White-collars	Middle management	Senior management	Total	Total %
<35 years old	66%	43%	29%	8%	47,155	57%
35-50 years old	25%	41%	55%	77%	25,953	32%
>50 years old	9%	16%	16%	15%	9,250	11%
TOTAL	**55,237**	**22,091**	**4,073**	**957**	**82,358**	**100%**

2018

	Blue-collars	White-collars	Middle management	Senior management	Total	Total %
<30 years old	53%	26%	8%	1%	35,328	43%
30-50 years old	38%	57%	76%	84%	37,780	46%
>50 years old	9%	17%	16%	15%	9,250	11%
TOTAL	**55,237**	**22,091**	**4,073**	**957**	**82,358**	**100%**

2017

	Blue collars	White collars	Middle management	Senior management	Total	Total %
<30 years old	54%	35%	10%	1%	37,956	45%
30-50 years old	37%	50%	73%	82%	37,372	44%
> years old	9%	15%	17%	17%	9,822	11%
TOTAL	**50,545**	**28,593**	**5,095**	**917**	**85,150**	**100%**

Type of contract

As to December 31, 2018, 65% of employees have permanent contracts (64% in 2017). The remaining 35% have fixed-term contracts, which are connected with the seasonal nature of the retail business and Operations.

As regards the type of contract, approximately 67% of employees have full-time contracts (66% in 2017).

2018

	Total	Total %	Women %	Men %
Employement contract				
Permanent	53,816	65%	62%	38%
Fixed-term	28,542	35%	66%	34%
Full-time/Part-time [(a)]				
Full-time	55,035	67%	60%	40%
Part-time	27,323	33%	68%	32%
TOTAL	**82,358**		**63%**	**37%**

(a) Full-time: employee whose weekly, monthly or annual working hours are defined by the law and national legislation in the area of working hours. Part-time: employee who works fewer weekly, monthly or annual working hours than a Full-time employee.

2017

	Total	Total %	Women %	Men %
Employement contract				
Permanent	54,382	64%	61%	39%
Fixed-term	30,768	36%	67%	33%
Full-time/Part-time				
Full-time	56,622	66%	62%	38%
Part-time	28,528	34%	66%	34%
TOTAL	**85,150**		**63%**	**37%**

Diversity across the board

For a global group like Luxottica, diversity is not merely a concept to safeguard, but a distinguishing trait of the entire organization, that is extremely varied in terms of culture and identity and, as such, is able to meet the needs and expectations of equally diverse and global consumers. Within the company, everybody has the same employment and professional growth opportunities. No individual characteristic – whether it be gender, age, religion, origin, marital status, disability or sexual or political orientation – will ever be used to discriminate against somebody during their career within the company. Luxottica has a clear policy of paying employees equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above). Professional roles and promotions are evaluated and assigned in order to guarantee a fair and meritocratic modus operandi.

Women represent 63% of the overall headcount and cover over 40% of the managerial roles in the world. Luxottica aims to foster their development with initiatives that promote their talent and leadership, as evidenced by the growing number of women in top positions within the Group, up 7% in 2018, proof that their career development process is faster than that of their male colleagues. In Italy, the solid and active participation of the female Italian managers in the training initiatives and seminars organized by Valore D in Milan is well established. In North America, Luxottica is a supporter of the Optical Women's Association (OWA), a non-profit organization that connects women from the optical industry across North America. The OWA provides networking, including events with outside speakers, monthly newsletters and member events at trade shows. Nearly 100 women across Luxottica are members of the OWA and several female leaders from the Company have been honored over the years for their support of the organization and their mentorship of other women.

Group employees in 2018

Professional category	Total	Women %	Men %
Blue-collars	55,237 (67% of total)	67%	33%
White-collars	22,091 (27% of total)	58%	42%
Middle management	4,073 (5% of total)	47%	53%
Senior management	957 (1% of total)	32%	68%
TOTAL	**82,358**	**63%**	**37%**

Commitment to employees

There is no sustainable development if the Group's growth is not accompanied by an improvement in the lives of employees and their families and the safeguarding of health and safety in the workplace.

The welfare system

Since 2009, Luxottica has implemented an innovative welfare system which has quickly become a benchmark model in Italy. The system involves economic, health, educational and social initiatives for the Company's over 12,700 Italian employees and their families.

The main action areas are youth and education, income support, health and well-being, sustainable transport, personal and family services in this way favoring the work-life balance. Proof of this can be seen in the important results the program has achieved since its inception as regards:

- reduction in turnover and absenteeism with an improvement in employee attendance rates at the Group's production plants, also on working Saturdays;
- increase in the sense of belonging and loyalty to the Company;
- improvement in quality of life with an increase in the real value of the wages and purchasing power of employees, also thanks to the use of basic goods and services.

Over the years, Luxottica's welfare has proved to be a system that is capable of financing itself. Part of the benefits, mainly the result of the increase in efficiency and productivity that derives from greater company well-being, are in fact invested in welfare initiatives, fostering a genuine virtuous cycle which supports the well-being of employees, that are even more motivated to do their best in terms of creativity, passion and team spirit.

Luxottica's welfare system in Italy: main initiatives

Action area	Initiative
Income support	• The shopping cart, which provides a basket of foods worth €120 • Solidarity micro-credit: a form of easy-term loans (up to €5,000), guaranteed by the company, for employees who are experiencing financial difficulty • Life bonus: a financial support of €30,000 to the family in the case of death of an employee. In the case of families with underage children, family members with a disability or a mortgage on the first home, even in the case of a joint name registration, the amount may be more than doubled
Personal and family services	• My welfare – flexible benefits schemes: the opportunity for employees to convert the annual performance-related bonus into a broad list of services and goods as allowed by the Italian legislation • Corporate agreements • Easy Do, the "company butler" available four days a week to employees in Milan for a range of services • Newborn and family care services such as babysitting on demand • Baby week: in addition to the five days of paid paternity leave on the birth of their child, employees are given an extra week of paid leave when their children go to nursery school the first time
Sustainable transport	• ZeroCar: a sustainable mobility initiative to encourage car sharing among employees, with dedicated parking space inside the Italian factory grounds • Community transport and contribution to the annual subscription to local public transport • Parking lots inside the Italian factory grounds
Health and well-being	• Corporate agreements providing access to over 1,800 sporting facilities in Italy • Health insurance coverage for permanent employees and fixed-term employees with at least 150 days of length of services and their family members • Free health check-up for employees over 40 in Milan and for employees over 50 in Luxottica's factories • Listening and counseling: a telephone listening service and psychological support, completely free and confidential, available 24/7
Youth and education	• Scholarships and full reimbursement of fees up to university graduation for the most deserving students (employees' children) and employees (working students) • English Summer camps in well-known Italian tourist locations for employees' children and opportunity of stays abroad at Luxottica employees' families during the summer • Summer internships within the Group for students (employees' children) who attend the third or fourth year of high school • Reimbursement of middle, high-school and university text books • Intensive preparation courses for university admission tests

The Group's approach to company welfare represents an innovative model also in terms of industrial relations. The trade union agreements at the basis of Italian welfare have contributed to the spread of a welfare culture in all geographical areas in which Luxottica is present, ensuring that welfare is not regarded in an isolated issue but rather integrated with the Company's productivity systems. Proof of this can be seen in the constant monitoring of the hourly cost of work including all welfare initiatives in the Italian, Chinese, US and Brazilian sites (where similar welfare models are active, aimed at supporting income and well-being). This makes it possible to highlight and control efficiencies and to sustainably redistribute income to employees.

Enhancing knowledge and expertise

Luxottica believes that the ongoing training of its employees is critical, not only for developing individual skills, but for cultivating leaders who will contribute to the development and future growth of the Group. Each new employee is recruited with their values, knowledge and know-how in mind, ensuring the long-term strength of every function at the company.

Training programs

The progressive centralization of training strategies and tools led to the creation of Luxottica University as a single incubator for all Luxottica's training initiatives online, in a classroom setting and in-store for retail associates (so-called "coaching on the job").

In 2018, approximately 700,000 hours of training[1] were provided in total around the world, of which more than 300,000 hours were online. Luxottica University expanded into a digital platform last year, progressively rolling-out to all Retail division's stores and associates in all geographies, as well as employees in the offices. The platform offers content in around 20 different languages and is accessible anytime, anywhere.

Luxottica University's training model takes advantage of the digital channel by providing knowledge, information and mandatory health & safety training anytime and anywhere. It also provides classroom settings and on-the-job training for specific retail competences – from selling techniques to soft skills on how to better serve the customer. Over 60% of the training hours have benefited store associates specifically.

Training activities on the Group's Code of Ethics, specific areas of compliance such as the prevention of corruption and the GDPR regulation, also accounted for a significant number of training hours.

Learning & Development initiatives

Luxottica invests in global and local training programs, so that both individuals and teams can realize their potential and contribute to achieving the company's goals. Topics range from company values to product knowledge to cross-functional skills. In the planning and promoting these courses, the company takes into account the needs of the organization, which are then transformed into learning needs and, in turn, take the form of training initiatives. Below is a summary of some of the most interesting training initiatives launched in 2018 around the world.

Luxottica@Firstsight

Luxottica@Firstsight, at its tenth edition in 2018, is the four-day program that offers all new hires (middle managers and above) the opportunity to get a strategic overview of the Group, directly experience Luxottica's culture and visit key locations in the history of the company. The 2018 attendees, including 38 colleagues from all over the world, met with senior leaders within the Group and experienced Luxottica Days at Villa Erba in Cernobbio and toured the Lauriano factory.

Luxottica North America's field leader development program

Designed for employees that work for the Group's retail brands in the field, this program – launched in 2016 – prepares store managers to manage multiple stores within a larger area (Region) and Regional managers to oversee larger areas. Over a period of five months, the 25 participants in the 2018 attended classroom lessons and received mentorship to help them prepare for their next level of responsibility in the best possible way.

China Fresh talent program

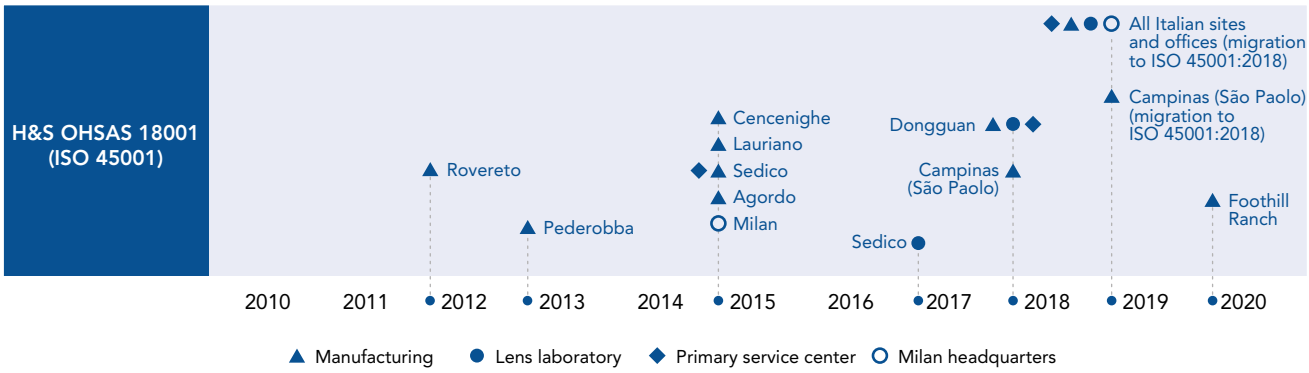
Launched in China in 2009, this three-year program for young graduates that have recently joined the company aims to create a professional development path consisting of training soft skills and capabilities, teamwork, tutoring and informal interactions. In 2018, 46 employees participated in the program.

(1) The training hours reporting scope covers around 95% of the workforce. In 2018, a structured process for reporting on training activities and initiatives was launched at all Luxottica sites. The necessary information was collected via the Luxottica University e-learning platform, and the specific data collection spreadsheets were shared with the local representatives of the Human Resources department.

The safety culture

Adapting work to the worker is the principle that underpins the health and safety protection afforded to all of the Group's employees. In fact, safety leads to well-being, prevention and collaboration. To encourage safe behavior and facilitate the management and prevention of risky situations, over the years the Company has developed a workplace health and safety culture. More specifically, Luxottica has introduced an organizational model at its production and logistics sites that focuses on prevention and protection with the aim of maintaining a safe working environment.

All Italian production sites, beginning with Rovereto in 2012, have obtained OHSAS 18001:2007 certification for their occupational health and safety management systems. The certification was extended to the sites in Campinas (Brazil) and Dongguan (China) in 2018, the latter in compliance with the ISO 45001:2018 standard.



The "Zero accidents programs" and the initiatives for the promotion of workplace safety

The guidelines for the Group's health and safety activities and initiatives go beyond fulfilling the training and information obligations set forth by local regulations and include:

- designing and maintaining an appropriate and safe workplace, guaranteeing full respect for ergonomic principles in the design of workspaces and relative equipment;
- continuous updating of the accident prevention management procedures and constant monitoring of industrial hygiene, taking into account physiological and behavioral aspects that may affect the occurrence of accidents and occupational diseases;
- training, through appropriate training programs.

In order to guarantee higher safety levels and develop a genuine company culture in the area of accident prevention, in 2007 the Group launched its "Zero accidents" program in Italian sites, subsequently introducing it at its facility in Campinas (Brazil) in 2013. It is a program that requires investment, the continuous adjustment of infrastructure and the training of employees, and which has naturally led to significant improvements in safety at plants. Though the accident rate in the factories remained unchanged between 2016 and 2018, on a like-for-like scope, it was only in Italy, where this rate has been monitored for longer, that a 40% decrease was observed between 2010 and 2018. The fact that occupational health and safety risks have been contained is proven also by other indicators monitored by Luxottica, which are shown in the table. In 2018, the accident rates worsened compared to the preceding years, mostly on account of accidental collisions and falls. The number of unsafe situation reports increased from 27,190 to 32,567 in 2018. They reached 33,759, including the reports received by the Foothill Ranch plant and the central laboratories for the production of ophthalmic lenses in the United States, in their first year of implementing the system for reporting unsafe situations, which had already been adopted at the Group's other production sites, except Atlanta where it will be unrolled in 2019.

The installation of the Safety Corners, i.e. designated locations for posting information on health and safety matters and for reporting unsafe or risky situations for workers, is envisaged in Atlanta and the other North America sites in 2019. Safety Corners were first introduced in several manufacturing plants in Italy in 2015. They were progressively extended to all Italian facilities and to the Chinese facilities in 2018. The initiative was an instant success, as highlighted by the exponential growth in reports as shown above, and is indicative of an increasingly proactive approach in safety management by employees.

KPIs [a]	2018	2017	2016
Frequency rate [b]			
• like-for-like perimeter	1.7	1.4	1.7
• 2018 new perimeter [a]	2.3		
Severity index [c]			
• like-for-like perimeter	0.04	0.02	0.03
• 2018 new perimeter [a]	0.10		
Number of accidents			
• like-for-like perimeter	79	66	80
• 2018 new perimeter [a]	119		
Number of first aid cases and close call accidents [d]			
• like-for-like perimeter	450	367	421
• 2018 new perimeter [a]	884		
Number of reports of unsafe situations and SMAT audits [e]			
• like-for-like perimeter	32,567	27,190	23,025
• 2018 new perimeter [a]	33,759		

(a) The GRI 403-2 disclosure was not followed when reporting the data as it does not coincide with the Company's internal classification and reporting methodologies. The indicators were developed in accordance with the "Workplace accident statistics" UNI 7249/2007 regulation and then integrated with additional Company-specific KPIs. The analysis does not include the Bhiwadi site in India and the logistics hub of Jundiaì in Brazil as they are exclusively dedicated to their respective local markets, and Fukui Megane, the Japanese eyewear manufacturer of which Luxottica acquired a 67% stake in 2018. The figures on a like-for-like perimeter do not include the Atlanta logistics hub and the central lens laboratories in Atlanta, Columbus and Dallas, which became fully operational in 2017 and for which the process of collating health and safety data was carried out only according to the American OSHA (Occupational Safety and Health Administration) standard. The new 2018 perimeter includes the Atlanta, Columbus and Dallas lens laboratories in the United States, which have adopted the same method of determining accidents and the relative processes already adopted in the Group's production units in Italy, China and Brazil. The data relative to the "number of reports of unsafe situations and SMAT audits" does not include the Atlanta site, for which investments are being made to adapt the mechanisms and processes to those of the rest of the Group.

(b) Frequency rate: number of events every 1,000,000 hours worked. This is the main indicator of accident trends because it takes account of the hours worked and not just the absolute number of accidents. It was calculated in accordance with the UNI 7249/2007 regulation, "Workplace accident statistics"

(c) Severity index: days of temporary inability to work due to injuries (calendar days from the first day of absence, excluding the day of the accident) per 1,000 hours worked. The indicator was calculated in accordance with the UNI 7249/2007 regulation, "Workplace accident statistics".

(d) First aid: an internal indicator that monitors events involving minor injuries that are generally handled by first aid operators. Close call accident: an internal indicator that monitors events which may potentially lead to an accident/first aid event that might have caused an injury which, by pure chance, did not materialize.

(e) SMAT Audit (Safety Management Audit Training) is an auditing activity carried out at different levels of the organization to verify a series of environmental, health and safety aspects (working environment, Personal Protecting Equipment – PPE, training, machines etc.).

In addition to the days dedicated to safety and prevention training (the "Safety days") within its facilities worldwide and the constant update of the section dedicated to health, safety and the environment on the OneLuxottica company intranet in Italy, China and Brazil, in 2018, on the occasion of the World Day for Safety and Health at Work (April 28), Luxottica launched the "I promise" campaign to raise awareness within its facilities around the world. Employees were invited to write their own promise, in terms of a good safety-related proposal, making a public commitment to uphold it. Over 3,700 promises were collected from employees at the facilities in Italy, China, the United States and Brazil. The most interesting and inspiring of these promises, regarding the conduct to follow to ensure one's personal safety and that of others, at work as well as at home, were posted on bulletin boards in the relative facilities.

A new way of interpreting safety in Italy: Behavior-Based Safety (BBS)

A number of studies have shown that more than 80% of workplace accidents are caused by at risk behavior. Inspired by the "Behavior-Based Safety (BBS)" concept, the Group has decided to adopt a safety management methodology at its Italian plants that consists of reducing or eliminating unsafe behavior and actions through the involvement of its employees and will make it possible to:

- develop a culture of fully shared security, encouraging the active and voluntary participation of workers, above all through positive backup and feedback;
- build better relationships between employees, even outside the safety context, increasing the sense of belonging to the Company;
- ensure an even more "active participation by workers" as set forth by the Safety Consolidation Law (Legislative Decree 81/2008 et sequitur).

Adoption of the BSS process is gradual: it was introduced in 2014 at the Cencenighe facility and subsequently extended to the other Italian facilities. Agordo's turn came in 2018 and implementation of the new method is currently underway.

The responsible management of the supply chain

For Luxottica, the supply chain is fundamental for guaranteeing the high quality of its products and services and contributes to maintaining and enhancing the reputation of the Group.

With particular regard to Operations, the Group works with around 2,000 suppliers. Of these, suppliers of direct materials and finished products represent an important link in the Group's supply chain and represent around 50% of purchases. They are mostly located in Europe and China, areas where the Group produces over 80% of its eyewear collections. When selecting these suppliers, Luxottica indeed prioritizes developing linked industry in the areas in which it has manufacturing facilities, working with numerous local supplier companies.

