# EssilorLuxottica's second quarter and first half 2021 results

## Revenue acceleration, margin expansion and record cash flow

## Outlook 2021 improved

***Second quarter:***

- **Revenue +9.2% versus 2019 at constant exchange rates[1]**
- **North America best performing region, EMEA and Latin America positive**
- **Professional Solutions and Direct to Consumer both growing and accelerating**
- **Optical and sun both growing, with sun catching up in pace**
- **E-commerce +66% versus 2019 at constant exchange rates[1], reaching 9% of total revenue**

***First half:***

- **Operating profit +35% versus 2019 at constant exchange rates[1]**
- **Adjusted[2] operating profit margin at 18.5%, up 130 basis points versus 2019**
- **Free cash flow[4] record generation at Euro 1.2 billion**

**Charenton-le-Pont, France (30 July 2021, 7:00 am)** – The Board of Directors of EssilorLuxottica met on 29 July 2021 to approve the condensed consolidated interim financial statements for the six months ended 30 June 2021. The Statutory Auditors have performed a limited review of these financial statements. Their report is in the process of being issued.

*"We delivered another strong set of results in the first half, despite the ongoing challenges of the pandemic. Our continued focus on premium products and brands, a powerful supply chain and a global community of talented and engaged employees helped us get there.*

*In the second quarter, we wrote some important pages in EssilorLuxottica's history by clarifying our governance and building one unified company, while continuing to expand our retail footprint in Europe by completing the acquisition of GrandVision.*

*Looking to the future, we're proud to share our new company-wide Sustainability approach, "Eyes on the Planet", built around key pillars including carbon, circularity, world sight, inclusion and ethics. As a sign of our long-term commitment in this area, today we announce our target to achieve carbon neutrality across our direct operations by 2025, starting in Europe by 2023. Doing good for our customers, consumers and communities, and doing good for our planet gives us even greater confidence about what lies ahead"*, said Francesco Milleri, CEO of EssilorLuxottica and Paul du Saillant, Deputy CEO of EssilorLuxottica.

**Operational & Financial highlights**

Highlights and comments for the second quarter and the first half of 2021 are provided versus the same periods of 2019. The comparison with the performance of 2020 is presented in the Management Report.

| € millions | H1 2021 | H1 2019* | Change at constant exchange rates[1] |
|---|---|---|---|
| Revenue | 8,768 | 8,776 | +5.7% |
| Adjusted[2] Gross Profit | 5,383 | 5,453 | +5.0% |
| *% of revenue* | *61.4%* | *62.1%* | |
| Operating Profit | 1,271 | 1,038 | +35.1% |
| Adjusted[2] Operating Profit | 1,622 | 1,512 | +16.4% |
| *% of revenue* | *18.5%* | *17.2%* | |
| Group Net profit | 854 | 671 | +41.5% |
| Group Adjusted[2] Net Profit | 1,117 | 1,047 | +16.2% |
| *% of revenue* | *12.7%* | *11.9%* | |

** Some reclassifications between cost of sales and operating expenses have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the operating profit presented for the six-month period ended on 30 June 2019.*

In the second quarter of the year, the economic environment evolved reflecting the COVID-19 situation in the different regions of the world. On the recovery path, North America moved first and faster, EMEA followed more gradually and Latin America later in the quarter, while Asia-Pacific was affected by new virus outbreaks and consequent restrictions. The Company leveraged the market recovery and its leading multicategory and multichannel proposition to sharply accelerate in revenue and margins, with a sound performance in the whole first half of the year.

In the second quarter, total revenue amounted to Euro 4,709 million, up 9.2% versus the second quarter of 2019 at constant exchange rates[1]. North America advanced by 16.4%, EMEA by 3.8% and Latin America by 2.0%, while Asia-Pacific declined by 3.5%.

On top of a buoyant US, generating more than 50% of the Group's revenue, other key markets were nicely growing and fuelling the Company's business acceleration, namely France, Italy, UK, Mainland China, Australia and Brazil.

Based on the new segment reporting, the two channel-based divisions of Professional Solutions (wholesale) and Direct to Consumer (physical retail and e-commerce) both accelerated in the quarter, growing by 5.0% and 15.7% respectively at constant exchange rates[1], representing 58% and 42% of total revenue.

Optical and sun categories both progressed, broadly aligned in terms of growth pace compared to the second quarter of 2019. Optical continued to grow, representing two thirds of the Group's business, on the back of the Company's ability to constantly deploy innovation in lenses (e.g. Stellest in China) and instruments. Sunglasses nicely bounced back across all the channels in Professional Solutions and Direct to Consumer, catching up with the pace of optical, boosted in particular by luxury brands.

Brands prove to matter, with blockbusters value-added lenses (in particular Crizal, Transitions and Eyezen) driving the growth in optical and frame brands (in particular Oakley and licenses like Prada, Dolce & Gabbana and Versace, especially in North America) being a winning factor in both optical and sun.

E-commerce progressed by 66% in the quarter at constant exchange rates[1], reaching 9% of the Group total revenue, with broadly the same performance throughout the semester. Main platforms Ray-Ban.com, Oakley.com, SunglassHut.com and EyeBuyDirect.com all contributed, with North America as the top performing area.

Revenue growth translated into a material increase in margins, thanks to the operating leverage which typically characterizes the Company's vertically-integrated business model, as well as the extraordinary cost containment measures put in place during COVID-19, which are set to be gradually removed as the business recovers.

In the first half of the year, the adjusted[2] operating profit reached Euro 1,622 million, with the margin on revenue reaching 18.5%, posting 16.4% increase at constant exchange rates[1] compared to the same period of 2019. Group adjusted[2] net profit amounted to Euro 1,117 million, at 12.7% of revenue.

Free cash flow[4] was Euro 1,211 million in the first six months of the year. Net debt[5] stood at Euro 1,945 million at the end of the period, almost entirely represented by lease liabilities, as financial debt and cash and equivalents broadly matched.

The closing of the GrandVision acquisition announced on 1 July marked the completion of a visionary project, that is the combination of the three global champions of the industry into one single stronger Group, with the goal of elevating the eyecare and eyewear standards and growing awareness and access to quality vision care for all consumers.
As reiterated on 27 July, in the context of the update on the mandatory public tender offer, Essilorluxottica is able to fund the offer through readily available cash resources, including existing committed credit lines that are available for general corporate purposes.

**Outlook**

EssilorLuxottica now expects its full year 2021 revenue to grow around mid-single digit versus 2019 at constant exchange rates[1], with the adjusted[2] operating profit as a percentage of revenue at constant exchange rates[1] higher than 2019. This assumes that no further COVID-19 related restrictions will be introduced in the second half of the year.

Such targets refer to the EssilorLuxottica perimeter, excluding GrandVision which will be consolidated from 1 July 2021.

The new full year outlook represents an upgrade of the targets issued with the first quarter results, which pointed to revenue and adjusted[2] operating profit margin at least at the level of 2019 at constant exchange rates[1].

**Integration & Synergies**

The Group is on track to deliver its previously disclosed targets of cumulative synergies of Euro 300 to 350 million in adjusted[2] operating profit by the end of 2021 and Euro 420 to 600 million by the end of 2023, despite the headwinds and the challenges due to the COVID-19 outbreak. The second quarter of 2021 registered a further acceleration in the integration process between the two operating companies, in particular with respect to successful commercial initiatives and efficiency activities in several functional areas.

Regarding revenue synergies, important contributors were the joint commercial initiatives in EMEA and North America with a strong focus on key accounts, the solid growth of EyeMed leveraging on North America's retail network, independent ECPs and other managed vision care partners, the successful offers for independent ECPs with dedicated services. The consolidation of the Group's retail network in Latin America is delivering good results as well.

With regards to cost synergies, they mostly came from the indirect procurement savings, the progress in building up a unified lab network and the creation of a common e-commerce fulfilment platform, progressively serving all the Company's online activities.

Enablers to the overall integration progress and synergies generation include R&D's pursuit of more innovative and sustainable products, the fruitful ongoing implementation of a unified SAP platform across different geographies and the creation of one technical platform for manufacturing machineries.

**Mission & Sustainability: Eyes on the Planet**

With a deep-rooted sense of responsibility, EssilorLuxottica continued to champion activities in support of its Mission to help people see more, be more and live life to its fullest. In the first half of 2021, the Company created access to sustainable vision care for over 20 million people by training over 650 community based primary vision care entrepreneurs and establishing four new OneSight vision centers. Since 2013, the Company has created access for nearly 450 million people in underserved communities, trained over 18,000 primary vision care entrepreneurs and created over 42 million new wearers for the industry, over 3 million of them in the first semester this year alone.

EssilorLuxottica welcomed the news announced on 23 July that all 193 member states of the United Nations unanimously passed a resolution committing to making eyecare accessible for the billions of people living with preventable vision impairment by 2030. The inclusion of eyecare in the Sustainable Development Goals supports EssilorLuxottica's own ambition to eliminate uncorrected poor vision in a generation. In September 2019, at the sidelines of the UN General Assembly, the Company had launched the roadmap, with the support of over 20 NGO and government partners, on how poor vision can be eliminated and now looks forward to working with national governments to make this a reality.

Drawing on Essilor and Luxottica's long history of corporate responsibility, the Company is developing an integrated, ambitious and far-sighted approach that will reaffirm its position as a leader committed to sustainability. EssilorLuxottica's approach, titled **Eyes on the Planet**, is outlined in the new sustainability section on the Company's website. It will be built around the following pillars:

- **Eyes on Carbon**: EssilorLuxottica is working toward achieving carbon neutrality across its direct operations (scope 1 & 2 emissions) by 2025, starting in Europe by 2023. The Company's investments in renewable electricity, such as solar and biomass heating systems and photovoltaic installations, have enabled it to significantly reduce its reliance on fossil fuels and consequently reduce greenhouse gas emissions. A major forest restoration project of 30 hectares in the foothills of the Dolomites (UNESCO World Heritage Site) near Luxottica's main production plant in Agordo, Italy, is a shining example of the Company's efforts to protect and restore natural ecosystems.

- **Eyes on Circularity**: EssilorLuxottica is making bold moves across the entire production cycle, including a shift from fossil-based materials to bio-based materials, which produce fewer emissions, biodegrade, and are easier to recycle. This is reflected in the recent investment in Mazzucchelli to develop and produce a highly sustainable type of acetate as well as Arnette and Costa's new sustainable collections.

- **Eyes on World Sight**: Based on EssilorLuxottica's belief that good vision is a basic human right, the Company is on a mission to eliminate uncorrected poor vision by 2050 and making vision care accessible to everyone, everywhere. From providing vision care to millions in need through community based sustainable models to partnering with the world's most impactful philanthropies, EssilorLuxottica is tireless in realizing its vision for universal access. With the Vision Catalyst Fund, the Company has pledged to donate 200 million pairs of lenses by 2030.

- **Eyes on Inclusion**: In 2020, EssilorLuxottica earned a spot on the Financial Times "Diversity Leaders" list, highlighting its efforts to create a community of inclusiveness regardless of geography. In the past year alone, the Company launched a global learning initiative focused on unconscious bias, a US Think Tank steered by employees from various backgrounds and levels, and introduced several employee led Business Resource Groups (BRGs) to bring people together through common interests.

