

# BASE PROSPECTUS

## **Luxottica Group S.p.A.**

*(incorporated with limited liability in the Republic of Italy)*

**€2,000,000,000**

### **Euro Medium Term Note Programme**

**unconditionally and irrevocably guaranteed by**

## **Luxottica U.S. Holdings Corp.**

*(incorporated as a corporation under the laws of the State of Delaware)*

**and**

## **Luxottica S.r.l.**

*(incorporated with limited liability in the Republic of Italy)*

Under this €2,000,000,000 Euro Medium Term Note Programme (the **Programme**), Luxottica Group S.p.A. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed on a joint and several basis by Luxottica U.S. Holdings Corp. and Luxottica S.r.l. (together the **Guarantors** and each a **Guarantor**). The guarantees given by the Guarantors will be subject to contractual and legal limitations (see "*Risk Factors – The Guarantees may be limited by applicable laws or subject to certain defences that may limit their validity and enforceability*").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on Base Prospectuses for securities, as amended (the **Prospectus Act 2005**), to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been

admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The requirement to publish a Prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantors and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Programme has been rated BBB+ by Standard & Poor's Credit Market Services France SAS (**S&P**). S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger**

**UniCredit Bank**

**Dealers**

**Banca IMI S.p.A.**

**BNP PARIBAS**

**Citigroup Global Markets Limited**

**Crédit Agricole Corporate and Investment Bank**

**Deutsche Bank**

**J.P.Morgan Securities plc**

**Mediobanca – Banca di Credito Finanziario  
S.p.A.**

**Merrill Lynch International**

**The Royal Bank of Scotland**

**UniCredit Bank**

The date of this Base Prospectus is 10 May 2013

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**).

The Issuer accepts responsibility for all the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and each of the Guarantors accepts responsibility for the information relating to itself contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and in respect of the information relating to itself only, each of the Guarantors (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

Neither the Dealers nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantors in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantors in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantors or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantors, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantors. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantors, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantors during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantors, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantors, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and the Republic of Italy) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a Prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a Prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Base Prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor does any of them authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a Base Prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

## **PRESENTATION OF INFORMATION**

In this Base Prospectus, all references to:

- **U.S. dollars, U.S.\$ and \$** refer to currency of the United States of America; and
- **Euro, euro and €** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Issuer's business contained in this prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data taken from other external sources and on the Issuer's knowledge of its sales and markets. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market related analyses and estimates, requiring the Issuer to rely on internally developed estimates. While the Issuer has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, it has not independently verified that data. The Issuer gives no assurance regarding the accuracy and completeness of, and takes no responsibility for, such data. The Issuer and the Original Guarantors confirm that such information has been accurately reproduced and that, so far as the Issuer and the Original Guarantors are aware and, having made all reasonable enquiries, are able to ascertain from information available from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading in any material respect. Similarly, while the Issuer believes its internal estimates to be reasonable, they have not been verified by any independent sources and the Issuer gives no assurance as to their accuracy.

## CONTENTS

Clause	Page
Overview of the Programme .....	7
Risk Factors.....	12
Documents Incorporated by Reference.....	26
Form of the Notes.....	31
Applicable Final Terms .....	33
Terms and Conditions of the Notes .....	44
Use of Proceeds.....	76
Description of the Issuer .....	77
Description of the Original Guarantors.....	86
Description of the Group .....	90
Taxation .....	120
Subscription and Sale .....	128
General Information .....	131

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.*

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Luxottica Group S.p.A.
Guarantors:	Luxottica U.S. Holdings Corp. and Luxottica S.r.l.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " below. There are also certain factors that may affect the Guarantors' ability to fulfil their obligations under the Guarantee. These are also set out under " <i>Risk Factors</i> " below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	UniCredit Bank AG
Dealers:	Banca IMI S.p.A. BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch J.P.Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International The Royal Bank of Scotland plc UniCredit Bank AG

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") including the following restrictions applicable at the date of this Base Prospectus.
<b>Notes having a maturity of less than one year</b>	
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see " <i>Subscription and Sale</i> ".
Trustee:	BNP Paribas Trust Corporation UK Limited
Issuing and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch
Programme Size:	Up to €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer and as stated in the applicable Final Terms.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in " <i>Form of the Notes</i> ".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day



Count Fraction as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer and specified in the applicable Final Terms.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest, in each case as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions - Notes having a maturity of less than one year*" above.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant

central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions - Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantors will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted. Notwithstanding any other provision in the Conditions, all payments in respect of the Notes by or on behalf of the Issuer or a Guarantor shall be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement). Any such amounts withheld or deducted will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 3.1.

Cross Default:

The terms of the Notes will contain a cross default provision as further described in Condition 9.1(c).

Status of the Notes:

The Notes will constitute direct, unconditional and (subject to the provisions of Condition 3.1) unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, but, in the event of insolvency, only to the extent permitted by applicable law relating to creditors' right.

Guarantees:

The Notes will be unconditionally and irrevocably guaranteed by the Guarantors. The obligations of each Guarantor under the relevant Guarantee will be direct, unconditional and (subject to the provisions of Condition 3.1) unsecured obligations of such Guarantors and will rank *pari passu* without preference among themselves and equally with all other unsecured and unsubordinated obligations of such Guarantor, from time to time outstanding, but, in the event of insolvency, only to the extent permitted by applicable law relating to creditors' right.

Rating:

The Programme has been rated BBB+ by S&P. Series of Notes

issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Approval, Admission to Trading and Listing:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. Condition 14 and the provisions of the Trust Deed concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and the Republic of Italy), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer and the Guarantors may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer and the Guarantors becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantors may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantors' control. The Issuer and the Guarantors have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ABILITY OF THE ISSUER AND EACH OF THE GUARANTORS TO FULFIL THEIR OBLIGATIONS UNDER, RESPECTIVELY, THE NOTES AND THE GUARANTEES**

Please note that the following risk factors affect the Issuer and each of the Guarantors as they form part of the same Group and operate in the same business and industry.

***Current economic conditions may adversely impact demand for the Group's products, reduce access to credit and cause its customers and others with which it does business to suffer financial hardship, all of which could reduce sales and in turn adversely impact the Group's business, results of operations, financial condition and cash flows.***

The Group's operations and performance depend significantly on worldwide economic conditions. Uncertainty about current global economic conditions poses a risk to the Group's business as 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 the Group's products and services. Discretionary spending is 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 the Group's 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, the Group's business, results of operations, financial condition and cash flows could be materially adversely affected.

In the event of renewed 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 new or incremental tightening of the credit markets, decreased liquidity and extreme volatility in fixed income, credit, currency and equity markets. In addition, the credit crisis could continue to have material adverse effects on the Group's business, including the inability of customers of the Group's wholesale distribution business to obtain credit to finance purchases of the Group's products, restructurings, bankruptcies, liquidations and other unfavourable events for the Group's consumers, customers, vendors, suppliers, logistics providers, other service providers and the financial institutions that are counterparties to the Group's credit facilities and other derivative transactions. The likelihood that such third parties will be unable to overcome such unfavourable events if these financial difficulties continue may increase. If the third

parties on which the Group relies for goods and services or the Group's wholesale customers are unable to overcome financial difficulties resulting from the deterioration of the worldwide economic conditions or if the counterparties to the Group's credit facilities or the Group's derivative transactions do not perform their obligations, the Group's business, results of operations, financial condition and cash flows could be materially adversely affected.

***If the Group is not successful in completing and integrating strategic acquisitions to expand or complement its business, its future profitability and growth will be at risk.***

As part of the Group's growth strategy, it has made, and may continue to make, strategic business acquisitions to expand or complement the Group's business. The Group's acquisition activities, however, can be disrupted by overtures from competitors for the targeted candidates, governmental regulation and rapid developments in the Group's industry. The Group 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) the lack of success by the acquired business in its markets; (iv) the loss of key employees of the acquired business; (v) a decrease in the focus of senior management on the Group's operations; (vi) difficulty integrating human resources systems, operating systems, inventory management systems and assortment planning systems of the acquired business with the Group's systems; (vii) the cultural differences between the Group's organisation 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 the Group fails to timely recognise or address these matters or to devote adequate resources to them, it may fail to achieve its growth strategy or otherwise realise the intended benefits of any acquisition. Even if the Group is able to integrate its business operations successfully, the integration may not result in the realisation 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.

***If the Group is unable to successfully introduce new products and develop its brands, its future sales and operating performance will suffer.***

The mid- and premium-price categories of the prescription frame and sunglasses markets in which the Group competes are particularly vulnerable to changes in fashion trends and consumer preferences. The Group's historical success is attributable, in part, to its introduction of innovative products which are perceived to represent an improvement over products otherwise available in the market and the Group's ability to develop brands, especially the Group's Ray-Ban and Oakley proprietary brands. The Group's future success will depend on its continued ability to develop and introduce such innovative products and continued success in building the Group's brands. If the Group is unable to continue to do so, its 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 the Group's results of operations.

***If the Group fails to maintain an efficient distribution network in its highly competitive markets, its business, results of operations and financial condition could suffer.***

The mid- and premium-price categories of the prescription frame and sunglasses markets in which the Group operates are highly competitive. The Group believes that, in addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, the Group's ability to remain competitive is highly dependent on its success in maintaining an efficient distribution network. If the Group is unable to maintain an efficient distribution network, its sales may decline due to the inability to timely deliver products to customers and the Group's profitability may decline due to an increase in its per unit distribution costs in the affected regions, which may have a material adverse impact on the Group's business, results of operations and financial condition.

***If the Group is unable to achieve and manage growth, operating margins will be reduced as a result of decreased efficiency of distribution.***

In order to achieve and manage the Group's growth effectively, the Group is required to increase and streamline production and implement manufacturing efficiencies where possible, while maintaining strict quality control and the ability to deliver products to its customers in a timely and efficient manner. The Group must also continuously develop new product designs and features, expand its information systems and operations, and train and manage an increasing number of management level and other employees. If the Group is unable to manage these matters effectively, its distribution process could be adversely affected and the Group could lose market share in affected regions, which could materially adversely affect the Group's business prospects.

***If the Group does not correctly predict future economic conditions and changes in consumer preferences, its sales of premium products and profitability will suffer.***

The fashion and consumer products industries in which the Group operates are cyclical. Downturns in general economic conditions or uncertainties regarding future economic prospects, which affect consumer disposable income, have historically adversely affected consumer spending habits in the Group's principal markets and thus made the growth in sales and profitability of premium-priced product categories difficult during such downturns. Therefore, future economic downturns or uncertainties could have a material adverse effect on the Group's business, results of operations and financial condition, including sales of the Group's designer and other premium brands.

The industry is also subject to rapidly changing consumer preferences and future sales may suffer if the fashion and consumer products industries do not continue to grow or if consumer preferences shift away from the Group's products. Changes in fashion could also affect the popularity and, therefore, the value of the fashion licences granted to it by designers. Any event or circumstance resulting in reduced market acceptance of one or more of these designers could reduce the Group's sales and the value of its models from that designer. Unanticipated shifts in consumer preferences may also result in excess inventory and underutilised manufacturing capacity. In addition, the Group's success depends, in large part, on its ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could materially adversely affect the Group's business, results of operations and financial condition and may result in the write-down of excess inventory and idle manufacturing facilities.

***If the Group does not continue to negotiate and maintain favourable licence arrangements, its sales or cost of sales will suffer.***

The Group has entered into licence agreements that enable it to manufacture and distribute prescription frames and sunglasses under certain designer names, including Chanel, Prada, Miu Miu, Dolce & Gabbana, D&G, Bvlgari, Tiffany & Co., Versace, Burberry, Polo Ralph Lauren, Donna Karan, DKNY, Paul Smith Spectacles, Brooks Brothers, Armani, Stella McCartney, Tory Burch and Coach. These licence agreements typically have terms of between three and ten years and may contain options for renewal for additional periods and require the Group to make guaranteed and contingent royalty payments to the licensor. The Group believes that its ability to maintain and negotiate favourable licence agreements with leading designers in the fashion and luxury goods industries is essential to the branding of the Group's products and, therefore, material to the success of the Group's business. For the year ended 31 December 2012, Prada, Miu Miu, Dolce & Gabbana and D&G were the most significant brands in terms of their contribution to the Group's total net sales. For the years ended 31 December 2012 and 2011, the sales realised from the Prada and Miu Miu brand names together represented 3.9 per cent. and 4.0 per cent. of total sales, respectively. For the years ended 31 December 2012 and 2011, the sales realised through the Dolce & Gabbana and D&G brand names together represented 2.6 per cent and 3.1 per cent. of total sales, respectively. Accordingly, if the Group is unable to negotiate and maintain satisfactory licence arrangements with leading designers, the Group's growth prospects and financial results could materially suffer from a reduction in sales or an increase in advertising costs and royalty payments to designers.

***If vision correction alternatives to prescription eyeglasses become more widely available, or consumer preferences for such alternatives increase, the Group's profitability could suffer through a reduction in sales of its prescription eyewear products, including lenses and accessories.***

The Group's business could be negatively impacted by the availability and acceptance of vision correction alternatives to prescription eyeglasses, such as contact lenses and refractive optical surgery. According to industry estimates, the disposable contact lens market is one of the fastest growing segments of the lens subsector.

Increased use of vision correction alternatives could result in decreased use of the Group's prescription eyewear products, including a reduction in sales of lenses and accessories sold in the Group's retail outlets, which could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

***If the Euro or the Chinese Yuan strengthens relative to certain other currencies or if the U.S. dollar weakens relative to the Euro, the Group's profitability as a consolidated group will suffer.***

The Group's principal manufacturing facilities are located in Italy. The Group also maintain manufacturing facilities in China, Brazil, India and the United States as well as sales and distribution facilities throughout the world. As a result, the Group's results of operations could be materially adversely affected by foreign exchange rate fluctuations in two principal areas:

- the Group incurs most of its manufacturing costs in Euro and in Chinese Yuan, and receives a significant part of the Group's revenues in other currencies such as the U.S. dollar and the Australian dollar. Therefore, a strengthening of the Euro or the Chinese Yuan relative to other currencies in which the Group receives revenues could negatively impact the demand for the Group's products or decrease the Group's profitability in consolidation, adversely affecting the Group's business and results of operations; and
- a substantial portion of the Group's assets, liabilities, revenues and costs are denominated in various currencies other than Euro, with a substantial portion of the Group's revenues and operating expenses being denominated in U.S. dollars. As a result, the Group's operating results, which are reported in Euro, are affected by currency exchange rate fluctuations, particularly between the U.S. dollar and the Euro.

As the Group's international operations grow, future changes in the exchange rate of the Euro against the U.S. dollar and other currencies may negatively impact the Group's reported results, although the Group has in place policies designed to manage such risk.

***If the Group's business suffers due to changing local conditions, the Group's profitability and future growth could be affected.***

The Group currently operates worldwide and has begun to expand its operations in many countries, including certain developing countries in Asia, South America and Africa. Therefore, the Group is 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 the Foreign Corrupt Practices Act and similar laws;

- 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;
- 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 the Group 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 the Group's business, results of operations, financial condition and prospects.

Compliance with foreign laws and regulations that apply to the Group's international operations increases the Group's costs of doing business, including cost of compliance, in certain jurisdictions, and such costs may rise in the future as a result of changes in these laws and regulations or in their interpretation or enforcement. The Group has implemented policies and procedures designed to facilitate its compliance with these laws and regulations, but there can be no assurance that the Group's employees, contractors or agents will not violate such laws and regulations or the Group's policies. Any such violations could individually, or in the aggregate, materially adversely affect the Group's financial condition or operating results.

Additionally, as a U.S. government contractor through the Group's Oakley and Eye Safety Systems subsidiaries, the Group must comply with, and is affected by, U.S. laws and regulations related to the Group's government business. These laws and regulations, including requirements to obtain applicable governmental approvals, clearances and certain export licences, may impose additional costs and risks on the Group's business. The Group also may become subject to audits, reviews and investigations of its compliance with these laws and regulations.

***If the Group is unable to protect its proprietary rights, the Group's sales might suffer, and it may incur significant additional costs to defend such rights.***

The Group relies on trade secret, unfair competition, trade dress, trademark, patent and copyright laws to protect its rights to certain aspects of the Group's products and services, including product designs, proprietary manufacturing processes and technologies, product research and concepts and recognised trademarks, all of which the Group believes are important to the success of its products and services and the Group's competitive position. However, pending trademark or patent applications may not in all instances result in the issuance of a registered trademark or patent, and trademarks or patents granted may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the actions the Group takes to protect its proprietary rights may be inadequate to prevent imitation of the Group's products and services.

The Group's proprietary information could become known to competitors, and the Group may not be able to meaningfully protect its rights to proprietary information. Furthermore, other companies may independently develop substantially equivalent or better products or services that do not infringe on the Group's intellectual property rights or could assert rights in, and ownership of, its 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 the Group's strategy of vigorously defending the Group's intellectual property rights, the Group devotes substantial resources to the enforcement of patents issued and trademarks granted to it, to the protection of the Group's 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 it. However, if the level of potentially infringing activities by others were to increase substantially, the Group might have to significantly increase the resources it devotes to protecting its rights. From time to time, third parties may assert patent, copyright, trademark or similar rights against intellectual property that is important to the Group's 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 the Group's management. The Group may not prevail in any such litigation or other legal process or it 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 the Group's proprietary rights could, among other things, (i) require it to grant licences to, or obtain licences from, third parties, (ii) prevent it from manufacturing or selling the Group's products, (iii) require it to discontinue the use of a particular patent, trademark, copyright or trade secret or (iv) subject it to substantial liability. Any of these possibilities could have a material adverse effect on the Group's business including by reducing the Group's future sales or causing it to incur significant costs to defend its rights.

***If the Group is unable to maintain its current operating relationship with host stores of its retail Licensed Brands division, the Group could suffer a loss in sales and possible impairment of certain intangible assets.***

The Group's sales depend in part on the Group's relationships with the host stores that allow it to operate the Group's retail Licensed Brands division, including Sears Optical and Target Optical. The Group's leases and licences with Sears Optical are terminable upon short notice. If the Group's relationship with Sears Optical or Target Optical were to end, the Group would suffer a loss of sales and the possible impairment of certain intangible assets. This could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***If the Group were to become subject to adverse judgments or determinations in legal proceedings to which the Group is, or may become, a party, its future profitability could suffer through a reduction of sales or increased costs or damage to the Group's reputation due to its failure to adequately communicate the impact of any such proceeding or its outcome to the investor and business communities.***

The Group is currently a party to certain legal proceedings as described in "Description of the Group – Legal Proceedings." In addition, in the ordinary course of the Group's business, it may become involved in various other claims, lawsuits, investigations and governmental and administrative proceedings, some of which are or may be significant. Adverse judgments or determinations in one or more of these proceedings could require it to change the way it does business or use substantial resources in adhering to the settlements and could have a material adverse effect on the Group's business, including, among other consequences, by significantly increasing the costs required to operate the Group's business.

Ineffective communications, during or after these proceedings, could amplify the negative effects, if any, of these proceedings on the Group's reputation and may result in a negative market impact on the price of the Group's securities.

***Leonardo Del Vecchio, the Issuer's chairman and principal shareholder, controls 61.35 per cent of the Issuer's voting power and is in a position to affect the Group's ongoing operations, corporate transactions and any matters submitted to a vote of the Issuer's shareholders, including the election of directors and a change in corporate control.***

As of 15 April, 2013, Mr. Leonardo Del Vecchio, the Chairman of the Issuer's Board of Directors, through the company Delfin S.à.r.l., has voting rights over 292,035,339<sup>1</sup> Ordinary Shares, or 61.35 per cent of the outstanding Ordinary Shares. As a result, Mr. Del Vecchio has the ability to exert significant influence over the Group's corporate affairs and to control the outcome of virtually all matters submitted to a vote of the Issuer's shareholders, including the election of the Issuer's directors, the amendment of the Issuer's Articles of Association or By-laws, and the approval of mergers, consolidations and other significant corporate transactions.

Mr. Del Vecchio's interests may conflict with or differ from the interests of the Issuer's other shareholders. In situations involving a conflict of interest between Mr. Del Vecchio and the Issuer's other shareholders, Mr. Del Vecchio may exercise his control in a manner that would benefit himself to the potential detriment of other shareholders. Mr. Del Vecchio's significant ownership interest could delay, prevent or cause a change in control of the Issuer, any of which may be adverse to the interests of the Issuer's other shareholders.

***If the Group's procedures designed to comply with Section 404 of the Sarbanes-Oxley Act of 2002 cause it to identify material weaknesses in its internal control over financial reporting, the trading price of the Group's securities may be adversely impacted.***

The Group's annual report on Form 20-F includes a report from the Group's management relating to its valuation of the Group's internal control over financial reporting, as required under Section 404 of the U.S. Sarbanes-Oxley Act of 2002, as amended. There are inherent limitations on the effectiveness of internal controls, including collusion, management override and failure of human judgment. In addition, control procedures are designed to reduce, rather than eliminate, business risks. As a consequence of the systems and procedures the Group has implemented to comply with these requirements, it may uncover circumstances that the Group determines to be material weaknesses, or that otherwise result in disclosable conditions. Any identified material weaknesses in the Group's internal control structure may involve significant effort and expense to remedy, and any disclosure of such material weaknesses or other disclosable conditions may result in a negative market reaction to the Group's securities.

***The Group relies on information technology in its operations, and any material failure, inadequacy, interruption or security failure of that technology could harm the Group's ability to effectively operate its business.***

The Group relies on information technology systems both managed internally and outsourced to third parties across its operations, including for management of the Group's supply chain, point-of-sale processing in the Group's stores and various other processes and transactions. The Group's ability to effectively manage its business and coordinate the production, distribution and sale of its products depends on, among other things, the reliability and capacity of these systems. The failure of these systems to operate effectively, network disruptions, problems with transitioning to upgraded or replacement systems, or a breach in data security of these systems could cause delays in product supply and sales, reduced efficiency of the Group's operations, unintentional disclosure of customer or other confidential information of the Group, or damage to the Group's reputation, and potentially significant capital investments could be required to remedy the problem, which could have a material adverse effect on the Group's results of operations.

***If the Group records a write-down for inventories or other assets that are obsolete or exceed anticipated demand or net realisable value, such charges could have a material adverse effect on the Group's results of operations.***

The Group records a write-down for product and component inventories that have become obsolete or exceed anticipated demand or net realisable value. The Group reviews its long-lived assets for impairment whenever events or changed circumstances indicate that the carrying amount of an asset may not be recoverable, and the Group determines whether valuation allowances are needed against other assets, including, but not limited to, accounts receivable. If the Group determines that impairments or other events

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<sup>1</sup> In addition, Mr. Del Vecchio's wife holds 275,000 ADRs and 450,000 shares.

have occurred that lead it to believe the Group will not fully realise these assets, the Group records a write-down or a valuation allowance equal to the amount by which the carrying value of the assets exceeds its fair market value. Although the Group believes its inventory and other asset-related provisions are currently adequate, no assurance can be made that, given the rapid and unpredictable pace of product obsolescence for fashion eyewear, the Group will not incur additional inventory or asset-related charges, which charges could have a material adverse effect on the Group's results of operations.