The supply chain by supplier type

	2018	2017
Raw materials and components (direct materials)	36%	37%
Finished products (*e.g.* Oakley's Apparel, Footwear and Accessories – AFA)	12%	12%
Third parties' brands sold in the Group retail network including contact lenses	22%	17%
Logistics	12%	12%
Other	18%	22%

Geographical distribution of suppliers of direct materials and finished products

	2018	2017
Europe	48%	45%
China	40%	39%
Asia-Pacific (excluding China)	7%	8%
United States	4%	5%
Latin America	1%	3%

Luxottica Responsible Sourcing and Manufacturing program

The monitoring of the reliability and quality of the products and services acquired represents the core of the Luxottica Responsible Sourcing and Manufacturing (LRSM) program.

Launched in 2013 at global level, its aim is to achieve full alignment with Luxottica's principles and international standards in the areas of ethics, labor, health, safety and the environment.

It applies to the Group's sites and its suppliers and must:

- guarantee respect for the Code of Ethics, which must be adopted by all suppliers;
- respect global commercial laws;
- guarantee the compliance of its suppliers with local laws and regulations;
- avoid the risk of serious cases of non-compliance with the application of a "zero tolerance" mechanism [(1)] in the evaluation of aspects of key relevance (*e.g.*: the use of child labor) both when selecting and monitoring suppliers. As part of this mechanism those who do not comply with the Group's procurement system are excluded from it;
- mitigating business continuity risks.

Given its inter-departmental nature, the program brings together representatives of the Operations Sourcing, Internal Audit, Manufacturing, Quality, Risk Management, Compliance & Asset Protection departments in a steering committee tasked with:

- periodically assessing the state of progress of the program and the results of the checks carried out on-site by Luxottica and the licenses;
- approving risk mitigation plans for suppliers identified as critical;
- discussing the adoption of new measures to guarantee the achievement of the program's goals;
- promoting dedicated training activities at manufacturing facilities and at supplier premises.

The auditing of suppliers

Luxottica engages a qualified third party to monitor the suppliers' compliance with ethical principles and environmental and social responsibilities, as well as to implement corrective actions in the event of non-compliance with the Group Code of Ethics and/or local regulations.

In line with its commitment to sustainability, the Luxottica Responsible Sourcing and Manufacturing program focuses on the suppliers of direct materials and finished products and has progressively extended its geographic coverage to Europe, in addition to Asia-Pacific and Latin America.

The number of current and potential suppliers of direct materials for the eyewear business that were subject to audits increased from 28 in 2017 to 45 in 2018 as follows:

- 10 follow-up audits due to the unsatisfactory results of the audits of the previous year;
- 9 preventive audits, in order to establish a number of alternative suppliers in the event of particularly critical situations;
- 26 maintenance audits, in order to continue to be qualified as Group suppliers.

For ten suppliers, incidences of non-compliance with LRSM requirements were identified in terms of total number of working hours and of consecutive working days. For eight of these suppliers a follow-up audit has been deemed necessary (three performed at the end of 2018 and five planned in 2019). For two suppliers Luxottica decided to discontinue the relationship.

No cases of environmental non-compliance were identified.

Number of suppliers audited for their social and environmental impacts

	2018	2017	2016	2015
Number of suppliers subject to auditing	45	28	20	20
Incidence versus total purchases for the eyewear business covered by the LRSM program	55%	39%	22%	21%

The audit process on AFA suppliers, which was introduced in 2017, continued in 2018, as a result of the procurement centralization process following the integration of Oakley's activities in the Group. In 2018, 21 audits were carried out on production plants of suppliers located in Asia-Pacific, Latin America and Europe.

Finally, in 2018 Luxottica assessed the opportunity to extend the LRSM program to suppliers of indirect materials (materials used in the production process) and maintenance services inside the Operations. A pilot test was conducted in China in order to verify the immediate application of LRSM audit system to this type of suppliers.

(1) The Group's "zero tolerance" criteria relates to 1) the use of child labor (under 16 years of age); 2) conditions that seriously endanger health and safety; 3) particularly harmful environmental impact; 4) use of forced or undeclared labor or imprisonment; 5) access to sites denied to auditors for the second time; 6) acts of corruption, money laundering and illicit trade; 7) persistence of non-compliance or failure to meet requests to take immediate action to comply with rules.

Training of suppliers

In 2018, Luxottica launched a training workshop on responsible sourcing for strategic suppliers. China was the first geographic area to be involved due to its high-risk profile and the amount of purchases made by the Group, which in China produces over 40% of its frames and sunglasses.

The workshop involved the Company's 50 strategic suppliers in China, for a total of 100 people in three days, and covered topics that are usually verified during the on-site audits: labor and human rights, business ethics, health and safety and the environment, in addition to LRMS principles and Luxottica's Code of Ethics. Luxottica used a third party to perform the training in the local language, assuring that all attendees could actively participate and understand the topics.

Other training initiatives for suppliers are planned for 2019.

4.3.5 Protecting the environment

The responsible management of environmental issues is a strategic issue for the Group. The technological innovations and constant investments aimed at improving activities and processes have made the entire value chain increasingly more sustainable, in terms of water and energy consumption, CO_2 emissions, management and recycling of discards and waste. From the definition and implementation of policies and initiatives aimed at reducing the main environmental impacts to investments in industrial technologies with a low environmental impact, from the use of clean energy to a responsible and efficient use of resources, to the reduction and recovery of waste materials, everything is about sustainability.

Consistently with the approach of gradual inclusion typical of its non-financial reporting, during 2018 Luxottica has extended the scope of the environmental performance analysis to the central laboratories for the production of ophthalmic lenses in North America, Italy and China, including in this way almost all Operations [1] of the Group, and to the retail business [2]. The so resulting general view, consolidated at a Group level in 2018, is shown at the end of this chapter. In what follows, trends are preferably compared and assessed on the basis of homogeneous analysis. In order to allow a correct and consistent comparison with the previous years, the 2018 data are in fact presented in a distinct manner in relation to Operations and Retail. For the same reason, environmental performance results in Operations are presented in 2018 using the same scope of analysis used in the years 2016 and 2017, therefore excluding the central laboratories for the production of ophthalmic lenses.

The environmental performance in the Operations

The first major projects, mainly aimed at reducing atmospheric emissions, were launched in the early 2000s while in 2010 [3] Luxottica adopted a health, safety, environmental and energy policy founded on four primary objectives:

- protecting the environment, preventing and reducing accidents and injuries;
- developing a culture centered on health, safety and environmental management;
- respecting the requirements of applicable laws;
- continuously improving the management system.

This policy is applicable to all Group employees and workers and accessible to the public at www.luxottica.com.

Since 2011 a structured system has been in place for monitoring environmental impacts. Based on the monitoring of four environmental macro-issues (energy consumption, water consumption, emissions and waste), it is developed according to a process comprising the following phases:

- measurement of the environmental impacts generated by the Group's processes and activities through the installation of meters that make it possible to view energy consumption in real time;
- analysis of such impacts through the use of specific indicators and the standardization of internal reporting tools;
- identification of priority action areas and definition of new initiatives, projects and improvement plans;
- implementation of technical improvement projects (*e.g.*, energy efficiency initiatives) and innovative macro projects (*e.g.*, photovoltaic facility and biomass plants).

(1) The Bhiwadi site in India and the logistics hub of Jundiaì in Brazil were excluded also in 2018 as they are exclusively dedicated to their respective local markets and are therefore less relevant. Fukui Megane, the Japanese eyewear manufacturer of which Luxottica acquired a 67% stake in 2018, was also excluded.

(2) The data refer to 4,274 stores, equal to 60% of the stores directly operated by the Group as to December 31, 2018. For more information see "The environmental performance in the Retail division" section.

(3) Last updated in June 2017.

In fact, Luxottica's respect for the environment involves investments in the best low environmental impact technologies and increasingly effective production processes, guaranteeing a more efficient use of energy and natural resources and the responsible use of water resources. The 2015-2016 period in particular stood out for the substantial investments made in improving energy efficiency, treating water and, in Italy, the gradual introduction of energy from renewable sources, also self-produced. Being long-term projects, 2017 saw the consolidation of the previous year's investments and evidence of the first benefits for the environment and the health and safety of employees.

Continuing along the same path followed in 2017, the environmental investments made in 2018, equal to €1.5 million, focused on technical improvement projects, aimed at further minimizing the environmental impact of the existing manufacturing sites. These do not include investments in new technologies, machineries, materials and production processes, which already are inclusive of sustainability criteria.

Main environmental investments	Geographical area	Environmental benefits
Energy efficiency		
Optimized and centralized management of cooling and heating systems	Italy, China	Reduction of electricity consumption
Change to water heating systems in the galvanizing and degreasing tank lines in order to replace electrical resistance with water heat exchangers (Agordo)	Italy	Replacement of electricity with thermal energy from the biomass plant to heat the tanks on the galvanizing lines in Agordo
Installation of new compressed air plants and equipments	Italy, China	Reduction in the energy cost of producing compressed air and optimization of the compressed air used at individual workstations
Water		
Installation of time delay valves and meters to control and limit water consumption	Italy, China	Reduction and optimization of water consumption
Installation of closed-circuit systems to minimize the water impact of galvanization and painting processes	Italy	Reduction of water consumption
Waste		
Installation of the evaporator system	China	Reduction of waste disposed
Specific analysis aimed at improving identification and management of recoverable waste	Italy, China	Improved distinction of waste by type and consequent increase of recoverable waste

In 2019, Luxottica will continue to invest in projects aimed at further improving energy efficiency and increasing renewable energy production, in management solutions, plants and techniques for reducing water consumption through its recycling and reuse, and in process activities that generate as little waste as possible.

Certifications, a key part of Luxottica's environmental policy

Luxottica's commitment to reducing energy and water consumption, waste and CO_2 emissions is coupled with the obtainment of the environmental management, energy, and health and safety system certifications that Luxottica has strived to adopt in all of its sites and offices across the world since 2011.

In 2011 the Company adopted the ISO 14001 Environmental Management System in all its facilities and offices in Italy. The process of obtaining the certification at the other Group sites continued in 2017 with the one in Campinas (Brazil). In March 2018 the facility in Dongguan (China) also obtained the ISO 14001 certification.

Luxottica was the first Italian company to obtain the ISO 50001 certification (the international standard for energy management issued in June 2011), for its energy management system for the Agordo factory, the Group's operational core. This was followed in 2012 by the other five Italian manufacturing facilities and the Milan headquarters.

Following a review of the standards, the Group immediately started the migration to the new ISO 14001:2015 and ISO 50001:2018 standards at all production sites and offices worldwide, so that they will all be certified according to the same versions of the reference standards by the end of year 2019. The Italian sites and offices were the first to migrate from ISO 14001:2004 to the new ISO 14001:2015 standards.



The Group's sustainability-based approach is also evident in its request for LEED® certification, presented by the Group for the new logistics hubs of Sedico, Dongguan and Atlanta constructed between 2016 and 2017.

LEED® (Leadership in Energy and Environmental Design) is the most prominent energy and sustainability certification standard in the world relating to the sustainability of buildings from an environmental, social, economic and health perspective, whereby the fulfillment of more stringent criteria than those currently implemented by the national legislation is required. This rating system promotes a whole-building approach to sustainability by recognizing performance in key aspects such as energy and water savings, the reduction of CO_2 emissions, indoor environmental quality, materials and resources used, construction project and choice of site.

Dongguan and Sedico were first to receive it. The certification process is ongoing for Atlanta, where it is planned for 2019. The obtainment of this certificate attests therefore that the premises in which the new logistic hubs of the Group are situated have been designed and built respecting the surrounding ecosystem, starting with the selection of building materials. Also in this case, just like the other production and logistic sites of the Group, monitoring water and energy consumption, discharges, waste and the emission of greenhouse gases into the atmosphere follows Loxottica's standards, which are more stringent than those required under local regulations.

The use of energy resources

The total consumption of energy deriving from non-renewable resources can mainly be attributed to the consumption of grid electricity and, to a lesser extent, the consumption of natural gas and diesel used to heat the production and logistics sites within the reporting scope. Meanwhile, the total consumption of renewable energy is connected with hot water from biomass and electricity from photovoltaic energy and refers exclusively to the Italian sites.

Total energy consumption [a]

	2018	2017	2016
Total consumption *(millions kWh)* **of which:**	**389.1**	**380.5**	**349.3**
• from non-renewable sources *(millions kWh)*	383.7	375.3	346.5
• from renewable sources *(millions kWh)*	5.4	5.2	2.8
Energy intensity *(kWh/frame)*	**4.61**	**4.45**	**3.98**

(a) Energy consumption refers to Luxottica manufacturing facilities in Italy, China, United States, Brazil and the main distribution centers in Italy, China and the United States. Data exclude electricity consumption from the grid by Data Centers, whereas the energy consumption by the US primary distribution center has been estimated. The conversion factor used to calculate energy consumption in GigaJoules is 1 kWh = 0.0036 GJ (source: International Energy Agency, www.iea.org). The consumption in TeraJoules was 1,257 TJ in 2016, 1,370 TJ in 2017 and 1,401 TJ in 2018.

Similarly to the trends recorded in previous years, also in 2018 the general increase in energy consumption in the Operations (+2.3% to 389.1 kWh at constant scope) is due to a series of factors, such as:

- the continuation of the strategy of internalizing some production processes in Italy, China and the United States, with a consequent increase in installed capacity and the amount of fixed energy consumption;
- increase of the installed power and therefore of the energy consumption in the new logistic hubs rolled out in Sedico, Atlanta and Dongguan during 2018;
- the continue increase in the product complexity and the different production mix between metal, injected plastic and acetate eyewear, where metal processing involves around 70 different phases and the use of more energy-intensive technologies compared to other production technologies.

In 2018 energy intensity increased by 3.6% from 2017. Excluding the impacts deriving from insourcing some production processes and from the increased logistic capacity, energy intensity improves to 4.43 kWh/frame from 4.45 kWh/frame in 2017.

Electricity and methane gas are the Group's two main sources of energy and account for almost all of the energy consumption of the production sites and distribution centers in the reporting scope. Diesel is used in the event of problems with the supply of electricity to the Chinese production site, and to supplement the thermal energy produced by the biomass plant in the Cencenighe site during the coldest periods of the year, typically January and December.

Total energy consumption from non-renewable sources

	2018	2017	2016
Total consumption *(millions kWh)* **of which:**	**383.7**	**375.3**	**346.5**
• Electricity from the grid *(millions kWh)*	275.6	265.4	242.0
• Methane gas [a] *(millions kWh)*	107.6	109.4	102.2
• Diesel for heating [b] *(millions kWh)*	0.5	0.5	2.3

(a) The conversion factor used to calculate methane gas energy consumption in Kilowatt hours is 1 sm^3 = 10.944 kWh (source: Stogit measures converter).

(b) The conversion factor used to calculate diesel energy consumption for heating in Kilowatt hours is 1 l = 10.005 kWh (Source: Italian Greenhouse Gas Inventory 1990 – 2014 – National Inventory Report 2016 Annex 6 National Emission Factors – Istituto Superiore per la Protezione e la Ricerca Ambientale – ISPRA).

The generation of energy from renewable sources

Since 2013, Luxottica has been investing in manufacturing plants that run on renewable energy, with the objective of reducing its Carbon footprint across the value chain.

The first one was the solar panel system in the Lauriano factory. Between 2014 and 2018, approximately 2,000 sqm of solar panels enabled the Company to reduce emissions by approximately 80 t/CO_2 per year. In 2014, the first biomass heating system was built in the Cencenighe factory, which is used for heating the premises. In July 2016, the solid biomass fueled trigeneration system next to the Agordo factory was started. The system became fully operational during 2017. Built by Enel Energia, it has an electrical output of 199 kW and a thermal output of 1,220 kW, which is able to satisfy 40% of the heating requirements and 60% of cooling requirements within the factory.

The gradual roll-out of these plants has enabled Luxottica to quadruple between 2015 [1] and 2018 the quota of clean energy which, in the case of the photovoltaic power plant in Sedico and the biomass plant in Cencenighe, is self-generated.

Consumption of renewable energy in Italy

	2018	2017	2016
Total consumption *(millions kWh)* **of which:**	**5.4**	**5.2**	**2.8**
• from photovoltaic *(millions kWh)*	0.2	0.2	0.2
• from biomass *(millions kWh)*	5.2	5.0	2.6
INCIDENCE ON TOTAL ENERGY CONSUMPTION (ITALIAN MANUFACTURING SITES)	**4.0%**	**3.8%**	**2.1%**

In 2018 Luxottica activated a solar thermal plant for the production of hot water at the Chinese production site.

Monitoring the Carbon Footprint

One of the cornerstones of the environmental impact monitoring system is greenhouse gas emissions (GHG), which are reported on the basis of the international classification proposed by the GHG Protocol standard and used by the Global Reporting Initiative.

With reference to Scope 1 (direct greenhouse gas emissions from proprietary installations or installations controlled by the organization), the greenhouse gas emissions (in CO_2eq) are calculated on the basis of the emission factors applied to methane gas and heating fuel taken from the dedicated "GHG Protocol tool for stationary combustion" [2] made available by GHG Protocol. As for Scope 2 (indirect greenhouse gas emissions deriving from electricity generation, heating, cooling and steam energy, imported and consumed within the organization), the emissions deriving from electricity consumption are calculated using the emission factor corresponding to the energy mix of each of the countries in which Luxottica operates. The emission factors applied here come from the dedicated "GHG Protocol tool for purchased electricity" [3], also made available by GHG Protocol.

Greenhouse gas emissions

	2018	2017	2016
Overall emissions *(tCO_2eq)* **of which:**	**160,872**	**153,205**	**138,376**
Scope 1 [a] *(% of total emissions)*	12.3%	12.8%	13.7%
Scope 2 *(% of total emissions)*	87.7%	87.2%	86.3%
INTENSITY OF EMISSIONS PER FRAME *($KgCO_2eq$/frame)*	**1.90**	**1.79**	**1.58**

(a) Company car fuel is excluded from the calculation as this information is only partially available in the reporting scope. F-Gas emissions are included.

(1) In 2015 the quota of renewable energy used in the Italian manufacturing sites was 0.9% on total energy consumption (source: 2017 Consolidated non-financial statement).
(2) Version 4.1, World Resources Institute (WRI), 2015.
(3) Version 4.8, World Resources Institute (WRI), 2017.

CO_2eq emissions deriving solely from the Group's manufacturing activities and logistics hubs (Scope 1 and Scope 2) came to 160,872 tons in 2018, an increase of around 5% compared with 2017 due to the same factors that led to the increase in energy consumption previously discussed. However, the breakdown shows improved trends in terms of direct emissions (Scope 1), which dropped by more than one percentage point between 2016 and 2018, and by half a percentage point from 2017 to 2018, thus further confirming the efficacy of the actions taken to support better energy consumption management at the plants. The greater quantities of indirect emissions (Scope 2) are instead due to increased energy consumption deriving from the internalization of production processes and the increased logistic capacity above-described. Therefore, excluding these last impacts, the overall emissions per frame have dropped to 1.73 kgCO_2eq/pz (-3% from 2017).

