

Conference Call
Essilor Third-Quarter 2018 Revenue
October 22, 2018

Conference Coordinator

Good morning, ladies and gentlemen, welcome to the Essilor Third-Quarter 2018 revenue presentation. Today I am pleased to present Mr. Hubert SAGNIÈRES, Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

Good afternoon, everyone. I am here with Laurent, Hillary, Veronique and her team to welcome you to our Q3 conference call. This call will comment on the performance of Essilor International, and only Essilor, because as you know the Q3 revenue to the end of September refers to a period which is prior to our combination with Luxottica, and as you have seen, Luxottica is still a separate listed subsidiary of EssilorLuxottica group for now, has published its own separate press release today to comment on its Q3 performance.

You have seen our Q3 results, one of our best quarters in recent history, and I am sure you have also noticed the acceleration of our organic growth very consistently over the last two years, quarter after quarter. Let me tell you that here we have a lot of smiles and a lot of energy, because this is a great achievement by all the Essilor team under Laurent's leadership. While I was very busily engaged with the merger, Laurent VACHEROT and his team have done an outstanding job to bring back Essilor's performance to its highest level.

That being said, by way of introduction, I will share with you my analysis, my view on this outstanding performance. Firstly, this illustrates the growth momentum of the ophthalmic market, at high-end, mid-tier and entry level, the three segments in which Essilor is actively present. This market momentum, as you know, is itself driven by acceleration in the prevalence of every eye defect, as well as increasing consumer awareness of the need to correct and protect their vision. This increased awareness is in turn the result of all the initiatives taken by Essilor to expand demand everywhere in the world.

Therefore, Essilor leverages its market momentum by implementing a growth strategy, first of all, on the deployment of its brand and business model at every price point, from Varilux® and Transitions® to the high end, to 2.5 NVG at the entry level, and with many intermediate solutions in the mid-tier. We are developing the distribution of these solutions both online and offline, because today's consumer switches constantly from one to the other. We do the same with our sun brands, which focus on mid-tier or premium mid-tier, because that is where the biggest market volumes can be found.

The second key pillar of our growth strategy, which is even truer this year, is our innovation at every price point. Laurent will share with you the great success of our products which were launched at the end of 2017 and in 2018. We launch the lenses and the frames that the optical market desires, and we constantly innovate on designs and visual solutions. However, as you know, all these strategies and actions we have implemented directly derive from the Essilor mission of improving lives by improving sight, which has been enlarged since October 1st, into the mission of the EssilorLuxottica Group – See More, Be More and Live Life to its Fullest.

We are now accelerating all our projects around the world step by step, accomplishing our goal of eradicating poor vision from the world by 2050. You know our business model Eye Mitra in India or in Bangladesh, but now we have developed similar models in Africa, mainly under the name Eye Rafiki in Kenya. Now, starting this year, we are training thousands of Mitra Mata in Indonesia to improve vision.

We are also hosting the first Mitra Mata convention this week in Medan in Sumatra, and these will graduate and develop their optical businesses locally.

Other key events following our mission include a meeting this week for the first time, where we hold the first joint event between Essilor and Luxottica – between the Essilor Vision Foundation and OneSight, the Luxottica Foundation – to screen and equip hundreds of people in need of better vision in Thailand, and more specifically, in refugee camps at the border of Myanmar.

Therefore, there have been a lot of actions, there is a great team and there are outstanding products and brands. Essilor, at the end of Q3, is stronger than ever and ready to work with the whole Luxottica team to build, together, the leader that the optical industry needs.

Mr. Laurent VACHEROT - Deputy Chief Executive Officer of Essilor International (SAS)

Good morning and good evening, everyone. I will share with you the results of all the teams, not just mine. I will share my reading of Essilor's performance at the end of this Third Quarter, and I will also give you some perspective for the end of the year and for 2019.