***If economic conditions around the world continue to worsen, the Group may experience an increase in its exposure to credit risk on the Group's accounts receivable which may result in increased costs due to additional reserves for doubtful accounts, and a reduction in sales to customers experiencing credit-related issues.***

A substantial majority of the Group's outstanding trade receivables are not covered by collateral or credit insurance. While it has procedures to monitor and limit exposure to credit risk on the Group's trade and nontrade receivables, there can be no assurance that such procedures will effectively limit the Group's credit risk and avoid losses, which could have a material adverse effect on the Group's results of operations.

***Unforeseen or catastrophic losses not covered by insurance could materially adversely affect the Group's results of operations and financial condition.***

For certain risks, the Group does not maintain insurance coverage because of cost and/or availability. As the Group retains some portion of its insurable risks, and in some cases self-insures completely, unforeseen or catastrophic losses in excess of insured limits could materially adversely affect the Group's results of operations and financial condition.

***Changes in the Group's tax rates or exposure to additional tax liabilities could affect the Group's future results.***

The Group is subject to taxes in Italy, the United States and numerous other foreign jurisdictions. The Group's future effective tax rates 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 could have a material adverse effect on the Group's profitability. The Group is also regularly subject to the examination of its income tax returns by the U.S. Internal Revenue Service, the Italian tax authority as well as the governing tax authorities in other countries where the Group operates. The Group routinely assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for taxes. Currently, some of the Group's companies are under examination by the tax authorities in the United States, Italy and other jurisdictions. There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially adversely affect the Group's business, results of operations, financial condition and prospects.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features, distinguishing between factors which may occur in relation to any Notes:

## **Risks applicable to all Notes**

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

## **Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretion on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine

without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such in the circumstances described in Condition 9.

***The claims of Noteholders are structurally subordinated with respect to entities that are not guarantors of the Notes.***

The operations of the Group are principally conducted through subsidiaries of the Issuer, including (but not limited to) the Guarantors. Noteholders will not have a claim against any subsidiaries of the Issuer that are not Guarantors. The assets of the Issuer's non-guarantor subsidiaries will be subject to prior claims by creditors of those subsidiaries, whether such creditors are secured or unsecured.

***The Guarantees may be limited by applicable laws or subject to certain defences that may limit their validity and enforceability.***

The Guarantees given by the Guarantors provide Noteholders with a direct claim against the relevant Guarantor in respect of the Issuer's obligations under the Notes. Enforcement of each Guarantee would be subject to certain generally available defences. Local laws and defences may vary, and may include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, and capital maintenance or similar laws. They may also include regulations or defences which affect the rights of creditors generally. If a court were to find a Guarantee given by a Guarantor void or unenforceable as a result of such local laws or defences, then Noteholders would cease to have any claim in respect of that Guarantor and would be creditors solely of the Issuer and any remaining Guarantors.

Enforcement of each Guarantee is subject to the detailed provisions contained in the Trust Deed (and any supplemental Trust Deed) which include certain limitations reflecting mandatory provisions of the laws of each Guarantor's jurisdiction.

With reference to any Guarantor incorporated in Italy:

- (i) for the purpose of (*inter alia*) article 1938 of the Italian Civil Code the obligations of Luxottica S.r.l. under its Guarantee shall at no time require Luxottica S.r.l. to pay any amount which exceeds the lower of (i) the outstanding principal amount plus interest, and (ii) the value of the net worth ("*Patrimonio Netto*" as defined by article 2424 of the Italian Civil Code) of Luxottica S.r.l. as determined from time to time on the basis of the latest available financial statements of Luxottica S.r.l., provided that in no case such amount shall exceed €2,400,000,000; and
- (ii) without prejudice to (i) above, the liability of any Italian Guarantor under its Guarantee shall be furthermore limited to the aggregate of the principal amount of any loan (including, without limitation, any intercompany loan), documentary credit (including, without limitation, any intercompany documentary credit) or any item constituting financial indebtedness made available from time to time by the Issuer or any other party (in the latter case by using, either directly or indirectly, the proceeds of the Notes) to that Italian Guarantor or any of its Subsidiaries, in each case regardless of any repayment or cancellation of any amounts or liability outstanding thereunder.

With reference to any Guarantor incorporated in the United States:

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, the issuance of the Guarantee by a U.S. Guarantor could be voided if, among other things, at the time the U.S. Guarantor issued the Guarantee, it:

- (i) intended to hinder, delay or defraud any present or future creditor; or
- (ii) received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness; and

- (a) was insolvent or rendered insolvent by reason of such incurrence;
- (b) was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
- (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, the U.S. Guarantor would be considered insolvent if:

- (i) the sum of its debts, including contingent liabilities, was greater than the saleable value of all of its assets;
- (ii) the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- (iii) it could not pay its debts as they become due.

By its terms, the Guarantee by the U.S. Guarantor will limit its liability to the maximum amount it can pay without the Guarantee being deemed a fraudulent transfer. The Issuer believes that immediately after the issuance of the Notes by the Issuer and the issuance of the Guarantees by the Guarantors, the Issuer and each of the Guarantors will be solvent, will have sufficient capital to carry on its respective business and will be able to pay its respective debts as they mature. However, there can be no assurance as to what standard a court would apply in making these determinations or that a court would reach the same conclusions with regard to these issues. Certain U.S. federal bankruptcy courts have held that a determination as to whether a transferor is rendered insolvent by a transfer may depend on the actual liabilities of the transferor, not what the transferor knows about such liabilities at the time of the transfer. Because liabilities that are unknown, or that are known to exist but the magnitude of which is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency, it may be difficult to know with certainty whether a transferor is solvent at the time of transfer, and there is an increased risk that a transfer may in the future be found to be a fraudulent conveyance.

***Enforcement of the Guarantees across multiple jurisdictions may be difficult.***

The Issuer is incorporated under the laws of the Republic of Italy and the Guarantors are incorporated under the laws of the Republic of Italy and the State of Delaware. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights of the holders of the Notes under the Guarantees will thus be subject to the laws of different jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. In addition, the bankruptcy, insolvency, administration and other laws of the jurisdiction of organisation of the Issuer and the Guarantors may be materially different from, or in conflict with, one another, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to realise any recovery under the Notes and the Guarantees.

***The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.***

*Withholding under the EU Savings Directive.*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

***Foreign Account Tax Compliance withholding may affect payments on the Notes.***

The U.S. "Foreign Account Tax Compliance Act" (or "FATCA") imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" made to (A) certain non-U.S. financial institutions that do not comply with this new reporting regime or (B) certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor a Guarantor nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act.*"

***The value of the Notes could be adversely affected by a change in English law or administrative practice.***

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

***Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued.***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may

not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### **Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.***

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantors to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

***Credit ratings assigned to any Notes may not reflect all the risks associated with an investment in those Notes.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and



other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes.

Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The information set out in the cross-reference tables below, which is contained in the following documents, and the following documents which have previously been published and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Base Prospectus:

- (a) the auditor's report and audited consolidated financial statements for the financial year ended 31 December 2011 of the Issuer including the information set out at the following pages in particular:

Consolidated statements of financial position	Section headed "3. Consolidated Financial Statements" Page 1 of 7. (Page 123 of 332 on PDF.)
Consolidated statements of income	Section headed "3. Consolidated Financial Statements" Page 2 of 7. (Page 124 of 332 on PDF.)
Consolidated statements of comprehensive income	Section headed "3. Consolidated Financial Statements" Page 3 of 7. (Page 125 of 332 on PDF.)
Consolidated statements of stockholders' equity	Section headed "3. Consolidated Financial Statements" Page 4 of 7. (Page 126 of 332 on PDF.)
Consolidated statements of cash flows	Section headed "3. Consolidated Financial Statements" Pages 5 of 7. and 6 of 7. (Pages 127 of 332 and 128 of 332 to 219 of 332 on PDF.)
Notes to the consolidated financial statements	Section headed "4. Notes to the Consolidated Financial Statements" Pages 1 of 89 to 89 of 89. (Pages 131 of 332 and 219 of 332 on PDF.)
Auditor's report	Section headed "6. Auditors Report" Pages 1 to 2. (Pages 226 of 332 and 227 of 332 on PDF.)

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive;

- (b) the auditor's report and audited consolidated financial statements for the financial year ended 31 December 2012 of the Issuer including the information set out at the following pages in particular:

Consolidated statements of financial position	Section headed "3. Consolidated Financial Statements" Page 1 of 7. (Page 103 of 268 on PDF.)
Consolidated statements of income	Section headed "3. Consolidated

	Financial Statements" Page 2 of 7. (Page 104 of 268 on PDF.)
Consolidated statements of comprehensive income	Section headed "3. Consolidated Financial Statements" Page 3 of 7. (Page 105 of 268 on PDF.)
Consolidated statements of stockholders' equity	Section headed "3. Consolidated Financial Statements" Page 4 of 7. (Page 106 of 268 on PDF.)
Consolidated statements of cash flows	Section headed "3. Consolidated Financial Statements" Pages 5 of 7 and 6 of 7. (Pages 107 of 268 and 108 of 268 on PDF.)
Notes to the consolidated financials	Section headed "4. Notes to the Consolidated Financial Statements" Pages 1 of 89 to 89 of 89. (Pages 111 of 268 to 172 of 268 on PDF.)
Auditor's Report	Section headed "7. Auditor's Report" Pages 1 to 2. (Pages 179 of 268 and 180 of 268 on PDF.)

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive;

- (c) the report of the independent auditors and audited consolidated financial statements for the financial year ended 31 December 2012 of Luxottica U.S. Holdings Corp. including the information set out at the following pages in particular:

Report of independent auditors	Page 1 to 2. (Page 3 of 42 and 4 of 42 on PDF.)
Consolidated balance sheets	Page 3. (Page 5 of 42 on PDF.)
Consolidated statements of income	Page 4. (Page 6 of 42 on PDF.)
Consolidated statements of comprehensive income	Page 5. (Page 7 of 42 on PDF.)
Consolidated statements of changes in equity	Page 6. (Page 8 of 42 on PDF.)
Consolidated statements of cash flows	Page 7. (Page 9 of 42 on PDF.)
Notes to consolidated financial statements	Pages 8 to 40. (Page 10 of 42 to 42 of 42 on PDF.)

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive;

- (d) the independent auditors' report and audited consolidated financial statements for the financial year ended 31 December 2011 of Luxottica U.S. Holdings Corp. including the information set out at the following pages in particular<sup>2</sup>:

Independent auditors' report	Pages 1 to 2. (Pages 3 of 40 and 4 of 40 on PDF.)
Consolidated balance sheets	Page 3. (Page 4 of 40 on PDF.)
Consolidated statements of income	Page 4. (Page 5 of 40 on PDF.)
Consolidated statements of comprehensive income	Page 5. (Page 6 of 40 on PDF.)
Consolidated statements of changes in equity	Page 6. (Page 7 of 40 on PDF.)
Consolidated statements of cash flows	Page 7. (Page 8 of 40 on PDF.)
Notes to the consolidated financial statements	Pages 8 to 40. (Pages 9 of 40 to 40 of 40 on PDF.)

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive;

- (e) the auditors' report and audited financial statements for the financial year ended 31 December 2012 of Luxottica S.r.l. including the information set out at the following pages in particular:

Balance Sheet	Section headed "Financial Statements as of December 31, 2012" Pages 1 of 9 to 6 of 9. (Pages 1 of 84 to 6 of 84 on PDF.)
Statement of Income	Section headed "Financial Statements as of December 31, 2012" Pages 7 of 9 to 9 of 9. (Pages 7 of 84 to 9 of 84 on PDF.)
Notes to the financial statements as of 31 December 2012	Section headed "Notes to the Financial Statements as of December 31, 2012" Pages 1 of 44 to 44 of 44. (Pages 10 of 84 to 53 of 84 on PDF.)
Auditors' report	Section headed "Auditors' report pursuant to Article 516 and Article 165 of Legislative Decree No.58 of February 21, 1998". (Pages 80 of 84 and 81 of 84 on PDF.)

<sup>2</sup> The financial information and figures as of and for the year ended as of 31 December 2010, which are included for comparative purpose in the 2011 audited consolidated financial statements, are not incorporated by reference.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive;

- (f) the auditors' report and audited financial statements for the financial year ended 31 December 2011 of Luxottica S.r.l. including the information set out at the following pages in particular:

Balance sheet	Section headed "Financial Statements as of December 31, 2011" Pages 1 of 9 to 6 of 9. (Pages 1 of 87 to 6 of 87 on PDF.)
Statement of income	Section headed "Financial Statements as of December 31, 2011" Pages 7 of 9 to 9 of 9. (Pages 7 of 87 to 9 of 87 on PDF.)
Notes to the financial statements as of 31 December 2011	Section headed "Notes to the Financial Statements as of December 31, 2011" Pages 1 of 47 to 47 of 47. (Pages 10 of 87 to 56 of 87 on PDF.)
Auditors' report	Section headed "Auditors' report pursuant to Article 516 and Article 165 of Legislative Decree No.58 of February 21, 1998". (Pages 83 to 87 and 84 of 87 on PDF.)

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive;

- (g) Press release titled "Luxottica continues solid growth in first quarter of 2013" dated 29 April 2013:

First quarter of 2013	Page 1. (Page 1 of 21 on PDF.)
Operating performance for the first quarter of 2013	Pages 1 and 2. (Pages 1 of 21 and 2 of 21 on PDF.)
The Group	Pages 2 and 3. (Pages 2 of 21 and 3 of 21 on PDF.)
Wholesale division	Page 3. (Pages 3 of 21 on PDF.)
Retail division	Page 3 and 4. (Page 3 of 21 and 4 of 21 on PDF.)
Major currencies	Section headed "Major currencies". (Page 7 of 21 on PDF.)
Consolidated financial highlights for the three-month periods ended 31 March 2013 and 31 March 2012	Section headed "Consolidated Financial Highlights for the Three-Month Periods Ended 31 March 2013

and 31 March 2012". (Page 8 of 21 on PDF.)

Consolidated income statement for the three-month periods ended 31 March 2013 and 31 March 2012

Section headed "Consolidated income statement for the three-month periods ended 31 March 2013 and 31 March 2012". (Page 9 of 21 on PDF.)

Consolidated balance sheet as of 31 March 2013 and 31 December 2012

Section headed "Consolidated balance sheet as of 31 March 2013 and 31 December 2012". (Page 10 of 21 on PDF.)

Consolidated financial highlights for the three-month periods ended 31 March 2013 and 31 March 2012 – Segmental information –

Section headed "Consolidated financial highlights for the three-month periods ended 31 March 2013 and 31 March 2012 –Segmental Information –". (Page 11 of 21 on PDF.)

Non-IAS/IFRS Measures including reconciliation between reported and adjusted P&L items, EBITDA and EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, Net debt and Net debt/EBITDA, Net debt and Net debt/Adjusted EBITDA and Free Cash Flow

Section headed "Non-IAS/IFRS Measures". (Pages 12 of 21 to 21 of 21 on PDF.)

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and from the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer and the Guarantors will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described

therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

The Issuer and the Guarantors may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a supplement to the Base Prospectus or a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.



**NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE**

[Date]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
Guaranteed by Luxottica U.S. Holdings Corp. and Luxottica S.r.l.  
under the €2,000,000,000  
Euro Medium Term Note Programme**

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- |    |     |  |  |
|----|-----|--|--|
| 1. | (a) | Series Number:   | [       ]  |
|    | (b) | Tranche Number:  | [       ]  |
|    | (c) | Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [ <i>identify earlier Tranches</i> ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [ <i>date</i> ]][Not Applicable] |
| 2. |     | Specified Currency or Currencies:                                      | [       ]  |
| 3. |     | Aggregate Nominal Amount:  |  |

- (a) Series: [ ]
- (b) Tranche: [ ]
4. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
5. (a) Specified Denominations: [ ]
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent))*
- (Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (a) Issue Date: [ ]
- (b) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
7. Maturity Date: *[Fixed rate - specify date/Floating rate - Interest Payment Date falling in or nearest to [specify month]]*
8. Interest Basis: *[[ ] per cent. Fixed Rate]*  
*[[[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate]*  
*[Zero coupon]*  
*(further particulars specified below)*
9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
10. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there][Not Applicable]*

11. Put/Call Options: [Investor Put]  
Change of Control Put  
[Issuer Call]  
  
[(further particulars specified below)]
12. [Date [Board] approval for issuance of [ ] [and [ ], respectively]]  
Notes [and Guarantee] obtained:  
  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

# **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
  
*(Amend appropriately in the case of irregular coupons)*
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form.)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]  
*(Applicable to Notes in definitive form.)*
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) [Determination Date(s): [[ ] in each year][Not Applicable]  
  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
14. Floating Rate Note Provisions [Applicable/Not Applicable]  
  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business

Day Convention/Modified Following Business Day  
Convention/ Preceding Business Day  
Convention/[specify other]]

- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (f) Screen Rate Determination:
- Reference Rate: Reference Rate: [ ] month [LIBOR/EURIBOR].
  - Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (h) Margin(s): [+/-] [ ] per cent. per annum
- (i) Minimum Rate of Interest: [ ] per cent. per annum
- (j) Maximum Rate of Interest: [ ] per cent. per annum

(k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 [30/360][360/360][Bond Basis]  
 [30E/360][Eurobond Basis]  
 30E/360 (ISDA)]  
*(See Condition [Interest] for alternatives)*

15. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Accrual Yield: [ ] per cent. per annum

(b) Reference Price: [ ]

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
 [Actual/360]  
 [Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 6.2 Minimum period: [ ] days  
*(Redemption for tax reasons):* Maximum period: [ ] days

17. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount]/[Make-whole Amount]

*[if Make-Whole Amount is selected, include the following items of this subparagraph]*

• Reference Bond: [Insert applicable Reference Bond/FA Selected Bond]

• Quotation Time: [11.00 a.m. [London/specify other] time]

• Redemption Margin: [[ ] per cent./Not Applicable]

(c) If redeemable in part: [ ]

(i) Minimum Redemption Amount:

(ii) Maximum Redemption Amount: [ ]

- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

18. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [ ]  
(b) Optional Redemption Amount: [ ] per Calculation Amount  
(c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent [or Trustee])*

19. Change of Control Put: Applicable

- (a) Optional Redemption Amount: [ ] per Calculation Amount  
(b) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

20. Final Redemption Amount: [ ] per Calculation Amount

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

(b) New Global Note: [Yes][No]

23. Additional Financial Centre(s): [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 14(c) relates)*

24. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made. In such event, on and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon

comprised in the relevant Coupon sheet matures./No]

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Luxottica Group S.p.A.:

By: .....

*Duly authorised*

Signed on behalf of Luxottica U.S. Holdings Corp.:

By: .....

*Duly authorised*

Signed on behalf of Luxottica S.r.l.:

By: .....

*Duly authorised*



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantors and their affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### 4. YIELD (Fixed Rate Notes only)

Indication of yield: [ ] per cent. per annum

## 5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/*specify other Reference Rate*] rates can be obtained from [Reuters].

## 6. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- [(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/  
  
[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of [Subscription] [ ]

Agreement:

- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Luxottica Group S.p.A. (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 10 May 2013 made between the Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l. (each an **Original Guarantor** and, together with any **Successor Guarantors** (as defined in Condition 9.2) or any **Additional Guarantors** appointed (once the Notes have been issued) pursuant to Condition 9.2, the **Guarantors** and each a **Guarantor**) and BNP Paribas Trust Corporation UK Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 10 May 2013 made between the Issuer, the Original Guarantors, the Trustee, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, complete the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The payment of the principal and interest in respect of this Note and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed on a joint and several basis by each Original Guarantor (each a **Guarantee** and together the **Guarantees**, which expressions shall include, for the avoidance of doubt, any guarantees given by a Successor Guarantor and/or an Additional Guarantor pursuant to Condition 9.2 and the provisions of the Trust Deed) in, and subject to the provisions of, and to the limitations contained in, the Trust Deed. The Trustee acts for the benefit of the

holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed. Pursuant to Condition 9.2 below and the provisions of the Trust Deed, the occurrence of a Permitted Transaction (as defined in Condition 9.2) may require a Successor Guarantor or an Additional Guarantor, as the case may be, to provide a Guarantee in respect of the Notes and the Trust Deed. Such Guarantee will be on a joint and several basis with each other Guarantee.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed (including the Guarantees) and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at the date of this Base Prospectus at 55 Moorgate, London EC2R 6PA, United Kingdom and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantors, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantors, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## **2. STATUS OF THE NOTES AND THE GUARANTEES**

### **2.1 Status of the Notes**

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3.1) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### **2.2 Status of the Guarantees**

The obligations of each Guarantor under the relevant Guarantee constitute direct, unconditional and (subject to the provisions of Condition 3.1) unsecured obligations of such Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of such Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## **3. COVENANTS**

### **3.1 Negative Pledge**

So long as any of the Notes remain outstanding (as defined in the Trust Deed), neither the Issuer nor any Guarantor will, and the Issuer and each Guarantor will ensure that none of their respective Material Subsidiaries will, create or have outstanding any Security Interest (other than a Permitted Security Interest) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, unless the Issuer or the relevant Guarantor (as the case may be) at the same time or prior thereto procures that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

### 3.2 Limitation on Indebtedness

So long as any of the Notes remain outstanding and do not carry an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better) from any Rating Agency, the Issuer and each Guarantor will ensure that none of their respective Subsidiaries (not being a Guarantor) will incur, create or permit to subsist any Indebtedness or enter into any arrangement or agreement to create, incur or permit to subsist any Indebtedness, save for any Indebtedness that is:

- (a) in existence at the date of the Trust Deed;
- (b) owed by any entity acquired by any member of the Group (including any refinancing of such Indebtedness) provided that (i) it was not created in contemplation of such acquisition and (ii) it shall be included within the basket set out in paragraph (d) below, at any time following the date falling 12 months after the date of such acquisition;
- (c) an intercompany loan received from a Group member in the ordinary course of business; or
- (d) other Indebtedness not referred to in (a) to (c) above the aggregate amount of which does not exceed 20 per cent. of the Consolidated Equity of the Group as determined at the end of any Relevant Period by reference to the Consolidated Financial Statements or the Consolidated Quarterly Financial Statements (as the case may be) for the Relevant Period.

For the avoidance of doubt, this Condition 3.2 will not apply for any period during which the Notes carry an investment grade rating (BBB-/Baa3/BBB-, or equivalent, or better) from any Rating Agency.

