First-half 2020 results

Resilient performance, strong adaptability, structural vision needs

- **Positive adjusted[1] operating profit despite revenue down 29%**
- **Cash and short-term investments close to Euro 8 billion due to prudent management and positive Free Cash Flow[2] in the second quarter**
- **Revenue trough in April, followed by marked sequential recovery in May and June in all key operating segments and all geographical areas**
- **Fast recovery in Lenses underpinned by prescription and new products**
- **Prompt restart of Retail in both optical and sun, particularly in North America**
- **Acceleration in digital, with online up 43% in the first half and up 68% in the second quarter**
- **Euro 130 million fund to support employees and their families**

Charenton-le-Pont, France (July 31, 2020 – 7:00am) - The Board of Directors of EssilorLuxottica met on July 30, 2020 to approve the condensed consolidated interim financial statements for the six months ended June 30, 2020. The Statutory Auditors have performed a limited review of these financial statements. Their review report is in the process of being issued.

"Our first priority in recent months has been to protect our people and our communities, and to support our partners and customers during the COVID-19 pandemic. While living up to our responsibility as an industry leader, we also proved the strength of our business model by managing to break even in the first half with positive operating income[1] and critical cash flow generation. We want to thank our 150,000 employees worldwide, our management, the Board of Directors and all our shareholders for the support and sacrifices they made along the way. Everyone did their part and contributed to these achievements.

We will continue to play an important role in the industry's recovery by making our capabilities, technologies and resources available to everyone in the market without distinction, in line with our mission. Our ability to strengthen our relationships with customers in recent months, standing by their side in the toughest of times, will make us stronger to face any future change and opportunity in the industry.

Given the resilience of vision needs, we are cautiously optimistic about the remainder of the year and will be watching the evolution of the virus closely, ready to adapt wherever needed. At the same time, we are increasing the pace of our integration, accelerating our digitalisation and launching major product innovations that will drive the industry forward", commented Francesco Milleri, CEO and Deputy Chairman of Luxottica, and Paul du Saillant, CEO of Essilor.

COVID-19 update

During the first half of 2020, EssilorLuxottica demonstrated its strengths and agility by reacting swiftly to the COVID-19 pandemic. It implemented a broad range of health and safety measures while positioning itself for recovery.

The Company's first priority was to invest in the welfare of its people and communities. This included the commitment of Euro 130 million to an employee fund and emergency pay plan as well as the donation of more than two million pieces of personal protective equipment to hospitals, public institutions, employees and partners.

Cost containment and cash preservation measures were swiftly implemented, both at a crisis management and structural level. The former category included compensation cuts, control of marketing expenses, rent relief, supplier negotiations, as well as the suspension of dividends, share buy-backs, capital expenditures and acquisitions.

As lockdowns were gradually lifted across most geographies, the resilience of the need for good vision was confirmed by pent-up demand for quality eye care. At the end of June, EssilorLuxottica had reopened all its factories and laboratories and about 90% of its retail stores. Eye care professionals (ECPs) also fully reopened in most countries, with the exception of parts of Latin America. As a result, the Company experienced positive signs of recovery across all its markets, albeit with different patterns. France and Italy displayed sharp V-shaped recoveries leading to positive year-on-year growth in prescription orders within less than two months. The US also recovered fast. China and South Korea, which were earlier in the COVID-19 cycle, delivered a more gradual ramp up followed by a stabilization in year-on-year growth rates. Other geographies saw more patchy recoveries. Initial evidence indicates that street stores are faring better than shopping malls, with higher conversion rates on lower traffic than usual. However, an extrapolation of these trends remains difficult in view of the uncertain evolution of the pandemic and the increasing number of local areas where lockdowns are being re-imposed.

EssilorLuxottica is now focused on pursuing the restart of its operations everywhere in the world through enhanced customer interactions, innovation, digitalisation and integration. The numerous virtual trainings and town halls held with customers during the lockdowns have led to superior reactivity as markets reopen, both in terms of safety protocols and traffic-enhancing measures. They also allowed the Company to leverage its enriched innovation pipeline including Ray-Ban Authentic, the prescription integrated product fitting for the first time the most loved eyewear brand with Essilor's advanced lens technologies, Luxottica's "Shield Your Eyes" clear lens collection, myopia management with Stellest and new accuracy standards with the AVA solution. The COVID-19 environment boosted digitalisation across the business and led to its continued transformation, from remote working to product development, global operations, omnichannel and the overall consumer journey. At the same time, the integration of Essilor and Luxottica made meaningful progress during the pandemic leading to more agility, initiatives and tangible results in building a unified group.

EssilorLuxottica believes that the positive long-term effects of all these actions will become increasingly evident as the recovery in the eyecare and eyewear market continues to take shape.

First-half 2020 adjusted[1] results

In million of Euros	1H 2020	1H 2019	Change at current exchange rates	Change at constant exchange rates[3]
Revenue	6,230	8,776	-29.0%	-29.2%
Adjusted[1] gross profit	**3,545**	**5,549**	**-36.1%**	**-36.4%**
% of revenue	56.9%	63.2%		
Adjusted[1] operating profit	**126**	**1,512**	**-91.7%**	**-92.2%**
% of revenue	2.0%	17.2%		
Adjusted[1] net profit attributable to owners of the parent	**7**	**1,047**	**-99.3%**	**-99.9%**
% of revenue	0.1%	11.9%		

EssilorLuxottica reported revenue of Euro 6,230 million, down 29% at both current and constant exchange rates[3], compared to first-half 2019 revenue. These declines were the direct result of COVID-19 related lockdowns across markets. However, a sequential month by month recovery followed store re-openings in most markets. The Company's adjusted[1] gross profit as a percent of sales came in at 56.9% while adjusted[1] operating profit was 2.0% of sales. Adjusted[1] net profit attributable to the owners of the parent was Euro 7 million.

Operating highlights

During the first half of the year, the performance of the Company was characterized by:

- Good revenue resilience despite the closure of many stores for most of the period;
- Adjusted[1] operating profit of Euro 126 million reflecting the effective adaptation of the cost structure to the different revenue patterns across the world;
- Positive Free Cash Flow[2] in the second quarter thanks to successful cash preservation measures;
- Lenses & Optical Instruments revenue down 23% year-on-year and close to flat year-on-year in June alone. Marked sequential monthly improvements from April to June, due to renewed appetite for visual solutions from consumers following intense screen-time usage during lockdowns. Recovery to pre-COVID-19 levels for prescription orders observed to be 10 weeks on average in the first markets to reopen with independent ECPs leading the recovery and supporting the product mix in many countries;
- Sunglasses & Readers revenue down 28% year-on-year, benefiting from the division's significant exposure to China, the first key market to reopen;
- Retail revenue down 27% year-on-year, witnessing a gradual recovery in May and June in line with the lifting of the lockdown measures and boosted by a solid momentum in online sales. Reopened stores reveal a sound performance on the back of progressive improvements in traffic and a jump in conversion rates;
- Wholesale down 43% year-on-year with order flows sequentially normalising in the last two months of the semester on the back of a progressive recovery of independents and key accounts and more than two thirds of the approximately 16,700 STARS doors active at the end of the period;
- Online sales delivering strong growth year-on-year and reaching 10% of Group revenue for the period versus 5% in the prior year.

Synergies and integration

In spite of the COVID-19 pandemic, current progress in the integration of the two operating companies enables the management team to reiterate its confidence in the delivery of synergies in the range of Euro 420 to 600 million as a net impact on adjusted[1] operating profit over the period 2019-2023.

The existing integration work streams progressed largely as planned in the first half of the year. Furthermore, an intensification of the collaboration between the two operating companies led to the addition of new work streams.

Key highlights included:

- The launch in Italy in June of Ray-Ban Authentic, the new branded complete pair offering with Essilor's advanced lens technologies;
- The expansion of cross-selling between Essilor and Luxottica platforms;
- The initiation of regional programs for combined distribution of the Company's products;
- The development of EssilorLuxottica 360, a joint independent ECP program combining the offerings of Essilor, Luxottica and EyeMed in North America;
- Kick-off of the integration of FramesDirect.com and Sunglasses-Shop.co.uk, two e-commerce banners specialized in branded offerings, into the Company's unified online platform and retail brand portfolio;
- The continued deployment of a single IT platform throughout the Company.

Eliminating poor vision around the world

During the first half of 2020, EssilorLuxottica increased its efforts to create sustainable access to vision care in order to eliminate poor vision from the world by 2050. Through its cumulative efforts since 2013, the Company has now provided over 350 million people in the world with access to vision care.