Basically, in Q3 we saw the continuation, with some acceleration, of the positive trend I explained to you in July when commenting on the H1 figures. Our growth strategy continued to create value and, in a nutshell, in a few key highlights of Q3, we had strong momentum in the US, an improvement in Europe, solid double-digit growth in China, and high single-digit growth in Brazil. At the moment, fast-growing markets, which are led in Latin America by Ernesto Diaz and in Amera by Eric Bernard, represent a solid contributor to the growth of the group. It is now 25% of total sales in Q3, and growing in double digits.

Sun and Readers which is a division led by Eric Thoreux, we have delivered a record quarter, growing by 11%. The e-commerce division led by Bernhard Nuesser, will close at € 500 million this year, growing by about 15% on a steady and regular basis. The bolt-on acquisition strategy has been reactivated, with a long list of very interesting potential targets.

Regarding the figures, Q3 sales reached € 1.8 billion or a bit more, up 4.4% on a reported basis, with 5.6% ex-currency, and like-for-like growth reached 5%, well above the Essilor annual objective of around 4%. Therefore, with like-for-like growth of 4.3% in the first nine months, we are confident that Essilor will reach its full-year guidance with respect to its scope of consolidation as of 30 September.

I would now like to give you some highlights of key business successes sustaining Essilor's current and future dynamics. Regarding the lens business, led by Paul du Saillant, we continued to benefit from the ongoing traction of our key products, with Crizal®, Varilux® and Transitions® volume accelerating growth in Q3, all growing by mid-single-digits in Q3. We need to thank Norbert Gorny, the head of R&D and Chrystel Barranger, the new head of Transitions Optical, thanks to whom we see the dynamics of the new products.

Innovation continues to be a key driver for Essilor's growth, and actually, Essilor innovation has again been recognized this year at the Paris Optical Fair, called the SILMO, with two awards. We do not speak a lot about instruments and equipment, but this time we got an award for a new refraction instrument called Vision-R™ 800. These are the machines at you see at the optometrist, ophthalmologist or optician when you go to have an eye test, with which they measure your eyes and define what prescription you need.

This new device, which was invented by the instrument division led by Christophe Condat, is around two times faster and 25 times more accurate than the existing equipment. This equipment has also made eye exams more consumer friendly and far less dependent on the operator than all the others. You may ask why I am speaking about this instrument now, but quite honestly, the growth of our industry, as you know, is linked to awareness and also to improved access, and with such equipment we can drastically improve access in fast-growing markets, but also, because of more precise measurement, in all markets. Therefore, with this equipment, we will progressively increase access to eye exams in the

coming years and provide more precise prescriptions, which is a totally unmet need at the moment and extremely important for properly managing the evolution of the eye.

The second innovation to receive an award is a product, a new lens called BLUV® Xpert, and this new lens offers protection against UV and bad blue light at a more affordable price, totally in line with the Essilor strategy to bring innovation at every price point to the benefit of most consumers. Actually, since the invention of Crizal® Previncia™, which was the first clear blue protection lens, five years ago, we have invented and put on the market all the products at every price point for blue and UV protection.

Looking now at the geographies, all the teams led by Arnaud Ribadeau Dumas in China posted solid double-digit domestic growth, both in Essilor lenses at the high end, but also at the mid-tier of the market served by our partner. We are starting to speak more and more about myopia, which I will return to at the end. The solution for myopia management provided an extra boost this quarter, alongside the consumer rebound in Latin America and strong growth in large countries like Turkey and Russia, markets that are growing rapidly at double digits.

Looking at Europe, which is led by Henrik Sjögren, who entered the Essilor Group one and half year ago, I will mention the solid growth in France, Northern Europe and Eastern Europe, and better momentum in Germany. Regarding Northern Europe, we benefited from a very fruitful partnership with a leading regional chain called Synsam. This chain is positioned to promote added-value vision solutions, and we agreed jointly to invest in marketing to raise consumer awareness, and not only are we growing rapidly with this retail chain, but the strategy has also had visible traction on the rest of the market. We just started to deploy the new Crizal® Sapphire™ in Europe during the quarter, so this should be a strong growth generator for the coming quarters.

