

Risultati pro forma¹ 2018

Solida crescita, redditività e generazione di cassa

- **Fatturato pro forma¹: +3,2% a cambi costanti³**
- **Utile operativo pro forma¹ adjusted²: 15,9% del fatturato**
- **Utile netto pro forma¹ adjusted²: 11,6% del fatturato**
- **Generazione di cassa combinata⁸: 1,8 miliardi di Euro**
- **Dividendo proposto: Euro 2.04 per azione**
- **Confermato l'obiettivo di sinergie nette a livello di utile operativo tra 420 e 600 milioni di Euro entro cinque anni**

Charenton-le-Pont, Francia (8 marzo 2019) - Il Consiglio di Amministrazione di EssilorLuxottica si è riunito il 7 marzo 2019 per l'approvazione del progetto di bilancio 2018. Il bilancio consolidato al 31 dicembre 2018 è stato sottoposto a revisione; la relazione di revisione è in corso di rilascio. Il Consiglio di Amministrazione ha inoltre approvato le informazioni finanziarie pro forma unaudited¹, che vengono presentate a solo scopo illustrativo.

"Siamo orgogliosi di presentare i risultati combinati di Luxottica ed Essilor. Il contributo di Luxottica è significativo: le vendite, la redditività e il flusso di cassa sono tutti positivi al netto dell'effetto cambio. La sua semplicità organizzativa, lo spirito imprenditoriale e la velocità di esecuzione hanno continuato a dare frutti. Oggi Luxottica è ben organizzata e pronta per il suo futuro in EssilorLuxottica. Arriviamo al processo di integrazione nel miglior modo possibile, portando con noi i marchi più amati, eccellenti capacità operative e un'organizzazione digitalizzata in ogni sua parte. Quanto abbiamo costruito continuerà a crescere su questi punti di forza negli anni a venire. Una volta completata l'integrazione con Essilor e raggiunte le sinergie che ci aspettiamo, insieme ridefiniremo un modello di servizio rivoluzionario a beneficio dei nostri partner wholesale e dei consumatori in tutto il mondo", spiega Leonardo Del Vecchio, Presidente Esecutivo di EssilorLuxottica.

"Costituita il 1° ottobre 2018, EssilorLuxottica ha pienamente abbracciato la sua mission di aiutare le persone a vedere meglio, vivere meglio e godere appieno della vita. Per raggiungere questo importante obiettivo, il Gruppo può contare su una straordinaria performance di Essilor, che ha generato una forte crescita del business in tutte le sue divisioni nel 2018 e ha superato i suoi obiettivi di crescita per l'anno, continuando a lavorare su numerose innovazioni a beneficio dell'intero settore. I risultati riflettono la vivace cultura dell'imprenditorialità all'interno di Essilor e la creatività dei suoi dipendenti, i cui interessi sono pienamente allineati a quelli degli azionisti grazie alla partecipazione azionaria dei dipendenti a tutti i livelli della società. Questo modello di creazione di valore faciliterà la generazione di sinergie nel futuro e sarà esteso a tutto il Gruppo EssilorLuxottica", ha affermato Hubert Sagnières, Vice-Presidente Esecutivo di EssilorLuxottica.

Utile operativo e netto pro forma¹ adjusted² 2018

In milioni di Euro	2018	2017	Variazione %
Fatturato	16.160	16.349	-1,2%
Utile lordo industriale adjusted²	10.172	10.314	-1,4%
% delle vendite	62,9%	63,1%	
Utile operativo adjusted²	2.572	2.703	-4,8%
% delle vendite	15,9%	16,5%	
Utile netto adjusted²	1.871	1.904	-1,7%
% delle vendite	11,6%	11,6%	

EssilorLuxottica ha registrato ricavi pro forma¹ pari a 16.160 milioni di Euro, in crescita del 3,2% a cambi costanti³. Sia Essilor sia Luxottica hanno contribuito alla performance positiva del Gruppo. Il business è migliorato in tutte le geografie, a dimostrazione dell'efficacia delle iniziative strategiche e dei progetti di crescita. Il margine lordo pro forma¹ adjusted² è leggermente sceso al 62,9%. L'utile operativo pro forma¹ adjusted² si è attestato a Euro 2.572 milioni nel 2018, con un incremento dell'1,2% a cambi costanti³. Il margine operativo pro forma¹ adjusted² ha chiuso l'anno al 15,9%, sostanzialmente stabile a cambi costanti³. L'utile netto pro forma¹ adjusted² è diminuito dell'1,7% a 1.871 milioni di Euro. Il margine netto adjusted² si è mantenuto all'11,6%.

L'indebitamento finanziario netto al 31 dicembre 2018 è stato di 1,9 miliardi di Euro, a testimonianza della capacità del Gruppo di generare flussi di cassa significativi.

Fatturato pro forma¹ 2018 per segmento

In milioni di Euro	2018	2017	Variazione a cambi costanti ³	Effetto cambio	Variazione (reported)
Lenses & Optical Instr. (Essilor)	6.283	6.257	+4,8%	-4,4%	+0,4%
Sunglasses & Readers (Essilor)	787	765	+7,6%	-4,7%	+2,9%
Equipment (Essilor)	210	199	+9,1%	-3,8%	+5,3%
Wholesale (Luxottica)	3.145	3.315	-1,0%	-4,1%	-5,1%
Retail (Luxottica)	5.735	5.813	+3,0%	-4,4%	-1,4%
Totale	16.160	16.349	+3,2%	-4,4%	-1,2%

Fatturato pro forma¹ 2018 per geografia

In milioni di Euro	2018	2017	Variazione a cambi costanti ³	Effetto cambio	Variazione (reported)
Nord America	8.400	8.556	+2,6%	-4,4%	-1,8%
Europa	4.040	4.063	+1,3%	-1,9%	-0,6%
Asia, Oceania e Africa	2.691	2.638	+6,6%	-4,6%	+2,0%
America Latina	1.028	1.092	+6,5%	-12,4%	-5,9%
Totale	16.160	16.349	+3,2%	-4,4%	-1,2%

Essilor: risultati 2018

Essilor ha promosso la sua mission di "migliorare la vita, migliorando la vista" nel 2018 perseguendo una strategia di crescita incentrata su tre fattori chiave: innovazione di prodotto e di servizio su tutte le famiglie di prodotto; espansione geografica e distribuzione multicanale attraverso professionisti dell'ottica, negozi a gestione diretta e vendite online; e una politica di acquisizione e partnership mirata.

Grazie a questa strategia, la crescita delle vendite ha registrato un'accelerazione in ogni trimestre del 2018. Il fatturato si è attestato a 7.459 milioni di Euro, in aumento del 4,6% rispetto all'anno precedente su base omogenea⁴, contando anche la crescita del 5,7% nel quarto trimestre. Un risultato ben al di sopra dell'obiettivo iniziale di conseguire una crescita omogenea⁴ di circa il 4%. L'ulteriore crescita ha permesso alla società di continuare a investire sul futuro, ad esempio con progetti molto promettenti nei settori della miopia e della digitalizzazione, e di rafforzare le iniziative relative alla mission di Essilor e all'iniziativa "2.5 New Vision GenerationTM".

Altri importanti risultati dell'anno includono:

- una crescita sostenuta della divisione Lenses & Optical Instruments, dove i ricavi sono aumentati del 4,2% su base omogenea⁴, in particolare grazie alla forza di nuovi prodotti delle famiglie di prodotto Transitions®, Varilux® e EyezenTM;
- una forte accelerazione delle vendite di occhiali da sole e dei readers, con ricavi in aumento dell'8,1% su base omogenea⁴. La performance beneficia in particolare della forte crescita in Cina, con Xiamen Yarui Optical (BolonTM) e i negozi MJS, e negli Stati Uniti, dove il marchio Costa® si è ulteriormente rafforzato;
- crescita a doppia cifra delle vendite online con una performance particolarmente significativa in India, nelle lenti correttive e nei prodotti di fascia media, che dimostra la capacità di Essilor di identificare i segmenti più promettenti anno dopo anno;
- aumento delle vendite a tassi di cambio costanti³ di oltre il 10% nei paesi a crescita rapida⁵, che rappresentano ormai un quarto dei ricavi totali di Essilor;
- una graduale ripresa delle politiche di acquisizione e partnership con il completamento di otto transazioni che rappresentano ricavi per l'intero esercizio pari a quasi 68 milioni di Euro;
- una gestione finanziaria attenta che ha permesso alla società di ridurre sostanzialmente il proprio debito netto.

Il margine lordo industriale è cresciuto dal 58,2% al 58,6%, in quanto l'utile lordo industriale si è attestato a 4.372 milioni di Euro, grazie al recupero di efficienza, ad un'evoluzione favorevole del mix di prodotti sostenuta dalla solida crescita delle vendite di lenti Transitions®, Varilux®, Crizal® e EyezenTM e di nuovi prodotti, come le lenti antiriflesso Crizal® Sapphire 360°TM e le lenti progressive Varilux® X SeriesTM.