However, the COVID-19 pandemic has inevitably slowed down some of these activities around the world, leading to the temporary closure of many micro-enterprises in the Company's networks of primary vision care providers. Essilor offered financial support through its social impact fund, Vision For Life, to over 1,800 of them in India, Bangladesh, Indonesia, Cambodia and Kenya, as their livelihood was at risk. The Company also provided online training to help its primary vision care providers to upskill during this period.

Essilor continued its advocacy and awareness efforts in the promotion of road safety and the elimination of poor vision, with partners such as the United Nations Road Safety Fund and the World Health Organization. In parallel, Essilor and Michelin jointly launched a new global awareness campaign: "Together for safe mobility: check your vision, check your tires".

Furthermore, the Vision For Life's "Buy One Give One" program saw steady support from the Company's online businesses and their customers. To date, the program has committed over 1.6 million pairs of glasses to people in need through nearly 100 projects in 46 countries around the globe.

OneSight, the nonprofit founded and supported by Luxottica, served over 8,800 patients across 7 charitable clinics in the first half of 2020. These clinics, staffed by over 100 employees of Luxottica and Essilor, were located in Bangladesh, Australia, New Zealand and the United States, while 7 new sustainable vision centers were opened in Rwanda. Today, OneSight is providing permanent vision care access to over 37 million people in 178 sustainable vision centers around the world.

Subsequent events

GrandVision

On July 18, 2020, EssilorLuxottica initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision. This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the support agreement. On July 30, 2020, GrandVision and HAL have initiated an arbitration process against EssilorLuxottica, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision's breaches under the Support Agreement and its failure to provide EssilorLuxottica with required information.

Outlook

The Company continues to cautiously monitor the business environment as more countries come out of lockdowns. At this stage, the situation remains too volatile to re-instate financial objectives for the year. It is nevertheless likely that the third quarter will still be another period of transition on the way to normalisation.

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://channel.royalcast.com/webcast/essilorluxotticaen/20200731_1/

Forthcoming investor events

- November 3, 2020: Q3 2020 sales and conference call

Notes

1 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.

2 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.

3 Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

4 Adjusted 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. Stores that are or were temporarily closed due to the COVID-19 crisis are excluded from the calculation for the duration of the store closure. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed in 2018, its mission is to help people around the world to see more, be more and live life to its fullest by addressing their evolving vision needs and personal style aspirations. The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and the consumer experience around it. Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux® and Transitions®, and world-class retail brands including Sunglass Hut and LensCrafters are part of the EssilorLuxottica family.

In 2019, EssilorLuxottica had over 150,000 employees and consolidated revenues of Euro 17.4 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.

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First-half 2020 Management Report

Significant events of the period

COVID-19 update

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EssilorLuxottica is now focused on pursuing the restart of its operations everywhere in the world through enhanced customer interactions, innovation, digitalisation and integration. The numerous virtual trainings and town halls held with customers during the lockdowns have led to superior reactivity as markets reopen, both in terms of safety protocols and traffic-enhancing measures. They also allowed the Company to leverage its enriched innovation pipeline including Ray-Ban Authentic, the prescription integrated product fitting for the first time the most loved eyewear brand with Essilor's advanced lens technologies, Luxottica's "Shield Your Eyes" clear lens collection, myopia management with Stellest and new accuracy standards with the AVA solution. The COVID-19 environment boosted digitalisation across the business and led to its continued transformation, from remote working to product development, global operations, omnichannel and the overall consumer journey. At the same time, the integration of Essilor and Luxottica made meaningful progress during the pandemic leading to more agility, initiatives and tangible results in building a unified group.

EssilorLuxottica believes that the positive long-term effects of all these actions will become increasingly evident as the recovery in the eyecare and eyewear market continues to take shape.

Share buyback program

On March 17, 2020, with a view to implementing its share buyback program, EssilorLuxottica announced that a mandate had been granted to an investment services provider for the purchase of up to 3,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from March 17, 2020 up until May 27, 2020.

On March 27, 2020, the Company has decided to stop the implementation of the share buyback program announced on March 17, 2020. Since March 17, 2020, 1.55 million shares for an average price of Euro 102.54 have been repurchased.

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

On March 30, 2020, the Board of Directors of EssilorLuxottica co-opted Paul du Saillant as a new Director of the Company in place of Laurent Vacherot, former CEO of Essilor International, who retired. Effective from March 30, 2020, Paul du Saillant took over Laurent Vacherot’s responsibilities, including the role of CEO for Essilor International and the co-executive delegate powers previously granted to Laurent Vacherot on May 13, 2019 by Leonardo Del Vecchio, Executive Chairman, and Hubert Sagnières, Executive Vice Chairman. In this capacity, he works directly with Francesco Milleri, Deputy Chairman and CEO of Luxottica, to develop and implement the EssilorLuxottica strategy and integration process.

Moreover, in the first semester 2020, David Wielemans was appointed co-CFO of EssilorLuxottica alongside Stefano Grassi, in replacement of Hilary Halper, and Ariel Bauer was appointed co-Head of Investor Relations of EssilorLuxottica alongside Giorgio Iannella, in replacement of Véronique Gillet.

Decisions related to the Annual Shareholders' Meeting and dividend distribution

On March 30, 2020, in light of the COVID-19 outbreak, the Board of Directors decided to postpone the Annual Shareholders’ Meeting from May 15, 2020 to June 25, 2020 and to hold it behind closed doors.

On the same date, the Board of Directors decided to reevaluate its March 5, 2020 decision on dividend distribution at a later date. On April 18, 2020, the Board of Directors decided not to submit the distribution of a dividend for 2019 to the Annual Shareholders’ Meeting of June 25, 2020. It will further assess the state of the business in the second half of the year and the efficacy of all the measures undertaken to face the COVID-19 outbreak. If the recovery is solid enough, the Board of Directors may propose a special dividend payment before the end of 2020.

EssilorLuxottica Euro 3 billion bond issuance in May 2020

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of Euro 3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% with an average yield of 0.46%.

The order book peaked close to Euro 11 billion, attracting quality institutional investors, demonstrating high confidence in EssilorLuxottica's business model and credit profile.

On June 5, 2020, the Euro 3 billion bonds were settled and admitted to trading on Euronext Paris.

The proceeds of this issuance will be used for general corporate purposes.

Fraudulent financial activities at an Essilor plant in Thailand

On December 30, 2019, EssilorLuxottica announced that its subsidiary Essilor International discovered fraudulent financial activities in one of its plants in Thailand. Since then, Essilor International has implemented a wide range of corrective measures under the supervision of the EssilorLuxottica Board of Directors. A dedicated team was set up, reporting to the CEO of Essilor International, to take action in three key areas:

- Recovery of misappropriated funds: the Company progressed with freezing funds on different bank accounts in several jurisdictions. It will likely take several months to effectively recover them. Additional funds are currently being traced. All these measures are aimed at reducing the overall financial impact for the Company, from the Euro 185 million recorded in 2019 statement of profit or loss.
- Legal action: criminal charges have been filed against the perpetrators and beneficiaries of the fraud in relevant jurisdictions, and all legal options for holding the relevant third parties liable are considered to allow the Company to obtain damages commensurate with the injury suffered.
- Internal action: remediation measures have been implemented, they include specific action plans across several group functions: global operations, internal control, treasury, human resources and legal. These measures have already been implemented within the various functions with the aim to strengthen cash monitoring and secure the payment processes within the Group, and are monitored on a regular basis by the internal control and audit functions.

In the first semester of 2020, the Company has recovered funds for approximately Euro 6 million, which have been recognized as an income in the statement of profit or loss. This amount does not take into account potential future insurance proceeds, potential additional positive outcome of legal actions and recovery of additional funds currently frozen on various bank accounts. The Company also incurred legal and consultancy expenses (related to both investigation activities and funds recovery) for approximately Euro 17 million, recognized within *General and administrative expenses*.

Second-quarter 2020 revenue

Second-quarter 2020 revenue by operating segment

€ millions	2Q 2020	2Q 2019*	Change at constant rates[3]	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	1,003	1,703	-40.2%	-0.9%	-41.1%
Sunglasses & Readers	134	208	-35.6%	-0.1%	-35.7%
Equipment	25	55	-54.7%	0.3%	-54.5%
Essilor revenue	**1,162**	**1,965**	**-40.1%**	**-0.8%**	**-40.9%**
Wholesale	345	962	-63.5%	-0.6%	-64.1%
Retail	939	1,639	-43.0%	0.3%	-42.7%
Luxottica revenue	**1,284**	**2,601**	**-50.6%**	**0.0%**	**-50.6%**
Total	**2,446**	**4,566**	**-46.1%**	**-0.4%**	**-46.4%**

* The breakdown of 2019 revenue has been restated following the integration of Costa into Luxottica's brand portfolio.