We had a change of leadership in the US during the summer, with Eric Léonard coming back to France to take the role of Chief Integration Officer on the Essilor side for this beautiful combination we will build, and Rick Gadd became the President of Essilor America during the summer. What we see in the US at the moment is, first of all, a market which is recovering with much better dynamics, volume in Q2 growing at 2%. I am speaking about the market. We do not yet have the figures for Q3, but this tendency should be sustained. We continued the maintenance of the Ultimate Lens package strategy we launched a year ago, combining Crizal® and Transitions®, and either with Varilux® and Eyezen™. Therefore, Myopes or Presbyopes consumers have access to full benefits on the same lenses, and the interesting effect of this offer is that it has driven strong growth volume for all our brands in the US: Varilux® and Transitions® volumes are up by solid single digits in Q3.

We have also continued to build the “Essilor Experts” network, and are now close to 4,000 optometrists Top Class, which means we have nearly doubled the number of Essilor Experts in the last nine months, which is very promising for growth at the end of the year and in 2019. We also signed a very interesting commercial partnership with UnitedHealthcare Vision, one of the leading vision managed care providers in the US, and part of the largest health insurers in the US. We will help UnitedHealthcare Vision to provide greater choice and access to more of its 20 million plan members. This is a very promising initiative.

Regarding Sun and Readers, division led by Eric Thoreux, the division is moving fast, growing at more than 11%. We continue to successfully develop the Bolon™ brands, not only in sunglasses but also in optical frames, which will help the division to become more balanced between the sun season and the rest of the year in terms of sales, but also to be more efficient from a production standpoint, because they can move production. 30% of Bolon™ turnover consists of optical frames which are sold in a quickly-expanding number of points of sale in China. We increased the number of stores by 100 in the last nine months with MJS, our retail organization in China, to reach 1,300 stores in China by the end of September, so a very strong dynamic in terms of increasing the presence of these brands in China.

Costa® enjoyed a very good season and a diversification of its distribution beyond sports outlets, so they are less dependent on that channel, which in the US is decreasing.

We are “en route” for a record year, all in all, since the creation of this division in 2010, with over 7% like-for-like growth forecast for the full year.

The last business unit is online led by Bernhard Nuesser, where we have seen, quarter after quarter, this division delivering around 15% in like-for-like growth, with the eyeglasses section growing much faster at around 30%. We continued to successfully deploy the Vision Direct™ contact lens brand in Europe, which is now present in 10 countries. However, one success we are very proud of in Q3 is the sharp acceleration of our Indian venture Coolwinks™, tripling revenue from one quarter to the next, and interesting, just by opening access to Coolwinks™ on mobile. This seems obvious, but to that point the Internet sellers were not on mobile. Interestingly, around a third of the consumers were new wearers, demonstrating that by increasing access to vision at an affordable price, we can unleash unmet consumer demand. It is obviously true with the Eye Mitra franchise, and it is also true online.

Finally, on acquisitions, we are resuming the strategy. The pipeline keeps on building as we speak in the context of a still very fragmented market. We have finalised six in the last six months, and you should expect more for the quarters to come.

Therefore, based on the first nine months, Essilor International is well in line with its annual objectives with like-for-like revenue growth of close to 4% and contributions from operations greater than or equal to 18.3%.

I will now give you some flavour regarding the end of the year and 2019. Essilor will obviously continue to develop its strategy of innovation at every price point. You will see a lot of new products in 2019. We have spoken about bolt-on acquisitions. We will also have a new consumer base through the 2.5 NVG inclusive business, strategy building, awareness campaign and mobilization of key organisations.

However, further to that, I would like to share some of the growth opportunities we have decided to address for the next few years. I will just highlight four of them, though there are many others. The first is addressing the fast-developing pandemic called myopia. Five billion consumers will be affected by 2050. How do we accelerate the deployment of existing solutions? How will we improve access for parents and their kids to ensure they are well covered? How will we create more aesthetic and comfortable solutions? How will we scale up the delivery of myopia management solutions? We have created a dedicated team to define and execute on a clear multi-year roadmap to address this pandemic. Regarding the development of the sun prescription market, this is a very underdeveloped category, at around 5% of the total sun market, so we also structured the team and dedicated new resources to accelerate the development of the sun prescription category.