- **Eyes on Ethics**: EssilorLuxottica takes an ethical approach to doing business that not only positively impacts its employees, but also has a tangible impact on the millions of customers and consumers it serves around the planet. The Company's vertically-integrated business model, built over decades, is the key to delivering that ethical approach wherever it has a presence.

**New employee representatives appointed to the Board**

Two new board members, Ms Margot Bard and Mr Sébastien Brown, both employees of Essilor International in France, were chosen by the Group's Works Council to represent the employees at the Company's Board. Their appointment will become effective on 22 September 2021 for a period of three years.

## Conference call

A conference call in English will be held today at 10:30 am CEST.
The meeting will be available live and may also be heard later at:
https://streamstudio.world-television.com/1217-2090-29584/en

## Forthcoming investor events

29 October 2021: Q3 2021 Revenue and conference call

**Notes**

**1 Constant exchange rates**: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year (2020 or 2019).
**2 Adjusted measures or figures**: adjusted from the expenses or income related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.
**3 Comparable store sales**: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.
**4 Free cash flow**: *Net cash flow provided by operating activities* less the sum *of Purchase of property, plant and equipment and intangible assets* and *Cash payments for the principal portion of lease liabilities* according to the IFRS consolidated statement of cash flow.
**5 Net debt**: sum of *Current* and *Non-current borrowings*, *Current* and *Non-current lease liabilities*, minus *Short-term investments, cash and cash equivalents* and the *Interest rate swap measured at fair value* as disclosed in the IFRS consolidated financial statements.

*EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed in 2018, its mission is to help people around the world to see more, be more and live life to its fullest by addressing their evolving vision needs and personal style aspirations. The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and the consumer experience around it. Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux and Transitions, and world-class retail brands including Sunglass Hut and LensCrafters as well as – since 1 July 2021 via a 76.72% interest – GrandVision network are part of the EssilorLuxottica family. In 2020, EssilorLuxottica had over 140,000 employees and consolidated revenues of Euro 14.4 billion. The EssilorLuxottica share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices. Codes and symbols: ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.*

**CONTACTS**

**Head of Investor Relations**
Giorgio Iannella
e-mail: ir@essilorluxottica.com

**Head of Corporate Communications**
Marco Catalani
e-mail: media@essilorluxottica.com

**DISCLAIMER**

*This is a public announcement by EssilorLuxottica S.A. pursuant to section 5:70 of the Dutch Financial Supervision Act and article 5 paragraph 3 and article 7 paragraph 4 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft). This public announcement does not constitute an offer, or any solicitation of any offer, to buy or subscribe for any securities.*

*This press release contains forward-looking statements that reflect EssilorLuxottica's current views with respect to future events and financial and operational performance. These forward-looking statements are based on EssilorLuxottica's beliefs, assumptions and expectations regarding future events and trends that affect EssilorLuxottica's future performance, taking into account all information currently available to EssilorLuxottica, and are not guarantees of future performance. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, and EssilorLuxottica cannot guarantee the accuracy and completeness of forward-looking statements. A number of important factors, not all of which are known to EssilorLuxottica or are within EssilorLuxottica's control, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing EssilorLuxottica. Any forward- looking statements are made only as of the date of this press release, and EssilorLuxottica assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.*

# First-half 2021 Management Report

## Table of contents

## *Revenue by operating segment*

Following EssilorLuxottica's Annual Shareholders' Meeting held on May 21, 2021, the appointed Chief Executive Officer (CEO) decided to review the Group performance from a different perspective, i.e. moving away from the former operating segment view (which was in turn linked to the legacy components, Essilor and Luxottica) and considering the Group as a vertically integrated player whose performance shall be assessed based on its approach to the market (*distribution channel* approach); on one side the supply of products and services to all third party professionals of the eyecare industry, and on the other the business with a direct relationship with the end consumer.

This new approach has led to determine the following two new operating segments:

– the **Professional Solutions** (“PS”) segment: representing the wholesale business of the Group, i.e. the supply of Group's products and services to all the professionals of the eyecare industry (distributors, opticians, independents, third-party e-commerce platforms, etc. …); and

– the **Direct to Consumer** (“DTC”) segment: representing the retail business of the Group, i.e. the supply of Group products and services directly to the end consumer either through the network of physical stores operated by the Group (brick and mortar) or the online channel (e-commerce).

This change has been retrospectively accounted for as of January 1, 2021 and all prior period segment information has been restated to conform to the new presentation.

### *Compared to 2020*

| *€ millions* | **1H 2021** | **1H 2020** | **Change at constant exchange rates[1]** | **Change at current exchange rates** |
|---|---|---|---|---|
| Professional Solutions | 5,196 | 3,640 | 50.8 % | 42.7 % |
| Direct to Consumer | 3,572 | 2,590 | 46.9 % | 37.9 % |
| **TOTAL REVENUE** | **8,768** | **6,230** | **49.2 %** | **40.7 %** |

| *€ millions* | **1Q 2021** | **1Q 2020** | **Change at constant exchange rates[1]** | **Change at current exchange rates** | **2Q 2021** | **2Q 2020** | **Change at constant exchange rates[1]** | **Change at current exchange rates** |
|---|---|---|---|---|---|---|---|---|
| Professional Solutions | 2,463 | 2,305 | 13.8 % | 6.9 % | 2,733 | 1,336 | 114.7 % | 104.6 % |
| Direct to Consumer | 1,597 | 1,480 | 15.1 % | 7.9 % | 1,975 | 1,110 | 89.2 % | 78.0 % |
| **TOTAL REVENUE** | **4,060** | **3,784** | **14.3 %** | **7.3 %** | **4,709** | **2,446** | **103.1 %** | **92.5 %** |

*Compared to 2019*

| *€ millions* | 1H 2021 | 1H 2019 | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|
| Professional Solutions | 5,196 | 5,367 | 2.7 % | -3.2 % |
| Direct to Consumer | 3,572 | 3,409 | 10.4 % | 4.8 % |
| **TOTAL REVENUE** | **8,768** | **8,776** | **5.7 %** | **-0.1 %** |

| *€ millions* | 1Q 2021 | 1Q 2019 | Change at constant exchange rates[1] | Change at current exchange rates | 2Q 2021 | 2Q 2019 | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|---|---|---|---|
| Professional Solutions | 2,463 | 2,604 | 0.3 % | -5.4 % | 2,733 | 2,763 | 5.0 % | -1.1 % |
| Direct to Consumer | 1,597 | 1,606 | 4.5 % | -0.6 % | 1,975 | 1,803 | 15.7 % | 9.6 % |
| **TOTAL REVENUE** | **4,060** | **4,210** | **1.9 %** | **-3.6 %** | **4,709** | **4,566** | **9.2 %** | **3.1 %** |

Due to the effects of the COVID-19 pandemic, the comparison with 2020 periods (both the second quarter and the first semester) is not relevant. Accordingly, the Group's net sales performance is commented versus 2019.

## Second-quarter revenue by operating segment

### Professional Solutions

The Professional Solutions division includes the supply of products and services to third-party eyecare professionals, that is the Company's wholesale business. In the second quarter of the year the division's revenue reached €2,733 million, up 5.0% at constant exchange rates[1] compared with the same period of 2019 (down 1.1% at current exchange rates), significantly accelerating versus the first quarter. The Company's ability to serve its customers with innovative solutions and engage them with dedicated partnership programs drove the divisional performance, supported by progressive reopenings in most of the areas worldwide and improving business conditions across all the main trade channels.

North America was the best performing region, up high-single digit boosted by independent ECPs and key accounts. EMEA was next turning positive thanks to key markets including France, Italy and UK, and Latin America started recovering later in the quarter due to restrictions, in particular in Brazil. Asia-Pacific turned slightly negative, despite sound growth in Mainland China and Australia, due to the aggressive resurgence of COVID-19 in most of the Asian countries.

In terms of products, optical outpaced sunglasses, which overall restarted later in the quarter, with North America accelerating. Brands proved to be a key driver, with lenses, including, Crizal, Transitions and EyeZen as well as the Blue Cut category, frames, with Oakley and main luxury brands as top performers, and the instruments business all contributing.

### Direct to Consumer

The Direct to Consumer division includes the sale of products and services directly to end consumers, that is the Company's retail business, comprised of brick-and-mortar stores and e-commerce platforms. In the second quarter the division's revenue reached €1,975 million, up 15.7% at constant exchange rates[1] compared with the same period of 2019 (up 9.6% at current exchange rates), dramatically accelerating versus the first quarter. The strong performance of the division was driven by the Company's wide-range of value-added solutions as well as the return of consumer demand in both optical and sun categories. The quarter ended with over 90% of stores open in total, just a touch above three months earlier (with North and Latin America broadly stable, EMEA reopening and Asia-Pacific reclosing, in particular in Australia and South-East Asia).

In brick-and-mortar stores, comparable store sales[3] turned positive close to mid-single digit compared to the second quarter of 2019, supported by a sharp acceleration in North America, largely offsetting the still negative EMEA. The optical and sun categories both contributed to growth, with Sunglass Hut (in North America), Target Optical and LensCrafters as the best performing banners.

Direct e-commerce revenue rose by two thirds at constant exchange rates[1], up to 9% of the Company's total turnover, with North America almost doubling the business and all the main platforms growing fast (Ray-Ban.com almost doubling, Oakley.com and EyeBuyDirect.com more than doubling, SunglassHut.com tripling).

## First-half revenue by operating segment

### Professional Solutions

In the first half of 2021 Professional Solutions' revenue reached €5,196 million, up 2.7% at constant exchange rates[1] versus the same period of 2019 (down 3.2% at current exchange rates).

The North American region grew mid-single digit at constant exchange rates[1], representing the growth engine of the division. Asia-Pacific and Latin America were positive, while EMEA was negative but improving during the second quarter. At the global level, the optical category continued to outpace sunglasses, thanks to the main lens brands such as, Crizal, Transitions, EyeZen, and Stellest as well as the Blue Cut category and the instruments business. The sun category showed renewed vigour towards the end of the semester, in particular thanks to the North American performance.

### Direct to Consumer

In the first half of 2021 Direct to Consumer's revenue reached €3,572 million, up 10.4% at constant exchange rates[1] versus the same period of 2019 (up 4.8% at current exchange rates).

In brick-and-mortar stores, comparable store sales[3] were flat, thanks to a nice recovery in both the optical and sun categories started in March. The North American business led the performance, with LensCrafters, Target Optical and Sunglass Hut all positive in the semester and accelerating during the second quarter. E-commerce jumped by more than 60% at constant exchange rates[1] in the period, accounting for 8% of total revenue, driven by all the main platforms (Ray-Ban.com, Oakley.com, SunglassHut.com and EyeBuyDirect.com).

## *Revenue by geographical area*

EssilorLuxottica's geographical areas are **North America**, **EMEA** (i.e. Europe, including Turkey and Russia, together with Middle East and Africa), **Asia-Pacific** and **Latin America**.