### 3.3 Interpretation

For the purposes of these Conditions:

The expression **a substantial part** of the business, undertaking or assets means a part of the relevant entity's business, undertaking or assets which accounts for 30 per cent. or more of its assets and/or gross revenues;

**Consolidated Equity** means, with respect to the Group, the shareholders' equity as evidenced in the latest published Consolidated Financial Statements or Consolidated Quarterly Financial Statements (as the case may be);

**Consolidated Financial Statements** means, with respect to the Group, the latest published audited annual consolidated financial statements of the Group prepared in accordance with IFRS or any other applicable accounting standards adopted by the Issuer from time to time in respect of its financial year;

**Consolidated Quarterly Financial Statements** means, with respect to the Group, the latest quarterly financial statements of the Group in respect of each of its financial quarters (other than the last quarter in each financial year);

**Group** means the Issuer and its Subsidiaries for the time being;

**Indebtedness** means any present or future indebtedness (whether being principal, premium, interest or other amounts) of any Person for or in respect of any borrowed money or any liability under or in respect of any acceptance credit facility;

**Material Subsidiary** means at any time a Subsidiary of the Issuer or of any Guarantor whose gross sales turnover equals or exceeds 5 per cent. of the gross sales turnover of the Group, as calculated by reference to the then latest audited annual or, where none are available, unaudited annual accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited annual consolidated accounts of the Group. For this purpose:

- (a) the gross sales turnover of a Subsidiary of the Issuer or of any Guarantor will be determined from its then latest audited annual or, where none are available, unaudited annual accounts (consolidated if it has Subsidiaries) upon which the then latest audited annual consolidated accounts of the Group have been based;
- (b) if a Subsidiary has become a member of the Group after the date on which the then latest audited annual consolidated accounts of the Group have been prepared, the gross sales turnover of that Subsidiary will be determined from its latest audited annual or, where none are available, unaudited annual accounts (consolidated if it has Subsidiaries); and
- (c) the gross sales turnover of the Group will be determined from its then latest audited annual consolidated accounts adjusted (where appropriate) to reflect the gross sales turnover of any company or business subsequently acquired or disposed of, and so that any Person in respect of which any Material Subsidiary is a Subsidiary shall also be a Material Subsidiary and in any event a confirmation from two Directors of the Issuer as to any of the calculations made above shall be conclusive.

Notwithstanding the above, any member of the Group to which the Issuer, any Guarantor or a Material Subsidiary disposes of all or any substantial part of its assets will be treated as a Material Subsidiary, but only until it is demonstrated (by reference to the accounts of that Subsidiary referred to in paragraphs (a) and (b) above and the audited annual consolidated accounts of the Group referred to in paragraph (c) above for a period ended after that transfer) not to be a Material Subsidiary according to the tests set out above;

**Permitted Security Interest** means:

- (a) any Security Interest arising by operation of law; or
- (b) any Security Interest created by any entity upon the whole or any part of its undertaking or assets and subsisting at the time such entity (i) merges or consolidates with or is demerged, contributed or merged into or transferred to the Issuer, a Guarantor or a Material Subsidiary, (ii) becomes a Material Subsidiary of the Issuer or (iii) sells, contributes or transfers all or substantially all of its assets to the Issuer, a Guarantor or a Material Subsidiary, provided that such Security Interest was not created in connection with, or in contemplation of, such merger, consolidation, demerger, contribution, transfer or sale or such entity becoming a Material Subsidiary and provided further that the amount of Relevant Indebtedness secured by such Security is not subsequently increased; or



- (c) any Security Interest to secure Relevant Indebtedness upon or with respect to any present or future assets, receivables, remittances or payment rights of the Issuer or any of its Material Subsidiaries (the **Charged Assets**) which is created pursuant to any limited recourse securitisation involving the sale on a non-recourse basis of the Charged Assets, directly or indirectly, to special purpose companies whereby all or substantially all the payment obligations in respect of such Relevant Indebtedness are to be discharged solely from the Charged Assets;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Relevant Indebtedness** means (i) any Indebtedness, whether present or future, which is in the form of or represented by any bond, note (including, for the avoidance of doubt, any note issued on a private placement basis to investors located in the United States or elsewhere), debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange, over-the-counter or other organised market for securities or (ii) any guarantee and/or indemnity in relation to any such Indebtedness;

**Relevant Period** means each period of 12 months ending on the last day of the Issuer's financial year and each period of 12 months ending on the last day of each quarter of the Issuer's financial year;

**Security Interest** means any mortgage, charge, pledge, lien or other form of security interest including, without limitation, anything substantially analogous to any of the foregoing under the laws of any jurisdiction; and

**Subsidiary** means, in relation to the Issuer or any Guarantor, any company (i) in which the Issuer or, as the case may be, any Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, any Guarantor is a member and has the right to appoint or remove a majority of the board of directors, or (iii) of which the Issuer or, as the case may be, any Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or, as the case may be, any Guarantor.

A certificate addressed to the Trustee signed by two Directors of the Issuer or of the relevant Guarantor, as the case may be, (i) that in their opinion a Subsidiary of the Issuer or the relevant Guarantor, as the case may be, is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary, (ii) as to the amount of Indebtedness and/or Consolidated Equity at any time, and/or (iii) as to compliance by the Issuer with the provision of Condition 3.2 above, may in each case be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

## **4. INTEREST**

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes or whether a different interest basis applies.

### **4.1 Interest on Fixed Rate Notes**

This Condition 4.1 applies to Fixed Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s)

of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 4.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

This Condition 4.2 applies to Floating Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period

will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with

the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

**(e) Notification of Rate of Interest and Interest Amounts**

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) Determination or Calculation by Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or, as the case may be, the Calculation Agent.



**(g) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Agent or, as the case may be, the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantors, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantors, the Noteholders or the Couponholders shall attach to the Agent, the Calculation Agent (if applicable), or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**4.3 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid in accordance with Condition 5; and
- (b) as provided in the Trust Deed.

**5. PAYMENTS**

**5.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

**5.2 Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation

and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### **5.3 Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **5.4 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantors will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each

payment so made by the Issuer or, as the case may be, the Guarantors to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantors, adverse tax consequences to the Issuer or the Guarantors.

## **5.5 Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## **5.6 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;

- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.6); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.6 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **6. REDEMPTION AND PURCHASE**

### **6.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **6.2 Redemption for tax reasons**

Subject to Condition 6.6, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or any of the Guarantors would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantors taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantors would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the relevant Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the

case may be, the relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **6.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if a Make-whole Amount is specified in the applicable Final Terms, will be an amount calculated by the Agent equal to the higher of:

- (a) 100 per cent. of the nominal amount of the Notes to be redeemed; or
- (b) the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Bond Rate (as defined below), plus the specified Redemption Margin,

plus in each case, for the avoidance of doubt, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

In the Conditions:

**FA Selected Bond** means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

**Financial Adviser** means an independent and internationally recognised financial adviser selected by the Issuer;

**Redemption Margin** shall be as set out in the applicable Final Terms;

**Reference Bond** shall be as set out in the applicable Final Terms or the FA Selected Bond;

**Reference Bond Price** means, with respect to the Optional Redemption Date, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the

Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**Reference Bond Rate** means, with respect to the Optional Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Optional Redemption Date;

**Reference Government Bond Dealer** means each of five banks selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

**Reference Government Bond Dealer Quotations** means, with respect to each Reference Government Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

**Remaining Term Interest** means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the Optional Redemption Date.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.3 by the Agent, shall (in the absence of negligence, wilful default or fraud) be binding on the Issuer, the Agent, the Paying Agents and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

#### **6.4 Redemption at the option of the Noteholders (Investor Put)**

This Condition 6.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder if specified as being applicable in the applicable Final Terms, such option being referred to as an **Investor Put**. The applicable Final Terms contain provisions applicable to any Investor Put and must be read in conjunction with this Condition 6.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will subject to and in accordance with the terms specified in the applicable Final Terms, upon the expiry

of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9.1, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4.

## **6.5 Redemption at the option of the Noteholders (Change of Control)**

If a Change of Control Put Event occurs, then the Noteholders shall have the option (a **Change of Control Put Option**), within 20 Business Days of a Put Event Notice being given to the Noteholders in accordance with Condition 13 (the **Exercise Period**), to give to the Issuer through a Paying Agent a Put Notice (as defined below) requiring the Issuer to redeem Notes held by such Noteholder on the Change of Control Redemption Date. The Issuer will, on the Change of Control Redemption Date, redeem in whole (but not in part) the Notes which are the subject of the Put Notice. Such Notes will be redeemed at a redemption price equal to 100 per cent. of their principal amount, together with interest accrued and unpaid to but excluding the Change of Control Redemption Date.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming aware that a Change of Control Put Event has occurred the Trustee may, and if so requested by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 13 specifying (i) that Noteholders are entitled to exercise the Change of Control Put Option; (ii) the procedure for exercising the Change of Control Put Option including the Change of Control Redemption Date; and (iii) such other information relating to the Change of Control Put Option as the Trustee may reasonably require.

To exercise the Change of Control Put Option, the holder of the Notes must if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any

specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. The Notes should be delivered together with all Coupons appertaining thereto maturing after the Change of Control Redemption Date, failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon(s). Any amount so paid will be reimbursed by the Paying Agent in the manner provided in Condition 5 against presentation and surrender (or, in case of part payment only, endorsement) of the relevant missing Coupon(s) at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or not the Coupon(s) would otherwise have become void pursuant to Condition 8) or, if later, five years after the date on which the Coupon(s) would have become due, but not thereafter. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes due and payable pursuant to Condition 9.1, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

A **Change of Control Put Event** shall be deemed to occur if:

- (a) Change of Control occurs; and
- (b) (in the event that the Notes carry a credit rating from any Rating Agency at the time of the Change of Control) the Notes carry a credit rating which is either:
  - (i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such credit rating is, within 120 days of the occurrence of the Change of Control, either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not, within such 120-day period, subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or
  - (ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such credit rating is, within 120 days of the occurrence of the Change of Control, either downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) or withdrawn and is not, within such 120-day period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency or (in the case of a withdrawal) replaced by an equivalent credit rating or better from any other Rating Agency,

and, in the case of (b) above, in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer and the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

For the avoidance of doubt (b) above shall only apply in the event the Notes carry a credit rating from any Rating Agency at the time of the Change of Control.

For the purposes of these Conditions:

A **Change of Control** shall be deemed to occur if any Person or group of Persons acting in concert (other than a Qualifying Shareholder) acquires Control of the Issuer;



A **Change of Control Redemption Date** means the date specified in the Put Event Notice, being a date not less than 15 nor more than 20 days after the expiry of the Exercise Period;

**Acting in concert** means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate control of the Issuer;

**Control** shall be construed in accordance with the first and second paragraphs of Article 2359 of the Italian Civil Code and Article 93 of Legislative Decree No. 58, paragraph 1 of 24 February 1998 (as subsequently amended or supplemented); and

**Qualifying Shareholder** means:

(a) any of (i) Leonardo Del Vecchio; (ii) his spouses; (iii) the children of his spouses; and (iv) relatives and persons (including descendants) related by consanguinity or affinity to Leonardo Del Vecchio up to the sixth degree (each a **Del Vecchio Family Member**);

(b) any company controlled or jointly controlled (under the meaning of IAS 31) by a Del Vecchio Family Member; or

(c) any trust or other similar entity in which a Del Vecchio Family Member whether alone or together with one or more other Del Vecchio Family Members has all or substantially all of the beneficial interests.

## 6.6 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but

excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## **6.7 Purchases**

The Issuer, the Guarantors or any Subsidiary of the Issuer or the Guarantors may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantors, surrendered to any Paying Agent for cancellation.

## **6.8 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## **6.9 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **7. TAXATION**

All payments of principal and interest in respect of the Notes and Coupons by the Issuer or the Guarantors will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or

deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in Italy or the United States; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5); or
- (d) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (e) in all circumstances in which the procedures to obtain an exemption from imposta sostitutiva or any alternative future system of deduction or withholding set forth in Legislative Decree No. 239 of 1 April 1996, as amended, have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
- (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (g) where such withholding or deduction is imposed on a payment in respect of the Notes pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations promulgated thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement); or
- (h) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer or by Luxottica S.r.l.) or the United States or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by Luxottica U.S. Holdings Corp.) or, in the case of any Additional Guarantor or Successor Guarantor, the jurisdiction of such Additional Guarantor or Successor Guarantor, or any political subdivision or any authority thereof or therein having power to tax or in each such case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or any Guarantor, Additional Guarantor or Successor Guarantor, as the case may be,

becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons; and

- (ii) the **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13.

## 8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. EVENTS OF DEFAULT AND ENFORCEMENT

### 9.1 Events of Default

If any one or more of the following events (**Events of Default**) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer or any Guarantor), and (e) to (g) inclusive and (i), and (j) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer and the Guarantors that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed:

- (a) *Non-payment*: if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of other obligations*: if the Issuer or any Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) *Cross-default*: if (i) any Indebtedness of the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or any Guarantor fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or any Guarantor for any Indebtedness becomes enforceable; or (iv) default is

made by the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness, unless such payment (or the anticipated maturity thereof), the enforcement of security or default, as the case may be, is contested in good faith by the Issuer or the relevant Guarantor or Material Subsidiary by all appropriate means, including (where applicable) an application to a competent court for a declaration that such payment is not due, that such security is not enforceable and/or that such default has not occurred (as the case may be) and provided that, in the case of (i), (ii) and (iv) above, such Indebtedness is, either alone or when aggregated (without duplication) with other amounts or Indebtedness and/or other liabilities due and unpaid relative to all (if any) other events specified in (i), (ii) and (iv) above, amounts to at least €40,000,000 (or its equivalent in any other currency); or

- (d) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor, save for the purposes of or pursuant to, a Permitted Transaction; or
- (e) *Cessation of business/Inability to pay debts*: if the Issuer, the Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor ceases or threatens to cease to carry on the whole or a substantial part (as defined in Condition 3.3) of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or pursuant to a Permitted Transaction,, or the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) *Insolvency/Enforcement proceedings*: if (i) proceedings are initiated against the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor or, as the case may be, in relation to the whole or a substantial part (as defined in Condition 3.3) of the undertaking or assets of any of them, or an encumbrances takes possession of the whole or a substantial part (as defined in Condition 3.3) of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part (as defined in Condition 3.3) of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not contested in good faith by all appropriate means or is not discharged within 30 days, such period commencing on the date of presentation of the relevant petition or application; or
- (g) *Liquidation/composition*: if the Issuer, any Guarantor or any Material Subsidiaries of the Issuer or of any Guarantor (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

- (h) *Guarantee*: if any Guarantee ceases to be, or is claimed by the Issuer or any Guarantor not to be, in full force and effect; or
- (i) *Guarantor*: if any Guarantor ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Issuer; or
- (j) *Analogous event*: if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs ((d) to (g) above.

## 9.2 Interpretation

For the purposes of this Condition:

**Permitted Transaction** means any "*fusione*" or "*scissione*" (such expressions bearing the meanings ascribed to them by the laws of the Republic of Italy) or any other reconstruction, amalgamation, reorganisation, merger, consolidation, or other similar arrangement, in each case:

- (a) on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or
- (b) in the case of a Material Subsidiary, whilst solvent whereby all or a substantial part (as defined in Condition 3.3) of the assets and undertaking of such Material Subsidiary are transferred to or otherwise vested in the Issuer, a Guarantor or another Material Subsidiary; or
- (c) in the case of a Guarantor, whilst solvent whereby (i) all or a substantial part (as defined in Condition 3.3) of the assets and liabilities of such Guarantor are transferred to or otherwise vested in the Issuer or another Guarantor or (ii) all or a substantial part (as defined in Condition 3.3) of the assets and liabilities of such Guarantor are transferred to an entity (such entity being, for the avoidance of doubt, prior to or immediately upon such transfer, a Subsidiary of the Issuer) and (I) where all the assets and liabilities of such Guarantor are so transferred, such entity (a **Successor Guarantor**) assumes, in accordance with applicable law, all the obligations of such Guarantor in respect of the relevant Guarantee and under the Trust Deed, or (II) where less than all the assets and liabilities of such Guarantor are so transferred but where a substantial part (as defined in Condition 3.3) is so transferred, such entity becomes, in accordance with the provisions of the Trust Deed and upon execution of all necessary documents as specified in the Trust Deed, a guarantor (each an **Additional Guarantor** and together the **Additional Guarantors**); or
- (d) in the case of the Issuer, whilst solvent whereby less than all the assets and liabilities of the Issuer are transferred to an entity (such entity being, for the avoidance of doubt, prior to or immediately upon such transfer, a Subsidiary of the Issuer) but where a substantial part (as defined in Condition 3.3) of the assets and liabilities of the Issuer are so transferred, such entity becomes, in accordance with the provisions of the Trust Deed and upon execution of all necessary documents as specified in the Trust Deed, an Additional Guarantor,

and, in the case of (c) and (d) above, opinions of independent legal advisers of recognised standing in the jurisdiction of such Guarantor, and if different, the Successor Guarantor or, as applicable, any Additional Guarantor, and as to English law, in each case in a form acceptable to the Trustee, having been delivered to the Trustee confirming that such Successor Guarantor or such Additional Guarantor, as the case may be, has assumed the relevant obligations in accordance with applicable law at the effective date of such "*fusione*" or "*scissione*" or other reconstruction, amalgamation, reorganisation, merger, consolidation, or other similar arrangement provided that, for the avoidance

of doubt, in the case of (c) above, where the relevant assets are transferred to or otherwise vested in the Issuer, no such opinions will be required or necessary.

### **9.3 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or any Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **10. REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **11. PAYING AGENTS**

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or any Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantors and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## **12. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **13. NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules, if any. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.



## 14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AUTHORISATION AND DETERMINATION

### 14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Any such meeting may be convened by the directors of the Issuer, the Trustee or the Noteholders' Representative (as defined below) at their discretion and by the Issuer, subject to mandatory provisions of Italian law applicable from time to time, at the request of the Trustee or upon a requisition in writing signed by the holders of not less than one-twentieth in aggregate principal amount of the Notes for the time being outstanding. If the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth in aggregate principal amount of the Notes outstanding, the same may be convened by decision of the President of the competent court upon request by such Noteholders. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code, or as the Trustee may appoint or approve in writing. The quorum required at any such meeting will be (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) (a) in the case of a first meeting, one or more persons present being or representing Noteholders and holding not less than one half of the aggregate principal amount of the outstanding Notes; (b) in the case of an adjourned meeting, one or more persons present being or representing Noteholders and holding more than one third of the aggregate principal amount of the outstanding Notes; and (c) in the case of a further adjourned meeting, one or more persons present being or representing Noteholders and holding not less than one fifth of the aggregate principal amount of the outstanding Notes. The majority required to pass a resolution at any meeting (including an adjourned meeting) convened to vote on an Extraordinary Resolution will be (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) not less than two thirds of the aggregate principal amount of the outstanding Notes represented at the meeting; provided, however, that certain proposals, as set out in Article 2415 of the Italian Civil Code (including any proposal to modify the maturity of the Notes or the dates on which interest is payable on them; to reduce or cancel the principal amount of, or interest on, the Notes; or to change the currency of payment of the Notes) (each a **Reserved Matter**), may only be sanctioned by a resolution passed at meeting (including any adjourned meeting) of Noteholders by an Extraordinary Resolution passed by a majority representing not less than one half of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by the majority specified above shall be effective as an Extraordinary Resolution of the Noteholders. Any resolution duly passed at any such meeting by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting, and on all Couponholders.

### 14.2 Noteholders' Representative

A representative of the Noteholders (*rappresentante comune*) (the Noteholders' **Representative**), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by an Extraordinary Resolution of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

#### **14.3 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven or if it is made to comply with mandatory laws, legislation and regulations of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution and which enters into force at any time while the Notes remain outstanding.

#### **14.4 Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any of the Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

#### **14.5 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

### **15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTORS**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantors and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantors and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## 16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## 17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (a) Governing law: The Trust Deed, the Agency Agreement, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Coupons are governed by, and shall be construed in accordance with, English law. Condition 14 and the provisions of the Trust Deed concerning meetings of Noteholders are subject to compliance with the laws of the Republic of Italy.
- (b) **Submission to jurisdiction:** Subject to Condition 18(d), the courts of England have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons, including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons, (a **Dispute**) and, accordingly, each of the Issuer and any Noteholders and Couponholders in relation to any Dispute submits to the jurisdiction of such courts.
- (c) For the purposes of this Condition 18, the Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any suit, action or proceedings (together referred to as **Proceedings**) in any such court on the grounds that that any such Proceedings have been brought in an inconvenient forum.
- (d) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) Proceedings against the Issuer in any other court of competent jurisdiction, and (ii) concurrent Proceedings in one or more jurisdictions.
- (e) **Appointment of Process Agent:** The Issuer appoints Luxottica UK Ltd. at its registered office for the time being as its agent for service of process in England, and undertakes that, in the event of Luxottica UK Ltd. ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If, in respect of an issue of Notes which are derivative securities for the purposes of Article 15 of Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

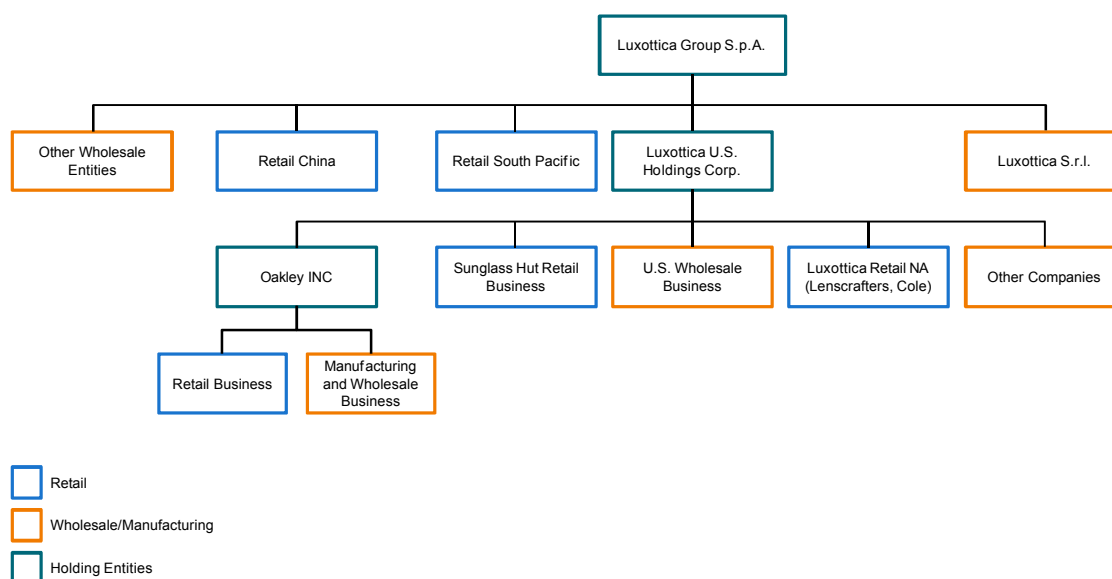
## DESCRIPTION OF THE ISSUER

### INCORPORATION

Luxottica Group S.p.A. (the **Issuer**) has its registered office at Via C. Cantu 2, Milan 20123, Italy, telephone number +39 02 863341. The Issuer is registered with the Companies Register of Milan under number 00891030272. The Issuer was incorporated in the form of a limited liability company under the name of FININCO S.r.l. on 23 November 1981. On 1 June 1982, it became a società per azioni, which is its present form. It operates under the laws of the Republic of Italy. On 6 March 1987, the Issuer changed its name to its present name, Luxottica Group S.p.A. The Issuer's corporate duration is currently due to expire on 31 December 2050.

In 1990, the Issuer listed the Issuer's American Depositary Shares (**ADSs**) on the New York Stock Exchange. In 2000, the Issuer's share capital was listed on Italy's Borsa Italiana S.p.A.'s (**Borsa Italiana**) electronic share market and has been listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana (**MTA**) in Italy since 2003.

### ORGANISATIONAL STRUCTURE



The Issuer is a holding company, and the majority of its operations are conducted through its wholly-owned subsidiaries, which operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution.