Leveraging opportunities around digital activities is also very exciting. Today, around 200 million consumers visit our websites, our e-commerce, information and brand websites. They come with questions, they show interest in vision and protection, and the question is how to help them to find faster the perfect solution for them and for their need. We have created a team dedicated to solving that issue and taking advantage of that huge potential in order to help those consumers.

Last but not least, there is the development of the photochromic market. We have started to rejuvenate the leading brand, Transitions®, by introducing more colour and more style, but there is a lot more to come in terms of the brand image in order to tap this enormous potential. There will also be exciting products in 2019.

The Essilor teams will also work on a joint project with their peers at Luxottica, ensuring that there is plenty to come in 2019 and that Essilor benefits from a solid dynamic which will continue for the next few quarters.

QUESTIONS AND ANSWERS

Conference Coordinator

Our first question today, comes from Mr. Cédric LECASBLE, from Raymond James. Please go ahead. Your line is open.

Mr. Cedric LECASBLE – Raymond James

Even if it is not the purpose of the call, we are quite advanced in the process of the merger, and some shares have already been transferred. Maybe you can help us understand how you work on a daily basis and what the priority projects are. You gave some priority projects for 2019. Should we understand that sun prescription at Sunglass Hut for instance, could be rapidly deployed? What are the first things you will be doing in common?

The second question would be on the online aspect. Do you see any acceleration in online trends in any countries? Is there any progress on the potential of mobile phone eye exams? Are you waiting to accelerate this at some point in the online market? Did you see anything happening there?

Thirdly, what are your plans to try to make LensCrafters as successful a chain as it was before?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

I will try to answer a few of your questions and Laurent will address the others. This call, as you said, is on the Essilor business and the Luxottica business only. We will have another opportunity to talk about EssilorLuxottica together with the Luxottica team when we meet at the shareholders' meeting in November, and this is where, together with Véronique Gillet and Alessandra Senici and everyone at Luxottica, we may go into more detail on what we can share with you on EssilorLuxottica.

You have certainly seen the press release that we issued a few weeks ago from the board of EssilorLuxottica, and this explains what we are doing, our strategy, and what we are doing in terms of managing the top of the house. The co-CFOs have been named, Hillary Halper and Stefano Grassi, and since then the team has communicated together in a few areas, but it is way too soon to share anything else. We would absolutely prefer to wait until we can share with you what we can share together with the Luxottica team in November.

I will not comment on your point about LensCrafters. There is a lot of information in the press release from Luxottica, and I will let Laurent answer your question on online.

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Regarding acceleration, it is part of the decision we took. India is a key country for us, along with the US, and we also see good acceleration in our sun brand – Bolon™, obviously, but also Costa® and even Foster Grant®, delivering sunglasses at the entry level of the market. Regarding reading glasses, maybe you have noticed that we made an acquisition of a company called Readers.com, and we now own that domain name. This company effectively complements the online activities that FGX had.

You also spoke about the mobile eye exam. You are right – it will unlock and increase access to eye care and prescriptions, and tomorrow in Indonesia we will use that kind of technology in a pilot with Mitra Mata.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

Yes, we are in Indonesia at the end of the week for the first Mitra Mata convention, and part of the training we are doing with those opticians is on a remote form of the refraction part of the eye exam using mobile devices. We have developed that over the past few months. It is a great success in an

environment like Indonesia and absolutely speed increases our ability to reach populations which are remote and not served by traditional opticians.

Mr. Antoine BELGE – HSBC

I have three questions. Firstly, you mentioned that the global market was well-oriented, and you mentioned the prevalence of each eye defect and increasing awareness of consumers. What is your best estimate of the global market growth at the moment? I assume that you are taking market shares. Is it at the expense of larger players like Hoya and Zeiss or of smaller players?