Il margine di contribuzione adjusted^{2,6}, l'usuale indicatore di redditività della società, si è attestato al 18,1% dei ricavi nonostante si siano intensificati gli investimenti in nuovi, promettenti segmenti.

Su base pro forma¹, l'utile operativo adjusted² si è attestato al 16,5% delle vendite.

L'aliquota fiscale effettiva su base adjusted² è diminuita di 90 punti base, al 21,6%, grazie all'eliminazione dell'imposta sui dividendi e ad un mix geografico favorevole.

L'utile netto adjusted² è stato pari a 923 milioni di Euro rispetto ai 942 milioni di Euro del 2017.

Luxottica: risultati 2018

Il 2018 è stato un altro anno di crescita per Luxottica con vendite consolidate superiori a 8.929 milioni di Euro, in aumento dell'1,5% a cambi costanti³ (-2,8% a cambi correnti, a causa della svalutazione del dollaro statunitense e australiano e del Real brasiliano). La seconda metà dell'anno ha mostrato un'accelerazione delle vendite rispetto ai primi sei mesi dell'anno, favorita da un progressivo miglioramento della performance del business wholesale in Europa.

Entrambe le divisioni di Luxottica hanno contribuito all'andamento positivo delle vendite nell'anno, con il business wholesale che mostra una forte accelerazione nella seconda parte dell'anno e il business retail che conferma una solida crescita.

Nel 2018, i ricavi del gruppo sono stati trainati da Nord America, Asia-Pacifico e America Latina. L'Europa ha registrato vendite in flessione dello 0,8% a cambi costanti³, ma a confronto di un 2017 e del triennio 2015-17 in cui la crescita era stata rispettivamente del 13,4% e del 27% a cambi costanti³. Ancora una volta Ray-Ban ha guidato la performance in ogni segmento e area geografica, grazie a una forte strategia di comunicazione globale e alla gestione integrata del marchio su tutti i canali.

Le vendite della divisione Wholesale sono state pari a 3.194 milioni di Euro, in calo dell'1,1% a cambi costanti³ (-5,2% a cambi correnti), evidenziando un miglioramento continuo nel corso dell'anno grazie alla solida crescita in Nord America, Giappone e Corea. I risultati del business wholesale nella prima parte dell'anno sono stati influenzati negativamente dalle nuove politiche commerciali verso gli operatori online e i clienti wholesale europei, nonché dalla ristrutturazione della rete distributiva in Cina. Le vendite della divisione Wholesale, inclusa l'Europa, sono tornate a crescere nel terzo trimestre, con un'accelerazione negli ultimi tre mesi dell'anno pari a +3,4% a cambi costanti³ (+2% a cambi correnti), confermando il valore delle iniziative intraprese. Il gruppo ha proseguito l'espansione della sua distribuzione diretta con l'apertura di nuove filiali wholesale in Medio Oriente nel 2018 e a Taiwan a inizio 2019.

Nel 2018, la divisione Retail è cresciuta del 3% a cambi costanti³ (-1,4% a cambi correnti), sostenuta principalmente da Sunglass Hut, dal business retail ottico in Australia, da Target Optical e dalle piattaforme e-commerce. La solida performance delle vendite ha confermato l'efficacia delle iniziative strategiche volte a migliorare il modello operativo e la capacità dei marchi retail del Gruppo di eseguirle offrendo, allo stesso tempo, una migliore esperienza al consumatore. Le vendite omogenee⁷ (che non includono le vendite e-commerce) sono aumentate dello 0,5%, con un miglioramento in tutte le aree geografiche a eccezione del Nord America, dove sono rimaste stabili.

La qualità dell'offerta globale di Sunglass Hut ha spinto i ricavi della catena nel mondo, in crescita del 5,7% a cambi costanti³, grazie al contributo positivo di tutte le geografie. Le vendite di LensCrafters in Nord America sono state in linea con lo scorso anno.

Nel 2018, il fatturato delle piattaforme e-commerce del Gruppo, pari a circa il 5% delle vendite totali, è cresciuto del 14% a cambi costanti³. Ray-Ban.com si è confermato il principale motore del business online del Gruppo.

L'utile netto adjusted² del 2018 è diminuito del 2% a 951 milioni di Euro (+6,7% a parità cambi³, superando il miliardo di Euro) per il difficile confronto con il livello record dello scorso anno. Nel 2017 i risultati del conto economico hanno beneficiato di proventi non ricorrenti generati dall'accordo di Patent Box italiano per gli anni 2015 e 2016 e dalla riforma fiscale statunitense. Escludendo l'impatto di 159 milioni di Euro di queste voci non ricorrenti sui risultati del 2017, il margine netto³ del 2018 sarebbe stato in aumento di 90 punti base, beneficiando dell'efficace gestione finanziaria e di business. Per il secondo anno consecutivo, nel 2018 il margine netto è stato superiore alla soglia del 10%.

La generazione di cassa⁸ è stata pari a 923 milioni di Euro nel 2018; al netto dell'effetto cambi sarebbe stata circa di 1,1 miliardi di Euro. L'indebitamento netto al 31 dicembre 2018 si è ridotto di circa il 42% rispetto allo scorso anno, determinando un ulteriore miglioramento del rapporto indebitamento netto / EBITDA adjusted², sceso a 0,2x.

Ulteriori dettagli sulle iniziative strategiche intraprese e una completa informativa sui risultati finanziari 2018 e sulle vendite del quarto trimestre di Luxottica sono disponibili in appendice.

Sinergie, integrazione e governance

EssilorLuxottica ha l'opportunità di creare valore in modo significativo attraverso sinergie di ricavi e costi che, con l'attuale configurazione, sono attese tra 420 e 600 milioni di Euro come impatto netto annuo a livello di reddito operativo entro i prossimi cinque anni. Si prevedono sinergie di ricavo nell'intervallo 200-300 milioni di Euro, grazie alla capacità di EssilorLuxottica di sviluppare prodotti innovativi e di alta qualità, ottimizzando l'interazione tra montature e lenti, e di servire meglio l'industria attraverso una distribuzione più ampia e una piattaforma logistica maggiormente efficiente. Si prevede che le sinergie di costo si attestino a 220-300 milioni di Euro, grazie all'ottimizzazione della supply chain, alla razionalizzazione delle spese generali e amministrative e ai risparmi sulle forniture. EssilorLuxottica prevede che le sinergie possano accelerare ulteriormente quando il nuovo Gruppo sarà pienamente operativo.

I temi strategici e operativi relativi all'integrazione, insieme alle questioni riguardanti la governance della società, sono in corso di analisi ed elaborazione da parte dei management team di Essilor International e Luxottica, al fine di assicurare la generazione delle sinergie e l'efficacia della strategia di crescita di EssilorLuxottica.

Offerta pubblica di scambio obbligatoria sulle azioni Luxottica

L'11 ottobre 2018 EssilorLuxottica ha lanciato un'offerta pubblica di scambio obbligatoria ai sensi della legge italiana per tutte le rimanenti azioni Luxottica in circolazione. A seguito dell'acquisizione delle azioni Luxottica nell'ambito dell'offerta, il 5 dicembre 2018 EssilorLuxottica ha raggiunto una quota superiore al 90% ma inferiore al 95% del capitale sociale di Luxottica. Di conseguenza, EssilorLuxottica ha avviato una procedura di "sell out" per le restanti azioni Luxottica in circolazione. Dopo aver superato la soglia del 95% nel capitale sociale di Luxottica al momento della liquidazione della procedura di "sell-out" del 18 gennaio 2019, EssilorLuxottica ha quindi avviato una procedura di "squeeze-out" che è stata completata il 5 marzo 2019. In conformità con le regole del mercato borsistico italiano, Borsa Italiana ha disposto il delisting dal circuito MTA delle azioni Luxottica a partire dal 5 marzo 2019, data di regolamento della procedura di "squeeze-out".

Proposta di dividendo

Il Consiglio di Amministrazione proporrà all'approvazione degli azionisti nel corso dell'Assemblea annuale del 16 maggio 2019 il pagamento di un dividendo di Euro 2,04 per azione.

Outlook 2019

Nel 2019, considerate le sinergie attese, le aspettative a cambi costanti³ sono:

- fatturato in crescita del 3,5-5%;
- utile operativo adjusted²: 0,8-1,2x rispetto alla crescita delle vendite;
- utile netto adjusted²: 1-1,5x rispetto alla crescita delle vendite.

Conference call

É prevista una conference call in inglese oggi alle 10:30 CET.

Sarà possibile seguire la presentazione in diretta o riascoltarla successivamente al seguente indirizzo:

<https://hosting.3sens.com/EssilorLuxottica/20190308-2690365F/en/webcast/startup.php>.