The significant subsidiaries controlled by the Issuer, including holding companies, are:

Subsidiary	Country of Incorporation	Percentage of Ownership
<b>Manufacturing</b>		
Luxottica S.r.l	Italy	100
Luxottica Tristar (Dongguan) Optical Co	China	100

<b>Subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage of Ownership</b>
<b>Distribution (both wholesale and retail)</b>		
Luxottica USA LLC	United States	100
Luxottica Retail North America Inc. <sup>(1)</sup>	United States	100
Sunglass Hut Trading, LLC	United States	100
OPSM Group Pty Limited	Australia	100
Luxottica Trading and Finance Limited	Ireland	100
<b>Holding companies</b>		
Luxottica U.S. Holdings Corp (wholesale, manufacturing and distribution)	United States	100
Luxottica South Pacific Holdings Pty Limited (distribution)	Australia	100
Luxottica South Pacific Pty Limited (distribution)	Australia	100
Luxottica (China) Investment Co. Ltd. (distribution)	China	100
Oakley, Inc. <sup>(2)</sup> (distribution)	United States	100
Arnette Optic Illusions, Inc. (distribution)	United States	100
The United States Shoe Corporation (distribution)	United States	100

<sup>(1)</sup> Successor by merger to the Group's LensCrafters, Cole and Pearle subsidiaries.

<sup>(2)</sup> In addition to being a holding company, Oakley, Inc. is also a manufacturer and a distributor.

## **DIRECTORS**

### **Directors**

The Issuer's board of directors currently consists of 13 members, each of whom was appointed at the shareholders' meeting held on 27 April 2012 (the **Board of Directors**).

The current term of the Board of Directors expires at the time of the approval of the Issuer's statutory financial statements as of and for the year ending 31 December 2014.

Set forth below is certain information regarding the directors of the Issuer:

<b>Name</b>	<b>Position</b>
Leonardo Del Vecchio	Chairman of the Board of Directors
Luigi Francavilla	Deputy Chairman
Andrea Guerra	Chief Executive Officer and Director

<b>Name</b>	<b>Position</b>
Roger Abravanel	Director
Mario Cattaneo	Director
Enrico Cavatorta	Chief Financial Officer — General Manager Central Corporate Functions and Director
Claudio Costamagna	Director
Claudio Del Vecchio	Director
Sergio Erede	Director
Elisabetta Magistretti	Director
Marco Mangiagalli	Director
Anna Puccio	Director
Marco Reboa	Director

The business address of each of the Directors is Via C. Cantù 2, 20123 Milan, Italy.

Executive officers serve at the discretion of the Board of Directors. Messrs. Cattaneo, Abravanel, Costamagna, Claudio Del Vecchio, Erede, Mangiagalli, Reboa and Ms. Magistretti and Ms. Puccio are all non-executive directors. In addition, Ms. Magistretti, Ms. Puccio and Messrs. Cattaneo, Abravanel, Costamagna, Mangiagalli and Reboa are also independent directors under Italian law

Pursuant to Italian law and the Issuer's by-laws, the Issuer's Board of Directors is appointed according to a voting list system. A list for the appointment of the Board of Directors can be presented only by shareholders who hold the minimum percentage of the share capital established annually by the Italian competent authority, *Commissione Nazionale per le Società e la Borsa (CONSOB)*. For 2012, this was equal to 1 per cent. of the share capital of the Issuer. All directors were appointed by Delfin S. à r.l., the Group's controlling shareholder.

Pursuant to the Italian Code of Corporate Governance, issued by Borsa Italiana, the Issuer maintains a Human Resources Committee, elected within the members of the Board of Directors. The Human Resources Committee has verification, advisory and proposal-making functions, including: (i) recommending to the Board the remuneration payable to the Issuer's Directors with additional responsibilities and determining the remuneration criteria for the top management of the Issuer and of the entire Group; and (ii) reviewing the Group employees' incentive plans. Effective as of 27 April 2012, the members of the Human Resources Committee are independent directors Claudio Costamagna, who acts as Chairman, Roger Abravanel and Anna Puccio. The term of the Human Resources Committee is co-extensive with the term of the Issuer's Board of Directors since its members are also members of the Board of Directors.

The Issuer also has a Control and Risk Committee (previously the Internal Control Committee) elected from the members of the Board of Directors. The Control and Risk Committee is responsible for performing investigations, providing advice and submitting proposals to the Board of Directors. In particular, the Control and Risk Committee (i) assists the Board of Directors in the execution of its internal control tasks and mandates, (ii) evaluates the planned initiatives and projects of the Internal Auditing Function, (iii) reviews

and assesses the regular reports issued by the Internal Auditing Function, (iv) assesses, together with the manager responsible for the preparation of the Issuer's accounting records and the managers and the auditors, the proper use and application of accounting principles, (v) assesses the results of the activities performed by the Internal Auditing function, (vi) expresses opinions concerning the identification and management of corporate risks and (vii) expresses opinions concerning the planning, implementation and management of the internal control system.

On 27 April 2012, the Board of Directors appointed the following individuals to be members of the Control and Risk Committee, each of whom is a non-executive, independent director: Mr. Mario Cattaneo (Chairman), Mr. Marco Reboa, Mrs. Elisabetta Magistretti and Mr. Marco Mangiagalli. A short biography of each of the Issuer's Directors is set forth below:

**Leonardo Del Vecchio** is the founder of the Group's operations and has been Chairman of the Board since the Group was formed in 1961. 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 Ca' Foscari University. In 1999, he received a Masters "honoris causa" in International Business from MIB- Management School in Trieste. In 2002, he received an honorary degree in Managerial Engineering from the University of Udine and in March 2006, Mr. Del Vecchio received another honorary degree in Materials Engineering from Politecnico of Milan. Furthermore, in December 2012 Mr. Del Vecchio received from CUOA Foundation a master "honoris causa" in Business Administration. Mr. Del Vecchio is also a director of Beni Stabili S.p.A. SIIQ and GiVi Holding S.p.A., Vice Chairman of Foncière des Régions S.A. and a director of Delfin S.à r.l., Aterno S.a.r.l. and Kairos Partners SGR S.p.A.

**Luigi Francavilla** joined the Group in 1968, has been Director since 1985, Deputy Chairman since 1991, and was, until June 2010, the Chief Quality Officer of the Group. From 1977 until May 2009, he was Group Product and Design Director. From 1972 to 1977, Mr. Francavilla was General Manager of Luxottica S.r.l. and, from 1969 to 1971, he served as Technical General Manager of Luxottica S.r.l. In addition, he is Chairman of Luxottica S.r.l., the Issuer's principal operating subsidiary. Mr. Francavilla is also a Director in the Venice branch of the Bank of Italy and is the Honorary Chairman of Confindustria Belluno. In April 2000, he received an honorary degree in Business Administration from Constantinian University in Cranston, Rhode Island, U.S.A. In 2011, he was appointed Grande Ufficiale of the Italian Republic. In 2012, the President of the Republic of Italy conferred on Mr. Francavilla the honor of Cavaliere dell'Ordine al "Merito del Lavoro" (Knight of the Order for Labour Merit).

**Andrea Guerra** was appointed a Director and Chief Executive Officer of the Issuer on 27 July 2004. Prior to joining the Issuer, Mr. Guerra was with Merloni Elettrodomestici since 1994, where, from 2000, he was its Chief Executive Officer. Prior to being at Merloni, Mr. Guerra worked for Marriott Italia where he became Director of Marketing. He received a degree in Business Administration from the "La Sapienza" University of Rome in 1989. Mr. Guerra is Director of Luxottica S.r.l., Chairman of OPSM Group PTY Limited, member of the Board of Directors of Luxottica U.S. Holdings Corp., Luxottica Retail North America Inc. and of Oakley, Inc., all of which belong to Luxottica Group. He is member of the Steering Committee of Fondo Strategico Italiano S.p.A. and also member of the Board of Directors of Amplifon S.p.A. and Ariston Thermo S.p.A.

**Roger Abravanel** has been a Director since 2006. He worked at McKinsey & Company from 1972 until June 2006. Mr. Abravanel is also involved in international consulting projects, advising on strategic, organizational and operational development issues. He graduated with a degree in Engineering from the Politecnico di Milano and received a Masters in Business Administration from INSEAD in Fontainebleau (with High Distinctions). He is the author of several studies and articles on business organization. He is a member of the Board of Directors of Teva Pharmaceutical Industries LTD, Banca Nazionale del Lavoro S.p.A., COFIDE S.p.A., Admiral Group Plc., Coesia S.p.A. and Esselunga S.p.A.



**Mario Cattaneo** has been a Director since 2003. He is emeritus professor of Corporate Finance at the Catholic University of Milan. He was a director of Eni S.p.A. from 1998 until 2005 and of Unicredito from 1999 until 2005 and Statutory Auditor of the Bank of Italy from 1991 until 1999. He is a member of the Board of Directors of Impregilo S.p.A. and Bracco S.p.A. He is an auditor of Michelin Italiana Sami S.p.A. and a member of the Supervisory Board of UBI Banca S.C.p.A.

**Enrico Cavatorta** has been General Manager—Central Corporate Functions since March 2011. He has been a Director of the Group since 2003. He has been Chief Financial Officer since he joined the Group in 1999 and is a director of the principal subsidiaries of the Issuer, including Luxottica U.S. Holdings Corp., Luxottica S.r.l., OPSM Group Pty Ltd., Luxottica Retail North America Inc. and Oakley, Inc. Prior to joining the Group, Mr. Cavatorta was with Piaggio S.p.A., most recently as Group Controller, responsible for planning and control. From 1993 to 1996, Mr. Cavatorta was a consultant with McKinsey & Co., having joined the firm from Procter & Gamble Italy, where he worked from 1985 to 1993, most recently as Controller. Mr. Cavatorta graduated with the highest honors from the LUISS University in Rome with a bachelor's degree in Business Administration. He is also a director of Salmoiraghi & Viganò S.p.A.

**Claudio Costamagna** has been a Director since 2006. Mr. Costamagna holds a business administration degree and has held important offices in Citigroup, Montedison and Goldman Sachs where he served for many years as Chairman of the Investment Banking division for Europe, the Middle East and Africa. He is currently Chairman of “CC e Soci S.r.l.”, a financial advisory boutique he founded, and a member of the International Advisory Board of the Bocconi University and Virgin Group. Mr. Costamagna is Chairman of Impregilo S.p.A., of AAA S.A. and Adviseonly SIM. He is also director of DEA Capital S.p.A., Il Sole24Ore S.p.A., FTI Consulting Inc. and Virgin Group Holdings Limited

**Claudio Del Vecchio**, a son of Leonardo Del Vecchio, joined the Group in 1978 and has been a Director since 1986. From 1979 to 1982, he managed the Group's Italian and German distribution operations. From 1982 until 1997, he was responsible for all business operations of the Group in North America. He also serves as a Director of U.S. Holdings, a key subsidiary in North America. Claudio Del Vecchio is Chairman and Chief Executive Officer of Brooks Brothers Group, Inc.

**Sergio Erede** has been a Director since 2004. Mr. Erede graduated magna cum laude from the University of Milan in 1962 with a degree in jurisprudence and obtained an LL.M. from Harvard Law School in 1964. From 1965 to 1969, he was head of the legal department of IBM Italia S.p.A. Prior to such time, Mr. Erede was an attorney at the law firm of Sullivan & Cromwell from 1964 to 1965, and the law firm of Hale & Dorr from 1963 to 1964. In 1999, he founded the law firm of Bonelli, Erede & Pappalardo (which is the successor by merger to the firm of Erede e Associati), a leading firm in Italian financial transactions. Additionally, he is a member of the Board of Directors of Foncière des Régions S.A., Interpump Group S.p.A., Gruppo Editoriale L'Espresso S.p.A., Manuli Rubber Industries S.p.A., Gruppo IPG Holding S.r.l. (Gruppo Interpump), Bolton Group International S.r.l., Brioni S.p.A., Sintonia S.p.A. and Delfin S.à r.l. Additionally, Mr. Erede is Chairman of AON Italia S.r.l. and vice chairman of the Board of Directors of Banca Nazionale del Lavoro S.p.A.

**Elisabetta Magistretti** became a Director of the Issuer on 27 April 2012. She graduated with honours from Bocconi University with a degree in Business and Economics. Ms. Magistretti is a Certified Chartered Public Accountant. She began her career in Arthur Andersen in 1972, where she became a partner in 1984. In 2001 she joined Unicredit Group as Head of the Administrative Government; from 2006 to 2009 she was responsible for the Group Internal Audit Department. From 2002 to 2009 she was in the Board of “Fondo Interbancario di Tutela dei Depositi”, from 2002 to 2011 she was in the Management Board of “Organismo Italiano di Contabilità” and from 2006 to 2009 she was member of the Supervisory Board of Unicredit S.p.A. From 2003 until early 2013, she was a Director in Unicredit Audit. From 2010 until 2012 she was member of Unicredit Bulbank Audit Committee and of the Supervisory Board of Zao Unicredit Russia, where she was Chairman of the Audit Committee. From 2011 to 2012 she was independent director of Gefran S.p.A. She is also member of the Board of Directors of Pirelli & C. S.p.A. and Mediobanca S.p.A.

**Marco Mangiagalli** became a Director on 29 April 2009. Mr. Mangiagalli received a degree in Political Economy from the “Luigi Bocconi” University in 1973. Most of his career has been with Eni Group; he also has had working experience with Barclays Group in Italy and the Nuovo Banco Ambrosiano Group. He has served as a member of the Board of Directors for Agip S.p.A., Polimeri Europa S.p.A., Nuovo Pignone S.p.A., Snamprogetti S.p.A., Saipem S.p.A., Eni International Holding B.V., Albacom S.p.A., Emittenti Titoli S.p.A. and Oil Investment Corp. He also has been Chairman of Eni Coordination Center S.A., Eni Bank Ltd/Banque Eni S.A. and of Enifin S.p.A. From August 2008 to May 2011, he was Chairman of the Board of Directors for Saipem S.p.A. He is a member of the Supervisory Board of Intesa San Paolo S.p.A. and a member of the Board of Directors of Autogrill S.p.A. He is also a member of the Senior Advisory Board of Global Infrastructure Partners.

**Anna Puccio** became a Director of the Issuer on 27 April 2012. Ms. Puccio graduated from the Venice University Ca’ Foscari with a degree in Business Administration and holds a post-graduate degree in International Business from CUOA Business School. She started her career in Microsoft Corp. in the United States in 1987. Thereafter, from 1990 to 2001, Ms. Puccio worked for Procter & Gamble Corp. in various countries as Italy, Germany, UK and Switzerland, most recently as Marketing Director Europe in Beauty Care Business Unit. From 2001 to 2004 she was Chief Executive Officer of Zed-TeliaSonera Italy and from 2005 to 2006 Chief Executive Officer of Sony Ericsson Italy. From 2008 to 2009 Ms. Puccio was Senior Strategy Advisor for Accenture Mobility Operative Services. From 2006 to 2012 she has been a member of the Board of Directors of Buongiorno S.p.A. Since 2010 Ms. Puccio is the Group Managing Director of CGM, National Group of Social Enterprises.

**Marco Reboa** became a Director on 29 April 2009. Mr. Reboa received a degree in Business Economics from Università Commerciale L. Bocconi in Milan, Italy in 1978. He has been registered in the Register of Chartered Accountants of Milan since 1982 and he is an auditor pursuant to Ministerial Decree since 1995. He is currently a professor at the Faculty of Law at the Libero Istituto Universitario Carlo Cattaneo in Castellanza, Italy and works in private practice in Milan, specializing in extraordinary financial transactions. Mr. Reboa has published books and articles on financial statements, economic appraisals and corporate governance. He is editor-in-chief of the Magazine of Chartered Accountants. Mr. Reboa was the Chairman of the Luxottica Group S.p.A. Board of Statutory Auditors from 14 June 2006 until 29 April 2009. He is a member of the Board of Directors of Interpump Group S.p.A., Parmalat S.p.A., Carraro S.p.A. and Made in Italy1 S.p.A., and Chairman of the Board of Auditors of Indesit Company S.p.A.

### Share Ownership by Directors

Set forth below is certain information concerning the beneficial ownership of the Issuer's ordinary shares as of 15 April 2013, by each of the Group's directors who beneficially owns in excess of one per cent. of the Issuer's outstanding ordinary shares.

Shareholder	Issuer	Shares owned as at 15 April 2013	Percentage Ownership
Leonardo Del Vecchio	Luxottica Group S.p.A.	292,760,339 <sup>(1)</sup>	61.50%

<sup>(1)</sup> 292,760,339 shares held of record by Delfin S.à r.l., an entity established and controlled by Mr. Del Vecchio. Mr. Del Vecchio holds voting and investment power over the shares held by such entity. Includes 275,000 ADRs and 450,000 shares held by Mr. Del Vecchio's wife.

Except as otherwise indicated above, each of the Issuer's directors owns less than one per cent. of the Issuer's outstanding ordinary shares.

### Code of Ethics

The Board of Directors adopted a Code of Ethics, as may be amended from time to time, that applies to the Issuer's chief executive officer, chief financial officer and all of its directors, members of management bodies, any other employees, and is addressed to those who directly or indirectly permanently or temporarily have relationships and dealings with the Issuer. The Issuer will provide a copy of the Group's Code of Ethics without charge upon a written request sent to the Issuer's registered office at Via C. Cantù 2, 20123 Milan, Italy. The Code of Ethics is also available on the Group's website at [www.luxottica.com](http://www.luxottica.com).

In accordance with Italian law, the Issuer adopted a Procedure for Handling Privileged Information, in order to ensure that material non-public information is promptly and adequately disclosed to the public and in compliance with the fundamental principles of transparency and truthfulness. The Issuer also adopted an Internal Dealing Procedure in order to comply with certain regulatory amendments. The procedure governs the disclosure obligations and the limitations concerning transactions carried out on shares and other financial instruments by a "significant" person (including directors, the main stockholders of the company and the persons closely related to them).

## MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### Major Shareholders

The following table sets forth, as at 15 April 2013, the beneficial ownership of ordinary shares by each person beneficially owning, as per the Issuer's knowledge, two per cent. or more of the outstanding ordinary shares (including ordinary shares represented by ADSs) in accordance with their most recent communication with the Issuer.

Identity of Person or Group	Amount of Shares Owned	Percent of Class
Leonardo Del Vecchio	292,760,339 <sup>(1)</sup>	61.50%
Giorgio Armani	22,724,000 <sup>(2)</sup>	4.77%

<sup>(1)</sup> 292,035,339 shares held of record by Delfin S.à.r.l., an entity established and controlled by Mr. Del Vecchio. Mr. Del Vecchio holds voting and investment power over the shares held by such entity. Includes 275,000 ADRs and 450,000 shares held by Mr. Del Vecchio's wife.

<sup>(2)</sup> Including 13,514,000 shares represented by ADSs, and 9,210,000 shares represented by ordinary shares. Of those, 9,010,000 ordinary shares are held directly and 200,000 ordinary shares are held indirectly through Giorgio Armani S.p.A.

The shares held by Mr. Del Vecchio through Delfin S.à.r.l. have the same voting rights as the shares held by other shareholders.

Mr. Del Vecchio is the Issuer's controlling shareholder through Delfin S.à.r.l. and serves as Chairman of the Issuer's Board of Directors. The Issuer is not otherwise directly or indirectly owned or controlled by another corporation or by any government.

A certain amount of Issuer shares are held by Deutsche Bank Trust Company Americas and represent ordinary shares that are traded in the US financial market through issuance by the Bank of a corresponding number of American Depositary Shares; such ordinary shares are deposited at Deutsche Bank S.p.A., which in turn issues the certificates entitling the holders to participate and vote at shareholders meetings. As of 31 March 2013, approximately 7.27 per cent. of the Issuer's ordinary shares were held in the form of ADSs by approximately 17,930 record holders.

To the best of the Issuer's knowledge, to date there are no arrangements the operation of which may at a subsequent date result in a change of control of the Issuer.

On 25 October 2010, in accordance with CONSOB Regulation No. 17221/2010, the Board of Directors of the Issuer approved a procedure governing related party transactions. The Board of Directors also resolved

with respect to the interested parties involved in any individual transaction, that: (i) in the case of transactions relating to the remuneration and economic benefits of the members of the management and control bodies and managers in strategic roles, the Human Resources Committee—composed of non executive directors, the majority of which being independent—shall be involved and consulted, and (ii) in the case of all other related party transactions, the Control & Risk Committee (previously Internal Control Committee) shall be involved and consulted.

## **Related Party Transactions**

### ***Licence Agreements***

The Issuer has a worldwide exclusive licence agreement to manufacture and distribute ophthalmic products under the Brooks Brothers name. The Brooks Brothers trade name is owned by Retail Brand Alliance, Inc. (**RBA**), which is controlled by Claudio Del Vecchio, one of the Group's directors. The licence expires on 31 December 2014. Royalties paid to RBA for such agreement were €0.8 million, €0.3 million and €0.8 million in the years ended 31 December 2010, 2009 and 2008, respectively.

Management believes that the terms of this licence agreement were fair to the Issuer.

### ***Shareholder Plan***

On 14 September 2004, the Issuer's Chairman and majority shareholder, Mr. Leonardo Del Vecchio, allocated shares previously held through holding companies of the Del Vecchio family, representing 2.02 per cent. (or 9.6 million shares) of the Issuer's authorised and issued share capital as at 15 April 2013, to a stock option plan for the Issuer's top management.

## **BOARD OF STATUTORY AUDITORS**

Pursuant to Italian law, the Issuer maintains a Board of Statutory Auditors, elected at the Stockholders' Meeting, composed of three experts in accounting matters who are required to have no other affiliation with the Issuer and who must satisfy certain professional and other standards. The Board of Statutory Auditors is required to verify that the Issuer (i) complies with applicable law and its by-laws, (ii) respect the principles of correct administration, (iii) maintain adequate organizational structure, internal controls and administrative and accounting systems, (iv) ensures that its accounting system represents the facts in a fair and true manner and (v) gives adequate instructions to the Group's subsidiaries. The Board also supervises how the Issuer complies with the Code of Corporate Governance issued by Borsa Italiana S.p.A. It also supervises the Group's financial reporting process, the effectiveness of the Group's internal auditing system and risk assessment, the audit work and the independence of its auditing firm. Although members of the Board of Statutory Auditors are required to attend the meetings of the Board of Directors and of the stockholders, they are not deemed to be members of the Board of Directors and do not vote on matters submitted to such meetings. On 27 April 2012, the Stockholders Meeting appointed as members of the Board of Statutory Auditors Francesco Vella, who is Chairman, Barbara Tadolini and Alberto Giussani. The Stockholders Meeting also appointed as alternate members of the Board of Statutory Auditors, Giorgio Silva and Fabrizio Riccardo Di Giusto. The alternate members will replace current members who leave their position during the current term. Francesco Vella and Fabrizio Riccardo Di Giusto were selected from a list submitted by minority stockholders. Alberto Giussani, Barbara Tadolini and Giorgio Silva were selected from a list submitted by Delfin S.à r.l. The current term of the Board of Statutory Auditors expires at the time of the approval of the statutory financial statements as of and for the year ending 31 December 2014.