Secondly, you had a very strong performance in sun. How much of that is related to the favourable weather conditions and what is more attributable to your own performance? Finally, relating to the merger, especially the decision to look outside Essilor and Luxottica for the new CEO, what is the rationale for that, and what kind of profile were you looking for? Was it more in terms of a consumer goods company or a healthcare company?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

I will cover the first and third questions, and I will let Laurent cover the performance, because it is really thanks to you and your team that we are showing such great results. The demand in the market is accelerating. The demand for myopic product, for presbyopic solutions is more at the high level of the range. We have always said, 3 to 4%, 2 to 3% for myopia and presbyopia. This is because the demographics are helping us, and also because of the acceleration of the mid-tier specifically in countries where we have been delivering low-end solutions and people are gaining more buying power, and now they are actually equipping themselves with visual solutions. Therefore, in most countries of the world we do see an acceleration in myopia demand and for progressive and other presbyopic solutions.

Your third question was about what we put in the press release, where we were talking about the CEO. First of all, it is not written anywhere that we searched outside. I do not think this is in the press release at all. What was decided was that, before year-end and early 2019, the Board will mandate the Nomination Committee to start a search inside and outside to find the proper CEO to lead EssilorLuxottica. It is way too early, and I have absolutely no indication – I am not part of that committee, by the way – so I will just let them do their work over the next few months. Once they are ready, they will launch their search, inside or outside – nothing has been committed to on this.

Regarding weather conditions, the weather is good, but the business is also good.

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

This shows that, especially in the sun business, we benefitted this year from a much better sun season than last year, but good weather without good teams, good work, good collections, good supply chains and good online sales will not do the job. Yes, it probably helped a little, but I have no estimate and did not spend any time on finding one. Knowing that there was some recovery in Q4 last year especially, Q4 this year is a little more difficult, so this is why we maintained the guidance, even if we were quite a bit above it at the end of September.

There were also a lot of weather events in Q3, especially in the US, so yes, it helped a little, but you should pay more attention to the results of the work of the teams.

Mr. Antoine BELGE – HSBC

I have a follow-up on the market share gains.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

What we see for sure is that we are gaining market share on the biggest market, which is those who are not corrected. Do not think that it is a fight between the key lens makers in any way; maybe because of our innovations we are continuing to grab a few tenths of points on market share, but it is much more the white space where we are getting new consumers, either online or in traditional street stores. Myopia and presbyopia are accelerating, so it is more about that than about a fight for share between Zeiss, Hoya and Essilor.

Mr. Michael JUNGLING – Morgan Stanley

I have three questions, the first on North America. Organic growth on a comp-adjusted basis has slowed in Q3, and if this trend were to continue, North America would end up with flat or even negative growth in Q4. Is this something that you are seeing at the moment in Q4 so far?

Secondly, on UnitedHealthcare, when do the revenues kick in, and will it be noticeable to organic sales growth in 2019?

Thirdly, when it comes to margin mix, is the growth composition in Q3 slightly more positive or negative compared to the first half of 2018? There are a couple of puts and takes, and I am not quite sure what way it is going for you.

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Regarding North America, you need to be ready to trust us when we say that growth in the US is very strong. It suffered in Q3 from a decrease in Transitions® outside the group, and that made the figures less dynamic than in Q2. However, Essilor Experts, Varilux®, Crizal® and so on are working well in the US. Looking at Q4, the first weeks of October are good, and they continue to fight not to decrease but to grow in Q4, so there is no indication that they will slow down. We benefited from more Essilor experts, as I mentioned, and we entered Q4 with twice the number we had last year. The new Transitions® was launched at the beginning of Q3, so the dynamics are good, and it is just that, because Transitions® outside the group had poor delivery, they had a poor quarter.

What was the second question?

Mr. Michael JUNGLING – Morgan Stanley

The second was on UnitedHealthcare.

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Those integrations of supply chains between managed care and our networks will take time, so I do not have an exact date, so I will say that it will start to pay in the second half of 2019. Regarding margin, it is too early to say. We see the drivers of growth in the gross margin, Varilux® and Crizal®, going up. It is a little down in sun and readers, but overall we are confident of value creation for Essilor.