EssilorLuxottica's revenue decreased by 46% at constant exchange rates[3] during the second quarter of 2020.

Lenses & Optical Instruments

In the Lenses & Optical Instruments division, sales followed a similar pattern to the broader group, with a decline of 41% (-40% at constant exchange rates[3]). From the bottom in April, a steady recovery was observed across most markets through May and June.
The pattern of recovery has varied on a country-by-country basis with respect to market activity. Overall, independent eye care professionals (ECPs) have fared well in the recovery thanks to their flexibility in closing, reopening and adapting their procedures to the COVID-19 environment. In North America, sales to ECPs in the US had exceeded prior year levels in June. In Europe, despite varying severity of the COVID-19 lockdown impact, 100% of independent ECPs had reopened by the end of the second quarter. In Latin America, the crisis has led to an increased demand for well-established and branded offerings in optical products and retail. In Asia, while revenues were still down overall, several countries such as China, South Korea, Japan and Australia moved back to year-on-year growth for all or part of the quarter.
Innovative products including progressive and digital lenses, blue light protection and anti-fog offerings have experienced increased demand during the recovery. The Ray-Ban Authentic prescription offering started its European launch in June while the deployment of Transitions Signature GEN 8 resumed its course.
Online sales slowed in the second quarter despite a surge in online purchases of prescription glasses. Lockdowns affected online re-orders of contact lenses after the strong advanced stocking of the first quarter.

Sunglasses & Readers

The Sunglasses & Readers division posted revenue of Euro 134 million during the second quarter, a decline of 36% (same performance at constant exchange rates[3]).
Xiamen Yarui Optical (Bolon) revenue, although still down year-on-year overall, were helped by a return to year-on-year double-digit growth of optical sell-through trends. MJS, which is more exposed to sun and retail in shopping malls, recovered more gradually.
FGX was heavily impacted by the COVID-19 pandemic in the second quarter in both categories of sun and readers with April being the low point of the quarter. Readers were nonetheless much less negatively impacted than sun and both segments experienced gradual improvements throughout the quarter.

Equipment

The Equipment division saw a contraction of 54% in its second quarter revenue (similar performance at constant exchange rates[3]). Demand for equipment slowed rapidly across all markets amidst the pandemic with a modest recovery toward the end of the quarter, led by coating rather than surfacing machines. Consumable sales rebounded more quickly as customers worked through pre-crisis inventory.

Wholesale

In the second quarter of the year, Luxottica Wholesale division posted revenues of Euro 345 million, down 64% compared to last year (same performance at constant exchange rates[3]), entirely driven by a decline in volume while price/mix was broadly neutral. The monthly performance mirrored the COVID-19 crisis evolution throughout the period, with divisional revenue at constant exchange rates[3] gradually improving from approximately -90% in April to approximately -40% in June, on the back of a progressive recovery of independents and key accounts in all the main geographies and more than two thirds of the approximately 16,700 STARS doors active at the end of the period.
At the beginning of the quarter, more than two thirds of the Company's customers worldwide were closed and most of the remaining locations worked with restricted opening hours, severely impacting the sell-in result until mid-May, when the lockdown measures started being called off one by one in most of the countries. The Company's business performed accordingly, generally restarting market by market on a nice tone as soon as customers reopened their stores or came back to normal working hours. Mainland China was the best performing market in the quarter, North America restarted a bit stronger than Europe and Latin America was the worst area.

Retail

Luxottica Retail registered revenues of Euro 939 million in the second quarter of the year, down 43% versus last year (same performance at constant exchange rates[3]). The monthly performance showed consistent sequential improvements from approximately -65% in April to approximately -20% in June, mirroring the reopening process with the gradual recovery of traffic and the sound bounce of the conversion in the Company's physical stores. The number of open corporate stores moved from a low of around 1,800 in mid-April, to approximately 4,000 at the end of May and around 6,000 at the end of June. Adjusted comparable store sales[4] followed the same pattern of recovery, down one third year-on-year in the quarter and only 14% in June.
All the regions were in line with the Company's overall performance in the quarter, with Latin America still lagging behind due to the later impact of the pandemic outbreak. In terms of adjusted comparable store sales[4], Sunglass Hut Australia (positive) and Sunglass Hut North America (almost flat) were the

best performing banners, followed by OPSM. In June, the Australian Optical retail reported adjusted comparable store sales[4] at around 20% positive year-on-year.
Direct e-commerce boomed in the quarter, with Luxottica's proprietary platforms posting sales at 145% above last year, representing around 20% of Luxottica's total revenue. In the second quarter only, Ray-Ban.com generated three fourth of the full year 2019 revenue.

Second-quarter 2020 revenue by geographical area

€ millions	2Q 2020	2Q 2019*	Change at constant rates[3]	Currency effect	Change at current exchange rates
North America	1,356	2,392	-44.2%	0.9%	-43,3%
Europe	600	1,176	-48.3%	-0.6%	-48.9%
Asia, Oceania and Africa	429	729	-40.2%	-0.9%	-41.1%
Latin America	60	269	-69.2%	-8.5%	-77.7%
Total	**2,446**	**4,566**	**-46.1%**	**-0.4%**	**-46.4%**

* The geographical breakdown of 2019 revenue has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

North America

In North America, group revenue decreased by 44% at constant exchange rates[3] during the second quarter of 2020.

In Lenses & Optical Instruments, May and June sales showed a steep improvement from the April trough. Despite different levels and schedules of lockdown and reopening state by state, the vast majority of independent ECP locations and of Essilor labs had reopened as of the end of June. This independent ECP led recovery supported a larger contribution from high-value lenses during the quarter. A number of key accounts have yet to fully reopen on a regional or national level, leading to a more modest recovery of this client segment during the quarter. Essilor Antifog was launched during the period and more new products are due to be deployed in the next few months. Online sales grew strongly in the second quarter driven by strong demand for eyeglasses and to a lesser extent by good demand for contact lenses.

FGX revenue declined significantly during the quarter, despite strong year-on-year growth from online sales and positive revenue growth from dollar stores. However, drugstores and travel retail were heavily impacted by the COVID-19 pandemic.

The Equipment division saw positive signs of recovery from certain key department store customers as well as an uptick in orders following the reopening of labs.

For Luxottica, North America was the most resilient region of the four. Wholesale was more severely hit than Retail, but both experienced a progressive improvement during the course of the quarter. The Wholesale business reached the bottom of its performance in mid-April, with more than 80% of its client base inactive. Business conditions gradually picked up after that with more than 80% of the customers operating at the end of June. Revenues were significantly impacted across all channels in the period, with independents and key accounts leading the partial recovery particularly during the month of June. The third-party e-commerce channel was the only one with positive growth during the quarter.

The Retail division performed relatively better. At the negative peak in mid-April, about 75% of the stores were temporarily closed, while about 90% of the retail network had reopened by June. In terms of revenue, all banners suffered materially during the period. Traffic in the open stores remained subdued but was partially offset by an upside in the conversion rates. The situation in the Optical Retail network progressively normalized, with the performance of LensCrafters picking up as the offering transitioned from essential to routine care, posting a more than 70 percentage point decline deceleration in adjusted comparable store sales[4] from mid-April through to the end of June. Target Optical proved to be more reactive returning to positive adjusted comparable store sales[4] at the end of June. The Sun Retail network was more heavily impacted with all Sunglass Hut locations temporarily closed from mid-March to the end of April. Beginning from May, the network started to gradually reopen reaching 90% of stores operating at the end of June. The performance of the stores from their re-opening was better than expected, posting almost flat adjusted comparable store sales[4] in the quarter. The stores rolled out an exceptional health and safety protocol, which was well perceived by the customers and made them comfortable to return inside the locations satisfying their pent-up demand. The proprietary websites counterbalanced the performance of the physical stores by posting an approximate 150% jump during the quarter, representing 23% of Luxottica's revenue of the region.

Europe

In Europe, group revenue decreased by 48% at constant exchange rates[3] during the second quarter of 2020.