### *Compared to 2020*

| *€ millions* | 1H 2021 | 1H 2020* | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|
| North America | 4,810 | 3,426 | 52.7 % | 40.4 % |
| EMEA | 2,290 | 1,593 | 46.3 % | 43.8 % |
| Asia-Pacific | 1,258 | 930 | 36.6 % | 35.4 % |
| Latin America | 410 | 282 | 63.7 % | 45.3 % |
| **TOTAL REVENUE** | **8,768** | **6,230** | **49.2 %** | **40.7 %** |

| *€ millions* | 1Q 2021 | 1Q 2020* | Change at constant exchange rates[1] | Change at current exchange rates | 2Q 2021 | 2Q 2020* | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|---|---|---|---|
| North America | 2,200 | 2,070 | 15.7 % | 6.3 % | 2,610 | 1,356 | 109.2 % | 92.4 % |
| EMEA | 1,022 | 972 | 8.0 % | 5.2 % | 1,268 | 621 | 106.3 % | 104.2 % |
| Asia-Pacific | 639 | 521 | 23.7 % | 22.6 % | 620 | 409 | 52.9 % | 51.6 % |
| Latin America | 199 | 222 | 7.2 % | -10.4 % | 211 | 60 | 272.9 % | 251.6 % |
| **TOTAL REVENUE** | **4,060** | **3,784** | **14.3 %** | **7.3 %** | **4,709** | **2,446** | **103.1 %** | **92.5 %** |

* The geographical breakdown of revenue for the first semester 2020 has been aligned to the geographical areas identified for 2021 disclosure.

### *Compared to 2019*

| *€ millions* | 1H 2021 | 1H 2019 | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|
| North America | 4,810 | 4,580 | 11.6 % | 5.0 % |
| EMEA | 2,290 | 2,376 | -1.3 % | -3.6 % |
| Asia-Pacific | 1,258 | 1,290 | -0.5 % | -2.5 % |
| Latin America | 410 | 530 | 1.5 % | -22.7 % |
| **TOTAL REVENUE** | **8,768** | **8,776** | **5.7 %** | **-0.1 %** |

| *€ millions* | 1Q 2021 | 1Q 2019* | Change at constant exchange rates[1] | Change at current exchange rates | 2Q 2021 | 2Q 2019* | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|---|---|---|---|
| North America | 2,200 | 2,188 | 6.4 % | 0.6 % | 2,610 | 2,392 | 16.4 % | 9.1 % |
| EMEA | 1,022 | 1,129 | -7.0 % | -9.4 % | 1,268 | 1,248 | 3.8 % | 1.7 % |
| Asia-Pacific | 639 | 633 | 2.6 % | 0.9 % | 620 | 657 | -3.5 % | -5.8 % |
| Latin America | 199 | 261 | 0.9 % | -23.7 % | 211 | 269 | 2.0 % | -21.7 % |
| **TOTAL REVENUE** | **4,060** | **4,210** | **1.9 %** | **-3.6 %** | **4,709** | **4,566** | **9.2 %** | **3.1 %** |

* The geographical breakdown of revenue for the first semester 2019 has been aligned to the geographical areas identified for 2021 disclosure.

Due to the effects of the COVID-19 pandemic, the comparison with 2020 periods (both the second quarter and the first semester) is not relevant. Accordingly, the Group's net sales performance is commented versus 2019.

## Second-quarter revenue by geographical area

### North America

North America posted revenue of €2,610 million, up 16.4% at constant exchange rates[1] compared to the second quarter of 2019 (up 9.1% at current exchange rates), being the best performing region for the Company and generating 55% of its total turnover. In the context of rapidly restoring consumer confidence and normalizing business conditions, the Company leveraged its multicategory and multichannel best-in-class proposition to exploit the recovery of the eyecare and eyewear market in the region.

In Professional Solutions, both lenses and frames were boosted by independent ECPs, supported by dedicated partnership programs (like Essilor Expert, STARS and EL 360), as well as key accounts, overall up double digit. The Company gained market share in the wholesale channel, with all its flagship brands supporting the performance, including, Crizal, Transitions and EyeZen in lenses and Ray-Ban, Oakley, Costa and luxury licenses in frames and sunglasses (including AFA).

Revenue of brick-and-mortar banners sharply accelerated, with comparable store sales[3] up 11% versus 2019 and sun slightly outpacing optical, as a sign of restoring consumer confidence and some revenge purchasing effect. LensCrafters and Target Optical were up low-to-mid teens and Sunglass Hut mid teens, led by higher volumes and average selling prices. EyeMed revenue progressed by more than one third, with further market share gains and lives exceeding 60 million. E-commerce revenue almost doubled, thanks to all the main platforms, Ray-Ban.com, Oakley.com, SunglassHut.com and EyeBuyDirect.com.

### EMEA

Revenue in EMEA amounted to €1,268 million, up 3.8% at constant exchange rates[1] versus the second quarter of 2019 (up 1.7% at current exchange rates), gaining momentum in June, which grew double digit supported by the progressive easing of restrictions across the region.

The Professional Solutions division turned positive in the quarter, driven by key markets of France, Italy and UK, followed by Northern and Eastern Europe. The optical category drove the performance, thanks to the acceleration of Crizal, Eyezen and Transitions lenses and the strong momentum of the instruments business, while the roll out of Ray-Ban Authentic and the launch of Stellest in France and Italy in June both recorded promising results. Since June sunglasses materially accelerated, helped by third-party e-commerce platforms like Mister Spex, Zalando and Asos.

The brick-and-mortar business remained negative in comparable store sales[3] versus 2019. Sunglass Hut continued to be affected by restrictions in key countries as well as subdued tourism (impacting around one fourth of the store base in the region), although to a lesser extent than in the first quarter. UK and Turkey were double digit positive, while the other countries improved but closed negative. In Italy, Salmoiraghi & Viganò started recovering from mid-May following the easing of restrictions. In addition, the consolidation of the Ukranian banner Optical House helped the brick-and-mortar performance. E-commerce revenue rose double digit, with Ray-Ban.com, Oakley.com, SunglassHut.com and EyeBuyDirect.com all contributing, mitigated by subdued performance of contact lenses.

### Asia-Pacific

Revenue in Asia Pacific reached €620 million, down 3.5% at constant exchange rates[1] versus the second quarter of 2019 (down 5.8% at current exchange rates). Mainland China and Australia kept strong, while the rest of the region was impacted by new waves of COVID-19 outbreak.

The Professional Solutions division turned negative in the quarter, mainly due to the business deceleration in India, severely hit by a local variant of the virus. On the contrary, Mainland China continued to grow by more than 40%, driven by Eyezen, Crizal, Transitions, Nikon and Kodak lenses as well as Stellest, which is currently running at 1k pairs sold a day. Local brand Bolon showed a remarkable performance, mostly thanks to optical products. Sunglasses overall underperformed, while the AFA business turned positive in Japan.

The brick-and-mortar business continued to benefit from a sound performance in Australia, with OPSM and Sunglass Hut solid growth only partially mitigated by new selective restrictions introduced in the second part of the quarter. Conversely it was severely impacted by restrictions and lack of tourism in other areas, namely Hong Kong and South-East Asia. E-commerce revenue increased by more than 60% in the region.

### Latin America

Revenue in Latin America reached €211 million, up 2.0% at constant exchange rates[1] versus the second quarter of 2019 (down 21.7% at current exchange rates), suffering from new waves of restrictions in April-May, then followed by a significant rebound in June. The two key markets of Brazil and Mexico progressively improved, closing the quarter in positive territory at constant exchange rates[1]. Price increases were selectively adopted in the region, to partly counterbalance the sharp devaluation of the key currencies.

In the Professional Solutions division the recovery of the Brazilian market, up double digit in June, was led by the rebound of the optical category driven by the performance of Eyezen, and Kodak lenses as well as the instruments business, complemented by the positive trend of the AFA category. In Mexico, the Company's improved penetration in the independent ECP and key account channels supported the sound performance of lenses.

In brick-and-mortar stores, comparable store sales[3] improved in both optical and sun in all the key countries, with Sunglass Hut bouncing back in Brazil and Mexico and GMO improving, closing just slightly negative. E-commerce business rose by almost two thirds in the region.

## First-half revenue by geographical area

### North America

North America posted revenue of €4,810 million, up 11.6% at constant exchange rates[1] compared to the first half of 2019 (up 5.0% at current exchange rates).

The region drove the overall Group performance over the entire semester, growing in both the Professional Solutions and Direct to Consumer divisions. The rapidly restoring economic environment led to an acceleration in March, which consolidated in the second quarter in both optical and sun categories. Over the entire period, independent ECPs and key accounts were the best performing channels in Professional Solutions.

Both brick-and-mortar stores and e-commerce posted double digit growth in the period, with remarkable improvements at LensCrafters and Sunglass Hut brick-and-mortar stores starting from March.

### EMEA

EMEA posted revenue of €2,290 million, down 1.3% at constant exchange rates[1] compared to the first half of 2019 (down 3.6% at current exchange rates).

The first part of the year was heavily affected by restrictions in most of the European countries, while the progressive easing of limitations drove a gradual recovery in the second quarter, which closed positive in both Professional Solutions and Direct to Consumer divisions, with an acceleration in June. The main markets of the region were slightly negative in the six months, while Northern Europe, Russia and Turkey were the best performers.

### Asia-Pacific

Asia Pacific posted revenue of €1,258 million, down 0.5% at constant exchange rates[1] compared to the first half of 2019 (down 2.5% at current exchange rates).

On the back of new waves of COVID-19 outbreaks in several countries, the performance in the region progressively weakened during the second quarter. Mainland China and Australia consistently grew in the double digit during the entire semester, mainly thanks to healthy optical business. On the other hand, new restrictions affected other markets, in particular Japan, South-East Asia, India and Hong Kong, impacting both Professional Solutions and Direct to Consumer divisions.

### Latin America

Latin America posted revenue of €410 million, up 1.5% at constant exchange rates[1] compared to the first half of 2019 (down 22.7% at current exchange rates).

Poor healthcare and economic conditions in several key markets dragged down the regional performance in the semester. Nevertheless, towards the end of the period the area experienced a nice recovery, in particular in the biggest market of Brazil. Both Professional Solutions and Direct to Consumer divisions grew slightly at constant exchange rates[1] in the period, also thanks to selective price increases aimed at offsetting currency devaluation.

## *Acquisition of GrandVision*

### Antitrust approvals

In 2019 and 2020, the proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica announced on July 31, 2019 (the "Proposed Acquisition") was unconditionally cleared by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil. During the first semester of 2021, the Proposed Acquisition was cleared by the remaining antitrust authorities:

- on March 23, 2021, the European Commission granted its final approval subject to the divestment of optical retail businesses in Belgium (35 stores from the “GrandOptical” chain, without the banner), the Netherlands (142 stores from the “EyeWish” chain, including the banner) and Italy (174 stores from the “VistaSì” chain, including the banner, and the "GrandVision by" chain, without the banner);
- on April 9, 2021, the Chilean market regulator FNE (Fiscalía Nacional Económica) cleared the Proposed Acquisition following the commitment to divest GrandVision’s Chilean operations under the banner Rotter Y Krauss; and
- on June 10, 2021, the Turkish Competition Authority (TCA) gave its clearance after EssilorLuxottica made certain behavioural commitments with regards to the conduct of its business in Turkey.