Carbon Footprint measurement across distribution

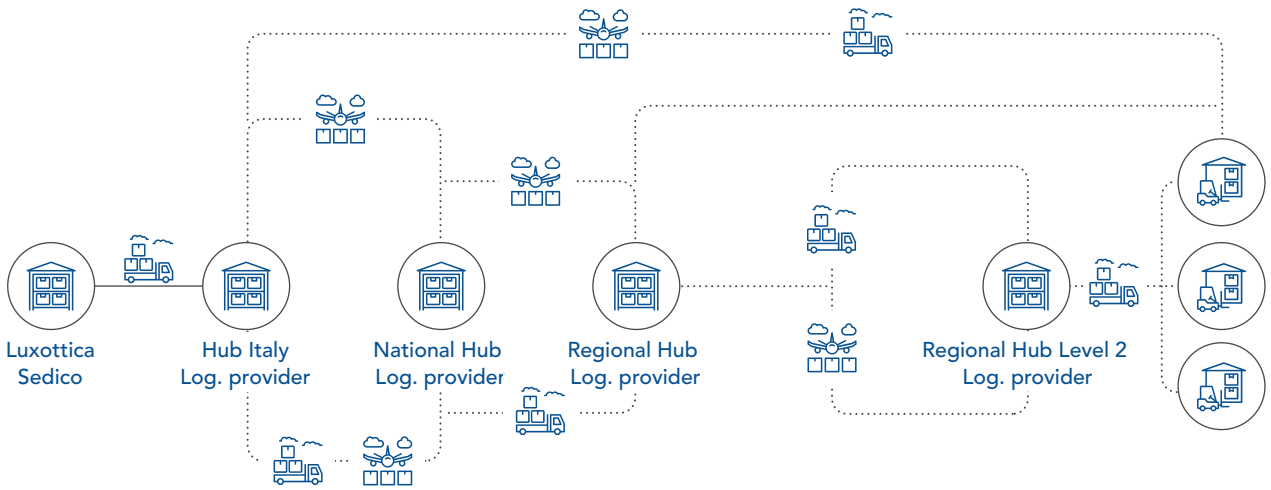
The entire distribution chain is managed and controlled through a system of indicators that measure the service level on a global scale. Among the initiatives to improve the sustainability of logistics, in 2017 Luxottica launched a project to measure CO_2 emissions deriving from the transport of its products to monitor their environmental impact.

The first phase of the project, carried out in 2017 and updated in 2018, quantified the emissions deriving from the transport of finished products (eyewear) among the primary distribution centers of Sedico, Atlanta, Dongguan and Jundiaì (mapping the replenishment flows), thus considering both air transport and road transport between the distribution center and the airport. In 2018, the analysis showed an increase in CO_2 emissions deriving from the replenishment flows of 8.3% from 2017, to 76,591 tons of CO_2eq (70,715 tons of CO_2eq in 2017), which reflects the increase in the volumes of eyewear shipped.

Route	Transported volumes (% on the total)		Total distance traveled (km)		Distance traveled (% on the total)		Overall emissions (tCO_2e)		Overall emissions [a] (% on the total)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
China – Italy	30%	26%	16,805,495	19,819,963	15%	18%	21,374	18,298	30%	24%
China – US	23%	22%	49,780,716	35,658,940	45%	31%	18,698	17,515	26%	23%
Italy – US	23%	23%	9,294,463	12,981,537	9%	12%	12,377	17,310	18%	23%
Italy – China	8%	8%	7,552,263	9,419,386	7%	8%	5,419	5,727	8%	7%
US – Italy	8%	6%	2,820,080	7,154,476	3%	6%	2,811	3,895	4%	5%
Italy – Brazil	3%	3%	11,378,511	9,603,234	10%	8%	2,159	1,919	3%	2%
Other lanes	5%	12%	12,564,933	18,819,765	11%	17%	7,878	11,927	11%	16%
TOTAL	**100%**	**100%**	**110,196,461**	**113,457,301**	**100%**	**100%**	**70,716**	**76,591**	**100%**	**100%**

(a) They are "tank-to-wheel" emissions, i.e. emissions generated by using the vehicle.

As part of the progressive broadening of the analysis scope, the second phase of the project to quantify CO_2 emissions deriving from the transport of finished products (eyewear) considers all the distribution channels used to reach the end consumers (wholesale, retail, e-commerce). For these shipping and transport services the Group involves suppliers that deal with national transport (typically by land) and international transport (typically by air) depending on the geographic location of the recipient.



As a consequence, the scope of the analysis covers the entire flow, from the distribution hub of origin to the customer's destination, including the emissions generated by all the means of transport used along route. The first map of these shipments was launched in 2018, starting from the Sedico hub, as this is the main logistics center of Luxottica's distribution chain in terms of overall volume of shipped finished products. In addition to the direct replenishment flows to the other distribution hubs of the Group in the world, eyewear shipments leave Sedico every day to reach customers in Europe, the Middle East, Africa, Mexico and Turkey, as well as some select destinations in the US and in the rest of the world. Furthermore, the Sedico hub manages customized services, such as Ray-Ban Remix, ensuring direct shipment throughout the world. By analyzing these shipments, Luxottica was able to estimate the consumption of energy and the related CO_2 emissions, quantified at about 14,770 tons of CO_2eq along more than 6 billion kilometers traveled.

4

Country of destination	**Transported volumes** *(% on the 2018 total)*	**Total distance traveled** *(km)*	**Distance traveled** *(% on the 2018 total)*	**Overall emissions** *(tCO_2e)*	**Overall emissions** [(a)] *(% on the 2018 total)*
Italy	16%	408,343,365	6%	282	2%
France	13%	928,940,757	15%	179	1%
Germany	7%	322,432,588	5%	109	1%
United States	8%	1,962,486,169	31%	4,694	32%
Great Britain	7%	454,468,415	7%	397	3%
Spain	7%	701,896,110	11%	194	1%
Other countries	42%	1,608,418,562	25%	8,914	60%
TOTAL	**100%**	**6,386,985,966**	**100%**	**14,770**	**100%**

(a) They are "tank-to-wheel" emissions, i.e. emissions generated by using the vehicle.

The scope of the mapping and analysis is currently being extended to calculate the emissions deriving from the shipments and transportation from the other distribution hubs of the Group to the end customers.

Consumption and responsible management of water resources

Over the years Luxottica has invested in the management and optimization of the use of water resources, starting from the monitoring, on a monthly basis, of the consumption of well and network water, thanks to the presence of meters installed in all production sites and logistics hubs.

Water consumption

	2018	2017	2016
Total water consumption *(millions of m³)* **of which:**	**2.86**	**3.07**	**3.22**
• Network water *(% of total)*	58.8%	58.3%	54.2%
• Well water *(% of total)*	41.2%	41.7%	45.8%
WATER INTENSITY *(liters of water/frame)*	**33.87**	**35.89**	**36.63**

The consumption of water in the Operations has further fallen during 2018, from 3.07 million m³ in 2017 to 2.86 million m³, showing a reduction of over 11% from 3.22 million m³ in 2016 and also additional reduction of discharge water. This result is particularly important as it epitomizes the benefits deriving from the continuous improvement of the consumption monitoring process and of the activities implemented in the previous years to promote the correct use of water in the manufacturing sites and logistics hub, such as:

- the introduction of the new eco-sustainable galvanization technique in Luxottica's manufacturing sites in Dongguan (2014) and Agordo (2016), researched and adapted by Luxottica for the specifics of eyewear production. It is an integrated water treatment and recycling system used to turn all three phases – washing, nickel-plating and finishing – into a continuous linear flow. This system fitted with a purification plant that allows the water to be reused in the process;
- installation, started in Italy at the end of 2018, of closed-circuit water systems in the galvanizing plants and in painting processes inside the other Group sites dedicated to the processing of metal in Italy;
- installation and continuous improvement of the consumption measurement system and valves to optimize consumption based on processes.

In 2019 Luxottica will further pursue water consumption optimization and improvement actions, and the roll-out of closed-circuit water systems inside the other Group sites dedicated to the processing of metal in Italy.

Waste treatment

In line with the Group's policy concerning the overall reduction of the environmental impact along the value chain, in 2016 and 2017 a waste water treatment system was installed at the Agordo site in order to reduce the quantity of waste produced, which led to a reduction in the total quantity of waste produced in 2017.

Waste by type and disposal method [(a) (b) (c)]

	2018	2017	2016
Total waste *(tons)* **of which:**	**38,266**	**33,637**	**35,544**
Non-hazardous waste	17,694	13,160	14,171
• Waste disposed *(% on total)*	52.1%	47.4%	54.4%
• Waste recovered/recycled *(% on total)*	47.9%	52.6%	45.6%
Hazardous waste	20,572	20,477	21,373
• Waste disposed *(% on total)*	96.7%	98.5%	98.3%
• Waste recovered/recycled *(% on total)*	3.3%	1.5%	1.7%
TOTAL WASTE RECOVERED *(tons)*	**9,159**	**7,243**	**6,816**

(a) The representation of the waste generated by the Group's activities has been updated during 2018 to ensure the full compliance with the requirements of the GRI Standards (GRI 306-2). Waste also referred to the years 2017 and 2016 have been reclassified to show the disposal method of hazardous waste and non-hazardous waste.

(b) In 2016 and 2017 this figure was estimated for some types of waste and some geographies, such as China and the US, where the legislation in this area is different. For the Chinese sites the figure was estimated on the basis of the average volume of waste transported and the number of journeys made by waste transportation vehicles. From the end of 2017, Luxottica has chosen to apply methods of punctual collection and weighing even where local legislation does not require to monitor and declare the weight of non-hazardous waste.

(c) With reference to the Atlanta Service Center, as the information is not available for the years 2016 and 2017, but only for the year 2018, it was decided not to include the data in the table, thus ensuring the right temporal comparison. The information on the waste generated in 2018 by the activities of the hub in Atlanta is contained instead in the table on 2018 consolidated environmental data, at the end of the chapter. The waste generated by the logistics hub and the laboratory for the production of ophthalmic lenses in Atlanta are not objectively divisible and since the waste is mainly produced by the laboratory, they are imputed in their entirety to the latter.

In 2018 Luxottica applied the same methods of punctual collection and weighing even where local legislation does not require to monitor and declare the weight of non-hazardous waste, starting from the Dongguan site. This decision is part of the implementation of the environmental management system required to receive the ISO 14001 certification for the sites in Dongguan, Foothill Ranch and Atlanta.

The application of this new methodology, instead of the estimate made in relation to the previous years 2016 and 2017, allowed to:

- measure with greater precision the quantity of waste generated in the course of 2018 and to correctly define the quantity of hazardous waste and non-hazardous waste according to the classifications indicated in the laws of the countries in which the Group operates. Hazardous waste represents around 54% of the total in 2018 compared to 61% in 2017;
- identify a higher number of waste types, which may have a different destination other than disposal. The quantity of waste recovered or recycled rose by approximately 2,000 tons (+26% from 2017) and represents 23.9% of the total waste generated by the Group's activities.

The increase in the total amount of waste generated by the Group's activities (+13.8% from 2017) is mainly due to the higher quantity of non-hazardous waste that have been identified in Luxottica's facilities in Dongguan as an effect of the new method applied in 2018.

The waste per frame generated by Luxottica's manufacturing and logistics sites in Italy improved by 2%.

No significant accidental leaks took place in the Group's facilities in 2018.

The environmental performance in the Retail division

In 2018 Luxottica expanded the scope of its environmental impact analysis to the Retail division with the objective of presenting it in this Statement.

The introduction of additional formats (free standing stores, shop-in-shops, kiosks and outlets), the presence of stores in different types of channels (department stores, shopping malls and travel retail locations) and the use, in most cases, of full service rental contracts which do not provide the level of expense data that is required to summarize energy consumption and other related information, result in an extremely fragmented overview.

An accurate analysis has been carried out therefore to verify the availability and traceability of information in order to identify a set of considerable and meaningful data relating to this business. The 1,836 points of sale in franchising (equal to 20% of Luxottica's retail network) and the stores whose data are difficult to retrieve mainly because they are placed inside larger shopping hubs (*e.g.*, temporary stores, shop-in-shops and kiosks, stores inside department stores and travel retail locations) have been excluded from the existing 9,126 stores as to December 31, 2018.

Therefore, this report considers the 4,274 stores, equal to 60% of those directly operated by the Group, whose energy consumption (electricity and heating consumptions), direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) and water consumption have been analyzed.

Information on waste generation were not available.

The information as to December 31, 2018 for each environmental dimension analyzed is given below.

Total energy consumption (Retail)

	2018
Total consumption *(millions kWh)* **of which:**	**213.8**
• Electricity from the grid [(a)] *(millions kWh)*	187.4
• Methane gas [(b)] *(millions kWh)*	26.4

(a) The electricity data for the retail network are based on consumption data in 65% of cases and on extrapolations or estimates in the remaining 35% of cases. Estimates are based on the segmentation of the main characteristics of the store, including the presence of internal laboratories, location, type of store and square footage.

(b) The methane gas data for heating are based on consumption data in 78% of cases and extrapolations or estimates in the remaining 18% of cases. Estimates are based on square footage and geographic area. 4% of stores are not included in the calculation due to the absence of stores within the same geographical area to be used as a basis for estimating consumption. The conversion factor used for the calculation of methane gas energy consumption in Kilowatt hours is 1 sm^3 = 10,944 kWh (source: Stogit converter).

Greenhouse gas emissions (Retail)

	2018
Overall emissions *(tCO_2eq)* **of which:**	**94,035**
• Scope 1 *(% of total emissions)* [(a)]	4.8%
• Scope 2 *(% of total emissions)* [(b)]	95.2%

(a) The source of the emission factors and for the global warming potential (GWP) is the "GHG Protocol's tool for stationary combustion" (Version 4.1, World Resources Institute (WRI), 2015), made available by the GHG Protocol. With regard to emissions from refrigerant gases (F-Gas), the source of global warming potential (GWP) is the "GHG Protocol – Global Warming Potential Values" (Fifth Assessment Report (AR5)).

(b) The source of the emission factors and for the global warming potential (GWP) is the "GHG Protocol tool from purchased electricity" (Version 4.8, World Resources Institute (WRI), 2017), made available by the GHG Protocol.

Water consumption (Retail)

	2018
Total water consumption *(millions of m^3)* [(a)]	**0.12**

(a) Water consumption is based only on the punctual consumption data measured in 11% of the stores included in the sample. Against a not particularly high percentage, it is necessary to consider the absence of restrooms in about 1,800 stores.

Luxottica's environmental performance in 2018

In order to provide a complete and consistent overview of the environmental impact generated by Luxottica in 2018, the aggregated data on a consolidated basis for each environmental dimension are given below.

This information includes therefore the data resulting from the inclusion of the central laboratories for the production of ophthalmic lenses, thus including almost all the Operations [1] of the Group, and the data resulting from the enlargement of the reporting scope to the Retail division.

Total energy consumption (Operations and Retail)

	2018
Total consumption *(millions kWh)* **of which:**	**643.7**
• from non-renewable sources *(millions kWh)*	638.3
• from renewable sources *(millions kWh)*	5.4

Total energy consumption from non-renewable sources (Operations and Retail)

	2018
Total consumption *(millions kWh)* **of which:**	**638.3**
• Electricity from the grid *(millions kWh)*	501.4
• Methane gas *(millions kWh)*	136.4
• Diesel for heating *(millions kWh)*	0.5

Greenhouse gas emissions (Operations and Retail)

	2018
Overall emissions *(tCO_2eq)* **of which:**	**279,324**
• Scope 1 *(% of total emissions)*	8.9%
• Scope 2 *(% of total emissions)*	91.1%

Water consumption (Operations and Retail)

	2018
Total water consumption *(millions of m^3)*	**3.1**

Waste by type and disposal method (Operations)

	2018
Total waste *(tons)* **of which:**	**50,060**
Non-hazardous waste	29,247
• Waste disposed *(% on total)*	68.2%
• Waste recovered/recycled *(% on total)*	31.8%
Hazardous waste	20,813
• Waste disposed *(% on total)*	96.8%
• Waste recovered/recycled *(% on total)*	3.2%

(1) The Bhiwadi site in India and the logistics hub of Jundiaì in Brazil were excluded also in 2018 as they are exclusively dedicated to their respective local markets and are therefore less relevant. Fukui Megane, the Japanese eyewear manufacturer of which Luxottica acquired a 67% stake in 2018, was also excluded.

4.3.6 Correspondence table

Correspondence table with the Italian Legislative Decree 254/2016 and GRI Standards

Italian Legislative Decree 254/2016	Material topics	Reference to the non-financial statement or other document	GRI Standard and disclosure
Art. 3 c.1 letter a A brief description of the business model		Refer to "Luxottica Activities" in this 2018 Registration Document (1.5.2)	
Art. 3 c.1 letter b A description of the policies pursued by the Company, the outcomes of those policies and related non-financial key performance indicators **Art. 3 c.1 letter c** The principal risks **Art. 3 c.1** Anti-corruption and bribery matters **Art. 3 c.2 letter f** Information relating to: - fight against corruption	Corporate Governance Risk management Business ethics Compliance & anti-corruption	**Commitment to excellence**	GRI 103 (2016) "Management approach disclosure" for GRI 205 (2016) "Anti-corruption" 102-15 "Key impacts, risks, and opportunities" 102-16 "Values, principles, standards, and norms of behavior"
Art. 3 c.1 letter b A description of the policies pursued by the Company, the outcomes of those policies and related non-financial key performance indicators **Art. 3 c.1 letter c** The principal risks **Art. 3 c.1** Social matters **Art. 3 c.2 letter d** Information relating to social matters	Eyecare & visual well-being Product quality & safety Consumer satisfaction Innovation and R&D Protection of intellectual property Responsible marketing	**Visual well-being** **Commitment to excellence**	

	Notes on methodology	Reporting years	Omissions / Notes on scope
			Luxottica reported qualitative information and specific measures, such as the percent of returns, the number of patents filed, the controls on products sold in different countries, the number of counterfeit glasses that have been seized thanks to Group's contribution and the efforts in monitoring the traffic of counterfeit goods via the internet.
			The topics relating to responsible marketing are addressed under the "Eyecare" and "A culture of quality: at the service of customers, employees and the community" sections.