Prossimi eventi per gli investitori

- 7 maggio 2019: vendite del primo trimestre 2019
- 16 maggio 2019: Assemblea degli Azionisti a Parigi
- 31 luglio 2019: risultati primo semestre 2019
- 18 settembre 2019: Capital Market Day
- 30 ottobre 2019: fatturato terzo trimestre 2019

Note al comunicato

1 Pro forma: le informazioni finanziarie consolidate pro-forma unaudited sono presentate solo a scopo illustrativo e non tengono conto dei risultati economici e delle condizioni finanziarie che EssilorLuxottica avrebbe conseguito se il contributo delle azioni Luxottica da parte del suo azionista di maggioranza fosse stato realizzato il 1° gennaio 2018 o il 1° gennaio 2017. Non vi è alcuna garanzia che le ipotesi utilizzate per preparare le informazioni finanziarie consolidate pro forma unaudited siano esatte sotto ogni profilo o che i trend indicati nelle informazioni finanziarie consolidate pro forma unaudited siano indicative della performance futura di EssilorLuxottica. Di conseguenza, la performance di EssilorLuxottica potrebbe differire in modo sostanziale da quelli presentati o suggeriti nelle informazioni finanziarie consolidate pro forma unaudited.

2 Misure adjusted: rettifiche dalle spese relative alla Combinazione EssilorLuxottica e ad altre operazioni insolite, non frequenti o non correlate al normale svolgimento dell'attività, poiché l'impatto di tali transazioni potrebbe influire sulla comprensione delle prestazioni del Gruppo. Si veda il dettaglio fornito in appendice.

3 Dati a cambi costanti: sono stati calcolati utilizzando i tassi di cambio medi in vigore per il corrispondente periodo dell'anno precedente.

4 Crescita omogenea: crescita a perimetro e tassi di cambio costanti. Vedere la definizione fornita nella Nota 2.4 al bilancio consolidato nel Documento di Registrazione di Essilor 2017.

5 Paesi in rapida crescita sono Cina, India, ASEAN, Corea del Sud, Hong Kong, Taiwan, Africa, Medio Oriente, Russia e America Latina.

6 Margine di contribuzione: ricavi meno costi di vendita e spese operative (costi di ricerca e sviluppo, costi di vendita e distribuzione e altri costi operativi).

7 Vendite omogenee: si intendono le vendite a parità di negozi, cambi e perimetro di consolidamento. Le vendite omogenee non includono il fatturato e-commerce.

8 Generazione di cassa: è definita in appendice.

EssilorLuxottica è un leader globale nella progettazione, produzione e distribuzione di lenti oftalmiche, occhiali da vista e da sole. Costituita nel 2018, la sua mission è aiutare il mondo a vedere meglio, vivere meglio e godere appieno della vita. L'azienda unisce le competenze complementari di due pionieri nel settore, uno nelle tecnologie all'avanguardia per lenti oftalmiche e l'altro nella realizzazione di occhiali da vista e da sole iconici, definendo nuovi standard nel settore dei prodotti per la cura della vista e nell'esperienza dei consumatori. Marchi iconici come Ray-Ban e Oakley nell'eyewear, Varilux e Transitions nelle lenti, Sunglass Hut e LensCrafters nel retail ottico e sole fanno parte della famiglia EssilorLuxottica. Con circa 150.000 dipendenti, nel 2018 EssilorLuxottica ha registrato ricavi pro forma di circa 16 miliardi di Euro. EssilorLuxottica è quotata sul mercato Euronext Paris ed è inclusa negli indici Euro Stoxx 50 e CAC 40. ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.

CONTATTI

EssilorLuxottica Investor Relations

(Charenton-le-Pont) Tel: + 33 1 49 77 42 16

(Milan) Tel: + 39 (02) 8633 4870

E-mail: ir@essilorluxottica.com

EssilorLuxottica Corporate Communications

(Charenton-le-Pont) Tel: + 33 1 49 77 45 02

(Milan) Tel: + 39 (02) 8633 4470

E-mail: media@essilorluxottica.com

ESSILORLUXOTTICA APPENDIX ON FINANCIALS 2018

INFORMATION FROM UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

ESSILORLUXOTTICA CONSOLIDATED PROFIT & LOSS PRO FORMA ADJUSTED

The unaudited pro forma consolidated statement of profit or loss for the year ended December 31, 2018 has been prepared assuming that the EssilorLuxottica Combination had occurred on January 1, 2018. The unaudited pro forma consolidated statement of profit or loss for the year ended December 31, 2017 has been prepared assuming that the EssilorLuxottica Combination had occurred on January 1, 2017. Because of its nature, the Unaudited Pro Forma Consolidated Financial Information addresses a hypothetical situation and is neither intended to represent or to be indicative of the result of operations or the financial position that EssilorLuxottica would have achieved had the EssilorLuxottica Combination occurred as of January 1, 2018 or as of January 1, 2017 respectively, nor is the Unaudited Pro Forma Consolidated Financial Information indicative of the future operating results of the Group. The Unaudited Pro Forma Consolidated Financial Information is based upon certain assumptions that EssilorLuxottica believes reasonable at the date of this Document.

€ millions @ current FX	EssilorLuxottica 2017 FY adjusted	Margin %	EssilorLuxottica 2018 FY adjusted	Margin %	Delta 18 vs 17
Revenue	16,349	100.0%	16,160	100.0%	-1.2%
GROSS PROFIT	10,314	63.1%	10,172	62.9%	-1.4%
Total operating expenses	(7,611)	-46.6%	(7,600)	-47.0%	-0.1%
OPERATING PROFIT	2,703	16.5%	2,572	15.9%	-4.8%
Cost of net debt	(108)	-0.7%	(95)	-0.6%	-12.7%
Other financial income / (expenses)	(13)	-0.1%	(11)	-0.1%	-14.4%
PROFIT BEFORE TAXES	2,581	15.8%	2,466	15.3%	-4.5%
Income taxes	(678)	-4.1%	(595)	-3.7%	-12.2%
NET PROFIT	1,904	11.6%	1,871	11.6%	-1.7%

For the adjustments description, please refer to the “Adjusted measures” section in the excerpts from the Management Report.

ESSILORLUXOTTICA – FROM REPORTED TO ADJUSTED 2018

€ millions	2018							
	EssilorLuxottica REPORTED	Essilor Jan. 1, 2018 Sep. 30,2018	PPA adjustments Jan. 1, 2018 Sept. 30, 2018	Other adjustments	EssilorLuxottica PRO FORMA	Elimination of 12 months PPA adjustments	Other non-GAAP adjustments	EssilorLuxottica PRO FORMA ADJUSTED
Revenue	10.799	5.537	-	(176)	16.160	-	-	16.160
Cost of sales	(3.963)	(2.287)	(60)	176	(6.134)	119	27	(5.988)
Gross profit	6.836	3.250	(60)	-	10.026	119	27	10.172
% of revenue	63,3%	58,7%			62,0%			62,9%
Research and development	(190)	(149)	(193)	-	(531)	257	-	(275)
Selling	(3.391)	(997)	(200)	-	(4.588)	266	7	(4.315)
Royalties	(157)	(6)	-	-	(163)	-	-	(163)
Advertising and marketing	(746)	(392)	(68)	-	(1.206)	91	-	(1.115)
General and administrative	(989)	(883)	(8)	(123)	(2.003)	11	271	(1.722)
Other income / (expenses)	(5)	(42)	-	-	(47)	-	36	(11)
Total operating expenses	(5.478)	(2.469)	(469)	(123)	(8.539)	624	315	(7.600)
Operating profit	1.358	781	(528)	(123)	1.487	744	341	2.572
% of revenue	12,6%	14,1%			9,2%			15,9%
Cost of net debt	(54)	(39)	5	(5)	(94)	(6)	5	(95)
Other financial income / (expenses)	(9)	(8)	-	6	(11)	-	-	(11)
Share of profits of associates	0	-	-	(1)	(0)	-	-	(0)
Profit before taxes	1.295	734	(524)	(124)	1.382	738	346	2.466
% of revenue	12,0%	13,3%			8,6%	0,0%	0,0%	15,3%
Income taxes	(139)	(217)	103	24	(228)	(296)	(72)	(595)
Effective tax rate	10,7%	29,5%			16,5%			24,1%
Net Profit	1.156	518	(420)	(99)	1.154	442	274	1.871