With the conditional approval of the Turkish Competition Authority, all regulatory approvals for closing of the Proposed Acquisition were obtained.

### Closing of the Transaction and intended next steps

On July 1, 2021, EssilorLuxottica completed its acquisition of a 76.72% ownership interest in GrandVision from Hal Optical Investments B.V. ("HAL"), a wholly-owned subsidiary of HAL Holding, pursuant to the block trade agreement entered into with HAL on July 30, 2019.

As a result of the completion of the transaction contemplated by the block trade agreement (the "Transaction"), EssilorLuxottica acquired “predominant control” (*overwegende zeggenschap*) over GrandVision and is under an obligation to launch a mandatory public offer for all outstanding shares in GrandVision, in accordance with the applicable Dutch public offer rules.

EssilorLuxottica’s objective is to delist GrandVision from Euronext Amsterdam.

EssilorLuxottica will submit the offer memorandum for the mandatory public offer with the Netherlands Authority for the Financial Markets (AFM) no later than September 23, 2021, which is the ultimate date to submit the offer memorandum with the AFM for approval under Dutch bidding rules.

The offer memorandum will concern the mandatory public offer on all issued and outstanding ordinary shares in the share capital of GrandVision, each with a nominal value of €0.02. The offer price per share shall be €28.42, which is equal to the amount per share EssilorLuxottica paid under the block trade agreement. The offer price is also equal to the highest price paid by EssilorLuxottica for shares in the capital of GrandVision during the twelve months preceding the announcement of the mandatory public offer and is therefore a “fair price” (*billijke prijs*) as referred to in section 5:80a of the “Dutch Financial Supervision Act” (*Wet op het financieel toezicht*).

Settlement of the mandatory public offer is expected to take place within six months.

EssilorLuxottica also confirmed that sufficient funds have been secured to fully finance the payment of all issued and outstanding shares in GrandVision against the offer price.

### Rationale for the acquisition

GrandVision is a leading global optical retailer with more than 7,200 stores worldwide (with a strong presence in Europe) and a growing online presence. GrandVision offers customers expert eyecare services along with a large selection of unique and stylish prescription eyeglasses, sunglasses, contact lenses and eyecare products.

The combination with GrandVision will serve as a catalyst to unlock the underlying growth potential of the eyewear and eyecare industry. The activities of both companies are highly complementary. Further complementing EssilorLuxottica's scope of activities, while maintaining its open business model, the Transaction will also bring under the same roof GrandVision's 125 years of experience and success in putting the customer at the center of its business. Additionally, it will give EssilorLuxottica an opportunity to strengthen its direct-to-consumer business, benefiting from GrandVision's technologies, competencies and human capital that have made it a success.

Expanding its retail operations, while maintaining strong wholesale distribution, EssilorLuxottica will increase its capacity to drive consumer engagement more effectively, to raise the standard of in-store experience, resulting in more regular eye exams, up-to-date prescriptions and an increased availability of multiple tailored vision care products to meet all of their vision and style needs.

At the same time, GrandVision will benefit from EssilorLuxottica's outstanding product innovation, manufacturing and commercialization, integrated IT system, brand portfolio, state-of-the-art supply chain, talent development and digital tools and expertise to foster a closer and increasingly omnichannel relationship with GrandVision's more than 150 million consumers around the world.

EssilorLuxottica and GrandVision share common values and are both committed to delivering superior eyecare and eyewear to more people globally. The companies share a deep and century-long interest in doing business in a way that benefits all stakeholders, including customers, employees, shareholders, business partners, suppliers, and the communities in which they are present.

### Legal proceedings

Regarding the litigations between the parties:

- on July 18, 2020, EssilorLuxottica initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision in order to assess the way GrandVision managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision breached its obligations under the support agreement signed by the parties (the "Support Agreement"). EssilorLuxottica's demands for disclosure of information from both GrandVision and HAL was dismissed by the Dutch District Court. On September 4, 2020, EssilorLuxottica filed an appeal against the judgment dismissing the Company's demands for disclosure of information. On April 6, 2021, Amsterdam's Court of Appeal rejected the Company's document request, due mainly to the disclosures ordered in the arbitral proceedings brought by HAL and GrandVision (see below);
- on July 30, 2020, GrandVision and HAL initiated an arbitration process against EssilorLuxottica, which the Company regarded as an obvious attempt by HAL and GrandVision to detract from GrandVision's breaches of its contractual commitments and its failure to provide EssilorLuxottica with required information. On June 21, 2021, the arbitral tribunal declared that GrandVision has materially breached its obligations under the Support Agreement. Consequently, EssilorLuxottica could decide to terminate the Transaction or pursue it. Given the strategic rationale, EssilorLuxottica decided to pursue and close Transaction on July 1, 2021.

## *Significant events of the period*

### Change in management and in the composition of the Board of Directors

During EssilorLuxottica's Annual Shareholders' Meeting that took place on May 21, 2021, shareholders approved all the names of the proposed directors who now sit on the new Board of Directors of the Company, including: Mr. Leonardo Del Vecchio, Mr. Francesco Milleri, Mr. Paul du Saillant, Mr. Romolo Bardin, Mr. Jean-Luc Biamonti, Ms. Marie Christine Coisne-Roquette, Ms. Juliette Favre, Mr. José Gonzalo, Ms. Swati Piramal, Ms. Cristina Scocchia, Ms. Nathalie von Siemens and Mr. Andrea Zappia.

On May 21, 2021, during its first meeting, the Board of Directors appointed Mr. Leonardo Del Vecchio as Chairman of the Board, Mr. Francesco Milleri as CEO and Mr. Paul du Saillant as Deputy CEO of EssilorLuxottica. In the same meeting, the Board of Directors has been informed of the appointment of Mr. Stefano Grassi as the CFO of the Company.

### Ray-Ban Authentic launch in the US

On January 12, 2021, EssilorLuxottica announced the launch in the US of the first commercial product leveraging the strength of the new Group by strategically combining the expertise of Essilor and Luxottica.

The latest edition of Ray-Ban Authentic represents the perfect match of Ray-Ban's legendary style and Essilor's expertise in sight and will capitalize on the assets of both to meet consumer needs with the aim of diversifying the single vision category as well as growing the prescription sun category for private practices. This latest edition was launched on January 19, 2021.

Ray-Ban's history in the field of prescription lenses has witnessed many ground-breaking developments, but the combination of iconic frames and the latest generation of clear, gradient and sun lenses is a significant revolution made possible by the integration of Essilor and Luxottica. The key innovation is the ability to offer premium and lightweight lenses that perfectly adapt to the shape and curvature of the Ray-Ban frame, making the most of the latest optical technologies.

With prescription glasses being an important part of every look, there will be over 1,400 lens-frame combinations available to consumers, including those featuring Transitions technology with photochromic lenses and blue light filtering. The new range also includes a Special Edition, enhanced with Essilor's best-known and most innovative lens solutions such as Varilux, Eyezen and Crizal.

Ray-Ban's complete experience with its tailored optical solutions by Essilor creates a new innovative category for a future of fully customized products for both customers and consumers.

### Crossing of legal and statutory thresholds by BPI

On January 25, 2021, BPI Investissement SAS notified the Company that LAC 1 SLP had exceeded the statutory threshold of 1% of the capital and voting rights of EssilorLuxottica. LAC 1 SLP held at that date 4,500,688 shares and voting rights in EssilorLuxottica representing 1.02% of the Company's share capital and voting rights.

### Joint venture with CooperCompanies for the acquisition of SightGlass Vision

On February 3, 2021, EssilorLuxottica and CooperCompanies announced they entered into an agreement to create a 50/50 joint venture for the acquisition of SightGlass Vision, a US based life sciences company focused on developing innovative spectacle lenses to reduce the progression of myopia in children.

EssilorLuxottica and CooperCompanies will leverage their shared expertise and global leadership in myopia management to accelerate the commercialization of SightGlass Vision spectacle lenses. Through this partnership, they will further strengthen innovation opportunities and go-to-market capabilities to grow the myopia control category. SightGlass Vision's technology will complement both companies' existing solutions, including Essilor's Stellest lens and CooperVision's MiSight and Orthokeratology contact lenses.

The joint venture will acquire SightGlass Vision from CooperCompanies, and the closing of the acquisition and creation of the joint venture is subject to regulatory approvals and other customary closing conditions. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021.

### Employee shareholding reaching a record high

On February 4, 2021, EssilorLuxottica announced the results of its 2020 international employee share ownership campaign (“Boost 2020”), increasing its employee shareholding to a record high of 44% at Company level. Recognizing its long-term commitment towards promoting employee shareholding, EssilorLuxottica has also been awarded with the “Grand Prix FAS 2020" by the French Federation of Employee Shareholder Associations (FAS).

Following the success of Boost 2020, a total of approximately 63,000 EssilorLuxottica employees in 81 countries now hold a financial stake in the Company, up from near 56,000 employees in 2019, representing an increase of approximately 13%. In addition, more than 10,000 EssilorLuxottica employee retirees are also shareholders showing their engagement and confidence in the Group.

Despite the challenging context of the past year, the subscription rate in Boost 2020 reached over 62% of eligible employees, which is considerably above the 2019 market average of 20% and well in line with the previous Boost initiatives. Specific plans rolled-out at local level complemented the global initiative and contributed to its overall success, in particular the French *Plan d'Epargne d'Entreprise* (P.E.E. or employee savings plan), with a record amount invested.

These results illustrate both EssilorLuxottica employees’ desire to contribute to the Company’s long-term development and value creation and their dedication to the Company’s mission to help people see more, be more and live life to its fullest.

The continued expansion of employee shareholding across EssilorLuxottica represents another major step in the integration of the combined Company and was recognized by the “Grand Prix FAS 2020” at the 16$^{th}$ edition of the French Grand Prix FAS Employee Shareholding Awards on February 2, 2021. This award acknowledges the Company’s leadership and continued commitment in the area of employee shareholding, a cornerstone of EssilorLuxottica’s governance model and long-term strategy.

### Agreement to acquire Walman in the US

On March 25, 2021, EssilorLuxottica announced it has entered into an agreement to acquire US based lab network Walman. Walman, which has been a leading partner to vision care practices around the country for more than 100 years, will draw on EssilorLuxottica’s focus on product and service innovation to create growth opportunities for the Company.

The US is the largest optical market in the world but there are still significant opportunities. Both the progressive lens and anti-reflective categories as well as developing solutions like Myopia management require resources to grow in this competitive industry. EssilorLuxottica’s investment in Walman will allow customers to leverage these existing and future opportunities to grow the market.

Walman has a network of 35 facilities across the US, including prescription lens-finishing labs and hubs for optical instruments and other vision care products. As part of EssilorLuxottica, Walman will continue to serve the market under the Walman brand, delivering the same customer intimacy, service and solutions their customers have come to expect.

The transaction is expected to close in the coming months pending regulatory approvals and other customary closing conditions.