Correspondence table with the Italian Legislative Decree 254/2016 and GRI Standards

Italian Legislative Decree 254/2016	Material topics	Reference to the non-financial statement or other document	GRI Standard and disclosure
Art. 3 c.1 letter b A description of the policies pursued by the Company, the outcomes of those policies and related non-financial key performance indicators **Art. 3 c.1 letter c** The principal risks **Art. 3 c.1** Social matters **Art. 3 c.1** Employee matters **Art. 3 c.1** Respect for human rights matters **Art. 3 c.2 letters c, d, e** Information relating to: - impacts on health and safety - social and employee-related matters, including the actions taken to ensure gender equality - respect of human rights	Responsible sourcing Employees well-being Talent management Diversity and inclusion Employee health and safety Relationship with the communities	**Social impact** **Commitment to excellence**	102-8 "Information on employees and other workers"
			GRI 103 (2016) "Management approach disclosure" for GRI 201 (2016) "Economic performance"
			201-1 "Direct economic value generated and distributed"
			GRI 103 (2016) "Management approach disclosure" for GRI 403 (2016) "Occupational health and safety"
			GRI 103 (2016) "Management approach disclosure" for GRI 404 (2016) "Training and Education"

Notes on methodology	Reporting years	Omissions / Notes on scope
In 2018, Luxottica analyzed the breakdown of the employees by type of contract (permanent and fixed-term) by geographical area, as follows: • Employees with permanent contracts (53,816), of which: North America 23,990; Asia-Pacific 8,541; Europe 14,675; Latin America 5,970; Africa and Middle East 640 • Employees with fixed-term contract (28,542), of which: North America 13,835; Asia-Pacific 11,472; Europe 2,779; Latin America 353; Africa and Middle East 103	2017, 2018	
	2017, 2018	
The GRI 403-2 disclosure was not followed when reporting the data as it does not coincide with the Company's internal classification and reporting methodologies. The indicators were developed in accordance with the "Workplace accident statistics" UNI 7249/2007 regulation and then integrated with additional Company-specific KPIs.	2016, 2017, 2018	The analysis does not include the Bhiwadi site in India and the logistics hub of Jundiaì in Brazil as they are exclusively dedicated to their respective local markets, and Fukui Megane, the Japanese eyewear manufacturer of which Luxottica acquired a 67% stake in 2018. The figures on a like-for-like perimeter do not include the Atlanta logistics hub and the central lens laboratories in Atlanta, Columbus and Dallas, which became fully operational in 2017 and for which the process of collating health and safety data was carried out only according to the American OSHA (Occupational Safety and Health Administration) standard. The new 2018 perimeter includes the Atlanta, Columbus and Dallas lens laboratories in the United States, which have adopted the same method of determining accidents and the relative processes already adopted in the Group's production units in Italy, China and Brazil. The data relative to the "number of reports of unsafe situations and SMAT audits" does not include the Atlanta site, for which investments are being made to adapt the mechanisms and processes to those of the rest of the Group.

Correspondence table with the Italian Legislative Decree 254/2016 and GRI Standards

Italian Legislative Decree 254/2016	Material topics	Reference to the non-financial statement or other document	GRI Standard and disclosure
			404-1 "Average hours of training per year per employee"
			GRI 103 (2016) "Management approach disclosure" for GRI 405 (2016) "Diversity and equal opportunity"
			405-1 b. "Diversity of employees: percentage of employees per employee category by gender and age group"
			GRI 103 (2016) "Management approach disclosure" for GRI 308 (2016) "Supplier environmental assessment"
			308-2 "Negative environmental impacts in the supply chain and actions taken"
			GRI 103 (2016) "Management approach disclosure" for GRI 414 (2016) "Supplier social assessment"
			414-2 "Negative social impacts in the supply chain and actions taken"

Notes on methodology	Reporting years	Omissions / Notes on scope
	2018	The training hours reporting scope covers around 95% of the workforce. In 2018, a structured process for reporting on training activities and initiatives was launched at all Luxottica sites. The data collected through this process allowed to quantify the total hours and average hours of training per employee, but not by gender or professional category.
	2017, 2018	
	2015, 2016, 2017, 2018	The data refers to the auditing of suppliers of direct materials and finished products that Luxottica conducts through its Responsible Sourcing and Manufacturing (LRSM) program. Suppliers of direct materials and finished products represent around 50% of purchases within the Group Operations and are mostly located in Europe and China, areas where the Group produces over 80% of its eyewear collections.
	2015, 2016, 2017, 2018	The data refers to the auditing of suppliers of direct materials and finished products that Luxottica conducts through its Responsible Sourcing and Manufacturing (LRSM) program. Suppliers of direct materials and finished products represent around 50% of purchases within the Group Operations and are mostly located in Europe and China, areas where the Group produces over 80% of its eyewear collections.

Correspondence table with the Italian Legislative Decree 254/2016 and GRI Standards

Italian Legislative Decree 254/2016	Material topics	Reference to the non-financial statement or other document	GRI Standard and disclosure
Art. 3 c.1 letter b A description of the policies pursued by the Company, the outcomes of those policies and related non-financial key performance indicators **Art. 3 c.1 letter c** The principal risks **Art. 3 c.1** Environmental matters **Art. 3 c.2 letters a, b, c** Information relating to: • the use of renewable and/or non-renewable energy • greenhouse gas emissions and air pollution • the impact on the environment	Energy efficiency Climate change Water consumption Packaging and waste management	**Protecting the environment** **Commitment to excellence**	GRI 103 (2016) "Management approach disclosure" for GRI 302 (2016) "Energy"
			302-1 "Energy consumption within the organization"
			GRI 103 (2016) "Management approach disclosure" for GRI 303 (2016) "Water"
			303-1 "Water withdrawal by source"
			GRI 103 (2016) "Management approach disclosure" for GRI 305 (2016) "Emissions"
			305-1 "Direct (Scope 1) GHG emissions"

Notes on methodology	Reporting years	Omissions / Notes on scope
		Consistently with the approach of gradual inclusion typical of its non-financial reporting, during 2018 Luxottica has extended the scope of the environmental performance analysis to the central laboratories for the production of ophthalmic lenses in North America, Italy and China, including in this way almost all Operations of the Group, and to the retail business. The Bhiwadi site in India and the logistics hub of Jundiaì in Brazil were excluded also in 2018 as they are exclusively dedicated to their respective local markets and are therefore less relevant. Fukui Megane, the Japanese eyewear manufacturer of which Luxottica acquired a 67% stake in 2018, was also excluded. With regard to the Retail division, this report considers the 4,274 stores, equal to 60% of the those directly operated by the Group, whose energy consumption (electricity and heating consumptions), direct and indirect greenhouse gas emissions (Scope 1 and 2) and water consumption have been analyzed. The selection of stores analyzed was due to the variety of characteristics of the stores, such as: • different formats (free standing stores, shop-in-shops, kiosks and outlets); • stores in different types of channels (department stores, shopping malls and travel retail locations); • full service rental contracts which do not provide the level of expense data that is required to summarize energy consumption and other related information.
	2016, 2017, 2018	
	2016, 2017, 2018	No information is available on the waste generated by the activities of the Retail division.
The source of GWP emission factors that have been applied is the "GHG Protocol tool for stationary combustion" (Version 4.1, World Resources Institute (WRI), 2015) made available by GHG Protocol. The Gases included in the calculation, as specified inside the "GHG Protocol tool for stationary combustion", are CO2, CH4, N2O. With reference to Fluorinated greenhouse gases (F-Gas), the GWP source is the "GHG Protocol - Global Warming Potential Values" (Fourth Assessment Report (AR4)). The Gases included in the calculation, as specified inside the "GHG Protocol - Global Warming Potential Values", are HFCs, PFCs, SF6, NF3.	2016, 2017, 2018	Packaging relates to manufacturing and logistics activities and is classified as non-hazardous waste as reported in the "Waste management" section

Correspondence table with the Italian Legislative Decree 254/2016 and GRI Standards

Italian Legislative Decree 254/2016	Material topics	Reference to the non-financial statement or other document	GRI Standard and disclosure
			305-2 "Energy indirect (Scope 2) GHG emissions"
			GRI 103 (2016) "Management approach disclosure" for GRI 306 "Effluents and waste"
			306-2 "Waste by type and disposal method
Art. 3 c.3 Information are compared with those disclosed in the previous fiscal years			
Art. 10 c.1 letter a Diversity policy applied in relation to the Company's Board of Directors			405-1 a. "Diversity of governance bodies"

	Notes on methodology	Reporting years	Omissions / Notes on scope
	The source of GWP emission factors that have been applied is the "GHG Protocol tool from purchased electricity" (Version 4.8, World Resources Institute (WRI), 2017) made available by GHG Protocol. The Gases included in the calculation, as specified inside the "GHG Protocol tool from purchased electricity", are CO2, CH4, N2O. The GHG Protocol emission factors have been used as a proxy to quantify the Scope 2 GHG emissions under the market-base method. The calculation of Scope 2 emissions under the location-based method is consistent with the market-based method.	2016, 2017, 2018	
		2016, 2017, 2018	
			On January 30, 2019 the Board of Directors of Luxottica Group S.p.A. met before the company delisting from Borsa Italiana's MTA (Mercato Telematico Azionario) on March 5, 2019. As a matter of interest, 33% of the Board members are wome (4 out of 12), 25% of the members are aged between 30 and 50 years old and the remaining 75% aged over 50 years old.


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CHAPTER

5

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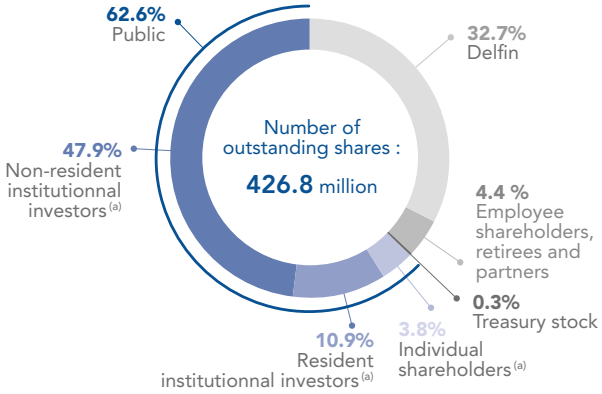
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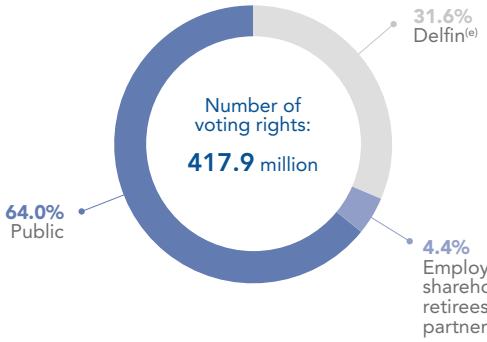
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Distribution of share capital at December 31, 2018



Distribution of voting rights at December 31, 2018



55,341

INTERNAL SHAREHOLDERS

(+33.6% *vs* 2017)
in 63 countries

representing:

4.3%

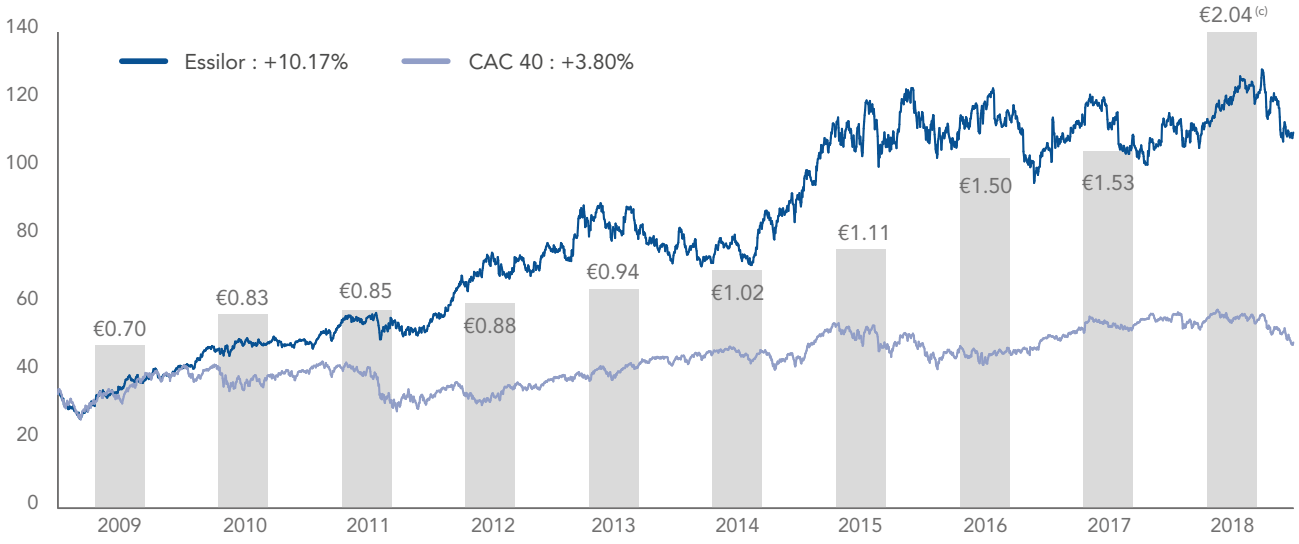
OF SHARE CAPITAL

4.3%

OF VOTING RIGHTS

Share price and dividende

In € – The CAC 40 graph has been rebased to the EssilorLuxottica share price at January 1, 2009.



(a) Estimates at December 31, 2018.
(b) Current, former and retired employees.
(c) Subject to the decision of the Shareholders' Meeting of May 16, 2019.
(d) Average annualized growth rate.
(e) Please refer to section 5.1.8 for more information on voting rights restrictions.

5.1 The Company

5.1.1 Company name and registered office

The name of the Company is EssilorLuxottica, hereinafter the "Company" or the "Group".

It should be noted that the Company, previously Essilor International (Compagnie Générale d'Optique), was renamed EssilorLuxottica on October 1, 2018, the date of the completion of the Combination with Luxottica.

The registered office of the Company is located at 147, rue de Paris, 94220 Charenton-le-Pont, France.

The General Management is domiciled 1-5, rue Paul-Cézanne, 75008 Paris.

5.1.2 Date of formation of the Company

The Company was formed on October 6, 1971 for a 99-year term, expiring on October 6, 2070.

5.1.3 Term of the Company

The Company is registered with the Créteil Trade and Companies Register under No. 712 049 618. The trade sector codes are 3250B (EssilorLuxottica) and 7010Z (registered office). The Legal Entity Identifier (LEI) of the Company is: 549300M3VH1A3ER1TB49.

5.1.4 Legal form

EssilorLuxottica is a joint stock company *(société anonyme)* with a Board of Directors. It is subject to French law and is governed by Book II of the French Commercial Code.

5.1.5 Corporate purpose

The Company's purpose in all countries is to:

- the design, manufacture, purchase, sale and trade, in general, in everything concerning spectacles and optical instruments, without exception, and, in particular, the manufacture, purchase and sale of eyeglass frames, sunglasses and eyeglasses and other protective equipment, lenses and contact lenses;
- the design and/or manufacture, purchase, sale and/or marketing of all instruments or equipment relating to ophthalmic optics, as well as all equipment or devices for monitoring, screening, diagnosing, measuring or correcting physiological handicaps, whether or not it be used by professionals;
- the design and/or development, purchase and/or marketing of related computer software packages, software applications, programs and services;
- research, clinical experiments, wearing tests, training, technical assistance and engineering corresponding to the above activities;
- all services or assistance associated with the aforementioned activities, and, in particular, advisory services, bookkeeping, auditing, logistics and treasury services;
- the acquisition, holding and management of all shares or securities of French or foreign companies;

and more generally all financial, commercial, industrial, civil, personal property or real property transactions directly or indirectly related to the foregoing corporate purpose, or to any similar or related corporate purposes, or likely to facilitate the application and development thereof or to make the same more profitable.

All, directly or indirectly, on its own account or on the account of third parties, either alone or with third parties, in any form, in particular by means of creation of companies, subscriptions, acquisition of equity interests or holdings, limited partnerships, mergers or absorptions, advances, purchases, contribution, exchange, lease of property or sale of securities or equity interests, sale or lease of all or part of its real or personal properties, and rights, and alliances or joint ventures or by any other means.

5.1.6 Conditions governing changes in capital

Pursuant to Article 7 of the bylaws, share capital may be reduced or increased by decision of the Extraordinary Shareholders' Meeting under the conditions set by law and regulations. However, the Extraordinary Shareholders' Meeting may delegate to the Board of Directors, under terms and conditions authorized by law and regulations, the necessary powers to decide on or carry out a capital increase or any other issue of securities or any capital reduction.

5.1.7 Fiscal year

The Company's fiscal year runs from January 1 to December 31 of each year.

5.1.8 Shareholders' Meetings

Notice of meeting

Shareholders' General Meetings are convened in accordance with the conditions laid down by law. They are held either at the registered office or in a department in the Paris region.

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided all payments due for such shares have been met.

Since the Shareholders' Meeting of May 11, 2012, "pure" or "administered" registered shareholders have the option of receiving their invitation and/or the preparatory documents for the Shareholders' Meeting by email.

Right to attend meetings

Shareholders have the right to attend or be represented at Shareholders' Meetings by registering their shares in an account under the conditions and on the date provided for by the regulations in force (the **"Shareholder Record Date"**).

To attend a Shareholders' Meeting in person or by proxy:

- holders of "pure registered" or "administered registered" shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date;
- holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date. Ownership of the shares will be evidenced by a certificate of ownership (attestation de participation) issued by the custodian institution that keeps the shareholder's securities account, to be submitted with the postal voting form/proxy or the request for an attendance card issued in the shareholder's name. A certificate of ownership can also be issued to shareholders wishing to attend the meeting who have not received their attendance card by midnight, Paris time, on the second business day before the meeting date;
- shareholders may be represented by their spouse, another shareholder or an individual or legal entity of their choosing in accordance with the applicable laws and regulations, particularly those stipulated in Article L.225-106 I of the French Commercial Code. Each shareholder present or represented at the meeting has a number of votes equal to the number of shares held and represented, directly or by proxy, without limitation.

Shareholders who have sent a postal or proxy voting form or requested an attendance card via their custodian institution can nevertheless sell some or all of their shares before the meeting. However, if the sale occurs before midnight, Paris time, on the second business day before the meeting, the Company shall accordingly invalidate or amend, as appropriate, the postal voting form, proxy or attendance card or certificate of ownership. In this case, the custodian institution will be required to notify the Company or the Company's registrar of the transaction, including all necessary information.

However, the authorized custodian institution will not be required to notify the Company of any transactions carried out after midnight, Paris time, on the second business day before the meeting, and no such transactions will be taken into account by the Company, notwithstanding any agreement to the contrary.

Voting rights

Pursuant to the Combination Agreement **a 31% cap has been established on voting rights, applicable to all shareholders based on a formula described in Article 23 of the Company's bylaws.** Consequently, no shareholder may express, whether personally or through a proxy holder, with respect to the voting rights attached to the shares he or she directly or indirectly holds, more than 31% of the total number of voting rights of the Company, computed as indicated below.

Given the share capital structure, this cap is applicable to Delfin (see Chapter 5, Section 5.2.1 of this Registration Document).

Reminder of the statutory calculation formula (Article 23 of the prevailing bylaws)

"When no more than one natural person or legal entity, acting alone or in concert with one or more natural persons or corporate entities, directly or indirectly holds more than ten percent (10%) of the share capital or voting rights of the Company as of the Shareholding Listing Date for the relevant General Shareholders' Meeting or exercises more than ten percent (10%) of the voting rights of the Company for itself or as a proxy holder, the number of voting rights that any shareholder may express, personally or through a proxy holder, with respect to the voting rights attached to the shares or to the divisions of share ownership (for the rights he or she is authorized to exercise, as the case may be) that he or she holds, directly or indirectly, alone or in concert, cannot exceed the number resulting from the following formula:

31* (N-P-D)/100

where

- (N) the total number of voting rights of the Company existing on the Shareholder Record Date for the relevant General Shareholders' Meeting and reported to the shareholders on the date of the General Shareholders' Meeting,
- (P) the total number of voting rights attached to the treasury shares within the limits of a maximum amount of treasury shares corresponding to 1% of the Company's share capital,
- (D) the total number of voting rights of the concerned shareholders which are neutralized by this statutory clause limiting voting rights for the fraction of voting rights attached to the shares that he or she holds exceeding 34% of the Company's share capital.