## **CONFLICTS OF INTEREST**

To the best of the Issuer's knowledge as of the date of this Prospectus, there are no potential conflicts of interests between any duties of the Issuer's members of the Board of Directors and of the Board of Statutory Auditors to the Issuer on the one hand, and their private interests or other duties on the other hand.

However, see Risk Factor, as of 15 April 2013 "*Leonardo Del Vecchio, the Issuer's chairman and principal shareholder, controls 61.35 per cent of the Issuer's voting power and is in a position to affect the Group's ongoing operations, corporate transactions and any matters submitted to a vote of the Issuer's shareholders, including the election of directors and a change in corporate control.*"

#### **PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND ASSOCIATED SALES**

As of 15 April 2013, the Issuer held 4.157.225 treasury shares.

## DESCRIPTION OF THE ORIGINAL GUARANTORS

### ***LUXOTTICA U.S. HOLDINGS CORP.***

#### **Incorporation and status**

Luxottica U.S. Holdings Corp. (**U.S. Holdings**) is a corporation incorporated under the laws of the state of Delaware, with its headquarters at 12 Harbor Park Drive, Port Washington, NY 11050. It is registered in Delaware with the Delaware Secretary of State under registration number 3046668. Its agent for service of process in Delaware is National Registered Agents Inc., with an address at 160 Greentree Drive, Suite 101, Dover, Delaware 19904. It was incorporated on 27 May 1999. Its telephone number is +1-516-484-3800.

U.S. Holdings' accounting reference date is 31 December of each year.

#### **Principal activities**

U.S. Holdings' principal activity is as a holding company for the Group's North American operations.

#### **Share capital**

As at 31 December 2012, U.S. Holdings had an authorised share capital of 100,000 shares, par value \$0.01, 10,000 shares of which are issued. All issued shares are held by the Issuer.

#### **Board of Directors and officers**

The current Board of Directors of U.S. Holdings is comprised of five members, each of whom will remain in office until his successor is elected and qualified or until his earlier resignation or removal. Set forth below is certain information regarding the directors and officers of U.S. Holdings and details of positions held with other companies:

<b>Name</b>	<b>Position held since</b>	<b>Position</b>	<b>Positions held with companies outside the Group</b>
Andrea Guerra	4 November 2005 / 24 July 2007	Director/ President	Director of Amplifon and Ariston Thermo Spa
Enrico Cavatorta	4 November 2005 / 24 July 2007	Director/Executive Vice President	
Claudio Del Vecchio	13 March 2001	Director	Chairman and Chief Executive Officer of Brooks Brothers Group, Inc.
Michael A. Boxer	4 November 2005/ 24 August 2011	Director/ Executive Vice President, General Counsel & Secretary	
Vito Giannola	24 August 2011/5 December 1997	Director/Vice President & Treasurer	
Daniel Socci	27 November 2008	Vice President of	

Name	Position held since	Positions held with companies outside the Group		
		Position Administration & Tax		

Some of the directors are domiciled outside the United States. Each of the officers are domiciled for business purposes at the headquarters of U.S. Holdings.

To the best of U.S. Holdings' knowledge as at the date of this Prospectus, there are no conflicts of interest between the duties of the members of the Board of Directors and their private interests or other duties.

### ***LUXOTTICA S.R.L.***

#### **Incorporation and status**

Luxottica S.r.l. is a limited liability company incorporated under the laws of Italy, with registered office at Agordo (Belluno), Via Valcozzena 10. It is registered with the Companies Register of Belluno under registration number 00064820251. It was incorporated on 27 April 1961 as Luxottica di Leonardo Del Vecchio & C. *Società in accomandita semplice*. It subsequently became a *società per azioni* known as Luxottica S.p.A. on 23 December 1977 and then into its present form (*società a responsabilità limitata*) with its current name on 26 July 2001. It has a corporate duration through to 31 December 2050, which may be extended by shareholder resolution. Its telephone number is +39 04 376441.

Luxottica S.r.l.'s accounting reference date is 31 December.

#### **Principal activities**

Luxottica S.r.l.'s principal activities are the production and design of optical goods, frames and accessories for eyeglasses and sunglasses.

#### **Share capital**

At 31 December 2012, Luxottica S.r.l. had an authorised capital of €10,000,000. Its issued capital is fully held by the Issuer.

#### **Board of Directors**

The current Board of Directors of Luxottica S.r.l. is comprised of five members, who will remain in office until the approval of the financial statements as of 31 December 2013. The members of the Board of Directors also hold positions in other companies of the Group. Set forth below is certain information regarding the directors of Luxottica S.r.l.:

Name	Director since	Position		Positions held with companies outside the Group
Luigi Francavilla	31 July 1978	Chairman		Bank of Italy, Venice Branch
Massimo Vian	22 July 2010	Chief Officer	Executive	None

<b>Name</b>	<b>Director since</b>	<b>Position</b>	<b>Positions held with companies outside the Group</b>
Andrea Guerra	24 April 2007	Director	Amplifon S.p.A., Ariston Thermo S.p.A..
Enrico Cavatorta	23 April 2003	Director	None
Nicola Pelà	24 July 2007	Director	None

Each of the directors are domiciled for business purposes at the registered offices of Luxottica S.r.l.

To the best of Luxottica S.r.l.'s knowledge at the date of this Prospectus, there are no conflicts of interest between the duties of the members of the Board of Directors and their private interests or other duties.

### **Board of Statutory Auditors**

The current Board of Statutory Auditors of Luxottica S.r.l. is comprised of three effective members, who will remain in office until the approval of the financial statements as of 31 December 2014. There are also two alternate auditors who will replace current members who leave their position during the current term.

Set forth below is certain information regarding the statutory auditors and details of the positions they hold with other companies:

<b>Name</b>	<b>Positions held with companies outside of the Group</b>
Walter Pison (Chairman)	Sest S.p.A. (Chairman of the Board of Statutory Auditors) Ecomont S.r.l. (Chairman of the Board of Statutory Auditors) Feinar S.r.l. (Chairman of the Board of Statutory Auditors)
Mario Bampo (Effective auditor)	Clivet S.p.A. (Chairman of the Board of Statutory Auditors) Elettromec S.p.A. (Chairman of the Board of Statutory Auditors) Idrotermica Veneta Zeggio S.p.A. (Effective Auditor) Libera Ugo S.p.A. (Effective Auditor) Monti S.p.A. (Chairman of the Board of Statutory Auditors) Società Funivia Arabba Marmolada Sofma S.p.A. (Chairman of the Board of Statutory Auditors) Bortoluzzi Celeste S.r.l. (Chairman of the Board of Statutory Auditors) Maricell S.r.l. (Chairman of the Board of Statutory Auditors) Mariposa S.r.l. (Chairman of the Board of Statutory Auditors) Finras Monti S.a.p.a. (Chairman of the Board of Statutory Auditors)



Name			Positions held with companies outside of the Group
			M. Guarnier S.p.A. (Effective Auditor)
			RCH Group S.p.A. (Chairman of the Board of Statutory Auditors)
			Canzian F.lli S.r.l. (Chairman of the Board of Statutory Auditors)
			Beton Costruzioni S.p.A. (Chairman of the Board of Statutory Auditors)
			De Rigo S.p.A. (Chairman of the Board of Statutory Auditors)
			De Rigo Vision S.p.A. (Chairman of the Board of Statutory Auditors)
			Reviviscar S.r.l. (Chairman of the Board of Statutory Auditors)
			De Pra Holding S.p.a. (Chairman of the Board of Statutory Auditors)
			Confcommercio Imprese per l'Italia della Provincia di Belluno (Chairman of the Board of Statutory Auditors)
			La Schiara S.r.l. (Effective Auditor)
Stefano auditor)	Beltrame	(Effective	Sest S.p.A. (Effective Auditor)
			Porto San Rocco S.p.A. (Chairman of the Board of Statutory Auditors)
			Valdizoldo Funivie S.p.a. (Effective Auditor)
			Imap S.r.l. ( Sole Auditor )
Mario Medici (Alternate auditor)			Solatrix S.p.A. (Chairman of the Board of Statutory Auditors)
			RBAE S.r.l. (Effective Auditor)
Federica Monti (Alternate auditor)			Elettromec S.p.A. (Effective Auditor)
			De Bona S.r.l. (Sole Auditor)
			De Bona Padova S.r.l. (Sole Auditor)
			Sviluppo Holding S.r.l. (Sole Auditor)

To the best of Luxottica S.r.l.'s knowledge at the date of this Prospectus, there are no conflicts of interest between the duties of the members of the Board of Statutory Auditors and their private interests or other duties.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Group is a market leader<sup>1</sup> in the design, manufacturing and distribution of fashion, luxury, sport and performance eyewear. For the year ended 31 December 2012, total net sales reached a record Euro 7.1 billion<sup>2</sup>, net income attributable to Luxottica stockholders was Euro 541.7 million and headcount as of year-end was approximately 70,000 employees. The Group operates in two industry segments: (i) manufacturing and wholesale distribution and (ii) retail distribution.

Founded in 1961 by Leonardo Del Vecchio, the Group is now a vertically integrated organisation. The Group's manufacturing of prescription and sun frames and lenses is backed by wide-reaching wholesale and retail distribution networks comprising over 7,000 retail locations as at 31 December 2012, mostly in North America, Asia-Pacific, China and South America.

Product design, development and manufacturing takes place in six production facilities in Italy, two wholly owned factories in China and one sports sunglasses production facility in the United States. In 2012, the Group benefitted from the addition of a production facility in Campinas, Brazil, acquired in connection with the purchase of Grupo Tecnol Ltda (**Tecnol**) in the first quarter of 2012. The Group also has a small plant in India serving the Indian market. In 2012, worldwide production reached approximately 75 million units.

The design and quality of the Group's products and the Group's strong and well-balanced brand portfolio are known around the world. The Group's house brands include Ray-Ban, one of the world's best-known brands for eyewear, Oakley, Vogue, Persol, Oliver Peoples, Arnette and REVO, and the Group's licensed designer brands include Bvlgari, Burberry, Chanel, Coach, Dolce & Gabbana, Donna Karan, Paul Smith, Polo Ralph Lauren, Prada, Stella McCartney, Tiffany, Tory Burch, Versace and, starting from 2013, Giorgio Armani. The Group's wholesale distribution network covers more than 130 countries across five continents and has 40 commercial subsidiaries providing direct operations in key markets.

The Group's direct wholesale operations are complemented by an extensive retail network comprising approximately 7,000 stores worldwide at 31 December 2012. The Group is a leader in the prescription business in North America with the Group's LensCrafters and Pearle Vision brands, in Asia-Pacific with OPSM and Laubman & Pank brands, in China with its LensCrafters brand and in Latin America with the Group's GMO brand. In North America, the Group operates points of sale for its retail licensed brands under the Sears Optical and Target Optical brands. In addition, the Group is one of the largest managed vision care operators in the United States, through EyeMed, and the second largest lens finisher, having a network of five central laboratories and over 900 on-site labs at LensCrafters stores.

In recent years, the Group has developed a global sun and luxury retail organisation to support the Sunglass Hut, ILORI, The Optical Shop of Aspen and Bright Eyes brands and reinforce its global retail brands dedicated to sun and luxury eyewear. The Sunglass Hut brand, in particular, has a global presence, mainly in North America, Asia-Pacific, South Africa, Europe, Latin America and the Middle East.

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<sup>1</sup> Please note that information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group's business contained in this Base Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data taken from other external sources, and on the Issuer's knowledge of the Group's sales and markets. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Issuer to rely on internally developed estimates. While the Issuer has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, it has not independently verified that data. The Issuer gives no assurance regarding the accuracy and completeness of, and takes no responsibility for, such data. Similarly while the Issuer believes its internal estimates to be reasonable, they have not been verified by any independent sources and the Issuer gives no assurance as to their accuracy.

<sup>2</sup> Financial Statement data appearing in this Section is derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2012 and 2011 prepared in accordance with IFRS. See "Documents Incorporated by Reference" and "Overview of the Issuer's Financial Information" for further information.

The Group's Oakley brand provides a powerful wholesale and retail (**O Stores**) presence in both the performance optics and the sport channels. In the Group's O Store locations, it offers a variety of Oakley-branded products in addition to its Oakley eyewear styles. The Group's Oakley-branded products include apparel, footwear, backpacks and accessories designed for surf, snow, golf, outdoor, motor sport, mountain bike and other athletic lifestyles.

The Group's distribution channels are complemented by an e-commerce component, including the Oakley, Ray-Ban and Sunglass Hut websites. The e-commerce strategy is to enter additional markets as the business matures.

In 2012, 47.3 per cent. of the Group's total sales of frames and lenses related to prescription frames and 52.7 per cent. related to sunglasses.

The Group's capital expenditures for its continuing operations were Euro 365.0 million, excluding capital leases of Euro 7.9 million, for the year ended 31 December 2012. The Group expects 2013 aggregate capital expenditures to be approximately Euro 380 million, excluding any additional investments for business acquisitions. The most significant investments planned are the remodelling of existing stores for the Group's North American retail operations and a new IT infrastructure worldwide. The Group expects to fund this future capital expenditure with its current available borrowing capacity and available cash.

## **HISTORY**

### **Incorporation**

The Group was founded by Leonardo Del Vecchio in 1961, when he set up Luxottica di Del Vecchio e C. S.a.S., which subsequently became a joint-stock company organised under the laws of Italy under the name of Luxottica S.p.A. The Group 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. The Group gradually widened the range of processes that it offered until it had an integrated manufacturing structure capable of producing a finished pair of glasses. In 1971, the Group's first collection of prescription eyewear was presented at Milan's MIDO (an international optics trade fair), marking the Group's definitive transition from contract manufacturer to independent producer.

### **Expansion in Wholesale Distribution**

In the early 1970s, the Group 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 the market. The Group's first step was the acquisition of Scarrone S.p.A., which had marketed the Group's products since 1971, bringing with it a vital knowledge of the Italian market.

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

The Group's wholesale distribution expansion has focused on customer differentiation, customised service and new sales channels, such as large department stores, travel retail and e-commerce, as well as penetration in the emerging markets. The acquisition in 1981 of La Meccanoptica Leonardo, the owner of the Sferoflex brand and an important flexible hinge patent, enabled it to enhance the image and quality of the Group's products and increase the Group's market share.

From the late 1980s, eyeglasses, previously perceived as mere sight-correcting instruments, began to evolve into "eyewear." Continual aesthetic focus on everyday objects and interest on the part of designers in the emerging accessories industry led the Group, in 1988, to embark on its first collaboration with the fashion industry, by entering into a licensing agreement with Giorgio Armani. The Group followed up that initial

collaboration, which was terminated in 2003, with numerous others and with the acquisition of new brands, gradually building the Group's current world-class brand portfolio and thereby increasing its commitment to research, innovation, product quality and manufacturing excellence.

Over the years, the Group has launched collections from names like Bvlgari (1997), Chanel (1999), Prada (2003), Versace (2003), Donna Karan (2005), Dolce & Gabbana (2006), Burberry (2006), Polo Ralph Lauren (2007), Tiffany (2008), Stella McCartney (2009), Tory Burch (2009), Coach (2011) and Armani (2013).

In addition, the Group acquired Ray-Ban in 1999, one of the world's best-known sunglass brands. Through this acquisition, the Group obtained crystal sunglass lens technology and associated manufacturing capacity and added to its portfolio the Arnette, REVO and Killer Loop brands.

In 2007, the Group acquired California-based Oakley, a leading sport and performance brand, which owned the Oliver Peoples brand and a licence to manufacture and distribute eyewear under the Paul Smith name. Oakley also had its own retail network at the time of over 160 stores.

In 2013, the Group acquired Alain Mikli International, a French luxury and contemporary eyewear company, which owns the Alain Mikli brand and the Starck Eyes licence. The cash portion of the consideration for the acquisition was Euro 85.4 million. The purchase price paid in the first quarter of 2013, including the assumption of Euro 15 million of Alain Mikli's debt, totalled Euro 91 million. As a result, the Group will strengthen both its luxury brand portfolio and prescription offerings, which now include Alain Mikli's distinctive designs.

## **Retail Distribution**

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

Since 2000, the Group has strengthened its retail business by acquiring a number of chains, including Sunglass Hut (in 2001), a leading retailer of premium sunglasses, OPSM Group (in 2003), a leading optical retailer in Australia and New Zealand, Cole National Corporation (**Cole**) (in 2004), which brought with it another leading optical retail chain in North America, Pearle Vision, the extensive Retail Licensed Brands store business (Target Optical and Sears Optical). In 2005, the Group 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, Thailand, India, the Philippines, Mexico, Brazil and Mediterranean Europe. In 2011, the Group started its optical retail expansion in Latin America by completing the acquisition of Multiópticas Internacional S.L. (**MOI** or **Multiópticas Internacional**), a leading retailer in Chile, Peru, Ecuador and Colombia operating under the Ópticas GMO and Sun Planet retail brands.

## **DESIGN AND PRODUCT DEVELOPMENT**

Emphasis on product design and the continuous development of new styles is key to the Group's success. In 2012, the Group added approximately 1,700 new styles to its eyewear collections. Each style is typically produced in two sizes and five colours.

The design of the Group's products is the focal point where vision, technology and creativity converge.

Each pair of eyewear expresses the Group's two core precepts: on the one hand, use of innovative materials, technologies and processes, and on the other, craftsmanship to create unique eyewear.

The design process begins with the Group's in-house designers who work in an environment that emphasises innovation and originality and espouse a creative process that views eyewear as art, as objects to put on display. They draw inspiration from both market trends and their own imagination and creativity. In addition, the Group's design team works directly with the marketing and sales departments, which monitor the demand for the Group's current models, as well as general style trends in eyewear. The information obtained from the marketing and sales departments is used by the Group's designers to refine existing product designs and by the Group's marketing and sales departments to develop market positioning strategies in order to react to changing consumer preferences.

After the design process has been completed, the product development process is executed through engineering, planning, manufacturing and delivery of the Group's products. The engineering process consists of the product development stages between style sketches and the manufactured final products. By scheduling the process pursuant to a launch calendar that focuses on customer and geographic demand, the engineering department has been able to decrease product development timelines in recent years.

The research and development (**R&D**) efforts of the Group's engineers also play a crucial role in the product development process. The Group's engineers are continuously looking for new materials, concepts and technology innovations to be applied to the Group's products and processes in an effort to differentiate them in the eyewear market.

Also crucial is the role played by R&D where a strong group of engineers is continuously looking for new materials, concepts and technology innovation to be applied to the Group's products and processes so as 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 precision. Once developed, they are passed on to the product department, which uses visual rendering and 3D software to analyse the steps necessary to bring the prototype to mass production.

At this point in the cycle, the mould workshop designs and assembles the equipment needed to make the components for the new model. The first specimens obtained are assembled and undergo a series of tests required by internal quality control procedures.

The next steps in the process involve the production and quality certification of sales samples of the new models. These samples are subjected to another sequence of tests to ascertain the quality of the engineering.

The final step is the production of an initial batch using definitive tooling certified by an external standards organisation. These samples are produced in a pilot facility representing the plant chosen to mass-produce the new model in order to meet the needs of production planning.

## **BRAND PORTFOLIO**

The Group's brand portfolio is one of the largest in the industry and continuously evolves, with the Group's major global brands backed by leading brands both at a regional level and in particular segments and niche markets. The Group's portfolio is balanced between house and licensed designer brands, combining the stability of the former with the prestige of the latter.

The presence of Ray-Ban, one of the world's best-selling brands of sun and prescription eyewear, and Oakley, a leader in the sport/performance category, gives the portfolio a strong base, complemented by Persol, Oliver Peoples and, starting in 2013, Alain Mikli in the high end of the market, Arnette and REVO in the sports market, and Vogue in the fashion market.

Alongside the house brands, the Group's portfolio has over 20 licensed designer brands, including some well-known and prestigious names in the global fashion and luxury industries. With the Group's

manufacturing know-how, capillary distribution and direct retail operations supported by targeted advertising and the Group's experience in international markets, the Group's goal is to be the ideal partner for fashion houses and stylists seeking to translate their style and values into successful premium quality eyewear collections. The Group differentiates each designer's offering as much as possible, segmenting it by type of customer and geographical market, to produce a broad range of models capable of satisfying diverse tastes and tendencies and to respond to the demands and characteristics of widely differing markets.

In January 2013, the Group commenced an exclusive ten-year licence agreement with the Armani Group for the design, manufacturing and worldwide distribution of sun and prescription eyewear under the Giorgio Armani, Emporio Armani and A/X Armani Exchange brands. The first collections have been launched during the first quarter of 2013 and will be distributed through Armani stores worldwide, independent optical locations, select department stores as well as through select travel retail locations and the Group's retail chains.

The following table presents the respective percentages of the Group's total net sales attributable to brands in Euros comprised by the Group's designer and house brands during the periods indicated:

	Year Ended 31 December	
<i>(as a percentage of total net sales attributable to brands)</i>	<b>2012</b>	<b>2011</b>
Licensed designer brands	29.7	30.5
House brands	70.3	69.5

The following table presents the respective percentages of the Group's total net sales of frames and lenses comprised by the Group's prescription frames and lenses and sunglasses for the periods indicated:

	Year Ended 31 December	
<i>(as a percentage of total net sales of frames and lenses)</i>	<b>2012</b>	<b>2011</b>
Prescription frames and lenses	47.3	46.3
Sunglasses	52.7	53.7

## House Brands

Oakley and Ray-Ban, the two biggest eyewear brands in the Group's portfolio, accounted for 11.7 per cent. and 23.1 per cent., respectively, of the Group's 2012 net sales.

### *Ray-Ban*

Style, tradition and freedom of expression are the key values underpinning the philosophy of Ray-Ban, a leader in sun and prescription eyewear for generations. Debuting in 1937 with the Aviator model created for American Air Force pilots, Ray-Ban joined the Group's brand portfolio in 1999. Ray-Ban is recognised for the quality and authenticity of its eyewear and is worn by celebrities all over the world.

### *Oakley*

Acquired by the Group in 2007, Oakley is a leading sports eyewear brand, known for its blend of technology, design and art across all its products. In addition to its sun and prescription eyewear and ski goggles, it offers

branded apparel, footwear and accessories in collections addressing specific consumer categories: Sport/Active, Lifestyle and Women. Oakley is also well-known for its lens technologies and especially its High Definition Optics® (HDO®).

#### *Persol*

Persol, the iconic “Made in Italy” eyewear brand, made its debut in 1917 and was acquired by the Group 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 high quality make the brand a favourite among celebrities.

#### *Vogue*

Launched in 1973 under the same name as the famous fashion magazine, Vogue Eyewear was acquired by the Group in 1990. Vogue models distinguish themselves through their innovative and fashionable designs, their variety of colours and frames and the detailing on the temples.

#### *Arnette*

Launched in California in 1992, Arnette was acquired by the Group in 1999, and combines the comfort and functionality demanded by extreme sports enthusiasts.

#### *Eye Safety Systems (ESS)*

Acquired in 2007, ESS designs, develops and markets advanced eye protection systems for military, firefighting and law enforcement professionals worldwide and is a leading supplier of protective eyewear to the United States military and firefighting markets.