### Dividend distribution

The Annual Shareholdings' Meeting of EssilorLuxottica held on May 21, 2021 approved the distribution of a *total dividend* of €2.23 per ordinary share for the year 2020, corresponding to a *final dividend* amounting to €1.08 per shares, considering the *interim dividend* for the year 2020 already paid on December 28, 2020.

The Annual Shareholders' Meeting decided to grant to the shareholders the option to receive their dividend in newly issued shares at a price of €124.70 per share (so-called *scrip dividend*). This price corresponds to 90% of the average of the opening prices quoted on Euronext Paris over the twenty trading days preceding the date of the Annual Shareholders' Meeting less the *final dividend* to be distributed for the financial year ended on December 31, 2020, this total being rounded up to the next euro cent.

The period to opt for payment of the dividend in newly issued shares was open from June 1, 2021, up to, and including, June 14, 2021. At the end of that period, 310,329,574 dividend rights were exercised in favour of the payment of the 2020 *final dividend* in shares. Accordingly, on June 21, 2021, 2,687,685 new EssilorLuxottica's shares were issued, delivered and admitted to trading on Euronext Paris. Those new share confer the same rights as the existing shares and carry current dividend rights conferring the right to any distribution paid out as from the date of their issuance.

The total cash dividend paid to the shareholders who did not opt for the *scrip dividend* amounted to €138 million and was paid on the same date, June 21, 2021.

### Renewal of license agreements

On June 21, 2021, EssilorLuxottica and Tory Burch announced the renewal of the exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Tory Burch brand. The ten-year renewal is scheduled to expire on December 31, 2030, subject to the terms and conditions therein.

On June 25, 2021, EssilorLuxottica and Coach announced the renewal of an exclusive license agreement for the design, production and worldwide distribution of prescription frames and sunglasses globally under the Coach Eyewear brand. The five-year agreement came into effect on July 1, 2021 and run until June 30, 2026 with the potential for a five-year extension.

### Update on fraud at Essilor Manufacturing Thailand Co.

On December 30, 2019, the Company announced that it had discovered fraudulent financial activity at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact of €185 million.

Approximately €24 million were recovered during the course of 2020. Moreover, additional USD 76 million were recovered in 2021 as of the date of approval of the condensed consolidated interim financial statements.

## *Statement of profit or loss and Alternative Performance Measures*

### EssilorLuxottica condensed consolidated statement of profit or loss

| *€ millions* | 1H 2021 | 1H 2020* | Change |
|---|---|---|---|
| Revenue | 8,768 | 6,230 | 40.7 % |
| Cost of sales | (3,423) | (2,840) | 20.5 % |
| **GROSS PROFIT** | **5,345** | **3,390** | **57.7 %** |
| *% of revenue* | *61.0 %* | *54.4%* | |
| **Total operating expenses** | **(4,074)** | **(3,768)** | **8.1 %** |
| **OPERATING PROFIT** | **1,271** | **(378)** | **435.9 %** |
| *% of revenue* | *14.5 %* | *-6.1%* | |
| **PROFIT BEFORE TAXES** | **1,214** | **(460)** | **364.1 %** |
| *% of revenue* | *13.9 %* | *-7.4%* | |
| Income taxes | (302) | 60 | 600.5 % |
| *Effective tax rate* | *24.9 %* | *-13.1%* | |
| **NET PROFIT** | **912** | **(400)** | **328.3 %** |
| **NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT** | **854** | **(412)** | **307.3 %** |

* Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the six-month period ended on June 30, 2020.

The table above shows the performance of EssilorLuxottica activities in the first semester of 2021 and 2020. Although the comparability in 2021 condensed consolidated interim financial statements is no longer affected by the accounting of the combination between Essilor and Luxottica occurred on October 1, 2018 (the “EL Combination”), which was considered a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations,* the Group's performance was strongly affected by the COVID-19 pandemic in the first half of 2020.

- *Revenue* increased by 40.7% compared to the first semester of 2020, however the comparison with 2020 is not relevant considering the effects of the COVID-19 pandemic; accordingly the Group's net sales performance over the semester is commented versus 2019 (see paragraphs *Revenue by operating segment* and *Revenue by geographical area* above).
- *Cost of sales* increased as a direct consequence of the rebound of the business activities. Moreover, in the first semester of 2021, significant restructuring costs were accrued, mainly linked to reorganization projects aiming at rationalizing the lenses laboratories footprint as well as at increasing the Group’s operational and organizational efficiency (see comments in the paragraph *Adjusted measures*).
- *Operating expenses* are still materially affected by the depreciation and amortization resulting from the recognition of tangible and intangible assets following the purchase price allocation related to the EL Combination (approximately €350 million in the first semester of 2021 versus approximately €370 million recorded in the same period of last year). Moreover, the operating performance of the Group in the first semester of 2021 was affected by the significant income recognized following the recovery of approximately €62 million of the misappropriated funds from the EMTC fraud case – i.e. the fraudulent financial activity discovered at an Essilor plant in Thailand at the end 2019 – (€6 million in the first semester of 2020).
- *Net profit* increased to €912 million from the €400 million loss reported in the first semester of 2020, reflecting the solid return to growth after the severe contraction of the Company's activities caused by the COVID-19 pandemic in the first semester of 2020.

## EssilorLuxottica Alternative Performance Measures (APM)

*Condensed consolidated statement of profit or loss: reconciliation with adjusted[2] figures*

### First semester 2021

| *€ millions* | 1H 2021 | Adjustments related to PPA impacts | Other non-GAAP adjustments | 1H 2021 Adjusted[2] |
|---|---|---|---|---|
| Revenue | 8,768 | — | — | 8,768 |
| Cost of sales | (3,423) | 1 | 37 | (3,385) |
| **GROSS PROFIT** | **5,345** | **1** | **37** | **5,383** |
| *% of revenue* | *61.0 %* | | | *61.4 %* |
| **Total operating expenses** | **(4,074)** | **326** | **(14)** | **(3,762)** |
| **OPERATING PROFIT** | **1,271** | **327** | **23** | **1,622** |
| *% of revenue* | *14.5 %* | | | *18.5 %* |
| Cost of net debt | (58) | (1) | — | (59) |
| Other financial income/(expenses)* | 2 | — | — | 2 |
| **PROFIT BEFORE TAXES** | **1,214** | **326** | **23** | **1,564** |
| *% of revenue* | *13.9 %* | | | *17.8 %* |
| Income taxes | (302) | (59) | (22) | (383) |
| **NET PROFIT** | **912** | **267** | **1** | **1,180** |
| **NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT** | **854** | **262** | **1** | **1,117** |

* Including *Share of profit of associates.*

### First semester 2020

| *€ millions* | 1H 2020° | Adjustments related to PPA impacts° | Other non-GAAP adjustments° | 1H 2020 Adjusted[2] |
|---|---|---|---|---|
| Revenue | 6,230 | — | — | 6,230 |
| Cost of sales | (2,840) | 2 | 57 | (2,782) |
| **GROSS PROFIT** | **3,390** | **2** | **57** | **3,448** |
| *% of revenue* | *54.4%* | | | *55.3%* |
| **Total operating expenses** | **(3,768)** | **335** | **111** | **(3,322)** |
| **OPERATING PROFIT** | **(378)** | **337** | **167** | **126** |
| *% of revenue* | *-6.1%* | | | *2.0%* |
| Cost of net debt | (61) | (3) | — | (64) |
| Other financial income/(expenses)* | (20) | — | — | (20) |
| **PROFIT BEFORE TAXES** | **(460)** | **334** | **167** | **41** |
| *% of revenue* | *-7.4%* | | | *0.7%* |
| Income taxes | 60 | (63) | (9) | (12) |
| **NET PROFIT** | **(400)** | **270** | **158** | **29** |
| **NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT** | **(412)** | **266** | **153** | **7** |

* Including *Share of profit of associates.*

° Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the six-month period ended on June 30, 2020.

## *Adjusted measures*

In this document, management presented certain performance indicators that are not envisioned by the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Such measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica condensed consolidated interim financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group and should be read in conjunction with EssilorLuxottica condensed consolidated interim financial statements. Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors.

The combination of Essilor and Luxottica (the “EL Combination”), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted (“adjusted measures”). In particular, management adjusted the following measures: *Cost of sales*, *Gross profit, Operating expenses, Operating profit, Profit before taxes* and *Net profit.* Such adjusted measures are reconciled to their most comparable measures reported in the condensed consolidated interim statements of profit or loss for the six-month periods ended June 30, 2021 and 2020.

In 1H 2021 and 1H 2020, adjusted measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination; and (ii) other adjustments related to transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group’s performance. These adjustments are described below.

**First semester 2021**

- Non-recurring *Cost of sales* for €37 million of which (i) €35 million mainly related to restructuring and reorganization projects aiming at rationalizing the lenses laboratories footprint and the distribution network to increase the Group’s operational and organizational efficiency, and (ii) €2 million corresponding to the expenses related to share-based plans granted in the context of the EL Combination to employees working for operations activities (Luxottica’s restricted shares plan (LTI) vested in March 2021 and other Essilor’s plans).
- Non-recurring *Selling* expenses for €10 million associated with restructuring projects in EMEA as well as with the selling costs related to the rationalization of the distribution activities in France.
- Non-recurring *General and administrative expenses* for €30 million associated with the following impacts:
  - severances for approximately €11 million, mainly related to key management personnel;
  - a positive effect of €8 million resulting from the release of a contingent liability (recognised in the context of the EL Combination) related to a litigation involving a subsidiary of the Group;
  - expenses related to share-based payments for about €5 million linked to share-based plans granted in the context of the EL Combination (Luxottica’s restricted shares plan (LTI) vested in March 2021 and other Essilor’s plans);
  - non-recurring expenses related to M&A projects for €11 million mainly linked to the transaction costs incurred in connection with the acquisition of GrandVision announced on July 31, 2019 and completed on July 1, 2021; and
  - other one-off costs incurred by the Group of which (i) approximately €2 million of external consulting fees linked to the fraudulent financial activities discovered at the end of 2019 at an Essilor's plant in Thailand (the "EMTC fraud") for the recovery work streams, (ii) approximately €4 million as net negative impact related to significant claims and litigations and (iii) approximately €5 million of other one-off costs linked to integration streams.

- *Other income/(expenses)* are adjusted for a net positive effect of €55 million mainly associated with:
  - the positive effect recorded following the recovery in the first months of 2021 of misappropriated funds from the EMTC fraud for approximately €62 million;
  - a negative effect of approximately €7 million resulting from the valuation of the business to be disposed according to the remedies agreed with the European Commission in the context of the acquisition of GrandVision.
- *Income taxes* are adjusted for an amount of €(22) million corresponding to:
  - the tax effects of the above-mentioned adjustments for approximately €(6) million; and
  - a non-recurring tax benefit of approximately €16 million related to the asset revaluation (for tax purposes only) performed by one Italian subsidiary of the Group.