In Lenses and Optical instruments, 100% of ECP's had reopened at the end of the quarter, enabling a strong restart post lockdowns. Overall, lenses sales were up year-on-year in June for the region with high street retailers faring better than shopping malls. Product launches resumed at the end of the quarter post lockdowns with the notable launches of Transitions GEN 8 and of the new AVA glasses for improved visual accuracy. Other new product launches should follow during the second half of the year. Different countries delivered different recovery patterns. The Nordics and Germany declined less but experienced softer rebounds, whereas France and Italy experienced steep declines followed by strong rebounds. The business was heavily impacted by the timing of the various lockdowns implemented across the region. Worst hit were the UK and Ireland, followed by Spain, Portugal and Turkey and, to a lesser extent, by France and Italy. In relative terms, Germany and Russia fared better. Benelux and the Nordics posted smaller declines, partly thanks to good Instrument activity. Online sales suffered from a reduction in contact lens purchases following advanced stocking by consumers in the first quarter.

Within the Sunglasses & Readers division, FGX companies were severely affected by the lockdowns, notably in the UK and Italy.

The Equipment division saw an increase in demand for consumables and for small and mid-sized orders toward the end of the quarter.

In the second quarter of the year, Europe was one of the worst performing regions for Luxottica (second only to Latin America), given its exposure to the more discretionary sunglass business and the drying-up tourism flows, particularly for the Retail business present in the region. Trends in the Wholesale channel were softer than Retail, and both divisions experienced progressive improvements month after month, coherently with the easing of the lockdown measures. As for Wholesale, Nordics, Austria and Germany were the best performing areas in the quarter on the back of shorter or softer lockdown measures. The pace of sales decline for the entire channel broadly halved in June compared with the contraction posted in the quarter, showing a more evident recovery in mature markets. France and Italy experienced similar improving trends in the last month of the period, whilst Iberia, exposed to sun and tourism, continued to lag. More than two thirds of the European STARS doors were active at the end of June and experienced a nice recovery in sell-out trends.

In Retail, Salmoiraghi & Viganò consistently normalized, approaching flat adjusted comparable store sales[4] in the last weeks of June, with optical frames and lenses outpacing sun. At the end of June, almost all the locations were accessible, with reopened stores experiencing higher conversion rates. Sunglass Hut suffered from its exposure to touristic flows, heavily affected by the travel restrictions. After the first half of April with all the locations closed, the reopening process started from Austria, followed by Germany, France and Iberia at around mid-May and UK from mid-June only, with almost 85% of the Sunglass Hut stores of the region open at the end of June. Conversion rates in re-opened stores improved compared to last year. Similarly to other regions, discounting activity at Sunglass Hut was slightly more pronounced compared with the same quarter of last year.

Asia, Oceania and Africa

In Asia, Oceania and Africa, sales declined by 40% at constant exchange rates[3] in the second quarter. The region was the first to enter the reopening phase, in accordance with the gradual uplift of lockdown measures, and offered reassuring trends in EssilorLuxottica's major countries over the quarter.

The Lenses & Optical Instruments division outperformed the rest of the Group, even though its revenue were still down overall. In China, sales of lenses on the domestic market posted high single-digit year-on-year growth in the period, driven by a marked recovery in prescription orders throughout the quarter and by a return to year-on-year growth of stock lens orders during the month of June alone. Anti-fatigue, blue-cut and Eyezen solutions led this momentum, both in the high-end and mid-tier segments. Online sales in China were strong throughout the period. Transitions Signature GEN 8 was launched in April, following the reopening of most stores in the country. High levels of engagement with customers were maintained during lockdowns through digital tools and helped support the product mix during the recovery. South Korea also posted year-on-year revenue growth in the quarter, with double-digit growth in May and June alone. This followed the reopening of the country's eye care professionals since April and the roll-out of an acceleration program for progressive lenses, which supported the product mix. The rest of the region saw marked revenue declines during the quarter, albeit with significant sequential improvement in May and even more so in June. This enabled Japan and Australia to post year-on-year revenue growth during the last month of the quarter. They also capitalized on successful pilots of the Vision-R 800 measuring instrument and related AVA lenses for advanced visual accuracy. Interactions with ECPs in all countries were stepped up during the lockdowns, through communication, training and the development of safety protocols. As a result of these initiatives, many new products are ready to launch in the next few quarters, as soon as the retail environment normalizes in the region.

Sunglasses & Readers revenues were down in the quarter but did better than the Group average due to the division's strong exposure to China. Sales experienced a solid and steady sequential recovery throughout the period. Consumer sell-through trends showed double-digit year-on-year growth in the optical segment, benefitting Xiamen Yarui Optical (Bolon), while they were still down year-on-year in the sun segment. Both Xiamen Yarui Optical (Bolon) and MJS displayed a clear recovery trend in the sales of their direct stores, with a peak in May due to the extended Labour Day holiday. Online sales remained strong throughout the quarter, especially at MJS.

The Equipment division started to rebuild its order backlog in the region in the last few weeks of the quarter.

For Luxottica, Wholesale was the softer division, showing however progressive improvements over the period. Mainland China was the best performing country in the quarter, with a positive trend in orders supported by local sales events. In Japan, sales recovered during the month of June compared with May, whilst the price-mix has been affected by a lower weight of Luxury brands over the entire quarter.

As for Retail, Australia emerged as the most resilient country at global level, with positive adjusted comparable store sales[4] in June for the Optical business and in the quarter for Sunglass Hut. In particular, OPSM experienced improving traffic and higher conversion in June, on the back of the pent-up demand. Favorable trends with new customers and average selling price (supported by lens innovation) completed the overall encouraging picture for the banner, which had the fleet almost fully reopened at the end of the quarter. Performance at accessible Sunglass Hut locations, above 80% of the total at the end of June, was fueled by better conversion (partly helped by promotions, aligned to the global policy) and particularly strong trends in refurbished stores. Greater China resumed from soft trends in April to improved performance in May, while June was negatively affected by the second lock-down phase in Beijing.

Latin America

In Latin America, group revenue decreased by 69% at constant exchange rates[3] during the second quarter of 2020.

In Lenses & Optical Instruments, recovery has generally been swift despite only about half of the ECPs being open throughout the region due to the countries' varying responses to the pandemic and intermittent periods of lockdowns. Brazil, the largest market in the region, experienced a similar impact overall, but with regional variation, with lockdowns and restarts at different timings in South and Northwest versus São Paulo and Rio regions. Mexico remained difficult throughout the quarter, with large parts of Mexico City closed. Overall, consumers showed a strong preference for established retailers and brands, while the continued closure of shopping malls weighed on product mix. The Company renewed its efforts to drive innovation throughout the region. In Brazil this included the ongoing deployment of Transitions GEN 8 as well as a renewed focus on Eyezen Start and Optifog. On a region wide basis, myopia solutions through Miraflex and upcoming product rollouts were key areas of focus. Essilor also implemented a number of customer support initiatives, such as the first-ever digital event for 20,000+ ECPs, and a broad program of safety and business continuity protocols.

Sunglasses & Readers were impacted by the crisis like the other divisions. Similarly, recovery has remained dependent on the varying cycles of lockdown and recovery country-by-country.

Equipment saw a resurgence in mid-sized orders toward the end of the quarter.

For Luxottica, Latin America was the worst performing region. With infection rates continuously on the rise, the business conditions remained grim showing no material signs of improvement throughout the quarter. The Wholesale business remained under pressure for the entire period. In Brazil, less than one fifth of the STARS doors were active at the end of June, while Mexico was suffering the most with revenues erased in the quarter.

The Retail business performed relatively better. Although the network remained closed in its entirety for most of the quarter in both Mexico and Brazil, it was able to partially offset some of the losses by a very strong performance in the proprietary online channel (ca. +200%), especially in Brazil. The performance of the optical chain GMO started to recover during the month of June, with approximately 70% of its stores open at the end of the quarter.

First-half 2020 revenue

First-half 2020 revenue by operating segment

€ millions	1H 2020	1H 2019*	Change at constant rates[3]	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	2,592	3,377	-23.1%	-0.1%	-23.2%
Sunglasses & Readers	268	374	-28.9%	0.5%	-28.4%
Equipment	63	99	-36.8%	0.8%	-36.0%
Essilor revenue	**2,923**	**3,850**	**-24.0%**	**0.0%**	**-24.1%**
Wholesale	1,040	1,829	-42.8%	-0.4%	-43.1%
Retail	2,266	3,097	-27.6%	0.8%	-26.8%
Luxottica revenue	**3,307**	**4,926**	**-33.2%**	**0.4%**	**-32.9%**
Total	**6,230**	**8,776**	**-29.2%**	**0.2%**	**-29.0%**

* The breakdown of 2019 revenue has been restated following the integration of Costa into Luxottica's brand portfolio.

EssilorLuxottica's revenue decreased by 29% at constant exchange rates[3] in the first half of 2020.