#### *K&L*

Created in 1989, Killer Loop joined the Group’s brand portfolio in 1999. It gradually evolved from a general sports style to embody a more “urban” spirit. In 2008 it took on a new name, K&L, and launched a project for collections specifically addressing the preferences of consumers in emerging markets while maintaining global distribution.

#### *Luxottica*

Launched in 1967, the Group’s original line best conveys the experience and tradition that are its essence.

#### *Mosley Tribes*

Launched in 2005 and part of the Group’s brand portfolio since 2007, Mosley Tribes combines design and aesthetics with a vision of the urban lifestyle and sports performance worlds. The sleek and stylish frames use titanium and injected plastic for a lightweight design, ideal for active individuals. Most frames feature advanced lens technology.

#### *Oliver Peoples*

Acquired by the Group in 2007, Oliver Peoples began in 1987 with the introduction of a retro inspired eyewear collection purchased by designer and optician Larry Leight. All eyewear is handcrafted from the finest quality materials, in colours exclusive to Oliver Peoples. Frames are manufactured in limited quantities and with deliberate anti-logo labelling that appeals to sophisticated consumers.

#### *Revo*

Created in 1985 and acquired by the Group in 1999, REVO is characterised by an innovative lens based on a technology that NASA developed for satellite portholes, offering maximum protection against ultraviolet and infrared light.

#### *Sferoflex*

Sferoflex, which joined the Group portfolio in 1981, takes its name from the patented flexible hinge enabling the temples to conform to the shape and size of the face, thus increasing the resilience of the frame itself and ensuring perfect fit.

### **Licensed Designer Brands**

The Group's designer lines are produced and distributed through licence agreements with major fashion houses. The licence agreements are exclusive contracts, which typically have terms of between three and ten years and may contain options for renewal for additional periods. Under these licence agreements, the Group is required to pay a royalty that generally ranges from 5 per cent. to 14 per cent. of the net sales of the relevant collection, which may be offset by any guaranteed minimum royalty payments. The licence agreements also provide for a mandatory marketing contribution that generally amounts to between 5 per cent. and 10 per cent. of net sales of the relevant collection.

Prada and Dolce & Gabbana are two significant licences in the Group's portfolio. In 2012, sales realised through the Prada and Miu Miu brand names together represented 3.9 per cent. of total sales, whereas the sales realised through the Dolce & Gabbana and D&G brand names collectively represented 2.6 per cent. of total sales.

Designer collections are developed through the collaborative efforts of the Group's in-house design staff and the brand designers.

#### *Brooks Brothers*

Characterised by lightweight materials and a slender line, the Brooks Brothers collections reflect the iconic features of the style of this American brand. This is an affordable product line with classic style that delivers functionality, lightness and high quality. The original licence agreement was entered into in 1992.

#### *Bvlgari*

Extending its vision of extraordinary beauty to everyday objects, Bvlgari, under licence since 1997, applies the same uncompromising design and product standards to its men's and women's eyewear collection, recapturing fine handcrafting in ladies' collections and technical innovation in gentlemen's styles.

#### *Burberry*

Since its founding in England in 1856, Burberry has been synonymous with quality, as defined by the endurance, classicism and functionality that characterised its history. Burberry has become a leading luxury brand with a global business. The eyewear collection, under licence since 2006, is inspired by the brand's innovative ready-to-wear and accessories collections and incorporates very recognisable iconic elements for both men and women.

#### *Chanel*

In 1999, the Issuer was the first company licensed to produce Chanel eyewear products. The Chanel Eyewear collection, targeting luxury-oriented consumers, reflects the essential characteristics of the brand: style, elegance and class.



## *Coach*

Founded in 1941 as a family-run workshop in a Manhattan loft, Coach has grown to become a leading American marketer of fine accessories and gifts for women and men. Under licence since 2012, the Coach eyewear collection perfectly expresses the signature look and distinctive identity of the Coach brand. The collection reaffirms Coach's commitments to quality, craftsmanship and cutting-edge design, while incorporating innovative new techniques and materials. In 2010, Coach launched the Reed Krakoff brand, with stores opened in New York City, Tokyo and Las Vegas. The sunwear collection, under licence since 2012, combines the glamour and modern elegance of Krakoff's art with the distinctive details taken from his fashion house.

## *Dolce & Gabbana*

Dolce & Gabbana is a luxury brand that draws inspiration from the roots and the authentic values of its own DNA: Sicily, sensuality and sartorial ability. Dolce & Gabbana's essence lies in its contrasting yet complementary features. The eyewear collection, under licence since 2006, is characterised by glamorous, unconventional shapes, prestigious materials and sumptuous detailing.

## *Donna Karan*

Under licence since 2005, this product line reflects the design sensibility and spirit of the Donna Karan collection. Designed "for a woman by a woman," the collection is designed to offer sophisticated styling, sensuality and comfort in a modern way with identifiable detailing and quality workmanship.

## *DKNY*

DKNY is easy-to-wear fashion with an urban mindset, the energy of New York City and its street-smart look. DKNY eyewear caters to modern, urban, fashion-conscious women and men addressing a broad range of lifestyle needs, from work to weekend, jeans to evening. The licence was entered into in 2005.

## *Paul Smith Spectacles*

Licensed by the Group in 2007, the Paul Smith Spectacles brand, launched in 1994, includes prescription and sun eyewear featuring the whimsical yet classic designs and attention to detail that are synonymous with one of Britain's leading fashion designers.

## *Ralph Lauren Group*

Under licence since 2007, the Ralph Lauren Group comprises the following collections:

### *Polo Ralph Lauren*

Authentic and iconic, the Polo eyewear collection is the original symbol of the modern preppy lifestyle. Polo's aesthetic signature is recognised worldwide as a mark of contemporary heritage excellence.

### *Ralph Lauren*

Timeless and sophisticated, the Ralph Lauren eyewear collection reflects Ralph Lauren's definitive design philosophy in its groundbreaking juxtaposition of feminine glamour and impeccable execution. A mix of American glamour with an air of refined luxury.

### *Ralph*

This women's line is an expression of the Ralph Lauren spirit at an accessible price point. It features the latest looks and trends, as well as some more classic looks, and vibrant colours for a feminine, youthful, flirty and fun look.

### *Chaps*

Chaps translates the classic heritage and timeless aesthetic of Ralph Lauren into an accessible line for men and women. Chaps creates interchangeable classics that are both enduring and affordable.

### *Prada Group*

Under licence since 2003, the Prada Group includes the following collections:

#### *Prada*

Prada represents the best of Italian culture and tradition. At the same time, Prada is one of the most innovative fashion brands with a keen attention to detail and new trends. The Prada eyewear collection reflects this approach with unmistakable style, sophisticated elegance and uncompromising quality. The Prada collection also includes the Prada Linea Rossa line, which is inspired by the world of sports to convey an everyday casual style. It is designed for dynamic yet fashion-conscious consumers and has a dedicated advertising campaign.

#### *Miu Miu*

Under licence since 2003, the eyewear collection was launched with brand new luxury positioning in 2011 to align it with the brand's other product categories. Miu Miu is Miuccia Prada's other soul: a brand with a very strong and autonomous identity, characterised by an avant-garde, sensual, sometimes provocative style aimed at a trendsetting woman with a strong and independent personality.

### *Stella McCartney*

Stella McCartney, under licence since 2009, is a design lifestyle brand, synonymous with modern cool. The sunglasses collection appeals to women who are naturally sexy and confident, combining everyday quality with sophistication and masculinity with feminine allure and allowing its wearers to create their own distinctive look.

### *Tiffany & Co.*

Founded in 1837 in New York City, Tiffany has a rich heritage filled with celebrated events, artists and milestones that live on today in legendary style. The Group was the first company licensed to produce Tiffany's eyewear collection, which takes inspiration from the most iconic jewellery collection, celebrating stunning originality and enduring beauty. The first collection was launched in 2008.

### *Tory Burch*

Under licence since 2009, Tory Burch is an attainable luxury lifestyle brand defined by classic American sportswear with an eclectic sensibility, which embodies the personal style and spirit of its co-founder and creative director, Tory Burch.

### *Versace*

Versace is a prestigious fashion and lifestyle brand, symbol of Italian luxury world-wide. The collection is intended for men and women looking for a contemporary style that is strong in personality, sexy and

sophisticated. The eyewear collection, under licence since 2003, perfectly combines glamour and modern elegance, bearing the distinctive details taken from the graphic direction of the fashion house.

## **MANUFACTURING**

### **Plants and Facilities**

The Group's primary manufacturing facilities are located in Italy, China, the United States and Brazil.

The Group has six manufacturing facilities in Italy: five in northeastern Italy, the area in which most of the country's optical industry is based, and one near Turin.

Over the years, the Group has consolidated its manufacturing processes by utilising a consistent production technology in each of the Italian facilities. This consolidation has enabled it to improve both the productivity and quality of its manufacturing operations. Plastic frames are made in the Agordo, Sedico, Pederobba and Lauriano facilities, while metal frames are produced in Agordo and Rovereto. Certain metal frame parts are produced in the Cencenighe plant. The Lauriano facility also makes crystal and polycarbonate lenses for sunglasses.

From 1998 to 2001, the Group operated the Dongguan plants in China's Guangdong province through its 50 per cent.-owned joint venture (Tristar Optical Company Ltd.) with a Japanese partner. In 2001, the Group acquired the remaining 50 per cent. interest in this Chinese manufacturer and, in 2006, it increased its manufacturing capacity in China through the construction of a new manufacturing facility to produce both metal and plastic frames. After the construction of this new facility, the Group's annual average daily production in China increased by approximately 80 per cent. compared to 2005. Since then, the Group has further expanded its manufacturing capacity in China.

During 2010, Tristar started producing plastic sun lenses, which are paired with frames manufactured in the same Chinese facility.

A newly developed state-of-the-art decoration department incorporates manufacturing processes adopted from different industries.

The Foothill Ranch facility in California manufactures high-performance sunglasses and prescription frames and lenses and assembles most of Oakley's eyewear products. The production of Oakley apparel, footwear, watches and certain goggles is outsourced to third-party manufacturers.

The newly acquired manufacturing facility in Campinas, Brazil produces both plastic and metal frames for the Brazilian market. In September 2012, the Group launched the first locally designed and produced Vogue prescription collection for this market. The Group plans to launch the production of select Ray-Ban and Oakley collections at the Campinas facility in 2013.

The Group also operates a small plant in India serving the local market.

In 2012, the Group's manufacturing facilities produced a combined total of approximately 75 million prescription frames and sunglasses. Approximately 40 per cent. of the frames were metal-based, and the remaining frames were plastic. Three main manufacturing technologies are involved: metal, acetate slabs and plastic (injection moulding). The manufacturing process for both metal and plastic frames begins with the fabrication of precision tooling and moulds based on prototypes developed by in-house designers and engineering staff.

### *Metal Frames*

The manufacturing process for metal frames has approximately 70 phases, beginning with the production of basic components such as rims, temples and bridges, which are produced through a moulding 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*

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

The Group engages in research and development activities relating to its manufacturing processes on an on-going basis. As a result, the Group plans to invest over Euro 200 million over the next three years to increase manufacturing capacity in Italy, China, the United States, Brazil and India, as well as for innovation and technology enhancements. This commitment is expected to translate into increased efficiency and improved quality of the Group's manufacturing processes.

### **Suppliers**

The principal raw materials and parts purchased for the manufacturing process include plastic resins, metal alloys, crystal and plastic lenses and frame parts.

The Group purchases a substantial majority of raw materials in Europe, Asia and, to a lesser extent, in the United States. In addition, the Group uses certain external suppliers for frames, lenses, eyeglass/frame cases, packaging materials and machinery and equipment, and for some logistic services. The Group also relies on outside suppliers for the production of apparel, footwear, accessories and watches.

Although, historically, prices of the principal raw materials used in the Group's manufacturing process have been stable, in 2012 the Group utilised a process to hedge the risk of price changes for gold and palladium, in order to control costs. Regarding other raw materials used in the Group's manufacturing process, the Group negotiates prices directly with its suppliers.

The Group has built strong relationships with its major suppliers. In 2012, the Group continued to deploy risk management initiatives in its purchasing function to identify material risks (impact and probability) and put in place mitigation actions (if not already in place). With most suppliers, the Group maintains agreements that prohibit disclosure of the Group's proprietary information or technology to third parties. Although the Group's Oakley subsidiary relies on outside suppliers for most of the specific moulded components of its glasses and goggles, it generally retains ownership of the moulds used in the production of the components. The Group believes that most of the components can be obtained from one or more alternative sources within a relatively short period of time, if necessary or desired. In addition, to further mitigate risk, it has developed an in-house injection moulding capability for sunglass lenses.

Essilor International (**Essilor**) is one of the largest suppliers of the Group's retail operations, accounting for 31 per cent. of the Group's total North America retail lens merchandise purchases and related processing costs in 2012 and 27 per cent. in 2011. The Group has entered into a number of long-term contracts with Essilor governing new products and have additional agreements directly with lens casters to ensure that the Group maintain adequate access to suppliers. In addition, Luxottica Retail North America Inc. (**Luxottica Retail N.A.**) has both purchase and long-term financing contracts with Essilor to acquire anti-reflective equipment that has been or will be installed at selected LensCrafters in-store labs. The Group has not experienced any significant interruptions in its sourcing of supplies and believes that the loss of Essilor or any of the Group's other suppliers would not have a significant long-term impact on its future operations.

The Group and Essilor have formed a long-term joint venture for the Australian and New Zealand markets. This alliance (which is majority controlled by Essilor) manages Eyebiz Laboratories Pty Ltd, which provides lens manufacturing, finished lenses and fitting services for Australia and New Zealand. During 2011, the joint venture invested in a new, state-of-the-art facility in Thailand capable of providing 24-hour production seven days a week.

## **Quality Control**

The Group's objective of continually improving quality in every phase of its production and distribution cycles has been one of the drivers prompting the full vertical integration of every phase of production. By increasing production capacity in both developed and emerging countries, the Group is pursuing a crucial goal: delivering the same quality – "Made by Luxottica" – everywhere in the world. Wherever design and production of frames and sun lenses take place, a single quality system applies to every process involved, from product development to procurement, distribution, operational analysis and uniform and measurable performance management in the plants. Most of the manufacturing equipment that the Group uses is specially designed and adapted for its manufacturing processes. This facilitates a rapid response to customer demand and adherence to strict quality control standards.

Through ongoing verification of precision and expertise in all the phases of production, the Group seeks to manufacture a product of the highest quality. Quality and process control teams regularly inspect semi-finished products during the various phases of production, verifying the feasibility of prototypes in the design phase, controlling standards across the spectrum of products in the product development and production phase, subsequently checking for resistance to wear and tear and reviewing optical properties in relation to type of use. The manufacturing processes and materials used by primary suppliers are also controlled and certified.

The Group designs products to meet or exceed relevant industry standards for safety, performance and durability. Throughout the development process, the Group's optics products undergo extensive testing against standards established specifically for eyewear by ANSI (Z.80.3), ASTM, Standards Australia Limited (AS 1067) and EU (EN 1836 and ISO EN 12870). These standards relate to product safety and performance and provide quantitative measures of optical quality, UV protection, light transmission and impact resistance.

To assure quality standards worldwide and the right support for quality improvement, the Group has three main labs, one in each of Italy, China and the United States. Each lab is responsible for establishing and maintaining the quality standards in the region where it is located and supports activities in engineering, production and market feedback management. All of the Group's labs conduct the same tests using the same equipment and procedures, which are developed and approved in the central Italian lab.

Every year, the Group enhances the performance criteria used in its standard tests and introduces new requirements. As a result of the effectiveness of its quality control program, the return rate for defective merchandise manufactured by the Group has remained stable at approximately 1 per cent. in 2012.

## **DISTRIBUTION**

### **The Group's Principal Markets**

The following table presents the Group's net sales by geographic market and segment for the periods indicated:

**Year Ended 31 December**

**2012                      2011**

*(in thousands of Euro)*

European Retail	134,020	114,334
European Wholesale	1,183,312	1,128,946
North America Retail	3,380,684	3,008,990
North America Wholesale	742,205	596,324
Asia-Pacific Retail	626,290	563,458
Asia-Pacific Wholesale	271,201	216,260
Other Retail	172,074	79,361
Other Wholesale	576,355	514,810
<b>Total</b>	<b>7,086,142</b>	<b>6,222,483</b>

## Logistics

The Group's distribution system is globally integrated and supplied by a centralised manufacturing programming platform. The network linking the logistics and sales centres to the production facilities in Italy, China, the United States and Brazil also provides daily monitoring of global sales performance and inventory levels so that manufacturing resources can be programmed and warehouse stocks re-allocated to meet local market demand. This integrated system serves both the retail and wholesale businesses and is one of the most efficient and advanced logistics systems in the industry, with 20 distribution centres worldwide, of which 12 are in the Americas, six are in the Asia-Pacific region and two are in the rest of the world.

The Group has four main distribution centres (hubs) in strategic locations serving the Group's major markets: Sedico (Italy), Atlanta (United States), Ontario (United States) and Dongguan (China). They operate as centralised facilities, offering customers a highly automated order management system that reduces delivery times and keeps stock levels low.

The Sedico hub was opened in 2001. In 2012, it managed over 19,400 orders per day, including eyeglasses and spare parts. Sedico ships over 187,000 units daily to customers in Europe, North America, the Middle East and Africa and to the Group's distribution centres in the rest of the world, from which they are then shipped to local customers.

The Sedico hub enabled the Group to close local warehouses throughout Europe that served the previous distribution system, improving the speed and efficiency of the Group's distribution.

The Atlanta facility, opened in 1996, has consolidated several North America-based facilities into a single state-of-the-art distribution centre located close to one of the major airport hubs of the United States. This facility has a highly advanced cross-belt sorting system that can move up to 150,000 units per day. In late 2009, the facility, which was originally a retail-only distribution centre, started serving both the Group's retail and wholesale businesses in the North American market.

The Dongguan hub was opened in 2006 and manages an average of 170,000 units per day. The growth in the Asia-Pacific region has resulted in this hub becoming a strategic part of the Group's distribution network.

The Group continues to invest in ways to improve services and increase capacity in order to create even greater efficiencies in the region.

In 2009, the information system SAP (Systems, Applications and Products in Data Processing) was implemented in the Sedico logistics hub. In 2010, it was utilised in the operations of the Dongguan logistics hub. The global implementation of SAP continued and was implemented throughout 2012 in the Chinese operations at the Dongguan facility and at the Atlanta and Ontario distribution centres, providing further support to manufacturing management, enhanced inventory control, network optimisation and the order management process.

In the last three years, overall service levels improved approximately 30 per cent. and reduced the Group's logistics costs by approximately 12 per cent. The focus on logistics in emerging markets (i.e., Brazil, China, India, Turkey and Mexico) allows the Group to serve those markets at a speed that is comparable to what the Group is delivering in mature markets, such as Europe.

### **Wholesale Distribution**

The Group's wholesale distribution structure covers more than 130 countries, with over 40 directly controlled or majority-owned operations in the major markets and approximately 100 independent distributors in other markets. Each wholesale subsidiary operates its own network of sales representatives who are normally retained on a commission basis. Relationships with large international, national and regional accounts are generally managed by employees.

Customers of the Group's wholesale business are mostly retailers of mid- to premium-priced eyewear, such as independent opticians, optical retail chains, specialty sun retailers, department stores and duty-free shops. The Group is currently seeking to further penetrate emerging markets and exploit new channels of distribution, such as department stores, travel retail and e-commerce.

Certain brands, including Oakley, also are distributed to sporting goods stores and specialty sports stores, including bike, surf, snow, skate, golf and motor sports stores.

In addition to offering its wholesale customers some of the most popular brands, with a broad array of models tailored to the needs of each market, the Group also seeks to provide them with pre- and post-sale services to enhance their business. These services are designed to provide customers with the best product and in a time frame and manner that best serve the Group's customers' needs.

The Group maintains close contact with its distributors in order to monitor sales and the quality of the points of sale that display its products.

In 2002, the Group introduced within the Wholesale Division the STARS program (Superior Turn Automatic Replenishment System), originally under the name "Retail Service," to provide third-party customers with an enhanced partnership service that leverages the Group's knowledge of local markets and brands to deliver fresh and high-turnover products and maintain optimal inventory levels at each point of sale. This business unit directly manages product selection activities, production and assortment planning and automatic replenishment of the Group's products in the store on behalf of the third party customer, utilising ad hoc systems, tools and state-of-the-art planning techniques.

By the end of 2012, STARS served a total of approximately 3,000 stores in the major European markets, Latin America and emerging markets.

### **Retail Distribution**

With a strong portfolio of retail brands, the Group is well positioned to reach different segments of the market. The retail portfolio offers a variety of differentiation points for consumers, including the latest in

designer and high-performance sun frames, advanced lens options, advanced eye care, everyday value, and high-quality vision care health benefits.

As at 31 March 2013, the Group's retail business consisted of 6,421 corporate stores and 557 franchised or licensed locations as follows:

	North America	Asia- Pacific	China/ Hong Kong	Europe	Africa and Middle East	South Africa	Latin America	Total
LensCrafters	963	—	204	—	—	—	—	1,167
Pearle Vision	254	—	—	—	—	—	—	254
Sunglass Hut <sup>(1)</sup>	1,895	244	8	231	—	120	177	2,675
ILORI and The Optical Shop of Aspen	37	—	—	—	—	—	—	37
Oliver Peoples	7	—	—	—	—	—	—	7
Alain Mikli	5	9	7	5	—	—	—	26
Oakley retail locations <sup>(2)</sup>	149	22	—	13	—	—	4	188
Sears Optical	742	—	—	—	—	—	—	742
Target Optical	331	—	—	—	—	—	—	331
OPSM <sup>(3)</sup>	—	391	—	—	—	—	—	391
Laubman & Pank	—	48	—	—	—	—	—	48
Budget Eyewear	—	2	—	—	—	—	—	2
Bright Eyes	—	26	—	—	—	—	—	26
David Clulow <sup>(4)</sup>	—	—	—	92	—	—	—	92
GMO <sup>(5)</sup>	—	—	—	—	—	—	456	456
Franchised or licensed locations <sup>(6)</sup>	376	135	—	8	35	—	3	557
<b>Total</b>	<b>4,759</b>	<b>877</b>	<b>219</b>	<b>349</b>	<b>35</b>	<b>120</b>	<b>640</b>	<b>6,999</b>

(1) Includes Sunglass Icon in North America; Sunglass World, Oocchiali for Sunglasses in South Africa; Sun Planet in Latin America.

(2) Includes Oakley "O" Stores and Vaults.

(3) Includes the stores acquired from Just Spectacles.

(4) Includes David Clulow joint-venture stores.

(5) Includes EconOpticas.

(6) Includes primarily franchised and licensed locations for Pearle Vision and Bright Eyes, with the remaining locations for Budget Eyewear, David Clulow, Sunglass Hut, Oakley "O" Stores and Vaults, Oliver Peoples, Icon-HMS and Alain Mikli.



The Group's retail stores sell not only prescription frames and sunglasses that it manufactures but also a wide range of prescription frames, lenses and other ophthalmic products manufactured by other companies. In 2012, net sales of the retail division comprising the Group's own brand names and the Group's licensed brands represented 87.1 per cent. of the total net sales of frames and lenses of the retail division (86.1 per cent. in 2011).