ESSILORLUXOTTICA – FROM REPORTED TO ADJUSTED 2017

€ millions	2017							
	Luxottica 2017 P&L	Essilor 2017 P&L	PPA adjustments for the period from January 1, 2017 to December 31, 2017	Other adjustments	EssilorLuxottica pro forma information	Elimination of 12 months PPA adjustments	Other non Gaap adjustments	EssilorLuxottica pro forma non Gaap information
Revenue	9.184	7.402	-	(237)	16.349	-	-	16.349
Cost of sales	(3.222)	(3.096)	(119)	225	(6.212)	119	58	(6.035)
Gross profit	5.962	4.306	(119)	(13)	10.137	119	58	10.314
% of revenue	64,9%	58,2%			62,0%			63,1%
Research and development	(60)	(217)	(255)	-	(532)	255	-	(277)
Selling	(3.070)	(1.306)	(261)	-	(4.637)	261	38	(4.338)
Royalties	(164)	(10)	-	-	(174)	-	-	(174)
Advertising and marketing	(630)	(494)	(90)	-	(1.213)	90	-	(1.123)
General and administrative	(738)	(1.192)	(11)	(20)	(1.961)	11	259	(1.691)
Other income / (expenses)	45	(18)	-	-	28	-	(35)	(8)
Total operating expenses	(4.616)	(3.237)	(617)	(20)	(8.490)	617	262	(7.611)
Operating profit	1.347	1.069	(736)	(33)	1.647	736	320	2.703
% of revenue	14,7%	14,4%			10,1%			16,5%
Cost of net debt	(81)	(52)	6	(5)	(132)	(6)	30	(108)
Other financial income / (expenses)	(10)	(12)	-	9	(13)	-	-	(13)
Share of profits of associates	1	-	-	(1)	-	-	-	-
Profit before taxes	1.257	1.005	(730)	(30)	1.502	730	349	2.581
% of revenue	13,7%	13,6%			9,2%			15,8%
Income taxes	(215)	(131)	76	13	(257)	(76)	(345)	(678)
Effective tax rate	17,1%	13,0%			17,1%			26,3%
Net Profit	1.042	874	(655)	(17)	1.244	655	4	1.904

EXCERPTS FROM THE CONSOLIDATED FINANCIAL STATEMENTS

3.3 Consolidated Group Financial Statements

3.3.1 Consolidated statement of profit or loss

<i>€ millions</i>	2018	<i>Restated</i> 2017^(a)
Revenue	10,799	9,184
Cost of sales	(3,963)	(3,222)
GROSS PROFIT	6,836	5,962
Research and development	(190)	(60)
Selling	(3,391)	(3,070)
Royalties	(157)	(164)
Advertising and marketing	(746)	(630)
General and administrative	(989)	(738)
Other income / (expenses)	(5)	45
Total operating expenses	(5,478)	(4,616)
OPERATING PROFIT	1,358	1,347
Cost of net debt	(54)	(81)
Other financial income / (expenses)	(9)	(10)
Share of profits of associates	-	1
PROFIT BEFORE TAXES	1,295	1,257
Income taxes	(139)	(215)
NET PROFIT	1,156	1,042
Of which attributable to:		
Owners of the parent	1,087	1,040
Non-controlling interests	69	2
Weighted average number of shares outstanding:		
Basic	260,699,711	220,533,089
Diluted	266,246,307	220,662,106
Earnings per share (EPS) for net profit attributable to owners of the parent:		
Basic	4.17	4.72
Diluted	4.08	4.71

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements*.

3.3.2 Consolidated statement of comprehensive income

€ millions	2018	Restated 2017 ^(a)
NET PROFIT	1,156	1,042
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(2)	-
Net investment hedges	-	-
Foreign currency translation differences	140	(589)
Related tax effect	1	-
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	139	(589)
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on employee benefits	(18)	55
Related tax effect	4	(49)
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	(14)	6
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	125	(583)
TOTAL COMPREHENSIVE INCOME	1,281	460
Total comprehensive income attributable to:		
Owners of the parent	1,208	458
Non-controlling interests	72	2

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements*.

3.3.3 Consolidated statement of financial position

Assets

<i>€ millions</i>	December 31, 2018	<i>Restated</i> December 31, 2017^(a)
Goodwill	23,241	3,608
Intangible assets	11,873	1,246
Property, plant and equipment	3,368	1,809
Investments in associates	22	4
Other non-current assets	390	92
Deferred tax assets	336	130
TOTAL NON-CURRENT ASSETS	39,230	6,889
Inventories	2,045	832
Trade receivables	2,357	944
Tax receivables	128	66
Other current assets	667	174
Cash and cash equivalents	1,829	1,159
TOTAL CURRENT ASSETS	7,025	3,175
Assets held for sale	14	-
TOTAL ASSETS	46,269	10,064

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements*.

Equity and liabilities

€ millions	December 31, 2018	Restated December 31, 2017 ^(a)
Share capital	77	40
Share premium reserve	20,931	570
Treasury shares reserve	(92)	-
Other reserves	10,821	4,158
Net profit attributable to owners of the parent	1,087	1,040
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	32,823	5,808
Equity attributable to non-controlling interests	438	6
TOTAL EQUITY	33,262	5,814
Non-current borrowings	2,582	1,671
Employee benefits	459	122
Non-current provisions	428	130
Other non-current liabilities	278	77
Deferred tax liabilities	2,245	157
TOTAL NON-CURRENT LIABILITIES	5,993	2,157
Current borrowings	1,184	228
Trade payables	1,746	907
Tax payables	99	22
Current provisions	211	171
Other current liabilities	3,775	765
TOTAL CURRENT LIABILITIES	7,015	2,093
TOTAL EQUITY AND LIABILITIES	46,269	10,064

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements*.

3.3.4 Consolidated statement of changes in equity

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2017	29	563	(270)	365	4,238	851	5,776	6	5,782
Impacts from the application of IFRS 15	-	-	-	-	6	-	6	-	6
EQUITY AT JANUARY 1, 2017 <u>RESTATED</u> ^(a)	29	563	(270)	365	4,244	851	5,782	6	5,788
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD <u>RESTATED</u> ^(a)	-	-	-	(589)	7	1,040	458	2	460
Issue of ordinary shares and changes in ownership interests	-	-	-	-	-	-	-	-	-
<i>Acquisition of subsidiary with NCI</i>	-	-	-	-	-	-	-	-	-
<i>Acquisition of NCI without a change in control</i>	-	-	-	-	-	-	-	-	-
Other changes related to NCI	-	-	-	-	-	-	-	-	-
Employee share issues and exercise of stock options	-	7	-	-	-	-	7	-	7
Share-based payments	-	-	-	-	1	-	1	-	1
Net sale / (net purchase) of treasury shares	-	-	13	-	(13)	-	-	-	-
Allocation of net profit	-	-	-	-	851	(851)	-	-	-
Dividends paid	-	-	-	-	(440)	-	(440)	(2)	(442)
EQUITY AT DECEMBER 31, 2017 <u>RESTATED</u> ^(a)	29	570	(257)	(224)	4,650	1,040	5,808	6	5,814

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements*.

€ millions

	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT DECEMBER 31, 2017 <u>RESTATED</u>	29	570	(257)	(224)	4,650	1,040	5,808	6	5,814
Adjustments due to the reverse acquisition	11	-	257	-	(268)	-	-	-	-
EQUITY AT DECEMBER 31, 2017 <u>ADJUSTED</u>	40	570	-	(224)	4,382	1,040	5,808	6	5,814
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	135	(14)	1,087	1,208	72	1,281
Issue of ordinary shares and changes in ownership interests									
<i>Acquisition of subsidiary with NCI</i>	25	13,149	(111)	-	12,539	-	25,602	2,679	28,281
<i>Acquisition of NCI without a change in control</i>	12	7,188	-	-	(6,638)	-	562	(2,263)	(1,701)
Other changes related to NCI					12	-	12	(48)	(36)
Employee share issues and exercise of stock options	-	24	-	-	-	-	24	-	24
Share-based payments	-	-	-	-	76	-	76	-	76
Net sale / (net purchase) of treasury shares	-	-	19	-	(4)	-	15	-	15
Allocation of net profit	-	-	-	-	1,040	(1,040)	-	-	-
Dividends paid	-	-	-	-	(484)	-	(484)	(7)	(491)
EQUITY AT DECEMBER 31, 2018	77	20,931	(92)	(89)	10,910	1,087	32,823	438	33,262

The equity as of January 1, 2018 is that of Luxottica Group S.p.A. ("Luxottica") except for the share capital retroactively adjusted to reflect the share capital of Essilor International (Compagnie Générale d'Optique) SA ("Essilor"); the balances of *Retained earnings and other reserves* and *Treasury shares reserve* have also been adjusted accordingly (see paragraph *Basis of preparation of the financial statements* and Note 21–Equity for additional details).

The line *Acquisition of subsidiary with NCI* presents the effects of the **Contribution**, as defined in the Notes to the Consolidated Group Financial Statements, i.e. the contribution of Delfin's entire stake in Luxottica to Essilor in return for newly-issued ordinary shares of EssilorLuxottica SA (see Note 3–Business combinations, paragraph 3.1.1 and 3.1.2, for additional details). The Contribution is treated as the reverse acquisition of Essilor by Luxottica with the following impacts:

- the consideration transferred for the acquisition of Essilor was recognized in *Share capital*, *Share premium reserve* and *Retained earnings and other reserves*;
- Essilor's historical non-controlling interests were recognized for their proportionate shares in the fair value of the net assets of the corresponding subsidiaries;
- Luxottica's shareholders other than Delfin were reclassified as non-controlling interests at their proportionate interest in the carrying amounts of the net assets of Luxottica;
- EssilorLuxottica treasury shares were recognized for €111 million at the date of the combination.