Lenses & Optical Instruments

Lenses & Optical Instruments sales declined by 23% in the first six months to Euro 2,592 million (-23% at constant exchange rates[3]). The division initially saw continued positive trends in the first quarter following a strong 2019. The impact of the COVID-19 pandemic started in March with a heavy impact on sales in all markets. This led to a trough in April with a sequential recovery in May and June.
Online sales were driven by strong performances of prescription products. Innovation and customer focus during the crisis should position the business well for the post-COVID-19 environment.

Sunglasses & Readers

The Sunglasses & Readers division posted revenue of Euro 268 million during the first half, a decline of 28% (-29% at constant exchange rates[3]). The significant exposure of divisional revenue to China means the division was hit earlier, but also that it recovered earlier than most of the other group activities. Both Xiamen Yarui Optical (Bolon) and MJS were impacted by the COVID-19 related lockdowns in China in late January. Both businesses delivered a sequential improvement in the second quarter with the optical prescription category significantly outperforming sunglasses.
FGX was heavily impacted by the pandemic in North America later in the period, but experienced high double-digit growth in online sales during the first half.

Equipment

Equipment sales declined by 36% to Euro 63 million in the first half (-37% at constant exchange rates[3]). Following a strong start to 2020, sales contracted rapidly at the end of the first quarter with a gradual recovery through the second quarter. The Equipment division quickly responded to the crisis by adapting customer support to a remote environment. This included using Virtual Reality and Webinars to stay close to customers during the onset of the pandemic. The Company began to see an uptick in demand for consumables at the end of Q2 with equipment demand recovering more slowly. On a regional basis, Asia was first to exit the crisis followed by an emerging recovery in Europe, Latin America and with positive signs from certain key customers in North America. The Company believes recent investments behind innovation, such as lab automation, have the ability to support future revenue as customers look for enhanced productivity post-COVID-19.

Wholesale

In the first half of the year, Luxottica's Wholesale division posted revenues of Euro 1,040 million, down 43% versus last year (same performance at constant exchange rates[3]). This performance was the combined effect of the 20% decline in the first quarter of the year (with almost flat January-February) and the 64% drop of the second quarter (with June on a much less negative pace compared to April-May). On a six-month basis, the revenue decrease was almost equally spread across the regions, with North America being the best performer and Latin America the worst.
The consolidation of Barberini (since September 2019) and the integration of Costa into Luxottica's brand portfolio (included in 2019 revenue on a restated basis) did not provide more than a little help to revenue in the period.

Retail

Luxottica Retail recorded revenues of Euro 2,266 million, 27% lower than last year (with current and constant exchange rates[3] results almost aligned). This result was the combination of the 9% decline in the first quarter of the year (with January-February up 8%) and the 43% drop in the second quarter (with June substantially better than April-May). On a six-month basis, the revenue decrease was almost equally spread across the regions, with North America and Asia, Oceania and Africa being better than Europe and Latin America. The direct e-commerce platforms grew a nice 95%, with North America up 100%.
In terms of the ongoing retail projects, while non-crucial investments have been put temporarily on hold in order to preserve cash, the Company continues to make progress on the digitalisation journey and store remodeling.

First-half 2020 revenue by geographical area

€ millions	1H 2020	1H 2019*	Change at constant rates[3]	Currency effect	Change at current exchange rates
North America	3,426	4,580	-26.9%	1.7%	-25.2%
Europe	1,506	2,232	-32.1%	-0.4%	-32.5%
Asia, Oceania and Africa	1,016	1,435	-28.5%	-0.7%	-29.2%
Latin America	282	530	-38.5%	-8.3%	-46.8%
Total	**6,230**	**8,776**	**-29.2%**	**0.2%**	**-29.0%**

* The geographical breakdown of 2019 revenue has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

North America

In North America, group revenue decreased by 27% at constant exchange rates[3] for the first half of 2020.

The COVID-19 impact in Lenses & Optical Instruments followed a similar pattern to other markets. In response to the crisis, the Company increased its support for ECPs and key accounts, while continuing to focus on innovation such as Transitions GEN 8 and new products including Antifog and the upcoming Varilux Comfort Max launch. Online sales posted double-digit growth driven by eyeglass specialist EyeBuyDirect, reflecting the change of consumer behavior in favour of e-commerce during lockdowns.

The Sunglasses & Readers business, through FGX, was heavily impacted by the pandemic in the first half, but experienced strong growth in online sales.

Equipment saw a slightly later onset of COVID-19 related weakness as it continued to invoice its backlog orders in the early parts of the lockdown. It saw an uptick in orders from certain key customers toward the end of Q2.

For Luxottica, North America was the better performing region among the others. It started the year on a nice growth trajectory with sales up 7% at constant exchange rates[3] in January and February before the business conditions dramatically worsened. After a positive start to the year, sales in the Wholesale business declined rapidly starting from mid-March. The trend then slowly began to invert from the month of May. In particular, the third party e-commerce, key account and independent channels were driving the growth of the first two months of the year and led the partial recovery at the end of the semester, with the first posting double-digit growth in the period.

Similarly, the Retail business showed positive momentum at the beginning of the year, with revenues increasing high-single digit in the months of January and February. Leaving the negative peak in mid-April behind, the performance of the division started to normalise with all banners consistently improving throughout the quarter demonstrating the underlying strength of the business witnessed at the beginning of the year. LensCrafters and the overall Retail Optical network performed better than Sunglass Hut, which has a more discretionary nature and was forced to close all of its locations for more than one month. The directly operated e-commerce platforms accelerated from double-digit growth in the first to triple digit growth in the second quarter.

Europe

In Europe, revenue decreased by 32% at constant exchange rates[3] in the first half of 2020.

In Lenses and Optical instruments, the impact of the pandemic followed a similar pattern to other markets. The performance of the various countries depended on the timing of their lockdowns between the first and second quarters. The UK was the worst hit on the downside and was also the last to restart, due to the late timing of its lockdown. It was followed by Spain and, to a lesser extent, by France and Italy. In relative terms, Russia, Germany, Benelux and the Nordics fared better. Turkey and Eastern Europe delivered the best performances in the region, although their revenues were still down year-on-year. Instruments have traded in line with lenses as implementation capabilities were impacted by store closures due to the COVID-19 lockdown measures. Online sales were down in the second quarter as a result of declining sales of sunglasses that customers have tended to wear less than usual during lockdowns.

Sunglasses & Readers revenue followed the regional trend. It started to suffer in March due to its Italian exposure and was dragged into sharp negative territory due to its UK exposure in the second quarter.

In Equipment, demand for consumables benefitted from pre-lockdown inventory build-ups. Demand for surfacing and coating machines stabilized at a subdued level in the midst of the crisis. The division experienced a gradual recovery toward the end of the second quarter.

For Luxottica, in the first half of the year, Europe was severely hit by the COVID-19 spread, being the most affected region at the beginning of the outbreak and weakened by the exposure to the sunglass business and tourism at the easing of lockdown measures. The Wholesale performance was a touch softer than that posted by the Retail division, in particular in the second part of the semester. Austria, Germany and Nordics outpaced the other countries over the entire period, whilst the performance in key markets of Italy, France, UK and Spain was more aligned to the average sales contraction experienced by the region.

Asia, Oceania and Africa

In Asia, Oceania and Africa, sales declined by 29% at constant exchange rates[3] in the first half of the year.

The Lenses and Optical division saw its revenue decline by 21%. This masked a marked improvement from one quarter to the other in China, where second quarter domestic lens revenue was up year-on-year, due to the earlier lifting of the lockdown. In contrast, sales in the rest of the region deteriorated markedly between the two quarters as more and more countries closed.

The performance of the Sunglasses & Readers division was down throughout the first half, reflecting the impact of the COVID-19 crisis which did not allow to secure a real sun season. However, the division's exposure to China led to a reduction in the rate of decline between the first and second quarter.

Equipment sales declined more than the regional average as many clients put their capital expenditures on hold when the pandemic hit.

For Luxottica, Asia, Oceania and Africa was the first region to experience a contraction in both the Wholesale and Retail divisions, as well as to enter the reopening phase. The Retail division outpaced Wholesale, with the former supported by the resiliency of the Australian stores. This favorable trend granted the country once again the best performer rank in the region, followed by Mainland China, which recovered nicely toward the end of the six-month period, in particular in Wholesale. Japan remained soft for almost the entire semester, showing some relief in June.

Latin America

In Latin America, group revenue decreased by 39% at constant exchange rates[3] for the first half of 2020.