If at least two natural persons or corporate entities, each acting alone or in concert with one or more natural persons or corporate entities, each hold more than ten percent (10%) of the share capital or voting rights of the Company on the Shareholder Listing Date for the relevant General Shareholders' Meeting or each exercise more than ten percent (10%) of the voting rights of the Company for themselves or as proxy holder on the Shareholder Listing Date for the relevant General Shareholders' Meeting, the above-mentionned voting rights limitation shall apply with the exception of elements (P) and (D), which will not be deducted."

Pre-meeting disclosure of temporary holdings

Pursuant to their legal obligations, any individual or legal entity (with the exception of those referred to in Article L. 233-7, Section IV, paragraph 3 of the French Commercial Code) who, as a result of one or more temporary sales or similar transactions as defined in Article L. 225-126 of the French Commercial Code, individually or jointly owns shares representing more than 0.5% of the voting rights of the Company, must inform the Company and the Autorité des Marchés Financiers (French Financial Markets Authority – AMF) of the number of shares owned temporarily, no later than midnight, Paris time, on the second business day before the Shareholders' Meeting.

Disclosures and statements can be sent to the Company at the following address: ir@essilorluxottica.com

Any undisclosed shares held in the context of one of the temporary transactions detailed above will be stripped of voting rights for that Shareholders' Meeting and at all other Shareholders' Meetings until the shares held temporarily are sold or returned.

The email must contain the following information:

- name or company name and a contact person (name, position, telephone number, email address);
- identity of the seller (name or company name);
- type of transaction;
- number of shares acquired in the transaction;
- ISIN code of the shares listed on Euronext Paris;
- transaction expiration date;
- voting agreement (if any).

This information will be published on the Company's website.

The next Shareholders' Meeting will be held on May 16, 2019.

5.1.9 Disclosure of threshold provisions

In addition to the statutory disclosures, the Company's bylaws state that any individual or legal entity who, acting alone or in concert with others, directly or indirectly owns 1% of the voting rights must inform the Company thereof within five days, by registered letter with return receipt requested, sent to the Company's registered office. The same formalities are required whenever a shareholder exceeds the threshold in further increments of 2%.

Disclosure is also required, within the same maximum period, when the percentage of voting rights held drops below any of the above-mentioned thresholds.

Any undisclosed shares in excess of the above-mentioned disclosure thresholds will be stripped of voting rights in accordance with the law at the request of one or more shareholders together holding at least 5% of the share capital at the time of the meeting.

5.2 Share capital

5.2.1 Changes in the share capital

Breakdown of the share capital in 2018

As of December 31, 2018	Number of shares	%	Number of voting rights	%
Delfin	**139,738,506**	**32.7%**	**131,960,013**	**31.6% (b)**
• Valoptec International FCPE	4,030,132	0.9%	4,030,132	1.0%
• Essilor group five-year and seven-year FCPE	4,620,089	1.1%	4,620,089	1.1%
• Funds reserved for employees outside France	1,218,674	0.3%	1,218,674	0.3%
• Pure registered shares or administered shares held by employees	8,473,690	2.0%	8,473,690	2.0%
• Pure registered shares or administered shares held by partners	344,240	0.1%	344,240	0.1%
Internal shareholing (Current, former and retired employees) and partner shareholding [(a)]	**18,686,825**	**4.4%**	**18,686,825**	**4.4%**
Treasury shares	**1,099,757**	**0.3%**		
Free-float	**267,252,130**	**62.6%**	**267,252,130**	**64.0%**
TOTAL	**426,777,218**	**100%**	**417,898,968**	**100%**

(a) Partner shareholding designates the portion of EssilorLuxottica shares held by employees, senior managers, and any former employees and former senior managers of the companies in which EssilorLuxottica held an interest that was thereafter fully divested.

(b) A 31% cap applies to Delfin's voting rights according to the formula described in sections 5.1 and 5.3.

Share capital at December 31, 2018: share capital amounted to €76,819,899.24 at December 31, divided into 426,777,218 fully paid-up ordinary shares, each with a par value of €0.18.

Exercisable voting rights

Notwithstanding the provisions of the last paragraph of Article L. 225-123 of the French Commercial Code, as of October 1, 2018, the Company's shares no longer carry double voting rights. Ahead of the Combination, changes to Essilor's bylaws were adopted on May 11, 2017 by (i) a special meeting of Essilor shareholders with double voting rights; and (ii) the Essilor's shareholders' meeting. Those changes affect the voting rights attached to EssilorLuxottica shares. EssilorLuxottica's bylaws, effective as from the Contribution Completion Date (October 1, 2018), do not grant shareholders double voting rights, even if those shareholders have held registered shares for at least two years or any other length of time.

Furthermore, the bylaws provide for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws (see Section 5.1 of this Registration Document, "Voting rights"). Consequently, no shareholder may exercise, either personally or through a proxy, voting rights on shares that they hold, directly or indirectly, representing more than 31% of the EssilorLuxottica voting rights, calculated as indicated in the aforementioned Section 5.1.

Taking into account these restrictions in the bylaws and the absence of voting rights attached to treasury shares, the total number of exercisable voting rights attached to the Company's share capital at December 31, 2018 was 417,898,968.

Changes in share capital in 2018

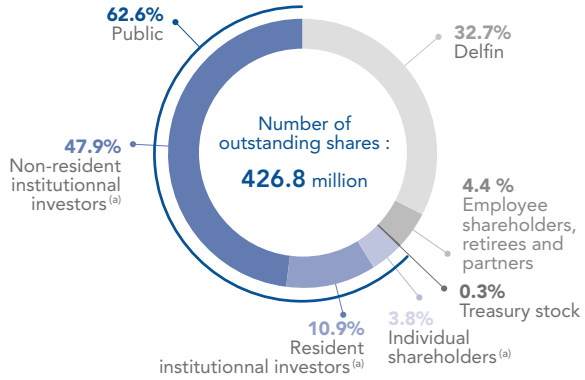
Share capital underwent a series of changes during the fiscal year to take into account the successive issuances of new shares related to the completion of the Combination transactions and to the continued roll-out of the employee shareholding program.

These transactions are described in the table below:

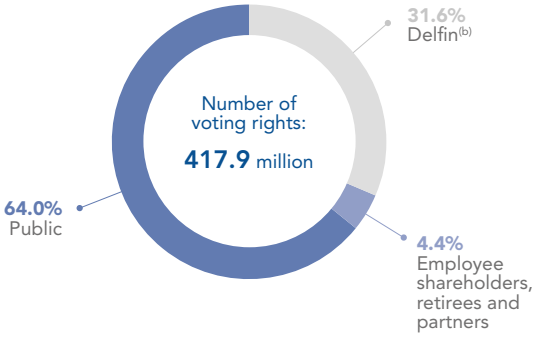
CAPITAL INCREASES

COMBINATION COMPLETION	DEVELOPMENT OF THE EMPLOYEE SHAREHOLDING PROGRAM
Contribution from Delfin; issuance of 139,703,301 new shares, each with a par value of €0.18, excluding issue premium.	Issue of 32,665 new shares, each with a par value of €0.18, resulting from the exercise of stock options, representing a capital increase of €5,879.70, excluding issue premium.
Recording of the completion of the mandatory exchange offer; issuance of 66,329,548 new shares, each with a par value of €0.18, excluding issue premium.	Issue of 1,308,339 new shares, each with a par value of €0.18, resulting from the delivery of performance shares, representing a capital increase of €235,501.02, excluding issue premium.
	Issue of 277,926 new shares, each with a par value of €0.18, subscribed by the Essilor group five-year and seven-year mutual funds (FCPE), representing a share capital increase of €50,026.68, excluding issue premium.
Total new shares issued	
206,032,849 new shares	1,618,930 new shares

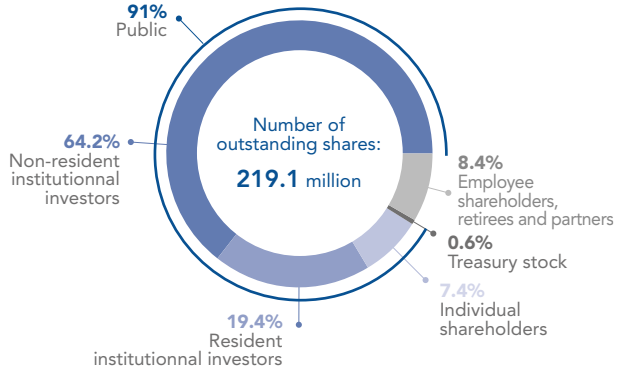
Distribution of share capital at December 31, 2018



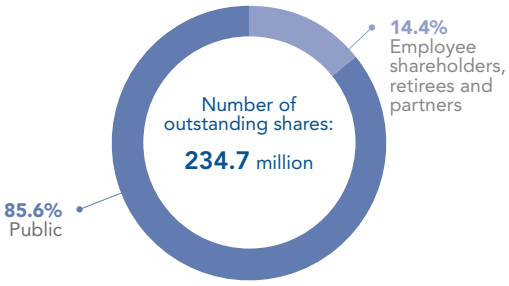
Distribution of voting rights at December 31, 2018



Distribution of share capital at December 31, 2017



Distribution of voting rights at December 31, 2017



(a) Estimates at December 31 of the year.
(b) Please refer to section 5.1.8 for more information on voting rights restrictions.

Maximum dilution at year-end

Taking into account all shares that could be issued after December 31, 2018 due to the exercise of the existing options, regardless of their exercise prices, the maximum dilution of the share capital would be as follows:

As of December 31, 2018	In number of shares	%	In number of voting rights	%
Share capital position at the end of the year	426,777,218		417,898,967	
Options for subscription of existing shares	490,918	0.1%	490,918	0.1%
Outstanding rights to existing performance shares	5,510,385	1.3%	5,510,385	1.3%
TOTAL POTENTIAL DILUTION	**6,001,303**	**1.4%**	**6,001,303**	**1.4%**
Total diluted share capital at the end of the year	432,778,521		423,900,270	

The breakdown of changes in share capital in 2018 is presented in Note 12 to the annual financial statements for the fiscal year (see Section 3.10).

The 2017 and 2016 breakdown of share capital and changes in share capital over the last five years are described in Section 5.7.1, "Historical data".

During the second and the third phases of the MTO, EssilorLuxottica purchased all the remaining Luxottica shares and issued 6,602,682 shares on January 25, 2019 and 2,656,542 shares on March 5, 2019.

On March 6, 2019, the Luxottica Board of Directors approved the conversion of the Long-Term Incentive plan described in Chapter3.4 - Note 24.2 to the Consolidated Financial Statements (the maximum number of EssilorLuxottica shares to be issued amounting to 796,700, not included in the table above).

5.2.2 Financial authorizations giving access to the share capital

The purpose of the authorizations in force which are detailed in the table of the currently valid delegations (see Section 2.2.3), is to delegate authority to the Board of Directors to:

- proceed with the share capital increase by issuing new shares reserved for members of a company savings plan, in accordance with the provisions of Articles L. 225-129 and L. 225-129-6 of the French Commercial Code, and Article L. 3332-18 of the French Labor Code (for a period of 26 months), up to a limit of 0.5% of the share capital (for a period of 18 months, *i.e.*, until January 28, 2021);
- pay for the securities contributed under the mandatory exchange offer initiated by the Company. As at December 31, 2018, this authorization had been used for the amount of 66,329,548 shares (i.e. 11,939,318.64 euros).

  As at March 5, 2019, following the second and the third phases of the MTO, this authorization had been used for 68.03%.

  As at the date of this Registration Document, the mandatory exchange offer had been completed such that this authorization no longer serves any purpose.

It should be noted that the Company Shareholders' Meeting of November 29, 2018 approved the resolutions pertaining to the delegations of authority granted to the Board of Directors to freely award existing performance shares and to grant stock options to Group employees and Executive Corporate Officers to increase the latter's engagement in the Company's performance. The engagement of employees through multiple mechanisms, especially the capital increase reserved for members of a company savings plan, along with the allocation, transfer or sale of treasury shares acquired by EssilorLuxottica under the share buyback program authorized by the Shareholders' Meeting of November 29, 2018 to deliver bonus shares (seventh and ninth resolutions approved by the Extraordinary Shareholders' Meeting of November 29, 2018) and, to a lesser extent, stock options (eighth resolution approved by the aforementioned Shareholders' Meeting), is a key component of EssilorLuxottica's governance structure. The resolutions approved by the Shareholders' Meeting of November 29, 2018, decided that the treasury shares would essentially be used for the employee share ownership plans to be set up as from the Combination Date. See Section 5.3.

To this end, the Shareholders' Meeting of November 29, 2018 renewed the delegations of authority granted to the Board of Directors to:

- buy back treasury shares for a new 18-month period (*i.e.*, until May 28, 2020). See Section regarding the description of the share buyback program approved by the Shareholders' Meeting of November 29, 2018;
- cancel shares acquired by the Company under Article L. 225-209 of the French Commercial Code for a new 26-month period (*i.e.*, until January 28, 2021). See Section related to "Share cancellations and capital reductions".

The Company's Shareholders' Meeting of May 16, 2019 will also be asked to renew the following financial authorizations that were designed to deleguate authority to the Board of Directors to:

- deciding capital increases reserved for members of a Company Savings Plan without preferential subscription rights (ceiling of 0,5% of the share capital);
- issue shares and securities entailing a capital increase, with preferential subscription rights (ceiling of 5% of the share capital);
- proceed with share capital increase by capitalization of reserves, profits or premiums.

5.2.3. Share buyback programs

On November 28, 2018, the Shareholders' Meeting renewed the Board of Directors' authorization to buy back its own treasury shares representing up to 10% of the Company's share capital on the date of purchase, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, for a term of 18 months expiring on May 28, 2020.

In application of the provisions of Article L. 225-211 of the French Commercial Code, the Board of Directors indicates that, during the 2018 fiscal year, it did not use the authorization granted by the Combined Shareholders' Meeting of May 11, 2017, the main objectives of which were to cover the employee share ownership programs.

In keeping with the previous authorization**, the main objectives of the program as approved by the Shareholders' Meeting of November 28, 2018** are as follows:

- to award or transfer shares to employees and Corporate Directors of the Company and affiliated companies, under the terms and conditions stipulated by French or foreign law, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and any employee share ownership plan (employee stock ownership plan or any similar plan governed by foreign regulations);
- to cancel shares by reducing share capital (particularly to offset the dilution created by the free awarding of performance shares, by the exercise of stock options by the Group's employees and senior managers, and by capital increases reserved for employees);
- to potentially hedge debt securities that can be converted into or exchanged for Company shares, by buying shares for delivery (when existing shares are delivered when the conversion right is exercised) or by buying shares for cancellation (when new shares are issued when the conversion right is exercised);
- to ensure the liquidity of the Company's shares under a liquidity contract in accordance with Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) no. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buyback programs and stabilization measures;
- the subsequent use of the shares in exchange or presentation as consideration for future external growth operations up to a maximum of 5% of the share capital;
- to implement any permitted market practice that may be acknowledged by regulations or the AMF or any other objective allowed by the Law.

The Shareholders' Meeting decided to set the maximum purchase price per common share at €175 (excluding transaction costs), and specified that the price and number of shares will be adjusted as necessary in the event of capital transactions.

The Shareholders' Meeting decided that the purchase, sale or transfer of the shares may be paid for and carried out by any appropriate method, and in particular on any regulated, free or OTC market, or on any multilateral trading facility (including through straight purchases, or the use of financial instruments or derivatives or the implementation of options strategies). The entire share buyback program may be carried out through a block purchase.

This authorization is valid for a maximum period of eighteen (18) months from November 29, 2018. It may not be used, in whole or in part, during public offers periods for the Company's stock.

Consequently, full authority has been granted to the Board of Directors, with the option to sub-delegate such powers to the Chairman & Chief Executive Officer or Executive Vice-Chairman, as the case may be, within the limits set by law and the bylaws, to carry out this transaction and/or to approve all programs, place all stock market orders, enter into any agreement, carry out all declarations and formalities with the AMF and all bodies of their choice and, more generally, take any measures considered necessary.

As at the date of this Registration Document, the Board of Directors has not used this delegation of authority.

Reminder:

The shares held under the buyback program may not represent more than 10% of the Company's share capital at any given time. As at December 31, 2018, EssilorLuxottica held 1,099,757 treasury shares, representing 0.26% of share capital. The par value of these shares was €197,956.26 and their book value was €92.0 million (*i.e.*, an average net cost of €83.73 per share).

Liquidity contract

The Company was not a party to any liquidity contracts in 2018.

Share buyback transactions

In accordance with Article L. 225-211 of the French Commercial Code, no shares were reallocated in 2018.

	2018 Treasury shares
NUMBER OF SHARES AT THE BEGINNING OF PERIOD – JANUARY 1	**1,344,427**
Purchase options exercised	
Delivery of performance shares	(7,597)
Sale of shares to employees (Boost plan)	(237,073)
Conversions of convertible bonds with delivery	
Cancellation of treasury shares	
Purchase of treasury shares	
NUMBER OF SHARES AT THE END OF THE PERIOD – DECEMBER 31	**1,099,757**
Position at January 31, 2019	
Percentage of capital held directly or indirectly as treasury shares	0.26%
Number of shares canceled in the preceding 24 months	0
Number of shares held in the portfolio	1,099,757
Book value of the portfolio *(€)*	91,956,568
Market value of the portfolio [(a)] *(€)*	121,686,120

(a) Based on the closing price at January 31, 2019.

There were no share buyback or cancellation in 2018.

5.2.4 Share cancellations and capital reductions

The Company's Combined Shareholders' Meeting of May 11, 2016 authorized the Board of Directors to reduce the share capital by canceling some or all of the treasury shares held by the Company, provided that the number of shares canceled during any 26-month period does not exceed 10% of the total share capital. The Company did not cancel any shares under this authorization either in 2017 or in 2018, and this authorization expired on May 10, 2018.

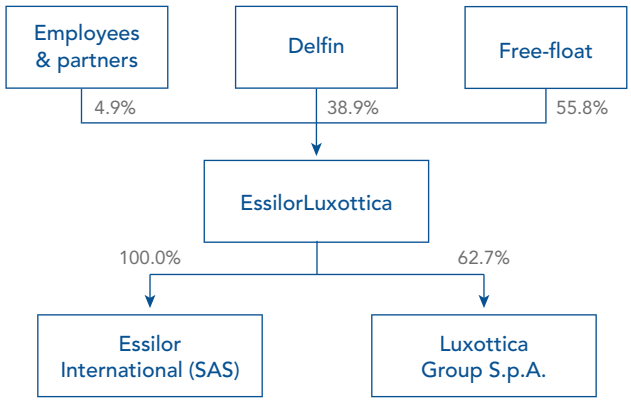
The Company's Combined Shareholders' Meeting of **November 29, 2018** authorized the Board of Directors to reduce the share capital by canceling some or all of the treasury shares held by the Company, provided that the number of shares canceled during any 24-month period does not exceed 10% of the total share capital. The Company did not cancel any shares under this authorization in 2018. This authorization is valid for a period of 26 months, i.e. until January 28, 2021. There is, therefore, no need to propose a new authorization at the next Shareholders' Meeting on May 16, 2019.

5.3 Shareholding

As a result of the completion of the Combination effective October 1, 2018, the Company's shareholder structure has been changed significantly. Delfin, the holding company of the family of Leonardo Del Vecchio, has become the main shareholder since that date with more than 30% of the share capital and voting rights.