The line *Acquisition of NCI without a change in control* presents the effects of:

- the mandatory tender offer launched by EssilorLuxottica after the Contribution upon which non-controlling interests contributed their shares in Luxottica in exchange for newly-issued ordinary shares of EssilorLuxottica with the difference recorded in *Retained earnings and other reserves*;
- the obligation of EssilorLuxottica, as of December 31, 2018, to offer a cash consideration to the remaining shareholders of Luxottica in exchange for their shares in Luxottica. See Note 3–Business combinations, paragraph 3.1.1 and 3.1.3, for additional details.

3.3.5 Consolidated statement of cash flows

€ millions	2018	Restated 2017 ^(a)
NET PROFIT	1,156	1,042
Depreciation and amortization	759	541
(Gains) / losses from disposal of assets	2	(49)
Expense arising from share-based payments	76	1
Income taxes	139	215
Finance result, net	63	91
Other non-cash items	30	42
Changes in provisions and other	(173)	165
Changes in working capital	259	(24)
Taxes paid, net	(352)	(320)
Interest paid, net	(78)	(101)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	1,881	1,603
Purchase of property, plant and equipment and intangible assets	(710)	(664)
Disposal of property, plant and equipment and intangible assets	-	100
Acquisitions of businesses, net of cash acquired	753	(136)
Changes in other non-financial assets	(5)	-
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	38	(700)
Share capital increase	31	17
(Purchase) / sale of treasury shares	15	-
Dividends paid:		
- to the owners of the parent	(484)	(440)
- to non-controlling interests	(7)	(2)
Transactions with non-controlling interests	(13)	-
Issuance of bonds (and private placement)	-	500
Repayment of bonds (and private placement)	(293)	(469)
Changes in other current and non-current borrowings	(504)	(137)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	(1,255)	(531)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	664	372
Cash and cash equivalents at the beginning of the financial year	1,159	867
Effects of exchange rate changes on cash and cash equivalents	5	(80)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	1,829	1,159

(a) The comparative period is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements*.

EXCERPTS FROM THE MANAGEMENT REPORT

ESSILOR IN 2018

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

Notes

- a. **Like-for-like growth:** Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements in the Essilor 2017 Registration Document.
- b. **Bolt-on acquisitions:** Local acquisitions or partnerships.
- c. **Fast-growing countries** include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America.
- d. **Contribution from operations:** Revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).

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

Thanks to this strategy, sales growth accelerated with each quarter in 2018. Revenue ended the year at €7,459 million, up 4.6% from the previous year on a like-for-like^a basis, including 5.7% in the fourth quarter. This was well above the initial target of delivering like-for-like growth^a of around 4%. The additional growth allowed the Company to continue to invest for the future, for instance in very promising projects in the areas of myopia and digitalization, and to bolster initiatives relating to Essilor's mission and its “2.5 New Vision Generation™” activities. Contribution from operations^d reached 18.1% of revenue even as investments in new and buoyant segments were stepped up.

Other highlights of the year included:

- Dynamic growth at the Lenses & Optical Instruments division, where revenue rose 4.2% like-for-like^a, notably thanks to the momentum of new products in the Transitions®, Varilux® and Eyezen™ ranges;
- A sharp acceleration in sales growth for Sunglasses & Readers, where revenue surged 8.1% like-for-like^a. This good result notably reflected strong growth in China, fueled by Xiamen Yarui Optical (Bolon™) and the MJS stores, and in the United States, where the Costa® brand powered ahead;
- Double-digit growth in online sales with particularly good performances in India as well as in corrective lenses and mid-tier products, illustrating Essilor's ability to identify the most promising segments year after year;
- Revenue growth at constant exchange rates of more than 10% in fast-growing countries^c, which now account for a quarter of Essilor's total revenue;
- A gradual resumption of the acquisitions and partnerships policy with the completion of eight transactions representing full-year revenue of close to €68 million;
- A healthy financial position that allowed the Company to substantially reduce its net debt.

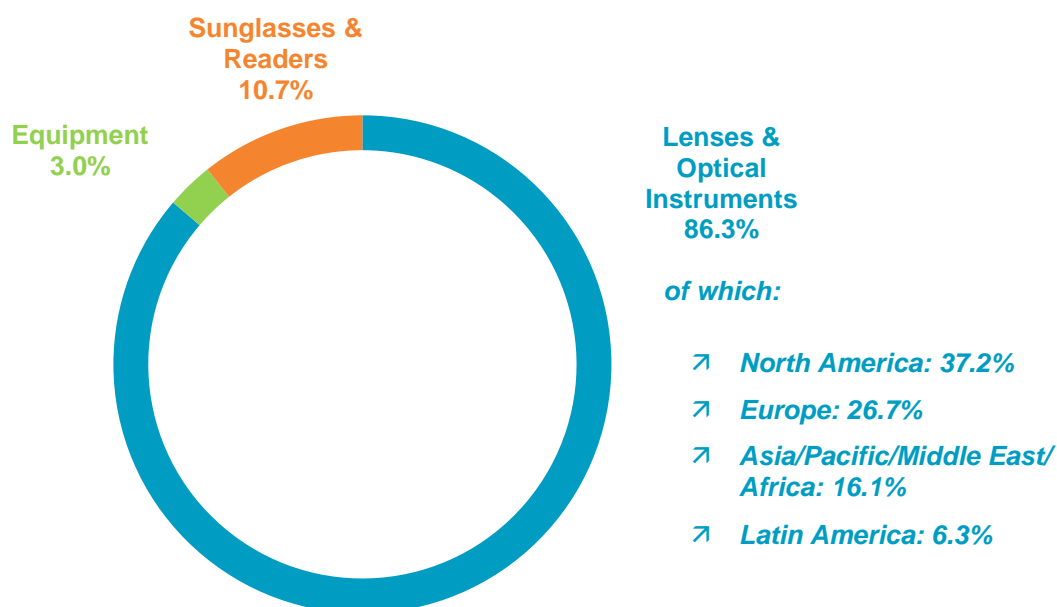
Essilor 2018 consolidated revenue

Revenue € millions	2018	2017 ¹	Change (reported)	Change (like-for-like ^a)	Scope effect	Currency effect
Lenses and Optical Instruments	6,434	6,409	+0.4%	+4.2%	+0.5%	-4.3%
<i>North America</i>	2,776	2,788	-0.4%	+3.2%	+0.8%	-4.4%
<i>Europe</i>	1,993	1,966	+1.3%	+2.5%	+0.1%	-1.3%
<i>Asia/Pacific/Middle East/Africa</i>	1,197	1,171	+2.3%	+8.3%	-0.2% ²	-5.8%
<i>Latin America</i>	468	484	-3.5%	+7.7%	+2.2%	-13.4%
Sunglasses & Readers	798	767	+4.1%	+8.1%	+0.9%	-4.9%
Equipment	227	225	+0.8%	+4.5%	+0.0%	-3.7%
TOTAL	7,459	7,401	+0.8%	+4.6%	+0.5%	-4.3%

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

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

• Breakdown of 2018 revenue by operating segment and by region



- **Change in revenue in fast-growing^c and developed countries**

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

Revenue € millions	2018	2017	Change (reported)	Change (like-for-like ^a)	Change (at constant exchange rates)
Fast-growing countries ^c	1,848	1,802	+2.5%	+10.5%	+10.8%
Developed countries	5,611	5,599	+0.2%	+2.8%	+3.4%
TOTAL	7,459	7,401	+0.8%	+4.6%	+5.1%

- **Change in revenue from 2017 to 2018**

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

In 2018, consolidated revenue totaled €7,459 million, an increase of 5.1% excluding currency effects.

On a like-for-like^a basis, sales increased by 4.6%.

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

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

2018 revenue by operating segment and by region

Lenses and Optical Instruments

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

- **North America**

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

- **Europe**

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

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

- **Asia/Pacific/Middle East/Africa**

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

- **Latin America**

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

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

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

- **Instruments**

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

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

Sunglasses & Readers

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

Equipment

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

Online sales

In 2018, Essilor generated revenue of €482 million¹ in this segment, an increase of 15%⁶ on a like-for-like^a basis. Europe and North America contributed 86%⁶ of this revenue and the rest of the world 14%⁶.