Following continued strong growth in January and February, the Lenses and Optical Instruments experienced staggered effects of the pandemic starting in March with the timing of cases, lockdowns, and ultimately reopening varying country by country. The general feeling, however, remains that the pandemic has not peaked yet in the region. In addition to group wide crisis response efforts, the region renewed its focus on relationships with ECPs through large-scale webinars and the roll out of the 'Cita Con Mis Ojos' program in the Spanish-speaking countries. Continued demand for innovative lens brands was supported by renewed deployment efforts for Varilux Comfort Max, Eyezen Start, Optifog and Transitions GEN 8 in key markets. Online sales were up double digit in the region.

The Sunglasses & Readers division was impacted by reduced traffic from store closures during the crisis.

The Equipment division saw an increase in new orders of consumables toward the end of Q2.

For Luxottica, the positive trend of the first two months of the year was rapidly inverted starting from mid-March, when traffic in the stores started to dry up ahead of the quarantine measures put in place by the various governments in the region. Wholesale was the worst performing area, with a material decline in revenues in both Mexico and Brazil.

Despite the challenging situation in terms of store closures during the second quarter, the Retail division benefitted from a booming online channel, pushing the overall performance in Brazil into the positive territory with sales growing high-single digit at constant exchange rates[3].

Statement of profit or loss and Alternative Performance Measures

Condensed consolidated interim statement of profit or loss

€ millions	1H 2020	1H 2019 Restated*	Change
Revenue	6,230	8,776	-29.0%
Cost of sales	(2,695)	(3,290)	-18.1%
Gross profit	**3,535**	**5,486**	**-35.6%**
% of revenue	*56.7%*	*62.5%*	
Total operating expenses	**(3,914)**	**(4,447)**	**-12.0%**
Operating profit	**(378)**	**1,038**	**-136.4%**
% of revenue	*-6.1%*	*11.8%*	
Profit before taxes	**(460)**	**971**	**-147.4%**
% of revenue	*-7.4%*	*11.1%*	
Income taxes	60	(251)	-124.0%
Effective tax rate	*-13.1%*	*25.9%*	
Net profit / (loss)	**(400)**	**719**	**-155.5%**
Net profit / (loss) attributable to owners of the parent	**(412)**	**671**	**-161.4%**

* Restated to take into account the finalization of the PPA related to the combination between Essilor and Luxottica, which was accounted for on a provisional basis in EssilorLuxottica Condensed Consolidated Interim Financial Statements as of and for the six-month period ended June 30, 2019.

The table above shows the performance of the first semester for EssilorLuxottica in 2020 and 2019. The comparability in 2020 condensed consolidated interim financial statements is no longer affected by the accounting of the combination between Essilor and Luxottica (the "EL Combination"), which was considered a *reverse acquisition* according to the requirements of IFRS 3 – *Business Combinations*.

However, the information presented for the first semester of 2020 shows a Group's performance strongly affected by the COVID-19 pandemic.

- *Revenue* decreased by 29% compared to the first semester of 2019; detailed comments on the half-year 2020 net sales performance as well as their breakdown by segment and geographical area are reported in the paragraph *First-half 2020 revenue* above.

- *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 Euro 370 million in the first semester of 2020 versus approximately Euro 366 million recorded in the same period of last year). Moreover, in the first semester 2020 the Company recognized the costs incurred in connection with the COVID-19 fund, implemented, in line with the historical values of Essilor and Luxottica, to support the Company's employees and their families in need with a number of initiatives launched all over the world, for approximately Euro 130 million. Additionally, in the first semester 2020, the Group has benefited, in some jurisdictions, from governmental grants and other forms of governmental assistance for approximately Euro 126 million. Those subsidies refer to various governmental schemes on labour costs and do not include significant savings resulting from wages directly paid to employees through those governmental support schemes.

Finally, significant restructuring costs were accrued in the semester, mainly link to restructuring plans relating to the North American Lenses and Sunglasses & Readers businesses (see comments in the paragraph *Adjusted measures*).

- *Net profit / (loss)* decreased to Euro (400) million from Euro 719 million reported in the first semester of 2019, reflecting the contraction of the Company's activities caused by the COVID-19 pandemic.

EssilorLuxottica Alternative Performance Measures (APM)

Condensed consolidated statement of profit or loss: reconciliation with adjusted[1] figures

First-semester 2020

€ millions	1H 2020	Adjustments related to PPA impacts	Other non-GAAP adjustments	1H 2020 *Adjusted*[1]
Revenue	6,230	-	-	6,230
Cost of sales	(2,695)	(0)	9	(2,685)
Gross profit	**3,535**	**(0)**	**9**	**3,545**
% of revenue	*56.7%*			*56.9%*
Total operating expenses	**(3,914)**	**337**	**158**	**(3,419)**
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 / (loss)	**(400)**	**270**	**158**	**29**
Net profit / (loss) attributable to owners of the parent	**(412)**	**266**	**153**	**7**

* Including *Share of profit of associates*.

First-semester 2019

€ millions	1H 2019 Restated**	Adjustments related to PPA impacts**	Other non-GAAP adjustments	1H 2019 *Adjusted*[1]
Revenue	8,776	-	-	8,776
Cost of sales	(3,290)	61	3	(3,227)
Gross profit	**5,486**	**61**	**3**	**5,549**
% of revenue	*62.5%*			*63.2%*
Total operating expenses	**(4.447)**	**332**	**77**	**(4,037)**
Operating profit	**1,038**	**393**	**80**	**1,512**
% of revenue	*11.8%*			*17.2%*
Cost of net debt	(59)	(3)	1	(62)
Other financial income / (expenses)*	(8)	-	-	(8)
Profit before taxes	**971**	**390**	**81**	**1,442**
% of revenue	*11.1%*			*16.4%*
Income taxes	(251)	(73)	(20)	(343)
Net profit / (loss)	**719**	**317**	**62**	**1,099**
Net profit / (loss) attributable to owners of the parent	**671**	**315**	**61**	**1,047**

* Including *Share of profit of associates*.

** Restated to take into account the finalization of the PPA related to the combination between Essilor and Luxottica, which was accounted for on a provisional basis in EssilorLuxottica Condensed Consolidated Interim Financial Statements as of and for the six-month period ended June 30, 2019.

Adjusted[1] measures

In this document, management presented certain performance indicators that are not envisioned by the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the European Union. Such measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica 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 the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted ("adjusted measures"). In particular, management adjusted the following measures: *Gross profit*, *Operating expenses*, *Operating profit*, *Profit before taxes* and *Net profit*. Such adjusted measures are reconciled to their most comparable reported measures in the consolidated statement of profit or loss.

In 1H 2020 and 1H 2019, 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 2020

- Non-recurring *Cost of sales* for Euro 9 million associated with restructuring and reorganization expenses incurred with respect to the optimization of one of the largest US distribution center, the integration of Costa operation within Luxottica, as well as the costs of Luxottica's restricted shares plan (LTI) for employees working for operation activities.
- Non-recurring *Selling* expenses for Euro 19 million mainly associated with the closing of several LensCrafters corners at Macy's and with the right-of-use assets impairment of some US-based stores.
- Non-recurring *General and administrative* expenses for Euro 129 million associated with the following impacts:
  - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group's operational and organizational efficiency for Euro 60 million especially in the North America region where restructuring plans were implemented to rationalize the prescription laboratories network as well as the Sunglasses & Readers business;
  - non-recurring costs related to the accelerated amortization of software resulting from the decision to progressively converge toward a unified IT platform for approximately Euro 25 million;
  - expenses related to share-based payments for about Euro 14 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 for approximately Euro 11 million mainly linked to the transaction costs incurred in connection with GrandVision acquisition project;

  - other one-off costs incurred by the Group mainly composed by Euro 17 million of external consulting fees both for investigation procedures and recovery workstreams linked to the fraudulent financial activities occurred at the end of 2019 in a plant in Thailand.
- Non-recurring *Other income/(expenses)* costs for Euro 9 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 Euro 10 million, ii) other one-off M&A transaction costs for approximately Euro 2 million and iii) a net negative impact of Euro 3 million related to other non-recurring transactions linked to significant claims and litigations. These impacts are compensated by the elimination of the gain linked to cash recovered during H1 2020 from the fraudulent financial activities occurred at the end of 2019 in a plant in Thailand.
- *Income taxes* are adjusted for an amount of Euro (9) million corresponding to the tax effect of the above-mentioned adjustments for Euro (34) million and to the elimination of non-recurring net tax expenses for Euro 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 now recognised at the French tax reduced rate.