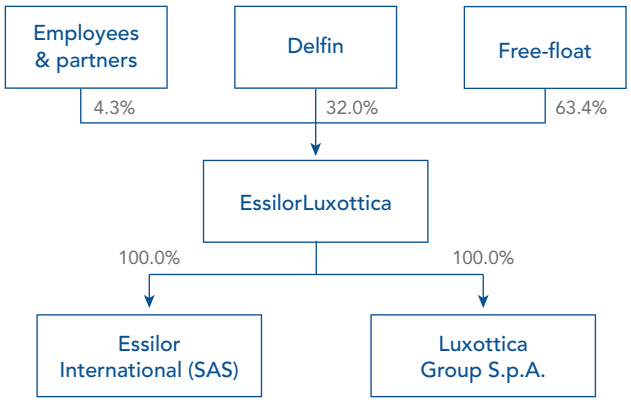
Group structure after completion of the Combination:

DAY OF CONTRIBUTION (OCTOBER 1. 2018)



Treasury stock accounted for 0.4% of share capital

DAY OF SQUEEZE-OUT (MARCH 5. 2019)



Treasury stock accounted for 0.3% of capital

- **Standstill Undertaking:** pursuant to the terms of the Combination Agreement, Delfin has agreed not to file a public offer for EssilorLuxottica shares for a period of ten (10) years from the date of the signature of the Combination Agreement, provided that no third party – acting alone or in concert – comes to hold, directly or indirectly, more than twenty percent (20%) of the share capital or voting rights of EssilorLuxottica or announces its intention to file a public offer for EssilorLuxottica shares (the "Standstill Undertaking").

In addition, to protect the rights of minority shareholders, the EssilorLuxottica bylaws, as approved by the Company's Shareholders' Meeting of May 11, 2017, provide for the elimination of double voting rights and the casting vote of the Chairman of the Board of Directors, and place a 31% limit on voting rights for any shareholder, based on a formula described in the EssilorLuxottica bylaws and reproduced in Section 5.1 of this Registration Document (see summary of the key provisions of EssilorLuxottica's bylaws below).

Summary of the key provisions of EssilorLuxottica's bylaws

The Essilor general shareholders' meeting of May 11, 2017 approved amendments to Essilor's current by-laws, which will come into effect from the Completion Date for the Contribution to EssilorLuxottica (new legal name of Essilor as from such date). These changes include:

a) the cancellation of double voting rights.

Since June 22, 1974, double voting rights have been attributed to all fully paid-up shares registered in the name of the same holder for at least two years.

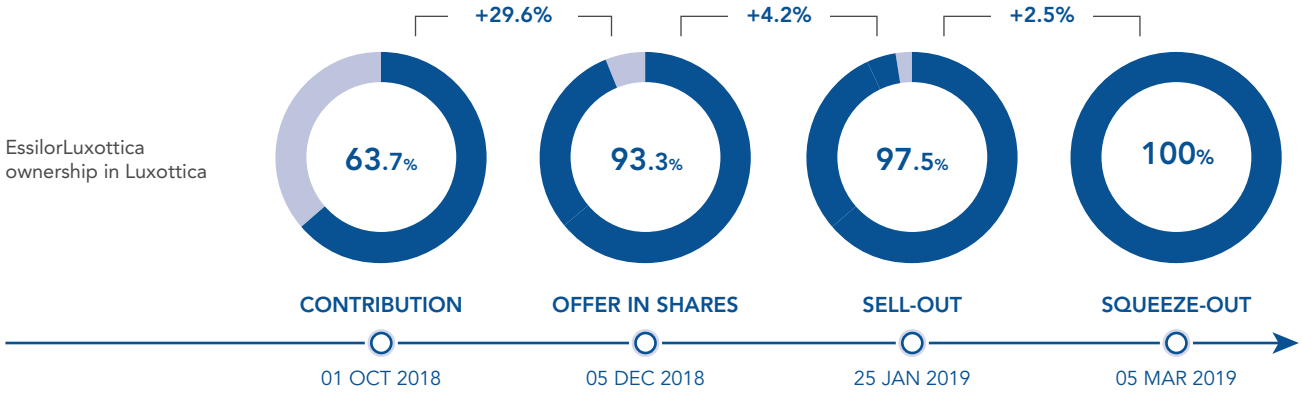
Notwithstanding the provisions of the last paragraph of Article L. 225-123 of the French Commercial Code, as of October 1, 2018, the Company's shares no longer carry double voting rights. In connection with the planned Combination, changes to Essilor's bylaws were adopted on May 11, 2017 by (i) a special meeting of Essilor shareholders with double voting rights; and (ii) the Essilor's shareholders' meeting. Those changes affect the voting rights attached to EssilorLuxottica shares. EssilorLuxottica's bylaws, effective as from the Contribution Completion Date (October 1, 2018), do not grant shareholders double voting rights, even if those shareholders have held registered shares for at least two years or any other length of time;

b) a 31% limit on voting rights for any shareholder, based on a formula described in the EssilorLuxottica bylaws and reproduced below:

The EssilorLuxottica bylaws provide for a 31% limit on voting rights for any shareholder, based on a formula contained in the bylaws (see Section 5.1 of this Registration Document, "Voting rights"). Consequently, no shareholder may express, whether personally or through a proxy holder, with respect to the voting rights attached to the shares he or she directly or indirectly holds, more than 31% of the total number of EssilorLuxottica voting rights, computed as indicated in the aforementioned Section 5.1.

Changes in Luxottica ownership by EssilorLuxottica

(from the combination by Delfin to the mandatory exchange offer)



EssilorLuxottica capital increase (in million of shares)	139.7	66.3	6.6	2.7
Cash consideration (in € millions)			322.7	318.5
Delfin stake in EssilorLuxottica	38.9%	32.7%	32.2%	32.0%

Example of the application of the 31% cap on Delfin's voting rights as at December 31, 2018

a	Total number of shares	[N]	426,777,218	Delfin shareholding
b	Treasury shares	[P]	1,099,757	139,738,506 = 32.7%
c	Shares exceeding 34% of capital	[D]	-	426,777,218
d	Shares held by Delfin		139,738,506	
e = 31% (a-b-c)	31% cap on voting rights	31% (N-P-D)	131,960,013	Delfin voting rights
f = d-e	Neutralized voting rights		7,778,493	131,960,013 = 31.6%
g = a-b-f	Exercisable voting rights		417,898,968	417,898,968

For the purposes of this statutory clause limiting voting rights, it is specified that all current or former employees of EssilorLuxottica or of its subsidiaries or interests and/or the assigns of these persons and/or the asset management companies whose entire capital is exclusively held by the latter (the **"Employees and Employee Entities"**), acting alone or in concert with other Employees and Employee Entities or with an entity (including any mutual funds) the entire capital or units of which are held by Employees and Employee Entities (an **"Authorized Entity"**) will not be taken into account for the calculation of the number of natural persons or corporate entities holding more than 10% of the capital or voting rights of EssilorLuxottica provided that (i) these Employees and Employee Entities and/or Authorized Entities do not act in concert with any third party other than the Employees and Employee Entities and/or Authorized Entities, (ii) the Employees and Employee Entities and/or Authorized Entities are not represented by a third party not appointed from among the Employees and Employee Entities; it being however specified that this exclusion will only apply insofar as the Employees and Employee Entities and/or any Authorized Entity hold less than 15% of the share capital or voting rights of EssilorLuxottica.

The limit provided for in the above paragraphs has no effect on the calculation of the total number of voting rights that are attached to EssilorLuxottica's shares that must be taken into account for the application of legal, regulatory or statutory provisions that impose particular obligations by reference to the number of existing voting rights in EssilorLuxottica or the number of shares bearing voting rights.

The limit provided for in the above paragraphs automatically lapses, without the necessity for a new decision of the Extraordinary Shareholders' Meeting, whenever a natural person or corporate entity, acting alone or in concert with one or more natural persons or corporate entities, holds at least two thirds of the total number of shares and voting rights of EssilorLuxottica following a takeover bid targeting all the shares of EssilorLuxottica. The Board of Directors notes that the lapse has occurred and carries out the corresponding statutory amendment formalities.

For more information, please refer to Section 5.1 of this Registration Document.

Crossing of legal thresholds in 2018

In connection with the Combination with Luxottica, Delfin, a company controlled by Mr. Leonardo Del Vecchio, disclosed that:

- on October 1, 2018, it exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 30% and one-third of the Company's share capital and voting rights and held 139,738,506 shares representing 38.94% of the share capital and voting rights. This threshold crossing resulted from Delfin's contribution of its entire stake in Luxottica Group S.p.A. to EssilorLuxottica in consideration for 139,703,301 newly issued EssilorLuxottica shares;

  It should be noted that Delfin's crossing of the threshold of 30% of the Company's share capital and voting rights was the subject of a decision to waive the obligation to file a proposed public offer, published in D&I 217C0806 posted on the AMF website on April 12, 2017;
- on December 5, 2018, it dropped below the thresholds of one-third of the Company's share capital and voting rights and held 139,738,506 shares representing 32.77% of the Company's share capital and voting rights. This downward threshold crossing was the result of an increase in the total number of shares and voting rights of EssilorLuxottica following the issue of new shares in consideration for Luxottica Group S.p.A. shares tendered into the mandatory exchange offer launched by EssilorLuxottica for the shares of Luxottica Group S.p.A. [(1)].

In accordance with Article L. 233-7, Section VII and Article 223-17 of the AMF General Regulations, on October 8, 2018, Delfin made the following disclosures about its intentions for the next six months:

- Delfin intends to purchase EssilorLuxottica shares in accordance with its undertaking not to file a ("voluntary" or "mandatory") public offer for EssilorLuxottica shares for a period of ten (10) years as from the signing of the Combination Agreement entered into with Essilor on January 15, 2017 (provided that no third party – acting alone or in concert – comes to hold, directly or indirectly, more than twenty percent (20%) of the share capital or voting rights of EssilorLuxottica or announces its intention to file a public offer for EssilorLuxottica shares);
- Delfin does not plan to take control of EssilorLuxottica;
- Delfin has not entered into any temporary sale agreement for EssilorLuxottica shares and voting rights;
- as the main shareholder and in light of EssilorLuxottica's new corporate governance structure, Delfin intends to participate in the company's strategy through EssilorLuxottica's corporate governance and management bodies, which have not yet defined any plans to implement any of the transactions listed in Article 223-17, Section I, paragraph 6 of the AMF's General Regulations as applied to EssilorLuxottica;
- Delfin does not intend to seek new positions on EssilorLuxottica's Board of Directors. Under the terms of the Combination Agreement entered into with Essilor on January 15, 2017, until the date of the Annual Shareholders' Meeting called to approve EssilorLuxottica's 2020 financial statements, EssilorLuxottica's Board of Directors will be composed of 16 members: eight members nominated by Delfin, made up of the Chairman and Chief Executive Officer of EssilorLuxottica, three Delfin representatives and four independent members appointed by Delfin after consultation with Essilor (unless these Directors are chosen from among the current members of the Luxottica Board of Directors, in which case no consultation will be required).

During the fiscal year 2018, BlackRock Inc. disclosed that it had crossed the threshold of 5% of the Company's share capital both upwards and downwards:

Date of crossing	Upwards/downwards	% of the share capital	% of the voting rights
01/09/2018	Upwards	5.07	4.70
01/10/2018	Downwards	4.94	4.58
01/16/2018	Upwards	5.08	4.72
01/17/2018	Downwards	4.95	4.15
01/18/2018	Upwards	5.10	4.74
04/19/2018	Downwards	4.99	4.64
05/09/2018	Upwards	5.01	4.66
05/16/2018	Downwards	4.99	4.64
05/21/2018	Upwards	5.06	4.70
05/23/2018	Downwards	4.99	4.64
05/24/2018	Upwards	5.00	4.65
05/25/2018	Downwards	4.91	4.56

(1) Please refer to the prospectus that received AMF approval No. 18-460 on September 28, 2018, the additional note to the aforementioned prospectus that received AMF approval No. 18-494 on October 23, 2018, and the press releases issued by EssilorLuxottica on December 5 and 10, 2018.

5.4 Employee shareholding

Throughout its history, the Company has been committed to making all employees partners in its development by allowing them to become Group shareholders. This policy is fundamental to the Company's culture and has been a key factor in its performance since the very beginning. This employee shareholding culture continues to be an essential feature of the newly combined group. Employee shareholding is regarded as an inviolable principle and will be deployed throughout the EssilorLuxottica Group from 2019 onwards. It means that Group employees will continue to have the opportunity to be fully engaged in creating value and achieving success for the Group as a result of their substantial stake in its share capital.

Employee shareholding not only helps make the Company more competitive but is also a source of common pride among all those who work for EssilorLuxottica. This atypical form of governance, built on trusted dialogue with the Company's management team, aims to encourage the involvement of almost 150,000 employees in defining the Company's strategy. EssilorLuxottica's management firmly believes that this is crucial to its successful implementation. In addition to aligning the interests of employee shareholders with those of other shareholders, the Company's governance structure strengthens employees' sense of belonging to the Group as well as their commitment to its strategy.

In keeping with EssilorLuxottica's employee shareholding culture and governance model, Valoptec Association, a French non-profit representing current and former EssilorLuxottica employees, is the single body that represents all of the new Group's employee shareholders on EssilorLuxottica's Board of Directors.

In December 2018, the Company (formerly Essilor International – Compagnie Générale d'Optique) was awarded the top prize for its employee shareholding initiatives at the 14th edition of the FAS (French federation of employee and former employee shareholder association) Grand Prix awards. This was the second consecutive year that the Company had taken top honors. In April 2018, the Company was also awarded the Best Plan Effectiveness Award by the Global Equity Organization in recognition of the success of its international employee shareholding plan, rolled out in 2017.

Following the success of that plan, which was offered in 14 countries, Essilor successfully launched an international employee shareholding plan in 2018 on an even wider scale. The 2018 plan, aimed at 54,000 employees in more than 40 countries, has enabled almost 36,000 Essilor employees to become Group shareholders for the first time or to increase their existing shareholding. The success of this second international plan, which had a record subscription rate of 66%, has taken employee shareholding to a new level. Now, more than 46,000 employees in 63 countries have a financial stake in EssilorLuxottica.

The Group also makes an employer contribution to encourage employee investment on a regular, long-term basis.

These investment plans are subject to a lock-up period.

In return for their investment, employees are awarded bonus shares annually.

As a result of these mechanisms, 46,482 employees are EssilorLuxottica shareholders as at December 31, 2018. They represent 4.3% of the share capital and 4.4% of the voting rights.

5.4.1 Performance shares

Rights to performance shares are presented below:

	Before the Combination [a]		
	As of December 31, 2018	In 2018	In January 2019
Rights granted [a]	5,593,877	316,638	
Rights cancelled [a]	419,667	233,726	7,858
Rights exercised [a]:	1,322,867		
• Shares issued through a capital increase		979	18
• Treasury share account		7,597	
Rights outstanding [a] [b]	3,851,343		3,843,467

(a) Plans from December 2, 2015 NR to May 23, 2018: before Combination.

(b) i.e. 0.90% of the share capital at December 31, 2018.

		After Combination [a]	
	As of December 31, 2018	In 2018	In January 2019
Rights granted [a]	1,659,042		
Rights cancelled [a]			340
Rights exercised [a]:			
• Shares issued through a capital increase		1,307,360	
• Treasury share account			
Rights outstanding [a] [b]	1,659,042		1,658,702

(a) Plans from December 2, 2015 NR to November 29, 2018: after Combination.
(b) i.e. 0.39% of the share capital at December 31, 2018.

If the rights to performance shares are exercised, grantees will be awarded either existing or new ordinary EssilorLuxottica shares.

The decision was preceded by an assessment of the benefits of this type of plan. The conclusions from this assessment were as follows:

- the potential dilutive impact of performance shares is less than half that of stock options offering an equivalent potential gain;
- the grant system makes it easier for grantees to keep their shares, unlike shares acquired on exercise of stock (or purchase) options, some or all of which are almost always sold by the grantees to finance the exercise price;
- the terms of the performance share awards are designed to ensure that the potential gain for grantees is as close as possible to that for holders of stock options. The performance shares are subject to vesting conditions based on growth in the Company's share price to ensure that the interests of grantees converge with those of shareholders.

On March 2, 2018, a total of 446,767 Luxottica shares were delivered to 478 employees in connection with the 2015 plan.

As of now, there is no longer any outstanding plan.

5.4.1.1 Vesting and lock-up conditions for shares

Essilor and EssilorLuxottica's long-term compensation plans were designed to encourage the alignment of the interests of employee shareholders and external shareholders.

Performance shares awarded between 2006 and 2018, inclusive, are governed by performance share plan regulations, the conditions of which have changed since 2006.

The vesting of performance shares is dependent on:

- a performance condition based on the progress of the trading price of the share, in accordance with the seventh resolution approved by the Shareholders' Meeting of November 29, 2018;
- an employment condition in order to guarantee the long-term commitment of the grantees and their loyalty to the Company;
- a lock-up obligation for vested shares, subject to a decision by the Board of Directors, to strengthen the convergence between the interests of employee shareholders and those of external shareholders;
- stricter conditions for Corporate Directors.

Performance condition

Shares under plans up to 2014 for non-residents and 2015 for French residents have been fully delivered.

For the 2015 and 2016 plans, the performance condition is no longer applicable to employee grantees. A new performance condition was applied for Executive Corporate Officers (see Chapter 2, table 9, "History of performance share awards").

Starting from the 2017 plans: the vesting of shares and the number of shares vested are subject to a performance condition based on the annualized growth of the EssilorLuxottica share price over a period of between three and six years (from N+3 to N+6) from their award date.

At the time they are awarded, the Initial Reference Share Price (equal to the average of the 20 opening prices preceding the award date) is determined.

Three years after the award (N+3), an Average Share Price is calculated, equal to the average of the opening prices for the three months preceding the date of the third anniversary of the award.

If the increase between the Average Share Price and the Initial Reference Share Price is:

- **greater than 22.5%** (*i.e.*, annualized growth of 7%), all shares initially awarded will vest provided that the employment condition is met (see "Employment condition").

  Starting from the 2015 plans: Calculation formula: (Average Price/Initial Price)^(1/N)-1 where N is the number of years between the award and the performance measurement date. N = 3, then, if the performance condition is not achieved, 3.25 and so on up to a maximum of 6;
- **greater than or equal to 6.1% and less than 22.5%** (corresponding, respectively, to annualized growth [1] that is greater than or equal to 2% and less than 7%), only some of the shares initially awarded will vest provided that the employment condition is met (detailed in the Section "Employment condition");

(1) For plans from 2012 to 2014: Calculation method: (Average Price / Initial Price)^(1/N)-1 where N is the number of years between the award and the performance measurement date. N =2 then, if the performance condition is not achieved, 2.25 and so on up to a maximum of six.. For plans from 2015 to 2016 the performance condition has not been applicated. For plans from 2017: Calculation method: (Average Price / Initial Price)^(1/N)-1 where N is the number of years between the award and the performance measurement date. N =3 then, if the performance condition is not achieved, 3.25 and so on up to a maximum of six.

- **less than 6.1%** (*i.e.*, annualized growth of less than 2%), no shares will vest. In this case, a further performance assessment will be carried out three months later with annualized share price benchmarks of between 2% and 7%. This measurement of performance may be repeated until the sixth anniversary of the award date (N+6).

The first time that the annualized increase between the Average Share Price and the Initial Reference Share Price crosses the 2% threshold (as annualized growth) is when the number of shares vested is determined, even if the annualized increase subsequently rises. The more time that passes, the greater the minimum threshold (increase in the trading price) that must be achieved to receive a minimum number of EssilorLuxottica shares: 6.1% at N+3, 8.2% at N+4, etc., and 12.6% at N+6.

