

2018 pro forma¹ results

Solid growth, sound profitability and cash flow A robust foundation for EssilorLuxottica

- Pro forma¹ revenue: +3.2% at constant exchange rates³
- Pro forma¹ adjusted² operating profit: 15.9% of revenue
- Pro forma¹ adjusted² net profit: 11.6% of revenue
- Combined free cash flow⁸: Euro 1.8 billion
- Dividend recommendation: Euro 2.04 per share
- Confirmation of Euro 420 to Euro 600 million net synergy target at operating profit level within five years

Charenton-le-Pont, France (March 8, 2019) - The Board of Directors of EssilorLuxottica met on March 7, 2019 to approve the financial statements for 2018. The 2018 IFRS consolidated financial statements were audited by the Statutory Auditors whose certification report is in the process of being issued. The Board of Directors has also approved the unaudited pro forma¹ consolidated financial information, which has been prepared for illustrative purposes only.

"We are proud to present strong Luxottica and Essilor combined results. The contribution of Luxottica is significant: net sales, profitability and free cash flow all show positive growth, excluding the exchange rate effect. From a qualitative standpoint, its simplicity, entrepreneurial spirit and speed of execution continued to pay off. Today, Luxottica is well organized and energized for its future as part of EssilorLuxottica. We come to the integration process in the best possible way, bringing with us the most beloved brands, excellent operations capabilities and a digitized business inside and out. Our legacy will continue to grow in this way for years to come. Once we are fully integrated with Essilor and our synergies have taken effect, together we will redefine a revolutionary service model for the benefit of wholesale partners and consumers everywhere," commented Leonardo Del Vecchio, Executive Chairman of EssilorLuxottica.

"Since EssilorLuxottica was formed on October 1, 2018, it has fully embraced its mission to help people see more, be more and live life to its fullest. To reach this powerful goal, the Group can rely on an outstanding performance from Essilor, which delivered strong business growth at all its divisions in 2018 and surpassed its growth targets for the year while continuing to work on numerous innovations that will benefit the entire ophthalmic optics and eyewear industries. These achievements reflect the vibrant culture of entrepreneurship within Essilor and the creativity of its employees, whose interests are fully aligned with those of shareholders thanks to employee share ownership at every level of the company. This powerful value creation model will facilitate the generation of synergies going forward and will be rolled out across the entire EssilorLuxottica Group," said Hubert Sagnières, Executive Vice Chairman of EssilorLuxottica.

2018 pro forma¹ adjusted² operating and net income

In million of Euros	2018	2017	Change %
Revenue	16,160	16,349	-1.2%
Adjusted² gross profit	10,172	10,314	-1.4%
% of revenue	62.9%	63.1%	
Adjusted² operating profit	2,572	2,703	-4.8%
% of revenue	15.9%	16.5%	
Adjusted² net profit	1,871	1,904	-1.7%
% of revenue	11.6%	11.6%	

EssilorLuxottica reported pro forma¹ revenues of Euro 16,160 million, up 3.2% at constant exchange rates³. Essilor and Luxottica both contributed to the positive performance. Business improved across all regions, proof that the strategic initiatives and growth projects are paying off. The pro forma¹ gross margin on an adjusted² basis was slightly down to 62.9%. The pro forma¹ operating profit on an adjusted² basis reached Euro 2,572 million in 2018, an increase of 1.2% at constant exchange rates³. Pro forma¹ adjusted² operating margin ended the year at 15.9% almost flat at constant exchange rates³. The pro forma¹ net profit on an adjusted² basis was down by 1.7% to Euro 1,871 million. Adjusted² net margin held at 11.6%.

Net debt as of December 31, 2018 was Euro 1.9 billion, a testament to the Group's ability to generate significant cash flow.

2018 pro forma¹ revenue by operating segment

In millions of Euros	2018	2017	Change at constant rates ³	Currency effect	Change (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%
Equipments (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%
Total	16,160	16,349	+3.2%	-4.4%	-1.2%

2018 pro forma¹ revenue by geographical area

In millions of Euros	2018	2017	Change at constant rates ³	Currency effect	Change (reported)
North America	8,400	8,556	+2.6%	-4.4%	-1.8%
Europe	4,040	4,063	+1.3%	-1.9%	-0.6%
Asia, Oceania and Africa	2,691	2,638	+6.6%	-4.6%	+2.0%
Latin America	1,028	1,092	+6.5%	-12.4%	-5.9%
Total	16,160	16,349	+3.2%	-4.4%	-1.2%

Essilor: 2018 results and highlights

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 Euro 7,459 million, up 4.6% from the previous year on a like-for-like⁴ basis, including 5.7% in the fourth quarter. This was well above the initial target of delivering like-for-like⁴ growth 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.

Other highlights of the year included:

- Dynamic growth at the Lenses & Optical Instruments division, where revenue rose 4.2% like-for-like⁴, 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-like⁴. 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 rates³ of more than 10% in fast-growing countries⁵, 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 Euro 68 million
- A healthy financial position that allowed the company to substantially reduce its net debt

Gross margin expanded from 58.2% to 58.6%, as gross profit reached Euro 4,372 million. It was boosted by efficiency gains, by a favorable trend in the product mix, particularly thanks to solid growth in sales of Transitions®, Varilux®, Crizal® and Eyezen™ lenses, and by new products, including the launch of the Crizal® Sapphire 360°™ antireflective lens and the completion of the Varilux® X Series™ progressive lens rollout.

Adjusted² contribution from operations⁶, the company’s previous key performance indicator of profitability, reached 18.1% of revenue even as investments in new and buoyant segments were stepped up.

On a pro forma¹ basis, the adjusted² operating profit reached 16.5% of revenue.