Activities supporting the company's mission

Essilor's initiatives to eradicate poor vision across the world have helped bring vision care solutions to 23 million wearers over the past five years, including more than ten million in 2018 alone. These initiatives have taken on a new dimension over the past 12 months thanks to partnerships with national governments and transnational organizations. For instance, the company is working with the Queen Elizabeth Diamond Jubilee Trust to expand its inclusive business and philanthropic models to address the eye health needs of all 900 million people living with uncorrected vision in the Commonwealth. This commitment will lead to the creation of permanent infrastructure and the provision of corrective lenses to 200 million people living below the poverty line. Essilor also joined forces with the Royal Government of Bhutan in its goal of becoming the first country in the world to eradicate poor vision. Meanwhile, the Vision Impact Institute, through the campaign Kids See Success, played a role in the new law passed in New Jersey requiring that young children have eye exams before entering a public school for the first time. In Kosovo, where 30% of inhabitants live below the poverty line, Essilor committed to screen 21,000 children and school educators and provide glasses to those who need them. Lastly, the rollout of the Eye Mitra™ inclusive business model continued throughout the year in India, notably via a new partnership with the state of Odisha; in Bangladesh, in cooperation with the Australian government; in Indonesia, where a first convention brought together 800 'Mitra Matas'; and in Kenya, where 'EyeRafiki™' ambassadors opened their first shops.

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

Fourth-quarter 2018 revenue

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

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

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

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

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

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

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

By region and division, highlights for the period were:

- A very strong comparative in North America: Like-for-like^a growth had reached 8.8% in Q4 2017;
- Continued momentum in fast-growing countries^c and e-commerce;
- Good performances in Europe and at the Sunglasses & Readers division.

Acquisitions and partnerships

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

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

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

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

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

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

LUXOTTICA IN 2018

Notes

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

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

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

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

5 For a definition of 2017 and 2018 adjusted figures, please refer to section 1.5.1.3.

Reported results for Full Year 2018

<i>(Millions of Euro)</i>	FY 2017³	FY 2018	Change at constant exchange rates¹	Change at current exchange rates
Group net sales	9,184	8,929	+1.5%	-2.8%
Wholesale	3,371	3,194	-1.1%	-5.2%
Retail	5,813	5,735	+3.0%	-1.4%
Operating income	1,301	1,284	+7.4%	-1.3%
Net income attributable to Luxottica group stockholders⁶	1,040	900	-5.5%	-13.5%

Adjusted⁵ results for Full Year 2018

<i>(Millions of Euro)</i>	FY 2017³	FY 2018	Change at constant exchange rates¹	Change at current exchange rates
Group net sales	9,184	8,929	+1.5%	-2.8%
Wholesale	3,371	3,194	-1.1%	-5.2%
Retail	5,813	5,735	+3.0%	-1.4%
Adjusted operating income	1,443	1,345	+1.2%	-6.8%
Adj. net income attributable to Luxottica group stockholders	971	951	+6.7%	-2.0%

2018 was another year of growth for Luxottica group with consolidated sales over Euro 8.9 billion, up 1.5% at constant exchange rates¹ (-2.8% at current exchange rates, due to currency headwinds driven by the devaluation of the US and Australian dollars and the Brazilian Real). The second half of the year showed an acceleration in sales growth compared to the first six months of the year, helped by a progressive improvement in wholesale's performance in Europe.

In 2018, adjusted net profit reached Euro 951 million, down by 2.0% over last year's record level (+6.7% to over Euro one billion at constant exchange rates¹), with net margin over the 10% threshold for the second consecutive year. The group's profitability benefited from effective business and financial management. Free cash flow was Euro 923 million, net of exchange rate headwinds¹, it would have been around Euro 1.1 billion.

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

2018: completion of a four-year journey

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

Comparing the cumulative results of the past four years with the period 2010-13:

- Cumulative sales increased by approximately 40% from Euro 26 billion to 36 billion;
- Adjusted⁴ operating income increased by approximately 60%;
- Adjusted⁴ net income increased by approximately 80%;
- Adjusted⁴ net margin rose from around 7.5% to over 10%;
- Adjusted⁴ operating and net profits data per unit sold were approximately 20% and 35% higher respectively.

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

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

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

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

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

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

Redesign of the wholesale distribution: In recent years, Luxottica has implemented several initiatives to improve the quality of sales and protect the equity of its brands and the business of wholesale customers. The group has continued to invest in fighting counterfeit products and the parallel market, further expanding its RFID-based tracking system that today covers more than 80% of Ray-Ban and Oakley frames sold. After the introduction of the "MAP policy" (Minimum Advertised Price) in North America in 2016 and the restructuring of the wholesale distribution channel in China, Luxottica revised its distribution and commercial policies in Europe in 2018 to improve their consistency and balance between different sales channels. The group has also introduced new ways of managing online customers and invested in digitalizing communications in the wholesale channel to improve customer relationships. Thanks to the MyLuxottica portal, in 2018 Luxottica reimagined the way its new collections are presented to customers in the showroom or in store. Today, next to the physical eyewear samples, customers can see a wider digital collection that captures the brand storytelling and emotions behind every model, making it easier and more engaging to choose the right product for their customers.

Retail expansion and channel integration: Luxottica is managing the retail platform in a more effective way thanks to a fully-integrated supply chain, centralized real estate management, major investments in lens capability and a growing omnichannel approach. After completing the acquisitions of key premium retail brands like Salmoiraghi & Viganò in Italy and Óticas Carol in Brazil, Luxottica entered new markets with Sunglass Hut in Southeast Asia and Latin America and launched the new Ray-Ban retail concept first in China and then worldwide, celebrating the most beloved eyewear brand in more than 200 locations. Sunglass Hut continued to be the top consumer destination for premium eyewear, thanks to an increasingly omnichannel offering. The group further expanded its global retail footprint in 2018 with the acquisition of the optical retail chain Spectacle Hut in Singapore and the opening of Sunglass Hut shop-in-shops within Bass Pro and Cabela's 170 locations across North America.

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

Luxottica 2018 consolidated revenue

Both divisions contributed to the positive sales performance of the year, with the wholesale segment showing a strong acceleration in the second part of the year and retail confirming solid growth.

In 2018, Luxottica revenues were driven by North America, Asia-Pacific and Latin America. Europe reported sales down by 0.8% at constant exchange rates¹ due to a tough comparison with 2017 where sales were up 13.4% at constant exchange rates¹, and with the cumulative growth of the last three years which was 27% at constant exchange rates¹.

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

Wholesale sales were Euro 3.2 billion, down 1.1% at constant exchange rates¹ (-5.2% at current exchange rates), showing a sequential improving throughout the year, driven by solid growth in North America, Japan and Korea. The wholesale results in the first part of the year were negatively impacted by the implementation of the new commercial policies for European online operators and wholesale customers, as well as the restructuring of the distribution network in China. Wholesale sales, including sales in Europe, returned to growth in the third quarter and accelerated to +3.4% at constant exchange rates¹ (+2% at current exchange

rates) in the last three months of the year, confirming the value of the initiatives undertaken. The group continued its expansion of direct distribution with the opening of new wholesale subsidiaries in the Middle East in 2018 and in Taiwan in early 2019.

In 2018, the Retail division grew by 3% at constant exchange rates¹ (-1.4% at current exchange rates), primarily fueled by Sunglass Hut, the optical retail business in Australia, Target Optical and the e-commerce platforms. The solid sales performance confirmed the effectiveness of strategic initiatives aimed at improving the operating model and the ability of the group's retail brands to execute them, while offering an improved consumer experience. Comparable store sales² (which do not include e-commerce sales) were up 0.5%, growing in all regions excluding North America, where they were flat.

Sunglass Hut's strong offering worldwide drove global sales up by 5.7% at constant exchange rates¹ with a positive contribution from all geographies. LensCrafters sales in North America were in line with last year.

In 2018, sales from the group's e-commerce platforms, representing approximately 5% of total sales, were up 14% at constant exchange rates¹. Luxottica expanded its retail footprint online, introducing new Persol and Vogue Eyewear online platforms in the United States and Canada, after having launched them in Italy, the United Kingdom, France, Germany and Spain in 2017. OliverPeoples.com also expanded its reach during 2018.

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

Geographic segments: net sales

<i>Net sales (millions of Euro)</i>	FY 2017³	%	FY 2018	%	Change at constant exchange rates¹	Change at current exchange rates
North America	5,276	57%	5,138	58%	+1.8%	-2.6%
Wholesale	963	10%	952	11%	+3.2%	-1.2%
Retail	4,313	47%	4,187	47%	+1.5%	-2.9%
Europe	1,966	21%	1,922	21%	-0.8%	-2.3%
Asia-Pacific	1,159	13%	1,155	13%	+4.6%	-0.3%
Latin America	616	7%	564	6%	+2.9%	-8.4%
Rest of the World	166	2%	149	2%	-7.6%	-10.3%
Group total rep.	9,184	100%	8,929	100%	+1.5%	-2.8%

North America

In 2018, the group's revenues in North America were up 1.8% at constant exchange rates¹ (-2.6% at current currencies) confirming a favorable consumer environment, with both divisions contributing to the positive performance.