### Optical Retail

The Group's optical retail operations are anchored by leading brands such as LensCrafters and Pearle Vision in North America, and OPSM and Laubman & Pank, which are active throughout Australia and New Zealand, and GMO in Latin America. The Group also has a retail presence in China, where it operates in the premium eyewear market with LensCrafters. Due to the fragmented nature of the European retail market, it does not operate optical retail stores in Europe outside of the United Kingdom, where the Group operates a network of more than 80 David Clulow stores, selling both prescription and sun products. As at 31 December 2012, the Group's optical retail business consisted of approximately 3,864 retail locations globally.

### *LensCrafters*

As at 31 December 2012, the Group operated a retail network of 1,178 LensCrafters stores, of which 968 are in North America and 210 are in China and Hong Kong. LensCrafters is currently the largest optical retailer in North America in terms of sales. Usually located in high-traffic commercial malls and shopping centres, the stores offer a wide array of premium prescription frames and sunglasses, mostly made by the Group, but also a wide range of high-quality lenses and optical products made by other suppliers. LensCrafters was founded in 1983 with the idea of providing customers with a pair of quality glasses in about an hour, which today represents a key feature of LensCrafters' customer service model. Most stores in North America have on site an independent doctor of optometry (sometimes a Group employee) and a fully equipped, state-of-the-art lens laboratory that is able to craft, surface, finish and fit lenses in about one hour. As part of its underlying commitment to customer satisfaction and industry innovation, over the last couple of years, LensCrafters has further invested in technology to enable a distinctive customer experience by including the AccuFit Digital Measurement technology, which provides a lens fit with 5 times greater precision than traditional methods, and the anti-reflective coating capability at in-store labs, further enhancing the "one-hour service" concept.

In 2006, the Group began to expand the LensCrafters brand in China by rebranding the stores that the Group acquired through the acquisition of three retail chains in Beijing, Shanghai, Guangdong and Hong Kong. Hong Kong is one of China's most significant luxury markets, and launching LensCrafters as a premium brand in Hong Kong was important for increasing awareness and consumer demand for the Group's products and services in the region.

### *Pearle Vision*

Acquired by the Group in 2004, Pearle Vision is one of the largest optical retail chains in North America. Although LensCrafters and Pearle Vision target both the mid- to high-end customer brackets, their positioning is complementary. Pearle Vision focuses on the factors that made the brand a success: customers' trust in the doctor's experience and the quality of service they receive, which made Pearle Vision the "Home of Trusted Eyecare" for generations of Americans. Pearle Vision is expanding through franchising and is one of the largest franchise systems in optical retailing.

As at 31 December 2012, Pearle Vision operated 266 corporate stores and had 356 franchise locations throughout North America.

### *Retail Licensed Brands*

With the acquisition of Cole in 2004, the Group also acquired a network of retail locations in North America operating under the brand names of their respective host American department stores. These “Retail Licensed Brands” are Sears Optical and Target Optical. These points of sale offer consumers the convenience of taking care of their optical needs while shopping at these department stores. Each of these brands has a precise market positioning that the Group has reinforced by improving service levels while strengthening its fashion reputation with brands such as Ray-Ban and Vogue.

As at 31 December 2012, the Group operated 775 Sears Optical and 331 Target Optical locations throughout North America.

#### *OPSM*

OPSM is the largest optical retail chain in Australia and New Zealand. In 2012, the Group amplified its focus on OPSM, with the aim of repositioning it as a single national brand and revamping the Group retail footprint. As a result of this “network transformation,” the Group has either closed or rebranded about 10 per cent. of its Australian and New Zealand stores and is progressively phasing out the Budget Eyewear stores.

Already renowned among luxury and fashion-minded customers for its range of optical frames and sunglasses, OPSM has increased its commitment to providing the highest level of quality eye care to its customers with a significant investment in optometry and digital retinal scanners across the store network.

As at 31 December 2012, the Group operated 342 stores and eight franchise locations throughout Australia. OPSM also has 50 owned stores in New Zealand, mainly in large urban areas.

#### *Laubman & Pank*

Laubman & Pank is well-known in regional Australian markets for high-quality eye care and outstanding service. Laubman & Pank’s target customer is the “independent” optical shopper looking for expert eye health services combined with a personalised customer experience.

As at 31 December 2012, the Group owned 51 stores throughout Australia.

#### *GMO*

GMO, an optical market leader in Latin America, became a part of the Group in July 2011, following the acquisition of Multiópticas Internacional. Since its beginning in 1998, GMO has developed a reputation for optical retail excellence among consumers in Chile, Peru, Ecuador and Colombia with its strong Ópticas GMO, EconÓpticas and Sun Planet retail brands. As at 31 December 2012, the Group operated 316 Ópticas GMO stores and 135 EconÓpticas stores.

#### *EyeMed Vision Care*

EyeMed Vision Care is one of the largest managed vision care companies in the United States serving more than 33 million members in large- and medium-sized companies, government entities and through insurance companies. Innovation, choice and convenience drive EyeMed’s commitment to eye health and vision wellness as it works with its plan sponsors to incorporate vision as part of an overall health care benefits program. Its members have access to over 26,000 retail locations, including independent opticians, ophthalmologists, optometrists and Luxottica’s U.S. optical stores.

#### *Lens Laboratories*

Together with LensCrafters’ over 900 in-store labs, the Group operates five central lens surfacing/finishing labs in North America. Combining a broad presence in the market with the capacity for handling lens surfacing/finishing reduces the time and cost of lens finishing work and improves quality of service. All the

labs use highly advanced technologies to meet growing demand. The five central laboratories serve all the Pearle Vision stores, the retail Licensed Brands stores, LensCrafters and a number of franchises.

In addition, the Group operates Oakley optical lens laboratories in the United States, Ireland and Japan. These labs provide Oakley prescription lenses to the North and South American, European and Asian markets, respectively, enabling them to achieve expeditious delivery, better quality control and higher optical standards.

Most of the Australian laboratory needs are provided by the Eyebiz Laboratory, a joint venture between Luxottica and Essilor formed in February 2010.

### E-commerce

#### *Online Retail for Contact Lenses*

In 2009, the Group entered into a strategic multi-year e-commerce alliance with Vision Direct, a leading online contact lens retailer and wholly owned subsidiary of Drugstore.com, to develop branded contact lens e-commerce sites for its North American retail business and provide customer care and fulfilment services for this channel. The alliance enables the Group to offer a comprehensive solution for consumers to conveniently purchase contact lenses in person, by telephone or online.

#### *Brand e-commerce sites*

The Group's Oakley, Ray-Ban and Sunglass Hut e-commerce websites comprise additional important sales channels that complement the Group's retail operations and international distribution. The websites allow consumers to purchase products efficiently, increasing brand awareness, improving customer service and communicating the values and essence of these important brands. *Oakley.com* conducts e-commerce across multiple markets including the United States, Canada, Australia, Japan and 16 countries in Europe. *Ray-Ban.com* was launched in the United States in 2009. Over the last two years, *SunglassHut.com* has become the digital destination for consumers looking to find the latest trends and hottest products in premium sunwear. The Group's e-commerce strategy is to enter additional markets as the business matures. For example, in China, strategic partnerships have been formed to open both Ray-Ban and Oakley stores within TaoBao, the largest local online mall.

### Sun and Luxury Retail

#### *Sunglass Hut*

Since the acquisition of Sunglass Hut in 2001, the Group has become a world leader in the specialty sunglass retail business.

Founded in 1971 as a small kiosk in a Miami mall, Sunglass Hut was acquired by the Group in 2001. Today, Sunglass Hut is the world's leading destination for top brands, latest trends and exclusive styles of high-quality fashion and performance sunglasses. Stores can be found in fashionable shopping districts across the globe, from the Americas, Europe and the Middle East to Australia, South Africa, Hong Kong and beyond, providing consumers with a fun, innovative fashion and shopping experience.

In recent years, the chain has reinforced its presence in the department store channel through long-term strategic agreements with Macy's in the United States, Myer in Australia and Edgars in South Africa. Following a strategy to strengthen the brand by increasing its presence in markets that are on the cutting edge of fashion and are tourist centres, or "gateway cities," in April 2010, Sunglass Hut started opening flagship stores in New York and London, followed by Miami, Santa Monica and Orlando. In 2011, Sunglass Hut entered the Mexican market and the Brazilian market, where it has continued to organically grow in 2012.

As at 31 December 2012, Sunglass Hut operated a retail network of 2,713 stores worldwide, of which 2,610 are corporate stores and 103 are franchise locations. The former are in North America, Asia-Pacific, Europe, South Africa and Latin America, whereas the latter are in the Middle East, India, the Philippines and Thailand.

#### *ILORI*

ILORI is the Group's high-end fashion sunwear retail brand, with 21 stores in North America as at 31 December 2012, including flagship stores in the SoHo neighbourhood of New York City and in Beverly Hills, California. ILORI caters to a more exclusive clientele, offering a richer purchasing experience for eyewear in prestige locations, featuring sophisticated luxury collections, exclusive niche brands and highly personalised service.

#### *The Optical Shop of Aspen*

Founded in the 1970s, The Optical Shop of Aspen is known in the optical industry for its luxury brands for both prescription frames and sunglasses and its first-class customer service. As at 31 December 2012, the Group operated 18 stores in some of the most upscale and exclusive locations throughout the United States.

#### *Oliver Peoples*

The Group operates ten luxury retail stores under the Oliver Peoples brand. The Oliver Peoples brand retail stores only offer Oliver Peoples, Mosley Tribes and Paul Smith products. Three additional Oliver Peoples retail locations are operated under licence in Tokyo and Los Angeles.

#### *David Clulow*

In Europe, the Group operates David Clulow, a premium optical retailer operating in the United Kingdom and Ireland, predominantly in London and the southeast of the United Kingdom. The brand emphasises service, quality and fashion. The Group's marketing is targeted to reinforce these brand values and build long-term relationships with customers. In addition to operating optical stores, David Clulow operates a number of sunglass concessions in up-market department stores, further reinforcing the Group's position as a premium brand in the United Kingdom. As at 31 December 2012, David Clulow operated 39 corporate owned locations (including nine joint ventures), three franchise locations and 41 sun stores/concessions.

#### *Bright Eyes*

As at 31 December 2012, Bright Eyes operated 30 corporate store locations and 49 franchise locations, mostly in tourist resorts and high-traffic areas across Australia.

#### *Oakley Stores and Vaults*

As at 31 December 2012, the Group operated 198 Oakley "O" Stores and Vaults worldwide, offering 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 centres. Oakley's retail operations also are located in Mexico, Europe and the Asia-Pacific region.

### **MARKETING**

The Group's marketing and advertising activities are designed primarily to enhance the Group's image and the Group's brand portfolio and to drive traffic into the Group's retail locations.

Advertising expenses amounted to 6.3 per cent. of the Group's net sales in 2012.

### **Marketing Strategy for the Group's Wholesale Business**

The Group's marketing strategy for the wholesale business is focused on promoting its extensive brand portfolio, corporate image and the value of its products. Advertising is extremely important in supporting the Group's marketing strategy, and therefore the Group engages in extensive advertising activities, both through various media (print, radio and television, as well as billboard advertising and digital media) directed at the end consumer of the Group's products and at the point-of-sale (displays, counter cards, catalogues, posters and product literature).

In addition, the Group advertises in publications targeted to independent practitioners and other market specific magazines and participates in major industry trade fairs, where the Group promotes some of its new collections.

The Group also benefits from brand-name advertising carried out by licensors of the Group's designer brands intended to promote the image of the eyewear collections. The Group's advertising and promotional efforts in respect of the Group's licensed brands are developed in coordination with the Group's licensors. The Group contributes to the designer a specified percentage of the Group's sales of the designer line to be devoted to its advertising and promotion.

For the Group's Oakley brand, the Group also uses less conventional marketing methods, including sports marketing, involvement in grass-roots sporting events and targeted product allocations. The exposure generated by athletes wearing Oakley products during competition and in other media appearances serves as a more powerful endorsement of product performance and style than traditional commercial endorsements and results in strong brand recognition and authenticity on a global level.

### **Marketing strategy for the group's retail business**

The Group engages in promotional and advertising activities through its retail business with the objectives of attracting customers to the stores, promoting sales, building the Group's image and the visibility of its retail brands throughout the world and encouraging customer loyalty and repeat purchases.

The "O" Stores and Vaults are designed and merchandised to immerse the consumer in the Oakley brand through innovative use of product presentation, graphics and original audio and visual elements.

A considerable amount of the Group's retail marketing budget is dedicated to direct marketing activities, such as communications with customers through mailings and catalogues. The Group's direct marketing activities benefit from the Group's large database of customer information and investment in customer relationships, marketing technologies and skills in the United States and in Australia. Another significant portion of the marketing budget is allocated to broadcast and print media, such as television, radio and magazines, designed to reach the broad markets in which the Group operates with image-building messages about the Group's retail business.

### **ANTI-COUNTERFEITING POLICY**

Intellectual property is one of the Group's most important assets, which the Group protects through the registration and enforcement of its trademarks and patents around the world. The Group's commitment is demonstrated through the on-going results of the Group's anti-counterfeiting activities and increased leveraging of the Group's global organisation. Trademarks and products from market leaders are increasingly copied and the implementation of a strong global anti-counterfeiting program allows the Group to send a strong message both to infringers and to its authorised distribution network. This program allows the Group, on one hand, to exercise the Group's rights against retailers of counterfeit eyewear and wholesalers and manufacturers that supply them and, on the other hand, to send a message to its authorised distributors that it

values its intellectual property and will work diligently to protect it. Through a strong investigative network, especially in China, the Group has been able to identify key sources of counterfeit goods, organise raids on their premises in cooperation with local law enforcement and to file legal actions against the counterfeiters.

Additionally, the Group continues to consolidate and strengthen its cooperation with customs organisations around the world, which helps to stop, seize and destroy hundreds of thousands of counterfeit goods each year. The Group dedicates considerable efforts to monitoring the trafficking of counterfeit goods through the Internet, and works actively to remove counterfeit eyewear from certain popular on-line auction platforms and shut down the websites that violate the Group's intellectual property rights through the sale of counterfeit products or the unauthorised use of the Group's trademarks. Additionally, the Group invests in increasing consumer awareness of the potential health risks of using eyewear that is not compliant with applicable laws and regulations.

## **TRADEMARKS, TRADE NAMES AND PATENTS**

The Group's principal trademarks or trade names include Luxottica, Ray-Ban, Oliver Peoples, Oakley, Persol, Vogue, Arnette, Revo, LensCrafters, Sunglass Hut, ILORI, Pearle Vision, OPSM, Laubman & Pank and the Oakley ellipsoid "O" and square "O" logos. The Group's principal trademarks are registered worldwide. Other than Luxottica, Ray-Ban, Oakley, LensCrafters, Sunglass Hut, Pearle Vision, OPSM and the Oakley ellipsoid "O" and square "O" logos, the Group does not believe that any single trademark or trade name is material to its business or results of operations. The collection of Oakley and Ray-Ban products accounted for 11.7 per cent. and 23.1 per cent., respectively, of the Group's net sales in 2012. The Group believes that its trademarks have significant value for the marketing of the Group's products and that having distinctive marks that are readily identifiable is important for creating and maintaining a market for the Group's products, identifying its brands and distinguishing its products from those of the Group's competitors. Therefore, the Group utilises a combination of trademarked logos, names and other attributes on nearly all of its products.

The Group utilises patented and proprietary technologies and precision manufacturing processes in the production of its products. As at 31 March 2013, the Group held a portfolio of over 680 (mostly Oakley-related) patents worldwide that protect the Group's designs and innovations.

The design patents protect the distinctive designs of Oakley's innovative products, including its sunglasses, goggles, prescription eyewear, watches and footwear. Some of the most important utility patents relate to the following categories: innovations in lens technology and the associated optical advances; electronically enabled eyewear; innovations in frame design and functionality; biased, articulating and dimensionally stable eyewear; and interchangeable lenses.

## **LICENCE AGREEMENTS**

The Group has entered into licence agreements to manufacture and distribute prescription frames and sunglasses with numerous designers. These licence agreements typically have terms ranging from three to ten years, but may be terminated early by either party for a variety of reasons, including non-payment of royalties, failure to meet minimum sales thresholds, product alteration and, under certain agreements, a change of control of the Group.

Under these licence agreements, the Group is required to pay a royalty which generally ranges from five per cent. to 14 per cent. of the net sales of the relevant collection, which may be offset by any guaranteed minimum royalty payments. The licence agreements also provide for a mandatory marketing contribution that generally amounts to between five and ten per cent. of net sales.

The Group believes that early termination of one or a small number of the current licence agreements would not have a material adverse effect on its results of operations or financial condition. Upon any early

termination of an existing licence agreement, the Group expects that it would seek to enter into alternative arrangements with other designers to reduce any negative impact of such a termination.

The table below summarises the principal terms of the Group's most significant licence agreements.

<b>Licensor</b>		<b>Licensed Marks</b>	<b>Territory</b>	<b>Expiration</b>
Giorgio S.p.A	Armani	Giorgio Armani	Worldwide exclusive licence	31 December 2022
		Emporio Armani		
		A/X Armani Exchange		
Brooks Group, Inc.*	Brothers	Brooks Brothers	Worldwide exclusive licence	31 December 2014 (renewable until 31 December 2019)
Burberry Limited		Burberry	Worldwide exclusive	31 December 2015
		Burberry Check	Licence	
		Equestrian Knight Device		
		Burberry Black Label**		
Bvlgari S.p.A		Bvlgari	Worldwide exclusive	31 December 2020
			Licence	
Chanel Group		Chanel	Worldwide exclusive	31 March 2014
			Licence	
Coach, Inc.		Coach Poppy	Worldwide exclusive	30 June 2016
		Coach	Licence	(renewable until 30
		Reed Krakoff		June 2024)
Dolce & Gabbana S.r.l.		Dolce & Gabbana	Worldwide exclusive	31 December 2015
		D&G	licence	
Donna Karan Studio LLC		Donna Karan	Worldwide exclusive	31 December 2014
		DKNY	Licence	(renewable until 31 December 2019)
Gianni	Versace	Gianni Versace	Worldwide exclusive	31 December 2022

S.p.A.	Versace	licence			
	Versace Sport				
	Versus				
Paul Smith Limited	Paul Smith	Worldwide licence	exclusive	31 December 2013***	
	PS Paul Smith				
Prada S.A.	Prada	Worldwide licence	exclusive	31 December 2018	
	Miu Miu				
PRL USA Inc. The Polo/Lauren Company LP	Polo by Ralph Lauren Ralph Lauren Ralph (Polo Player Design) Lauren RLX RL Ralph Ralph/Ralph Lauren Lauren by Ralph Lauren Polo Jeans Company The Representation of the Polo Player Chapps****	Worldwide licence	exclusive	31 March 2017	
Stella McCartney	Stella McCartney	Worldwide licence	exclusive	31 December 2014 (renewable until 31 December 2019)	
Tiffany and Company	TIFFANY & CO Tiffany	Exclusive licence in United States of America including all possessions and territories thereof, Canada, Mexico, Barbados, Cayman Islands, Jamaica, Panama, Netherlands Antilles, South		31 December 2017	



America (excluding Argentina), Middle East (excluding Iran, Iraq, Yemen, Jordan and Kuwait), Morocco, Tunisia, South Africa, United Kingdom, France, Germany, Italy, Austria, Holland, Spain, Belgium, Greece, Poland, Portugal, Switzerland, Bosnia, Bulgaria, Kosovo, Malta, Romania, Slovakia, Hungary, Croatia, Slovenia Republic, Russian Federation, Azerbaijan, Kazakhstan, Republic of Georgia, Ukraine, Baltic Countries, Singapore, Taiwan, Thailand, Vietnam, China, India, Pakistan, Philippines, Korea, Japan, Australia

Tory Burch LLC	Tory Burch	Worldwide exclusive	31 December 2014
	TT	licence	(renewable until 31 December 2018)

- \* Brooks Brothers Group, Inc. is indirectly owned and controlled by one of the Group's directors.
- \*\* Japan only.
- \*\*\* The renewal of the current licence agreement is currently being negotiated between the parties.
- \*\*\*\* United States, Canada, Mexico and Japan only.

## REGULATORY MATTERS

The Group's products are subject to governmental health and safety regulations in most of the countries where they are sold, including the United States. The Group regularly inspects its production techniques and standards to ensure compliance with applicable requirements. Historically, compliance with such requirements has not had a material effect on the Group's operations.

In addition, governments throughout the world impose import duties and tariffs on products being imported into their countries. Although in the past the Group has not experienced situations in which the duties or tariffs imposed materially impacted its operations, the Group can provide no assurances that this will be true in the future.

The Group's past and present operations, including owned and leased real property, are subject to extensive and changing environmental laws and regulations pertaining to the discharge of materials into the environment, the handling and disposition of waste or otherwise relating to the protection of the environment. The Group believes that it is in substantial compliance with applicable environmental laws and regulations. However, the Group cannot predict with any certainty that it will not in the future incur liability under environmental statutes and regulations with respect to contamination of sites formerly or currently owned or operated by it (including contamination caused by prior owners and operators of such sites) and the off-site disposal of hazardous substances.

The Group's retail operations are also subject to various legal requirements in many countries in which the Group operates its business that regulate the permitted relationships between licensed optometrists or ophthalmologists, who primarily perform eye examinations and prescribe corrective lenses, and opticians, who fill such prescriptions and sell eyeglass frames.

The Group produces and sells to the U.S. government, including the U.S. military, and to international governments, certain Oakley and ESS protective eyewear and other products. As a result, the Group's operations are subject to various regulatory requirements, including the necessity of obtaining government approvals for certain products, country-of-origin restrictions on materials in certain products, U.S.-imposed restrictions on sales to specific countries, foreign import controls and various decrees, laws, taxes, regulations, interpretations and court judgements that are not always fully developed and that may be retroactively or arbitrarily applied. Additionally, the Group could be subject to periodic audits by U.S. government personnel for contract and other regulatory compliance.

## **COMPETITION**

The Group believes that its integrated business model, innovative technology and design, integrated sunglass manufacturing capabilities, effective brand and product marketing efforts and vigorous protection of its intellectual property rights are important aspects of competition and are among the Group's primary competitive advantages.

The prescription frame and sunglasses industry is highly competitive and fragmented. As the Group markets its products throughout the world, it competes with many prescription frame and sunglass companies in various local markets. The major competitive factors include fashion trends, brand recognition, marketing strategies, distribution channels and the number and range of products offered. The Group believes that some of its largest competitors in the design, manufacturing and wholesale distribution of prescription frames and sunglasses are De Rigo S.p.A., Marchon Eyewear, Inc., Marcolin S.p.A., Safilo Group S.p.A., Silhouette International Schmied AG and Maui Jim, Inc.

Several of the Group's most significant competitors in the manufacture and distribution of eyewear are significant vendors to the Group's retail division. The Group's success in these markets will depend on, among other things, its ability to manage an efficient distribution network and to market the Group's products effectively as well as the popularity and market acceptance of its brands.