**First semester 2020**

- Non-recurring *Cost of sales* for €57 million mainly related to restructuring and reorganization expenses incurred with respect to projects aiming at increasing the Group's operational and organizational efficiency, especially in the North America region where restructuring plans were implemented to rationalize the prescription laboratories network and the former Sunglasses & Readers business, to optimize the operations in one of the largest US distribution center as well as to the integrate Costa operations within Luxottica perimeter. The adjustment also includes expenses related to share-based plans for employees working for operations activities (Luxottica's LTI plan and the expenses linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based).
- Non-recurring *Selling* expenses for €30 million mainly associated with the closing of several LensCrafters corners at Macy's, the righ-of-use assets impairment of some US-based stores and to restructuring plans, especially in the North America region.
- Non-recurring *General and administrative* expenses for €71 million associated with the following impacts:
  - non-recurring costs related to the accelerated amortization of software resulting from the decision to progressively converge toward a unified IT platform for approximately €25 million;
  - expenses related to share-based payments for about €10 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans and to Luxottica's restricted shares plan (LTI);
  - non-recurring expenses related to M&A projects for approximately €11 million mainly linked to the transaction costs incurred in connection with GrandVision acquisition project;
  - a net negative impact of €3 million related to significant claims and litigations;
  - other one-off costs incurred by the Group of which €17 million of external consulting fees of both for investigation procedures and recovery work-streams linked to the EMTC fraud.
- Non-recurring *Other income / (expenses)* for €6 million mainly associated with (i) the early termination of the lease related to Costa facilities and the wind-down of the local activities for about €10 million, (ii) other one-off M&A transaction costs for approximately €2 million and (iii) the elimination of the profit recorded following the recovery of misappropriated funds from the EMTC fraud for approximately €6 million.
- *Income taxes* are adjusted for an amount of €(9) million corresponding to the tax effects of the above-mentioned adjustments for €(34) million and to the elimination of non-recurring net tax expenses for €24 million related to the revaluation of the cumulated deferred tax assets basis of the French tax consolidation group previously valued at long term normal rate and recognised at the French tax reduced rate as of June 30, 2020.

## *Adjusted[2] consolidated statement of profit or loss*

| *€ millions* | 1H 2021 | 1H 2020* | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|
| Revenue | 8,768 | 6,230 | 49.2 % | 40.7 % |
| Cost of sales | (3,385) | (2,782) | 27.7 % | 21.7 % |
| **GROSS PROFIT** | **5,383** | **3,448** | **66.5 %** | **56.1 %** |
| *% of revenue* | *61.4 %* | *55.3%* | | |
| Research and development | (162) | (142) | 17.1 % | 14.0 % |
| Selling | (2,053) | (1,855) | 17.7 % | 10.7 % |
| Royalties | (87) | (67) | 36.6 % | 29.9 % |
| Advertising and marketing | (632) | (480) | 38.6 % | 31.5 % |
| General and administrative | (822) | (777) | 10.7 % | 5.8 % |
| Other income/(expenses) | (7) | (2) | 257.8 % | 201.1 % |
| **Total operating expenses** | **(3,762)** | **(3,322)** | **19.6 %** | **13.2 %** |
| **OPERATING PROFIT** | **1,622** | **126** | **fav.** | **fav.** |
| *% of revenue* | *18.5 %* | *2.0%* | | |
| Cost of net debt | (59) | (64) | -5.4 % | -7.6 % |
| Other financial income/(expenses) | (0) | (20) | -75.5 % | -98.6 % |
| Share of profits of associates | 2 | (1) | 396.8 % | 374.0 % |
| **PROFIT BEFORE TAXES** | **1,564** | **41** | **fav.** | **fav.** |
| *% of revenue* | *17.8 %* | *0.7%* | | |
| Income taxes | (383) | (12) | fav. | fav. |
| *Effective tax rate* | *24,5%* | *29.3%* | | |
| **NET PROFIT** | **1,180** | **29** | **fav.** | **fav.** |
| **NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT** | **1,117** | **7** | **fav.** | **fav.** |

* Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the six-month period ended on June 30, 2020.

The COVID-19 pandemic had significant negative impacts on EssilorLuxottica's 2020 results affecting business activities and revenues reported in all geographies and business segments, in particular in the first semester of the year.

In the first semester of 2021, notwithstanding the COVID-19 pandemic continued to affect business activities, the Group's performance showed a solid return to growth, in terms of revenue, operating profit and net profit.

The financial information presented for the two semesters (2021 and 2020) is therefore not comparable. Consequently, the comments below are provided *versus* the first semester of 2019.

| *€ millions* | 1H 2021 | 1H 2019* | Change at constant exchange rates[1] | Change at current exchange rates |
|---|---|---|---|---|
| Revenue | 8,768 | 8,776 | 5.7 % | -0.1 % |
| Cost of sales | (3,385) | (3,323) | 6.9 % | 1.9 % |
| **GROSS PROFIT** | **5,383** | **5,453** | **5.0 %** | **-1.3 %** |
| *% of revenue* | *61.4 %* | *62.1%* | | |
| Research and development | (162) | (143) | 15.3 % | 13.1 % |
| Selling | (2,053) | (2,197) | -0.8 % | -6.5 % |
| Royalties | (87) | (88) | 4.5 % | -0.9 % |
| Advertising and marketing | (632) | (627) | 5.8 % | 0.8 % |
| General and administrative | (822) | (886) | -2.8 % | -7.3 % |
| Other income/(expenses) | (7) | (1) | 615.5 % | 602.0 % |
| **Total operating expenses** | **(3,762)** | **(3,941)** | **0.6 %** | **-4.5 %** |
| **OPERATING PROFIT** | **1,622** | **1,512** | **16.4 %** | **7.3 %** |
| *% of revenue* | *18.5 %* | *17.2%* | | |
| Cost of net debt | (59) | (62) | -1.7 % | -4.1 % |
| Other financial income/(expenses) | (0) | (7) | -41.6 % | -96.0 % |
| Share of profits of associates | 2 | (1) | 294.7 % | 282.3 % |
| **PROFIT BEFORE TAXES** | **1,564** | **1,442** | **17.7 %** | **8.4 %** |
| *% of revenue* | *17.8 %* | *16.4%* | | |
| Income taxes | (383) | (343) | 21.1 % | 11.6 % |
| *Effective tax rate* | *24,5%* | *23.8%* | | |
| **NET PROFIT** | **1,180** | **1,099** | **16.6 %** | **7.5 %** |
| **NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT** | **1,117** | **1,047** | **16.2 %** | **6.6 %** |

* Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the six-month period ended on June 30, 2019.

***Revenue*** for the semester totaled €8,768 million, an increase of 5.7% at constant exchange rates[1] (flattish at current exchange rates).

**Adjusted[2] *Gross profit:* +5.0% at constant exchange rates[1] (-1.3% at current exchange rates)**

Adjusted[2] *Gross profit* in the first semester of 2021 ended at €5,383 million, representing 61.4% of revenue versus 62.1% in 2019. The gross margin was mostly affected by a negative exchange rates impact and marginally by an increase in logistic costs. Gross margin was also affected by the strong performance of the insurance business, that has a lower margin contribution.

**Adjusted[2] *Operating expenses:* +0.6% at constant exchange rates[1] (-4.5% at current exchange rates)**

Adjusted[2] *Operating expenses* amounted to €3,762 million for the first semester of 2021, translating to 42.9% of revenue, and slightly increased versus the first semester of 2019 by +0.6% at constant exchange rates[1] (decreased by 4.5% at current exchange rates). Excluding the exchange rates impact, the Group benefited from a tight control of the discretionary expenses and occupancy savings that largely offset the increase in marketing investments mainly related to the online business.

The main variances related to *Operating expenses* refer to:

- *Selling* expenses amounting to €2,053 million, a decrease of €142 million compared to the first semester of 2019, mainly driven by a decline in labour and occupancy costs.
- *Advertising and marketing* expenses amounting to €632 million, substantially in line with the spending of the first semester of 2019, due to the exchange rates impact. On a constant exchange rates[1] basis, *Advertising and marketing* expenses increased of approximately 6% due to the online business.
- *General and administrative* expenses amounting to €822 million, a decrease of €64 million compared to the same period of 2019, thanks to exchange rates impact, savings on discretionary spending and simplification of the organization structure.

**Adjusted[2] *Operating profit:* +16.4% at constant exchange rates[1] (+7.3% at current exchange rates)**

The Group posted an adjusted[2] *Operating profit* of €1,622, representing 18.5% of revenue compared to 17.2% in the same period of 2019.

**Adjusted[2] *Cost of net debt, Other financial income / (expenses)* and *Share of profits of associates***

The adjusted[2] *Cost of net debt* marginally decreased to €59 million in the first semester of 2021 due to favourable cost of debt. *Share of profits of associates* showed a profit of €2 million.

**Adjusted[2] *Income taxes***

EssilorLuxottica reported adjusted[2] *Income taxes* of €383 million, reflecting an adjusted[2] tax rate of 24.5% for the first semester of 2021 compared to an adjusted[2] tax rate of 23.8% in the same period of 2019, resulting from the expiration of the Italian Patent Box combined with a different geographical mix. It is worth to highlight that in 2019 the Group had a significant benefit from the Italian Patent Box regime that expired during the same year.

**Adjusted[2] *Net profit attributable to owners of the parent:* significantly increased by +16.6% at constant exchange rates[1] (+7.5% at current exchange rates)**

## *Other non-GAAP measures*

Other non-GAAP measures such as EBITDA, Free Cash Flows, Net debt and the ratio Net debt to EBITDA are also included in this document in order to:

- improve transparency for investors;
- assist investors in their assessment of the Group's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Group's cost of debt;
- ensure that these measures are fully understood in light of how the Group evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

Those other non-GAAP measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica's condensed consolidated interim financial statements prepared in accordance with IFRS. Rather, these other non-GAAP measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group. Moreover, investors should be aware that the Group's method of calculating those non-GAAP measures may differ from that used by other companies.

The following table provides a reconciliation of those non-GAAP measures to the most directly comparable IFRS financial measures.

| *€ millions* | H1 2021 | H1 2020 | H1 2019 |
|---|---|---|---|
| Net cash flow provided by operating activities [(a)] | 1,905 | 454 | 1,489 |
| Purchase of property, plant and equipment and intangible assets [(a)] | (418) | (312) | (438) |
| Cash payments for the principal portion of lease liabilities [(a)] | (276) | (197) | (303) |
| **FREE CASH FLOW** | **1,211** | **(56)** | **749** |
| Operating profit [(b)] | 1,271 | (378) | 1,038 |
| Depreciation and amortization [(a)] | 1,000 | 1,102 | 1,053 |
| **EBITDA** | **2,271** | **724** | **2,091** |
| **NET DEBT [(c)]** | **1,945** | **4,509** | **4,728** |
| **NET DEBT/EBITDA LTM [(d)]** | **0.5** | **1.9** | **n.a.** |

*(a)* As presented in the consolidated statement of cash flows.
*(b)* As presented in the consolidated statement of profit or loss.
*(c)* Net debt is presented in Note 17 – *Financial debt, including lease liabilities* of the Notes to the condensed consolidated interim financial statements. Its components are also reported in the *Net debt* paragraph below.
*(d)* EBITDA LTM = Last Twelve Months, equal to €4,135 million for the twelve-month period ended on June 30, 2021 and €2,433 million for the twelve-month period ended on June 30, 2020.