First semester 2019

- Non-recurring *Cost of sales* for Euro 3 million mainly associated with restructuring and reorganization expenses.
- Non-recurring *General and administrative* expenses for Euro 83 million related to the following transactions:
  - one-off costs incurred by the Group for Euro 21 million, including transaction costs and other one-off integration costs;
  - expenses related to share-based payments for about Euro 28 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans and, starting from 2019, to Luxottica's restricted shares plan (LTI);
  - other restructuring and reorganization charges for Euro 24 million;
  - non-recurring expenses for Euro 10 million, which include transaction costs related to M&A activities.
- Non-recurring *Other income / (expenses)* are adjusted for Euro (5) million to eliminate a non-recurring net gain related to significant claims and litigations booked by the Group for Euro 8 million, and other non-recurring expenses for Euro 2 million.
- *Income taxes* are adjusted for an amount of Euro (20) million corresponding to the tax effects of the above-mentioned adjustments for Euro (17) million and to a non-recurring net tax gain for Euro (2) million.

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 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 2020
Net cash flow provided by operating activities [(a)]	454
Purchase of property, plant and equipment and intangible assets [(a)]	(312)
Cash payments for the principal portion of lease liabilities [(a)]	(197)
Free Cash Flow	**(56)**
Operating profit [(b)]	(378)
Depreciation and amortization [(a)]	1,102
EBITDA	**724**
Net debt [(c)]	**4,509**
Net debt / EBITDA LTM [(d)]	**1.9**

(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 15 - *Financial debt, including lease liabilities* to the Condensed Consolidated Interim Financial Statements; its components are also reported in the *Net debt* paragraph below.
(d) Last twelve months, Euro 2,433 million as of June 30, 2020.

Adjusted[1] consolidated interim statement of profit or loss

€ millions	1H 2020	1H 2019	Change at current exchange rates	Change at constant exchange rates[3]
Revenue	6,230	8,776	-29.0%	-29.2%
Cost of sales	(2,685)	(3,227)	-16.8%	-16.9%
Gross profit	**3,545**	**5,549**	**-36.1%**	**-36.4%**
% of revenue	*56.9%*	*63.2%*		
Research and development	(139)	(141)	-0.8%	-1.7%
Selling	(1,932)	(2,272)	-15.0%	-15.1%
Royalties	(67)	(88)	-23.7%	-23.5%
Advertising and marketing	(479)	(625)	-23.4%	-23.7%
General and administrative	(800)	(912)	-12.3%	-12.1%
Other income / (expenses)	(2)	(1)	133.1%	103.7%
Total operating expenses	**(3,419)**	**(4,037)**	**-15.3%**	**-15.4%**
Operating profit	**126**	**1,512**	**-91.7%**	**-92.2%**
% of revenue	*2.0%*	*17.2%*		
Cost of net debt	(64)	(62)	3.8%	3.9%
Other financial income / (expenses)	(20)	(7)	180.9%	187.6%
Share of profits of associates	(1)	(1)	-33.5%	-32.6%
Profit before taxes	**41**	**1,442**	**-97.1%**	**-97.8%**
% of revenue	*0.7%*	*16.4%*		
Income taxes	(12)	(343)	-96.5%	-97.2%
Effective tax rate	*29.3%*	*23.8%*		
Net profit	**29**	**1,099**	**-97.4%**	**-97.9%**
Net profit attributable to owners of the parent	**7**	**1,047**	**-99.3%**	**-99.9%**

Revenue for the first half of the year totalled Euro 6,230 million, a decline of 29% in current and constant exchange rates[3] when compared to the first half of 2019.

Adjusted[1] *Gross profit*: -36% at current and constant exchange rates[3]
Adjusted[1] *Gross profit* in the first half of 2020 ended at Euro 3,545 million, representing 56.9% of revenue versus 63.2% in the first half of 2019.
The gross margin was mostly affected by the lower level of absorption of the fixed cost base of the production footprint.

Adjusted[1] *Operating expenses*: -15% at current and constant exchange rates[3]
Adjusted[1] *Operating expenses* amounted to Euro 3,419 million for the first half of 2020, translating to 54.9% of revenue compared to 46.0% in the prior year period. The company has put in place material cost containment measures to offset the loss of revenues following the COVID-19 crisis, ranging from employee furloughs, reductions or deferrals of manager compensation, suspension of marketing expenses and negotiations with suppliers and landlords. Operating expenses include:

- *Research and development* costs of Euro 139 million, as the Group postponed a portion of its investments.
- *Selling* costs of Euro 1,932 million, a decrease of Euro 340 million compared to the prior year period, mainly driven by a decline in labour and occupancy costs in the second quarter.
- *Royalties* of Euro 67 million, related to the Group's licensed frame brands.
- *Advertising and marketing* costs of Euro 479 million, a reduction of almost Euro 150 million compared to the prior year period, due to the suspension of non-crucial marketing activities.

- *General and administrative* costs of Euro 800 million, a decrease of more than Euro 110 million compared to the prior year period, thanks to discretionary cost savings and reductions in managers' compensation.

Adjusted[1] *Operating profit*: -92% at current and constant exchange rates[3]
The Group posted an adjusted[1] *Operating profit* of Euro 126 million, representing 2.0% of revenue compared to 17.2% in the prior year period.

Adjusted[1] *Cost of net debt*, *Other financial income / (expenses)* and *Share of profits of associates*
The adjusted[1] *Cost of net debt* increased to Euro 64 million in the first half of 2020 following the new bond issuance of Euro 5 billion in November 2019. The issuance of the Euro 3 billion bond in May did not have a material impact in the first half of the year. *Other financial expenses* amounted to Euro 20 million and *Share of profits of associates* showed a loss of Euro 1 million.

Adjusted[1] *Income taxes*
EssilorLuxottica reported adjusted[1] *Income taxes* of Euro 12 million reflecting an adjusted[1] tax rate of 29.3% for the first half of 2020 compared to an adjusted[1] tax rate of 23.8% in the prior year period resulting from a more negative geographical mix of earnings and from a negative impact of losses in certain countries where their recoverability could be uncertain.

Adjusted[1] *Net profit attributable to the owners of the parent*: -99% at current and -100% at constant exchange rates[3].

Statement of financial position, net debt and cash flow

Condensed consolidated statement of financial position

€ millions	Jun. 30, 2020	Dec. 31, 2019	Change
Goodwill	23,956	24,074	(118)
Intangible, Tangible and Right-of-use	16,223	16,934	(711)
Other non-current assets	844	825	19
Non-current assets	**41,023**	**41,833**	**(810)**
Inventories, Trade receivables	4,267	4,578	(311)
Other current assets	1,390	1,336	54
Cash and cash equivalents	7,373	4,836	2,537
Current assets	**13,030**	**10,750**	**2,281**
ASSETS	**54,054**	**52,583**	**1,471**

€ millions	Jun. 30, 2020	Dec. 31, 2019	Change
Equity	34,372	35,332	(960)
Non-current borrowings and lease liabilities	10,946	8,484	2,462
Other non-current liabilities	2,953	3,150	(197)
Equity and non-current liabilities	**48,272**	**46,966**	**1,306**
Short-term borrowings and lease liabilities	1,486	932	554
Trade payables	1,495	1,770	(274)
Other current liabilities	2,801	2,915	(114)
Current liabilities	**5,782**	**5,617**	**165**
EQUITY and LIABILITIES	**54,054**	**52,583**	**1,471**

Goodwill decreased by Euro 118 million compared to December 31, 2019. The change mainly relates to foreign currency fluctuations causing a decrease of Euro 190 million and to new acquisitions performed in 1H 2020 resulting in an increase of Euro 72 million (mainly related to the acquisition of Optical House).

Intangible assets are mainly composed by the intangible assets (brands, technologies and customer list) arising from the EL Combination for Euro 9.4 billion. The decrease compared to December 31, 2019 is mainly driven by amortization for Euro 523 million, of which approximately Euro 364 million related to PPA assets recognized as part of the EL Combination.

Trade receivables decreased by Euro 313 million mainly due to the significant slowdown of net sales in 2Q especially in April and May due to the COVID-19 crisis, and an increase in the bad debt provision.

The increase in *Cash and cash equivalents* and in *Non-current borrowings* is mainly linked to the proceeds from the issuance of the Euro 3 billion bond occurred in May 2020 (settlement date June 5, 2020). The increase of *Non-current borrowings* is partially offset by the reclassification into *Current borrowings* of the amount due within 12 months from the reporting date (Euro 500 million Eurobond due in April 2021).

Lease liabilities as of June 30, 2020, non-current and current, amount to Euro 2,151 million substantially in line with the balance as of December 31, 2019.

Trade payables decreased by Euro 274 million mainly due to significant slowdown of business activity in 2Q 2020.