Wholesale sales increased by 3.2% at constant exchange rates¹ (-1.2% at current currencies) confirming the solid growth of the previous year, with a remarkable +3.2% at constant exchange rates¹ (+6.4% at current currencies) in the fourth quarter on top of the +14% at constant exchange rates¹ reported in the last three months of 2017. Ray-Ban's successful distribution strategy, including its presence on third-party online platforms, and Oakley still reaping the long-term benefits of its integration into the Luxottica organization both contributed to this growth.

The retail business in North America was back to growth driven by the positive performance of all main retail brands. The optical retail business posted positive sales performance and was driven by the double-digit growth at Target and the solid contribution of EyeMed, while Sears Optical halved the number of stores during the year and reported

sales down by 36% as a result of the recent turmoil in Sears Holdings Corporation. LensCrafters is completing the transformation of its business model with sales in line with last year and slightly positive comparable store sales² in the second half of the year compared to -3.4% in the first six months of the year. Sunglass Hut, with total sales up by 2.8% at constant exchange rates¹, continued to be the top destination for consumers for premium eyewear, thanks to an increasingly omnichannel offering.

Europe

After three years of a combined 27% growth, 2018 revenues in Europe were down by 0.8% at constant exchange rates¹ (-2.3% at current exchange rates). This was driven by the negative performance of the wholesale business in most European countries due to the progressive realignment of commercial policies and anticounterfeiting initiatives. The high single-digit growth in retail confirmed the solid multi-year performance of the division and was driven by both positive comparable store sales² and openings of approximately 40 new stores, including 27 Ray-Ban locations.

Following a 4.3% decline in sales in the first half of the year, the third quarter registered a turnaround with a progressively improving performance thanks to the recovery after a delayed start of the sun season for the wholesale business. Revenues in the last three months of the year were up by 4.2% at constant exchange rates¹.

Asia-Pacific

In 2018, the group's net sales in the Asia-Pacific region showed an increase of 4.6% at constant exchange rates¹ (-0.3% at current exchange rates), supported by a progressive acceleration in sales during the second half with the fourth quarter growing by 6.3% at constant exchange rates¹ (+4.6% at current exchange rates). Drivers of the growth were Australia, Japan, Korea, India, Southeast Asia and the travel retail business.

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

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

Latin America

After years of solid performance in Latin America, Luxottica posted another year of growth in 2018 with sales up 2.9% at constant exchange rates¹ (-8.4% at current exchange rates due to the strong devaluation of the Brazilian Real). The business in the region showed an acceleration during the fourth quarter with sales up 7.1% year-over-year at constant exchange rates¹ (-2.6% at current exchange rates) despite the ongoing challenging macro environment. Brazil and Mexico were the key drivers of the positive performance of the region with both Wholesale and Retail improving their performance compared to last year results.

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

Net sales in the fourth quarter of 2018

(Millions of Euro)	4Q 2017 ³	4Q 2018	Change at constant exchange rates ¹	Change at current exchange rates
Group net sales	2,099	2,161	+2.2%	+3.0%
Wholesale	717	732	+3.4%	+2.0%
Retail	1,382	1,430	+1.6%	+3.5%

Geographic segments: net sales

<i>Net sales (millions of Euro)</i>	4Q 2017³	%	4Q 2018	%	Change at constant exchange rates¹	Change at current exchange rates
North America	1,231	59%	1,272	59%	-0.1%	+3.3%
Wholesale	223	11%	237	11%	+3.2%	+6.4%
Retail	1,008	48%	1,035	48%	-0.8%	+2.7%
Europe	364	17%	375	17%	+4.2%	+3.1%
Asia-Pacific	289	14%	302	14%	+6.3%	+4.6%
Latin America	180	8%	175	8%	+7.1%	-2.6%
Rest of the World	35	2%	37	2%	+3.8%	+4.2%
Group total	2,099	100%	2,161	100%	+2.2%	+3.0%

Luxottica's net sales in the fourth quarter were up by 2.2% at constant exchange rates¹ (+3% at current exchange rates) thanks to the solid and improving performance of the Wholesale division and the 36th consecutive quarter of positive retail sales at constant exchange rates¹. The fourth quarter was the second best quarter of the year on top of the best quarterly growth in the previous two years.

Net sales at constant exchange rates¹ were driven by an acceleration in Europe, Asia-Pacific and Latin America. Sales in North America at constant exchange rates¹ were in line with the fourth quarter of 2017 (+3.3% at current exchange rates) driven by a continuous solid performance of the wholesale business (+3.2% compared to the +14% in 2017).

Retail was down by 0.8% at constant exchange rates¹ (+2.7% at current exchange rates) as a result of a temporary slowdown in North America, a 40% decline in Sears sales and a highly promotional environment during the holiday season. A strong fourth quarter in 2017 also made for a tough comparison. Comparable store sales² were down by 1.5% in the fourth quarter - impacted by both a calendar effect for optical retail and an adverse promotional environment for Sunglass Hut in North America.

In the fourth quarter 2018, sales from the group's e-commerce platforms were up by 10% at constant exchange rates¹.

In the first two months of 2019 the Retail division is back on solid growth with positive comparable store sales² (around 2%) driven by remarkable growth in Europe and LensCrafters that is now benefiting from the several initiatives undertaken in the last two years.

ESSILORLUXOTTICA CONSOLIDATED P&L PROFORMA⁽¹⁾ ADJUSTED⁽²⁾ – CONTRIBUTIVE VIEW

In € millions (At current exchange rate)	2017				2018				Change 2018 vs. 2017
	Essilor adjusted ⁽²⁾	Luxottica adjusted ⁽²⁾	Elimination of intercompany transactions	EssilorLuxottica Pro forma ⁽¹⁾ adjusted ⁽²⁾	Essilor adjusted ⁽²⁾	Luxottica adjusted ⁽²⁾	Elimination of intercompany transactions	EssilorLuxottica Pro forma ⁽¹⁾ adjusted ⁽²⁾	
Revenue	7,402	9,184	(237)	16,349	7,460	8,929	(228)	16,160	-1.2%
Cost of sales	(3,096)	(3,164)	225	(6,035)	(3,088)	(3,125)	225	(5,988)	-0.8%
GROSS PROFIT	4,306	6,020	(13)	10,314	4,372	5,804	(4)	10,172	-1.4%
% of revenues	58.2%	65.5%		63.1%	58.6%	65.0%		62.9%	
Total operating expenses	(3,031)	(4,580)	0	(7,611)	(3,139)	(4,461)	0	(7,600)	-0.1%
OPERATING PROFIT	1,275	1,440	(13)	2,703	1,233	1,343	(4)	2,572	-4.8%
% of revenues	17.2%	15.7%		16.5%	16.5%	15.0%		15.9%	
Financial result	(60)	(61)		(121)	(56)	(50)		(106)	-12.8%
Share of profits of associates		1	(1)	0		1	(1)	(0)	n.c.
PROFIT BEFORE TAXES	1,215	1,380	(14)	2,581	1,177	1,294	(5)	2,466	-4.5%
% of revenues	16.4%	15.0%		15.8%	15.8%	14.5%		15.3%	
Income taxes	(274)	(407)	3	(678)	(254)	(343)	1	(595)	-12.2%
NET PROFIT	942	973	(11)	1,904	923	951	(3)	1,871	-1.7%

⁽¹⁾ Pro forma consolidated profit or loss statement on a twelve months basis for Essilor and Luxottica.

⁽²⁾ 2018 and 2017 profit or loss is presented on an adjusted basis in accordance with the unaudited pro forma consolidated financial information. The reported accounts and a reconciliation of the reported accounts to the adjusted accounts is included in the unaudited pro forma consolidated financial information. A description of the adjusting items is reported in the following "Adjustment description" section.

Essilor performance for the full year 2018

Notes

- a. **Like-for-like growth:** Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements in the Essilor 2017 Registration Document.
- b. For a definition of 2017 and 2018 adjusted figures, please refer to section 1.5.1.3.

In 2018, Essilor revenue reached Euro 7,459 million, up 5.1% at constant exchange rates and 4.6% on a like-for-like^a basis.

Gross margin improved by 40 basis points from 58.2% to 58.6% of revenue to reach Euro 4,372 million, due to favorable product mix along with efficiency gains. Product mix improvement was driven by increased volume growth for branded lenses including Transitions®, Varilux®, Crizal® and Eyezen™ lenses. New product introductions, mainly the new Crizal® Sapphire 360°™ lens along with the finalization of the Varilux® X Series™ lens rollout further added to the gains.