# *Statement of financial position, net debt and cash flows*

## EssilorLuxottica reclassified consolidated statement of financial position

The reclassified consolidated statement of financial position aggregates the amount of assets and liabilities from the consolidated statement of financial position in accordance with functional criteria which considers the Group conventionally divided into the three fundamental areas focusing on resources investments, operations and financing.

| *€ millions* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Goodwill | 23,257 | 22,658 |
| Intangible assets | 9,773 | 10,031 |
| Property, plant and equipment | 3,437 | 3,348 |
| Right-of-use assets | 1,674 | 1,753 |
| Investments in associates | 92 | 17 |
| Other non-current assets | 396 | 374 |
| **Fixed Assets** | **38,629** | **38,181** |
| **Trade working capital** | **2,517** | **2,131** |
| **Employees benefits and provisions** | **(923)** | **(924)** |
| Tax receivables/(payables) | (429) | (336) |
| Deferred tax assets/(liabilities) | (1,445) | (1,470) |
| **Tax assets/(liabilities)** | **(1,873)** | **(1,805)** |
| **Other operating assets/(liabilities)** | **(2,034)** | **(1,809)** |
| **Assets / (liabilities) held for sale** | **9** | **—** |
| **NET INVESTED CAPITAL** | **36,325** | **35,774** |
| **EQUITY** | **34,380** | **32,798** |
| **NET DEBT** | **1,945** | **2,975** |

*Fixed assets* increased by €448 million compared to December 31, 2020 mainly due to (i) foreign currency fluctuations (€602 million on *Goodwill*, €150 million on *Intangible assets* and €69 million on *Property, plant and equipment),* (ii) capital expenditures of the period (additions of tangible and intangible assets for €335 million), (iii) recognition of new *Right-of use assets* in connection with lease contracts signed in 2021 (€176 million), (iv) investment in associate companies (i.e. the acquisition of a minority stake in Mazzucchelli 1849 S.p.A. for a consideration of €75 million) and (v) new acquisitions performed by the Group in the first semester of the year resulting in a €39 million *Fixed assets* increase. These increases were partially offset by the depreciation and amortization of the period (€1,000 million).

*Trade working capital* (i.e. the sum of inventories, trade receivables and trade payables) increased by €386 million compared to December 31, 2020 mainly due to the rebound of the business activities as well as for the effects of foreign currency fluctuations.

*Assets / (liabilities) held for sale* amount to €9 million, being the net assets value of the business to be disposed according to the remedies agreed with the European Commission in the context of the acquisition of GrandVision.

*Equity* increased mainly as a result of foreign currency fluctuations (approximately €836 million) and for the net result of the period (€912 million); its balance was also affected by the dividend distribution of the period that led to a decrease of €189 million of which €51 million distributed to minorities shareholders of the Group's subsidiaries and €138 million paid to EssilorLuxottica's shareholders who did not opt for the *scrip dividend* (see paragraph *Significant events of the period*).

*Net debt* decreased by €1,030 million compared to December 31, 2020 as illustrated in the following paragraph.

### Net debt

Group *Net debt (excluding Lease liabilities)* amounted to €88 million at the end of June 2021, decreasing by €950 million compared to the position at the end of December 2020.

| *€ millions* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Non-current borrowings | 8,910 | 9,324 |
| Current borrowings | 645 | 633 |
| **TOTAL LIABILITIES** | **9,554** | **9,957** |
| Short-term investments | (19) | (200) |
| Cash and cash equivalents | (9,424) | (8,683) |
| **TOTAL ASSET** | **(9,443)** | **(8,883)** |
| Interest Rate Swap measured at fair value | (24) | (36) |
| **NET DEBT EXCLUDING LEASE LIABILITIES** | **88** | **1,038** |
| Lease liabilities (current and non-current) | 1,857 | 1,938 |
| **NET DEBT** | **1,945** | **2,975** |

As mentioned in the paragraph *Acquisition of GrandVision*, on July 1, 2021, approximately €5.5 billion of the cash available as of the end of June 2021 was used to acquired 76.72% of the issued ordinary shares of GrandVision.

### Reclassified consolidated statement of cash flows

The reclassified consolidated statement of cash flows reconciles the EBITDA to the net cash flow generated by the Group highlighting the cash flow derived from its operations (Free Cash Flow).

The sound performance of the Group in the first semester 2021 led to a strong cash generation, higher than in the pre-pandemic context; the *Free Cash Flow* generated by the Group increased to €1,211 million from €(56) million and €749 million generated in the first semesters of 2020 and 2019 respectively.

| *€ millions* | H1 2021 | H1 2020 | H1 2019 |
|---|---|---|---|
| **EBITDA** | **2,271** | **724** | **2,091** |
| Changes in trade working capital (a) | (299) | (75) | (318) |
| Capital expenditure | (418) | (312) | (438) |
| Lease payments (excluding interests) (b) | (276) | (197) | (303) |
| Other cash flow from operations | (67) | (196) | (283) |
| **FREE CASH FLOW** | **1,211** | **(56)** | **749** |
| Dividends paid | (191) | (20) | (924) |
| Acquisitions net of cash acquired | (38) | (100) | (113) |
| Other changes in equity | (24) | (231) | (640) |
| Other changes in financial and non-financial assets | 113 | (18) | (9) |
| Changes in borrowings (excluding FX) | (394) | 3,001 | 632 |
| **NET CASH FLOW** | **677** | **2,576** | **(305)** |

(a) *Trade working capital* comprises inventories, trade receivables and trade payables.
(b) *Cash payments for the principal portion of lease liabilities* as presented in the consolidated statement of cash flows.

*Capital expenditure* cash-out amounted to €418 million, representing approx. 5% of the Group's revenue.

The line *Other changes in equity* includes the effects of transactions with non-controlling interest (€28 million in 2021, €75 million in 2020 and €643 million in 2019 when the cash-out related to the final phases of the Mandatory Tender Offer over Luxottica's shares occurred) as well as the cash-out related to the share buyback program (€159 million only in the first semester of 2020).

The flows reported in *Other changes in financial and non-financial assets* in the first semester of 2021 mainly refers to €75 million investment in Mazzucchelli (associate) counterbalanced by the re-investment of a short-term cash deposit in cash equivalent instruments (€200 million).

## *Acquisitions and partnerships*

During the first half of 2021, EssilorLuxottica did not complete any relevant acquisition or partnership.

After the end of the semester, on July 1, 2021, EssilorLuxottica completed its acquisition of a 76.72% ownership interest in GrandVision from Hal Optical Investments B.V. ("HAL"), a wholly-owned subsidiary of HAL Holding, pursuant to the block trade agreement entered into with HAL on July 30, 2019 (see details in the paragraph *Acquisition of GrandVision*).

## *Subsequent events*

### EssilorLuxottica and the FIA reinforce their commitment to promote good vision for safer roads

On July 5, 2021, EssilorLuxottica and the Fédération Internationale de l'Automobile (FIA) announced the renewal of their partnership to raise awareness of the importance of regular eye checks for all road users and, more broadly, to promote good vision for safer roads. Together, EssilorLuxottica and the FIA will roll out a comprehensive plan mobilising public and private stakeholders, and leveraging both innovation and their global reach.

In August 2020, the United Nations General Assembly (UNGA) adopted Resolution A/RES/74/299, proclaiming 2021-2030 as a new “Decade of Action for Road Safety”, with the objective of halving the number of road victims by 2030. To achieve this goal, the United Nations (UN) issued a set of recommendations, including a call for countries to implement appropriate, effective and evidence-based legislation on risk factors related to distracted or impaired driving. Adopting measures to ensure good vision for all road users is part of these recommendations. The UN also encouraged Member States to take measures to promote road safety knowledge and awareness among the population through education, training and advertising campaigns, especially among youth, and to share good road safety practice.

With 1.4 million people killed in road crashes and 50 million more seriously injured each year, safe mobility is a global priority and a key pillar to achieve the United Nations' Sustainable Development Goals (SDGs). Since eyesight is a key element to make safe decisions and anticipate potential risks on the road, good vision is critical. It is part of the road safety culture and can help reduce any potential danger on the road. And even more so today, as the COVID-19 crisis has significantly accelerated the transformation of mobility, resulting in a boom of bikes, scooters and other forms of individual mobility joining cars on the road, reinforcing the need for good vision in all situations.

As part of their renewed three-year partnership within the new #PurposeDriven movement launched by the FIA, EssilorLuxottica and the FIA will continue to mobilise the general public, institutions, mobility players and eye care professionals, to address the UN's strong call for action. Together, they will roll out a wide range of initiatives focused on: reinforcing awareness campaigns and advocacy in the run-up to the 2022 UNGA dedicated to the road safety global plan of actions; accelerating innovation in the areas of eye exams, visual solutions and other road safety-related products such as helmets, leveraging racing expertise to apply it to the roads and scaling up access to visual equipment in close collaboration with FIA Member Clubs all over the world. This will include joint actions with the United Nations Road Safety Fund.

EssilorLuxottica will kick off this partnership with a global “Action for good vision on the road” campaign, calling upon all eye care professionals to play a key role in raising awareness and addressing the crucial and reinforced need for good vision in all conditions, day and night. As part of this partnership, the Company will also collaborate with FIA Member Clubs and engage its own extensive network of retail footprint in Italy, North America and Australia.

### Creation of an innovation center in France dedicated to smart eyewear

On July 12, 2021, EssilorLuxottica announced the creation of a dedicated innovation center in France to reinforce its expertise and expand its capabilities in electrochromic and smart eyewear technologies. Leveraging more than ten years of research and development in this field, the Company intends to accelerate its initiatives to address consumers' evolving needs and fully capture the potential of this fast-growing wearables segment.

Located within the Company's industrial facility in Dijon, France, the newly created Smart Eyewear Technologies Center will coordinate the relevant R&D and industrialization sites, based in Toulouse and Créteil (France), and collaborate closely with the R&D teams based in Agordo (Italy). Bringing together more than 50 leading experts, the Center will enable EssilorLuxottica to cover the entire value chain, from upstream research to production. EssilorLuxottica will be in a unique position to combine unparalleled agility with the scale, engineering capabilities and resources of a leader bringing together the best of lens technologies and frames design. This new facility will complement the company's global R&D and innovation network across all geographies.

As part of this new innovation center, EssilorLuxottica will earmark significant investments for the Dijon site to reinforce its teams and equipment, with the recruitment of additional team members by the end of the year and the expansion of the existing site, including the creation of a high-grade clean room. The facilities are expected to be operational by the end of 2021, with the launch of the first products in the near future.

As a pioneer in electrochromic and smart eyewear technologies, the Company has built partnerships with public organizations, including the French National Centre for Scientific Research (*"Centre national de la recherche scientifique"* – CNRS) and the University of Huddersfield, United Kingdom. Several important co-developments with private actors were also launched, including the biggest firms inside digital and electronics worldwide landscape. Industrial investment in France is key to EssilorLuxottica in leveraging its expertise as well as its production and research facilities in the country. The building of a cutting-edge prescription laboratory that will host close to 300 people by 2024 was announced at the end of last year.