If, at the end of N+6, the minimum threshold of a 12.6% increase in the trading price has not been achieved, the plan becomes null and void and the employees will not receive any EssilorLuxottica shares.

Employment condition

For the plans from 2015 to May 2018, for French tax residents, the vesting of shares is contingent on the grantee still being employed in the Group on the date that the performance condition is met, which may occur between the third and the sixth anniversary of the award.

For non-French tax residents, the employment condition is set:

- on the fourth anniversary of the award if the achievement of the performance condition occurs between the third and fourth anniversary;
- on the date that the performance condition is met, if that day occurs after the fourth anniversary of the award.

This employment condition is waived in the event of the grantee's death, disability, redundancy or retirement.

Starting from the November 2018 plan, the vesting of shares is contingent on the grantee still being employed in the Group on the date that the performance condition is met, which may occur between the third and the sixth anniversary of the award.

This employment condition is waived in the event of the grantee's death, disability, economic redundancy or retirement of the beneficiary.

Lock-up condition

For the previous plans in effect as at the Combination Completion date, the Board established a lock-up obligation once the performance condition is met. French tax residents may sell the shares acquired no earlier than the fifth anniversary of the initial award. All shares acquired are only available to non-French tax residents after the fourth anniversary of their initial award.

For the plans introduced after the Combination Completion, in accordance with the seventh resolution approved by the Shareholders' Meeting of November 29, 2018, the Board of Director may impose a share lock-up obligation on grantees, it being specified that Executive Corporate Officers are required to hold a certain number of shares for the duration of their term of office. For the November 2018 plan, the Board decided not to impose a lock-up obligation.

For more information, please refer to Note 24 to the consolidated financial statements (see Section 3.4).

5.4.1.2 Outstanding rights to performance shares

Date of award	Number of rights awarded	Including corporate officers	Initial reference share price (useful for evaluating performance) (€)	Number of rights outstanding at December 31, 2018	Number of rights outstanding at January 31, 2019
December 2, 2015	1,251,533	35,000	121.32	737,197	736,487
December 18, 2015	91,620		121.32		
September 22, 2016	1,372,233	35,000	114.88	1,249,261	1,246,405
December 19, 2016	67,830		99.97	60,465	60,285
October 3, 2017	1,481,219	50,000	105.80	1,419,252	1,416,081
December 21, 2017	91,200		107.14	84,640	84,320
May 23, 2018[a]	316,638		114.62	300,528	299,889
November 29, 2018 R+NR	1,565,862	100,000	116.74	1,565,862	1,565,862
November 29, 2018 Collective	93,180		116.74	93,180	92,840
TOTAL	**6,331,315**	**220,000**		**5,510,385**	**5,502,169**

(a) Exceptional award for employee shareholders with the Company at May 23, 2018.

5.4.1.3 Board members' rights to performance shares

Position at December 31, 2018

	Employee members and corporate officers of the Board of Directors				
	Leonardo Del Vecchio	**Hubert Sagnières**	**Leonel Pereira Ascencao**	**Juliette Favre**	**Delphine Zablocki**
Rights to performance shares					
November 25, 2014		40,000			
• December 2, 2015		35,000	40	765	
• December 18, 2015			20	20	20
• September 22, 2016		35,000	42	770	28
• December 19, 2016			15	15	15
• October 3, 2017		50,000	45	1,025	31
• December 21, 2017			20	20	20
• May 23, 2018			9	9	9
• November 29, 2018	50,000	50,000	45	980	32
• November 29, 2018			20	20	20

5.4.2 Stock options

The position regarding stock options is presented below:

Information is provided only for those award plans for which options are currently outstanding.

	Before Combination [a] – Capital increase		
	As of December 31, 2018	**In 2018**	**In January 2019**
Options awarded [a]	728,196		
Options cancelled [a]	129,147	42,077	5,351
Options exercised [a]	241,334	25,215	240
Options remaining [a] [b]	357,715		352,124

(a) Plans from November 24, 2011 to October 3, 2017.

(b) i.e. 0.12% of the share capital at December 31, 2018.

	After Combination [a] – Delivery of treasury shares		
	As of December 31, 2018	**In 2018**	**In January 2019**
Options awarded [a]	133,203	133,203	
Options cancelled [a]			
Options exercised [a]			
Options remaining [a] [b]	133,203		133,203

(a) Plans from November 24, 2011 to November 29, 2018.

(b) i.e. 0.12% of the share capital at December 31, 2018.

Stock options exercisable at the Combination date, if exercised, trigger the issuance of new ordinary Company shares.

At December 31, 2018, the total number of shares that may be issued through the exercise of stock options was 490,918[1].

Stock options granted after the Combination date will be delivered through treasury shares.

The subscription price is equal to the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision to grant the options.

Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the value of the options granted.

(1) Corresponding to the remaining options before the Combination for 357,715 and to the remaining options after the Combination for 133,203.

Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares described in Section 5.2.5) and can be cancelled if the target is not met.

Date of award [a]	Number of options awarded	Subscription price [b] (€)	Number of shares outstanding at December 31, 2018	Number of shares outstanding at January 31, 2019
November 24, 2011	85,620	52.27		
November 27, 2012	81,760	71.35	10,915	10,915
November 25, 2013	87,880	77.29	22,578	22,338
November 25, 2014	121,505	87.16	59,800	59,800
December 02, 2015	100,023	121.32	73,300	71,960
September 22, 2016	119,392	114.88	81,094	79,461
October 3, 2017	132,016	105.80	110,028	107,650
November 29, 2018	133,203	116.74	133,203	133,203
TOTAL	**861,399**		**490,918**	**485,327**

(a) Plans prior to that of November 25, 2011 no longer have share subscription options outstanding.
(b) Starting from the November 29, 2018 plan, delivery of treasury shares.

5.4.3 Stock option awards and exercises during the year

Award and exercise:

- share subscription options;
- share purchase options;
- performance share rights;
- granted to Non-Corporate Directors and Officers.

	Total number	Average weighted price (€)	Expiration date	Related plans
Options granted during the 2018 fiscal year by the issuer and by any company included in the scope of award of options, to the ten employees of the issuer and of any company included in this scope, of which the number of options thus granted is the highest (overall information)	12,896	116.74	11/29/2025	11/29/2018
Rights to performance shares granted during the 2018 fiscal year by the issuer and by any company included in the scope of award of options, to the ten employees of the issuer and of any company included in this scope, of which the number of options thus granted is the highest (overall information)	191,752	114.62 114.76	5/23/2024 11/29/2024	5/23/2018 11/29/2018
Options held on the issuer and the companies referred to above, **exercised during the fiscal year 2018** by the ten employees of the issuer and of these companies, of which the number of options thus granted is the highest (overall information)	6,961	72.02		11/24/2011 11/27/2012 11/25/2013 11/25/2014

5.5 Dividend distribution policy

The Company pursues a balanced dividend policy aimed at ensuring the remuneration of its shareholders and the reinvestment of its earnings to further its development. Over the past 20 years, the Company has assured its shareholders a steadily increasing dividend representing an average of one third of its net income.

It is recalled that in accordance with the Internal Rules of the Board of Directors, the distribution of dividends, interim dividends, bonuses, reserves and/or any other distributions made by the Company, Luxottica or Essilor International, is decided in accordance with the financial forecasts and to the Company's business strategies, it being specified that, unless otherwise decided by the Board of Directors, the pay-out ratio on consolidated net income adjusted for purchase price allocation items (PPA) and, as the case may be, other items to be determined by the Board of Directors, should not exceed 50%.

2019 dividend in respect of fiscal year 2018

For the fiscal year 2018, the Board of Directors will recommend to the Extraordinary Shareholders' Meeting of May 16, 2019, a 33.3% increase in the net dividend to €2.04 per share from €1.53 per share for the previous year.

The recommended dividend represents 50% of the consolidated net income *pro forma* adjusted and reflects the Group's solid performance in 2018.

The dividend will be paid after May 16, 2019. It will be paid in cash.

History of the overall dividend distribution and growth

Total dividends for 2018 and the previous six years were as follows:

€ million	Net income Group share	Amount distributed	Pay out ratio	Net dividend *(€)*	Pay out date
2018	1,871 [c]	887 [a]	50% [c]	2.04 [a]	23/05/2019
2017	833	333	40%	1.53	04/30/2018
2016	813	325	40%	1.50	05/19/2017
2015	757	237	31%	1.11	06/08/2016
2014	642 [b]	216	34%	1.02	05/21/2015
2013	593	198	33%	0.94	05/27/2014
2012	584	185	32%	0.88	06/04/2013

(a) Based on treasury shares held at March 5, 2019 and subject to the decision of the Extraordinary Shareholders' Meeting of May 16, 2019.

(b) Adjusted to include non-recurring items related principally to the 2014 acquisition of Transitions Optical, Coastal.com and Costa.

(c) For 2018 the net income corresponds to the *pro forma* adjusted net income (see section 3.6 of the Registration Document) and the pay out ratio of 50% is based on this *pro forma* adjusted net income excluding the *pro forma* adjusted net income attributable to minority shareholders.

Dividends not claimed within five years will lapse, in accordance with the law.

Institution paying the Company's dividends

CACEIS Corporate Trust – 14, rue Rouget-de-Lisle – 92862 Issy-les-Moulineaux – France – Phone: +33 (1) 57 78 00 00.

5.6 Key stock market data

5

5.6.1 EssilorLuxottica shares

The EssilorLuxottica share trades on Euronext Paris – Euronext – Local stocks – Compartment A. Its ISIN and Euronext code is FR0000121667. The shares are eligible for the deferred settlement service (SRD).

The EssilorLuxottica share is included in the following indices: CAC 40, SBF 120, CAC All-Tradable, Euronext 100, EURO STOXX 50, STOXX All Europe 100, FTSEurofirst 300, MSCI World and MSCI Europe.

In 2018, EssilorLuxottica and Luxottica were both included in one of the main sustainable development indices, theFTSE4Good, published by the Financial Times and the London Stock Exchange (FTSE). EssilorLuxottica was also part of the following indices:

- DJSI World & Europe;
- Euronext Vigeo Europe120;
- STOXX Global ESG Leaders;
- MSCI World ESG & SRI and World Low Carbon Leader;
- Ethibel Excellence & Pioneer;
- ECPI Indices.

Finally, EssilorLuxottica is included in the Euronext FAS IAS Index launched by Euronext and the Fédération Française des Associations d'Actionnaires Salariés et d'Anciens Salariés (French Federation of Employee Shareholders — FAS). This index is composed of all stocks in the CAC All-Tradable Index with a significant employee shareholding: at least 3% of the share capital held by more than one-quarter of the employees in France. For more information about employee share ownership, please refer to Section 5.3.2.

The shares are freely transferable and cannot be jointly owned.

5.6.2 Key stock market data over ten years

(Source: Reuters, Bloomberg and Euronext)

	Share price (€)				
	Session High	Session Low	Closing price	Number of outstanding shares at December 31	Market capitalization at December 31 [a] (€ million)
2018	**129.55**	**105.35**	**110.45**	**426,777,218**	**23,780[b]**
2017	122.15	100.60	114.95	219,125,439	23,853
2016	124.55	93.41	107.35	218,507,701	22,242
2015	125.15	88.72	115.05	216,456,440	22,379
2014	93.26	70.51	92.68	215,892,528	17,942
2013	89.99	71.90	77.28	214,699,498	14,882
2012	78.24	54.50	76.02	214,724,040	14,578
2011	57.72	46.61	54.55	214,038,296	10,968
2010	51.17	40.84	48.18	211,655,342	9,741
2009	42.00	26.08	41.75	215,509,972	8,395

(a) Euronext definition used for the weighting of the CAC 40 index (source Euronext).

(b) As at 31 December 2018, Euronext had not revised the total number of shares stemming from December 2018 capital increases.

5.6.3 Share prices and trading volumes over the past 16 months

(Sources: Bloomberg, Reuters and Euronext Paris)

Stock markets: Euronext Paris, Turquoise, Bats Europe, Chi-x, Equiduct, London Stock Exchange, Acquis Exchange, XMIL, XWBO.

	Volume of transactions (millions of shares)	Volume of transactions, in capital (€ millions)	Market price (€)	
			In session Higher	In session Lower
2017				
October	26.56	2,761	109.30	100.60
November	20.17	2,160	109.80	104.95
December	21.28	2,404	116.65	105.95
2018				
January	19.67	2,221	115.30	109.70
February	18.37	1,993	115.10	105.35
March	22.09	2,446	115.65	105.50
April	15.54	1,745	114.45	108.75
May	14.92	1,739	120.25	112.45
June	16.17	1,932	122.15	116.70
July	19.77	2,432	127.60	118.25
August	13.55	1,688	126.85	122.00
September	16.83	2,068	129.05	118.85
October	23.42	2,813	129.55	113.30
November	26.10	2,981	123.20	107.15
December	30.51	3,372	114.55	108.05
2019				
January	25.64	2,856	112.85	108.95

5.7 Historical data

5.7.1 Breakdown of the share capital in 2017 and 2016

As of December 31, 2017	Number of shares	%	Number of voting rights	%
• Valoptec International FCPE	4,297,507	2.0%	8,586,552	3.7%
• Essilor group five-year and seven-year FCPE	4,646,379	2.1%	8,916,891	3.8%
• Funds reserved for employees outside France	963,184	0.4%	1,002,957	0.4%
• Pure registered shares or administered shares held by employees	8,051,069	3.7%	14,571,554	6.2%
• Pure registered shares or administered shares held by partners	344,240	0.2%	687,480	0.3%
Internal shareholding (Current, former and retired employees) and partner shareholding [(a)]	**18,302,379**	**8.4%**	**33,765,434**	**14.4%**
Treasury shares	**1,344,427**	**0.6%**		
Free float	**199,478,633**	**91.0%**	**200,934,319**	**85.6%**
TOTAL	**219,125,439**	**100%**	**234,699,753**	**100%**

(a) Partner shareholding designates the portion of Essilor International shares held by employees, managers, and any former employees and former managers of the companies in which Essilor International held an interest that was thereafter fully divested.

As of December 31, 2016	Number of shares	%	Number of voting rights	%
• Valoptec International FCPE	4,521,311	2.1%	9,042,622	3.9%
• Essilor group five-year and seven-year FCPE	4,699,413	2.1%	8,982,303	3.9%
• Funds reserved for employees outside France	841,032	0.4%	884,900	0.3%
• Pure registered shares or administered shares held by employees	7,891,968	3.6%	14,153,454	6.1%
• Pure registered shares or administered shares held by partners	344,240	0.2%	687,480	0.3%
Internal shareholding (Current, former and retired employees) and partner shareholding [(a)]	**18,297,964**	**8.4%**	**33,750,759**	**14.5%**
Treasury shares	**2,046,140**	**0.9%**		
Free float	**198,163,597**	**90.7%**	**199,410,478**	**85.5%**
TOTAL	**218,507,701**	**100%**	**233,161,237**	**100%**

(a) Partner shareholding designates the portion of Essilor International shares held by employees, managers, and any former employees and former managers of the companies in which Essilor International held an interest that was thereafter fully divested.

5.7.2 History of the share capital

Change in the share capital over the last five years *€ thousands*	Number of shares	Nominal	Issue premium	Successive amounts of nominal capital	Total number of Company shares
SHARE CAPITAL AT DECEMBER 31, 2013				**38,646**	**214,699,498**
Share subscription reserved for the Essilor group FCPEs	337,182	61	23,451	38,707	215,036,680
Exercise of subscription option	855,848	154	34,840	38,861	215,892,528
Cancellation of treasury shares				38,861	215,892,528
Incorporation of reserves for capital increase				38,861	215,892,528
SHARE CAPITAL AT DECEMBER 31, 2014				**38,861**	**215,892,528**
Share subscription reserved for the Essilor group FCPEs	257,057	46	24,901	38,907	216,149,585
Exercise of subscription option	306,855	55	14,531	38,962	216,456,440
Cancellation of treasury shares				38,962	216,456,440
Incorporation of reserves for capital increase				38,962	216,456,440
SHARE CAPITAL AT DECEMBER 31, 2015				**38,962**	**216,456,440**
Dividend payment in shares	1,578,804	284	157,722	39,246	218,035,244
Share subscription reserved for the Essilor group FCPEs	331,945	60	26,489	39,306	218,367,189
Exercise of subscription option	140,512	25	6,944	39,331	218,507,701
Cancellation of treasury shares				39,331	218,507,701
Incorporation of reserves for capital increase				39,331	218,507,701
SHARE CAPITAL AT DECEMBER 31, 2016				**39,331**	**218,507,701**
Essilor group's International Employee Shareholding Plan or any equivalent local plan	173,629	31	8,947	39,363	218,681,330
Share subscription reserved for the Essilor group FCPEs	313,561	56	26,819	39,419	218,994,891
Exercise of subscription option	130,548	24	8,827	39,443	219,125,439
Cancellation of treasury shares				39,443	219,125,439
Incorporation of reserves for capital increase				39,443	219,125,439
SHARE CAPITAL AT DECEMBER 31, 2017				**39,443**	**219,125,439**
Delfin contribution	139,703,301	25,147	13,148,696	64,591	358,840,870
Recognition of completion of the mandatory exchange offer	66,329,548	11,939	7,166,725 [(a)]	76,529	425,158,288
Delivery of performance shares plans	1,308,339	236		76,764	436,466,627
Share subscription reserved for the Essilor group FCPEs	277,926	50	25,906	76,814	426,744,553
Exercise of subscription option	32,665	6	2,515	76,820	426,777,218
Cancellation of treasury shares				76,820	426,777,218
Incorporation of reserves for capital increase				76,820	426,777,218
SHARE CAPITAL AT DECEMBER 31, 2018				**76,820**	**426,777,218**

(a) The gross amount of the issue premium related to the completion of the mandatory exchange offer amounts to 7,188,133 keuros before deduction of 22 millions € corresponding to the total amount of transaction costs associated to this operation (see section 3.10 Notes to the annual financial statements of this Registration Document).

5.7.3 History of awards of stock subscription options and rights to performance shares

Plan	11/24/2011	11/27/2012	11/25/2013
Date of Shareholders' Meeting	May 11, 2010	May 11, 2012	May 11, 2012
Date of Board of Directors Meeting	24 novembre 2011	27 novembre 2012	25 novembre 2013
Type of plan	Capped share subscription option plan performance [a]	Capped performance share subscription option plan [a]	Capped performance share subscription option plan [a]
Total number of shares that can be subscribed or bought	Maximum 85,620	Maximum 81,760	Maximum 87,880
By the corporate directors and officers		-	-
• Hubert Sagnières	-	-	-
• Laurent Vacherot		-	
By the top 10 employee beneficiaries	28,300	32,900	34,350
Starting point for the exercise of options	November 25, 2013 [c]	November 27, 2014 [d]	November 25, 2015 [e]
Date of end of plan	November 24, 2018	November 27, 2019	November 25, 2020
Price of subscription or purchase *(€)*	52,27	71,35	77,29
Number of beneficiaries	232	216	248
Exercise procedures [b]	Non-residents and residents: prohibition on exercise until completion of performance. Then, 50% in the third year and the balance in the following years. Cancellation possible.	Non-residents and residents: prohibition on exercise until completion of performance. Then, 50% in the third year and the balance in the following years. Cancellation possible.	Non-residents and residents: prohibition on exercise until completion of performance. Then, 50% in the third year and the balance in the following years. Cancellation possible.
Number of shares subscribed at December 31, 2018	72,158	63,500	59,859
Subscription options or rights to performance shares cancelled	13,462	7,345	5,443
Subscription options or rights to performance shares remaining	-	10,915	22,578

(a) Capped performance plan. The capped performance plans are subject to an additional market performance condition (like performance shares) and may be canceled if the condition is not reached.