Mr. Michael JUNGLING – Morgan Stanley

Maybe I can sneak in a last question on key employee retention. Since you have closed the deal with Luxottica, have you lost key employees since that announcement?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

No, not at all – first of all, it was a month ago. We have key talents who have joined us recently in the Essilor mission, in marketing and in other business units, so no one has left. Everyone is quite excited by what is going on and they want to be part of the adventure.

Ms. Veronika DUBAJOVA – Goldman Sachs

I also have three questions. The first one is the following. Can you quantify the impact on the US growth from this Transitions® decrease? I would just be curious to know what the underlying momentum looked like; it would be very helpful for us to get that colour.

My second question is on the European growth, where after a very strong 2017, 2018 has not been the best of years. How are you thinking in terms of the momentum in 2019 and what, if anything, can you do to accelerate the growth from this very low single digit?

My last question is on the integration committee. Can you comment on when we might get some more details on the management team that is participating in the committee and what their priorities are for 2019?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

I will let Laurent answer the two questions on the businesses.

Regarding the integration committee, it is really too early to give you the priorities. We have mentioned many times the topics we all know we have to work on. Eric LEONARD, who is leading the integration on our side, now that legally he can, is working with the Essilor teams and the top executives worldwide to list all the key projects that could help all of us to generate the 600 million in synergies we mentioned in the press release following the Board meeting on October 1st. However, it is way too early to give you more details on these. We need to let the teams work and really understand what they have to do. You have seen that Essilor is in extremely good shape, and Luxottica has also showed very strong performance. We have no issues to fix, and this is something everybody has to understand. Therefore, we do not have to rush into any specific actions. We need to let the teams get to know each other and understand the strengths of the businesses on each side. My team knows Luxottica very well from a vendor point of view. They are not intimate with them, though they have driven the success of their business, and before jumping on the priorities, they need to know much more about what have been the key drivers of Luxottica's successes. They have to do the same, of course, on the other side – they have to understand how we have driven performance and shareholder value, and this is a process which has only started now, because, before the completion of the merger, before October 1st, it was absolutely impossible, legally, for the teams to exchange information.

Furthermore, we are in the middle of launching the MTO at the end of the week, which is also a legal complication, as not everything is legally authorised between both teams. Therefore, even post-closing, because of the MTO process, we are still in a lot of regulatory constraints, which allows the team to do things but not always everything they wanted to do.

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Regarding your question about the impact in the US of Transitions® out of group, I wanted to remind everyone that Transitions® is doing well; we are just speaking about a specific situation in North America in Q3, but overall, Transitions®, in group and out of group, is improving quarter on quarter.

Regarding the impact question, the impact we have estimated is 0.3%, so North America would have been at 4.2% in Q3 without that specific event, which is quite in line with, or even better than, the first half, so the dynamics in the US are good at the moment.

Regarding Europe, we said that normalised growth of between 1% and 2% is what we can expect in the long run, so it is close to 1.4% in Q3 and was at 1.1% in Q2. Therefore, when the teams deliver 1.4%, 1.5% or 2%, it is a good job and that is what we expect from them on a regular basis, so that is what we also expect for 2019.

Did that answer your questions, Veronika?

Ms. Veronika DUBAJOVA – Goldman Sachs

Yes, that is very helpful, and I want to follow up on the integration committee and your comments there. Is it fair to assume, given this, that while you are very excited about the synergies, the contribution will probably be very minimal in 2019? Is that the right conclusion to take from the timelines you are discussing?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

Veronika, I do not even know. I tend to say yes, so that we will give you good news at the end of 2019, as we are giving good news about Essilor with all our results. However, on the other side, once we are able to implement everything, we know that we can deliver significant growth synergies, and there are a lot of low-hanging fruit as far as cost synergies go. Therefore, consider it to be minimal in your thinking, and I hope we will be able actually to deliver better news next year.

Mr. Julien DORMOIS - Exane

I also have three questions. The first one would be on Latin America where you had spectacular growth in Q3, and this was in spite of much tougher comps in the region. I was just curious to hear your thoughts about the reasons behind that. We remember that at some point you had pushback from customers, especially in Brazil. Does that mean that most of these customers have come back and are generating significant growth for you? Is that the main reason?