Smart eyewear is a complex product category that requires the combination of active lenses and sophisticated frames on the one hand, and electronics, sensors and software on the other along with the optical function of a lens. To harness such a sophisticated system, EssilorLuxottica is able to draw on the complementary expertise of both Essilor and Luxottica in the research, design, development, integration and production of lenses and frames, focusing on electrochromic and smart eyewear technologies.

### EssilorLuxottica challenges the decision of the French Competition Authority against Luxottica

On July 22, 2021, EssilorLuxottica acknowledged that the French Competition Authority (FCA) issued a decision against several eyewear industry players, including Luxottica Group.

The Authority imposes to Luxottica a €125 million sanction for the group's conduct which took place between 2005 and 2014 in the optical frames and sunglasses sector in France. Today's decision closes an investigation initiated in 2005 which was considered insufficient by the FCA in 2017.

EssilorLuxottica firmly believes it has always conducted business according to the highest standard of compliance, always supporting customers, partners as well as the entire market. As such, the Company strongly disagrees with the Authority's decision and considers the sanction groundless.

The Company will appeal the decision, confident that it will successfully demonstrate that the decision is wrong both from a factual and a legal perspective.

## Outlook

EssilorLuxottica now expects its full year revenue to grow around mid-single digit versus 2019 at constant exchange rates[1], with the adjusted[2] operating profit as a percentage of revenue at constant exchange rates[1] higher than 2019. This assumes that no further COVID-19 related restrictions will be introduced in the second half of the year.

Such targets refer to the EssilorLuxottica perimeter, excluding GrandVision which will be consolidated from July 1, 2021.

The new full year outlook represents an upgrade of the targets issued with the first quarter results, which pointed to revenue and adjusted[2] operating profit margin at least at the level of 2019 at constant exchange rates[1].

## Notes

**1 Constant exchange rates**: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year (2020 or 2019).

**2 Adjusted measures or figures**: adjusted from the expenses or income related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.

**3 Comparable store sales**: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

**4 Free Cash Flow**: *Net cash flow provided by operating activities* less the sum of *Purchase of property, plant and equipment and intangible assets* and *Cash payments for the principal portion of lease liabilities* according to the IFRS consolidated statement of cash flow.

**5 Net debt**: sum of *Current* and *Non-current borrowings*, *Current* and *Non-current lease liabilities*, minus *Short-term investments*, *Cash and cash equivalents* and the *Interest Rate Swap measured at fair value* as disclosed in the IFRS consolidated financial statements.

# *Appendix 1 - Historical revenue*

## By operating segment

| *€ millions* | Professional Solutions | Direct to Consumer | 2019 | Professional Solutions | Direct to Consumer | 2020 |
|---|---|---|---|---|---|---|
| Revenue 1Q | 2,604 | 1,606 | 4,210 | 2,305 | 1,480 | 3,784 |
| Revenue 2Q | 2,763 | 1,803 | 4,566 | 1,336 | 1,110 | 2,446 |
| **Revenue 1H (Jun YTD)** | **5,367** | **3,409** | **8,776** | **3,640** | **2,590** | **6,230** |
| Revenue 3Q | 2,544 | 1,767 | 4,310 | 2,431 | 1,655 | 4,085 |
| **Revenue Sep YTD** | **7,911** | **5,175** | **13,086** | **6,071** | **4,245** | **10,315** |
| Revenue 4Q | 2,609 | 1,694 | 4,304 | 2,441 | 1,672 | 4,113 |
| **Revenue 2H** | **5,153** | **3,461** | **8,614** | **4,872** | **3,327** | **8,199** |
| **Revenue Dec YTD** | **10,520** | **6,870** | **17,390** | **8,512** | **5,917** | **14,429** |

## By geographical area

| *€ millions* | North America | EMEA | Asia Pacific | Latin America | 2019 | North America | EMEA | Asia Pacific | Latin America | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue 1Q | 2,188 | 1,129 | 633 | 261 | 4,210 | 2,070 | 972 | 521 | 222 | 3,784 |
| Revenue 2Q | 2,392 | 1,248 | 657 | 269 | 4,556 | 1,356 | 621 | 409 | 60 | 2,446 |
| **Revenue 1H (Jun YTD)** | **4,580** | **2,376** | **1,290** | **530** | **8,776** | **3,426** | **1,593** | **930** | **282** | **6,230** |
| Revenue 3Q | 2,296 | 1,105 | 630 | 278 | 4,310 | 2,262 | 1,093 | 560 | 171 | 4,085 |
| **Revenue Sep YTD** | **6,876** | **3,481** | **1,921** | **808** | **13,086** | **5,687** | **2,686** | **1,489** | **453** | **10,315** |
| Revenue 4Q | 2,270 | 1,038 | 690 | 305 | 4,304 | 2,213 | 971 | 666 | 263 | 4,113 |
| **Revenue 2H** | **4,566** | **2,143** | **1,321** | **584** | **8,614** | **4,475** | **2,064** | **1,226** | **433** | **8,199** |
| **Revenue Dec YTD** | **9,146** | **4,519** | **2,611** | **1,114** | **17,390** | **7,901** | **3,657** | **2,156** | **715** | **14,429** |

# *Appendix 2 - Excerpts from the Condensed Consolidated Interim Financial Statements*

## Consolidated statement of profit or loss

| *€ millions* | First semester 2021 | First semester 2020 [(a)] |
|---|---|---|
| Revenue | 8,768 | 6,230 |
| Cost of sales | (3,423) | (2,840) |
| **GROSS PROFIT** | **5,345** | **3,390** |
| Research and development | (290) | (271) |
| Selling | (2,210) | (2,037) |
| Royalties | (87) | (67) |
| Advertising and marketing | (677) | (529) |
| General and administrative | (859) | (856) |
| Other income/(expenses) | 48 | (8) |
| **Total operating expenses** | **(4,074)** | **(3,768)** |
| **OPERATING PROFIT** | **1,271** | **(378)** |
| Cost of net debt | (58) | (61) |
| Other financial income/(expenses) | (0) | (20) |
| Share of profits of associates | 2 | (1) |
| **PROFIT BEFORE TAXES** | **1,214** | **(460)** |
| Income taxes | (302) | 60 |
| **NET PROFIT** | **912** | **(400)** |
| of which attributable to: | | |
| • owners of the parent | 854 | (412) |
| • non-controlling interest | 59 | 12 |
| Weighted average number of shares outstanding: | | |
| • basic | 437,427,874 | 436,016,311 |
| • diluted | 443,087,053 | 436,016,311 |
| Earnings per share (EPS) for net profit attributable to owners of the parent (*in euro*): | | |
| • basic | 1.95 | (0.94) |
| • diluted | 1.93 | (0.94) |

(a) Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the six-month period ended on June 30, 2020.

## Consolidated statement of financial position

### Assets

| *€ millions* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Goodwill | 23,257 | 22,658 |
| Intangible assets | 9,773 | 10,031 |
| Property, plant and equipment | 3,437 | 3,348 |
| Right-of-use assets | 1,674 | 1,753 |
| Investments in associates | 92 | 17 |
| Other non-current assets | 396 | 374 |
| Deferred tax assets | 432 | 418 |
| **TOTAL NON-CURRENT ASSETS** | **39,061** | **38,598** |
| Inventories | 2,046 | 1,930 |
| Trade receivables | 2,378 | 2,066 |
| Tax receivables | 191 | 195 |
| Other current assets | 648 | 847 |
| Cash and cash equivalents | 9,424 | 8,683 |
| **TOTAL CURRENT ASSETS** | **14,688** | **13,720** |
| Assets held for sale | 25 | — |
| **TOTAL ASSETS** | **53,773** | **52,318** |

## Consolidated statement of financial position

### Equity and liabilities

| *€ millions* | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Share capital | 80 | 79 |
| Share premium reserve | 22,350 | 22,012 |
| Treasury shares reserve | (126) | (201) |
| Other reserves | 10,683 | 10,294 |
| Net profit attributable to owners of the parent | 854 | 85 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | **33,841** | **32,268** |
| Equity attributable to non-controlling interests | 539 | 530 |
| **TOTAL EQUITY** | **34,380** | **32,798** |
| Non-current borrowings | 8,910 | 9,324 |
| Non-current lease liabilities | 1,362 | 1,411 |
| Employee benefits | 420 | 484 |
| Non-current provisions | 215 | 170 |
| Other non-current liabilities | 93 | 73 |
| Deferred tax liabilities | 1,877 | 1,887 |
| **TOTAL NON-CURRENT LIABILITIES** | **12,876** | **13,349** |
| Current borrowings | 645 | 633 |
| Current lease liabilities | 496 | 527 |
| Trade payables | 1,907 | 1,864 |
| Tax payables | 620 | 530 |
| Current provisions | 288 | 271 |
| Other current liabilities | 2,546 | 2,346 |
| **TOTAL CURRENT LIABILITIES** | **6,502** | **6,171** |
| Liabilities held for sale | 16 | — |
| **TOTAL EQUITY AND LIABILITIES** | **53,773** | **52,318** |

## Consolidated statement of cash flows

| *€ millions* | First semester 2021 | First semester 2020 |
|---|---|---|
| **NET PROFIT** | **912** | **(400)** |
| Depreciation and amortization | 1,000 | 1,102 |
| (Gains)/losses from disposal of assets | 6 | 3 |
| Expense arising from share-based payments | 57 | 62 |
| Income taxes | 302 | (60) |
| Finance result, net | 58 | 81 |
| Other non-cash items | 5 | 36 |
| Changes in provisions | 36 | 30 |
| Changes in trade working capital | (299) | (75) |
| Changes in other operating receivables and payables | 191 | (120) |
| Taxes paid, net | (283) | (134) |
| Interest paid, net | (79) | (72) |
| **NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES** | **1,905** | **454** |
| Purchase of property, plant and equipment and intangible assets | (418) | (312) |
| Disposal of property, plant and equipment and intangible assets | 5 | 5 |
| Acquisitions of businesses, net of cash acquired | (38) | (100) |
| Changes in other non-financial assets | (75) | 5 |
| Changes in other financial assets | 183 | (27) |
| **NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES** | **(343)** | **(429)** |
| Share capital increase | 4 | 3 |
| (Purchase)/sale of treasury shares | — | (159) |
| Dividends paid: | (191) | (20) |
| • to the owners of the parent | (138) | — |
| • to non-controlling interests | (53) | (20) |
| Transactions with non-controlling interests | (28) | (75) |
| Cash payments for principal portion of lease liabilities | (276) | (197) |
| Issuance of bonds, private placements and other long-term debts | — | 2,981 |
| Repayment of bonds, private placements and other long-term debts | (503) | — |
| Changes in other current and non-current borrowings | 109 | 20 |
| **NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES** | **(886)** | **2,552** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **677** | **2,576** |
| Cash and cash equivalents at the beginning of the financial year | 8,683 | 4,836 |
| Effects of exchange rate changes on cash and cash equivalents | 64 | (39) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **9,424** | **7,373** |