The effective tax rate on an adjusted basis² decreased by 90 basis points, to 21.6%, thanks to the elimination of the tax on dividends and to a favorable geographic mix.

Adjusted² net profit came to Euro 923 million compared with Euro 942 million in 2017.

Luxottica: 2018 results and highlights

2018 was another year of growth for Luxottica with consolidated sales over Euro 8,929 million, up 1.5% at constant exchange rates³ (-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.

Both Luxottica's 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 rates³ due to a tough comparison with 2017 where sales were up 13.4% at constant exchange rates³, and with the cumulative growth of the last three years which was 27% at constant exchange rates³.

Once again, Ray-Ban led the performance in every segment and region thanks to a strong global communication strategy and integrated omnichannel brand management.

While Wholesale sales were Euro 3,194 million, down 1.1% at constant exchange rates³ (-5.2% at current exchange rates), they showed a sequential improvement 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 rates³ (+2% at current exchange rates) in the last three months of the year, confirming the value of the initiatives undertaken. Luxottica 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 rates³ (-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 sales⁷ (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 rates³ with a positive contribution from all geographies. LensCrafters sales in North America were in line with last year.

In 2018, sales from Luxottica's e-commerce platforms, representing approximately 5% of total sales, were up 14% at constant exchange rates³. Ray-Ban.com confirmed it is the main driver of the group's online business.

Net profit for the fiscal year 2018 on an adjusted basis² was down by 2.0% to Euro 951 million (+6.7% to over Euro one billion at constant exchange rates³) 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 profit³ would have been 90 bps accretive, benefiting from effective business and financial management. For the second consecutive year, net margin was over the 10% threshold in 2018.

Free cash flow⁸ was Euro 923 million and, net of exchange rate headwinds, would have been around Euro 1.1 billion³, while net debt decreased by 42%, driving further improvement of the group's net debt/adjusted EBITDA² ratio to 0.2x.

For further details on Luxottica's strategic initiatives and disclosure of its standalone FY2018 results as well as fourth quarter sales, please refer to the appendix.

Synergies, integration and governance

EssilorLuxottica has the opportunity for significant value creation through revenue and cost synergies which, with the current set up, are expected to range from Euro 420 to Euro 600 million as a net impact on operating profit per annum within the next five years. Revenue synergies are expected in the Euro 200-300 million range, as a result of the capability of EssilorLuxottica to develop innovative and high-quality products optimizing the interaction between frames and lenses, serve the industry better through a broader distribution and a more efficient logistics platform. Cost synergies are expected to come in the range of Euro 220-300 million from the combined supply chain optimization, G&A rationalization and sourcing savings. EssilorLuxottica expects synergies to further accelerate once the Group is operating as a fully integrated structure.

Strategic and business integration matters, along with governance topics, are being considered and worked upon by the management teams of Essilor International and Luxottica, in order to ensure a seamless execution of the synergy plan and the growth strategy of EssilorLuxottica.

Mandatory exchange offer for Luxottica shares

On October 11, 2018, EssilorLuxottica launched a mandatory exchange offer pursuant to the Italian law, for all remaining outstanding Luxottica shares. As a result of the acquisition of Luxottica shares tendered in the offer, on December 5, 2018, EssilorLuxottica reached a stake of more than 90% but less than 95% of Luxottica's share capital. As a result, EssilorLuxottica initiated a sell-out procedure for the remaining outstanding Luxottica shares. 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. In accordance with the rules of the Italian stock exchange, Borsa Italiana ordered the delisting of Luxottica shares from the MTA on that settlement date.

Dividend recommendation

The Board of Directors will recommend that shareholders at the Annual Meeting to be held on May 16, 2019 approve the payment of a dividend of Euro 2.04 per share.

Outlook for 2019

In 2019, the Group is projecting the following, including synergies and at constant exchange rates³:

- Sales growth: +3.5-5%
- Adjusted² operating profit growth: 0.8-1.2x sales
- Adjusted² net profit growth: 1-1.5x sales

Conference call

A conference call in English will be held today at 10:30 am CET.

The meeting will be available live and may also be heard later at:

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

Forthcoming investor events

- May 7, 2019: Q1 2019 sales
- May 16, 2019: Shareholders' General Meeting in Paris
- July 31, 2019: H1 2019 results

- September 18, 2019: Capital Market Day
- October 30, 2019: Q3 2019 sales

Notes to the press release

1 Pro forma: The unaudited pro forma consolidated financial information has been prepared for illustrative purposes only and does not take into account the results of operations and financial condition that EssilorLuxottica would have achieved if the contribution of Luxottica shares by its majority shareholder had actually been realized on January 1, 2018 or January 1, 2017. There can be no assurance that the assumptions used to prepare the unaudited pro forma consolidated financial information are accurate in all respects or that the trends disclosed in the unaudited pro forma consolidated financial information are indicative of the future performance of EssilorLuxottica. As a result, EssilorLuxottica's performance in the future may differ materially from that presented in the unaudited pro forma consolidated financial information.

2 Adjusted measures: Adjusted from the expenses related to the EssilorLuxottica Combination and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance. See detailed amounts in the appendix.

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

4 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.

5 Fast-growing countries include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America.

6 Contribution from operations: Revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).

7 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.

8 Free cash flow is defined in the appendix.

EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed in 2018, its mission is to help people around the world to see more, be more and live life to its fullest by addressing their evolving vision needs and personal style aspirations. The company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and the consumer experience around it. Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux® and Transitions®, and world-class retail brands including Sunglass Hut and LensCrafters are part of the EssilorLuxottica family. In 2018, EssilorLuxottica had nearly 150,000 employees and pro forma consolidated revenues of approximately Euro 16 billion.

The EssilorLuxottica share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices. Codes and symbols: ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.

CONTACTS

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