Net debt

Group *Net debt (excluding Lease liabilities)* amounted to Euro 2,358 million at the end of June 2020, an increase of Euro 460 million compared to the position at the end of December 2019.

The measures implemented by the Company to face the COVID-19 pandemic allowed to contain the increase in the *Net debt*. Moreover, at the end of May 2020, the Company successfully issued Euro 3 billion bonds whose proceeds can be used for general corporate purposes.

€ millions	**June 30, 2020**	**December 31, 2019**
Non-current borrowings	9,384	6,864
Current borrowings	896	403
TOTAL LIABILITIES	**10,281**	**7,268**
Short-term investments	(516)	(500)
Cash and cash equivalents	(7,373)	(4,836)
TOTAL ASSETS	**(7,889)**	**(5,336)**
Interest Rate Swap measured at fair value	(34)	(34)
NET DEBT excluding Lease liabilities	**2,358**	**1,898**
Lease liabilities (current and non-current)	2,151	2,148
NET DEBT	**4,509**	**4,046**

Cash flow

Over the first semester 2020, cost containment and cash preservation measures were swiftly implemented, including the suspension of dividends, share buyback, capital expenditures and acquisitions.

Operating cash-flow before changes in working capital amounted to Euro 502 million in 1H 2020.
Changes in working capital requirement amounted to Euro 49 million against Operating cash-flow.
Capital expenditures amounted to Euro 312 million, representing 5% of Group's revenue.
The Free Cash Flow[2] normalized for IFRS 16 impacts amounted to Euro (56) million.

€ millions

Net cash from operations (before change in WCR[(a)])	502	Change in WCR[(a)]	49
Proceeds from share capital increase	3	Capital expenditure	312
Change in Net debt (excluding Lease liabilities)	460	Cash payments for the principal portion of lease liabilities	197
		Dividends	20
		Acquisition and other investments, net of disposals[(b)]	100
		Purchase of treasury shares	159
		Exercise of put options over NCI	75
		Other	53

(a) Working capital requirement.
(b) Financial investments net of cash acquired, plus debt of newly consolidated companies.

Acquisitions and partnerships

During the first half, EssilorLuxottica pursued its strategy of forging local partnerships by completing the following two transactions. In January, Essilor acquired 51% of Optical House Group, the leader in the optical market in the Ukraine, with annual revenue of close to Euro 65 million (pre COVID-19). In March, Essilor acquired 80% of Premier Ophtalmic, a leading distributor of ophthalmic instruments with annual revenue of approximately Euro 23 million (pre COVID-19).

In light of the COVID-19 outbreak, the Group implemented strict measures to secure business continuity, control costs and preserve cash including the suspension of new acquisitions and partnerships until the economy stabilizes.

Subsequent events

GrandVision

On July 18, 2020, EssilorLuxottica initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision. This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the support agreement. On July 30, 2020, GrandVision and HAL have initiated an arbitration process against EssilorLuxottica, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision's breaches under the Support Agreement and its failure to provide EssilorLuxottica with required information.

Outlook

The Company continues to cautiously monitor the business environment as more countries come out of lockdowns. At this stage, the situation remains too volatile to re-instate financial objectives for the year. It is nevertheless likely that the third quarter will still be another period of transition on the way to normalisation.

Notes

1 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.

2 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.

3 Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

4 Adjusted 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. Stores that are or were temporarily closed due to the COVID-19 crisis are excluded from the calculation for the duration of the store closure. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

Excerpts from the Condensed Consolidated Interim Financial Statements

Consolidated statement of profit or loss

€ millions	First semester 2020	Restated [(a)] First semester 2019
Revenue	6,230	8,776
Cost of sales	(2,695)	(3,290)
GROSS PROFIT	**3,535**	**5,486**
Research and development	(268)	(269)
Selling	(2,102)	(2,368)
Royalties	(67)	(88)
Advertising and marketing	(525)	(627)
General and administrative	(941)	(1,100)
Other income / (expenses)	(11)	4
Total operating expenses	**(3,914)**	**(4,447)**
OPERATING PROFIT	**(378)**	**1,038**
Cost of net debt	(61)	(59)
Other financial income / (expenses)	(20)	(7)
Share of profits of associates	(1)	(1)
PROFIT BEFORE TAXES	**(460)**	**971**
Income taxes	60	(251)
NET PROFIT	**(400)**	**719**
Of which attributable to:		
Owners of the parent	(412)	671
Non-controlling interests	12	49
Weighted average number of shares outstanding:		
Basic	436,016,311	432,960,135
Diluted	436,016,311	439,113,109
Earnings per share (EPS) for net profit attributable to owners of the parent:		
Basic	(0.94)	1.55
Diluted	(0.94)	1.53

(a) The comparative period has been restated to reflect the finalization of the purchase price allocation ("PPA") related to the EL Combination, which was accounted for on a provisional basis in EssilorLuxottica condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019.

Consolidated statement of financial position

Assets

€ millions	June 30, 2020	December 31, 2019
Goodwill	23,956	24,074
Intangible assets	10,861	11,300
Property, plant and equipment	3,438	3,620
Right-of-use assets	1,924	2,014
Investments in associates	15	18
Other non-current assets	383	378
Deferred tax assets	446	429
TOTAL NON-CURRENT ASSETS	**41,023**	**41,833**
Inventories	2,168	2,166
Trade receivables	2,099	2,411
Tax receivables	174	94
Other current assets	1,217	1,243
Cash and cash equivalents	7,373	4,836
TOTAL CURRENT ASSETS	**13,030**	**10,750**
Assets held for sale	-	-
TOTAL ASSETS	**54,054**	**52,583**

ESSILORLUXOTTICA

Equity and liabilities

€ millions	**June 30, 2020**	**December 31, 2019**
Share capital	79	79
Share premium reserve	21,982	21,979
Treasury shares reserve	(227)	(68)
Other reserves	12,423	11,730
Net profit attributable to owners of the parent	(412)	1,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**33,844**	**34,796**
Equity attributable to non-controlling interests	528	536
TOTAL EQUITY	**34,372**	**35,332**
Non-current borrowings	9,384	6,864
Non-current lease liabilities	1,562	1,619
Employee benefits	602	556
Non-current provisions	250	265
Other non-current liabilities	65	193
Deferred tax liabilities	2,036	2,137
TOTAL NON-CURRENT LIABILITIES	**13,900**	**11,634**
Current borrowings	896	403
Current lease liabilities	589	529
Trade payables	1,495	1,770
Tax payables	450	455
Current provisions	185	139
Other current liabilities	2,166	2,320
TOTAL CURRENT LIABILITIES	**5,782**	**5,617**
TOTAL EQUITY AND LIABILITIES	**54,054**	**52,583**

Consolidated statement of cash flows

€ millions	First semester 2020	Restated [(a)] First semester 2019
NET PROFIT	**(400)**	**719**
Depreciation and amortization	1,102	1,053
(Gains) / losses from disposal of assets	3	0
Expense arising from share-based payments	62	76
Income taxes	(60)	251
Finance result, net	81	67
Other non-cash items	36	5
Changes in provisions and other	(117)	2
Changes in working capital	(49)	(436)
Taxes paid, net	(134)	(156)
Interest paid, net	(72)	(93)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**454**	**1,489**
Purchase of property, plant and equipment and intangible assets	(312)	(438)
Disposal of property, plant and equipment and intangible assets	5	8
Acquisitions of businesses, net of cash acquired	(100)	(113)
Changes in other non-financial assets	5	(9)
Changes in other financial assets	(27)	(8)
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(429)**	**(560)**
Share capital increase	3	3
(Purchase) / sale of treasury shares	(159)	-
Dividends paid:	(20)	(924)
- to the owners of the parent	-	(887)
- to non-controlling interests	(20)	(37)
Transactions with non-controlling interests	(75)	(643)
Cash payments for principal portion of lease liabilities	(197)	(303)
Issuance of bonds, private placements and other long-term debts	2,981	-
Repayment of bonds, private placements and other long-term debts	-	(699)
Changes in other current and non-current borrowings	20	1,330
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**2,552**	**(1,235)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,576**	**(305)**
Cash and cash equivalents at the beginning of the financial year	4,836	1,829
Effects of exchange rate changes on cash and cash equivalents	(39)	14
CASH AND CASH EQUIVALENTS AT THE END OF THE INTERIM PERIOD	**7,373**	**1,538**

(a) The comparative period has been restated to reflect the finalization of the purchase price allocation (“PPA”) related to the EL Combination, which was accounted for on a provisional basis in EssilorLuxottica condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019.