(b) The vesting of stock subscription options is subject to a performance condition based on the annualized growth of Essilor's share price. A second performance condition applies specifically to the executive corporate officers: the number of vested options may be reduced if the average rate of accomplishment of their variable remuneration objectives is less than 100%.

(c) The options may be awarded when the calculated annualized average is 2% greater than the price of €52.27.

(d) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €71.35. For non-residents, the shares may be awarded no earlier than November 27, 2016.

(e) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €77.29. For non-residents, the shares may be awarded no earlier than November 25, 2017.

Plan	11/25/2014	11/25/2014	12/19/2014
Date of Shareholders' Meeting	May 11, 2012	May 11, 2012	May 11, 2012
Date of Board of Directors Meeting	November 25, 2014	November 25, 2014	November 25, 2014
Type of plan	Capped performance share subscription option plan [a]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or bought	Maximum 121,505	Maximum 1,448,464	Maximum 96,440
By the corporate directors and officers		40,000	-
• Hubert Sagnières		40,000	-
• Laurent Vacherot	-	-	-
By the top 10 employee beneficiaries	59,900	238,600	200
Starting point for the exercise of options	November 25, 2016 [c]	November 25, 2016 [d]	December 19, 2016 [e]
Date of end of plan	November 25, 2021	November 25, 2020 or 2022	December 19, 2022 or 2022
Price of subscription or purchase *(€)*	87.16	NS [b]	NS [b]
Number of beneficiaries	256	6,410	4,822
Exercise procedures	Non-residents and residents: prohibition on exercise until completion of performance. Then, 50% in the third year and the balance in the following years. Cancellation possible.	Non-residents: award subject to performance. Cancellation possible. 50% saleable on award, 50% blocked until November 25, 2020 or 2022 depending on the vesting date of award. Residents: award subject to performance. Cancellation possible. Saleable starting November 25, 2020 or 2022 depending on the vesting date of award.	Non-residents: award subject to performance. Cancellation possible. 50% saleable on award, 50% blocked until December 19, 2020 or 2022 depending on the vesting date of award. Residents: award subject to performance. Cancellation possible. Saleable starting December 19, 2020 or 2022 depending on the vesting date of award.
Number of shares subscribed at December 31, 2018	45,817	1,337,985	85,720
Subscription options or rights to performance shares cancelled	15,888	110,479	10,720
Subscription options or rights to performance shares remaining	59,800	-	-

(a) Capped performance plan. The capped performance plans are subject to an additional market performance condition (like performance shares) and may be cancelled if the condition is not reached.

(b) If the performance shares are awarded, they will be produced and taken from the treasury shares held by the Company.

(c) The options may be awarded when the calculated annualized average is 2% greater than the price of €87.16.

(d) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €87.16. For non-residents, the shares may be awarded no earlier than November 25, 2018.

(e) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €87.16. For non-residents, the shares may be awarded no earlier than December 19, 2018.

Plan	12/02/2015	12/02/2015	12/18/2015
Date of Shareholders' Meeting	May 5, 2015	May 5, 2015	May 5, 2015
Date of Board of Directors Meeting	December 2, 2015	December 2, 2015	December 18, 2015
Type of plan	Capped performance share subscription option plan [a]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or bought	Maximum 100,023	Maximum 1,251,533	Maximum 91,620
By the corporate directors and officers		35,000	
• Hubert Sagnières	-	35,000	-
• Laurent Vacherot	-	-	-
By the top 10 employee beneficiaries	43,549	181,170	100
Starting point for the exercise of options	December 2, 2018	December 2, 2018	December 18, 2018
Date of end of plan	December 2, 2022	December 2, 2020 or 2023	December 18, 2020 or 2023
Price of subscription or purchase *(€)*	121.32	NS [b]	NS [b]
Number of beneficiaries	283	6,744	4,581
Exercise procedures	Résidents : not applicable on this plan. Non-résidents: subject to employment conditions: 100% after 3 years. Then, maximum 100% in the fourth year. Cancellation possible.	Non-residents: award subject only to employment conditions. 100% saleable on award on December 2, 2019. Residents: award subject only to employment conditions. 100% saleable on award on December 2, 2020.	No non-residents in this plan. Residents: award subject only to employment conditions. 100% saleable for registered shares starting on December 18, 2020, for registred shares starting on December 18, for the French Purchase Plan 2023 or 2025.
Number of shares subscribed at December 31, 2018		396,290	79,680
Subscription options or rights to performance shares cancelled	26,723	118,046	11,940
Subscription options or rights to performance shares remaining	73,300	737,197	

(a) Capped performance plan. The 2015 capped performance plans are no longer subject to performance conditions.

(b) If performance shares are awarded, they will be issued through a capital increase.

Plan	09/22/2016	09/22/2016	12/19/2016
Date of Shareholders' Meeting	May 5, 2015	May 5, 2015	May 5, 2015
Date of Board of Directors Meeting	September 22, 2016	September 22, 2016	December 6, 2016
Type of plan	Capped performance share subscription option plan [(a)]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or bought	Maximum 119,392	Maximum 1,372,233	Maximum 67,830
By the corporate directors and officers		67,005	15
• Hubert Sagnières		35,000	
• Laurent Vacherot		32,005	15
By the top 10 employee beneficiaries	24,281	169,932	75
Starting point for the exercise of options	September 22, 2019	September 22, 2019	December 19, 2019
Date of end of plan	September 22, 2023	September 22, 2022	December 19, 2022
Price of subscription or purchase *(€)*	114.88	NS [(b)]	NS [(b)]
Number of beneficiaries	810	11,227	4,523
Exercise procedures	Résidents: not applicable on this plan Non-résidents: subject to employment conditions: 100% after 3 years. Then, maximum 100% in the fourth year. Cancellation possible.	Non-residents: award subject only to employment conditions. Cancellation possible. 100% saleable on award on September 22, 2020. Residents: award subject only to 100% saleable on award on September 22, 2021.	No non-residents in this plan. Residents: award subject only to employment conditions. 100% saleable for registered shares starting on December 19, 2021, for registered shares starting on December 19, for the French Purchase Plan 2024 or 2026.
Number of shares subscribed at December 31, 2018		1,947 [(c)]	915 [(c)]
Subscription options or rights to performance shares cancelled	38,298	121,025	6,450
Subscription options or rights to performance shares remaining	81,094	1,249,261	60,465

(a) Capped performance plan. The 2016 capped performance plans are no longer subject to performance conditions.

(b) If performance shares are awarded, they will be issued through a capital increase.

(c) Shares become fully vested in the event of death or disability and are issued through a capital increase.

Plan	10/03/2017	10/03/2017	12/21/2017
Date of Shareholders' Meeting	May 5, 2015	May 5, 2015	May 5, 2015
Date of Board of Directors Meeting	October 3, 2017	October 3, 2017	December 6, 2017
Type of plan	Capped performance share subscription option plan [a]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or bought	Maximum 132,016	Maximum 1,481,219	Maximum 91,200
By the corporate directors and officers		82,045	
• Hubert Sagnières		50,000	
• Laurent Vacherot		32,045	
By the top 10 employee beneficiaries	23,583	151,604	60
Starting point for the exercise of options	October 3, 2020 [c]	October 3, 2020 [d]	December 21, 2020 [e]
Date of end of plan	October 3, 2024	October 3, 2023	December 21, 2023
Price of subscription or purchase *(€)*	105.8	NS [b]	NS [b]
Number of beneficiaries	786	12,112	4,560
Exercise procedures	Non-residents and residents: subject to employment conditions: maximum 100% in the fourth year. Cancellation possible.	Non-residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable on award on October 3, 2021. Residents: award subject to performance. Cancellation possible. 100% saleable starting on October 3, 2022 depending on the vesting date.	No non-residents in this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable starting on December 21, 2022, for registered shares starting on December 21, 2025 or 2027 depending on the vesting date.
Number of shares subscribed at December 31, 2018	-	2,486 [f]	1,040 [f]
Subscription options or rights to performance shares cancelled	21,988	59,481	5,520
Subscription options or rights to performance shares remaining	110,028	1,419,252	84,640

(a) Capped performance plan. The capped performance plans are subject to an additional market performance condition (like performance shares) and may be cancelled if the condition is not reached.

(b) If performance shares are awarded, they will be issued through a capital increase.

(c) The options may be awarded when the calculated annualized average is 2% greater than the price of €105.80.

(d) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €105.80. For non-residents, the shares may be awarded no earlier than October 3, 2021.

(e) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €107.14.

(f) If performance shares are awarded, they will be issued through a capital increase.

Plan	05/23/2018	11/29/2018	11/29/2018	11/29/2018
Date of Shareholders' Meeting	May 23, 2018	November 29, 2018	November 29, 2018	November 29, 2018
Date of Board of Directors Meeting	May 23, 2018	November 29, 2018	November 29, 2018	November 29, 2018
Type of plan	Rights to exceptional-performance shares	Capped performance share subscription option plan [a]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or bought	Maximum 316,638	Maximum 133,203	Maximum 1,565,862	Maximum 93,180
By the corporate directors and officers	-	-	100,000	
• Hubert Sagnières			50,000	
• Leonardo Del Vecchio			50,000	
By the top 10 employee beneficiaries	72	12,896	166,580	100
Starting point for the exercise of options	May 23, 2021 [f]	November 29, 2021 [d]	November 29, 2021 [e]	November 29, 2021 [e]
Date of end of plan	May 23, 2024	November 29, 2025	November 29, 2024	November 29, 2024
Price of subscription or purchase (€)	NS [b]	116,74	NS [c]	NS [c]
Number of beneficiaries	35,182	789	13,379	4,659
Exercise procedures	Non-residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable on award on May 23, 2021. Residents: award subject to performance. Cancellation possible. 100% can be sold from May 23, 2022 depending on the vesting date.	Non-residents and residents: subject to employment conditions: maximum 100% in the fourth year. Cancellation possible.	Non-residents and residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable on award on November 29, 2021.	No non-residents in this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% of registered shares can be sold from November 29, 2021, and 100% of PEE shares can be sold from November 29, 2026 or 2028 depending on the vesting date.
Number of shares subscribed at December 31, 2018	369 [g]	-	-	-
Subscription options or rights to performance shares cancelled	15,741	-	-	-
Subscription options or rights to performance shares remaining	300,528	133,203	1,565,862	93,180

(a) Capped performance plan. The capped performance plans are subject to an additional market performance condition (like performance shares) and may be cancelled if the condition is not reached.

(b) If performance shares are awarded, they will be issued through a capital increase.

(c) If the performance shares are awarded, they will be produced and taken from the treasury shares held by the Company.

(d) The options may be awarded when the calculated annualized average is 2% greater than the price of €116.74.

(e) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €116.74.

(f) The shares may be awarded to residents when the calculated annualized average is 2% greater than the price of €114.62.

(g) Shares become fully vested in the event of death or disability and are issued through a capital increase.



OAKLEY

Daniel Norris / Baseball

CHAPTER
6

ADDITIONAL INFORMATION ON THE REGISTRATION DOCUMENT

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IN BRIEF

Company name

The Company's name is EssilorLuxottica, hereinafter the "Company" or the "Group".

Market-related information

Unless otherwise stated:

- information on market positions is based on volumes sold;
- marketing information relating to the market and the ophthalmic industry or EssilorLuxottica's positions comes from EssilorLuxottica and from internal assessments and studies, which may be based on external market surveys.

Third-party information

When information comes from a third-party, it has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by such third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Persons responsible

Leonardo Del Vecchio

Executive Chairman

Hubert Sagnières,

Executive Vice-Chairman and Chief Executive Officer

Statutory Auditors

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine

Mazars

61, rue Henri-Regnault

92075 Paris-La Défense Cedex

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6.1 Persons responsible

6.1.1 Persons responsible for the Registration Document

Leonardo Del Vecchio, Executive Chairman, and Hubert Sagnières, Executive Vice-Chairman and and Chief Executive Officer, are the persons responsible for the information given in the Registration Document.

6.1.2 Statement by the persons responsible for the Registration Document

We declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to our knowledge, in accordance with the facts and contains no omission that might affect its significance.

We declare that, to our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and earnings of the Company (as well as those of the companies forming part of the consolidated group). The information presented in Management Report, which is detailed in the concordance table in paragraph 6.4.3. presents fairly the changes in business, results and financial position of the Company and the consolidated group, as well as a description of their principal risks and contingencies.

We have obtained a letter from the Auditors stating that they have completed their assignment which included verifying the information bearing on the financial situation and historical accounts presented in this reference document, and that they have read the entire reference document.

Paris, April 9, 2019

Leonardo Del Vecchio **Hubert Sagnières**

6.2 Statutory Auditors

6.2.1 Incumbent and alternate Statutory Auditors

Incumbent

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine

First appointed: tuesday, June 14, 1983.

Reappointed by the Shareholders' Meeting of May 16, 2013 for a term of six years.

PricewaterhouseCoopers Audit is represented by Olivier Lotz and Cédric Gal (registered members of the *Compagnie Régionale des Commissaires aux comptes de Versailles*).

The Alternate Auditor for PricewaterhouseCoopers Audit is Étienne Boris (registered member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*).

Mazars

61, rue Henri-Regnault

92075 Paris-La Défense Cedex

First appointed: May 11, 2007.

Reappointed by the Shareholders' Meeting of May 16, 2013 for a term of six years.

Mazars is represented by Daniel Escudeiro and Jean-Luc Barlet (registered members of the *Compagnie Régionale des Commissaires aux comptes de Versailles*).

The Alternate Auditor for Mazars is Jean-Louis Simon (registered member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*).

6.2.2 Resignation or non-renewal

No auditors resigned in 2018.

The Company's Shareholders' Meeting of May 16, 2019 will be asked to renew the term of office of PricewaterhouseCoopers and Mazars as statutory auditors, for a legal period of six years, *i.e.*: until the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2024.

6.3 Publicly available documents

The bylaws and other corporate documents are available for consultation at the Company's registered office (147, rue de Paris – 94220 Charenton-le-Pont – France).

Paper copies of the last three years' Registration Documents and Annual Reports are available on request from the Investor Relations & Financial Communications Department at the Company's registered office. The printed versions of the Registration Document and the 2018 Annual Report, or a copy of those documents, will be available at the Shareholders' Meeting called to approve the financial statements for the fiscal year, to be held on May 16, 2019.

EssilorLuxottica regularly provides its shareholders with transparent, accessible information about the Group, its activities and its financial results via a large range of resources.

Information published by the Company in the past year

Documents published in the BALO may be viewed at http://balo. journal-officiel.gouv.fr/

The Group's website www.essilorluxottica.com also contains the following public information.

Regulatory information as defined by the *Autorité des Marchés Financiers* (AMF):

- AMF filings that are required to be published on the Company website;
- analyst presentations and webcasts of analyst meetings, when available;
- financial press releases and, when available, audio webcasts of conference calls;
- Annual Reports and Registration Documents (containing historical financial information about the Company) for the last five years;
- information on Shareholders' Meetings, including notices of meeting, draft resolutions, instructions on how to attend meetings and the results of voting on resolutions;
- information on sustainable development.

6.4 Cross-reference tables

6.4.1 Registration Document

The following regulated information described in Article 221-1 of the AMF's General Regulations is provided in this document:

- the Annual Financial Report;
- the information concerning Auditors' fees;
- the description of the share buyback program;

The cross-reference table below identifies the main information provided for in Appendix 1 of European Commission Regulation 809/2004/EC.

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5	**Information about the Company**		
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5.1.2	Place of registration and registration number	page 411	Section 5.1
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5.1.5	Important events in the development of the Company's business	pages 5 and 10	Sections 1.1 and 1.2
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6	**Business Overview**		
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6.3	Exceptional factors	pages 39, 43 and 48	§ 1.7.1, § 1.7.3.2 and § 1.7.4
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6.5	Competitive position	pages 20 and 27	§ 1.5.1.3.1 and § 1.5.1.4.1
7	**Organizational Structure**		
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8.2	Environmental issues	page 295	Section 4
9	**Operating and Financial Review**		
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10	**Liquidity and Capital Resources**		
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10.3	Information on borrowing requirements and funding structure	page 222	Section 3.4 Note 22
10.4	Restrictions on the use of capital resources		N/A
10.5	Anticipated sources of funds		N/A
11	**Research and development, patents and licenses**	**pages 25 and 30**	**§ 1.5.1.3.3. and § 1.5.2.2.2**
12	**Trend Information**	**pages 168 and 242**	**Section 3.2 and 3.4 Note 34**
13	**Profit Forecasts or Estimates**		**N/A**
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15	**Compensation and Benefits**		
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16	**Management and Governance Practices**		
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16.2	Information about the service contracts of members of the management and governance bodies: absence of service contracts	pages 73 and 79	§ 2.1.1.3 and § 2.1.1.4
16.3	Information about the Audit and Risk Committee and the Executive Officers and Remuneration Committee	page 88	§ 2.1.2.6
16.4	Compliance by the Company with France's corporate governance system	page 136	Section 2.4
17	**Employees**		
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17.2	Ownership interest and stock options	page 425	§ 5.4.2
17.3	Agreement providing for employee participation in the issuer's share capital	pages 97, 331 and 422	§ 2.2.3, § 4.2.4.4 and Section 5.4
18	**Major shareholders**		
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18.4	Arrangements resulting in a change in control of the Company and shareholders' pacts	page 100	§ 2.2.4.7
19	**Related Party Transactions**	**page 239**	**Section 3.4 Note 31**
20	**Financial Information Concerning the Company's Assets and Liabilities, Financial Position and Profits and Losses**		
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20.4.1	Statements by legal Auditors and fees paid to the Statutory Auditors and the members of their networks by the Group	pages 247, 267 and 290	Sections 3.5, 3.8 and 3.12

20.4.2	Scope of audited information	pages 247 and 290	Sections 3.5 and 3.12
20.4.3	Unaudited financial information		N/A
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20.6	Interim and other financial information		
20.6.1	Quarterly and half-yearly financial information		N/A
20.6.2	Interim financial information covering the first six months of the following fiscal year		N/A
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20.8	Legal and arbitration proceedings	page 59	§ 1.8.3
20.9	Material changes in Essilor's financial or trading position	page 242	Section 3.4 Note 34
21	**Additional Information**		
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22	**Material Contracts**	**pages 11, 26 and 33**	**§ 1.2.1, § 1.5.1.3.3 and § 1.5.2.4**
23	**Third-Party Information, Statements by Experts and Declarations of Any Interest**		
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23.2	Information from a third-party	page 440	In brief, Section 6
24	**Public Documents**	**page 443**	**Section 6.3**
25	**Information on Holdings**	**page 243**	**Section 3.4 Appendix 2**

6.4.2 Annual Financial Report

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Financial Information for the year and profit allocation	pages 39 and 163	Sections 1.7 and 3.1
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(1) As per the Article L.232-23 of the Code of Commerce.

Design and production: côtécorp.
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