The highly competitive optical retail market in North America includes a large number of small independent competitors and several national and regional chains of optical superstores. In recent years, a number of factors, including consolidation among retail chains and the emergence of optical departments in discount retailers, have resulted in significant competition within the optical retailing industry. The Group competes against several large optical retailers in North America, including Wal-Mart and Eye Care Centres of America, and, in the sunglasses area, department stores and numerous sunglass retail chains and outlet centres. The Group's optical retail operations emphasise product quality, selection, customer service and convenience. The Group does not compete primarily on the basis of price.

The Group believes that Oakley and the Group's other sports brands are leaders in non-prescription sports eyewear, where they mostly compete with smaller sunglass and goggle companies in various niches and a number of large eyewear and sports products companies that market eyewear.

The managed vision care market in North America is highly competitive. EyeMed has a number of competitors, including Vision Service Plan (**VSP**), Davis Vision and Spectera. While VSP was founded almost 57 years ago and is the current market leader, EyeMed's consistent year-over-year growth has enabled it to become the second largest market competitor in terms of funded lives. EyeMed competes based on its ability to offer a network and plan design with the goal of delivering overall value based on the price, accessibility and administrative services provided to clients and their members.

## **SEASONALITY**

The Group has historically experienced sales volume fluctuations by quarter due to seasonality associated with the sale of sunglasses, which represented 52.7 per cent. and 53.7 per cent. of the Group's units sold in 2012 and 2011, respectively. As a result, the Group's net sales are typically higher in the second quarter, which includes increased sales to wholesale customers and increased sales in its Sunglass Hut stores, and lower in the first quarter, as sunglass sales are lower in the cooler climates of North America, Europe and Northern Asia. These seasonal variations could affect the comparability of the Group's results from period to period. The Group's retail fiscal year is either a 53-week year or a 52-week year, which also can affect the comparability of the Group's results from period to period. When a 53-week year occurs, the Group generally adds the extra week to the fourth quarter. In 2008, the fiscal year for the Retail Division in North America and the United Kingdom included 53 weeks; in 2009, the fiscal year for the Retail Division in Asia-Pacific, Greater China (mainland China and Hong Kong) and South Africa included 53 weeks. A 53-week year occurs in five- to six-year intervals and will occur again in fiscal 2014 in North America and the United Kingdom and in fiscal 2015 in Asia-Pacific, Greater China and South Africa.

### *Concentration of Credit Risk*

Financial instruments which potentially expose the Group to concentration of credit risk consist primarily of cash, investments and accounts receivable. The Group attempts to limit its credit risk associated with cash equivalents by placing the Group's cash balances and investments with highly rated banks and financial institutions. However, at any time, amounts invested at these banks may be in excess of the amount of insurance provided on such deposits. With respect to accounts receivable, the Group limits its credit risk by performing ongoing credit evaluations, and certain customers may be required to post security in the form of letters of credit. As at 31 December 2012 and 31 December 2011, no single customer's balance comprised 10 per cent. or more of the overall accounts receivable balance. However, included in accounts receivable as at 31 December 2012 and 31 December 2011, was Euro 30.6 million and Euro 22.6 million, respectively, due from the host stores of Retail Licensed Brands, the Group's retail division. These receivables represent cash proceeds from sales deposited into the host stores' bank accounts, which are subsequently forwarded to the Group on a weekly or monthly basis depending on its contract with the particular host store and are based on short-term contract arrangements.

## **LEGAL PROCEEDINGS**

### *French Competition Authority Investigation*

The Group's French subsidiary, Luxottica France S.A.S., together with other major competitors in the French eyewear industry, has been the subject of an anti-competition investigation conducted by the French Competition Authority relating to pricing practices in such industry. The investigation is ongoing and to date no formal action has yet been taken by the French Competition Authority. As a consequence, it is not possible to estimate or provide a range of potential liability that may be involved in this matter. The outcome of any such action, which the Issuer intends to vigorously defend, is inherently uncertain, and there can be no

assurance that such action, if adversely determined, will not have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the Group may be subject to material claims, judgments or proceedings in the future which, if adversely determined, may have a material adverse effect on our business, results of operations and financial condition. See *"Risk Factors – If the Group were to become subject to adverse judgments or determinations in legal proceedings to which the Group is, or may become, a party, its future profitability could suffer through a reduction of sales or increased costs or damage to the Group's reputation due to its failure to adequately communicate the impact of any such proceeding or its outcome to the investor and business communities."*

The Issuer is a defendant in various other lawsuits arising in the ordinary course of business. It is the opinion of the management of the Issuer that it has meritorious defences against all such outstanding claims, which the Issuer will vigorously pursue, and that the outcome of such claims, individually or in the aggregate, will not have a material adverse effect on the Issuer's consolidated financial position or results of operations.

### Other Proceedings

The Issuer and its subsidiaries are defendants in various other lawsuits arising in the ordinary course of business. It is the opinion of the management of the Issuer that it has grounds for defence against all such outstanding claims, which the Group will vigorously pursue, and that the outcome of such claims, individually or in the aggregate, will not have a material adverse effect on the Issuer's consolidated financial position or results of operations.

In addition, the Issuer and its subsidiaries may be subject to material claims, judgments or proceedings in the future which, if adversely determined, may have a material adverse effect on the Issuer's business, results of operations and financial condition.

### FINANCING AND NET FINANCIAL POSITION

The financing of the Group is mainly provided by the Issuer and the Guarantors. The Group's financing is structured to ensure that credit commitment is consistent with its liquidity risk. The Group's long-term debt, consisting of committed bank credit lines, unsecured guaranteed notes (US private placement) and Eurobonds, is summarised in the following tables:

<i>(in thousands of Euro)</i>	<b>31 December 2012</b>	<b>31 December 2011</b>
Luxottica Group S.p.A.'s credit agreement with various financial institutions <sup>3</sup>	367,743	487,363
Senior unsecured guaranteed notes <sup>4</sup>	1,723,225	1,226,246

<sup>3</sup> This figure includes:

- Euro 250 million revolving credit facility with Intesa Sanpaolo S.p.A., as agent, and various banks as lenders. The final maturity of the credit facility is 29 May 2013. Euro 70 million was borrowed under this credit facility as at 31 December 2012 (Euro 190 million as at 31 December 2011).
- Euro 300 million term facility agreement with Mediobanca – Banca di Credito Finanziario S.p.A., as agent, and various banks as lenders. The final maturity of the term facility is 30 November 2014. As at 31 December 2012, Euro 300 million was borrowed under this credit facility (Euro 300 million as at 31 December 2011).

<sup>4</sup> This figure includes:

- Luxottica U.S. Holdings Corp.'s private placement of U.S. \$275 million senior unsecured guaranteed notes (the **2008 Notes**), issued in three series (Series A, Series B and Series C). The aggregate principal amounts of Series A, Series B and Series C of the 2008 Notes are U.S. \$20 million, U.S. \$127 million and U.S. \$128 million, respectively. Series A of the 2008 Notes matures on 1 July 2013, Series B of the 2008 Notes matures on 1 July 2015 and Series C of the 2008 Notes matures on 1 July 2018.
- Luxottica U.S. Holdings Corp.'s private placement of U.S. \$175 million senior unsecured guaranteed notes (the **2010 Notes**), issued in three series (Series D, Series E and Series F). The aggregate principal amounts of Series D, Series E and Series F of the 2010 Notes are U.S. \$50 million, U.S. \$50 million and U.S. \$75 million, respectively. Series D of the 2010 Notes matures on 29 January 2017, Series E of the 2010 Notes matures on 29 January 2020 and Series F of the 2010 Notes matures on 29 January 2019.

Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp.'s multiborrower credit agreement with various financial institutions <sup>5</sup>	45,644	225,955
Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp.'s multiborrower credit agreement with various financial institutions for Oakley acquisition <sup>6</sup>	174,922	772,743
Capital lease obligations	335	3,788
Other loans <sup>7</sup>	50,290	26,783
<b>Total</b>	<b>2,362,179</b>	<b>2,742,878</b>
Less: Current portion of long-term debt	310,072	498,295
<b>Long term debt</b>	<b>2,052,107</b>	<b>2,244,583</b>

The Group had unused short-term credit lines amounting to Euro 700.4 million and Euro 742.5 million as at 31 December 2012 and 31 December 2011, respectively.

#### Repayment schedule as of 31 December 2012

*(in thousands of Euro)*

2013	316,538
2014	300,000
2015	637,456
2016	-
2017 and later	1,1098,230
IAS Adjustment	9,954
<b>Total</b>	<b>2,362,179</b>

- 
- Luxottica Group S.p.A.'s private placement of Euro 100 million senior unsecured guaranteed notes, issued in two series (Series G and Series H). The aggregate principal amounts of Series G and Series H are Euro 50 million and Euro 50 million, respectively. Series G matures on 15 September 2017 and Series H matures on 15 September 2020.
  - Luxottica U.S. Holdings closed a private placement of U.S. \$350 million senior unsecured guaranteed notes (**Series I Notes**). The Series I Notes mature on 15 December 2021.
  - Luxottica Group S.p.A.'s Eurobond of Euro 500 million senior unsecured notes due 10 November 2015, issued 10 November 2010.
  - Luxottica Group S.p.A.'s Eurobond of Euro 500 million senior unsecured notes due 19 March 2019, issued 19 March 2012.

<sup>5</sup> This figure includes:

- Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp.'s multiborrower multi-currency credit facility with a group of banks. This credit facility includes a tranche B term loan of U.S. \$325 million, of which Euro 46.5 million was borrowed as at 31 December 2012. The credit facility also included a tranche C revolving credit facility of Euro 725 million-equivalent multi-currency (Euro and US Dollar) maturing in March 2013 which was cancelled on 17 April 2012.

<sup>6</sup> This figure includes:

- Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp.'s multiborrower credit facilities with a group of banks providing for certain term loans and a short-term bridge loan for an aggregate principal amount of U.S. \$2.0 billion. The total credit facilities consist of a U.S. \$500 million bridge loan which has been fully repaid and a term loan facility, which originally amounted to U.S. \$1.5 billion and was divided into two facilities. Facility D was a U.S. \$1.0 billion amortising term loan made available to Luxottica U.S. Holdings Corp., and Facility E consisted of a bullet term loan in an aggregate amount of U.S. \$500 million, made available to Luxottica Group S.p.A.. Facility D was fully repaid in October 2012. As at 31 December 2012, an amount of U.S. \$231 million was outstanding under Facility E.

<sup>7</sup> Other loans consist of several small credit agreements.

The net financial position as at 31 December 2012 and 31 December 2011 is summarised in the following table:

<i>(in thousands of Euro)</i>	<b>31 December 2012</b>	<b>31 December 2011</b>
Cash and cash equivalents	790,093	905,100
Short-term borrowings	(90,284)	(193,834)
Current portion of long-term debt	(310,072)	(498,295)
Long-term debt	(2,052,107)	(2,244,583)
<b>Total</b>	<b>(1,662,370)</b>	<b>(2,031,612)</b>

Short-term borrowings consist of short-term uncommitted credit lines, most of which overdrafts and short-term revolving lines obtained by various Group companies.

The financing agreements of the Group require compliance with financial covenants, which include the obligation of the Group to comply with specific levels of financial ratios, including the ratio of net debt of the Group to EBITDA as well as EBITDA to financial charges. The level of these covenants is monitored by the Group and the Group has always been in compliance with those covenants. The Group's net debt to EBITDA ratio has, since March 1999, remained in a range between 1.18 and 3.27 (the net debt to EBITDA ratio in June 1999 being 3.27 due to the Ray Ban acquisition).

## **Recent Developments**

### *Agreement with Salmoiraghi & Viganò S.p.A.*

On 25 March 2013, the Group entered into an agreement with Salmoiraghi & Viganò S.p.A. and Salmoiraghi & Viganò Holding S.R.L. pursuant to which the Group will acquire a 36 per cent. equity stake in the Italian optical retailer. The transaction, which is valued at Euro 45 million, is aimed at providing Salmoiraghi & Viganò with the resources required to re-establish its financial resources and to support its future growth.

### *Announcement for first quarter 2013 results*

On 29 April 2013, the Issuer approved the draft consolidated financial statements for the first quarter ended 31 March 2013 in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

## **First quarter of 2013<sup>8</sup>**

<i>(in millions of Euro)</i>	<b>Q113</b>	<b>Q112</b>	<b>Change</b>
<b>Net sales</b>	<b>1,864</b>	<b>1,788</b>	<b>+4.2% (+5.6% at constant exchange rates<sup>9</sup>)</b>

<sup>8</sup> All comparisons, including percentage changes, are between the three-month periods ended 31 March 2013 and 31 March 2012, as indicated, in accordance with IAS/IFRS. As of January, 2013, the Group adopted the revised IAS 19 – Employee Benefits standard. Group information for prior periods has been restated in compliance with the requirements of the revised standard; as a result, the Group's Q1 2012 operating income and net income decreased by Euro 2.9 million and Euro 1.8 million, respectively.

<sup>9</sup> Figures given at constant exchange rates have been calculated using the average exchange rates of the respective comparative period in the previous year. For further information, please refer to the press release titled "Luxottica continues solid growth in first quarter of 2013" dated 29 April 2013 incorporated by reference (see "Documents Incorporated by Reference").

Wholesale	781	727	+7.5% (+9.3% at constant exchange rates <sup>9</sup> )
Division	1,083	1,061	+2.0% (+3.1% at constant exchange rates <sup>9</sup> )
<b>Operating income</b>	275	234	+17.6%
<b>Adjusted</b> <sup>10,11</sup>	275	255	+7.7%
<b>Net income attributable to Luxottica Group stockholders</b>	159	129	+23.5%
<b>Adjusted</b> <sup>10,11</sup>	159	144	+10.5%
<b>Earnings per share</b>	0.34	0.28	+21.5%
<b>Adjusted</b> <sup>10,11</sup>	0.34	0.31	+8.7%
<i>In US\$ adjusted</i> <sup>10,11</sup>	0.45	0.41	+9.5%

Luxottica's strong growth continued into 2013 and the Group has a positive and optimistic outlook for its future performance. The first quarter of 2013 saw positive growth in terms of both net sales and profits and confirmed the Group's expectations in terms of robust and continued growth, particularly in emerging markets (+17 per cent. at constant exchange rates<sup>9</sup>).

Adjusted net income attributable to Luxottica Group stockholders<sup>10,11</sup> for the first quarter of 2013 increased to Euro 159 million from Euro 144 million (+10.5 per cent.) reported in the first quarter of 2012. Net sales for the first quarter of 2013 reached Euro 1.9 billion (+5.6 per cent. on first quarter 2012 at constant exchange rates<sup>9</sup>), with double-digit growth in emerging markets (+17 per cent. at constant exchange rates<sup>9,12</sup>). The Group's adjusted operating income<sup>10,11</sup> for the first quarter of 2013 rose to Euro 275 million (+7.7per cent. on first quarter 2012).

For further information, refer to the press release titled "Luxottica continues solid growth in first quarter of 2013" dated 29 April 2013 incorporated by reference (see "*Documents Incorporated by Reference*").

<sup>10</sup> The adjusted data for the first quarter of 2012 do not include restructuring costs relating to the reorganisation of the Australian retail business, resulting in a Euro 21.7 million adjustment to operating income and a Euro 15.1 million adjustment to net income.

<sup>11</sup> Adjusted operating margin, adjusted net income and adjusted earnings per share are not measures in accordance with IAS/IFRS. For further information on such non-IAS/IFRS measures, please refer to the press release titled "Luxottica continues solid growth in first quarter of 2013" dated 29 April 2013 incorporated by reference (see "*Documents Incorporated by Reference*").

<sup>12</sup> Net sales of the Group in the first quarter of 2013 at current exchange rates was approximately +13% in the emerging markets and +15% in Brazil.

## TAXATION

*The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.*

*The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in security or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.*

### Taxation in the Republic of Italy

#### Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between repayment amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by Italian listed companies with shares listed on a EU or EEA regulated market. For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) to management of the Issuer.

#### *Italian resident Noteholders*

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime — see under “*Capital gains tax*”, below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate income taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.



If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Substitute Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

#### *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

Please note that, according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**), a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes or the coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, to be provided only once, until revoked or withdrawn, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the

case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12 December 2001.

### **Atypical Securities**

Interest payments relating to Notes that are not deemed to be bonds (*obbligazioni*), debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 20 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

### **Payments made by a Guarantor**

With respect to payments on the Notes made to certain Italian resident Noteholders by a Guarantor (whether resident or not in Italy), in accordance with one interpretation of Italian tax law, any such payment made by the Guarantor could be treated, in certain circumstances, as payments made by the relevant Issuer and would thus be subject to the tax regime of payments made by the Issuer described in the previous paragraphs of this section.

With respect to payments on the Notes made to certain Italian resident Noteholders by an Italian resident Guarantor, in accordance with another interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional or final withholding tax at a rate of 20 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders made by an Italian resident Guarantor, the withholding tax may be applied as a final tax. Double taxation treaties entered into by Italy may apply allowing for a lower (on, in certain cases, nil) rate of withholding tax.

### **Capital gains tax**

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity; (ii) a non-commercial partnership; (iii) a non commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 20 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred

capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Any capital gains realised by Italian resident real estate fund to which the provisions of Decree 351, as subsequently amended, apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate fund.

Capital gains realised by non-Italian-resident Noteholders from the sale, early redemption or redemption of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are traded on regulated markets.

Capital gains realised by non-Italian resident Noteholders from the sale, early redemption or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or

(b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

Please note that, according to the Budget Law 2008, a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identify those countries which (a) allow for a satisfactory exchange of information and (b) do not have a more favourable tax regime.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 20 per cent. In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale, early redemption or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale, early redemption or redemption of Notes.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

### **Transfer tax**

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €168.00; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### **Stamp duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.15 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty can be no lower than €34.20 and, as of 2013, it cannot exceed €4,500, for taxpayers different from individuals.

In the absence of specific guidelines, the stamp duty may apply both to Italian resident and non-Italian resident Noteholders, to the extent that Notes are held with an Italian-based financial intermediary.

### **Wealth Tax on securities deposited abroad**

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.15 per cent.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which, if implemented, may amend or broaden the scope of the requirements described above.

### **Implementation in Italy of the EU Savings Directive**

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April, 2005 (**Decree 84**). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the Code (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) made no earlier than 1 January 2017. This withholding would potentially apply to foreign passthru payments in respect of (i) any Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the later of (a) 1

January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **"Reporting FI"** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States Treasury has announced that it is in the process of finalizing an intergovernmental agreement with Italy..

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold on certain payments treated as foreign passthru payments to (i) any FFI through or to which payment on such Notes is made that is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor that is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor a Guarantor nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

### **Luxembourg Taxation**

The following summary is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in

the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.<sup>13</sup>

## **Withholding Tax**

### **(i) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent fiscal authority of Luxembourg or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

### **(ii) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 10 May 2013, agreed with the Issuer and the Guarantors a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer (failing which, the Guarantors) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;



- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a Prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a Base Prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and
- the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

#### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- i. to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- ii. in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.*

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantors, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantors, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme has been duly authorised by a resolution of the Board of Directors of the Luxottica Group S.p.A. dated 29 April 2013 and the giving of the Guarantee has been duly authorised by a resolution of the Boards of Directors of Luxottica U.S. Holdings Corp. dated 29 April 2013 and Luxottica S.r.l. dated 29 April 2013.

### **Approval, Admission to Trading and Listing of Notes**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### **Documents Available**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the constitutional documents (with an English translation thereof, where applicable) of the Issuer and the constitutional documents (with an English translation thereof, where applicable) of each of the Guarantors;
- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2012 and 31 December 2011 (with an English translation thereof), the audited consolidated financial statements of Luxottica U.S. Holdings Corp. in respect of the financial years ended 31 December 2012 and 31 December 2011 and the audited nonconsolidated financial statements of Luxottica S.r.l. in respect of the financial years ended 31 December 2012 and 31 December 2011 (with an English translation thereof), in each case together with the audit reports in connection therewith;
- (c) the Programme Agreement, the Trust Deed, the Agency Agreement, the Guarantees and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (d) a copy of this Base Prospectus;
- (e) any future Base Prospectus, Base Prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (f) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Base Prospectus and each document incorporated by reference is available on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu).

## **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **Significant or Material Change**

Save as disclosed in "*Recent Developments*", there has been no significant change in the financial or trading position of the Issuer and the Group since 31 December 2012 or the Guarantors since 31 December 2012 and there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantors and the Group since 31 December 2012.

## **Litigation**

Save as disclosed under "*Description of the Group—Legal Proceedings*", neither the Issuer nor the Guarantors nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, any Guarantors or the Group.

## **Independent Auditors**

The consolidated financial statements of the Issuer for the year ended 31 December 2011 have been audited without qualification by Deloitte and Touche S.p.A., as set forth in their report thereon, which is incorporated by reference to this Base Prospectus.

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. Deloitte & Touche S.p.A., which is located at Via Tortona 24, 20144 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

In accordance with Italian law and regulations, the audit engagement conferred to Deloitte & S.p.A. came to an end with the issuance by Deloitte & Touche S.p.A. of its audit report on the consolidated financial statements of the Issuer for the year ended 31 December 2011. Such engagement was no longer renewable to Deloitte & Touche S.p.A. and as a result of this, the shareholders' meeting held on 28 April 2011 resolved to appoint PricewaterhouseCoopers S.p.A. as the Issuer's primary independent auditors for the nine-year period 2012-2021.

The financial statements of the Issuer as of 31 December 2012, incorporated by reference herein, were audited by PricewaterhouseCoopers S.p.A..

PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

The financial statements of Luxottica S.r.l. as of 31 December 2012, incorporated by reference herein, were audited by PricewaterhouseCoopers S.p.A. The financial statements of Luxottica S.r.l. as of 31 December 2011, also incorporated by reference herein, have been audited by Deloitte & Touche S.p.A..

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. Deloitte & Touche S.p.A., which is located at Via Tortona 24, 20144 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

The consolidated financial statements of Luxottica U.S. Holdings Corp. as of 31 December 2011 were audited by Deloitte & Touche LLP. Deloitte & Touche LLP, located at 2 Jericho Plaza, Jericho, New York 11753, United States of America, is a member of the American Institute of Certified Public Accountants and is registered with the Public Company Accounting Oversight Board.

The consolidated financial statements of Luxottica U.S. Holdings Corp. as of 31 December 2012 and for the year then ended were audited by PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP, located at 300 Madison Avenue, New York, New York 10017, United States of America, is a member of the American Institute of Certified Public Accountants and is registered with the Public Company Accounting Oversight Board.

### **Dealers transacting with the Issuer and the Guarantors**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantors and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" includes also parent companies.

## **ISSUER**

### **Luxottica Group S.p.A.**

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## **THE GUARANTORS**

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### **Luxottica S.r.l.**

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## **TRUSTEE**

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## **PRINCIPAL PAYING AGENT**

### **BNP Paribas Securities Services, Luxembourg Branch**

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## **LEGAL ADVISERS**

*To the Issuer and the Guarantors as to English and Italian law*

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*To the Arranger and the Dealers as to English and Italian law*

### **Allen & Overy**

#### **Studio Legale Associato**

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*To the Trustee as to English law*

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*(for the fiscal year 2012)*

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**BNP Paribas**

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**Citigroup Global Markets Limited**

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**Crédit Agricole Corporate and Investment Bank**

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**Deutsche Bank AG, London Branch**

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**The Royal Bank of Scotland plc**

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**UniCredit Bank AG**

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