The company's operating profit on an adjusted^b basis reached Euro 1,233 million in 2018 or 16.5% of revenue compared to 17.2% in 2017. This decline reflects increased investment in selling, advertising and marketing. Selling expenses focused mainly on service level enhancement programs. The increase in advertising and marketing expenses enabled several initiatives. Firstly, customer acquisition and scale up costs to support rapid growth in the company's e-commerce businesses. In addition, resources were allocated to drive the growth of Transitions® products as well as the prescription lens business in the US. Lastly, the company intensified its investments in new wearer segments, including programs for myopia management and activities related to the company mission such as the "2.5 New Vision Generation™" program.

The improvement in the effective tax rate by 90 basis points to 21.6% is due to the tax on dividends, which ceased in 2018, and a favorable country mix.

The company's adjusted^b net profit declined by 1.9% from Euro 942 million in 2017 to Euro 923 million in 2018.

Luxottica performance for the full year 2018

Notes

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

2 For a definition of 2017 and 2018 adjusted figures, please refer to section 1.5.1.3.

In 2018, Luxottica revenues reached Euro 8,929 million, up 1.5% at constant exchange rates¹ (-2.8% at current exchange rates) with net sales accelerating in the second half of the year, thanks to progressive improvement in Europe's wholesale business.

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

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

The company's operating profit on an adjusted basis² was down by 6.8% to Euro 1,343 million in 2018 (+1.2% at constant exchange rates¹), with an adjusted operating margin at 15.1% down 60 bps (flat at constant exchange rates¹). The adjusted operating margin of the Wholesale division was 22.6% down by 60 bps (+40 bps at constant exchange rates). The adjusted operating margin of the Retail division declined by 20 basis points (+20 bps at constant exchange rates) and amounted to 14.6%.

Net profit for the fiscal year 2018 on an adjusted basis was down by 2.0% to Euro 951 million (+6.7% to over Euro one billion at constant exchange rates¹) due in part to the tough comparison over last year's record level. In 2017, net profit results benefited from non-recurring income related to Luxottica's Italian Patent Box agreement covering 2015 and 2016 and from the impact of US tax reform. Excluding the Euro 159 million impact of these non-recurring items on 2017 results, 2018 net margin would have been 90 bps accretive, benefiting from effective business and financial management. For the second consecutive year, in 2018 the net margin was over the 10% threshold.

Free cash flow generation was Euro 923 million for the twelve-month period ending on December 31, 2018; net of exchange rate headwinds¹, it would have been around Euro 1.1 billion. Net debt as of December 31, 2018 was Euro 428 million, down by approximately 42% compared to the same period last year, with a net debt/adjusted EBITDA ratio going down to 0.2x.

Adjusted measures

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

The combination of Essilor and Luxottica (the "EL Combination"), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted ("adjusted measures"). In particular, management adjusted the following measures: *Gross profit*, *Operating expenses*, *Operating profit*, *Profit before taxes* and *Net profit*.

Moreover, to take into account the EL Combination that occurred in 2018, the adjusted measures for the years 2017 and 2018 are presented on a pro forma basis. Such adjusted pro forma measures are explained in detail and reconciled to their most comparable pro forma measures in the Unaudited Pro Forma Condensed Consolidated Financial Information.

In 2017 and 2018, adjusted pro forma measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination; and (ii) other adjustments related to transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group's performance. These adjustments are described below.

For the year 2018

- Non-recurring *Cost of sales* for € 27 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *Selling expenses* for € 7 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *General and administrative* expenses for € 271 million associated with the following impacts:
 - o transaction costs related to the EL Combination for € 150 million: of which € 128 million incurred in 2017 (€ 109 million by Essilor and € 19 million by Luxottica) and € 22 million incurred in 2018 (€ 11 million by Essilor and € 11 million by Luxottica),
 - o non-recurring costs of € 77 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the € 5 million adjustment related to the valuation of Essilor's share based payments,
 - o restructuring and reorganization expenses for € 49 million (of which € 33 million incurred by Essilor and € 16 million by Luxottica),
- Non-recurring expenses for € 36 million accounted for in *Other income / (expenses)* including:
 - o loss on assets disposal for € 5 million following the request from the Turkish Antitrust authorities to divest Essilor's subsidiary, Merve, as a condition precedent to approve the EL Combination,
 - o net loss impact of the change in Essilor's consolidation scope of one entity for € 24 million,
 - o net negative impact of € 5 million related to Essilor's other non-recurring transactions
 - o distribution by Essilor of exceptional bonuses to French employees for € 2 million.
- *Cost of net debt* is adjusted for € 5 million corresponding to a non-recurring financial expense linked to early repayment of Luxottica's debt.

- *Income taxes* are adjusted for an amount of € (72) million corresponding to the tax effect of the above-mentioned adjustments for € (25) million and to a non-recurring tax income of € (47) million recorded by Essilor.

For the year 2017

- Non-recurring *Cost of sales* for € 58 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *Selling* expenses for € 38 million associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *General and administrative* expenses for € 259 million associated with the following impacts:
 - o transaction costs related to the EL Combination for € 150 million: of which € 128 million incurred in 2017 (€ 109 million by Essilor and € 19 million by Luxottica) and € 22 million incurred in 2018 (€ 11 million by Essilor and € 11 million by Luxottica),
 - o non-recurring costs of € 45 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the € 2 million adjustment related to the valuation of Essilor's share based payments,
 - o restructuring and reorganization expenses for € 53 million (of which € 33 million incurred by Essilor and € 20 million by Luxottica),
 - o other non-recurring expenses for € 13 million mainly related to Essilor's one-time contribution to mission-related programs focused on eradicating poor vision worldwide for € 5 million and to Luxottica's top management departure indemnities for € 8 million.
- Non-recurring net income of € 35 million accounted for in *Other income / (expenses)* including the following items:
 - o capital gain for € 57 million on the sale of two properties owned by the Group (of which € 9 million recognized by Essilor and € 49 million by Luxottica),
 - o one-time Essilor's contribution for € 14 million to mission-related programs focused on eradicating poor vision worldwide,
 - o other Essilor's non-recurring with net negative impact for € 8 million.
- *Cost of net debt* is adjusted for € 30 million corresponding to a non-recurring financial expense linked to the early repayment of Luxottica's loans.
- *Income taxes* are adjusted for an amount of € (345) million corresponding to the following:
 - o tax effects of the above-mentioned adjustments amounting to € (94) million,
 - o a one-time deferred tax profit linked to the US Tax reform adopted by the US Congress in December 2017 for a total amount € (172) million for the Group (of which € 73 million recognized by Essilor and € 99 million by Luxottica),
 - o a one-time tax benefit from the Patent box for € (60) million arising from an agreement signed by Luxottica with the Italian Revenue Agency in November 2017,
 - o a one-time gain from the refund of the 3% dividend tax in France, net of one exceptional tax for € (19) million recorded by Essilor.

The adjusted measures referenced above are not required by International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and endorsed by the European Union. The Group believes that these adjusted measures: (i) are useful for management and investors to assess the operating performance of the Group and to compare it to other companies operating in the same sector, and (ii) provide an additional view of the results, excluding the effect of elements that are unusual, infrequent or unrelated to normal operations. Furthermore, adjusted measures may not be comparable to similarly titled measures used by other companies.

Free cash flow information is also included in this Management Report. Free cash flow is a non-IFRS measure the Group believes useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in the industry. Free cash flow is not meant to be considered in isolation

or as a substitute for items appearing in the Group's financial statements prepared in accordance with IFRS. Free cash flow is defined as net cash from operating activities less purchases of property, plant and equipment and intangible assets.

ESSILORLUXOTTICA'S BALANCE SHEET AND CASH FLOW STATEMENT

Goodwill and intangible assets arising from the combination of Essilor and Luxottica

The consolidated financial statements of EssilorLuxottica reflect the acquisition of Essilor by Luxottica (cd *reverse acquisition*), therefore Essilor's assets and liabilities were measured at fair value as of the date of the contribution of Delfin's shares (October 1, 2018). Any difference between the consideration transferred and the fair value of Essilor's assets acquired and liabilities assumed has been recorded as goodwill (€ 19.5 billion). Intangible assets amounting to € 10.8 billion were also recognized as a result of the combination. They mainly refer to technologies, trade names, trademarks, brands and customer relationships.

Net debt

The procedures for calculating the net debt are explained in Note 22 – Financial debt to the consolidated financial statements.

EssilorLuxottica's net debt reached € 1.9 billion at December 31, 2018 *versus* € 2.4 billion at the end of 2017, leading to a material reduction in financial leverage. Net debt at the end of 2017 was calculated starting from the unaudited pro forma condensed financial information included in the Update to the 2017 Registration Document filed on September 28, 2018.

Free cash flow

The combined free cash flow of the Group for the year ended December 31, 2018 is Euro 1,829 million.

SUBSEQUENT EVENTS

Public exchange offer for Luxottica shares

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

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

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

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

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

Acquisitions and partnerships

No significant transactions.

Since January 1st, Essilor has pursued its strategy of forging partnerships with local optical market leaders with two transactions. See section “Essilor in 2018”.

Other events

None.