The second question is on the sun and readers division, which had quite a strong performance again in Q3. What would be really helpful would be if you could provide a bit more colour between the various brands that you have in this business. I just want to understand whether Bolon™, for example, is significantly outperforming FGX or is it Costa® driving. An indication of how those brands are growing would be really helpful.

The last one is just on housekeeping. It was mentioned in the press release that you have just disposed of a subsidiary in Turkey to satisfy the antitrust authorities. Are we talking about something not really meaningful in terms of sales, like a mid-single-digit million euros or something?

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Those are great questions. I will start with the one on Turkey. Looking at the size and ambition of EssilorLuxottica, we will have to dispose of € 20 million sales, so I do not think it is significant. Being able to build that combination going through 22 or 23 authorities across the world, on the contrary, is an amazingly good performance, in terms of being able to go through that process. I am sorry about the Turkey disposal, if I may say so, but the impact is minimal.

Regarding sun and readers, there are basically three blocks in this division. There is Foster Grant in the US, with mid-single-digit growth quarter after quarter, there is Costa® in the US, which is closer to 8% to 10%, even 11% this quarter, and you have China with Bolon™ and MJS, which are showing strong double-digit performance, at around 30% for Bolon™ and more than 10% for MJS. Therefore, that is a totally different dynamic, and obviously the weight of FGX in a mature market like the US, at 3% or 4%, is very good.

I am told that I made a big mistake; Costa® is 15% in Q3, so apologies to the Costa® team – they did a great job. That gives you the differential dynamics and so on.

Regarding Latin America, we have seen a recovery in Brazil, and this is for two reasons. Firstly, the head, Tadeu Alves, retired a year ago after good growth in terms of our position in Latin America, and Ernesto Dias joined a little less than a year ago and brings all his experience from Europe and a new model for growth. He and his team have been able to renegotiate and rediscuss with the

ophthalmologists and some customers on how to grow this wonderful market together. They have found a recipe that has started to show results, and they will continue.

Following a difficult time in Mexico last year, with the earthquake and so on, we have a good dynamic, and in Argentina as well, with Chile and Colombia seeing single-digit growth at the moment, so it was a great recovery overall. We moved a lot of teams inside Latin America, which always brings the benefit of new members and new leaders to provide some new levers for growth. Does that answer your questions?

Mr. Julien DORMOIS - Exane

It does. I have a quick follow-up on Costa[®]. 15% is quite impressive. Is it based on the extension of their access to retail? I think it was mentioned in the press release that they are now addressing the regular optical shops. Is that the key reason behind this strong growth?

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Yes, and that is true for most of the brands, because they developed optical frames in their brands and are more dependent on optical and on e-commerce and less on the sports channel, which is going through difficult times. We also have to remember that this suffered a lot in the hurricane last year in Florida, as the eastern part of the US is a big part of their business, so the 15% was some help. We will take the 15% and go with it.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

I will add something on Costa[®]. It is a totally unique brand in the landscape of sunglasses due to their marketing, which is very different from that of all the other sunglasses brands. They have developed their business with specific targeting marketing for communities – communities of fishermen, of people enjoying water activities, of people who want to clean the ocean of all plastic bottles and so on – and the marketing that developed really targeted those communities for the past six or seven years. It is really paying off, specifically on all those digital communities of younger generations who are interested in the specific positioning and the marketing activities of Costa[®]. Earlier this year and last year they won a lot of specific awards in terms of community brands and so on, and this does differentiate this brand from all the others that exist in sunglasses. I think we see the results of that.

Mr. Domenico GHILOTTI – Equita Sim

I understand that you are not sharing the detailed synergies before the presentation in November, but I am trying to get some colours on how the integration is progressing and the relationship between the top management teams and the two leaders.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

We had a Board of Directors meeting, as I explained, in October, and all the teams at various levels started to work within the boundaries of what can be done after a merger, but also when we were preparing the MTO, so we are learning from each other, trying specifically to understand how the Luxottica business is operating. We are sharing with them how our business is operating, so we have those types of relationships between the top management of each company.

You will know more when you see all of us and when we share a little more at the shareholders' meeting in November.

Mr. Domenico GHILOTTI – Equita Sim

Regarding the dual listing, have you taken any decision on this?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

There is no dual listing at all, as has been said in the document linked to the MTO at the end of the week. This is what I am told.

Mr. Domenico GHILOTTI – Equita Sim

Therefore, it is the final decision that there will be no opportunity to change what has been decided.

Mr. Hubert SAGNIÈRES - Executive Vice Chairman of Essilor Luxottica and CEO of Essilor International (SAS)

You will see all of that in detail in the document when we publish the prospectus for the MTO at the end of the week. It is on Friday, actually.

Mr. Ed RIDLEY-DAY - Redburn

Stepping back a little, thank you for your guidance on retail in terms of the scope and the acquisitions you have done. If we are now thinking that everything is done, regarding the legacy Essilor position, you might be thinking more of the 2% to 4% growth you had from acquisitions and vertical integration historically. Would that be the right way to think about it?

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

Do you mind rephrasing your question?

Mr. Ed RIDLEY-DAY - Redburn

Yes. I am just asking about the acquisitions you are starting to pick up again following the enforced absence from doing deals for the last year and a half. How should we think about this? Historically you were quite active. Should I be thinking, at least from a standalone Essilor basis in terms of what you have been doing historically, about quite a quick return to that level of acquisitions in terms of the sort of money we saw invested?

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

If you mean whether the teams are active to accelerate the closing of some deals around the world in different categories, yes, they are. We need to be two in order to close a deal, and for more than 18 months we slowed down or stopped, so we have to reactivate the file. However, there are targets, especially in fast-growing markets, and also in instruments and the optometry division and some e-commerce. Therefore, you will see Essilor going back progressively to what it was normally doing as a standalone, but maybe a little more retail in fast-growing markets in order to accelerate the introduction of innovations and increase access. Maybe we could reach 2% or 3% Essilor scope stand-alone we could reach in the coming two years.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

This is linked to our strategy of developing our mission everywhere. There are still a lot of countries and areas where we are totally under-represented, and where we need eventually to structure the retail networks a little differently, where we believe there are regions in which we need mid-tier sunglasses

brands to accomplish our mission in those regions. Therefore, all the strategies we have developed in terms of innovation and growth is really the continuation of the Essilor mission rephrased as the EssilorLuxottica mission. Now that we can do that, we are post-closing, in a nutshell, and we have a lot of green lights everywhere in terms of antitrust, so we will definitely go back to our strategy of developing our business thanks to bolt-on, mid-size or larger acquisitions to accomplish our mission of eradicating poor vision everywhere in the world.

Mr. Laurent VACHEROT – Deputy Chief Executive Officer of Essilor International (SAS)

Just to remind you, the two strong ratings EssilorLuxottica received on 2 October show that we have the means and the resources to make it happen.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

We have the power to develop our mission everywhere. This is what you are saying.

Mr. Ed RIDLEY-DAY - Redburn

You do indeed have the power to look everywhere. You could argue that the European retail market is pretty fragmented.

Mr. Hubert SAGNIÈRES - Executive Vice-Chairman of EssilorLuxottica and CEO of Essilor International (SAS)

I am not commenting on the European market. I am commenting on our global mission everywhere in the world for 7.3 or 7.4 billion people.

I do not think we have any more questions. Thank you for your comments and your questions. I am sure you are as happy as we are about the momentum and the level of energy we all have. Thanks to everyone, to all the Essilor members, and I want to conclude by giving a big welcome to all the Luxottica members everywhere in the world. Now we are a team of 140,000 or 150,000 people around the world under the same mission, developing our strategy to build a strong leader in the optical industry, which really needs a strong voice.

I will be very happy to see some or all of you at our shareholders' meeting on November 29, somewhere in Paris. Thank you very much.